MORNEAU SHEPELL

RETIREMENT PLAN FOR THE UNIONIZED EMPLOYEES OF SUN MEDIA CORPORATION

ACTUARIAL VALUATION AS AT JUNE 30, 2012 FOR FUNDING PURPOSES

Report prepared on March 22, 2013

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, 2012 of the Retirement Plan for the Unionized Employees of Sun Media Corporation ("Plan"). Québecor Média Inc. ("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 June 30, 2011.

This report was prepared for 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.

On November 1, 2012, the Regulation of the Ontario *Pension Benefits Act* was amended to extend solvency funding relief. In addition, the employer may now, on a permanent basis, 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 June 30, 2012 actuarial valuation, the Employer has elected this permanent measure and did not use any solvency relief measures.

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, 2012 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 0.22% in the discount rate for the going-concern actuarial basis.

Terms of engagement have been confirmed by the employer in a letter dated March 14, 2013.

RESTRICTION ON USE OF THIS REPORT

This report was prepared for Québecor Média Inc. for internal purposes 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, 2012, based on the Plan provisions and data as at that date. The Employer has confirmed that, between June 30, 2012 and March 22, 2013, 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, 2012:

- The Plan is not fully funded on the going-concern basis. The actuarial liabilities exceed the actuarial value of assets by $2,050,700.
- According to the solvency test required under the Ontario *Pension Benefits Act*, the Plan is not funded. On the solvency basis, the actuarial liabilities exceed the value of assets by $9,029,700.
- The Plan assets would have been less than the actuarial liabilities by $13,992,400 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 0.698. 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 197.7% of employee contributions (or 7.3% of payroll).
- The minimum employer contribution is equal to 197.7% of employees contributions (or 7.3% of payroll) plus amortization payments. These amounts (in dollars) can be estimated as shown in the table below:

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

Plan year	Residual normal cost	Amortization payments
	$	$
2012-2013	929,700	834,500
2013-2014	957,600	1,047,800
2014-2015	986,300	1,047,800

The minimum amortization payments should be the dollar amounts indicated in the above table. Higher amortization payments are acceptable but they cannot exceed $13,992,400 plus interest in aggregate. The Plan actuary should be consulted if the amortization payments in any year are greater than the minimum required.

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

The first amount payable after this report is filed with the Financial Services Commission of Ontario shall be increased by the difference between the amounts paid and the amounts that should have been paid according to this report, taking into account, if applicable, letters of credit and interest. If the monthly amounts paid are in excess of those that should have been paid according to this report, the future employer contributions may be adjusted. In this case, the actuary should be consulted.

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, 2013.

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

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March 22, 2013

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, 2012	June 30, 2011
	$	$
Actuarial value of assets		
Market value	32,538,000	31,119,000
Adjustment	55,700	(1,245,400)
Total	32,593,700	29,873,600
Actuarial liabilities		
Active and disabled members	14,921,200	13,803,900
Suspended members	1,068,400	1,203,200
Terminated vested members	2,881,700	1,549,800
Retired members and beneficiaries	15,773,100	15,047,800
Total	34,644,400	31,604,700
Actuarial surplus (unfunded liability)	(2,050,700)	(1,731,100)
Funding Ratio	94.1%	94.5%

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, 2011		(1,731,100)
Expected changes in funded status		
Interest on surplus (unfunded liability)	(103,900)	
Amortization payments	834,500	
Interest on amortization payments	26,900	
Total		757,500
Expected surplus (unfunded liability) as at June 30, 2012		(973,600)
Actuarial gains (losses) due to the following factors		
Investment return on actuarial value of assets	452,600	
Salary increases	141,600	
Pension indexation	(14,100)	
Retirements	16,900	
Terminations	136,900	
Mortality	(9,400)	
Other factors	85,600	
Total		810,100
Other gains (losses)		
Changes in actuarial assumptions		(1,887,200)
Actuarial surplus (unfunded liability) as at June 30, 2012		(2,050,700)

SENSITIVITY ANALYSIS ON THE GOING-CONCERN BASIS

The table below illustrates the effect of a 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, 2012	Discount rate 1% lower
	$	$
Actuarial liabilities		
Active and disabled members	14,921,200	17,839,500
Suspended members	1,068,400	1,243,000
Terminated vested members	2,881,700	3,452,900
Retired members and beneficiaries	15,773,100	17,074,600
Total	34,644,400	39,610,000
Increase in actuarial liabilities		4,965,600

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, 2012	June 30, 2011
	$	$
Solvency assets		
Market value of assets	32,538,000	31,119,000
Provision for expenses	(215,000)	(215,000)
Total	32,323,000	30,904,000
Solvency liabilities		
Active and disabled members	17,707,200	15,338,000
Suspended members	1,225,300	1,313,200
Terminated vested members	3,950,000	2,106,700
Retired members and beneficiaries	17,771,600	16,097,600
Prior plan obligation	698,600	624,600
Total	41,352,700	35,480,100
Assets less liabilities on the solvency basis	(9,029,700)	(4,576,100)
Solvency asset adjustment		
Present value of amortization payments	2,975,900	2,540,300
Asset averaging method	(1,247,900)	(1,163,600)
Total	1,728,000	1,376,700
Solvency liability adjustment	6,535,200	2,392,000
New solvency surplus (deficiency)	(766,500)	(807,400)

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 $4,962,700 as at June 30, 2012.

SOLVENCY ASSET AND LIABILITY ADJUSTMENTS

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

a) the present value of amortization payments established at the preceding valuation, adjusted to take into account the current going-concern valuation, and due to be paid during the prescribed period following the valuation date.

b) an amount by which the value of the solvency assets are adjusted as a result of applying an averaging method that stabilises short-term fluctuations in the market value of the Plan assets calculated over a period of not more than five years.

The solvency asset adjustment as at June 30, 2012, as defined in a) above, is determined as follows:

Table 3.2 – Solvency Asset Adjustment

Nature of liability or deficiency	Start date	End date	Annual amortization payment	Solvency asset adjustment[1]
	mm-dd-yyyy	mm-dd-yyyy	$	$
Going-concern unfunded liability	06-30-2010	06-30-2025	181,300	818,900
Solvency	06-30-2010	06-30-2015	472,800	1,333,000
Solvency	06-30-2011	06-30-2016	180,400	665,300
Going-concern unfunded liability (06-30-2012)	06-30-2013	06-30-2028	36,600	158,700
Total				2,975,900

1 *Value of amortization payments discounted as at June 30, 2012 (at a discount rate of 4.15%).*

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

HYPOTHETICAL WIND-UP FUNDED STATUS

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

Since the solvency assets and the solvency liabilities have been adjusted, and all benefits have not been valued, if the Plan had been liquidated as at June 30, 2012 and assuming that the asset liquidation value had been equal to the market value, the hypothetical wind-up funded status would have been different from the solvency position as shown in the table below:

Table 3.3 – Hypothetical Wind-up Funded Status

	June 30, 2012	June 30, 2011
	$	$
Hypothetical wind-up assets		
Market value of assets	32,538,000	31,119,000
Provision for expenses	(215,000)	(215,000)
Total	32,323,000	30,904,000
Hypothetical wind-up liabilities		
Active and disabled members	20,293,500	16,648,800
Suspended members	1,419,800	1,473,600
Terminated vested members	4,499,100	2,203,700
Retired members and beneficiaries	19,404,400	17,750,200
Prior plan obligation	698,600	624,600
Total	46,315,400	38,700,900
Assets less liabilities on the hypothetical wind-up basis	(13,992,400)	(7,796,900)
Transfer ratio	0.698	0.799

TRANSFER RATIO

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

PENSION BENEFITS GUARANTEE FUND (PBGF) ASSESSMENT

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

Table 3.4 – PBGF Assessment Base

	$
Ontario portion of solvency assets (before provision for expenses)	32,538,000
PBGF liabilities	41,352,700
PBGF assessment base	8,814,700
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 3.5 – Sensitivity of Actuarial Liabilities on the Solvency Basis

	June 30, 2012	Discount rates 1% lower
	$	$
Actuarial liabilities		
Active and disabled members	17,707,200	21,741,700
Suspended members	1,225,300	1,460,600
Terminated vested members	3,950,000	4,807,200
Retired members and beneficiaries	17,771,600	19,395,800
Prior plan obligation	698,600	900,000
Total	41,352,700	48,305,300
Increase in actuarial liabilities		6,952,600

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, 2012 to June 30, 2013, adjusted for expected benefit payments in the inter-valuation period. This incremental cost is estimated to $1,897,500 as at June 30, 2012.

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, 2012		As at June 30, 2011	
	$	% of payroll	$	% of payroll
Normal cost	1,399,900	(11.0)	1,302,700	(10.0)
Less employee contributions	470,200	(3.7)	484,300	(3.7)
Residual normal cost	929,700	(7.3)	818,400	(6.3)
Residual normal cost as a % of employee contributions	197.7%		169.0%	

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, 2011	10.0
Demographic changes	0.2
Changes in actuarial assumptions	0.8
Normal cost as at June 30, 2012	11.0

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, 2012		Discount rate 1% lower	
	$	% of payroll	$	% of payroll
Normal cost	1,399,900	(11.0)	1,706,900	(13.5)
Increase in normal cost			307,000	(2.5)

AMORTIZATION PAYMENTS

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

Table 4.4 – Amortization Payments – Previous Valuations

Nature of liability or deficiency	Start date	End date	Annual amortization payment	Balance going-concern[1]	Balance solvency[2]
	mm-dd-yyyy	mm-dd-yyyy	$	$	$
Going-concern unfunded liability	06-30-2010	06-30-2025	181,300	1,694,200	818,900
Solvency	06-30-2010	06-30-2015	472,800	1,307,400	1,333,000
Solvency	06-30-2011	06-30-2016	180,400	648,500	665,300
Total				3,650,100	2,817,200

1 *Value of amortization payments discounted as at June 30, 2012 (at a discount rate of 5.50%).*
2 *Value of amortization payments discounted as at June 30, 2012 (at a discount rate of 4.15%).*

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	$	$	$
Going-concern unfunded liability	06-30-2010	06-30-2025	181,300	1,694,200	818,900
Solvency	06-30-2010	06-30-2015	472,800	1,307,400	1,333,000
Solvency	06-30-2011	06-30-2016	180,400	648,500	665,300
Going-concern unfunded liability (06-30-2012)	06-30-2013	06-30-2028	36,600	356,500	158,700
Solvency (06-30-2012)	06-30-2013	06-30-2018	176,700	733,100	766,500
Total				4,739,700	3,742,400

1 *Value of amortization payments discounted as at June 30, 2012 (at a discount rate of 5.50%).*
2 *Value of amortization payments discounted as at June 30, 2012 (at a discount rate of 4.15%).*

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

APPENDIX A – GOING-CONCERN ACTUARIAL BASIS

ASSET VALUATION METHOD

The actuarial value of the assets used to determine the going-concern funded status is based on a valuation method that smooths out short-term market fluctuations over a 3-year period. This method 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, 2012, plus

b) $33\,^1/_3$% of the difference between the actual market value and the expected market value as at June 30, 2011.

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 rates. 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.

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 valuation method for determining the actuarial liabilities and the normal cost 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, 2012	June 30, 2011
Discount rates	5.50%	6.00%
Inflation	2.50%	Same
Indexation of pensions at retirement	1.25%	Same
Salary increases (productivity)	3.00%	2.375% for the first year and 3.25% thereafter
Increases in maximum pensionable earnings	3.00%	Same
Maximum pension	2012: $2,646.66 3.00% starting in 2013	2011: $2,552.22 3.00% starting in 2012
Interest credited on employee contributions	3.50%	5.00%
Mortality	Full generational UP-94 table projected with scale AA	Same
Termination of employment	Age / % 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

Calculation of the value of amortization payments

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

CHOICE OF ASSUMPTIONS

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

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 2.5% has been retained.

Discount rates

Based on the target asset mix of the portfolio set out in the investment policy and the expected long-term real returns of the different asset classes, we may anticipate a real return of about 3.35%. Moreover, given the expected inflation (2.50%), the expected value added for the rebalancing and the diversification effect (0.32%), the expected value added for active management (0.20%), the margin for adverse deviations (-0.22%) and the expected fees (-0.65%), a discount rate of 5.50% seems appropriate.

Table A.2 – Discount Rates

	%
Expected inflation	2.50
Expected real return	3.35
Value added for rebalancing and diversification effect	0.32
Value added for active management	0.20
Margin for adverse deviations	(0.22)
Expected expenses	(0.65)
Discount rates	5.50

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

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

A provision has been considered in the discount rates 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.

The margin for adverse deviations chosen is based on a stochastic methodology and takes into account the specific aspects of the plan, the risk tolerance of the employer, the portfolio's risk level and the investment horizon.

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.

It has been decided to remove the seniority and promotional salary increases rate considering the collective agreements covering the plan participants. The seniority and promotional salary increases rate was 0.25% as of last valuation.

Mortality

In order to reflect improvement in life expectancy as well as future expectations, this current valuation as well as the prior valuation uses the full generational UP-94 table projected with AA-scale.

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.

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.

APPENDIX B – SOLVENCY AND HYPOTHETICAL WIND-UP ACTUARIAL BASIS

ASSET VALUATION METHOD - SOLVENCY

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

a) 80% of the difference between the actual market value and the expected market value as at June 30, 2012, plus

b) 60% of the difference between the actual market value and the expected market value as at June 30, 2011, plus

c) 40% of the difference between the actual market value and the expected market value as at June 30, 2010, plus

d) 20% of the difference between the actual market value and the expected market value as at June 30, 2009.

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

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

This valuation method is the same as 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.

ACTUARIAL COST METHOD

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

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

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. These methods are the same as those 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, 2012	June 30, 2011
Interest rate for active and deferred vested members under age 55 (transfer value)	2.4% for the next 10 years and 3.7% thereafter	3.6% for the next 10 years and 4.8% thereafter
Interest rate for retired members, active and deferred vested members age 55 and over (settlement by purchase of annuities)	3.05%	4.19%
Indexation of pension at retirement[1]		
Active and deferred vested members less than age 55		
– on solvency basis	-	0.875% for the next 10 years and 1.355% thereafter
– on wind-up basis	0.59% for the next 10 years and 1.17% thereafter	0.875% for the next 10 years and 1.355% thereafter
Retired members, active and deferred vested members aged 55 and over		
– on solvency basis	-	-
– on wind-up basis	1.30%	1.57%
Salary increases (productivity)	None	Same
Increases in maximum pensionable earnings	None	Same
Increases in maximum pension	None	Same
Interest credited on employee contributions	2.4% for the next 10 years and 3.7% thereafter	3.6% for the next 10 years and 4.8% 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)

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	$215,000	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.
- For the purposes of determining eligibility for unreduced pension, we assumed that the Plan remained in effect to the member's retirement date and that the member remained employed to that date.

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.

Discounted value of payments

The rates used to discount the amortization payments for the purposes of calculating the solvency asset adjustment and 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.

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 published on August 16, 2012 by the Canadian Institute of Actuaries and are based on an estimate of the premium that would be required by an insurer to guarantee payment of the pensions.

Solvency liability and asset adjustments

In determining the solvency liability adjustment, the discount rates used were calculated as follows:

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

Date	**Rates for transfer of values first 10 years**	**Rates for transfer of values after 10 years**	**Rates for annuity purchases**
mm-dd-yyyy	%	%	%
06-30-2008	4.10	5.50	5.20
06-30-2009	3.20	5.50	5.31
06-30-2010	4.20	5.40	4.29
06-30-2011	3.60	4.80	4.19
06-30-2012	2.40	3.70	3.05
Average discount rates	3.50	4.98	4.41

The average discount rates (first 10 years and after) used to value the members' benefits which, in case of Plan wind-up, would be settled by a lump sum transfer are calculated using rates that conform to the Plan provisions, the applicable legislation as well as the Canadian Institute of Actuaries' standards of practice for pension commuted values effective as at June 30, 2012 assuming this section, as it read on June 30, 2012, had been in effect for the years prior to 2011.

The average discount rates used to value the members' benefits which, in case of Plan wind-up, would be settled by the purchase of annuities are calculated using rates that conform to the educational notes published by the Canadian Institute of Actuaries and applicable as at these different chosen dates, taking into account the plan's annuity purchase size as at June 30, 2012. These rates are based on an estimate of the premium that would be required by an insurer to guarantee payment of the pensions.

In determining the present value of amortization payments for the solvency asset adjustment, the discount rate used corresponds to the weighted rate based on the actuarial liabilities of the members expected to be settled by a lump sum transfer and the actuarial liabilities of the members expected to be settled by the purchase of annuities as at June 30, 2012 and the corresponding average discount rates at the same date. In determining the asset averaging method for solvency asset adjustment, the interest rates used to calculate the expected investment earnings for each year correspond to the rates for transfer of values for the first 10 years indicated on the table above.

Provision for fees

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

INCREMENTAL COST

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

Actuarial Cost Method

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

1. Present value of expected benefit payments between June 30, 2012 and June 30, 2013, discounted to June 30, 2012;

   Plus

2. Projected solvency liabilities as at June 30, 2013, discounted to June 30, 2012;

   Less

3. Solvency liabilities as at June 30, 2012.

The projected liabilities as at June 30, 2013 take into account:

- accrual of service to June 30, 2013;
- expected changes in benefits to June 30, 2013; and
- projection of pensionable earnings to June 30, 2013.

Expected terminations, deaths, retirements as well as new entrants between June 30, 2012 and June 30, 2013 have not been taken into account as the impact on the incremental cost on the solvency basis is not considered material.

Actuarial Assumptions

- The assumptions used to calculate the expected benefit payments in item 1. above and 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, 2012.
- The assumptions used to calculate the projected solvency liabilities as at June 30, 2013 in item 2. above correspond to those used for the solvency valuation as at June 30, 2012, taking into account the method of settlement applicable to each member as at June 30, 2013.

However, we assume that the discount rates remain at the levels applicable as at June 30, 2012 and that the select period is reset as at June 30, 2013 for discount rate assumptions that are select and ultimate.

We also assume that the standards of practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect as at June 30, 2012 remain in effect as at June 30, 2013.

- The projected solvency liabilities as at June 30, 2013 in item 2. above is calculated using the same postulated scenario as is used for the solvency valuation as at June 30, 2012.
- The rates used to discount items 1. and 2. above from June 30, 2013 to June 30, 2012 correspond to those used for the solvency valuation as at June 30, 2012. However, these rates are adjusted to take into account the applicable method of settlement applicable to each member as at June 30, 2013.

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 MARKET VALUE

The following table shows the asset mix as at June 30, 2012.

Table C.1 – Assets at Market Value

	June 30, 2012
	$
Invested assets	
Cash and notes	388,100
Equity securities	17,559,600
Debt securities	13,776,100
Other	614,400
Total	32,338,200
Other assets	
Contributions receivable	199,800
Benefits payable	-
Transfers to another pension plan	-
Total	199,800
Total market value of assets	32,538,000

CHANGES TO PLAN 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.

Table C.2 – Reconciliation

	$
Assets at June 30, 2011	31,119,000
Receipts	
Contributions	
Employee	497,500
Employer	1,677,600
Total contributions	2,175,100
Transfers from other plans	-
Investment income	1,107,700
Total receipts	3,282,800
Disbursements	
Benefits	
Pensions paid	1,488,900
Contribution and transfer refunds	225,100
Total benefits	1,714,000
Expenses (fees)	149,800
Total disbursements	1,863,800
Assets at June 30, 2012	32,538,000

ASSET VALUATION METHOD – GOING-CONCERN

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

a) 66 $^{2}/_{3}$ % of the difference between the actual market value and the expected value as at June 30, 2012, plus

b) 33 $^{1}/_{3}$ % of the difference between the actual market value and the expected value as at June 30, 2011.

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

Year	Market value (beginning of year)	Contributions paid	Benefits paid	Transfers	Anticipated rate of return	Anticipated return
	$	$	$	$	%	$
2005-2006	23,247,300	2,551,20	1,616,600	(12,900)	7.25	1,719,800
2006-2007	25,559,600	2,377,900	2,323,700	(287,900)	7.25	1,865,500
2007-2008	29,767,400	412,300	1,299,500	-	6.50	1,906,000
2008-2009	27,934,400	826,000	1,672,200	(40,100)	6.50	1,789,500
2009-2010	26,186,500	874,700	1,577,700	-	6.50	1,679,300
2010-2011	27,541,300	1,941,100	1,701,900	-	6.00	1,659,700
2011-2012[1]	31,119,000	2,175,100	1,714,000	-	6.00	1,881,000

1 *Beginning July 1st, 2011 and ending June 30, 2012.*

Table C.3 – Actuarial Value of Assets (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)
	$	$	$	$	$	$
2005-2006	25,914,400	25,559,600	1,364,900	(354,800)	(15,200)	25,574,800
2006-2007	27,767,200	30,135,600	4,233,900	2,368,400	1,460,700	28,674,900
2007-2008	30,786,300	27,934,400	(945,800)	(2,851,800)	(1,111,700)	29,046,100
2008-2009	28,917,800	26,186,500	(941,800)	(2,731,300)	(2,775,500)	28,958,000
2009-2010	27,162,700	27,541,300	2,057,900	378,600	(658,000)	28,199,300
2010-2011	29,440,200	31,119,000	3,338,500	1,678,800	1,245,400	29,873,600
2011-2012[1]	33,461,100	32,538,000	957,900	(923,100)	(55,700)	32,593,700

1 *Beginning July 1st, 2011 and ending June 30, 2012.*

ASSET VALUATION METHOD – SOLVENCY

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

a) 80% of the difference between the actual market value and the expected market value as at June 30, 2012, plus

b) 60% of the difference between the actual market value and the expected market value as at June 30, 2011, plus

c) 40% of the difference between the actual market value and the expected market value as at June 30, 2010, plus

d) 20% of the difference between the actual market value and the expected market value as at June 30, 2009.

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

This method was also used in the previous valuation.

Table C.4 – Actuarial Value of Assets - Solvency

Year	Market value (beginning of year)	Contributions paid	Benefits paid	Transfers	Anticipated rate of return	Anticipated return
	$	$	$	$	%	$
2007-2008	29,767,400	412,300	1,299,500		5.10	1,495,500
2008-2009	27,934,400	826,000	1,672,200	(40,100)	4.10	1,128,800
2009-2010	26,186,500	874,700	1,577,700		3.20	826,700
2010-2011	27,541,300	1,941,100	1,701,900		4.20	1,161,800
2011-2012[1]	31,119,000	2,175,100	1,714,000		3.60	1,128,600

1 *Beginning July 1st, 2011 and ending June 30, 2012.*

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

Year	Anticipate assets (end of year)	Actual assets (end of year)	Actual return	Difference: actual less anticipated assets	Adjustment	Actuarial value (end of year)
	$	$	$	$	$	$
2007-2008	30,375,700	27,934,400	(945,800)	(2,441,300)	(255,500)	28,189,900
2008-2009	28,257,100	26,186,500	(941,800)	(2,070,600)	(2,054,400)	28,240,900
2009-2010	26,310,100	27,541,300	2,057,900	1,231,200	(665,000)	28,206,300
2010-2011	28,942,200	31,119,000	3,338,500	2,176,700	1,163,600	29,955,400
2011-2012[1]	32,708,700	32,538,000	957,900	(170,700)	1,247,900	31,290,100

1 *Beginning July 1st, 2011 and ending June 30, 2012.*

RETURN OF ASSETS

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

Table C.5 – Rate of Returns

Year	Market value basis	Actuarial value basis
	%	%
2002	(9.6)	(0.6)
2003 (to June 30)	3.4	(1.9)
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)	4.7
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

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 Administrator and was compiled as at December 31, 2011 and then projected to June 30, 2012. We have also adjusted the data to account for new and terminated employees between December 31, 2011 and June 30, 2012. We have taken the following steps to review the data to ensure sufficiency and reliability:

- Each member's record was reconciled 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 produced by the data.
- A reconciliation was prepared in order to follow the changes concerning some of the active members, retirees and vested members.
- Basic data checks were performed to ensure that age, salary and service data were reasonable for the purposes of the valuation.

SUMMARY OF MEMBERSHIP DATA

The following tables were prepared using data provided by the Plan Administrator regarding its active members, retirees and former members.

These tables show the following:

D.1 Summary of membership data

D.2 Changes in Plan membership

D.3 Age/Service distribution for active and disabled members as at June 30, 2012

Table D.1 - Summary of membership data

		June 30, 2012	June 30, 2011
Active and disabled members	Number[1]	245	251
	Total payroll for following year[2]	$12,892,900	$13,156,800
	Average salary	$52,600	$52,400
	Average age	48.3	47.4
	Average service	18.4	18.3
	Average credited service	8.8	8.6
Suspended	Number[3]	10	12
Members	Total payroll for following year	$751,700	$877,400
	Average salary	$75,200	$73,100
	Average age	55.9	55.6
Terminated vested members	Number[4]	51	41
	Total annual pensions[5]	$359,400	$232,300
	Average annual pension[5]	$8,000	$6,600
	Awaiting payments[6]	$5,500	$77,100
	Average age	47.5	47.1
Retirees &	Number	183	183
Beneficiaries	Total annual pensions	$1,518,200	$1,481,600
	Average annual pension	$8,300	$8,100
	Average age	75.4	75.0

1 *Including 17 members with a pension provided by Standard Life as at June 30, 2012 (19 members as at June 30, 2011).*
2 *Including disabled members' salaries of $222,800 as at June 30, 2012 and disabled members' salaries of $159,900 as at June 30, 2011.*
3 *Including 1 member with a pension provided by Standard Life as at June 30, 2012 (2 members as at June 30, 2011).*
4 *Including 4 members with a pension provided by Standard Life as at June 30, 2012 (5 members as at June 30, 2011).*
5 *For 45 terminated vested members as at June 30, 2012 (35 members as at June 30, 2011).*
6 *For 6 members awaiting payments as at June 30, 2012 (5 members as at June 30, 2011).*

Table D.2 - Changes in Plan membership

	Active and disabled members	Suspended members	Terminated vested members	Retirees & beneficiaries	Total
Members at June 30, 2011	251	12	41	183	487
New members	25	-	-	-	25
Retirements	(4)	(1)	-	5	-
Terminations:					
Deferred pensions	(13)	(1)	14	-	-
Non-vested or lump sums	(10)	-	(7)	-	(17)
Awaiting payment	(4)	-	4	-	-
Transferred to Québecor Plan	-	-	-	-	-
Deaths:					
> With no death benefit	-	-	-	(5)	(5)
> Refund or transfer	-	-	-	-	-
> Survivor pension	-	-	-	(1)	(1)
> Pension cessation	-	-	-	-	-
Beneficiaries	-	-	-	1	1
Data adjustments	-	-	(1)[1]	-	(1)
Members at June 30, 2012	245	10	51	183	489

[1] *Gary Squires had no more prior plan obligations in the Pension plan.*

Table D.3 - Age/Service distribution for active and disabled members as at June 30, 2012

Years of service		Age 20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 - **	Total
0-4	Number	1	8	10	14	15	20	25	7	12	1	113
	Tot. sal.		293 112	496 479	710 985	697 886	862 023	1 184 995	354 764	529 951		5 216 546
	Avg. sal.		36 639	49 648	50 785	46 526	43 101	47 400	50 681	44 163		46 164
5-9	Number			4	5	12	14	16	5	3		59
	Tot. sal.			208 507	277 112	695 445	695 822	737 496	238 007	77 764		2 930 153
	Avg. sal.			52 127	55 422	57 954	49 702	46 094	47 601	25 921		49 664
10-14	Number					2	11	4	2			19
	Tot. sal.						651 601	251 376				1 130 668
	Avg. sal.						59 236	62 844				59 509
15-19	Number						1	2	2			5
	Tot. sal.											339 662
	Avg. sal.											67 932
20-24	Number						1	13	14	2		30
	Tot. sal.							811 447	923 095			1 908 224
	Avg. sal.							62 419	65 935			63 607
25- **	Number						1	6	8	4		19
	Tot. sal.							394 891	612 234	298 183		
	Avg. sal.							65 815	76 529	74 546		
Total	Number	1	8	14	19	29	48	66	38	21	1	245
	Tot. sal.		293 112	704 986	988 097	1 526 172	2 396 492	3 516 874	2 363 594	1 017 232		12 892 912
	Avg. sal.		36 639	50 356	52 005	52 627	49 927	53 286	62 200	48 440		52 624

Average age: 48.3 **Average number of years of credited service: 8.8**

Notes:

- The age is computed at the nearest birthday.
- Years of service means the number of years credited for pension plan purposes, fractional parts being rounded to the nearest integer.
- The salary used is the salary rate as of July 1, 2012, including disabled members' salaries.

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 1^{st}, 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 1^{st} 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 $5/12^{th}$ of 1% for each full month between retirement and normal retirement date.

ANNUAL PENSION

The sum of a) and b):

- 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.
- 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 1^{st}, 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 with at least two years of membership, 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.

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, if applicable, any upgrades, under the Prior Plan.

REFUND OF CONTRIBUTIONS

Upon termination of employment with less than two years of membership, the member is entitled to a refund of his contributions with interest.

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, 2012, 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 Média inc.

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Signature

BENOÎT DESMARAIS
____
Name (printed)

Director – Pension and Benefits
____
Title

22/02/2013
____
Date