



VON RESTRUCTURING AND PENSION PLAN – UPDATE 2

February 18, 2016

BACKGROUND

The organization referred to as the Victorian Order of Nurses is made up of five distinct corporate entities:

- Victorian Order of Nurses for Canada (VON Canada);
- Victorian Order of Nurses for Canada – Ontario Branch (VON Ontario);
- Victorian Order of Nurses for Canada – Nova Scotia Branch (VON Nova Scotia);
- Victorian Order of Nurses for Canada – Eastern Region (VON East); and,
- Victorian Order of Nurses for Canada – Western Region (VON West).

On November 25, 2015 VON Canada, VON East and VON West filed for protection under the Companies' Creditors Arrangement Act (CCAA). The operations of VON East and VON West were closed resulting in the immediate termination of employment of all of those entities' employees. As well, the positions of some employees of VON Canada were terminated.

On February 18, VON filed materials with the Superior Court of Justice of Ontario, in support of a request for an extension of protection under the CCAA to help maintain the stability of the organization as we work through the restructuring process.

The court materials advise the Court that VON's Board of Directors, in consultation with its restructuring advisors and legal counsel, has determined that the most appropriate approach with respect to the VON Pension Plan is to implement a partial wind up of the VON East and VON West portions of the Pension Plan.

The approach requires the approval of the Pension Plan's regulator (the Financial Services Commission of Ontario (FSCO)) and of the Court overseeing the CCAA proceedings. The next steps are:

- In February, VON will submit a request to FSCO seeking approval of the proposal.
- Prior to rendering a decision, FSCO will provide comments on the proposal.
- Once FSCO comments are received, VON will seek to obtain Court approval for the proposal.
- The Court will set a date for the proceeding, and VON will provide court materials to stakeholders (those on the "service list") in advance of the court date.
- Both the Court and FSCO will provide final written rulings.

This approach is consistent with Management and the Board's decision to restructure the organization to ensure it can sustainably serve its clients and government partners in Ontario and Nova Scotia. It distinguishes obligations with respect to the East and West portions of the Pension Plan to ensure that VON Nova Scotia, VON Ontario and VON Canada do not subsidize pension plan costs payable by VON West and VON East.

IMPACT

While we don't know what the outcome or the timing of the regulator's or Court's deliberations will be, implications for employees affected by the November 25th restructuring are as follows:

- In the short term, option statements will be further delayed. This will have the unfortunate effect of delaying pension payments or transfers for former employees of VON Canada, VON East and VON West affected by the November 2015 restructuring.
- In the longer term, if the approach is determined to be appropriate by the regulator and Court, former employees of VON East and VON West will receive payments at the wind-up valuation of their portion of the Pension Plan. (See more information in the Q&A section below).
- Also in the longer term, if the approach receives regulator and Court approval, former employees of VON Canada would receive pension payments at 100%.
- All former employees affected by the November 2015 restructuring, whether they were employed by VON East, VON West or VON Canada, will receive payments retroactive to their departure date of November 25, 2015.

WHAT'S NEXT

VON is working to develop an interim payment plan to be implemented once Court approval has been obtained to lessen the impact of the delay on former employees.

All those affected by the November 25th restructuring will receive personal notification of the issue. In addition, information will be posted on the Transition2015 and CCAA Monitor websites.

(www.transition2015.com and <http://www.collinsbarrow.com/en/cbn/v-o-n>).

QUESTIONS & ANSWERS

Q1 Why is VON doing this?

A1 Management and the Board explored options and determined that this option best reflected the intent of the restructuring plan announced in November 2015. This approach would ensure that VON Ontario, VON Nova Scotia and VON Canada do not subsidize the portions of the plan payable by VON East and VON West.

Q2 What's next?

A2 VON will request the regulator's approval of the proposed plan, in a submission to be sent to the regulator (FSCO) in February. Prior to rendering a decision, FSCO will provide comments on the proposal, at which time VON can seek to obtain Court approval for the proposal. The Court will set a date for the proceeding, and VON will provide court materials to stakeholders (those on the "service list") in advance of the court date.

Q3 What will be the impact on employees who lost their jobs in the November restructuring?

A3 It is too early to say what the final determination of the regulator and Court will be. We know that there will be a delay in pension payments or transfers for employees of VON Canada, VON East and VON West whose positions were terminated in November 2015. Issuing of Pension option statements will also be delayed.

The proposal is that former employees of VON Canada receive their full pension and VON East and VON West receive payments that reflect the wind up valuation of the VON East and VON West portions of the Plan. It is too early to tell what the wind up valuation of those portions of the plan will be, but we anticipate that it will be less than 100%.



Ultimately, all eligible former employees affected by the restructuring will receive payments retroactive to their final day of employment.

Q4 How long will everything take?

A4 We cannot predict how long it will take as timing depends on both the regulator and the Court, but believe that it could take up to 18 months for all proceedings to be completed. We hope to get to Court by March but this is dependent on factors beyond our control. VON is working to develop an interim payment plan to be implemented once Court approval has been obtained, which we hope will ensure that eligible former employees affected by the restructuring start to receive payments this spring.

Q5 How big is the pension deficit for VON East and VON West?

A5 The final amount of the deficit will not be known until later in the wind up process. As of the last update of the plan, as at December 31, 2015, the deficit for the VON East and VON West portions of the plan is approximately \$2.25 million, or 6% of the value of those portions of the Plan. The assets of the Plan are subject to market fluctuation and these values may change over time.

Q6 Why did VON not inform affected employees of this at the time of the restructuring?

A6 The decision that this approach was most aligned with the November restructuring was not reached until the end of January, following a thorough exploration of options.

Q7 What about people who are receiving a pension now? What will happen to their pensions?

A7 All remains status quo for those receiving pension payments until the regulator and Court have made final determinations. If there is a partial wind up of the VON East and VON West portions of the plan, affected pensioners will be informed of the changes, and their pensions will be adjusted retroactively based on the wind-up valuation of those portions of the Plan.

Q8 Do pensioners or former employees of VON East and West have any recourse?

A8 Those who are affected by these changes do have an opportunity to participate in this process. The proposal will be reviewed by both the regulator and the Court. The regulator has a mandate to act in the public interest, and as such has procedures for stakeholders to participate in the process. (More information will be provided as it is available).

FOR ADDITIONAL INFORMATION:

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