MORNEAU SHEPELL

RETIREMENT PLAN FOR THE UNIONIZED EMPLOYEES OF SUN MEDIA CORPORATION

ACTUARIAL VALUATION AS AT JUNE 30, 2014 FOR FUNDING PURPOSES

Report prepared on March 10th, 2015

Registration number: Ontario and Canada Revenue Agency #949958

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INTRODUCTION

This report presents the results of the actuarial valuation as at June 30, 2014 of the Retirement Plan for the Unionized Employees of Sun Media Corporation (“Plan”). Sun Media Corporation (“Employer”), a subsidiary of Québecor Média Inc., 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 June 30, 2013.

This report was prepared for Sun Media Corporation, a subsidiary of Québecor Média Inc., 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. In order to take into account the improvement of life expectancy recently highlighted by the Canadian Institute of Actuaries, the CPM-2014Priv Mortality Table with the CPM-B Improvement Scale was used for this valuation. Adjustment factors of 1.092 and 1.052 for males and females, respectively, were also applied to the mortality table to take into account the level of pensioner benefits.

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 June 30, 2014 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 0.20% in the discount rate.

Terms of engagement have been confirmed by the employer in a letter dated March 4, 2015.

RESTRICTION ON USE OF THIS REPORT

This report was prepared for Sun Media Corporation, a subsidiary of Québecor Média Inc. for internal purpose only. 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 Retirement Plan for the Unionized Employees of Sun Media Corporation, registration number 949958 (Ontario). We performed a valuation of the Plan as at June 30, 2014, based on the Plan provisions and data as at that date. The Employer has confirmed that, between June 30, 2014 and March 10th, 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.

We hereby certify that, in our opinion, as at June 30, 2014:

- The Plan is fully funded on the going-concern basis. The actuarial value of the assets exceeds the actuarial liabilities by $1,389,300.
- According to the solvency test required under the Ontario *Pension Benefits Act*, the Plan is fully funded. On the solvency basis, the value of assets exceeds the actuarial liabilities by $701,800.
- The Plan assets would have been less than the actuarial liabilities by $6,448,100 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 0.869. The Employer may have to make additional contributions if ex-participants transfer the commuted value of their accrued benefits out of the Plan. The Plan actuary should be consulted on this matter.
- The residual normal cost (i.e. normal cost less employee required contributions) is equal to 218.3% of employee contributions (or 8.1% of payroll). The amounts (in dollars) can be estimated as shown in the table below :

Table 1.1 – Estimated Residual Normal Cost

Plan year	Residual normal cost[1, 2]
	$
2014-2015	931,700
2015-2016	941,000
2016-2017	955,100

1 *Prior to application of any surplus*
2 *Projected with salary increases going-concern assumption*

There are no going-concern or solvency deficiencies and, as such, no amortization payments are required.

As the Plan text seems to allow that we take the surplus into account to calculate the employer contributions. Employer contributions between 0% and 218.3% of employee contributions are allowed until the accumulation of amounts which represent, for each Plan year, the difference between 218.3% of employee contributions and the real amount contributed by the Employer be equal to $1,389,300 plus interest (based on the estimated payroll, this will take about 18 months). Thereafter, the Employer should contribute 218.3% of employee contributions until the next valuation.

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 in addition to the employee contributions be remitted to the fund monthly, within 30 days of the month to which they pertain.

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 June 30, 2017.

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

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March 10th, 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

	June 30, 2014	**June 30, 2013**
	$	**$**
Actuarial value of assets		
Market value	42,832,300	36,728,700
Adjustment	(3,667,200)	(1,008,300)
Total	39,165,100	35,720,400
Actuarial liabilities		
Active and disabled members	16,585,500	17,104,200
Suspended members	850,200	1,138,400
Terminated vested members	2,526,700	3,346,900
Retired members and beneficiaries	17,813,400	16,334,300
Total	37,775,800	37,923,800
Actuarial surplus (unfunded liability)	1,389,300	(2,203,400)
Maximum surplus	9,444,000	—
Excess surplus	—	—
Funding Ratio	103.7%	94.2%

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 June 30, 2013		(2,203,400)
Expected changes in funded status		
Interest on surplus (unfunded liability)	(116,800)	
Amortization payments	1,047,800	
Interest on amortization payments	27,800	
Total		958,800
Expected surplus (unfunded liability) as at June 30, 2014		(1,244,600)
Actuarial gains (losses) due to the following factors		
Investment return on actuarial value of assets	1,908,400	
Salary increases	425,400	
Pension indexation	68,100	
Retirements	(46,200)	
Terminations	(69,100)	
Mortality	(211,400)	
Divorce	(62,300)	
Other factors	11,300	
Total		2,024,200
Other gains (losses)		
Changes in actuarial assumptions		
– Changes in economic assumptions	442,100	
– Changes in demographic assumptions	167,600	
– Total		609,700
Actuarial surplus (unfunded liability) as at June 30, 2014		1,389,300

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.

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

	June 30, 2014	**Discount rate 1% lower**
	$	**$**
Actuarial liabilities		
Active and disabled members	16,585,500	19,704,300
Suspended members	850,200	982,800
Terminated vested members	2,526,700	3,055,700
Retired members and beneficiaries	17,813,400	19,335,700
Total	37,775,800	43,078,500
Increase in actuarial liabilities		5,302,700

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

	June 30, 2014	June 30, 2013
	$	$
Solvency assets		
Market value of assets	42,832,300	36,728,700
Provision for expenses	(230,000)	(230,000)
Total	42,602,300	36,498,700
Solvency liabilities		
Active and disabled members	18,636,700	18,082,500
Suspended members	946,100	1,204,300
Terminated vested members	3,147,600	4,026,700
Retired members and beneficiaries	19,140,500	17,024,000
Prior plan obligation	29,600	396,600
Total	41,900,500	40,734,100
Assets less liabilities on the solvency basis	701,800	(4,235,400)
Solvency asset adjustment		
Present value of amortization payments	—	3,306,500
Asset averaging method[1]	—	(3,405,800)
Total	—	(99,300)
Solvency liability adjustment[1]	—	3,106,800
New solvency surplus (deficiency)	701,800	(1,227,900)

1 *No adjustment was applied to the solvency assets and liabilities as at June 30, 2014 in accordance with the method presented in Appendix B.*

As authorized by the Ontario *Pension Benefits Act*, and as requested by the Employer, the value of future post-retirement cost-of-living increases can be excluded for solvency liabilities purposes. The value on a solvency basis of this excluded benefit is $7,149,900 as at June 30, 2014.

HYPOTHETICAL WIND-UP FUNDED STATUS

As permitted by applicable legislation, and as requested by the Employer, escalated adjustment were not valued on the solvency basis.

Since all benefits have not been valued under the solvency basis, if the Plan had been liquidated as at June 30, 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 below:

Table 3.2 – Hypothetical Wind-up Funded Status

	June 30, 2014	**June 30, 2013**
	$	**$**
Hypothetical wind-up assets		
Market value of assets	42,832,300	36,728,700
Provision for expenses	(230,000)	(230,000)
Total	42,602,300	36,498,700
Hypothetical wind-up liabilities		
Active and disabled members	22,141,000	21,250,800
Suspended members	1,152,100	1,458,100
Terminated vested members	3,775,300	4,762,200
Retired members and beneficiaries	21,952,400	19,162,900
Prior plan obligation	29,600	396,600
Total	49,050,400	47,030,600
Assets less liabilities on the hypothetical wind-up basis	(6,448,100)	(10,531,900)
Transfer ratio	0.869	0.776

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.

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

	$
Ontario portion of solvency assets (before provision for expenses)	42,832,300
PBGF liabilities	41,900,500
PBGF assessment base	—
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 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

	June 30, 2014	Discount rates 1% lower
	$	$
Actuarial liabilities		
Active and disabled members	18,636,700	22,461,000
Suspended members	946,100	1,110,700
Terminated vested members	3,147,600	3,838,000
Retired members and beneficiaries	19,140,500	20,883,400
Prior plan obligation	29,600	54,400
Total	41,900,500	48,347,500
Increase in actuarial liabilities		6,447,000

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 June 30, 2014 to June 30, 2017, adjusted for expected benefit payments in the inter-valuation period. This incremental cost is $5,101,000 as at June 30, 2014.

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 June 30, 2014		As at June 30, 2013	
	$	**% of payroll**	**$**	**% of payroll**
Normal cost	1,358,500	(11.8)	1,498,400	(11.8)
Less employee contributions	426,800	(3.7)	472,000	(3.7)
Residual normal cost	931,700	(8.1)	1,026,400	(8.1)
Residual normal cost as a % of employee contributions	218.3%		217.5%	

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 payroll
Normal cost as at June 30, 2013	11.8
Demographic changes	0.4
Changes in actuarial assumptions	(0.4)
Normal cost as at June 30, 2014	11.8

SENSITIVITY ANALYSIS ON THE GOING-CONCERN BASIS

The table below illustrates the effect on the normal cost 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 June 30, 2014		Discount rate 1% lower	
	$	**% of payroll**	**$**	**% of payroll**
Normal cost	1,358,500	(11.8)	1,649,400	(14.3)
Increase in normal cost			290,900	(2.5)

AMORTIZATION PAYMENTS

There are no going-concern or solvency deficiencies and, as such, no amortization payments are required.

For illustrative purposes, here is the previous valuation amortization payment schedule:

Table 4.4 – Amortization Payments – Previous Valuations

Nature of liability or deficiency	Start date	End date	Annual amortization payment
	mm-dd-yyyy	**mm-dd-yyyy**	**$**
Going-concern unfunded liability	06-30-2010	06-30-2025	181,300
Solvency	06-30-2010	06-30-2015	472,800
Solvency	06-30-2011	06-30-2016	180,400
Going-concern unfunded liability (06-30-2012)	06-30-2013	06-30-2028	36,600
Solvency (06-30-2012)	06-30-2013	06-30-2018	176,700
Going-concern unfunded liability (06-30-2013)	06-30-2014	06-30-2029	20,600
Solvency (06-30-2013)	06-30-2014	06-30-2019	280,200
Total			

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 consists to subtract 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 June 30, 2014, plus

b) 33 $^{1}/_{3}$% of the difference between the actual market value and the expected market value as at June 30, 2013.

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.

The 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 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. This method is the same as the one used in the last valuation.

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.

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 rates and percentages are annualized unless otherwise noted.

Table A.1 – Going-Concern Actuarial Assumptions

	June 30, 2014	June 30, 2013
Discount rate	5.30%	Same
Inflation	2.25%	Same
Indexation of pensions at retirement	1.125%	Same
Salary increases (productivity)	1.00% for the first year, 1.50% for the second year, 1.50% for the third year, and 2.75% thereafter	2.75%
Increases in maximum pensionable earnings	2.75%	Same
Maximum pension	2014: $2,770.00 2.75% starting in 2015	2013: $2,696.67 2.75% starting in 2014
Interest credited on employee contributions	3.20%	3.15%
Mortality	CPM-2014Priv Table with generational projection using improvement scale CPM-B with a size adjustment factor of 1.092 for males and 1.052 for females	95% of the UP 94 table, with 125% of the generational projection according to the scale AA for men and 140% for women
Termination of employment	<u>Age</u> <u>%</u> 22 18 32 13 42 8 52 0	Same
Retirement		
Active and suspended members	50% at age 61 50% at age 62	Same
Terminated vested members	Age 65	
Difference in age between spouses	Male is 3 years older than female	Same

CHOICE OF ASSUMPTIONS

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

Inflation rates

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 rates expected by the market, portfolio managers' expectations and the Bank of Canada policy, an expected rate of inflation of 2.25% has been retained.

Discount rate

Table A.2 – Discount Rate

	%
Expected inflation	2.25
Expected real return	3.12
Value added for rebalancing and diversification effect	0.45
Value added for active management	0.08
Margin for adverse deviations	(0.20)
Expected expenses	(0.40)
Discount rate	5.30

The elements shown above are based on the new investment policy according to which the asset allocation will evolve from 50% bonds and 50% equities to 75% in bonds and 25% in equities.

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 classes) was estimated on the basis of a log-normal distribution.

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.

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

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 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 55% over a period of about 25 years. The terms of mandate specifies the use and level of such margin.

The pension fund is invested in fixed income and equity securities. As a result, although measures have been taken in this regard, the Plan is exposed to various risks that could jeopardize the realization of its objectives. These risks relate to the following items:

- credit (a financial instrument which fails to meet its obligations);
- currency (foreign currency fluctuations);
- liquidity (inability to sell a security when one wishes to do so);
- interest rates (fluctuations in the value and cash flows of a financial instrument due to changes in interest rates);
- markets (volatility in equity prices); and
- matching of the Plan's actuarial assets and liabilities.

Increases in maximum pensionable earnings

Considering the historically high correlation between inflation, salary increases and return on investment, the YPME and salary increases have been determined accordingly. Thus the general salary increases has been determined at 0.5% over the inflation rate. No increase due to promotions has been established. The salary increases negotiated as per collective bargaining agreements have been reflected for the first years.

Interest credited on employee contributions

We assumed an interest rate on employee contribution of 3.20% to reflect the average yield on personal 5-year term deposits. This assumption has been determined by adding the expected real rate of return of the DEX Universe bonds (0.95%) to the inflation (2.25%). This assumption is different from the last actuarial valuation.

Mortality

In order to take into account the improvements in life expectancy recently substantiated by the Canadian Institute of Actuaries in its report on Canadian Pensioners Mortality (published on February 13, 2014), we used the CPM-2014Priv Mortality Table, and the CPM-B Improvement Scale, which varies by gender, age and calendar year. Adjustment factors of 1.092 and 1.052 for males and females, respectively, were also applied to the mortality table to take into account the level of pensioner benefits. The same adjustments were used for other participants before and after retirement. At the last actuarial valuation, the full generational UP-94 mortality table with mortality projection scale AA was used (with adjustments).

Disability

Disabled members are valued as active members; however no disability rates are applied. There are no recovery rates for them and their salaries are excluded from payroll for the calculation of the normal cost as a percentage of the payroll. This assumption is the same as in the last actuarial valuation.

Insured annuity contracts

The value of the prior plan obligation on a going-concern basis is $0 as we assumed that members would leave their insured deferred pension with the insurance carrier of the group annuity contract upon termination or death before retirement. This assumption is the same as in the last actuarial valuation.

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, minus a provision for expenses. This method has been used following the Employer's instructions, and is different from the one used in the last valuation.

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

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.

For valuation purposes, the age used is the age on the date of the nearest birthday. However, to determine eligibility for benefits, the exact age was used. This method is the same as the one used in the last valuation.

As per the Employer's instructions, no adjustment was made to the solvency liabilities. This method is different from 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

	June 30, 2014	**June 30, 2013**
Interest rate for active and deferred vested members under age 55 (transfer value)	2.7% for the next 10 years and 4.2% thereafter	2.7% for the next 10 years and 4.0% thereafter
Interest rate for retired members, active and deferred vested members age 55 and over (settlement by purchase of annuities)	3.13%	3.46%
Indexation of pension at retirement[1]		
Active and deferred vested members less than age 55		
– on solvency basis	-	-
– on wind-up basis	0.59% for the next 10 years and 1.17% thereafter	0.69% for the next 10 years and 1.17% thereafter
Retired members, active and deferred vested members aged 55 and over		
– on solvency basis	-	-
– on wind-up basis	1.86%	1.77%
Salary increases (productivity)	None	Same
Increases in maximum pensionable earnings	None	Same
Increases in maximum pension	None	Same
Interest credited on employee contributions	2.7% for the next 10 years and 4.2% thereafter	2.7% for the next 10 years and 4.0% thereafter

1 *Indexation of pension has been excluded as permitted by the Ontario Pension Benefits Act.*

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

	June 30, 2014	June 30, 2013
Mortality		
Transfer values	Unisex rates based on: 70% Full generational Male UP-94 table projected with scale AA, and 30% Full generational Female UP-94 table projected with scale AA.	Same
Annuity purchase	Full generational UP-94 table projected with scale AA sex distinct	
Termination (membership)	None	Same
Retirement	Age that maximizes the value of the pension	Same
Difference in age between spouses	Male is 3 years older than female	Same
Provision for expenses	$230,000	Same

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.

Settlement of benefits

We have assumed that 100% of active members and deferred vested members that are 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.

Average salaries

The average salaries have been calculated as at the valuation date, using actual past salaries.

Difference in age between spouses and % with eligible survivors

For retirees, the assumption of the age difference between spouses was used.

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.

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 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 August 12, 2014 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 using an average duration of 11.1.

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. It is assumed that plan wind-up is not due to employer insolvency and that assets are realized at their market value, as shown in the financial statements. 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 litigations, bankruptcy and eventual replacement by a third-party administrator.

Insured annuity contract

For members settled by a lump sum transfer, the value of the Prior Plan obligation is equal to the difference, if positive, of the commuted value of the benefits earned under the Prior Plan (excluding excess pension) over the surrender value paid by Standard Life to the Plan.

For members settled by the purchase of annuities, the value of the Prior Plan obligation is $0 as we assumed that members would leave their insured deferred pension with the insurance carrier of the group annuity contract upon termination.

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 June 30, 2014 and June 30, 2017, discounted to June 30, 2014;

   Plus

2. Projected solvency liabilities as at June 30, 2017, discounted to June 30, 2014;

   Less

3. Solvency liabilities as at June 30, 2014.

The projected liabilities as at June 30, 2017 take into account:

- accrual of service to June 30, 2017;
- expected changes in benefits to June 30, 2017; and
- projection of pensionable earnings to June 30, 2017.

Expected terminations, deaths, retirements as well as new entrants between June 30, 2014 and June 30, 2017 have not been taken into account as the impact on the incremental cost or the solvency basis is not considered material.

Actuarial Assumptions

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

- The assumptions used to calculate the expected benefit payments in item 1. above and 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 June 30, 2014.
- The assumptions used to calculate the projected solvency liabilities as at June 30, 2017 in item 2. above correspond to those used for the solvency valuation as at June 30, 2014, taking into account the method of settlement applicable to each member as at June 30, 2017.

  However, we assume that the discount rates remain at the levels applicable as at June 30, 2014 and that the select period is reset as at June 30, 2017 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 June 30, 2014 remain in effect as at June 30, 2017.
- The projected solvency liabilities as at June 30, 2017 in item 2. above is calculated using the same postulated scenario as is used for the solvency valuation as at June 30, 2014.
- The rates used to discount items 1. and 2. above from June 30, 2017 to June 30, 2014 correspond to those used for the solvency valuation as at June 30, 2014. However, these rates are adjusted to take into account the applicable method of settlement applicable to each member as at June 30, 2017.

APPENDIX C – ASSETS

SOURCE OF INFORMATION

The invested assets are held by Fiducie Desjardins.

We have relied upon the information contained in the financial statements prepared by Fiducie Desjardins, following tests of reasonableness with respect to contributions, benefit payments and investment income. There was no indication of problem with the asset in their reports.

Furthermore, we have adjusted the market value of assets to take into account amounts receivables and payables based on the information available.

STATEMENT OF NET ASSETS (MARKET VALUE)

The following table shows the asset allocation as at June 30, 2014.

Table C.1 – Net Assets (Market Value)

	June 30, 2014
	$
Assets	
Invested Assets	
– Cash	348,000
– Equity securities	23,698,200
– Debt securities	17,889,200
– Other	708,700
Total	42,644,100
Other Assets	
Contributions receivable	188,200
Benefits payable	—
Transfers to another pension plan	—
Other accounts receivable	—
Accounts payable	—
Total	188,200
Net assets in the financial statements	42,832,300

CHANGES IN NET ASSETS

The following table shows changes to the Plan assets held by Fiducie Desjardins and during the inter-valuation period, based on market values. The reconciliation is based on the statements issued by Fiducie Desjardins, adjusted to take into account amounts receivable and payable.

Table C.2 – Reconciliation

	$
Assets at June 30, 2013	36,728,700
Receipts	
Contributions	
– Employee	443,800
– Employer	2,014,600
– Total	2,458,400
Transfers from other plans	—
Investment income	6,678,000
Total	9,136,400
Disbursements	
Benefits paid	
– Pensions paid	1,595,400
– Contribution and transfer refunds	1,210,600
– Total	2,806,000
Expenses (fees)	226,800
Total	3,032,800
Assets at June 30, 2014	42,832,300

ACTUARIAL VALUE OF ASSETS – GOING-CONCERN BASIS

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:

a) 66 $^2/_3$% of the difference between the actual market value and the expected value as at June 30, 2014, plus

b) 33 $^1/_3$% of the difference between the actual market value and the expected value as at June 30, 2013.

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 basis

Year	Market value (beginning of year)	Contributions paid	Benefits paid	Transfers	Anticipated rate of return	Anticipated return
	$	$	$	%	$	$
2011 - 2012	31,119,000	2,175,100	1,714,000	–	6.00	1,881,000
2012 – 2013	32,538,000	2,189,000	1,773,300	–	5.50	1,801,000
2013 – 2014[1]	36,728,700	2,458,400	2,806,000	–	5.30	1,937,400

1 *Beginning July 1st, 2013 and ending June 30, 2014*

Table C.3 – Actuarial Value of Assets – Going-concern basis (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)
	$	$	$	%	$	$
2011 - 2012	33,461,100	32,538,000	957,900	(923,100)	(55,700)	32,593,700
2012 – 2013	34,754,700	36,728,700	3,775,000	1,974,000	1,008,300	35,720,400
2013 – 2014[1]	38,318,500	42,832,300	6,451,200	4,513,800	3,667,200	39,165,100

1 *Beginning July 1st, 2013 and ending June 30, 2014*

RETURN ON ASSETS

The annual rates of return achieved on assets, after investment management fees and other fees charged to the fund, are as follows:

Table C.4 – Return on Assets after expenses

Year	Market Value Basis	Actuarial value basis
	%	%
2003 - 2004[1]	13.7	0.7
2004 - 2005[1]	10.5	7.6
2005 - 2006[1]	5.8	9.5
2006 - 2007[1]	16.5	10.7
2007 - 2008[1]	(3.2)	4.5
2008 - 2009[1]	(3.4)	2.5
2009 - 2010[1]	8.0	(0.2)
2010 - 2011[1]	12.1	5.1
2011 - 2012[1]	3.1	7.5
2012 - 2013[1]	11.5	8.3
2013 – 2014[1]	17.6	10.7

1 *Beginning July 1st and ending June 30.*

APPENDIX D – MEMBERSHIP DATA

DESCRIPTION OF MEMBERSHIP DATA

Our valuation is based on data provided to us by the Plan Administration and was compiled as at December 31, 2013 and then projected to June 30, 2014. We have also adjusted the data to account for new and terminated employees between December 31, 2013 and June 30, 2014. We have taken the following steps to review the data to ensure sufficiency and reliability:

- Each member's record was reconciled with the data of the previous valuation, and the results of this reconciliation were submitted to the employer;
- Individual benefit statements were distributed by the Plan Administrator to the members who were requested to report any errors.
- 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 Plan Administrator regarding its active members, retirees and former members.

These tables show the following:

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 June 30, 2014.

Table D.1 – Summary of Membership Data

	June 30, 2014	June 30, 2013
Active and disabled members		
Number[1]	218	238
Total payroll for following year[2]	$11,789,500	$12,923,300
Average salary	$54,100	$54,300
Average age	49.6	48.9
Average service	19.8	18.9
Average credited service	10.3	9.5
Suspend members		
Number[3]	8	10
Total payroll for following year	$577,800	$747,100
Total adjusted payroll for normal cost calculation	$72,200	$74,700
Average age	57.0	56.9
Terminated members		
Number[4]	50	54
Total annual pension[5]	$308,100	$381,300
Average annual pension[5]	$6,400	$7,300
Awaiting payments[6]	$65,400	$8,000
Average age	48.9	50.0
Retirees & Beneficiaries		
Number	186	182
Total annual pension	$1,656,800	$1,536,600
Average annual pension	$8,900	$8,400
Average age	75.8	75.8

1 *Including 10 members with a pension provided by Standard Life as at June 30, 2014 (14 members as at June 30, 2013).*
2 *Including disabled members' salaries of $287,100 as at June 30, 2014 and disabled members' salaries of $236,100 as at June 30, 2013.*
3 *Including 1 member with a pension provided by Standard Life as at June 30, 2014 (1 member as at June 30, 2013).*
4 *Including 1 member with a pension provided by Standard Life as at June 30, 2013.*
5 *For 48 terminated vested members as at June 30, 2014 (52 members as at June 30, 2013).*
6 *For 2 members awaiting payments as at June 30, 2014 (2 members as at June 30, 2013).*

Table D.2 – Changes in Plan Membership

	Active and disabled members	Suspended members	Terminated vested members	Retirees & Beneficiaries	Total
Members as at June 30, 2013	238	10	54	182	484
New members	8	—	—	—	8
Retirements	(2)	(1)	(5)	8	—
Terminations:					
Deferred pensions	(6)	(1)	7	—	—
Non-vested or lump sums	(16)	—	(7)	—	(23)
Awaiting payment	(1)	—	1	—	—
Deaths:					
With no death benefit	—	—	—	(5)	(5)
Refund or transfer	(1)	—	—	—	(1)
Survivor pension	(1)	—	—	(3)	(4)
Beneficiaries	—	—	—	4	4
Data Adjustments	(1)	—	—	—	(1)
Members as at June 30, 2014	218	8	50	186	462

Table D.3 – Table D.3 - Age/Service distribution for active and disabled members as at June 30,2014

Years of service		Age									
		25-29	30-34	35-39		45-49	50-54	55-59	60-64	65 and +	Total
0-4	**Number**	5	10	13	8	15	14	13	7	1	**86**
	Tot. Sal.	174,719	516,142	732,477	418,491	667,739	589,539	633,344	289,469		
	Avg. Sal.	34,944	51,614	56,344	52,311	44,516	42,110	48,719	41,353		
5-9	**Number**			6	3	6	8	7	4	1	**35**
	Tot. Sal.			302,692	158,899	305,515	430,269	319,626	267,116		
	Avg. Sal.			50,449	52,966	50,919	53,784	45,661	66,779		
10-14	**Number**		1	2	8	9	16	5	2	1	**44**
	Tot. Sal.			119,130	489,981	523,523	796,689	228,206	90,153		**2,336,723**
	Avg. Sal.			59,565	61,248	58,169	49,793	45,641	45,077		**53,107**
15-19	**Number**						7	1			**8**
	Tot. Sal.						485,232				
	Avg. Sal.						69,319				
20-24	**Number**					1	6	9	2		**18**
	Tot. Sal.						412,851	563,322	104,671		
	Avg. Sal.						68,809	62,591	52,335		
25 and +	**Number**						7	16	4		**27**
	Tot. Sal.						456,972	1,07 0,302	343,443		**1,870,717**
	Avg. Sal.						65,282	66,894	85,861		**69,286**
Total	**Number**	**5**	**11**	**21**	**19**	**31**	**58**	**51**	**19**	**3**	**218**
	Tot. Sal.	**174,719**		**1,154,298**	**1,067,372**		**3,171,552**		**1,094,853**	**101,081**	**11,789,454**
	Avg. Sal.	**34,944**		**54,967**	**56,177**		**54,682**		**57,624**	**33,694**	**54,080**

Average age : *49.6*
Average number of years of service : *10.3*

Notes:

- *The age is computed at the nearest birthday.*
- *Years of service means the number of years of participation for pension plan purposes, fractional parts being rounded to the nearest integer.*
- *The salary used is the salary rate as of July 1, 2014, including disabled member's salary.*

APPENDIX E – SUMMARY OF PLAN PROVISIONS

The following is a summary of the main provisions of the Plan.

DEFINITIONS

- *Average Pensionable Earnings:* average of a member's best earnings in any five years of plan membership.
- *Average YMPE:* average of the Year's Maximum Pensionable Earnings during the same period used in the calculation of the Average Pensionable Earnings.
- *Earnings:* basic salary of a member, excluding bonuses, overtime pay, talent fees or other special payments. For the purpose of determining a member's required contributions, earnings shall not exceed the amount necessary to produce the maximum pension permitted under the *Income Tax Act.*
- *Inflation Adjustment Factor:* determined on each January 1st, the lesser of:
  - i) 8%; and
  - ii) one-half of the percentage change in the Consumer Price Index during the 12-month period ending on October 1st preceding the determination date.
- *Prior plan:* the prior plan is administered through a group annuity contract with Standard Life. Contributions to that plan were discontinued effective December 31, 1985, and benefits earned up to that date are payable under and in accordance with the terms of that plan.
- *Suspended members:* An active member not represented by a bargaining unit who has elected to suspend his membership in the Plan in order to participate to the Group RRSP forming part of the Québecor Média Retirement Program for management employees or the TRIPP sponsored by Sun Media.

ELIGIBILITY

On the first day of the month following the completion of one year of service.

MEMBERSHIP

Membership is optional for part-time employees and for full-time employees represented by the General Unit and who were hired on or after October 6, 2003. Membership is mandatory for other full-time employees following the attainment of age thirty-five and the completion of one year of service.

EMPLOYEE CONTRIBUTIONS

3.5% of the employee's Earnings up to the year's maximum pensionable earnings, plus 5% of the portion of these Earnings in excess thereof.

CREDITED INTEREST ON EMPLOYEE CONTRIBUTIONS

Average rate of return on five-year term deposits with chartered banks (B14045 index).

NORMAL RETIREMENT

Age 65.

EARLY RETIREMENT

Following attainment of age 55 or with the Employer's consent if in ill health. Pension is reduced by 5/12th of 1% for each full month between retirement and normal retirement date.

ANNUAL PENSION

The sum of a) and b):

a) 1.25% of the Average Pensionable Earnings up to the Average YMPE plus 1.75% of the excess of the Average Pensionable Earnings, multiplied by the number of years of credited service on and after January 1, 1998 for unionized members and July 1, 1998 for non-unionized members.

b) 1.00% of the Average Pensionable Earnings up to the Average YMPE plus 1.50% of the excess of the Average Pensionable Earnings, multiplied by the number of years of credited service prior to January 1, 1998 for unionized members and July 1, 1998 for non-unionized members.

MAXIMUM PENSION

For each year of pensionable service, the lesser of:

- The defined benefit limit, as defined for tax purposes, or
- 2% of the average earnings for the three best years.

INDEXATION OF PENSIONS IN PAYMENT

On each January 1st, as long as a pension is paid, such pension shall be adjusted on a percentage basis by the Inflation Adjustment Factor, excluding benefits from the Prior Plan.

TERMINATION OF EMPLOYMENT

Upon termination of employment, the member is entitled to the credited pension deferred until age 65. Employees may request that the value of their pensions be transferred before age 55.

A member who elects such a transfer is also entitled to the transfer of the value of the benefits earned under the Prior Plan, if any.

As confirmed by the Employer, the commuted value of the benefit earned under the Prior Plan is equal to the greater of:

- the employee contributions under the Prior Plan with credited interest, accumulated to the date of termination; and
- the commuted value of the basic pension plus, any upgrades, under the Prior Plan, but excluding the excess pension.

DEATH BENEFITS

Before retirement

The spouse or beneficiary is entitled to the commuted value of the member's deferred pension. The spouse or beneficiary is also entitled to the value of the Prior Plan benefits, if any. A refund of the member's contributions with interest will be paid, if, on the date of death, the member has less than two years of membership.

After retirement

The normal form of payment is life with 5 years guaranteed. The automatic form of payment for members with a spouse is joint and 60% survivor on an actuarially equivalent basis to the normal form of payment.

A retiring employee may elect an alternative form of payment on an actuarially equivalent basis.

EXCESS CONTRIBUTIONS

The member's contributions plus credited interest must not pay for more than 50% of the benefits. Any excess shall be paid in a lump sum.

APPENDIX F – EMPLOYER CERTIFICATION

With respect to the actuarial valuation report of Retirement Plan for the Unionized Employees of Sun Media Corporation as at June 30, 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 constitutes a complete and accurate description of the information contained in our files;
- the data regarding Plan assets provided to Morneau Shepell are complete and accurate;
- 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 this actuarial report on the Plan, which would materially affect the results.

Québecor Media inc.

Signature

BENOÎT DESMARAIS

Name (printed)

Director – Pension and Benefits

Title

March 4, 2015

Date