



Government of Newfoundland and Labrador  
Service NL

December 16, 2015

Mr. Kurt Holland  
Director - Benefits  
c/o Cliffs Natural Resources, Inc.  
200 Public Square, Suite 3300  
Cleveland, Ohio  
USA  
44114 – 2315

Dear Mr. Holland:

**Re: Pension Plan for Bargaining Unit Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company, and Wabush Lake Railway Company, Limited; (the "Plan")  
NL Registration Number 0024699**

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I am writing to you in your capacity as the Plan administrator. Pursuant to subsections 59(1)(b) and (d) of the *Pension Benefits Act, 1997* (the Act), I am terminating the Plan effective immediately. I am aware the federal pension regulator, who is jointly responsible for regulating the Plan is issuing a similar decision based on their legislative authority.

On May 20, 2015, Wabush Iron Co. Limited, Wabush Resources Inc. and certain of their affiliates, including Wabush Mines, Arnaud Railway Company and Wabush Lake Railway Company Limited (collectively the "Wabush Group") were made subject to proceeding under the Companies' Creditors Arrangement Act (CCAA). As part of the CCAA proceeding, payments of special payments have been suspended as of May 2015. In addition, the Wabush Mine has been shut down and substantially all of its employees have been terminated. As a result, I am of the opinion that the Plan has failed to meet the requirements prescribed by the *Pension Benefits Act Regulations* (the Regulations) for solvency in respect of funding as required by section 12 of the Regulations, and that the employer has discontinued all of its business operations

Furthermore, it is my understanding based on recent communication with you and your legal counsel that, although there may be some prospects with respect to the sale of at least some of the Wabush Group's assets, it is highly unlikely that any potential buyer would agree to assume the assets and liabilities of the Plan. Given the Plan's future prospects and its current financial position, I consider that it would be in the best interests of members to terminate the Plan effective immediately.

Based on the above, I declare the Plan terminated effective the date of issuance of this letter, December 16, 2015.

Mr. K. Holland  
December 16, 2015

Subsection 61(1) of the Act provides that upon termination of a plan the employer must pay into the pension fund all amounts that would otherwise have been required to be paid to meet the requirements prescribed by the Regulations for solvency. Under section 25 of the Regulations, this amount is required within 30 days of the date of termination of the Plan.

Additionally, subsection 61(2) of the Act requires that on plan termination the employer shall, as prescribed by the Regulations, pay into the pension fund the amount that is necessary to fund the benefits provided under the Plan. Section 25.1 of the Regulations outlines the rules with respect to the required funding.

Section 32 of the Act sets out rules with respect to the application of the deemed trust upon plan termination.

I wish to inform you that following the termination of a plan, an annual information return and actuarial termination report must be filed with my office pursuant to subsection 60(2) of the Act. Please be advised that funds cannot be transferred until the Superintendent has approved the termination report and transfer in writing. Please refer to the Act and associated regulations and Directives (in particular Nos. 8, 9 and 11) for additional details. The Directives can be found on the Service NL website.

Once the wind-up report has been approved, option statements must be provided to members in accordance with the Act and Directives. However, please note that copies/templates are required by this office prior to approving the termination report. Please refer to the requirements under Directive No. 8 (and any additional requirements under Directive No. 11).

Please inform all Plan members of my decision to declare the Plan terminated effective the date of issuance of this letter, December 16, 2015.

Should you have any questions or concerns please contact me directly at (709) 729-6014.

Yours truly,



Michael Delaney  
Superintendent of Pensions  
Pension Benefit Standards Division

cc: Marthe Brodeur, Cliffs Natural Resources  
Natalie Bussière, Blakes  
Nigel Meakin, FTI Consulting  
Mark Zelmer, OSFI  
Michel Drolet, Regie des rentes



**Unclassified / Low Sensitivity**

OSFI Plan ID: P-W180

December 16, 2015

Mr. Kurt Holland  
Director, Compensation and Benefits  
Cliffs Natural Resources  
1155 University Street, Suite 508  
Montreal, QC H3B 3A7

**Subject: Termination of the Pension Plan for Bargaining Unit Employees of Wabush Mines, Cliffs Mining Company, Managing Agent, Arnaud Railway Company, and Wabush Lake Railway Company, Limited (the Plan)**  
**OSFI Registration Number: 57777**  
*Pension Benefits Standards Act, 1985 (PBSA)*  
*Pension Benefits Standards Regulations, 1985 (the Regulations)*

I am writing to you in your capacity as the Plan administrator. Pursuant to subsections 29(2), (2.1) and (3) of the PBSA I am terminating the Plan effective immediately. The Newfoundland Superintendent of Pensions, in a letter dated December 16, 2015, has also declared the Plan terminated effective as of today.

On May 20, 2015, Wabush Iron Co. Limited, Wabush Resources Inc. and certain of their affiliates, including Wabush Mines, Arnaud Railway Company<sup>1</sup> and Wabush Lake Railway Company Limited (collectively the "Wabush Group") were made subject to proceeding under the Companies' Creditors Arrangement Act (CCAA). As part of the CCAA proceeding, payments of special payments have been suspended as of May 2015. In addition, the Wabush Mine has been shut down and substantially all of its employees have been terminated. As a result, I am of the opinion that the Plan has failed to meet the prescribed tests and standards for solvency as required by subsection 9(1) of the PBSA and sections 8 and 9 of the Regulations, and that the employer has discontinued all of its business operations.

Furthermore, it is OSFI's understanding based on recent communication with you and your legal counsel that, although there may be some prospects with respect to the sale of at least some of the Wabush Group's assets, it is highly unlikely that any potential buyer would agree to assume the assets and liabilities of the Plan. Given the Plan's future prospects and its current financial position, I consider that it would be in the best interests of members to terminate the Plan effective immediately.

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<sup>1</sup> Arnaud Railway Company is a federally regulated railway and is a participating employer in the Plan. The Plan was registered with the Office of the Superintendent of Financial Institutions (OSFI) on March 20, 2015 following a decision issued by the Canada Industrial Relations Board accrediting the union representing Plan members working at the Arnaud Railway Company at Pointe-Noire and Sept-îles, Quebec, under the Canada Labour Code.



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Based on the above, I declare the Plan terminated effective the date of issuance of this letter, December 16, 2015.

Subsection 29(6) of the PBSA provides that upon termination of a plan the employer must pay into the pension fund all amounts that would otherwise have been required to be paid to meet the prescribed tests and standards for solvency referred to in subsection 9(1) of the PBSA.

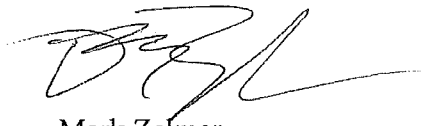
Note that subsection 29(6.1) of the PBSA requires that on plan termination the employer pay into the pension fund the amount that is required to ensure that any obligation of the plan with respect to pension benefits, as they are determined on the date of the termination, is satisfied. Under subsection 29(6.4), this amount is payable immediately on the winding-up of the pension plan, or the liquidation, assignment or bankruptcy of the employer. Subsections 29(6.2) and 29(6.5), as well as subparagraph 8(1)(c)(ii), set out rules with respect to the application of the deemed trust upon plan termination.

I wish to inform you that following the termination of a plan, an actuarial termination report must be filed with my office pursuant to subsection 29(9) of the PBSA. Furthermore, upon termination of a plan, OSFI's approval would be required before the Plan's funds could be distributed. Section VI of OSFI's Instruction Guide titled "Filing and Reporting Requirements for Defined Benefit Pension Plan Terminations" outlines the documents that are expected to be filed with OSFI within 90 days of the termination date.

Please inform all Plan members and stakeholders of my decision to declare the Plan terminated as soon as possible.

If you have any questions you may contact Stephen Reid at 613-990-2537 or Chuck Saab at 613-990-8027.

Yours truly,



Mark Zelmer  
Deputy Superintendent  
Office of the Superintendent of Financial Institutions

cc: Marthe Brodeur, Cliffs Natural Resources  
Natalie Bussière, Blakes  
Michael Delaney, Newfoundland, Superintendent of Pensions  
Michel Drolet, Régie des rentes du Québec  
Nigel Meakin, FTI Consulting



## References – Pension Benefits Standards Act, 1985

## Appendix

### **Subsection 29(2) of the PBSA:**

*Where Superintendent may declare a plan terminated*

29(2) The Superintendent may declare the whole or part of a pension plan terminated where

- (a) there is any suspension or cessation of employer contributions in respect of all or part of the plan members;
- (b) the employer has discontinued or is in the process of discontinuing all of its business operations or a part thereof in which a substantial portion of its employees who are members of the pension plan are employed; or
- (c) the Superintendent is of the opinion that the pension plan has failed to meet the prescribed tests and standards for solvency in respect of funding referred to in subsection 9(1).

### **Subsection 29(6) of the PBSA:**

*Payments by employer to meet solvency requirements*

29(6) If the whole of a pension plan is terminated, the employer shall, without delay, pay into the pension fund all amounts that would otherwise have been required to be paid to meet the prescribed tests and standards for solvency referred to in subsection 9(1) and, without limiting the generality of the foregoing, the employer shall pay into the pension fund

- (a) an amount equal to the normal cost that has accrued to the date of the termination;
- (b) the amounts of any prescribed special payments that are due on termination or would otherwise have become due between the date of the termination and the end of the plan year in which the pension plan is terminated;
- (c) the amounts of payments that are required to be made under a workout agreement that are due on termination or would otherwise have become due between the date of the termination and the end of the plan year in which the pension plan is terminated;
- (d) all of the following amounts that have not been remitted to the pension fund at the date of the termination:
  - (i) the amounts deducted by the employer from members' remuneration, and
  - (ii) other amounts due to the pension fund from the employer; and
- (e) the amounts of all of the payments that are required to be made under subsection 9.14(2).

### **Subsection 29(6.1) of the PBSA:**

*Payments by employer of pension benefits*

29(6.1) If the whole of a pension plan that is not a negotiated contribution plan is terminated, the employer shall pay into the pension fund, in accordance with the regulations, the amount — calculated periodically in accordance with the regulations — that is required to ensure that any obligation of the plan with respect to pension benefits, as they are determined on the date of the termination, is satisfied.



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**Subsection 29(6.4) of the PBSA:**

*Winding-up or bankruptcy*

29(6.4) On the winding-up of the pension plan or the liquidation, assignment or bankruptcy of the employer, the amount required to permit the plan to satisfy any obligations with respect to pension benefits as they are determined on the date of termination is payable immediately.