MORNEAU SHEPELL

Canadian Bank Note Company, Limited Employees' Pension Plan

Actuarial Valuation as at December 31, 2014 for Funding Purposes

Report prepared on September 28, 2015

Registration number: Ontario and Canada Revenue Agency #0232124

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Introduction

This report presents the results of the actuarial valuation as at December 31, 2014 of the Canadian Bank Note Company, Limited Employees' Pension Plan ("Plan"). Canadian Bank Note Company, Limited ("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, 2013.

This report was prepared for Canadian Bank Note Company, Limited, 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

Since November 1, 2012, the employer may defer for up to one year the start of special payments required to liquidate any new solvency deficiency or new going concern unfunded liability. As at the December 31, 2014 actuarial valuation, the Employer has elected the one year deferral for new special payments.

Restriction on use of this report

This report was prepared for Canadian Bank Note Company, Limited. It will also be filed with the Financial Services Commission of Ontario and the Canada Revenue Agency. This report and any of its content may not be distributed, published, made available or relied upon by any other person, without the express written permission of Morneau Shepell, unless and only to the extent otherwise provided by applicable law.

Section 1 – Actuarial Opinion

This opinion is given with respect to the Canadian Bank Note Company, Limited Employees' Pension Plan, registration number 0232124 (Ontario). We performed a valuation of the Plan as at December 31, 2014, based on the Plan provisions and data as at that date. The Employer has confirmed that, between December 31, 2014 and September 28, 2015, 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.

Valuation Results

We hereby certify that, in our opinion, as at December 31, 2014:

- The Plan is not fully funded on the going-concern basis. The actuarial liabilities exceed the actuarial value of assets by $354,000.
- The Plan is not funded on the solvency basis. The actuarial liabilities exceed the value of assets by $10,325,000. An amount of $7,333,000 of letters of credit is included in the value of plan assets.
- The Plan assets would have been less than the actuarial liabilities by $17,658,000 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 74.9%. The Employer may have to make additional contributions if former members or their survivors transfer the commuted value of their accrued benefits out of the Plan or purchase an immediate or deferred annuity. The Plan actuary should be consulted on this matter.
- The residual normal cost for the defined benefit component (i.e. normal cost less employee required contributions) is equal to 196.0% of employee contributions.
- The minimum employer contribution for the defined benefit component is equal to 196.0% of employee contributions plus amortization payments. These amounts in addition to employee contributions (in dollars) can be estimated as shown in the table below:

Table 1.1 – Estimated Employee Contributions and Residual Normal Cost and Minimum Annual Amortization Payments – Defined Benefit Component

Plan year	Employee contributions	Residual normal cost	Amortization payments
	$000	$000	$000
2015	199	390	3,393

The minimum amortization payments should be the dollar amounts indicated in the above table. Higher amortization payments are acceptable but they cannot exceed $17,658,000 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 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.

- The residual normal cost for the defined contribution component (i.e. normal cost less employee required contributions) is between 3% and 5% of each member's earnings depending on their selected contribution level. The residual normal cost (in dollars) can be estimated as illustrated in the table below:

Table 1.2 – Estimated Residual Normal Cost – Defined Contribution Component

Plan year	Residual normal cost
	$000
2015	2,237

We estimated the employer defined contribution normal cost based on the 2014 employer defined contribution normal cost increased by the salary scale of 3.25%.

Certification

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 Plan has no contingent benefits or employer consent benefits. No benefits have been excluded from this valuation.

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).

Scope of Report

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, 2015.

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

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September 28, 2015

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, 2014	December 31, 2013
	$000	$000
Actuarial value of assets		
Defined Benefit Component		
– Market value	52,826	51,629
– Additional voluntary contributions	61	60
– Total	52,887	51,689
Defined Contribution Component	43,047	36,267
Total	95,934	87,956
Actuarial liabilities		
Defined Benefit Component		
– Active members	24,159	23,439
– DB guarantee members	83	39
– Terminated vested members	355	826
– Retired members and beneficiaries	28,583	26,507
– Additional voluntary contributions	61	60
– Total	53,241	50,871
Defined Contribution Component	43,047	36,267
Total	96,288	87,138
Actuarial surplus (unfunded liability)	(354)	818
Funding Ratio - Defined Benefit Component	99.3%	101.6%

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

	$000	$000
Actuarial surplus (unfunded liability) as at December 31, 2013		818
Expected changes in funded status		
Interest on surplus (unfunded liability)	47	
Employer special payments for DB deficit funding (with interest)	106	
Total		153
Expected surplus (unfunded liability) as at December 31, 2014		971
Actuarial gains (losses) due to the following factors		
Investment return on actuarial value of assets (6.31% vs 5.75%)	333	
Salary increases higher than expected	(122)	
Retirements	75	
Terminations	(14)	
Mortality	(249)	
Total		23
Other gains (losses)		
Changes in discount rate assumption	(1,394)	
Miscellaneous	46	
Total		(1,348)
Actuarial surplus (unfunded liability) as at December 31, 2014		(354)

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 for the defined benefit component. 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, 2014	Discount rate 1% lower
	$000	**$000**
Actuarial liabilities		
Defined Benefit Component		
– Active members	24,159	27,705
– DB guarantee members	83	103
– Terminated vested members	355	411
– Retired members and beneficiaries	28,583	30,979
– Additional voluntary contributions	61	61
– Total	53,241	59,259
Increase in actuarial liabilities		6,018

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, 2014	December 31, 2013
	$000	$000
Solvency assets		
Defined Benefit Component		
– Market value of assets	52,826	51,629
– Letters of credit	7,333	4,122
– Additional voluntary contributions	61	60
– Provision for expenses	(280)	(280)
– Total	59,940	55,531
Defined Contribution Component	43,047	36,267
Total	102,987	91,798
Solvency liabilities		
Defined Benefit Component		
– Active members	34,118	30,285
– DB guarantee members	296	177
– Terminated vested members	535	1,019
– Retired members and beneficiaries	35,255	29,645
– Additional voluntary contributions	61	60
– Total	70,265	61,186
Defined Contribution Component	43,047	36,267
Total	113,312	97,453
Assets less liabilities on the solvency basis	(10,325)	(5,655)

Please note that the value of the letters of credit does not exceed the limit set by the law.

Hypothetical Wind-up Funded Status

Since the solvency asset amount is not equal to the market value of assets as at December 31, 2014, if the Plan had been liquidated as at December 31, 2014 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 funded status shown in table 3.1.

Table 3.2 – Hypothetical Wind-up Funded Status

	December 31, 2014	December 31, 2013
	$000	$000
Hypothetical wind-up assets		
Defined Benefit Component		
– Market value of assets	52,826	51,629
– Additional voluntary contributions	61	60
– Provision for expenses	(280)	(280)
– Total	52,607	51,409
Defined Contribution Component	43,047	36,267
Total	95,654	87,676
Hypothetical wind-up liabilities		
Defined Benefit Component		
– Active members	34,118	30,285
– DB guarantee members	296	177
– Terminated vested members	535	1,019
– Retired members and beneficiaries	35,255	29,645
– Additional voluntary contributions	61	60
– Total	70,265	61,186
Defined Contribution Component	43,047	36,267
Total	113,312	97,453
Assets less liabilities on the hypothetical wind-up basis	(17,658)	(9,777)
Transfer ratio - Defined Benefit Component	74.9%	84.0%

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 3.2. That ratio was calculated based on the defined benefit component only.

Next Valuation Date

Since the ratio of the solvency assets to the solvency liabilities is less than 85%, the next valuation has to be within one year of this valuation date.

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 3.3 – PBGF Assessment Base

	\$000
Ontario portion of solvency assets (before provision for expenses)	52,826
PBGF liabilities	70,204
PBGF assessment base	17,378
Additional liability for plant closure and/or permanent layoff benefits not funded	—

For 2015, based on the funding status of the Plan and assuming 351 members, the PBGF assessment is estimated to be $113,724.

Sensitivity Analysis on the Solvency Basis

The table below illustrates the effect on the actuarial liabilities, for the defined benefit component, of using discount rates 1% lower than those used for the solvency valuation. All other assumptions and methods, as used in this valuation, were maintained.

Table 3.4 – Sensitivity of Actuarial Liabilities on the Solvency Basis

	December 31, 2014	**Discount rates 1% lower**
	\$000	**\$000**
Actuarial liabilities		
Defined Benefit Component		
– Active members	34,118	39,185
– DB guarantee members	296	489
– Terminated vested members	535	634
– Retired members and beneficiaries	35,255	38,768
– Additional voluntary contributions	61	61
– Total	70,265	79,137
Increase in actuarial liabilities		8,872

Incremental Cost on the Solvency Basis

Solvency valuations by their nature do not capture the growth of solvency liabilities from one valuation to the next arising from the additional years of service rendered between the valuation reports. Future solvency valuations of the Plan may uncover gains or losses even if all assumptions are realized and contributions remitted on time.

The incremental cost for the defined benefit component on the solvency basis represents the present value of the expected aggregate change in the solvency liabilities from December 31, 2014 to December 31, 2015, adjusted for expected benefit payments in the inter-valuation period. This incremental cost is $1,063,000 as at December 31, 2014.

Table 3.5 – Incremental Cost and Projected Liabilities for the Defined Benefit Component

	$000
Actuarial liabilities as at December 31, 2014 on the solvency basis	70,265
Add: Incremental cost for 2015	1,049
Subtract: Present value of expected benefit payments over 2015	(2,758)
Add: Interest cost for 2015	2,349
Actuarial liabilities as at December 31, 2015 on the solvency basis	70,905

Section 4 – Normal Cost and Amortization Payments

Employer Contributions

Employer contributions consist of five components:

- Normal Cost contributions for the defined benefit component, expressed as a percentage of employee contributions (estimated to be $390,000 for 2015, see below for more details);
- Employer contributions to defined contribution component members' accounts, which vary from 3% to 5% of earnings for each member (estimated to be $2,237,000 for 2015);
- Amortization payments ($3,393,000 for 2015; see below for more details). For 2015, the Employer intends to utilize a letter of credit with respect to solvency amortization payments where possible;
- Commuted Value top-up payments – the Employer is required to make commuted value top-up payments if ex-participants transfer the commuted value of their accrued benefits out of the Plan. The amounts required for 2015 will depend on employee turnover rates; and
- PBGF Assessment (estimated to be $113,724 for 2015; see page 10 for more details).

Normal Cost for the Defined Benefit Component

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 for the Defined Benefit Component

	As at December 31, 2014	As at December 31, 2013
	$000	**$000**
Normal cost	589	629
Less employee contributions	199	223
Residual normal cost	390	406
Residual normal cost as a % of employee contributions	196.0%	182.1%

Reconciliation of Normal Cost for the Defined Benefit Component

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

Table 4.2 – Reconciliation of Normal Cost for the Defined Benefit Component

	% of employee contributions
Normal cost as at December 31, 2013	182.1
Demographic changes	2.8
Change in discount rate assumption	11.1
Normal cost as at December 31, 2014	196.0

Sensitivity Analysis on the Going-Concern Basis

The table below illustrates the effect on the normal cost, for the defined benefit component, of using a discount rate 1% lower than the one used for the going-concern valuation. All other assumptions and methods, as used in this valuation, were maintained.

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

	As at December 31, 2014	Discount rate 1% lower
	$000	$000
Normal cost	589	700
Increase in normal cost		111

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 solvency[1]
	mm-dd-yyyy	mm-dd-yyyy	$000	$000
Solvency[2]	01-01-2012	12-31-2016	1,991	3,886

1 *Value of amortization payments discounted as at December 31, 2014 (at a discount rate of 2.49%)*

2 *Old solvency amortization payments consolidated over 5 years as per the December 31, 2011 actuarial valuation report and as permitted by the temporary solvency relief measures.*

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	$000	$000	$000
Going-concern unfunded liability[3]	01-01-2016	12-31-2030	36	354	170
Solvency[4]	01-01-2012	12-31-2016	1,991	—	3,886
Solvency[3]	01-01-2016	12-31-2020	1,366	—	6,269
Total			3,393	354	10,325

1 *Value of amortization payments discounted as at December 31, 2014 (at a discount rate of 5.50%).*

2 *Value of amortization payments discounted as at December 31, 2014 (at a discount rate of 2.49%).*

3 *Annual amortization payments to liquidate the new going-concern and solvency deficiencies are deferred one year.*

4 *Old solvency amortization payments consolidated over 5 years as per the December 31, 2011 actuarial valuation report and as permitted by the temporary solvency relief measures.*

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 for the defined benefit component includes insured annuity contracts. This method is the same as the one used in the last valuation.

The actuarial value of the assets also includes additional voluntary contributions. The value of these contributions corresponds to the sum of the values of each individual account.

The value of the assets for the defined contribution component corresponds to the sum of the values of each individual account.

Actuarial Cost Method

With the exception of the liabilities for the defined benefit guarantee members, the actuarial liabilities and the normal cost for the defined benefit component, on the going-concern basis, were calculated using the projected accrued benefit (or projected unit credit) actuarial cost method. Due to the nature of the defined benefit guarantee provision, the actuarial liabilities and the normal cost for the defined benefit guarantee members were calculated using the accrued benefit (or unit credit) actuarial cost method.

The actuarial liabilities for the defined benefit component 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 for the defined benefit component 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 for the defined benefit component is the same as the one used in the last valuation. The valuation method for determining the employer normal cost for the defined benefit component has been updated to reflect expected decrements over the year following the valuation.

We assumed that all members who have reached the retirement age assumption would retire immediately. For normal cost calculation purposes, we did not include 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 ratio of the total 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 ratio.

The actuarial liability in respect of optional ancillary benefits is equal to the market value of the optional ancillary contributions. However, a test was performed to ensure that the amount of optional ancillary contributions does not exceed the value of the maximum optional ancillary benefits permitted under the Income Tax Act (Canada) and the plan text. In accordance with the Income Tax Act, any such excess is forfeited and becomes part of the pension plan’s assets. No employer contributions are made relative to optional ancillary benefits.

In the defined contribution component, the actuarial liability corresponds to the sum of the values of each individual account and the residual normal cost is the contribution set out in the plan text provisions. This method is the same as the one used in the last valuation.

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.

Margin for adverse deviations

At the direction of the plan sponsor, we have included margins for adverse deviations of 0.10% on the interest rate for this valuation. No other 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 rates and percentages are annualized unless otherwise noted.

Table A.1 – Going-Concern Actuarial Assumptions

	December 31, 2014	December 31, 2013
Interest	5.50%	5.75%
Salary increases	3.25%	*idem*
Increase in YMPE	3.25%	*idem*
Maximum pension	2015: $2,818.89 3.25% starting in 2016	2014: $2,770.00 3.25% starting in 2015
Interest credited on employee contributions[1]	5.50%	5.75%
Mortality	Before retirement: None After retirement: CPM-2014 Private Table with generational projection using improvement scale CPM-B	*idem*
Termination of employment	Age – Percentage 25 – 4.0 30 – 2.0 35 – 1.0 40 – 1.0 45 – 1.0 50 – 1.0 55 – 0.0 60 – 0.0 65 – 0.0	*idem*
Single annuity premium for DB Guarantee members (on retirement)	Determined using interest rates implied in quotes for individual annuities consistent with UP-94 fully generationally projected[2]	*idem*
Retirement	30% at age 58 100% at age 65	*idem*
Difference in age between spouses[3]	Male is 3 years older than female	*idem*
Administrative expenses	Implicitly recognized in the interest rate	*idem*

1 *Corresponds to the interest rate, though employee contributions are credited with rates determined with CANSIM series B14045, not with reference to the fund's rate of return*

2 *Quotes for single-life, non-indexed individual annuities sold to male lives, with interpolation applied where necessary. See Table A.2 below for implicit rates, determined assuming mortality as indicated above*

3 *Applied to retirees currently in receipt of joint & survivor pensions*

Table A.2 – Implicit Interest Rates for Single Annuity Premiums

Age	December 31, 2014	December 31, 2013
55	2.92%	3.90%
56	2.94%	3.86%
57	2.96%	3.82%
58	2.96%	3.77%
59	3.00%	3.73%
60	3.02%	3.69%
61	2.95%	3.67%
62	2.87%	3.64%
63	2.65%	3.62%
64	2.60%	3.59%
65	2.65%	3.57%

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 corresponds 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.

Discount rate

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

Table A.3 – Discount Rate

	%
Expected inflation	2.25
Expected real return	3.60
Value added for rebalancing and diversification effect	0.50
Value added for active management	0.60
Margin for adverse deviations	(0.10)
Expected expenses for active management	(0.60)
Other expenses	(0.75)
Discount rate	5.50

The return for bonds has been determined mainly (but not totally) on current market conditions while the return assumption for equities is 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 classes) was estimated on the basis of a log-normal distribution.

The margin for adverse deviations chosen is based on a log-normal distribution 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 52% over a period of about 25 years.

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

Increases in maximum pensionable earnings

The assumed increase in the YMPE must, in accordance with the Canada Pension Plan, correspond to the increase in the assumed Industrial Aggregate of Average Weekly Earnings over successive 12-month periods ending on 30 June. The YMPE increase assumption reflects an assumed real rate of inflation of 2.25% per annum plus an allowance of 1% per annum for the effect of real economic growth and productivity gains in the Canadian economy, which is consistent with historical real economic growth.

Mortality

At the last actuarial valuation, in order to take into account the improvements in life expectancy recently reported by the Canadian Institute of Actuaries in its report on Canadian Pensioners Mortality (published on February 13, 2014), we used the CPM2014 Private Sector Mortality Table (CPM2014Priv), and the CPM-B Improvement Scale, which varies by gender, age and calendar year.

Salary increases

Salary increases consist of a combination of inflation, productivity growth (i.e. real increase in average employment earnings in excess of inflation) and merit and promotional increase. The assumption reflects an assumed rate of inflation of 2.25% per annum plus an allowance of 1.00% per annum for the effect of real economic growth and productivity gains in the economy.

Appendix B – Solvency and Hypothetical Wind-Up Actuarial Basis

Asset Valuation Method

The actuarial value of the assets used to determine the solvency funded status for the defined benefit component includes insured annuity contracts. The value of these contracts corresponds to their associated actuarial liabilities, as described below. This method is the same as the one used in the last valuation.

The actuarial value of the assets includes the value of the letters of credit. These letters of credit can only be used for solvency special payments that are due after January 1, 2013, to a maximum of 15% of the pension plan's solvency liabilities, as required by law.

The actuarial value of the assets also includes optional ancillary contributions. The value of these contributions corresponds to the sum of the values of each individual account.

The value of the assets for the defined contribution component corresponds to the sum of the values of each individual account.

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.

In the defined contribution component, the actuarial liability corresponds to the sum of the values of each individual account.

For valuation purposes, to determine eligibility for benefits and for any other uses, 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.

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, 2014	December 31, 2013
Discount rate for members less than age 55	2.5% for the next ten years and 3.8% thereafter	3.0% for the next ten years and 4.6% thereafter
Discount rate for actives over 55 and pensioners	2.49%	3.83%
Discount rate for deferred members over 55	2.49%	3.83%
Salary increases	None	*idem*
Increases in maximum pension	None	*idem*
Mortality	UP-94 fully generationally projected 50% male unisex rates used for active and vested members under age 55	*idem*
Termination of employment	None	*idem*
Retirement	Age that maximizes the value of the pension	*idem*
Difference in age between spouses[1]	Male is 3 years older than female	*idem*
Wind-up expenses	$280,000	*idem*

1 *Applied to retirees currently in receipt of joint & survivor pensions*

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.
- For the purposes of determining eligibility for unreduced pension and supplemental bridge pension, we assumed that the Plan remained in effect to the member's retirement date and that the member remained employed to that date.

Termination scenario

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

- Plan wind-up would not 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 rates used to discount the amortization payments for the purposes of calculating the solvency balance correspond to the weighted discount rates 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.

The assumptions used to value the benefits of members and beneficiaries settled by the purchase of annuities with an insurance company are in conformity with the educational note dated April 24, 2015 and the educational note supplement dated May 5, 2015 prepared by the Canadian Institute of Actuaries. These assumptions are based on an estimate of the premium that would be required by an insurer to guarantee payment of the pensions. The duration of the liabilities expected to be settled through the purchase of non-indexed annuities is equal to 10.6 years.

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

We have assumed that 100% of all active members less than 55 years old would opt for the transfer of the value of their rights. We have also assumed that the rights of all other members would be settled by the purchase of annuities from an insurance company. This approach is the same as the one used in the last valuation.

The assumptions used 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.

The assumptions used to value the benefits of members and beneficiaries settled by the purchase of annuities with an insurance company are in conformity with the educational note dated April 24, 2015 prepared by the Canadian Institute of Actuaries. These assumptions are based on an estimate of the premium that would be required by an insurer to guarantee payment of the pensions.

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. 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.

The method used to calculate the incremental cost for the defined benefit component may be described as follows:

1. Present value of expected benefit payments between December 31, 2014 and December 31, 2015, discounted to December 31, 2014; Plus
2. Projected solvency liabilities as at December 31, 2015, discounted to December 31, 2014; Less
3. Solvency liabilities as at December 31, 2014.

The projected liabilities as at December 31, 2015 take into account:

- expected decrements and related changes in membership status between December 31, 2014 and December 31, 2015;
- accrual of service to December 31, 2015;
- expected changes in benefits to December 31, 2015; and
- projection of pensionable earnings to December 31, 2015.

Actuarial Assumptions

The actuarial assumptions used to calculate the incremental cost for the defined benefit component may be described as follows:

- 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, 2014.
- The assumptions used to calculate the projected solvency liabilities as at December 31, 2015 in item 2 above correspond to those used for the solvency valuation as at December 31, 2014, taking into account the method of settlement applicable to each member as at December 31, 2015.

  However, we assume that the discount rates remain at the levels applicable as at December 31, 2014 and that the select period is reset as at December 31, 2015 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, 2014 remain in effect as at December 31, 2015.
- The projected solvency liabilities as at December 31, 2015 in item 2 above is calculated using the same postulated scenario as is used for the solvency valuation as at December 31, 2014.
- The rates used to discount items 1 and 2 above from December 31, 2015 to December 31, 2014 correspond to those used for the solvency valuation as at December 31, 2014. However, these rates are adjusted to take into account the applicable method of settlement applicable to each member as at December 31, 2015.

Appendix C – Assets

Source of Information

Most of the assets are invested with CIBC Mellon Trust and are held under Account No. 865005. The members' additional voluntary contributions are invested with Manulife Financial under Policy Contract No. GN 81644007.

We have relied upon the information provided in the audited financial statements prepared by KPMG LLP Chartered Accountants.

With respect to the letter of credit, we have relied upon the information provided to us by the Bank of Nova Scotia, the issuer of the letter of credit.

Statement of Net Assets (Market Value)

With respect to assets of the Plan, the following table shows the asset mix as at December 31, 2014, and for comparison of the assets, the mix as at December 31, 2013:

Table C.1 – Market Value of Assets for the Defined Benefit Component

	December 31, 2014	December 31, 2013
	$000	$000
Invested assets		
Cash and cash equivalents	768	761
Equities	32,595	32,140
Fixed income	19,551	18,555
Guaranteed funds (Manulife)	61	60
Total invested assets	**52,975**	**51,516**
Other assets		
Contribution and investment income receivable	298	291
Pension payments and lump-sum transfers payable	(228)	—
Amounts receivable from DC Component	—	—
Expenses payable	(158)	(118)
Total other assets	(88)	173
Total market value of assets	**52,887**	**51,689**

Table C.2 – Market Value of Assets for the Defined Contribution Component

	December 31, 2014	December 31, 2013
	$000	**$000**
Invested assets		
Cash and cash equivalents	5,224	4,768
Pooled funds	37,531	31,342
Total invested assets	**42,755**	**36,110**
Other assets		
Contribution and investment income receivable	491	329
Pension payments and lump-sum transfers payable	(192)	—
Amounts receivable from DC Component	—	—
Expenses payable	(7)	(172)
Total other assets	292	157
Total market value of assets	**43,047**	**36,267**

Changes in Net Assets

The following tables show changes to the defined benefit component Plan assets and the defined contribution component Plan assets held by CIBC Mellon Trust during the inter-valuation period. The reconciliations are based on the audited financial statements prepared by KPMG LLP Chartered Accountants.

Table C.3 – Reconciliation of Market Value of Assets for the Defined Benefit Component

	2014	2013
	$000	**$000**
Assets at beginning of period	**51,629**	**48,275**
Receipts:		
Contributions		
– Employee contributions	288	294
– Employer contributions [1]	631	941
– Total	919	1,235
Investment income	4,042	5,876
Transfer from Defined Contribution Component	—	1
Total receipts	**4,961**	**7,112**
Disbursements:		
Benefits paid		
– Retirement benefits	2,919	2,942
– Termination and death benefits	—	125
– Total	2,919	3,067
Transfer from Defined Contribution Component	—	—
Expenses	845	691
Total disbursements	**3,764**	**3,758**
Assets at end of period	**52,826**	**51,629**

1 *Special payment contributions of $103,000 and $466,100 for years 2014 and 2013 respectively*

Table C.4 – Reconciliation of Market Value of Assets for the Defined Contribution Component

	2014	2013
	$000	$000
Asset at beginning of period	**36,267**	**30,409**
Receipts		
Contributions		
– Employee contributions	2,266	2,042
– Employer contributions	2,167	1,949
– Total	4,433	3,991
Transfer from Defined Contribution Component	—	—
Investment income	3,147	3,907
Total receipts	**7,580**	**7,898**
Disbursements:		
Termination and death benefits	713	1,972
Transfer to DB Plan	—	1
Expenses	86	67
Total disbursements	**799**	**2,040**
Asset end of period	**43,048**	**36,267**

Return Assets

The Plan assets earned the following annualized rates of return, net after investment management fees and other expenses charged to the fund:

Table C.5 – Net Investment Return (Market Value Basis)

Year	DB Assets	DC Assets
	%	%
2002*	(9.3)	(17.3)
2003	14.1	13.9
2004	8.3	8.0
2005	12.6	10.3
2006	12.6	12.6
2007	2.7	2.4
2008	(17.3)	(17.8)
2009	15.2	15.3
2010	11.7	10.5
2011	1.7	(0.1)
2012	7.1	7.4
2013	11.0	12.2
2014	6.3	8.0

** Non-annualized rate from April 1, 2002 to Dec 31, 2002*

Letter of Credit

The Bank of Nova Scotia has issued an irrevocable and unconditional standby letter of credit in favor of the beneficiary, CIBC Mellon Trust Company in its capacity as trustee in trust for the Plan.

Table C.6 – Face Value of Letter of Credit

	December 31, 2014	December 31, 2013
	$000	$000
Face value of letter of credit	7,333	4,122

Appendix D – Membership Data

Description of Membership Data

Our valuation is based on data provided to us by Canadian Bank Note Company, Limited and was compiled as at December 31, 2014. We have taken the following steps to review the data to ensure sufficiency and reliability:

- the records of each member were reconciled with the data of the previous valuation, and the results of this reconciliation were submitted to the employer;
- individual benefit statements were distributed to the members, who were instructed to report any errors;
- the contributions and pensions paid since the last valuation shown in the financial statements were compared with the equivalent values drawn from the data;
- a reconciliation was performed in order to follow the changes in the number of 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 the Canadian Bank Note Company, Limited regarding the Plan's active members, retirees and former members.

These tables show the following:

D1- Summary of Membership Data.

D2- Changes in Plan Membership.

D3- Age/Service Distribution for Active Members as at December 31, 2014 – Defined Benefit Component Members.

D4- Age Distribution as at December 31, 2014 for Retirees and Beneficiaries.

Table D.1 – Summary of Membership Data

	December 31, 2014	December 31, 2013
DB Active Members		
Number	120	128
Total payroll for following year	$8,584,300	$8,735,900
Average salary	$71,500	$68,200
Average employee's contribution with interest	$75,000	$73,100
Average age	56.6	56.1
Average service	25.5	24.9
DB Guarantee Active members		
Number	5	5
Average annual DB pension accrual	$700	$700
Average age	62.1	61.1
Average service	32.5	31.5
Terminated Vested Members		
Number	6	7
Total annual pension	$39,200	$80,100
Average annual pension	$6,500	$11,400
Average age	59.7	58.7
Retirees		
Number	199	199
Total annual lifetime pensions	$2,523,400	$2,411,500
Average annual lifetime pension	$12,700	$12,100
Total annual bridge pensions	$30,900	$48,100
Average annual bridge pension	$15,500	$12,000
Average age	74.7	74.6
Beneficiaries		
Number	26	22
Total annual pension	$264,200	$226,100
Average annual pension	$10,200	$10,300
Average age	78.3	77.0

Table D.2 – Changes in Plan Membership

	DB Active Members	DB Guarantee Members	DC Active Members	Terminated Vested Members	Retirees	Beneficiaries	Total
Members as at December 31, 2013	128	5	722	7	199	22	1,083
New members	—	—	70	—	—	—	70
Deferred pensions	—	—	(32)	—	—	—	(32)
Death							
Pension cessation	—	—	—	—	(4)	(1)	(5)
Survivor pension	—	—	—	—	(5)	5	—
Retirements	(8)	—	—	(1)	9	—	—
Data Adjustments	—	—	5	—	—	—	5
Members as at December 31, 2014	120	5	765	6	199	26	1,121

Table D.3 – Age/Service Distribution for Active Members as at December 31, 2014 – Defined Benefit Component Members

		Age								
Years of Service		**30-34**	**35-39**	**40-44**	**45-49**	**50-55**	**55-59**	**60-64**	**65+**	**Total**
5-9	**Number**					1				**1**
	Tot. Sal.									
	Avg. Sal.									
10-14	**Number**	4	2	6	2	6	4	3	2	**29**
	Tot. Sal.	231,500	172,100	327,300	101,100	245,100	204,700	109,400	78,200	**1,469,400**
	Avg. Sal.	57,900	86,100	54,600	50,600	40,900	51,200	36,500	39,100	**50,700**
15-19	**Number**			1		4	3	7	3	**18**
	Tot. Sal.					642,700	251,300	466,100	242,600	**1,644,400**
	Avg. Sal.					160,700	83,800	66,600	80,900	**91,400**
20-24	**Number**				4	4	6	3	1	**18**
	Tot. Sal.				202,000	236,300	370,300	194,200		**1,752,900**
	Avg. Sal.				50,500	59,100	61,700	64,700		**97,400**
25-29	**Number**				1	4		2		**7**
	Tot. Sal.					280,800		109,500		**484,000**
	Avg. Sal.					70,200		54,800		**69,200**
30-34	**Number**					3	6	4		**13**
	Tot. Sal.					187,300	448,700	282,700		**918,800**
	Avg. Sal.					62,400	74,800	70,700		**70,700**
35+	**Number**						13	15	6	**34**
	Tot. Sal.						816,300	928,400	539,200	**2,283,900**
	Avg. Sal.						62,800	61,900	89,900	**67,200**
Total	**Number**	**4**	**2**	**7**	**7**	**22**	**32**	**34**	**12**	**120**
	Tot. Sal.	**231,500**	**172,100**	**369,100**	**396,900**	**1,623,000**	**2,091,400**	**2,090,400**	**1,610,000**	**8,584,300**
	Avg. Sal.	**57,900**	**86,000**	**52,700**	**56,700**	**73,800**	**65,400**	**61,500**	**134,200**	**71,500**

Table D.4 – Age Distribution as at December 31, 2014 for Retirees and Beneficiaries

Age	Number	Total Lifetime Annual Pension	Average Lifetime Annual Pension
		$	$
< 55	-	-	-
55 - 59	5	59,700	11,900
60 - 64	15	252,900	16,900
65 - 69	52	594,000	11,400
70 - 74	48	499,100	10,400
75 - 79	38	500,000	13,200
80 - 84	33	564,300	17,100
85 - 89	27	270,700	10,000
90+	7	46,900	6,700
Total	**225**	**2,787,600**	**12,400**

Appendix E – Summary of Plan Provisions

The Pension Plan for the Employees of the Canadian Bank Note Company, Limited, which became effective on July 1, 1957, is registered in Ontario and with the Canada Revenue Agency (registration number 0232124).

The following is a summary of the main provisions of the Plan outlined in the plan text as amended to December 31, 2014.

Defined Benefit Provision

Definitions

- *Credited service*: The years and fractions of years of continuous service as a plan member, less any periods of unpaid leave during which no member contributions were made.
- *Average Compensation*: Highest average annual earnings for any five consecutive years.
- *Average YMPE*: The average YMPE calculated over the same 5-year period over which the average compensation is determined.

Eligibility and Membership

Members who join the Plan after March 31, 2002 earn benefits on a DC basis.

A full-time employee of the Company is eligible to become a member of the Plan following the completion of one year of service. A full-time employee who has completed one year of service and attained age twenty-five must become a member of the Plan.

A part-time employee is eligible to join the Plan after completing two consecutive calendar years in which one of the following conditions is satisfied for each calendar year:

- Has earned no less than 35% of the YMPE, or
- Has worked no fewer than 700 hours.

Employee Contributions

Members are required to contribute 3-1/3% of the employee's earnings up to the YMPE, plus 5% of the portion of these earnings in excess of the YMPE.

In addition, members may also make current service voluntary contributions to the extent allowed by the *Income Tax Act*.

50% Cost Sharing Rule

The employee required contributions made plus credited interest must not pay for more than 50% of the benefits. Any excess may be used to increase benefits at retirement, or refunded to the member.

Normal Retirement

Age 65.

Annual pension

Each member who retires on or after his normal retirement date shall receive a monthly pension calculated as one twelfth of the sum of (a), (b) and (c):

a) 1 ½% of his average compensation for each year of service before July 1, 1957, excluding the first year of service, service prior to age 25, and service after age 65;

b) 1 ½% of his average compensation for each year of credited service from July 1, 1957 to January 1, 1966; and

c) 1% of his average compensation up to the average YMPE, plus 1 ½% of his average compensation in excess of the average YMPE for each year of credited service after January 1, 1966.

Maximum pension

For each year of pensionable service, the lesser of:

- DB limit for the current year, or
- 2% of the average earnings for the three best years.

Early Retirement

A member may retire after age 55.

A member who retires prior to his normal retirement date will receive a pension calculated as if he retired on his normal retirement date but reduced by multiplying a factor determined from the following table:

Age	Members with at least 35 Years of Credited Service*	Other Members
55	68%	68%
56	71	71
57	75	75
58	100	79
59	100	83
60	100	88
61	100	90
62	100	93
63	100	95
64	100	98

* ** If joined before January 1, 1976, 33 years of credited service*

Withdrawal

A member will be entitled to a deferred pension to commence on his normal retirement date equal to the benefit accrued to his date of termination, and will not be permitted to elect a refund of his contributions. The terminating member may elect to transfer the value of the deferred pension to another registered plan on a locked-in basis.

Disability Pension

- *Eligibility:* totally and permanently disabled and ten years of continuous service, but not eligible to receive LTD benefits.
- *Annual pension*: credited pension reduced by 2-1/2% for each year between the commencement date of the disability pension and the Normal Retirement Date to a maximum of 25%.

Death

Before retirement

- If a member should die before retirement, his beneficiary will receive a refund of the member's contributions to the Plan with interest.
- A death benefit equal to the value of the member's pension accrued on and after January 1, 1987 (with the proviso that at least 50% is paid by the Company) is payable in lieu of a refund of the member's contributions made on and after January 1, 1987.
- If a deceased member has at least 10 years of service at the time of death and is survived by a spouse, a spouse pension equal to 50% of the deceased member's accrued pension would be payable to the spouse in lieu of a refund of contributions. For service from 1987, the death benefit is the greater of the value of pension earned since 1987 or the value of the spouse pension in respect of service from 1987.

After Retirement

Under the normal form of pension, any excess of the member's contributions with interest to his date of retirement over the total of any benefits paid to him or his surviving spouse would be payable to his designated beneficiary. A retiring member who has a spouse must elect a joint and survivor form with at least 60% payable to the spouse should the member die first, unless both the member and his spouse waive their entitlement to such joint & survivor forms of pension. Any adjustment of the amount of pension due to the election of an optional form shall be made on an actuarially equivalent basis.

Defined Contribution Provision

Employee Contributions

Required Contributions

- 3% of the member's Compensation.

Enhanced Contributions

- Each member has the option of contributing an additional 1 or 2% of his Compensation.

Additional Voluntary Contributions

- Each member has the option of contributing up to the limit set out in the Income Tax Act.

Company Contributions

The Company shall contribute monthly such amounts that are equal to the members' Required and Enhanced Contributions. The Company shall not match the members' Additional Voluntary Contributions. Company contributions may be funded by the Plan's surplus.

Maximum Member Contributions

The total contributions made by, or on behalf of, a member in any calendar year shall not be greater than the *money purchase limit* for the particular year.

Annual Pension

The annual amount of pension payable to a member who retires is that which is purchased from a life insurance company licensed to carry on an annuities business in Canada with the member's Accounts.

Defined Contribution Provision – DB Guarantee Provision

Definitions

- *Credited service*: The years and fractions of years of continuous service as a plan member, less any periods of unpaid leave during which no member contributions were made.
- *Average Compensation*: Highest average annual earnings for any five consecutive years prior to April 1, 2002.
- *Average YMPE*: The average YMPE calculated over the same 5-year period over which the average compensation is determined.

Eligibility and Members

Those Employees who,

a) Were members on March 31, 2002,

b) Were at least 45 years of age but less than 58 years of age on March 31, 2002,

c) Had at least 10 years of Continuous Service on March 31, 2002, and

d) Elected to accrue benefits subsequent to March 31, 2002, on a DC basis,

were permitted to irrevocably elect as at April 1, 2002, to have the DB guarantee apply in the calculation of their pension benefit under the Plan upon their retirement.

Member’s and Company Contributions

The same as other members in the DC Provision, except when a member’s Compensation is greater than $60,000, he must make Enhanced Contributions of at least 1% of his Compensation.

Annual Benefit

The annual benefit is equal to sum of (a) and (b):

a) The annual benefit calculated using the benefit formula under the Defined Benefit Provision, minus the annual benefit provided under the Defined Contribution Provision, excluding the portion of his pension provided with the Member Voluntary Account, provided that the amount calculated under this paragraph (a) may not be less than zero; and

b) The annual benefit provided under the Defined Contribution Provision.

Appendix F – Employer Certification

With respect to the actuarial valuation report of the Canadian Bank Note Company, Limited Employees' Pension Plan as at December 31, 2014, we hereby confirm that to the best of our knowledge:

- the contributions have been paid to the fund in conformity with the previous actuarial report;
- the data regarding Plan members and beneficiaries provided to Morneau Shepell Ltd. constitutes a complete and accurate description contained in our files;
- copies of the official text of the Plan and all amendments to date were provided to Morneau Shepell Ltd. and the summary of the Plan provisions contained in this report is accurate; and
- there are no subsequent events nor any extraordinary changes to the membership other than those listed in the December 31, 2014 actuarial report on the Plan that would materially affect the results.

Furthermore, we confirm that we have directed Morneau Shepell Ltd. to:

- use the market value of assets for purposes of the going-concern valuation;
- include a margin for adverse deviations of 0.10% in the valuation discount rate.

Canadian Bank Note Company, Limited

D.R. Arends

Signature

D.R. ARENDS

Name (printed)

CHAIRMAN

Title

September 25, 2015

Date

Morneau Shepell is the largest company in Canada offering human resources consulting and outsourcing services. The Company is the leading provider of Employee and Family Assistance Programs, as well as the largest administrator of pension and benefits plans. Through health and productivity, administrative, and retirement solutions, Morneau Shepell helps clients reduce costs, increase employee productivity, and improve their competitive position. Established in 1966, Morneau Shepell serves more than 20,000 clients, ranging from small businesses to some of the largest corporations and associations in North America. With approximately 3,600 employees in offices across North America, Morneau Shepell provides services to organizations across Canada, in the United States, and around the globe. Morneau Shepell is a publicly traded company on the Toronto Stock Exchange (TSX: MSI).