

JOINT STATEMENT FROM THE CALGARY BOARD OF EDUCATION AND THE ALBERTA TEACHERS' ASSOCIATION

On May 8, 2010, the Calgary Board of Education and the Alberta Teachers' Association, mutually and collaboratively to serve the interests of affected employees and retiree groups, signed a settlement agreement with respect to claims arising from certain benefit plans provided by the Calgary Board of Education to some of its employees from 1981 to 2000.

This settlement has been achieved cooperatively through the good auspices of the current senior administration of the Calgary Board of Education in conjunction with the Alberta Teachers' Association.

The process and methodology for distribution of the employee surplus amounts have been approved by Mr. Justice Bryan Mahoney of the Court of Queen's Bench of Alberta in a Consent Order filed August 31, 2010. Your entitlement is based on your years of service with the Calgary Board of Education between 1981 and February 29, 1996, in the case of teachers, or December 31, 1996, in the case of other employee groups.

As stipulated in the May 8, 2010, settlement, the Consent Order, and the process approved by the Calgary Board of Education and the Alberta Teachers' Association, the funds are being distributed through arrangements with Johnson Inc.

NOTE FROM ADMINISTRATOR OF THE DISTRIBUTION

We are pleased to enclose your cheque due as per the above joint statement.

If you have received a cheque in the name of an estate, and the estate has since closed and you are unable to cash the cheque, please contact Shelley Malanchuk at our Calgary Johnson Inc. office at 403-298-0488 or 1-800-661-1233 or smalanchuk@johnson.ca or Savannah Koch at 403-781-2170 or skoch@johnson.ca. With appropriate documentation (copy of the will or death certificate along with the original uncashed cheque), we will then reissue the cheque to a named beneficiary.

Please note that Johnson Inc. will be unable to respond to phone calls or emails with respect to entitlement amounts or eligibility.

Prepared by:

 **Johnson Inc.**

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

BETWEEN:

THE ALBERTA TEACHERS' ASSOCIATION

Applicant

I hereby certify this to be a true copy of
the original Order

Dated this 31 day of Aug 2010

- and -

[Signature]
for Clerk of the Court

BOARD OF TRUSTEES OF CALGARY SCHOOL DISTRICT #19
(a.k.a. CALGARY BOARD OF EDUCATION)

Respondent

BEFORE THE HONOURABLE
JUSTICE B. E. MAHONEY
IN CHAMBERS,
CALGARY, ALBERTA

) ON THE 23 DAY OF
)
) AUGUST, 2010
)

CONSENT ORDER

UPON the application of the Alberta Teachers' Association (the "Applicant"), acting as representative or deemed representative of persons who from September 1981 to the present are or were employed by the Board of Trustees of Calgary School District #19 (a.k.a. Calgary Board of Education) (the "Respondent"), AND UPON having received representations in writing from counsel for the Applicant as shared with counsel for the Respondent concerning the mutually-agreed resolution of the parties' dispute over surplus funds and demutualization proceeds arising from benefit plans administered by the Respondent since 1981; AND UPON noting that the Respondent has paid the agreed sum of \$1,278,199.00 (the "Funds") to the Applicant in trust for the purpose of and pending distribution to the persons who are or were employed by Respondent and are eligible therefor, AND UPON noting the mutual agreement of the parties that Johnson Inc. administer the distribution; AND UPON noting from the representations in writing from

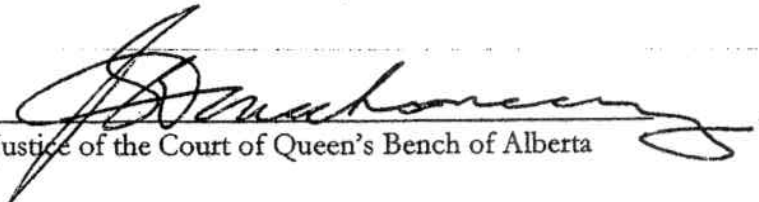
counsel for the Applicant that the plan prepared by Johnson Inc. for the distribution was unanimously approved by employee group representatives in attendance at a meeting called by the Applicant for that purpose and held on June 14, 2010, AND UPON considering the plan prepared by Johnson Inc. attached as **Schedule "A"** hereto; AND UPON noting the consent of both the Applicant and the Respondent to the within Order, IT IS HEREBY ORDERED THAT:

1. The Applicant, the Alberta Teachers' Association, is deemed a fit and proper person to be appointed as trustee of the Funds, and is so appointed pursuant to section 46 of the *Trustee Act*, RSA 2000, c. T-8;
2. The necessary power to invest, administer, and distribute the Funds is conferred on and vested in the Alberta Teachers' Association pursuant to, *inter alia*, section 21 of the *Trustee Act*;
3. The terms of the distribution are approved as set out in the plan dated June 14, 2010, prepared by Johnson Inc. and attached as **Schedule "A"** hereto, and the power necessary to make the distribution in accordance with the said plan is conferred upon Johnson Inc.;
4. Johnson Inc. may deduct its reasonable fees and expenses from the Funds subject to approval thereof by the Applicant;
5. Johnson Inc. may proceed with the distribution as soon as practicable, and shall, within such reasonable period of time as may be decided by Johnson Inc., pay any monies unclaimed at the completion of the distribution to the charity of choice of the association or union to which the respective beneficiary or beneficiaries belonged
6. Johnson Inc. shall make a brief written report on the completion of the distribution to the Applicant which shall share same with the Respondent, upon request by the Respondent;

6. Upon compliance with paragraphs 5 and 6, the Applicant shall be deemed to have discharged its duty as trustee pursuant to section 46 or, alternatively, section 43 of the *Trustee Act*, and neither the Applicant nor Johnson Inc. will be under further obligation to pass accounts or otherwise report to the Court in respect of the distribution.

7. Any monies returned as unclaimed at the completion of the distribution shall be in the direction by Johnson Inc. to the charity of choice of the association or union to which the respective beneficiary or beneficiaries belonged.

8. The Clerk of the Court shall assign an Action No. to the within Order and shall file this Order under the said Action No.


Justice of the Court of Queen's Bench of Alberta

Approved as to form and content:

McCarthy Tétrault LLP
Solicitors for Board of Trustees of Calgary
School District #1 (a.k.a. the Calgary Board
of Education)

Per: 
MICHAEL D.A. FORD

Field LLP
Solicitors for the Alberta Teachers' Association,

Per: 
SANDRA M. ANDERSON

ENTERED this 31 day
of Aug, 2010

K. MCAUSLAND 

Clerk of the Court of Queen's Bench of Alberta



11120 – 178 Street
Edmonton, Alberta
Canada T5S 1P2
Telephone (780) 413-6605
Toll Free 1-800-661-1973
Fax (780) 420-6082
jcrouse@johnson.ca

June 14, 2010

Private & Confidential

Dr. Sandra Anderson
Field LLP
2000 Oxford Tower
10235 – 101 Street
Edmonton, AB T3J 3G1

Dear Dr. Anderson:

Re: CBE – Distribution of Surplus Methodology (revised)

On May 17, 2010, an agreement was signed between the Alberta Teachers' Association and the Calgary Board of Education regarding the distribution of employee surplus amounts under various insurance programs dating back to 1981. You have appointed Johnson Inc. to distribute a total of \$1,278,199⁽¹⁾ to various employees of the CBE in various union groups who participated in these plans during the period in which the various surpluses arose. Since part of these plans had been funded by employee contributions, the refunds largely represent the calculated employee portion of these surpluses.

The purpose of this letter is to describe a proposed methodology for distributing the money to potentially eligible employees. The considerations in determining this payout are as follows:

1. The length of time over which the various surpluses arose (1981 to 2000).
2. The number of benefits involved (Dental, Health, and Life).
3. The number of employee groups involved – 7.⁽²⁾
4. The variance in employee contribution percentages by union group and by year.
5. The nature of the employee data available over the 20 year period in question.

6. The employee data available to our office from the prior long term disability refund contains service years during the period 1981 – 1996, without specific details regarding termination date, if it occurs after 1996.
7. The size of the potential refunds. Some employees may qualify for as little as \$10 to \$20, with maximum refunds likely around \$200.

The total payout of \$1,278,199 is broken down as shown below ⁽³⁾:

Plan	Surplus	Interest	Total
Life Insurance	\$62,006	\$86,153	\$148,159
Dental Insurance*	995,067	0	995,067
Medical Insurance	<u>738</u>	<u>3,511</u>	<u>4,249</u>
Sub-total	\$1,057,811	\$89,664	\$1,147,475
Demutualization Proceeds**	<u>90,437</u>	<u>40,287</u>	<u>130,724</u>
Total	\$1,148,248	\$129,951	\$1,278,199

* No interest was allowed for the Dental plan.

** Based on Met Life demutualization relative to Life Plan for period 1/1/81 to 1/1/97.

As shown above, the largest portion of the refund relates to the Dental Plan where amounts relating to surpluses, partially funded by employees, which arose over the period 1982 to 2000, and were subsequently withdrawn by the CBE. The amount is 78% of the total payout or 87% excluding interest. Given the size of this payout, a more detailed approach to calculating entitlements is justified. We propose the following methodology be applied to determine payouts under the dental plan:

1. The number of life-years of exposure over this period will be determined based upon the number of active employees in each year. For example, if there were 5,000 employees in each of the years 1982 to 2000 (19 years), total exposure would be 95,000 life years.
2. The total refund from this source (\$995,067) would be divided by the total exposure to obtain the refund per year of exposure (\$995,067 divided by 95,000 equals about \$10 per year). For an employee with 10 years during this period, a refund of \$100 would be made.

3. There were varying employee contribution percentages by year and by employee group over this period ⁽⁴⁾. As well, the surplus amount did not accrue evenly over the period. However, for many of the years, the contribution percentages for each group were the same. In the years they were different, the differences were not significant. We, therefore, do not propose to weight the life-years calculation by the various contribution percentages. The results will therefore be the same for each employee group.
4. The expenses involved in making small refunds are not justified. Employees with short service will get limited refunds. We propose to establish a minimum level of refund of \$50 per employee, below which no amount will be paid. The unpaid amounts will then be spread evenly over those employees whose amounts exceed the minimum.
5. As noted, mining for complete employee exposures over a 20 year period would be time consuming and expensive (and may not be possible). Detailed data for service up to 1996 exists from a prior exercise related to disability plan distributions. Similar data for the period from February 29, 1996 (teachers) and December 31, 1996 (other employee groups) through 2000 would be more difficult to obtain.

Employees who worked for less than 5 years during the period 1981 to February 29, 1996 (teachers) and December 31, 1996 (other employee groups) inclusive will not reach the threshold. Employees who were hired after February 29, 1996 (teachers) and December 31, 1996 (other employee groups) will also not reach the threshold.

The life insurance refund is the next largest. It is related to two withdrawals by the CBE - \$10,400 in 1981 and \$51,600 in 1996 ⁽⁵⁾. We looked at the following methodology relating to the life refund of \$148,159:

1. The amount related to the 1981 year with interest (determined to be about \$45,652) could be distributed only to those employed during 1981 (i.e. as at December 31, 1981).
2. The amount related to 1996 with interest (determined to be \$102,548) could be distributed only to those employed in 1996. Alternatively, since the actual refunds arose during the years 1994, 1995, and 1996 ⁽⁶⁾, the amount could be based on exposures during those 3 years.

Given the (relative) significant additional expense in collecting and reviewing the service data necessary for these calculations, we do not believe this methodology is the most appropriate. Consequently, we

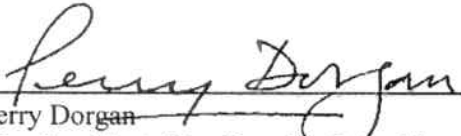
recommend that this amount be refunded on a basis similar to the development of demutualization amounts.


Finally, the medical and demutualization amounts will be handled as follows:

1. The medical payment is so small that it will be put towards expenses.
2. The demutualization payments will be used partially to pay expenses and partially to increase all other payouts. Any net payment will be used to increase the other awards.
3. Since the demutualization came about due to life insurance, the residual amounts could be used only for life payouts (\$84,973 divided by \$148,159 equals 57.4%). All life awards would therefore increase by 57.4%.

We believe the methodology described in this letter to be reasonable given all of the challenges mentioned earlier. We ask that you review our proposed approach and get back to us with your comments.

Yours Truly,


Perry Dorgan
Vice President, Plan Benefits Consulting,
West Region


John W. Crouse, MA, FSA, FCIA
Vice President, National Director,
Pension, Benefits & Actuarial Consulting

JWC/jmz

Enclosures

cc: Mr. E. Hjelter
Ms. S. Malanchuk

Notes:

- (1) Settlement Agreement dated May 17, 2010
- (2) As agreed in the Arbitration Agreement.
- (3) Associates letter to Dr. S. Anderson dated December 2, 2009, Financial Review Exhibit I – Summary, page 7
- (4) Hewitt Associates letter to Dr. S. Anderson dated December 2, 2009, Appendix C, D, E
- (5) Hewitt Associates letter to Dr. S. Anderson dated December 2, 2009, page 3, note 6
- (6) Hewitt Associates letter to Dr. S. Anderson dated December 2, 2009, Financial Review Exhibit II – Life Insurance

Action No. 1001-2973

**IN THE COURT OF QUEEN'S BENCH
OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

BETWEEN:

THE ALBERTA TEACHERS'
ASSOCIATION

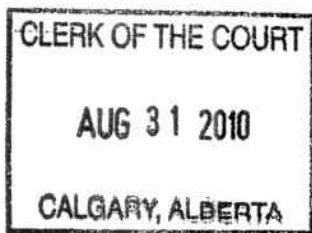
Applicant

- and -

BOARD OF TRUSTEES OF
CALGARY SCHOOL DISTRICT #19
(a.k.a. CALGARY BOARD OF EDUCATION)

Respondent

CONSENT ORDER



FIELD LLP

Barristers and Solicitors
1900, 350 - 7th Ave SW
Calgary, AB T2P 3N7

Telephone: 780-423-3003
Fax: 780-428-9329

File No. 10-2065

SETTLEMENT AGREEMENT

BETWEEN:

THE BOARD OF TRUSTEES OF
CALGARY BOARD OF EDUCATION

Of the First Part

- and -

THE ALBERTA TEACHERS' ASSOCIATION

Of the Second Part

WHEREAS:

1. The parties entered into an Arbitration Agreement dated 8 May 2008 with respect to disputes and claims arising in Action No. 0501 17233 about certain benefit plans provided by CBE to some of its employees.
2. The parties recognize that these matters have evolved over many years and recognize that resolution has been attained through the good auspices of the current CBE administration.
3. The parties have reached a global resolution of these matters to their mutual benefit.


NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:

1. The CBE will pay the sum of \$1,278,199.00 into the trust account of Field LLP.
2. Field LLP will make arrangements with Johnson Inc. for the distribution of the appropriate amounts to the beneficiaries (less the costs of Johnson Inc.).
3. The parties will develop a joint statement to be included in the communication from Johnson Inc. to the beneficiaries.
4. ATA on behalf of itself and as representative of the persons and entities listed in paragraph 4 of the Arbitration Agreement releases the CBE from all claims whatsoever with respect to these matters.
5. Neither party admits any liability.
6. The parties will discontinue all legal and arbitration proceedings with respect to these matters.

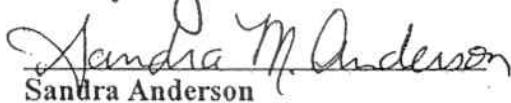
- 7. This Settlement Agreement is without precedent and without prejudice.
- 8. This Settlement Agreement is subject to confirmation by the ATA after its meeting on 25 May 2010 with the deemed representatives listed in paragraph 4 of the Arbitration Agreement.

DATED AND SIGNED ON THE 17th DAY OF MAY, 2010 on behalf of the parties by:

ALBERTA TEACHERS ASSOCIATION

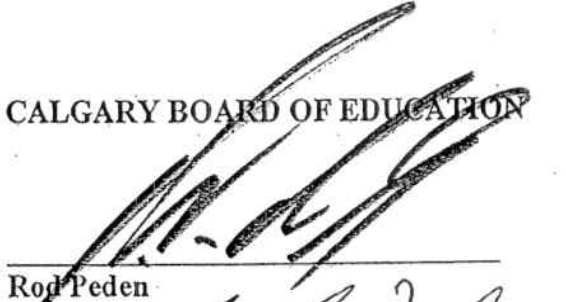


Earl Hjelter

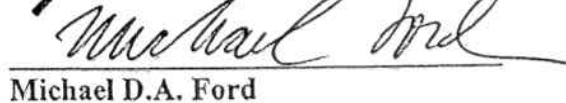


Sandra Anderson

CALGARY BOARD OF EDUCATION

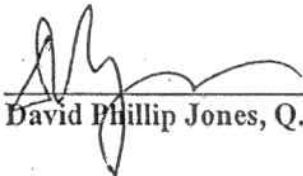


Rod Peden



Michael D.A. Ford

WITNESS:



David Phillip Jones, Q.C.