

Gouvernement du Québec

O.C. 1110-2013, 30 October 2013

Supplemental Pension Plans Act
(chapter R-15.1)

Kruger Inc.
— **Funding of certain pension plans**

CONCERNING the Regulation respecting the funding of certain Kruger Inc. pension plans

WHEREAS, under the second paragraph of section 2 of the Supplemental Pension Plans Act (chapter R-15.1), the Government may, by regulation and on the conditions it determines, exempt any pension plan it designates from the application of all or part of the Act, particularly by reason of the special characteristics of the plan or by reason of the complexity of the Act in relation to the number of members in the plan and prescribe special rules applicable to the plan;

WHEREAS, in accordance with the third paragraph of that section, such a regulation may, if it so provides, have retroactive effect from a date that is prior to the date of its coming into force but not prior to 31 December of the second year preceding the year in which it was published in the *Gazette officielle du Québec* under section 8 of the Regulations Act (chapter R-18.1);

WHEREAS, in accordance with sections 10 and 11 of the Regulations Act, a draft Regulation respecting the funding of certain Kruger Inc. pension plans was published, with a written notice that it could be made by the Government on the expiry of 45 days following its publication, in part 2 of the *Gazette officielle du Québec* on 5 December 2012;

WHEREAS it is expedient to make the amended Regulation;

IT IS ORDERED, therefore, on the recommendation of the Minister of Employment and Social Solidarity:

THAT the Regulation respecting the funding of certain Kruger Inc. pension plans, attached hereto, be made.

JEAN ST-GELAIS,
Clerk of the Conseil exécutif

**Regulation respecting the funding of
certain Kruger Inc. pension plans**

Supplemental Pension Plans Act
(chapter R-15.1, s. 2, 2nd and 3rd pars.)

DIVISION I
APPLICATION

1. This Regulation applies to the pension plans referred to in the appendix as well as every pension plan to which the Supplemental Pension Plans Act (chapter c. R-15.1) applies and whose liabilities include obligations arising from a pension plan referred to in the appendix for service completed prior to 1 January 2010.

2. As of 31 December 2012, a pension plan whose liabilities include obligations other than those arising from a pension plan referred to in the appendix for service completed prior to 1 January 2010 is comprised of two components.

The liabilities of the first component, called the “affected component”, correspond to the portion of the liabilities of the plan related to obligations arising from a pension plan referred to in the appendix for service completed prior to 1 January 2010.

The liabilities of the other component correspond to the remaining liabilities of the plan.

The assets of the plan allocated to each of the components at 31 December 2012 are determined in accordance with the provisions of Division II. As of that date, the pension fund of the plan is therefore distributed between two separate accounts.

3. For the purposes of Chapters X (Solvency and funding), X.1 (Appropriation of surplus assets), XII (Division and merger) and XIII (Rights of members and beneficiaries on winding-up) of the Act, the liabilities of the affected component and the corresponding account of the pension fund are considered to be separate from the liabilities and the account of the other component.

4. The affected component of a pension plan shall be exempt from the application of sections 42.1 and 132 of the Act as well as any other provision of that Act to the extent that it is incompatible with the provisions of this Regulation.

5. Notwithstanding section 39 of the Act, the employer contribution that an employer must pay into the account of the affected component of a pension plan for a fiscal year ending between 30 December 2013 and the date determined pursuant to section 36 is determined according to the provisions of Division III.

If applicable, to that contribution is added the additional contribution provided for under section 1.3.4 of the Entente concernant les exploitations de pâtes et papiers au Québec de Papiers de Publication Kruger inc. et Kruger Wayagamack inc., signed on 28 February 2012.

DIVISION II

DETERMINATION OF THE ASSETS OF THE COMPONENTS

6. At 31 December 2012, for the purpose of determining the solvency and funding of the affected component and the other component of a pension plan:

(1) the assets of the affected component correspond to the amount by which the assets of the plan at that date exceed the assets of the other component of the plan at that same date;

(2) the assets of the other component correspond to the value that those assets would have had, had the component been established on 1 January 2010 with regard to service completed thereafter by the active members of the plan and had the contributions provided for under the Act for that service been paid into the account of the component. Such value must be adjusted to take into account the return on the investment of the plan assets, calculated according to the change in the market value of the assets between 1 January 2010 and 31 December 2012, as well as the benefits and other sums paid during that period in relation to obligations arising from the plan for service completed after 31 December 2009.

For the purposes of paragraph 2 of the first paragraph, the determination of the assets of the other component as at 31 December 2010 and 31 December 2011 are based on the same actuarial assumptions and methods used for the actuarial valuations of the plan at those dates.

7. The contributions referred to in paragraph 2 of the first paragraph of section 6 are determined without reference to Division III.2 of the Regulation respecting the exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act (chapter R-15.1, r. 8).

However, where instructions were given to the pension committee to apply to the pension plan one or more measures provided for under section 2 of the Regulation providing temporary relief measures for the funding of solvency deficiencies (chapter R-15.1, r. 3.1), the contributions are determined in accordance with the provisions of that Regulation.

DIVISION III

EMPLOYER CONTRIBUTION TO AFFECTED COMPONENT

8. The employer contribution that an employer must pay into the account of the affected component of a pension plan during the fiscal year following the date of an actuarial valuation corresponds to the total of the amortization payment determined in respect of the discounted projected actuarial deficiencies for the affected component, as determined on the date of the actuarial valuation, and the special amortization payments payable during the fiscal year.

9. At the date of an actuarial valuation of a pension plan, the discounted projected actuarial deficiency of the affected component of the pension plan corresponds to the value of the projected actuarial deficiency of the affected component as at 31 December 2024, discounted at a rate of 6.5% on the date of the actuarial valuation.

10. At the date of an actuarial valuation of a pension plan, the projected liabilities of the affected component of the pension plan as at 31 December 2024 are obtained by assuming that, between the date of the valuation and 31 December 2024, with regard to solvency liabilities for the affected component as at the date of the valuation, contingencies based on actuarial assumptions as to survival, morbidity, mortality, employee turnover, eligibility for benefits or other factors will occur and by assuming that termination of the plan will occur on 31 December 2024. The actuarial assumptions and methods used shall be consistent with generally accepted actuarial principles and must be suited, in particular, to the type of plan concerned, its obligations and the position of the account of the affected component of the pension fund.

Moreover, the projected liabilities of the affected component as at 31 December 2024, with regard to the benefits of the members and beneficiaries whose pension would be in payment in on that date, are determined using the assumptions for hypothetical wind-up and solvency valuations established by the Canadian Institute of Actuaries as they apply on the date of the actuarial valuation. For the benefits of the other members and beneficiaries, these projected liabilities are determined in accordance with the assumptions and rules referred to in section 67.4 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6), as they apply on the date of the actuarial valuation.

At the date of the actuarial valuation, the projected assets of the affected component as at 31 December 2024 are obtained by assuming that no contributions are made between the date of the valuation and 31 December 2024,

and by assuming an annual interest rate of 6,5%. That value is adjusted to take into consideration the benefits and other amounts to be paid during that period, assuming the contingencies in the first paragraph will occur.

At the date of the actuarial valuation, a projected actuarial deficiency of the affected component as at 31 December 2024 is determined if the projected liabilities exceed the projected assets. The deficiency corresponds to the amount by which the liabilities exceed the assets.

11. The monthly amortization payments relating to the discounted projected actuarial deficiency are determined assuming a 6,5% interest rate.

12. Notwithstanding section 142 of the Act, the amortization period for the discounted projected actuarial deficiency of the affected component of the pension plan begins on the date of the actuarial valuation on which it is determined and ends on 31 December 2024.

13. Where, further to an amendment to a pension plan made before the date determined in accordance with section 36 with regard to the plan, an actuarial valuation determines the value of additional obligations of the affected component of the pension plan, a special amortization payment is determined.

That payment corresponds to the higher of the value of the additional obligations determined on a solvency basis or their value determined on a funding basis.

The special amortization payment must be paid as soon as the report on the first actuarial valuation considering the amendment is sent to the Régie des rentes du Québec. To such sum shall be added accrued interest, if any, from the date of the valuation, calculated at the rate referred to in section 48 of the Act.

For the purposes of the Act, the special amortization payment is considered the special amortization payment provided for in section 132 of the Act.

DIVISION IV SPECIAL MEASURES FOR THE OTHER COMPONENT

14. At the date of an actuarial valuation, for the purposes of applying the Act to the other component of a pension plan with regard to its funding:

(1) a solvency deficiency for the component, determined at 31 December 2010 or 31 December 2011 for the purposes of paragraph 2 of the first paragraph of section 6, is deemed a solvency deficiency determined in a prior actuarial valuation of the component;

(2) the amortization payments determined for a deficiency referred to in paragraph 1, other than those that are deemed made prior to 31 December 2012 for the purposes of section 6 and those already made, are deemed to be amortization payments required to amortize a solvency deficiency determined in a prior actuarial valuation.

15. For the purposes of section 42.1 of the Act with regard to the other component of a pension plan, only the amortization payments determined in respect of actuarial deficiencies of that component and the special amortization payments for that component are taken into consideration.

DIVISION V GUARANTEES

16. Kruger Inc. is solidarily liable with Papiers de Publication Kruger Inc. for obligations arising from the pension plans registered with the Régie des rentes du Québec under numbers 7300, 20637 and 25451 in respect of service completed prior to 1 January 2010.

In addition to the information required under section 14 of the Act, the text of each plan shall mention that solidary liability as well as that which is provided for under section 17 below. The plan text shall also mention that Kruger Inc. is discharged from solidary liability for a pension plan should the affected component of the plan become solvent.

17. Kruger Inc. is discharged from solidary liability in respect of a pension plan referred to in the first paragraph of section 16 provided an external expert designated and mandated by the Régie whose fees are assumed by Kruger Inc., shows that the employer is able to assume the obligations related to the affected component where, as the case may be,

(1) Papiers de Publication Kruger Inc. merges with a corporation that is not held, whether directly or indirectly, by Kruger Inc.;

(2) shares in Papiers de Publication Kruger Inc. are transferred to a corporation that is not held, whether directly or indirectly, by Kruger Inc.;

(3) a plan is transferred to a corporation that is not held, whether directly or indirectly, by Kruger Inc.

In the case provided for in paragraph 3 of the first paragraph, Kruger Inc. shall be discharged from solidary liability in respect of a pension plan referred to in the first paragraph of section 16 provided Kruger Inc. pays to the plan an amount corresponding to the difference between the amortization payments that should have been made in accordance with the Act and those made under the

provisions of Division III.2 of the Regulation respecting the exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act (chapter R-15.1, r. 8) and the provisions of this Regulation. That amount shall not exceed the amount required for the affected component of the plan to be solvent.

18. No dividend shall be paid from the sale or assignation of any Kruger Inc. assets, whether those assets are sold or assigned in whole or in part, during such time that the weighted average of the degrees of solvency of the affected components of the pension plans to which section 2 applies remains below 90%, and, unless Kruger Inc. provides another acceptable guarantee, Kruger Inc. shall not proceed to distribute any revenue thus procured in any manner whatsoever, including by

(1) declaring or paying any other dividends, or buying back stock shares or other securities;

(2) repaying any advance or loan to Kruger Inc. shareholders;

(3) declaring any bonus or other type of payment to the shareholders.

Kruger Inc. or any corporation held directly or indirectly by Kruger Inc. may buy back any capital stock and pay any dividends on any type of share held by a Crown corporation, in particular,

(1) further to the conversion of loans granted by a Crown corporation to any corporation held directly or indirectly by Kruger Inc. into shares of any type in Kruger Inc.;

(2) further to the conversion of shares of any type in any corporation held directly or indirectly by Kruger Inc. into shares of any type in Kruger Inc.

DIVISION VI

ACTUARIAL VALUATIONS AND REPORTS

§1. Determining the assets and liabilities of the components

19. The actuarial valuation report for a pension plan as at 31 December 2012 shall contain information on how the assets and liabilities of the affected component and other component were determined at that date, in particular:

(1) the liabilities of the other component as at 31 December 2010 and 31 December 2011, determined on a solvency basis, and those liabilities determined on a funding basis;

(2) the assets of the other component as at 31 December 2010 and 31 December 2011, determined on a solvency basis, and the those liabilities determined on a funding basis, in accordance with section 6;

(3) where applicable, for any solvency deficiency or funding deficiency of the other component determined as at 31 December 2010 and 31 December 2011 in accordance with section 6, the type, the date on which it is determined and the date on which its amortization period ends, as well as the monthly payments related to amortization payments until the end of that period;

(4) amortization payments considered paid prior to 31 December 2012 in accordance with section 6 with regard to the deficiencies referred to in paragraph 3.

§2. Contents of the report on the actuarial valuation while section 5 applies

20. The actuarial valuation report for a pension plan shall present separately the information related to the affected component, provided for in sections 21 to 23, and the information related to the other component.

21. With respect to the affected component of a pension plan, the actuarial valuation report shall contain the information and statements of the actuary provided for in the Section of the Canadian Institute of Actuaries' Standards of Practice to which section 4 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6) refers, as well as the information required by paragraphs 1 to 5 of section 4 and sections 4.1 to 4.4 of that regulation.

For such purposes, it is understood that these provisions and standards apply only to the affected component of the pension plan.

22. With respect to the actuarial deficiencies of the affected component determined at the date of the valuation, the report must contain the following information:

(1) the amount of the funding deficiency;

(2) the amount of the discounted projected actuarial deficiency, the calculations pertaining to its determination and the monthly payments related to amortization payments to be made until 31 December 2024.

23. The report must also contain the following information:

(1) a description of the adjustments to the contributions to the affected component arising from the application of the third paragraph of section 41 of the Act;

(2) the total amount of the letters of credit deemed, under section 33, to be part of the assets of the affected component and the amount taken into consideration as part of the assets of the affected component for the purpose of determining solvency.

§3. Contents of the report on the actuarial valuation after the application period for section 5

24. The actuarial valuation report for a pension plan shall present separately the information related to the affected component and the information related to the other component.

25. The actuarial valuation report for a pension plan whose date corresponds to the one determined in accordance with section 36 shall mention that the special funding rules for the affected component provided for in this Regulation cease to apply to the pension plan as of that date.

26. The actuarial valuation report for a pension plan whose date corresponds to the one determined in accordance with section 37 shall mention that the provisions of this Regulation that provide for two separate components within the plan, as well as those that provide for the guarantees by Kruger Inc. cease to apply to the pension plan as of that date.

DIVISION VII COMMUNICATIONS

27. The second part of the statement provided for in section 108 of the Act shall mention that, for as long as the plan is comprised of two components, the liabilities of the affected component and the corresponding account in the pension fund are considered to be separate from the liabilities and the account of the other component for the purposes of the payment of the share that goes to the spouse.

28. The information that the statements provided for under sections 112 and 113 of the Act must contain is determined for the affected component and the other component of the plan as though they were separate plans. The information relating to each component shall be presented separately on the statements.

The section of the statements in relation to the affected component of the pension plan shall also mention that the period for applying the special funding rules for the component ends no later than 31 December 2019 and that the funding rules provided for under the Act apply thereafter, so that the solvency deficiency established at that time can be amortized over the maximum period allowable under the Act.

The statements shall also mention that for the purposes of the payment of the benefits of the members and beneficiaries of the plan – including a payment following the withdrawal of an employer from a multi-employer pension plan or due to plan termination – for as long as the plan is comprised of two components, the liabilities of the affected component and the corresponding account in the pension fund are considered separately from the liabilities and the account of the other component.

29. An employer that is a party to a pension plan shall, as soon as possible, notify the Régie des rentes du Québec in writing that a compensatory amount is required under section 1.3.4 of the Entente concernant les exploitations de pâtes et papiers au Québec de Papiers de Publication Kruger inc. et Kruger Wayagamack inc.

The notice shall contain all information required for determining the additional contribution provided for under that agreement.

30. The Régie may require from a pension committee, an employer party to a pension plan or from Kruger Inc., on the conditions and within the time limits established by the Régie, any document, information or report

(1) that it deems necessary for ascertaining that the requirements imposed by this Regulation are met, particularly concerning the contents of an actuarial valuation report provided for under Division VI;

(2) relating to a compensatory amount or an additional contribution provided for under section 1.3.4 of the Entente concernant les exploitations de pâtes et papiers au Québec de Papiers de Publication Kruger inc. et Kruger Wayagamack inc.

DIVISION VIII MISCELLANEOUS PROVISIONS

31. The fiscal year of a pension plan corresponds to the calendar year.

32. Notwithstanding the second paragraph of section 118 of the Act, any actuarial valuation provided for under the first paragraph of that section shall be complete.

33. For the purposes of determining the solvency of the affected component and the other component of a pension plan, any letter of credit provided by the employer prior to 22 December 2011 under the provisions of section 42.1 of the Act with respect to an amortization payment relating to an actuarial deficiency of a pension plan referred to in the appendix or with respect to a special amortization payment for such a plan is deemed part of the assets of the affected component of the plan.

34. Notwithstanding section 130 of the Act, no improvement unfunded actuarial liability is determined for an amendment to the affected component of a pension plan made prior to the date determined in accordance with section 36 for that plan.

35. This Regulation is not a regulation referred to in the third paragraph of section 230.0.0.9 of the Act.

DIVISION IX

END OF THE APPLICATION OF THE MEASURES

36. Section 4, section 5, the provisions of Division III and section 34 cease to apply to a pension plan as of the first of the following dates:

(1) the date of the first actuarial valuation showing that the affected component of the plan is solvent;

(2) the date that corresponds to the end of a fiscal year of a plan that is fixed in a writing giving instructions to that effect and sent to the pension committee and the Régie des rentes du Québec by the employer party to the plan before that date, or, in the case of a multi-employer pension plan, even not considered as such under section 11 of the Act, by the person or body empowered to amend the plan;

(3) the date fixed by the Régie as a condition for authorizing an amendment to the plan to substitute a new employer for the former employer as of that date, where the new employer is neither Kruger Inc., Papiers de Publication Kruger Inc. or Kruger Wayagamack Inc.

(4) 31 December 2019.

37. Section 2, section 3, the provisions of Divisions II and V, the provisions of subdivision 3 of Division VI, the provisions of Division VII and sections 31 to 33 cease to apply to a pension plan as of the first of the following dates:

(1) the date of the first actuarial valuation showing that the affected component of the plan is solvent;

(2) five years from the first of the dates determined under the provisions of paragraphs 2, 3 and 4 of section 36 with regard to the pension plan.

38. This Regulation comes into force on the fifteenth day following its publication in the *Gazette officielle du Québec*. However, it has effect from 31 December 2012.

Appendix

(sec. 1)

Pension plans subject to this regulation

Number under which the plan is registered with the Régie des rentes du Québec	Plan name on 31 December 2009
7300	Régime de retraite des employés cadres et non syndiqués de Kruger inc.
20637	Régime de retraite des employés syndiqués de Kruger inc. Bromptonville
25451	Régime de retraite des employés syndiqués de Kruger inc. – Trois-Rivières
31885	Régime de retraite des employés syndiqués de Kruger Wayagamack inc.
31889	Régime de retraite des employés cadres et non-syndiqués de Kruger Wayagamack inc.

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Gouvernement du Québec

O.C. 1127-2013, 30 October 2013

An Act respecting collective agreement decrees (chapter D-2)

Security guards

— Decree respecting

— Amendment

Decree to amend the Decree respecting security guards

WHEREAS, under section 2 of the Act respecting collective agreement decrees (chapter D-2), the Government made the Decree respecting security guards (chapter D-2, r. 1);

WHEREAS, under sections 4 and 6.1 of the Act, the contracting parties designated in the Decree have applied to the Minister of Labour for amendments to be made to the Decree;

WHEREAS, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1) and sections 5 and 8 of the Act respecting collective agreement decrees, a draft Decree to amend the Decree respecting security guards was published in Part 2 of the *Gazette officielle du Québec* of 24 July 2013 and in a French language newspaper and in an English language newspaper, with a notice that it could be made by the Government on the expiry of 45 days following that publication;