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Pension plan for eligible employees of the Stratford Beacon Herald,
a division of Sun Media Corporation

Actuarial Valuation as at December 31, 2010 for Funding Purposes

Report prepared on September 30, 2011

Registration number: Ontario and Canada Revenue Agency #0563072

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Introduction

This report presents the results of the actuarial valuation as at December 31, 2010 of the Pension plan for eligible employees of the Stratford Beacon Herald, a division of Sun Media Corporation (“Plan”). Sun Media Corporation (“Employer”) retained the services of Morneau Shepell Ltd (“Morneau Shepell”) to perform this actuarial valuation. The last complete valuation that was filed with the Financial Services Commission of Ontario and the Canada Revenue Agency was performed as at December 31, 2007.

This report was prepared for Sun Media Corporation (“Employer”), the Financial Services Commission of Ontario and the Canada Revenue Agency for the following purposes:

- > to determine the funded status of the Plan on the going-concern basis;
- > to determine the funded status of the Plan on both solvency and hypothetical wind-up bases;
- > to estimate the employer contributions required under the Plan during the period from this valuation date up to the next valuation in accordance with the Ontario *Pension Benefits Act*; and
- > to provide the information and the actuarial opinion required by the Ontario *Pension Benefits Act* and the *Income Tax Act* (Canada).

The solvency and hypothetical wind-up bases have been updated to reflect market conditions as at the valuation date. In addition, changes were made to the actuarial assumptions on the going-concern basis.

Terms of engagement

- > This report takes into account discussions with the client on the terms of engagement, especially concerning the margin for adverse deviation to use in the December 31, 2010 actuarial valuation. Given that in the “Actuarial Guidance Note – Actuarial Assumptions for Filed Actuarial Valuation Reports”, Financial Services Commission of Ontario generally expects that the actuary preparing a report on the plan filing under Ontario *Pension Benefits Act* and Regulations will include appropriate margins for adverse deviations when choosing prudent economic and other actuarial assumptions, the client considered appropriate to use a margin of 0.30% in the discount rate.

Section 1 – Actuarial Opinion

This opinion is given with respect to the Pension plan for eligible employees of the Stratford Beacon Herald, a division of Sun Media Corporation, registration number 0563072 (Ontario). We performed a valuation of the Plan as at December 31, 2010, based on the Plan provisions and data as at that date. The Employer has confirmed that, between December 31, 2010 and September 30, 2011, no subsequent events, modifications or extraordinary changes to the membership or the Plan that would materially affect the results of this actuarial valuation have occurred, except as indicated in this report.

We hereby certify that, in our opinion, as at December 31, 2010:

- > The Plan is fully funded on the going-concern basis. The actuarial value of the assets exceeds the actuarial liabilities by \$90,200.
- > According to the solvency test required under the Ontario *Pension Benefits Act*, the Plan is not funded. On the solvency basis, the actuarial liabilities exceed the value of assets by \$475,100.
- > The Plan assets would have been less than the actuarial liabilities by \$475,100 if the Plan had been wound up on the valuation date.
- > The transfer ratio of the Plan, as defined under the Ontario *Pension Benefits Act*, is equal to 0.916. The Employer may have to make additional contributions if ex-participants transfer the commuted value of their accrued benefits out of the Plan.
- > The residual normal cost (i.e. normal cost less employee required contributions) is equal to 178.4% of employee contributions.
- > The minimum employer contribution is equal to 178.4% of employee contributions plus amortization payments. These amounts (in dollars) can be estimated as shown in the table below:

Table 1.1 – Estimated Residual Normal Cost and Minimum Annual Amortization Payments

Plan year	Residual normal cost ¹	Amortization payments
	\$	\$
2011	51,200	130,400
2012	52,700	130,400
2013	54,300	69,700

1 Prior to application of any surplus. Based on 2011 estimated salaries.

The minimum amortization payments should be the dollar amounts indicated in the above table. Higher amortization payments are acceptable but they cannot exceed \$475,100 plus interest in aggregate. The Plan actuary should be consulted if the amortization payments in any year are greater than the minimum required.

These contributions are required for the Fund to have sufficient assets to pay benefits under the Plan. These contributions conform to the eligibility requirements of the *Income Tax Act* (Canada) if contributed within the fiscal year or remitted within 120 days after the end of the fiscal year. They also conform to the Ontario *Pension Benefits Act*. This Act requires that the current service employer contributions and the employee contributions be remitted to the fund monthly, within 30 days of the month to which they pertain. It also requires that amortization payments be made at least monthly.

In our opinion, for the purposes of this report:

- > The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- > The assumptions are appropriate for the purposes of the valuation.
- > The methods employed in the valuation are appropriate for the purposes of the valuation.

This report has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

The assumptions that form the going-concern basis used in this report were reasonable at the time this actuarial valuation report was prepared and contributions were determined.

This actuarial valuation was performed in accordance with the going-concern and solvency standards prescribed under the Ontario *Pension Benefits Act*.

The calculations in the actuarial valuation report have been prepared in accordance with subsection 147.2(2) of the *Income Tax Act* (Canada).

The recommendations and opinions are given exclusively from a financial viewpoint. This valuation report does not constitute a legal opinion on the rights and duties of the Plan administrator, the Employer or the members over the pension fund.

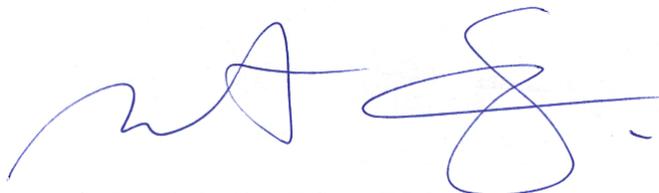
Actuarial valuation results are only estimates. Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions may result in gains or losses, which may affect future contribution levels. These gains or losses will be revealed in future actuarial valuations.

The next actuarial valuation will have to be performed not later than as at December 31, 2013.

The undersigned are available to provide supplementary information and explanation as appropriate, concerning this report.



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September 30, 2011

Section 2 – Going-Concern Funded Status

Going-Concern Funded Status

The funded status of the Plan on the going-concern basis is determined by comparing the actuarial value of the assets to the actuarial liabilities. The actuarial liabilities are based on the benefits earned up to the valuation date assuming the Plan continues indefinitely.

Table 2.1 – Going-Concern Funded Status

	December 31, 2010	December 31, 2007
	\$	\$
Actuarial value of assets		
> Market value	5,251,200	5,060,100
> Adjustment	(226,600)	124,100
> Total	5,024,600	5,184,200
Actuarial liabilities		
> Active members	1,227,200	1,767,500
> Terminated vested members	857,900	483,800
> Retired members and beneficiaries	2,849,300	2,322,400
> Total	4,934,400	4,573,700
Actuarial surplus (unfunded liability)	90,200	610,500
Maximum surplus	1,233,600	457,370
Excess surplus	—	153,130
Funding Ratio	101.8%	113.3%

Reconciliation of Going-Concern Funded Status

The table below describes the change in the Plan's going-concern funded status since the last valuation:

Table 2.2 – Reconciliation of Going-Concern Funded Status

	\$	\$
Actuarial surplus (unfunded liability) as at December 31, 2007		610,500
Expected changes in funded status		
> Amortization payments	381,700	
> Interest on surplus and amortization payments	158,400	
> Total		540,100
Expected surplus (unfunded liability) as at December 31, 2010		1,150,600
Actuarial gains (losses) due to the following factors		
> Investment return on actuarial value of assets	(781,000)	
> Retirements	(33,900)	
> Terminations, mortality and other factors	(19,900)	
> Total		(834,800)
Other gains (losses)		
> Changes in actuarial assumptions		(225,600)
Actuarial surplus (unfunded liability) as at December 31, 2010		90,200

Sensitivity Analysis on the Going-Concern Basis

The table below illustrates the effect of 1% decrease in the discount rate on the going-concern actuarial liabilities. With the exception of the discount rate, all other assumptions and methods used for this valuation were maintained. However, as the interest credited on contributions corresponds to the return expected on the value of assets, this assumption has also been changed.

Table 2.3 – Sensitivity of Actuarial Liabilities on the Going-Concern Basis

	December 31, 2010	Discount rate 1% lower
	\$	\$
Actuarial liabilities		
> Active members	1,227,200	1,419,900
> Terminated vested members	857,900	997,200
> Retired members and beneficiaries	2,849,300	3,099,200
> Total	4,934,400	5,516,300
Increase in actuarial liabilities		581,900

Section 3 – Solvency and Hypothetical Wind-up Funded Status

Solvency Funded Status

A solvency valuation is a hypothetical valuation prescribed by the Ontario *Pension Benefits Act* and which imposes a floor on required contributions and a ceiling on what may be transferred out of the pension fund upon termination of membership. A solvency valuation may, however, differ from the valuation required on plan wind-up. Please, see the **Hypothetical Wind-up Funded Status** below.

Table 3.1 – Solvency Funded Status

	December 31, 2010	December 31, 2007
	\$	\$
Solvency assets		
> Market value of assets	5,251,200	5,060,100
> Provision for expenses	(75,000)	(50,000)
> Total	5,176,200	5,010,100
Solvency liabilities		
> Active members	1,489,900	2,125,900
> Terminated vested members	1,019,400	624,200
> Retired members and beneficiaries	3,142,000	2,720,400
> Total	5,651,300	5,470,500
Assets less liabilities on the solvency basis	(475,100)	(460,400)
Solvency asset adjustment		
> Present value of special payments	116,100	190,300
> Asset averaging method	(100,100)	n/a
> Total	16,000	190,300
Solvency liability adjustment	147,200	n/a
New solvency surplus (deficiency)	(311,900)	(270,100)
Solvency ratio	0.916	0.916

Solvency Asset and Liability Adjustments

As defined under the Ontario *Pension Benefits Act*, the solvency asset adjustment represents the sum of:

- a) the present value of amortization payments established at the preceding valuation, adjusted to take into account the current going-concern valuation, and due to be paid during the prescribed period following the valuation date.
- b) an amount by which the value of the solvency assets are adjusted as a result of applying an averaging method that stabilises short-term fluctuations in the market value of the Plan assets calculated over a period of not more than five years.

The solvency asset adjustment as at December 31, 2010, as defined in a) above, is determined as follows:

Table 3.2 – Solvency Asset Adjustment

Nature of liability or deficiency	Start date	End date	Annual amortization payment	Solvency asset adjustment ¹
	mm-dd-yyyy	mm-dd-yyyy	\$	\$
Solvency	12-31-2007	12-31-2012	60,700	116,100
Total			60,700	116,100

¹ Value of amortization payments discounted as at December 31, 2010 (at a discount rate of 4.54% per year)

The solvency liability adjustment is the amount by which the value of the solvency liabilities are adjusted as a result of using solvency valuation discount rate that are the average of rate applicable over a period of not more than five years.

Hypothetical Wind-up Funded Status

Since the solvency assets have been adjusted and the solvency liabilities have been adjusted, if the Plan had been liquidated as at December 31, 2010 and assuming that the asset liquidation value had been equal to the market value, the hypothetical wind-up funded status would have been different from the solvency position as shown in the table below:

Table 3.3 – Hypothetical Wind-up Funded Status

	December 31, 2010	December 31, 2007
	\$	\$
Hypothetical wind-up assets		
> Market value of assets	5,251,200	5,060,100
> Provision for expenses	(75,000)	(50,000)
> Total	5,176,200	5,010,100
Hypothetical wind-up liabilities		
> Active members	1,489,900	2,125,900
> Terminated vested members	1,019,400	624,200
> Retired members and beneficiaries	3,142,000	2,720,400
> Total	5,651,300	5,470,500
Assets less liabilities on the hypothetical wind-up basis	(475,100)	(460,400)
Transfer ratio	0.916	0.916

Transfer Ratio

The transfer ratio is equal to the ratio of the assets to the liabilities on the hypothetical wind-up basis as indicated in table 3.3.

Pension Benefits Guarantee Fund (PBGF) Assessment

The PBGF Assessment is the annual premium toward the Pension Benefits Guarantee Fund. As the following table shows, the assessment depends on the size of the deficit for Ontario Plan beneficiaries (active and inactive members).

Table 3.4 – PBGF Assessment Base

	\$
Ontario portion of solvency assets (before provision for expenses)	5,251,200
PBGF liabilities	5,651,300
PBGF assessment base	400,100
Additional liability for plant closure and/or permanent layoff benefits not funded	—

Sensitivity Analysis on the Solvency Basis

The table below illustrates the effect on the actuarial liabilities of using discount rate 1% lower than those used for the solvency valuation. All other assumptions and methods, as used in this valuation, were maintained. However, as the interest credited on contributions corresponds to the return expected on the value of assets, this assumption has also been changed.

Table 3.5 – Sensitivity of Actuarial Liabilities on the Solvency Basis

	December 31, 2010	Discount rate 1% lower
	\$	\$
Actuarial liabilities		
> Active members	1,489,900	1,802,300
> Terminated vested members	1,019,400	1,196,700
> Retired members and beneficiaries	3,142,000	3,437,500
> Total	5,651,300	6,436,500
Increase in actuarial liabilities		785,200

Incremental Cost on the Solvency Basis

The incremental cost on the solvency basis represents the present value of the expected aggregate change in the solvency liabilities from December 31, 2010 to December 31, 2013, adjusted for expected benefit payments in the inter-valuation period. This incremental cost is estimated to \$240,300 as at December 31, 2010.

Section 4 – Normal Cost and Amortization Payments

Normal Cost

The table below summarizes the estimated going-concern cost of pension benefits being earned in the twelve-month period after the valuation date (the normal cost).

Table 4.1 – Normal Cost

	As at December 31, 2010		As at December 31, 2007	
	\$	% of payroll	\$	% of payroll
Normal cost	79,900	(12.5)	104,200	(10.4)
Less employee contributions	28,700	(4.5)	45,000	(4.5)
Residual normal cost	51,200	(8.0)	59,200	(5.9)
Residual normal cost as a % of employee contributions	178.4%		131.6%	

Reconciliation of Normal Cost

The factors contributing to the change in the normal cost are shown below:

Table 4.2 – Reconciliation of Normal Cost

	% of employee contributions
Normal cost as at December 31, 2007	231.6
Demographic changes	(1.3)
Changes in actuarial assumptions	48.1
Normal cost as at December 31, 2010	278.4

Sensitivity Analysis on the Going-Concern Basis

The table below illustrates the effect on the normal cost of using discount rate 1% lower than those used for the going-concern valuation. All other assumptions and methods, as used in this valuation, were maintained. However, as the interest credited on contributions corresponds to the return expected on the value of assets, this assumption has also been changed.

Table 4.3 – Sensitivity of normal cost on the going-concern basis

	As at December 31, 2010		Discount rate 1% lower	
	\$	% of payroll	\$	% of payroll
Normal cost	79,900	(12.5)	95,700	(15.0)
Increase in normal cost			15,800	(2.5)

Amortization Payments

The amortization schedule as determined in the previous actuarial report is as follows:

Table 4.4 – Amortization Payments – Previous Valuations

Nature of liability or deficiency	Start date	End date	Annual amortization payment	Balance going-concern ¹	Balance solvency ²
	mm-dd-yyyy	mm-dd-yyyy	\$	\$	\$
Solvency	01-01-2005	01-01-2010	99,800	—	—
Solvency	12-31-2007	12-31-2012	60,700	114,900	116,100
Total			160,500	114,900	116,100

¹ Value of amortization payments discounted as at December 31, 2010 (at a discount rate of 5.65% per year)

² Value of amortization payments discounted as at December 31, 2010 (at a discount rate of 4.54% per year)

Based on the funded status of the Plan shown in Sections 2 and 3, the previous amortization schedule must therefore be adjusted in the manner and order set out by the Ontario *Pension Benefits Act*.

The employer minimum required contributions to finance deficiencies as of this valuation date are thus as follows:

Table 4.5 – Amortization Payments – Current Valuation

Nature of liability or deficiency	Start date	End date	Annual amortization payment	Balance going-concern ¹	Balance solvency ²
	mm-dd-yyyy	mm-dd-yyyy	\$	\$	\$
Solvency	12-31-2007	12-31-2012	60,700	114,900	116,100
Solvency	12-31-2010	12-31-2015	69,700	304,000	311,900
Total			130,400	418,900	428,000

1 Value of amortization payments discounted as at December 31, 2010 (at a discount rate of 5.65% per year)

2 Value of amortization payments discounted as at December 31, 2010 (at a discount rate of 4.54% per year)

These amortization payments are in addition to amounts required to cover the residual normal cost. Higher amortization payments are acceptable but they cannot exceed the greater of the excess of the actuarial liabilities over the assets on the going-concern basis and the excess of the actuarial liabilities over the assets on a hypothetical wind-up basis, plus interest in aggregate.

Appendix A – Going-Concern Actuarial Basis

Asset Valuation Method

The actuarial value of the assets used to determine the going-concern funded status is based on a valuation method that smooths out short-term market fluctuations over a 3-year period. This method subtracts from the market value of assets, adjusted for amounts payable and receivable, as at the valuation date, an amount equal to:

- a) 66 ²/₃% of the difference between the actual market value and the expected market value as at December 31, 2010, plus
- b) 33 ¹/₃% of the difference between the actual market value and the expected market value as at December 31, 2009.

Expected investment earnings are calculated by assuming that the fund's assets at the beginning of the Plan year and cash flows during the Plan year will generate a return that is equivalent to the going-concern valuation discount rate. This method is the same as the one used in the last valuation.

Actuarial Cost Method

The actuarial liabilities and the normal cost on the going-concern basis were calculated using the projected accrued benefit (or projected unit credit) actuarial cost method.

The actuarial liabilities are equal to the actuarial present value of benefits earned by members for services prior to the valuation date, taking into account the assumptions as indicated hereafter.

The normal cost is equal to the actuarial present value of benefits expected to be earned by members in the year following the valuation date. The residual normal cost is the excess of the normal cost over employees' required contributions.

This valuation method for determining the actuarial liabilities and the normal cost is the same as the one used in the last valuation.

We assumed that all members who have reached the retirement age assumption at the valuation date would retire immediately. However, for normal cost calculation purposes, we have included the actuarial present value of benefits that would have accrued if these members would have continued their membership in the Plan in the year following the valuation date.

The normal cost to the covered payroll for the period will tend to stabilize over time if the demographic characteristics of the active and disabled members remain stable. All other things being equal, an increase in the average age of the active and disabled members will result in an increase in this figure.

For valuation purposes, to determine eligibility for benefits and for any other use, the age used is the age on the date of the nearest birthday. This method is the same as the one used in the last valuation.

No explicit provision for adverse deviations has been calculated for the going-concern valuation.

Actuarial Assumptions

The main actuarial assumptions used in the going-concern valuation are summarized in the following table. Some assumptions used in this valuation are different from those used in the previous valuation. For comparison purposes, the assumptions used in the last valuation are also included in the table. All rate and percentages are annualized unless otherwise noted.

Table A.1 – Going-Concern Actuarial Assumptions

	December 31, 2010		December 31, 2007	
Discount rate	5.65%		6.00%	
Increases in maximum pensionable earnings	2009:	\$2,444.44	2007:	\$2,222.22
	2010:	\$2,494.44	2008:	\$2,333.33
	2011:	\$2,552.22	2009:	\$2,444.44
		Indexed thereafter at 3.00%		Indexed thereafter at 3.75%
Mortality	UP-94 Table with generational projection using mortality projection scale AA		UP-94 projected to 2015 with scale AA	
Termination (membership)	None		Same	
Retirement	Age 62		Same	
Provision for expenses	Implicitly recognized in the interest rate		Same	

Calculation of the value of amortization payments

The rate used to discount the value of amortization payments for the purposes of calculating the going-concern balance correspond to the discount rate chosen for the valuation of the actuarial liabilities on the going-concern basis.

Choice of assumptions

The assumptions have been reviewed in light of current economic conditions.

As stated in its monetary policy, the Bank of Canada aims to keep inflation at the 2% target, i.e. the midpoint of the 1% to 3% inflation-control target range. Given historical increases in consumer prices in Canada, the rate expected by the market, portfolio managers' expectations and the Bank of Canada policy, an expected rate of inflation of 2.50% has been retained.

The elements considered in the development of the discount rate assumption for going-concern purposes are summarized in the table below.

Table A.2 – Discount Rate

	%
Expected real return	3.95
Expected inflation	2.50
Value added for rebalancing and diversification effect	0.50
Margin for adverse deviations	(0.30)
Expected expenses	(1.00)
Discount rate	5.65

The return assumptions for bonds have been determined mainly (but not totally) on current market conditions while the return assumptions for equities are based more on long-term expectations.

Portfolio rebalancing will affect the portfolio's expected long-term return. In other words, realigning portfolio's weightings to the target determined in the investment policy from time to time will have an impact on the long-term return. The impact of portfolio rebalancing depends on its frequency, the weightings between asset classes, the level of diversification in the portfolio and the investment horizon. The expected return is also influenced by the level of diversification of the portfolio (this is independent of rebalancing). The expected impact of rebalancing and diversification on the portfolio's return (weighed average of returns of asset categories) was estimated on the basis of stochastic projections.

A provision has been considered in the discount rate to take into account the added value associated with active management. Note that this provision has been limited to the estimated fees corresponding to active management.

This report reflects discussions with the employer on the terms of our engagement. Following these discussions, the margin for adverse deviations chosen is based on a stochastic methodology and takes into account the specific aspects of the plan, the risk tolerance of the employer, the portfolio's risk level and the investment horizon. This margin has been chosen such that the expected return (the fund's total return minus the margin) may be obtained with a probability of at least 55% over a period of about 20 years.

Discount rate has been adjusted to take into account fees related to asset management and plan administration.

The UP-94 mortality table projected to 2015 with mortality projection scale AA had been used in the previous valuation. However, since studies show that the longevity has improved during most of the past periods observed, we presumed that the situation will continue in the foreseeable future. The table used in the current valuation corresponds to the full generational UP-94 table projected with scale AA, i.e. the UP-94 mortality table has been projected from 1994 to the current valuation year and then, an individual member's future mortality has been projected from the valuation year to the expected year of death based on the member's age in the valuation year.

Since disabled members were valued as active members, we did not use disability rates. We did not use recovery rate for these members either.

No changes are made to the other assumptions.

Appendix B – Solvency and Hypothetical Wind-Up Actuarial Basis

Asset Valuation Method - Solvency

The actuarial value of the assets used to determine the solvency funded status is equal to the market value of assets, adjusted for amounts payable and receivable. As permitted by law, an adjustment has been made to the solvency assets by applying an averaging method that stabilizes short-term fluctuations in the market value of the plan assets over a 5-year period. This smoothed method used subtracts from the assets, adjusted for amounts payable and receivable, as at the valuation date, an amount equal to:

- a) 80% of the difference between the actual market value and the expected market value as at December 31, 2010, plus
- b) 60% of the difference between the actual market value and the expected market value as at December 31, 2009, plus
- c) 40% of the difference between the actual market value and the expected market value as at December 31, 2008, plus
- d) 20% of the difference between the actual market value and the expected market value as at December 31, 2007.

Expected investment earnings are calculated by assuming that the fund's assets at the beginning of the Plan year and cash flows during the Plan year will generate a return that is equivalent to the rates described in table B.2.

The actuarial value of the solvency assets must also be reduced to take into account the provision for expenses.

This valuation method is different from the one used in the last valuation, where no smoothing adjustment was applied.

Asset Valuation Method – Hypothetical Wind-Up

The actuarial value of the assets used to determine the hypothetical wind-up funded status is equal to the market value of assets, adjusted for amounts payable and receivable, minus a provision for expenses.

Actuarial Cost Method

The solvency liabilities are determined using the accrued benefit (or unit credit) actuarial cost method. The solvency liabilities are equal to the actuarial present value of all benefits earned by members for services prior to the valuation date assuming the Plan is wound up on the valuation date. This method is the same as the one used in the last valuation.

As permitted by law, in order to stabilize short-term fluctuations, an adjustment was made to the solvency liabilities. The solvency liability adjustment is the amount, positive or negative, by which the value of the solvency liabilities is adjusted as a result of using the discount rates described in table B.2.

For valuation purposes, to determine eligibility for benefits and for any other uses, the age used is rounded upward to the next whole number. This method is the same as the one used in the last valuation.

Actuarial Assumptions

The main actuarial assumptions used in the solvency and hypothetical wind-up valuations correspond to those prescribed by the applicable legislation.

These assumptions are summarized in the following table. For comparison purposes, the assumptions used in the last valuation are also included. All rates and percentages are annualized unless otherwise noted.

Table B.1 – Solvency and Hypothetical Wind-Up Actuarial Assumptions

	December 31, 2010	December 31, 2007
Interest rate for active and deferred vested members less than age 55	3.3% for the next 10 years and 5.0% thereafter	4.75% for the next 10 years and 5.0% thereafter
Interest rate for retired members, active and deferred vested members age 55 and over	4.48%	4.15%
Salary increases (productivity)	None	Same
Increases in maximum pension	None (\$2,494.44 in 2010)	Same (\$2,222.22 in 2007)
Mortality	UP-94 table projected to 2020 with scale AA	UP-94 projected to 2015
Termination (membership)	None	Same
Wind-up expenses	\$75,000	\$50,000

Vesting of benefits

In conformity with the Ontario *Pension Benefits Act*, each member's pension benefits subject to this legislation as at the valuation date shall be determined as if the member had satisfied all eligibility conditions for a deferred pension. Moreover, all grow-in rights attributable to these members have been included in the accrued benefits, specifically:

- > Members with 55 points (age plus service) were assumed to grow into a subsidized early retirement benefit.

Termination scenario

The termination scenario used in the solvency and hypothetical wind-up valuations includes the following assumptions:

- > Plan wind-up would result from employer insolvency.
- > All assets could be realized at their reported market value.

This approach is the same as the one used in the last valuation.

Discounted value of payments

The rate used to discount the amortization payments for the purposes of calculating the solvency asset adjustment and the solvency balance correspond to the weighted discount rate obtained from the rates used for the valuation of the members' benefits settled by a lump sum transfer (non indexed pensions) and the rates used for benefits settled by the purchase of non indexed annuities with an insurance company, taking into account the respective actuarial liabilities.

Margin for adverse deviations

As specified by the Standards of Practice of the Canadian Institute of Actuaries, the solvency assumptions do not include a margin for adverse deviations.

Choice of assumptions*Settlement of benefits*

The assumptions used on the solvency basis to value the members' benefits settled by a lump sum transfer are in accordance with the Plan provisions, the applicable legislation as well as the Canadian Institute of Actuaries' standards of practice for pension commuted values.

Solvency liability and asset adjustments

In determining the solvency liability adjustment, the discount rate used was calculated as follows:

Table B.2 – Determination of the discount rates to stabilize fluctuations

Date	Rate for	Rate for	Rate for
	transfer of values	transfer of values	annuity purchases
	first 10 years	after 10 years	
mm-dd-yyyy	%	%	%
12-31-2006	5.10	5.30	4.60
12-31-2007	5.20	5.40	4.50
12-31-2008	4.20	5.70	4.85
12-31-2009	3.90	5.40	4.49
12-31-2010	3.30	5.00	4.48
Average discount rate	4.34	5.36	4.58

The average discount rate (first 10 years and after) used to value the members' benefits which, in case of Plan wind-up, would be settled by a lump sum transfer are calculated using rates that conform to the Plan provisions, the applicable legislation as well as the Canadian Institute of Actuaries' standards of practice for pension commuted values effective as at December 31, 2010 assuming this section, as it read on December 31, 2010, had been in effect for the years prior to 2009.

The average discount rate used to value the members' benefits which, in case of Plan wind-up, would be settled by the purchase of annuities are calculated using rates that conform to the educational notes published by the Canadian Institute of Actuaries and applicable as at these different chosen dates, taking into account the plan's annuity purchase size as at December 31, 2010. These rates are based on an estimate of the premium that would be required by an insurer to guarantee payment of the pensions.

In determining the solvency asset adjustment, the discount rate used to calculate the expected investment earnings for each year correspond to the weighted average rate indicated in the table above.

Provision for fees

Allowance has been made for administrative, actuarial and legal costs which would be incurred if the Plan were to be wound up, based on sufficient and reliable data. It is assumed that the wind-up date, the calculation date and the settlement date are coincident, and as such, expenses related to investment policy reviews, investment and custodial fees are not included. Expenses related to the resolution of surplus and deficit issues are not taken into account. The amount of expenses is only an approximation and may differ significantly from real expenses incurred on plan wind-up, for example, in case of litigation, bankruptcy and eventual replacement by a third-party administrator.

Incremental Cost

The incremental cost on the solvency basis is based on the actuarial method and assumptions described below.

Actuarial Cost Method

The method used to calculate the incremental cost may be described as follows:

1. Present value of expected benefit payments between December 31, 2010 and December 31, 2013, discounted to December 31, 2010;

Plus

2. Projected solvency liabilities as at December 31, 2013, discounted to December 31, 2010;

Less

3. Solvency liabilities as at December 31, 2010.

The projected liabilities as at December 31, 2013 take into account:

- > accrual of service to December 31, 2013;
- > expected changes in benefits to December 31, 2013; and
- > projection of pensionable earnings to December 31, 2013.

Expected terminations, deaths, retirements before the normal retirement age as well as new entrants between December 31, 2010 and December 31, 2013 have not been taken into account as the impact on the incremental cost on the solvency basis is not considered material.

Actuarial Assumptions

- > The assumptions used to calculate the expected benefit payments in item 1. above and decrement probabilities, service accruals, projected changes in benefits and projected changes in the pensionable earnings in item 2. above correspond to those used in the going-concern valuation as at December 31, 2010.
- > The assumptions used to calculate the projected solvency liabilities as at December 31, 2013 in item 2. above correspond to those used for the solvency valuation as at December 31, 2010, taking into account the method of settlement applicable to each member as at December 31, 2013.

However, we assume that the discount rate remains at the levels applicable as at December 31, 2010 and that the select period is reset as at December 31, 2013 for discount rate assumptions that are select and ultimate.

We also assume that the standards of practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect as at December 31, 2010 remain in effect as at December 31, 2013 and as such the mortality table used is the UP-94 projected to 2020 as at December 31, 2010 and as at December 31, 2013 even though the full generational UP-94 table projected with scale AA will have to be used for any valuation after February 1, 2011.

- > The projected solvency liabilities as at December 31, 2013 in item 2. above is calculated using the same postulated scenario as is used for the solvency valuation as at December 31, 2010.
- > The rate used to discount items 1. and 2. above from December 31, 2013 to December 31, 2010 correspond to those used for the solvency valuation as at December 31, 2010. However, these rates are adjusted to take into account the applicable method of settlement applicable to each member as at December 31, 2013.

Appendix C – Assets

Source of Information

All information pertaining to the assets has been extracted from the financial statements audited by Raymond Chabot Grant Thornton. There was no indication of problem with the assets in their report.

Statement of Market Value

The following table shows the asset mix as at December 31, 2010 and at December 31, 2007.

Table C.1 - Assets at Market Value

	December 31, 2010	December 31, 2007
	\$	\$
Invested assets		
> Cash and notes	52,139	34,802
> Bonds	423,121	n/a
> Equities and pooled funds	4,791,777	5,034,850
> Total	5,267,037	5,069,652
Other assets		
> Contributions and other receivable	35,625	494
> Accounts payable	(51,419)	(10,022)
> Total	(15,794)	(9,528)
Total market value of assets	5,251,243	5,060,124

Table C.2 - Change in the Market Value of the Assets

	2010	2009	2008
	\$	\$	\$
Assets at beginning of year	4,988,757	4,435,696	5,060,124
Receipts			
> Contributions			
– Employee	26,378	38,919	46,815
– Employer current service cost	34,681	51,085	61,608
– Employer amortization payments	60,700	160,500	160,500
– Total contributions	121,759	250,504	268,923
> Transfers from other plans	—	—	—
> Investment income	452,565	769,675	(526,019)
> Total receipts	574,324	1,020,179	(257,096)
Disbursements			
> Benefits			
– Pensions paid	254,687	230,258	205,946
– Contribution and transfer refunds	14,194	179,061	101,033
– Total benefits	268,881	409,319	306,979
> Transfers to other plans	—	—	—
> Expenses (fees)	42,957	57,799	60,353
> Total disbursements	311,838	467,118	367,332
Assets at end of year	5,251,243	4,988,757	4,435,696

Asset Valuation Method – Going-concern

The actuarial value of assets used to determine the going-concern financial position is based on a market value, adjusted for payments due to and payable from the pension fund, while smoothing out market fluctuations. The actuarial value of assets is determined by subtracting from the market value as at the valuation date, an amount equal to:

- > 66 2/3% of the difference between the actual market value and the expected market value as at December 31, 2010, plus
- > 33 1/3% of the difference between the actual market value and the expected market value as at December 31, 2009.

Expected investment earnings are calculated by assuming the fund assets at the beginning of the Plan year and cash flows during the Plan year will earn the going-concern valuation interest rate.

This method was also used in the previous valuation.

Table C.3 – Actuarial Value of assets – Going-concern

Year	Market Value (beginning of year)	Contributions paid	Benefits paid	Transfers or Pension Purchases	Fees	Expected Rate of Return	Expected Return
	\$	\$	\$	\$	\$	%	\$
2005	4,051,131	196,866	182,062	—	51,805	6.50	263,805
2006	4,556,503	195,957	267,727	—	48,198	6.50	293,840
2007	5,069,762	197,839	205,102	—	47,668	6.50	329,298
2008	5,060,124	268,923	306,979	—	60,353	6.00	302,466
2009	4,435,696	250,504	409,319	—	57,799	6.00	261,377
2010	4,988,757	121,759	268,881	—	42,957	6.00	294,912

Table C.3 – Actuarial Value of assets – Going-concern (continued)

Year	Expected Assets (end of year)	Actual Assets (end of year)	Actual Return	Difference Actual less Expected Assets	Adjustment	Actuarial Value (end of year)
	\$	\$	\$	\$	\$	\$
2005	4,329,740	4,556,503	490,568	226,763	— ¹	4,556,503
2006	4,778,573	5,069,762	585,029	291,189	— ¹	5,069,762
2007	5,391,797	5,060,124	(2,375)	(331,673)	(124,053)	5,184,177
2008	5,324,534	4,435,696	(586,372)	(888,838)	(703,116)	5,138,812
2009	4,538,258	4,988,757	711,876	450,499	4,053	4,984,704
2010	5,136,547	5,251,243	409,608	114,696	226,630	5,024,613

¹ The actuarial value of assets as of the previous valuation was the market value of investments and hence no adjustment was made to this value.

Asset Valuation Method – Solvency

The actuarial value of assets used to determine the solvency financial position is based on a market value, adjusted for payments due to and payable from the pension fund, while smoothing out market fluctuations. The actuarial value of assets is determined by subtracting from the market value as at the valuation date, an amount equal to:

- a) 80% of the difference between the actual market value and the expected market value as at December 31, 2010, plus
- b) 60% of the difference between the actual market value and the expected market value as at December 31, 2009, plus
- c) 40% of the difference between the actual market value and the expected market value as at December 31, 2008, plus
- d) 20% of the difference between the actual market value and the expected market value as at December 31, 2007.

Expected investment earnings are calculated by assuming the fund assets at the beginning of the Plan year and cash flows during the Plan year will earn the solvency valuation interest rate.

Table C.4 – Actuarial Value of Assets - Solvency

Year	Market value (beginning of year)	Contributions paid	Benefits paid and transfers	Administrative fees	Anticipated rate of return	Anticipated return
	\$	\$	\$	\$	%	\$
2007	5,069,762	197,839	205,102	47,668	5.10	258,373
2008	5,060,124	268,923	306,979	60,353	5.20	262,137
2009	4,435,696	250,504	409,319	57,799	4.20	182,964
2010	4,988,757	121,759	268,881	42,957	3.90	191,693

Table C.4 – Actuarial Value of Assets - Solvency (continued)

Year	Anticipated assets (end of year)	Actual assets (end of year)	Actual return	Difference: actual less anticipated assets	Adjustment	Actuarial value (end of year)
	\$	\$	\$	\$	\$	\$
2007	5,320,872	5,060,124	(2,375)	(260,748)	— ¹	5,060,124
2008	5,284,205	4,435,696	(586,372)	(848,509)	— ¹	4,435,696
2009	4,459,845	4,988,757	711,876	528,912	— ¹	4,988,757
2010	5,033,328	5,251,243	409,608	217,915	100 126	5,151,117

¹ The actuarial value of assets as of the previous valuation was the market value of investments and hence no adjustment was made to this value.

Return on Assets

The plan assets earned the following estimated annualized rate of return, net of investment management fees and other expenses charged to the fund:

Table C.5 - Net Investment Return

Year	Market Value Basis	Adjusted Value Basis – Going-concern ¹	
	%		%
2005	12.1		—
2006	12.9		—
2007	(0.1)		—
2008	(11.6)		(0.1)
2009	16.3		0.1
2010	8.3		3.8
2005 – 2010 (6 years)	5.9		n/a
2008 – 2010 (3 years)	3.7		1.3

¹ For years before 2007, the adjusted value basis is equal to the market value basis.

Appendix D – Membership Data

Description of Membership Data

Our valuation is based on data provided to us by Sun Media Corporation and was compiled as at December 31, 2010. We have taken the following steps to review the data to ensure sufficiency and reliability:

- > each member's records were reconciled and the results of this reconciliation were submitted to the Employer;
- > individual benefit statements were distributed to the members who were requested to report any errors;
- > the contributions and pensions paid since the last valuation shown in the financial statements were compared with the equivalent values produced by the data;
- > a reconciliation was prepared in order to follow the changes concerning some of the active members, retirees and vested members;
- > basic data checks were performed to ensure that age, salary and service data were reasonable for the purposes of the valuation.

Summary of membership data

The following tables were prepared using data provided by Sun Media Corporation regarding its active, retirees and former members.

These tables show the following for the Salaried members:

- > D.1 A summary of membership data
- > D.2 Changes in Plan membership
- > D.3 Distribution of active members according to age and service as at December 31, 2010

Table D.1 – Summary of Membership Data

		December 31, 2010	January 1, 2007
Active members	Number	13	24
	Total pensionable earnings for following year	\$638,500	\$1,000,200
	Average pensionable earnings	\$49,100	\$41,700
	Average age	51.1	48.6
	Average years of service	17.7	16.7
	Average annual accumulated pension	\$13,600	\$11,900
Vested members	Number	9	6
	Total annual pensions	\$104,400	\$61,700
	Average annual pension	\$13,100	\$12,300
	Average age	51.7	51.6
Retirees and beneficiaries	Number	19	15
	Total annual pensions	\$254,700	\$206,900
	Average annual pension	\$13,400 \$	\$13,800
	Average age	70.4	69.3

Table D.2 – Changes in Plan Membership

	Active Members	Vested Members	Retirees	Total
Members as at December 31, 2007	24	6	15	45
New members	4	—	—	4
Retirements	(2)	(2)	4	—
Terminations:				
> Deferred pensions	(5)	5	—	—
> Lump sums	(8)	—	—	(8)
Deaths	—	—	—	—
Members as at December 31, 2010	13	9	19	41

Table D.3 – Age/Service Distribution for Active Members as at December 31, 2010

Years of service		Age							Total
		35 - 39	40-44	45-49	50-54	55-59	60-64	>65	
0 - 4	Number		1						1
	Tot. Sal.								
	Avg. Sal.								
5-9	Number			1					1
	Tot. Sal.								
	Avg. Sal.								
10-14	Number				2	1			3
	Tot. Sal.				100,402				
	Avg. Sal.				50,201				
15-19	Number				1				1
	Tot. Sal.								
	Avg. Sal.								
20-24	Number			2	2	1			5
	Tot. Sal.			126,512	111,305				
	Avg. Sal.			63,256	55,653				
25-29	Number					1			1
	Tot. Sal.								
	Avg. Sal.								
30 et +	Number						1		1
	Tot. Sal.								
	Avg. Sal.								
Total	Number		1	3	5	3	1		13
	Tot. Sal.					94,335			638,479
	Avg. Sal.					31,445			49,114

Average age: 51.1

Average number of years of service: 17.7

- Notes:
- The age is computed at nearest birthday.
 - Years of service means the number of years credited for pension plan purposes, fractional parts being rounded to the nearest integer.
 - The salary used is the salary rate as of January 1, 2011 adjusted for the percentage worked for the year.

Appendix E – Summary of Plan Provisions

Major Plan Provisions

Effective Date

The effective date of the original plan was July 1, 1971. The plan has been modified several times, with the most recent changes, during 1997, to the active member benefit accrual formula and an ad hoc increase to pensioners.

Eligibility

Full-time employees may join the plan on the completion of two years of service. Part-time eligible employees may also join provided they meet minimum earnings of hours of work requirements.

Credited Service

Credited Service includes service while a member of the plan. For employees who were members of the plan prior to January 1, 1987, Credited Service commences at the earlier of the date the member joined the plan and the date the member had completed two years of service and attained age 30.

Contributions

Members, other than Senior Executive members, are required to contribute 4.5% of their base earnings to the plan.

Retirement Date

The normal retirement date is the first of the month immediately following the member's 65th birthday.

Early retirement is available on the attainment of age 55. Benefits are reduced by 0.5% for each month by which early retirement precedes the member's normal retirement date. For members who terminate prior to age 55, benefits are reduced on an actuarially equivalent basis on early retirement.

Retirement Benefit

For each year of pensionable service prior to 1997 members receive a pension equal to 2.0% of the average of the member's 1994 through 1996 earning. For pensionable service on and after January 1, 1997, benefits accrue at a rate equal to 2.0% of the member's earnings.

Maximum Benefit

The maximum benefit payable is limited to maximum accruals determined by CRA rules.

Form of Pension

The normal form of pension is payable for the member's lifetime, with a guarantee that no fewer than 120 monthly payments will be made.

Vesting

The employer's share of the cost of benefits vests following two years of membership with respect to accruals in 1987 and later; earlier accruals vest 10% after one year of service, increasing 10% per year until full vesting is achieved after 10 years of service.

Death Benefit

On death prior to retirement, the member's beneficiary receives the commuted value of the benefit accrued to the member for service in 1987 and later, plus the value of the member's accumulated contributions with interest for service prior to 1987.

Termination

Members who terminate prior to retirement can elect to receive a deferred benefit equal to the vested portion of the member's accrued benefit. If the member is not eligible to receive an immediate benefit under the plan he can elect to have the commuted value of the benefit transferred to a registered retirement savings plan or a subsequent employer's pension plan.

Maximum Pension

Benefits accrued for service prior to 1987 must have a value not less than the member's accumulated contributions with interest. Benefits accrued in 1987 and later must be funded no more than 50% by the member's accumulated contributions with interest. Excess contributions result in an additional benefit to the member.

Disability

Credited service continues to accrue to members who become totally and permanently disabled.

Appendix F – Employer Certification

With respect to the actuarial valuation report of Pension plan for eligible employees of the Stratford Beacon Herald, a division of Sun Media Corporation as at December 31, 2010, we hereby confirm that to the best of our knowledge:

- > the contributions has been paid to the fund in conformity with the previous actuarial report;
- > the data regarding Plan members and beneficiaries provided to Morneau Shepell constitutes a complete and accurate description of the information contained in our files;
- > copies of the official text of the Plan and all amendments to date were provided to Morneau Shepell and the summary of Plan provisions contained in this report is accurate;
- > there are no subsequent events nor any extraordinary changes to the membership other than those listed in the December 31, 2010 actuarial report on the Plan, which would materially affect the results.

Sun Media Corporation



Benoît Desmarais

Name (printed)

Director, Pension and Benefits

Title

16/09/11

Date

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