

A Detailed Description of What You Need to Know

THE CANADA LIFE
CANADIAN EMPLOYEES
PENSION PLAN
SETTLEMENT PROPOSAL

A Detailed Description of What You Need to Know

Please read “Your Information and Instruction Guide” in this information package before reading this document.

Overview of the Settlement Proposal

This document explains a Proposal to settle the court proceedings involving *The Canada Life Canadian Employees Pension Plan* (the “Plan”) and to share some financial benefits with you and with others who are entitled to participate in the Proposal (the eligible members).

All eligible members are being asked for their written consent to the Proposal. The Proposal can only proceed with court approval and approval from the applicable regulatory authorities. Court and regulatory approval will only be sought if the necessary levels of consent from you and other Plan members are received.

This document was prepared to help you make an informed decision so you can indicate whether or not you support the Proposal.

This document describes the groups that may benefit from the Proposal, the events that led up to it, the levels of consents necessary, what will happen if the Proposal succeeds, and your important next steps. It also includes a Questions and Answers (Q&As) section to anticipate some questions eligible members may ask. References to specific Q&As appear throughout this document.

Eligible Groups Under the Proposal

The Proposal includes the groups listed below. All groups make up the larger Surplus Sharing Group of eligible members. Your “Personal Information Statement” included in this information package (blue-bordered item E) indicates the group you belong to.

- Plan members included in the “Integration Partial Wind-Up (PWU).” These are members whose employment terminated following the 2003 acquisition of Canada Life by The Great-West Life Assurance Company (Great-West Life). (See Q&A #13 for more information.)

Contents of this Document

Overview of the Settlement Proposal	2
Eligible Groups Under the Proposal	2
Financial Benefits Under the Proposal	3
Events Leading to the Proposal	4
Elements of the Proposal	7
Member Consents Required	10
Sequence of Events	12
Details of the Surplus Sharing	13
Calculation of Individual Amounts	14
Payment of Expenses	15
Next Steps in the Process	16
Your Required Actions	18
Questions and Answers	19

- Plan members formerly employed by Indago Capital Management Inc., Adason Properties Limited and Pelican Food Services Limited. Employees of those companies were also members of the Plan, and the individuals included in the Proposal are the Plan members whose membership in the Plan ceased following certain corporate events that occurred between 1999 and 2001 (described starting on page 4).
- All active members of the Plan as at June 30, 2005¹, plus any new Plan members from that date up to the date the court proceeding is certified as a class proceeding, who are not part of the first two groups described above.
- Deferred/vested members of the Plan as at April 12, 2005² who are not part of the first two groups described above.
- Members of the Plan in receipt of a monthly pension from the Plan as at April 12, 2005, or the surviving spouse of a member if the member has died and the spouse is receiving a pension from the Plan on that date, who are not part of the first two groups described above.

Financial Benefits Under the Proposal

If the necessary levels of consent are obtained, along with the required court and regulatory approvals, the Proposal involves the following financial benefits:

- For the Surplus Sharing Group except for the active members: The distribution of a portion of the surplus in the Plan related to the Integration PWU, as well as the distribution of a portion of the surplus related to partial wind-ups that would be declared in respect of the Indago, Adason and Pelican groups.
- For the active members in the Surplus Sharing Group: A two-year "contribution holiday," which means the active members will not have to make employee contributions to the Plan during that time. Active members who are otherwise eligible for this contribution holiday but who have left employment before the holiday begins, will receive an equivalent cash payment.
- For Canada Life: A share of the surplus from each Partial Wind-Up.

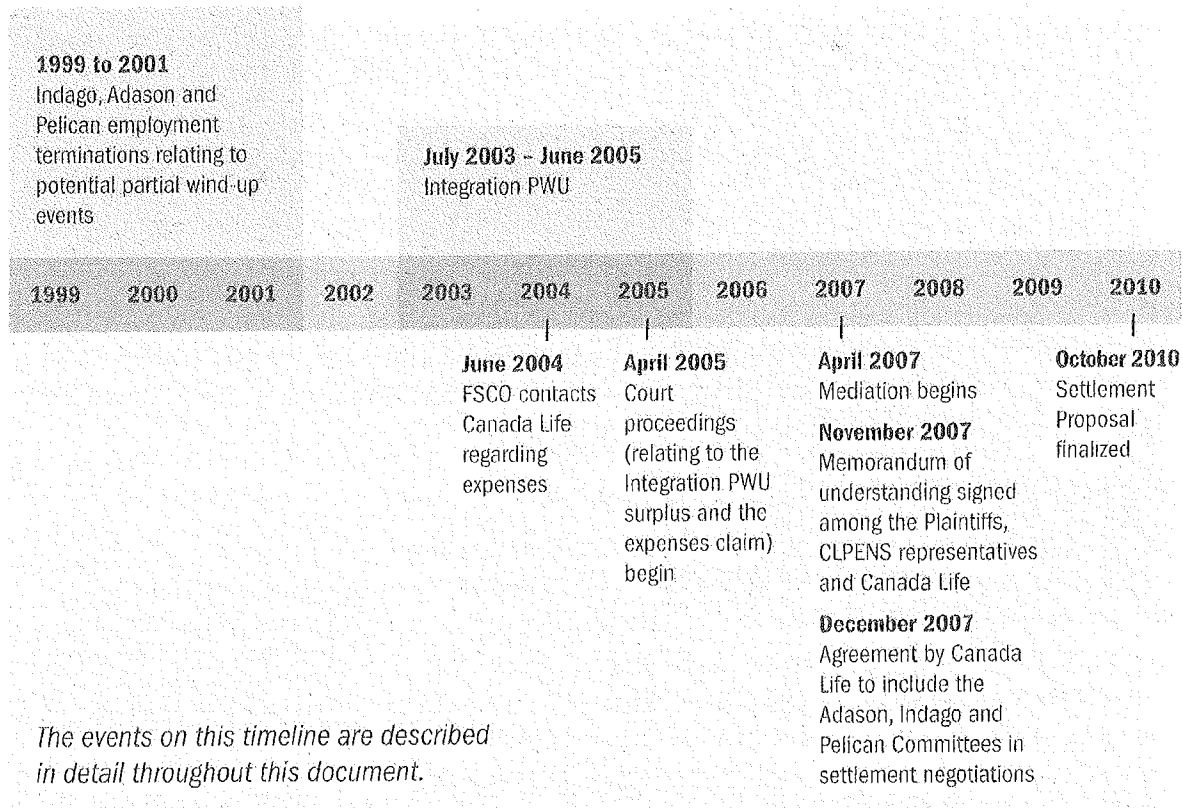
In this package, "PWU" always means "Partial Wind-Up." See "Important Definitions and Names" in Your Information and Instruction Guide for a definition.

The financial benefits under the Proposal will be provided to the individuals in the Surplus Sharing Group in order to settle the claims made in the court proceedings that are described in the next section of this document. The amount of the financial benefits you may receive is estimated in the Personal Information Statement (blue-bordered item E) included in this Settlement Proposal package.

¹ Q&A #5 explains the significance of the June 30, 2005 date.

² Q&A #4 explains the significance of the April 12, 2005 date.

Events Leading to the Proposal



Integration Partial Wind-Up

Canada Life was acquired by Great-West Life on July 10, 2003. Following that event, as the operations of the companies were integrated, certain members of the Plan resigned, retired or had their employment terminated. Canada Life declared a Partial Wind-Up of the Plan related to these Plan members.

When a partial wind-up of a pension plan occurs, affected members are given various options for receiving the pension benefits they have earned. Plus, if there are assets in excess of the amount needed to pay all affected members' pension benefits (known as "surplus attributable to the partial wind-up"), a decision must be made on how to deal with the surplus. (See Q&As #1 and #2 for more details about partial wind-ups and surplus.)

Within this information package, this Partial Wind-Up is called the Integration PWU. Approximately 2,100 Plan members were affected by it. (See Q&A #13 for more information.)

Expense Investigation

In 2004, following inquiries from CLPENS, Ontario's pension regulator, the Financial Services Commission of Ontario (FSCO), began an investigation into the payment of certain expenses for administration of the Plan from the Plan fund. That investigation is now on hold, pending the outcome of this Proposal. (See Q&A #3 for more information.)

History of the Court Proceedings

In the spring of 2005, two members of the Plan who had been affected by the Integration PWU (the "Plaintiffs") started legal action (the "court proceedings") against Canada Life and the Plan Trustees by filing a Statement of Claim under the Ontario *Class Proceedings Act* in the Ontario Superior Court of Justice (the "Court"). The original Plaintiffs were joined by a third plaintiff, also affected by the Integration PWU, in September 2005.³

Plaintiffs are persons or groups who start a legal action. A "Statement of Claim" is a document filed with the court setting out the plaintiffs' complaints and claim for relief.

In the Statement of Claim, the Plaintiffs asked the Court to make various orders related to the Plan, including these:

- They asked the Court to order Canada Life to pay all of the surplus in the Plan related to the Integration PWU to the affected Plan members.
- They asked the Court to order that administrative expenses paid from the Plan fund should not have been paid, and to order Canada Life to repay an appropriate amount into the Plan fund with interest, or pay an equivalent amount to the members of the Plan.

The claim related to the payment of surplus was made only on behalf of the Plan members affected by the Integration PWU. However, the claim related to the payment of expenses from the Plan fund was made on behalf of all Plan members.

Settlement Negotiations

In 2007, the judge overseeing the court proceedings directed the parties to try mediation. Held in April 2007, the mediation resulted in agreement on the framework for a potential settlement.

A memorandum of understanding was signed on November 9, 2007, which established the basis for further negotiations. The signing parties were the three original Plaintiffs, Canada Life and the Executive Committee of CLPENS.

The people or groups involved on either side of civil court proceedings are called the "parties" to the proceedings.

In December 2007, a memorandum of agreement was also signed with the two members of the Adason Committee and Canada Life agreed to permit the Adason Committee, the Indago Committee and the Pelican Committee to join the ongoing settlement negotiations.

These steps ultimately led to the Settlement Proposal described in this information package. Under the Proposal, the Plaintiffs would agree to settle the court proceedings in exchange for certain payments to Plan members. These are described under "Elements of the Proposal" on page 7.

³ The Settlement Proposal contemplates that these three Plaintiffs will be joined by representatives of the Indago, Adason and Pelican groups as matters proceed, and "Plaintiffs" in this document should be read to include representatives of these groups where appropriate.

Proposed Prior Partial Wind-Ups: Indago, Adason and Pelican

The Proposal is also meant to deal with other issues. Before Great-West Life acquired Canada Life and the Integration PWU was declared, there were other events that led to the termination of the employment of specific groups of Plan members:

- The employment of certain Plan members employed by Indago Capital Management Inc. was terminated as a result of the February 26, 1999 merger of that company with Laketon Investment Management Ltd. (15 members affected).
- The employment of certain Plan members employed by Adason Properties Limited was terminated when the number of properties being managed by that company decreased. The affected members were notified of their termination between November 1, 1999 and February 28, 2001 (37 members affected).
- The employment of certain Plan members employed by Pelican Food Services Limited was terminated as a result of the outsourcing of certain operations by Canada Life in 2001 (38 members affected).

Representatives from each of these groups subsequently formed a committee to represent their group's interests.

No partial wind-ups of the Plan have been declared in connection with these events. However, the following has occurred:

- **Indago:** FSCO has asked questions about the termination of Plan membership for these Plan members. However, FSCO has not taken formal steps to order a partial wind-up of the Plan related to this event. The Indago Committee represents these Plan members' interests.
- **Adason:** Following inquiries by the Adason Committee, the Ontario Superintendent of Financial Services (the "Superintendent") issued a Notice of Proposal on January 30, 2007 to order a partial wind-up of the Plan in respect of former employees of Adason whose employment was terminated over the period November 1, 1999 to February 28, 2001. Canada Life asked for a hearing before the Financial Services Tribunal to challenge the proposed partial wind-up and the Adason Committee intervened to support the Superintendent's position. That hearing has been postponed, to allow Canada Life and the Adason Committee to try to negotiate a settlement.
- **Pelican:** The Superintendent also issued a Notice of Proposal on September 19, 2008 to order a partial wind-up of the Plan in respect of former employees of Pelican whose employment was terminated in 2001. Canada Life asked for a hearing before the Financial Services Tribunal to challenge the proposed partial wind-up, but that hearing has also been postponed to allow Canada Life and the Pelican Committee to try to negotiate a settlement.

The Ontario Superintendent of Financial Services, who oversees all FSCO staff, has responsibility for pension regulation in Ontario.

The committees of each of these three groups and Canada Life want to resolve the issue of whether or not partial wind-ups should be declared for these three events. Together, these parties have agreed to include this issue as part of the Proposal, as described on the next page.

Among other things, as part of the Proposal, partial wind-ups of the Plan would be declared voluntarily by Canada Life. In this document, these potential partial wind-ups are referred to as the "Indago Partial Wind-Up (PWU)", the "Adason Partial Wind-Up (PWU)" and the "Pelican Partial Wind-Up (PWU)"; and all three together, as the "Prior Partial Wind-Ups" (they are called "Prior" because the events leading to these potential partial wind-ups happened earlier in time than the events that led to the Integration PWU).

In the rest of this document, the four partial wind-ups (that is, the three potential Prior Partial Wind-Ups and the Integration PWU) will be referred to as a group as the "Partial Wind-Ups," and each one of them will be referred to as a "Partial Wind-Up."

Elements of the Proposal

The Surplus Sharing Agreement

The terms of the Proposal appear in a formal legal document called a Surplus Sharing Agreement (the Agreement). For purposes of the Agreement, the various parties have the following legal representation:

- The Plaintiffs, the CLPENS Executive, the Indago Committee and the Pelican Committee are represented by Koskie Minsky LLP and by Harrison Pensa LLP.
- The Adason Committee is represented by Sack Goldblatt Mitchell LLP.
- Canada Life is represented by Osler, Hoskin & Harcourt LLP and by Blake, Cassels & Graydon LLP.

The key elements of the Proposal are summarized below. If you would like to receive a copy of the entire Agreement, please contact Koskie Minsky/Harrison Pensa at 1-800-286-2266 or send an email to canadalifeclaim@kmlaw.ca. If you are a member of the Adason PWU, contact Sack Goldblatt Mitchell at 416-979-6403 or by email at canadalifeclaimaction@sgmlaw.com.

Objectives of the Proposal

A key objective of the Proposal is to reach a binding agreement to share the surpluses attributable to all of the Partial Wind-Ups among Canada Life and the Plan members affected by each Partial Wind-Up, rather than deciding in court who has a legal right to the surplus. (Or, in the case of the Prior Partial Wind-Ups, rather than letting a court decide if the partial wind-ups should even be declared in the first place.) It is only in the event of a full or partial wind-up of a pension plan that surplus, if any, must be distributed, subject to determining who owns the surplus and complying with any regulatory requirements. Consequently, a partial wind-up can trigger a claim to the surplus attributable to that partial wind-up.

The Proposal also covers the claims made in the court proceedings related to the payment of administrative expenses from the Plan fund. The surplus share being paid to members of the PWU Group (all the members affected by all the Partial Wind-Ups) also relates to their agreement to settle that issue as well.

The Plan members potentially involved in the expense-related claim under the court proceedings include not only PWU Group members, but also other members of the Plan who were not affected by the Partial Wind-Ups: *active members, deferred/vested members, and pensioners*⁴ [the "Non-Partial Wind-Up (Non-PWU) Group"]. Members of the Non-PWU Group also receive a benefit under the Proposal, in exchange for agreeing to settle the court proceedings, but their claim is limited to the claim in respect of administration expenses.

⁴ See "Important Definitions and Names" in "Your Information and Instruction Guide" (black-bordered Item A) for definitions of "active," "inactive" and "deferred/vested" members, and "pensioners."

The Proposal includes the payment of a portion of the surplus attributable to the Partial Wind-Ups to the *inactive members* of the Non-PWU Group, (that is, the deferred/vested members and pensioners) in exchange for settlement of the expense-related claims. Active Plan members in the Non-PWU Group, in exchange for settlement of the expense-related claims, will receive a two-year contribution holiday, to be paid for out of the ongoing portion of the Plan (i.e., the portion of the Plan not affected by a Partial Wind-Up).

Eligible Groups

As previously noted, there are several groups eligible for financial benefits under the Proposal. The enclosed Personal Information Statement (blue-bordered item E) indicates which group you belong to. This table shows the size of the various eligible groups:

Group	Number of Members	Also Known As
Integration PWU	2,149	PWU Group = 2,239 members
Indago PWU	15	
Adason PWU	37	
Pelican PWU	38	
Active Plan members on and after June 30, 2005	1,663	Non-PWU Group = 3,207 members
Deferred/Vested members as at April 12, 2005	696	
Pensioners as at April 12, 2005	848	
Quebec Cash-Outs	44	
Total	5,490	Surplus Sharing Group

These are the eligible individuals in the Surplus Sharing Group:

- Members of the PWU Group
- Members of the Non-PWU Group:
 - All active members of the Plan as at June 30, 2005, plus any new Plan members from that date up to the date the proceeding is certified as a class proceeding.
 - All inactive members of the Plan on April 12, 2005 who were not included in one of the Partial Wind-Ups.⁵

Former Plan members are no longer entitled to pension benefits from the Plan if they have terminated employment and at that time they chose to transfer their entire pension benefits out of the Plan in the form of a lump sum.

Another group will also take part in the Proposal. They are referred to as the "Quebec Cash-Outs." They are former Plan members who would have been included in the Integration PWU because they also had their employment terminated following the acquisition of Canada Life by Great-West Life, but they could not be included because they were employed in Quebec, and Quebec did not recognize partial plan wind-ups in its legislation at the relevant time. They are not part of the Non-PWU Group either, because their benefits were paid from the Plan before April 12, 2005, so they were not inactive members of the Plan on that date. Under the Proposal, this group will be treated like the members of the PWU Group (see the section, "Details of the Surplus Sharing").

⁵ Q&As #4 and #5 explain the significance of the June 30, 2005 and April 12, 2005 dates. The term "class proceeding" is a defined term in the "Important Definitions and Names" section of Your Information and Instruction Guide (black-bordered item A).

An individual's assigned category is based on his or her status at a designated date in the past. For example, an "active" member for purposes of the settlement (i.e., any individual who was an active member on or after June 30, 2005) may no longer be an active member and may no longer be entitled to pension benefits from the Plan, but that person would still be eligible to participate in the Proposal and is categorized as an "active member" for purposes of the Proposal. (See Q&As #12 and #13 for more information about the member categories.)

Creation of the New Plan

This section applies only to members of the Non-PWU Group who still have an entitlement to pension benefits under the Plan.

As part of the Proposal, once the surplus attributable to the Partial Wind-Ups is paid out, Canada Life wants to have certainty about its ability to use the remaining Plan surplus (as well as any future surplus) for various purposes, such as to pay pension plan administration expenses. To achieve this result, Canada Life will create a new pension plan (the New Plan) if the Proposal is approved.

Non-PWU Group members who have an entitlement to pension benefits under the Plan and who *consent* to the Proposal will be transferred, as determined by Canada Life, into the New Plan. Assets equal to the value of the benefits they have earned under the Plan will be transferred to the New Plan, along with a proportional share of the surplus in the ongoing portion of the Plan.

Any members of the Non-PWU Group who have an entitlement to benefits under the Plan who *do not consent* to the Proposal will remain behind in the current Plan, and will not take part in the Proposal (they will not receive any payment of surplus or, if active, will not receive a contribution holiday).

(Note: Eligible members who wish to receive a copy of the proposed New Plan text and the related trust agreement can call the Canada Life Client Service Centre toll-free at 1-888-252-1847.)

Variation of Trust

This section applies only to members of the Non-PWU Group who still have an entitlement to pension benefits under the Plan.

The assets in the Plan are held in a trust fund. Because assets from that trust fund will be transferred into the New Plan, Canada Life has to go through a legal procedure known as a "variation of trust" in order to have certainty about its use of those assets once they arrive in the New Plan. A variation of trust does what it says: it changes the current terms of the trust. (See Q&As #6 and #7 for a description of what will be covered by the variation of trust.) The variation of trust will *not* address ownership of the surplus in the event of any future full or partial wind-up of the Plan or the New Plan.

A trust cannot be varied without the unanimous consent of all of the "beneficiaries" of the trust, which means all members of a pension plan, where the plan is funded through a trust. So, only those Non-PWU Group members who are entitled to pension benefits under the Plan and who consent to the Proposal will be transferred to the New Plan. By agreeing to the Proposal they will have also agreed to the variation of trust. Other consents to the variation of trust will also be required, as explained in further detail on page 10.

Future Court Proceedings

So that the Proposal can proceed, several next steps are required in the court proceedings. These are explained under "Next Steps in the Process" starting on page 16.

Member Consents Required

The surplus payments and other benefits will not occur without sufficient member consents. Court and regulatory approvals are also required. The member consents requested are different for the Non-PWU Group than for the PWU Group.

Consents Required from the Non-PWU Group

Those members of the Non-PWU Group who are still entitled to pension benefits under the Plan will be asked to consent to their transfer to the New Plan (described on page 9) and also to the variation of trust (described on page 9).

Note that Canada Life can and may require some of the consenting active members to remain behind in the Plan and not transfer to the New Plan. If this occurs, any consenting active Plan members who remain in the Plan will still participate in the Proposal.

In order for the Proposal to proceed, the following minimum levels of consent (thresholds) *must* be obtained:

- At least 90% of those members of the Non-PWU Group who remain entitled to pension benefits under the Plan must consent to transfer to the New Plan (and also consent to the variation of trust). This 90% is not measured person-by-person; instead, the threshold will be measured based on the *value* of each member's pension benefits under the Plan. In order to reach the necessary threshold, the number of members of the Non-PWU Group who consent must represent at least 90% of the *value* of the pension benefits of all of the Non-PWU Group members who remain entitled to pension benefits under the Plan.
- In addition, two other thresholds must be met:
 - No more than 5% of the members of the *entire* Non-PWU Group (not just those who remain entitled to pension benefits under the Plan), also measured by the value of their pension benefits, can opt out, and
 - No more than 2.5% of the members of the *entire* Non-PWU, measured person-by-person, can opt out.

(See Q&A #14 for an example of how the thresholds will be applied.)

Under the Settlement Proposal, the required number of member consents must be obtained or the Proposal may *not* proceed, in which case eligible members will not receive the financial benefits described in this information package. Canada Life has the right to waive any of the consent requirements in its discretion, which means that it can permit the Proposal to proceed even if one or more of the consent requirements are not met. However, since Canada Life is not obligated to grant any such waiver, all eligible members are encouraged to show their support for the Proposal, and ensure that it does proceed, by sending in the necessary forms.

Meaning of "Opt Out"

Any member of the Class who "opts out" of the court proceedings will not be bound by further orders of the Court, but they will not participate in the Settlement Proposal and will not receive any share of surplus under the Proposal.

See the questions under "Understanding Consent and Opting Out" on pages 24-28 for more information.

Some members of the Non-PWU Group who remain entitled to pension benefits under the Plan will have to obtain consent to the variation of trust from other individuals (such as their spouse), in order for the member to participate in the Proposal. (See Q&A #16 for more information.)

If the Proposal proceeds, those members of the Non-PWU Group who remain entitled to pension benefits under the Plan who *do not* consent to transfer to the New Plan will stay behind in the Plan and will not receive any surplus. Also, any member of the Non-PWU Group (not just those who remain entitled to pension benefits under the Plan) who opts out will not receive any surplus.

Members of the Non-PWU Group who are no longer entitled to pension benefits under the Plan will be asked to consent to the Proposal (although they need not consent to transfer to the New Plan or consent to the variation of trust). If they do not consent to the Proposal, they will not receive any surplus.

Consents Required from the PWU Group

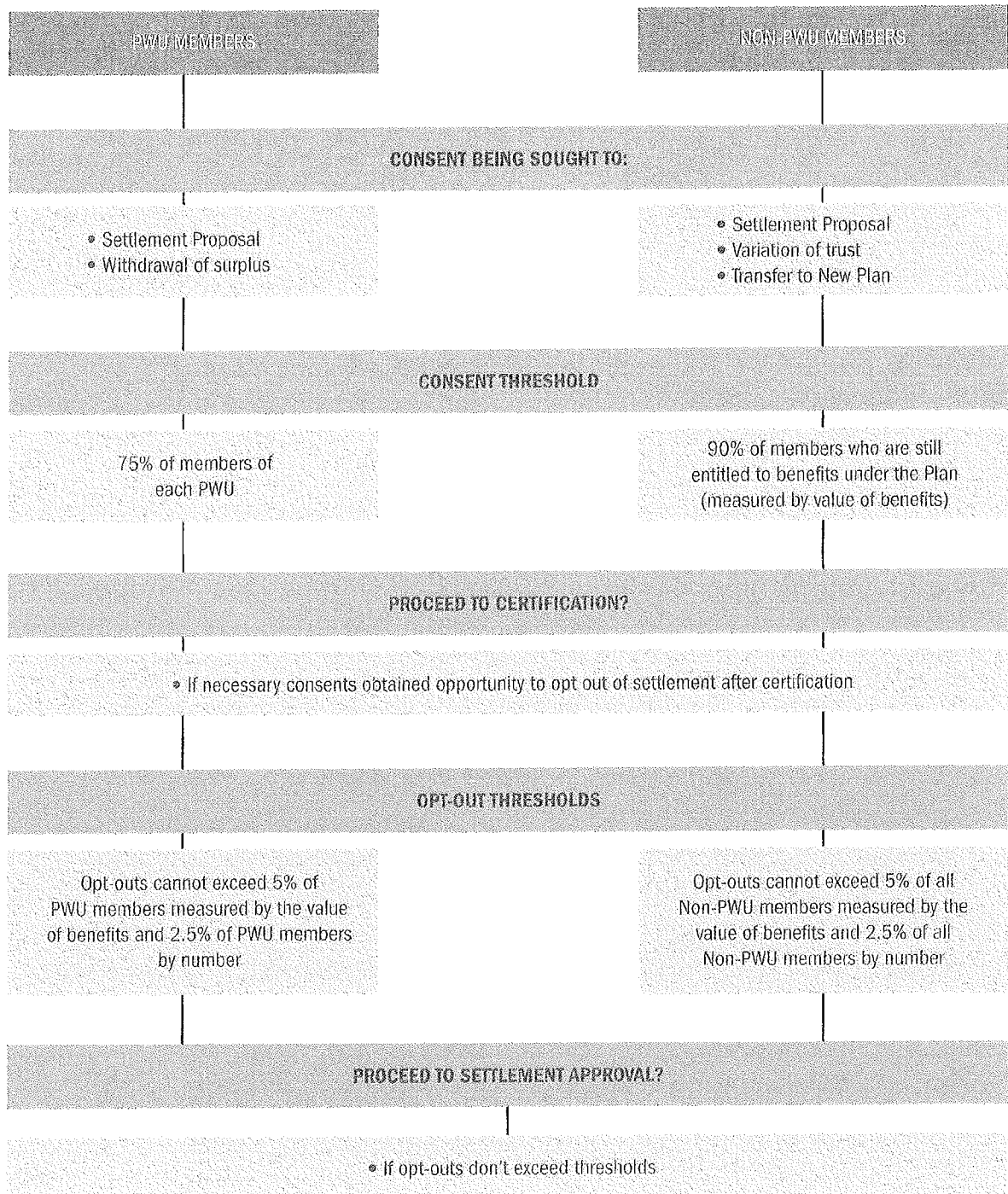
Members of the PWU Group (that is, members affected by the Integration PWU, the Indago PWU, the Adason PWU or the Pelican PWU) will be asked to consent to the Settlement Proposal (thus providing their consent to the withdrawal of a portion of the surplus from the Plan by Canada Life). Such consents are required under the Ontario *Pension Benefits Act*, as well as the laws of certain other provinces.

In order for the Proposal to proceed, the following minimum levels of consent (thresholds) *must* be obtained:

- Consent to the Proposal will be required from at least 75% of the members in each Partial Wind-Up before the Proposal can proceed. This threshold will be applied to each Partial Wind-Up separately. For example, 75% of the members affected by the Indago PWU must consent in order for the Proposal to proceed in respect of that Partial Wind-Up. Note that the settlement in respect of the Integration PWU can proceed even if the necessary level of consent for one or more of the Prior Partial Wind-Ups is not reached, but the reverse is not true (i.e., if the necessary level of consent is not obtained from the members affected by the Integration PWU, the Proposal will not proceed for any group).
- In addition, two other thresholds must be met:
 - No more than 5% of the members of the *entire* PWU Group, measured by the value of their pension benefits under the Plan, can opt out, and
 - No more than 2.5% of the *entire* PWU Group members, measured person-by-person, can opt out.

If the Proposal proceeds, members of the PWU Group who opt out will not receive surplus under the settlement; instead, a proportional share of surplus will be set aside for future determination regarding its distribution. (See Q&As #14 and #18 for more information.)

Sequence of Events



Details of the Surplus Sharing

Estimated Surplus Value

Canada Life's actuarial consultants have estimated the amounts of surplus to be distributed under the Proposal, after estimated expenses, as shown below. The estimates are as at June 30, 2010 – the surplus amount will change day-by-day, based on investment returns on the Plan fund and other factors outside of Canada Life's control. So, the exact amount to be distributed will not be known until the distribution date.

Surplus to be Shared	Estimated Value as at June 30, 2010
Estimated Integration PWU surplus:	\$62.2 million
Estimated Indago PWU surplus:	\$1.2 million
Estimated Adason PWU surplus:	\$5.1 million
Estimated Pelican PWU surplus:	\$2.5 million
TOTAL ESTIMATED PWU surplus:	\$71.0 million

Sharing Portions

Based on these estimates, the shares of surplus payable under the Proposal are as follows:

- PWU Group members get **57.22%** of the Partial Wind-Up surplus (\$40.6 million).
- Non-PWU Group members who are deferred/vested members or pensioners get **12.44%** of the Partial Wind-Up surplus (\$8.8 million).
- Canada Life gets **30.34%** of the Partial Wind-Up surplus (\$21.5 million).
- Active members of the Non-PWU Group will not receive a share of the Partial Wind-Up surplus. Instead, they will get a contribution holiday (see next page).

Provision for Certain Quebec Members

Provision is being made for payment from the Partial Wind-Up surplus to individuals who would have been included in the Integration PWU because they also had their employment terminated following the acquisition of Canada Life by Great-West Life, but could not be included because they were employed in Quebec, since Quebec did not recognize partial plan wind-ups in its pension legislation at the relevant time. This group is made up of two sub-groups:

- The Quebec Non-PWU Group members – those who left their entitlements in the Plan until at least April 12, 2005, after their employment had been terminated. They are members of the Non-PWU Group for purposes of the Proposal and therefore would, but for this provision, be included in the distribution of 12.44% of the surplus, and
- The Quebec Cash-Outs – those who had their entitlements paid out of the Plan before April 12, 2005. They do not qualify as members of the Non-PWU Group and therefore would not, but for this provision, be taking part in the Proposal at all.

For these Quebec members, part of the 57.22% distribution of surplus from the Integration PWU only (not from the other Partial Wind-Ups) will be paid to them so that they receive a total amount of surplus in the same amount they would have received had they been included in the Integration PWU and treated as members of the PWU Group for purposes of the Proposal.

Treatment of Active Members

Active members of the Non-PWU Group will get a two-year contribution holiday, meaning that they will not have to make pension plan contributions for two years. The estimated present value of this benefit for this group is \$3.6 million. This group will be transferring to the New Plan if they are entitled to benefits under the Plan and if they consent to the Proposal.

If an active member's employment is terminated before the end of the two-year period, or the member stops earning benefits under the New Plan for any other reason, a lump sum equal to the value of any remaining contribution holidays will be paid to the member out of the New Plan or by Canada Life directly. (If the member has died, the member's spouse, beneficiary or estate will receive the lump sum.) A lump sum will also be paid for any approved leaves of absence or any other period during which the member is not required to contribute to the Plan.

Calculation of Individual Amounts

PWU Group

Members of the PWU Group will share only in the surplus attributable to the Partial Wind-Up in which they were included; that is, surplus from the four Partial Wind-Ups will not be combined and shared among all PWU Group members. For example, members who will be included in the Adason PWU will share only in the surplus attributable to that partial wind-up.

The 57.22% share of the surplus will be paid to the PWU Group members proportionally based on the value of the pension benefits they have earned under the Plan. (Q&As #22 and #23 provide more information.)

Non-PWU Group – Inactive Members

The 12.44% share of the surplus will be paid to the inactive members (deferred/vested and pensioners) of the Non-PWU Group proportionally based on the value of the pension benefits they have earned under the Plan (or the value of the benefits already paid out to them). (Q&As #22 and #23 provide more information.)

Payment Delivery Details

Surplus will be paid to members as a taxable cash lump-sum amount, subject to applicable withholdings for tax.

An individual who is entitled to more than \$15,000 in surplus may contribute part or all of it to a registered retirement savings plan (RRSP) without withholdings if, at the time of the surplus distribution, he or she first confirms to Canada Life that he or she has available RRSP contribution room. (See Q&A #25.)

Each PWU Group member, and each member of the Non-PWU Group who is a deferred/vested member or pensioner, will receive at least \$1,000 in surplus.

If an individual dies before receiving a surplus payment, that payment will be made instead to the individual's spouse, beneficiary or estate. Any necessary consents must have been provided by the individual before he or she died, or (if applicable) they must be provided after the death by the spouse, beneficiary or estate.

Payment of Expenses

Expenses – Administration of the Partial Wind-Ups

Before surplus attributable to each Partial Wind-Up is shared, Canada Life will recoup expenses from the Plan fund, including expenses that are necessary to administer the Partial Wind-Up, such as those incurred in paying out members' pension benefits under the Plan.

Expenses – Negotiation and Implementation of the Proposal

Expenses incurred by the parties related to the negotiation and implementation of the Proposal, or those related generally to the Partial Wind-Ups, will be deducted from surplus attributable to the Partial Wind-Ups. (See Q&A #9 for more details.)

The current estimate of the total expenses that the parties will incur under the Settlement Proposal is \$13,725,000. This amount is made up of the following:

- Canada Life's expenses are expected to total \$9,500,000, of which \$8,500,000 is for legal fees, and \$1,000,000 is for expenses related to the administration of the Settlement Proposal (such as costs incurred in preparing member communications and in paying out the surplus amounts).
- Expenses of counsel retained by the Plaintiffs and the Executive Committee of CLPENS (who also represent the Indago Committee and Pelican Committee) are expected to total \$4,000,000 (CLPENS counsel has advised that they will be seeking court approval for fees, including a contingency amount, totalling approximately \$4,000,000).
- Expenses of counsel retained by the Adason Committee are expected to total \$225,000.

The Proposal also allows for payment from the Plan to Canada Life of all expenses, plus interest, incurred in administering the Plan that have been paid by Canada Life but not yet reimbursed to it because of the moratorium on such payments agreed to with FSCO. (See Q&A #3.)

Next Steps in the Process

There are several actions required before any surplus can be shared:

1 Information Sessions: Company and member representatives and their advisors will hold information sessions where eligible members can ask questions about the Proposal. You can return the "Decision Form" (orange-bordered item F) in the enclosed envelope or deliver the form in person at one of the sessions. The "Sources of Information" document in this package (pink-bordered item G) lists the session times and locations, and also lists telephone numbers for more information.

2 Tallying the Vote: The number of consents received from eligible members will be counted. If there is enough member support, the parties will proceed to the next step, which is going to court.

3 Certification Hearing: The parties will attend at Court in Ontario to request the Certification Order. (See the box at right and Q&A #8.)

Certification Hearing: The parties to the court proceedings will ask the Court for an order certifying the proceedings as a "class proceeding" under the Ontario *Class Proceedings Act* (the "Certification Order"). The parties will propose that all members and former members (and eligible beneficiaries) of the Plan who are eligible to take part in the Proposal will make up the "Class" for purposes of the class proceeding. Unless these individuals "opt out" of the class proceeding, they will be legally bound by any order the Court makes related to the class proceeding.

4 Notice and Opt-Out Period: If the Certification Order is issued, everyone in the Surplus Sharing Group will receive a notice confirming the following:

- The Certification Order has been issued.
- The parties intend to request the Settlement Approval Order, on the terms set out in the Surplus Sharing Agreement.
- Members who do not want to be bound by the Settlement Approval Order can opt out.
- Members can attend the settlement hearing if they wish to do so.

The notice will explain how to opt out and the consequences of doing so. (See Q&As #18 and #19.) Any eligible member who opts out will not be bound by further orders of the Court, but they will not participate in the settlement and will not receive any share of surplus under the Proposal.

5 Settlement Hearing: After the time period expires for opting out (as set by the Court), if the number of opt-outs (if any) does not exceed the required thresholds, the parties will return to Court in Ontario to request the Settlement Approval Order (see the box at the top of the next page). If the Ontario Court issues the Settlement Approval Order, the parties will request that the Quebec Court confirm that the Settlement Approval Order is binding on members in that province.

Settlement Hearing (continued)

As part of the Settlement Approval Order, the Court will be asked to make various declarations and orders, including these:

- Canada Life may take contribution holidays under the Plan and New Plan (including using surplus from the defined benefit component to pay for any defined contribution benefits).
- Canada Life may use surplus in the Plan or New Plan to pay for benefit enhancements under the Plan or New Plan.
- The Plan and the New Plan can use a plan amendment or merger to expand their plan membership, in which case the assets (including surplus) can be used to provide benefits for the new members and to fund contribution holidays taken with respect to the new members.
- Canada Life may use surplus in the Plan or New Plan to make all benefit, expense and other payments as defined in the Proposal. (See Q&A #10.)
- Canada Life will be reimbursed from the assets of the Plan or New Plan for expenses that were incurred and paid in the time period before the Surplus Sharing Agreement was executed, and any such expenses already so reimbursed to Canada Life or paid from the Plan are approved and are valid in law.
- Canada Life can pay future expenses from the Plan or New Plan, or be reimbursed from the Plan or New Plan for such expenses that it pays directly.
- Members of the Surplus Sharing Group release Canada Life, the CLPENS Committee, the Indago Committee, the Adason Committee, the Pelican Committee, the Plaintiffs and the Trustees under the Plan from all claims related to:
 - The Integration Partial Wind-Up and the Prior Partial Wind-Ups.
 - The payment of expenses from the Plan.
 - Contribution holidays under the Plan.
 - The implementation of the Proposal, including all issues raised in the class proceedings.
- If a legal action is commenced in the future by a member who opts out of the class proceedings that involves issues that were raised in the class proceedings, other than a claim by the opt-out for a proportionate share of Partial Wind-Up surplus, a payment will be deemed to have been made in partial satisfaction of any amount found to be owing by Canada Life or any other party in the future legal action. (See Q&A #21.)
- The variation of trust will be approved. (See Q&As #6 and #7.)
- The Court will be asked to make an order approving the settlement of the issues raised in the Statement of Claim.

6

Regulatory Process: If the Settlement Approval Order is issued, the parties will proceed with the regulatory phase of the Proposal. This includes sending the notices to members that are required under the *Ontario Pension Benefits Act* and other applicable provincial pension standards legislation. Then, Canada Life will make a formal application to the Ontario Superintendent of Financial Services for approval of the withdrawal of Partial Wind-Up surplus and the transfer of a portion of the Plan's assets from the Plan to the New Plan.

7

Implementation of the Settlement Proposal: If regulatory approval is obtained, the implementation of the settlement will follow. This will include the payment of surplus to consenting members of the Surplus Sharing Group and to Canada Life. Due to the complexity of the project and the time needed to complete the various steps, it is not expected that surplus payments will be made before the end of 2012.

Your Required Actions

Your consent is being requested. It is crucial that you respond actively, whether you intend to agree or disagree.

► Review, complete and return the Decision Form

If you *do* want to consent to the Proposal and you want to retain the same legal counsel retained by the member committees, please complete, sign and date the Decision Form enclosed in this package (orange-bordered item F).

Step 1:

Check the "Yes" box on the first page. This will authorize legal counsel to represent you and to consent to the Proposal on your behalf. You do not have to pay to have the committee's legal counsel represent you, since under the Proposal such legal fees will be paid out of the Plan.

Step 2:

Fill out all necessary information and sign the form in the space provided. Have someone witness your signature.

Step 3:

Return the signed Decision Form to legal counsel in the orange-bordered, postage-paid envelope enclosed with these materials.

If you *do not* want to consent to the Proposal, check the "No" box on the first page and follow Steps 2 and 3 above.

► Review, complete and return your Personal Information Statement

In either case, **please confirm the details contained on your Personal Information Statement** (blue-bordered item E), so that we can verify your personal information. This will ensure that your surplus share is calculated accurately and you receive all future communications. Please mark any changes, if required, on one copy of the Personal Information Statement (or complete and sign the Statement if all the information is accurate), and return it to Canada Life in the blue-bordered, postage-paid envelope. Keep the remaining copy for your records.

Questions and Answers

If you have questions about technical terms or names used in this information package, please refer also to the "Important Definitions and Names" in "Your Information and Instruction Guide" (black-bordered item A). It includes definitions of "surplus" and "partial wind-up", and other terms that are essential to understanding this information package.

The Questions and Answers are divided into the following topics:

- Understanding the History
- Elements of the Proposal
- People Involved in the Proposal
- Understanding Consent and Opting Out
- Value of Benefits in the Proposal
- Selecting Legal Counsel

Understanding the History

1. How does a partial wind-up occur and what is the result?

Under Ontario's *Pension Benefits Act*, a pension plan sponsor can voluntarily declare a partial wind-up of its pension plan. This is what Canada Life did in respect of the Integration PWU. Also, the Superintendent of Financial Services can take steps to order a partial wind-up. The Superintendent is proposing to take this action in respect of the potential Adason PWU and Pelican PWU.

If a partial wind-up is declared, a portion of the pension plan is effectively terminated. Affected members receive the same options for payment of their pension benefits as they would receive if the entire pension plan were being terminated. In addition, a decision must be made about how to deal with any surplus that is attributable to the partial wind-up. (See Q&A #2.)

A member who is affected by a partial wind-up may also become eligible for enhanced pension benefits depending on the province in which the member is employed. One example is "grow-in benefits" under Ontario and Nova Scotia legislation. Grow-in benefits cause members who meet certain age and service requirements to become eligible for better early retirement benefits than they otherwise would have received if the partial wind-up had not occurred.

2. What is "surplus attributable to a partial wind-up"?

When there are more funds in a pension plan than are required to meet all of the plan's pension obligations to its members, the excess is referred to as "surplus."

When a pension plan undergoes a partial wind-up, it is also possible that the portion of the plan being partially wound up may have more assets than are required to meet the plan's pension obligations to the members who are affected by the partial wind-up. That surplus is referred to as the surplus "attributable" to the partial wind-up.

3. What was the FSCO expense investigation about and what is the current status?

Canada Life is responsible for administering the Plan. It incurs expenses when doing so, such as fees for the services of the Plan's actuarial advisors, fees of investment managers who assist in investing the assets held in the Plan's trust fund, and Canada Life's internal expenses of Plan administration. Beginning with expenses incurred in 1993, the company's practice has been to obtain reimbursement of those expenses from the Plan fund.

In June 2004, FSCO wrote to Canada Life, to say that certain Plan members had raised questions about the administration of the Plan, including whether it was permissible for Canada Life to be reimbursed from the Plan fund for expenses for Plan administration. The members who had contacted FSCO believed that the terms of the Plan did not allow Canada Life to take this action; rather, they believed that Canada Life should pay the expenses from general revenues.

Canada Life filed submissions with FSCO in support of its position that administration expenses could properly be charged to the Plan fund.

In 2005, counsel for the Plaintiffs wrote to FSCO, to say that the court proceedings related, in part, directly to the expenses issue that FSCO was investigating. Counsel explained that the Plaintiffs' views were that the matter should be dealt with by the Court, and not by FSCO.

In September 2005, FSCO staff advised Canada Life that they would be willing to suspend their investigation of the expenses issue and allow the Court to decide the issue, provided that Canada Life would agree to stop paying any expenses from the Plan fund during that time.

Canada Life agreed to this proposal and FSCO suspended their expense investigation.

4. What is the significance of the April 12, 2005 date?

April 12, 2005 was the day the Plaintiffs started the court proceedings (as described on page 5).

5. What is the significance of the June 30, 2005 date?

June 30, 2005 was the end of the integration period following the acquisition of Canada Life by Great-West Life. It is the end date for the Integration PWU.

Elements of the Proposal

6. What is a variation of trust?

The Plan is funded through a trust. It is a long-standing principle of the common law that the beneficiaries of a trust can vary (change) the terms of the trust or terminate the trust, provided they are adults, are of sound mind, and there is unanimous agreement among them. For example, a trust may have been established by a grandfather for his five grandchildren, with the principal invested to generate income for their education, to help them buy their first house, etc. The terms of the trust might say that the principal can never be spent, and that only the interest income can be spent. However, when the grandchildren are adults – despite the fact that their grandfather intended that they only have access to the interest income – the grandchildren can terminate the trust and share all of its assets, including the principal, among themselves, provided that they all agree. By mutual agreement, they have “varied” the terms of the trust to let them use the trust assets as they see fit.

Where a trust involves a larger group of people, it becomes more complicated to vary the trust. The first complication is determining who are the beneficiaries of the trust whose consent must be obtained. A variation of trust cannot occur without the unanimous consent of all the beneficiaries. Plan members (active members, deferred/vested members and pensioners) certainly fall within this category. Other people may also fall into this category. For example, if a pension plan member has designated a beneficiary to receive any death benefits from the pension plan upon his or her death, then that designated beneficiary must also consent to the variation of trust. In addition, if a pensioner is receiving a monthly pension that provides for a survivor pension to be paid to his or her spouse upon the pensioner's death (called a "joint-and-survivor" pension), then the pensioner's spouse must also consent to the variation of trust. (See Q&A #16 for more information.)

Ontario's *Variation of Trusts Act* (and similar legislation in other provinces) allows the Court to consent to a variation of trust on behalf of certain categories of beneficiary. The parties will be asking the Court for such consent to be obtained as part of the Proposal. To give one example, the Court will be asked to consent to the variation of trust on behalf of all possible future members of the Plan.

7. What terms of the Plan will be clarified through the variation of trust?

The variation of trust being requested as part of the Proposal will confirm Canada Life's ability to take certain actions with the assets held in the trust fund for the New Plan, including the following:

- Canada Life may merge all or part of the New Plan with other registered pension plans.
- Canada Life may take contribution holidays under the New Plan (including using surplus from the defined benefit component to pay for any defined contribution benefits).
- Canada Life may use surplus in the New Plan to pay for benefit enhancements under the New Plan.
- The New Plan may use a plan amendment or merger to expand the New Plan membership, in which case the New Plan assets (including surplus) can be used to provide benefits for the new members and to fund contribution holidays taken with respect to the new members.
- Canada Life can pay expenses from the New Plan, or be reimbursed from the New Plan for such expenses that it pays directly.

The variation of trust will *not* address ownership of the surplus in the event of any future full or partial wind-up of the New Plan.

8. Why will court proceedings be held in both Ontario and Quebec?

The Plan is registered in Ontario, and the Plaintiffs began the court proceedings in Ontario, so the parties will be seeking approval of the Proposal from the Ontario Court.

Some eligible members live in Quebec, or lived in that province when they were active members of the Plan. For greater certainty, the parties will be asking the Court in Quebec to confirm that the Settlement Approval Order obtained in Ontario is binding on the Quebec members.

9. How will the expenses related to the Settlement Proposal be paid?

Expenses incurred by the parties related to the negotiation and implementation of the Proposal ("Settlement Expenses"), or those that are related generally to the Partial Wind-Ups, will be deducted from surplus attributable to the Partial Wind-Ups, as follows:

- All Settlement Expenses incurred up to December 20, 2007 will be deducted from the surplus attributable to the Integration PWU only.
- Settlement Expenses incurred between December 21, 2007 and October 1, 2008 will be deducted from the surplus attributable to the Integration PWU, the Adason PWU and the Pelican PWU. Each of these Partial Wind-Ups will bear a portion of the expenses that is proportional to the value of the pension benefits of the members affected by the Partial Wind-Up as compared to the total value of the pension benefits of the members affected by all three of the Partial Wind-Ups.
- Other expenses of the parties incurred up to October 1, 2008 that specifically relate to only one of the Partial Wind-Ups (such as expenses related to proceedings before the Ontario Financial Services Tribunal) will be deducted from the surplus attributable to that Partial Wind-Up.
- Settlement Expenses, and other expenses related to the Partial Wind-Ups, incurred after October 1, 2008 will be deducted from the surplus attributable to all four Partial Wind-Ups. Each Partial Wind-Up will bear a portion of the expenses that is proportional to the value of the pension benefits of the members affected by the Partial Wind-Up as compared to the total value of the pension benefits of the members affected by all four Partial Wind-Ups.

The December 20, 2007 and October 1, 2008 dates relate to the date when the applicable member committee (i.e., the Indago, Adason or Pelican Committees) signed an agreement with Canada Life regarding the confidentiality of the settlement negotiations. After such date, the surplus attributable to the related Partial Wind-Up begins to bear a portion of the Settlement Expenses.

For example, confidential negotiations with CLPENS related to the Integration PWU began first, so all Settlement Expenses incurred up to the time another member committee joined the negotiations are paid exclusively from the surplus attributable to the Integration PWU. The Pelican Committee and the Adason Committee joined the negotiations as of December 19, 2007 and December 20, 2007 respectively, so the parties agreed that after December 20, 2007 the surplus related to the Pelican PWU and the Adason PWU would begin to bear a portion of the Settlement Expenses. The Indago Committee agreed to join the confidential negotiations as of October 1, 2008.

10. Why will the Court be asked to declare that Canada Life may use surplus in the Plan or New Plan to make all benefit, expense and other payments contemplated under the Settlement Proposal?

Under the Proposal, various payments will be made, including the payment of Partial Wind-Up surplus to eligible members. Canada Life needs the Court's approval for these payments in order for the Proposal to be implemented.

The Proposal also includes the payment of a portion of the surplus to Canada Life. In order for the Proposal to proceed, Canada Life will have to obtain court and regulatory approval.

People Involved in the Proposal

11. Who will receive an information package?

A package has been sent to all individuals eligible to participate in the Proposal. This group is also known as the "Surplus Sharing Group" or the "eligible members."

12. What are the categories of individuals in the Surplus Sharing Group?

The Surplus Sharing Group is made up of the following categories of members:

Partial Wind-Up (PWU) Group (2,239 members)

The PWU Group is made up of the following sub-groups:

- Integration PWU (2,149 members). This is the group of members who were included in the Integration PWU. (See Q&A #13.)
- Indago PWU (15 members). This is the group of members who will be included in the Indago PWU if the Proposal proceeds. They were Plan members employed by Indago Capital Management Inc., and their employment with Indago was terminated as a result of the February 26, 1999 merger of that company with Laketon Investment Management Ltd.
- Adason PWU (37 members). This is the group of members who will be included in the Adason PWU if the Proposal proceeds. They were Plan members employed by Adason Properties Limited, and were notified of their termination of employment between November 1, 1999 and February 28, 2001.
- Pelican PWU (38 members). This is the group of members who will be included in the Pelican PWU if the Proposal proceeds. They were Plan members, and their employment with Pelican Food Services Limited was terminated as a result of the outsourcing of certain operations by Canada Life in 2001.

Non-Partial Wind-Up (Non-PWU) Group (3,207 members)

The Non-PWU Group is made up of the following sub-groups:

- Active (1,663 members): In order to qualify as an active member for purposes of the Proposal, an individual must have been an employee member of the Plan on June 30, 2005. Also included in this category are any individuals who are employed by Canada Life or a participating affiliated employer and who join the Plan after June 30, 2005 up to the date the Certification Order is obtained. Even if such an individual is no longer an employee and therefore no longer actively accruing benefits under the Plan, they will still be considered to be a member of the active category for purposes of the Proposal.
- Deferred/vested (696 members): An individual has a deferred/vested entitlement under the Plan if they are no longer employed by Canada Life (or another participating employer under the Plan) and therefore are no longer accruing pension benefits under the Plan, but they have not yet begun to receive a monthly pension nor have they received a lump-sum payment from the Plan in full satisfaction of their pension entitlements. All individuals with a deferred/vested entitlement under the Plan on April 12, 2005 are included in the Non-PWU Group for purposes of the Proposal, even if they have subsequently received full payment of their pension entitlements from the Plan.

- Pensioners (848 members): This category includes any individual in receipt of a monthly pension from the Plan on April 12, 2005. This would include a former member in receipt of a pension from the Plan, as well as a member's surviving spouse where the member has died and the spouse was receiving a survivor pension from the Plan on that date. All individuals who are, or were, in receipt of a pension from the Plan on April 12, 2005 are included in the Non-PWU Group for purposes of the Proposal.

Quebec Cash-Outs (44 members)

Another group will also take part in the Proposal. This group is not part of the PWU Group, nor is it part of the Non-PWU Group. They are former Plan members who would have been included in the Integration PWU because they also had their employment terminated following the acquisition of Canada Life by Great-West Life, but they could not be included because they were employed in Quebec, and Quebec did not recognize partial plan wind-ups in its pension legislation at the relevant time. They are also not part of the Non-PWU Group, because their benefits were paid from the Plan prior to April 12, 2005 and, therefore, they were not deferred/vested members of the Plan on that date, nor were they pensioners.

For the rules regarding eligible members who die before the surplus payments are made, see Q&A #26.

13. Who is included in the Integration Partial Wind-Up (PWU) Group?

The Integration PWU was declared by Canada Life as a result of the workforce integration measures taken after the acquisition of Canada Life by Great-West Life on July 10, 2003. All members of the Plan whose employment with Canada Life terminated in conjunction with the integration, other than those members of the Plan who were employed in Quebec, were included in the Integration PWU. This included members whose employment was terminated during the integration period by Canada Life, as well as those who resigned or retired voluntarily. It also included members who were informed during the integration period that their employment would be terminated as a result of the integration and whose employment was subsequently terminated after June 30, 2005. The integration period started July 10, 2003, the date Canada Life was acquired by Great-West Life, and ended on June 30, 2005.

There are 2,149 individuals in the Integration PWU Group.

Understanding Consent and Opting Out

14. How are the "opt-out" and "consent" thresholds calculated?

Certain minimum member consent and opt-out thresholds must be met in order for the Proposal to proceed:

Non-PWU Group

At least 90% of those members of the Non-PWU Group who remain entitled to pension benefits under the Plan must consent to transfer to the New Plan (and also consent to the variation of trust). This 90% is not measured person-by-person; instead, the threshold will be measured based on the *value* of each member's pension benefits under the Plan. In order to reach the necessary threshold, the number of members of the Non-PWU Group who consent must represent at least 90% of the *value* of the pension benefits of all of the Non-PWU Group members who remain entitled to pension benefits under the Plan.

In addition, two other thresholds must be met:

- No more than 5% of the members of the *entire* Non-PWU Group, measured by the value of their pension benefits under the Plan, can opt out, and
- No more than 2.5% of the members of the *entire* Non-PWU Group, measured person-by-person, can opt out.

Example:

As a hypothetical example, consider a situation in which there are only 200 members in the Non-PWU Group (there are actually many more). No more than 5% of them, *measured by the value of their pension benefits under the Plan*, can opt out of the class proceedings. In order to figure out the 5% threshold, Canada Life will calculate the value of each member's pension benefits under the Plan. Let's say that the total value, for all 200 members, is \$5 million. Five percent of \$5 million is \$250,000. If some of the members opt out of the class proceedings, the settlement may not proceed if the value of the opt-outs' pension benefits under the Plan, when added together, is more than \$250,000.

The 2.5% threshold, on the other hand, is calculated person-by-person. Therefore, no more than 2.5% of the members in the Non-PWU Group can opt out of the class proceedings. In this hypothetical example, 2.5% of 200 people is five people. Therefore, if more than five members of the Non-PWU Group were to opt out, the Proposal may not proceed.

PWU Group

Consent to the Proposal will be required from at least 75% of the members in each Partial Wind-Up before the Proposal can proceed. This threshold will be applied to each Partial Wind-Up separately. For example, 75% of the members affected by the Indago PWU must consent in order for the Proposal to proceed in respect of that Partial Wind-Up. Note that the settlement in respect of the Integration PWU can proceed even if the necessary level of consent for one or more of the Prior Partial Wind-Ups is not reached. However, if the necessary level of consent is not obtained from the members affected by the Integration PWU, the Proposal will not proceed for any group.

In addition, similar to the Non-PWU Group requirements, two other thresholds must be met:

- No more than 5% of the members of the *entire* PWU Group, measured by the *value* of their pension benefits under the Plan, can opt out, and
- No more than 2.5% of the *entire* PWU Group, measured person-by-person, can opt out.

These 5% and 2.5% thresholds are similar to the 5% and 2.5% requirements for the Non-PWU Group – see example above.

Meaning of "Opt Out"

Any member of the Class who "opts out" of the court proceedings will not be bound by further orders of the Court, but they will not participate in the Settlement Proposal and will not receive any share of surplus under the Proposal.

See the questions under "Understanding Consent and Opting Out" on pages 24-28 for more information.

15. What does it mean to opt out of a class proceeding?

The Court must “certify” class proceedings. If the Court certifies the proceedings as a class proceeding, then any subsequent order of the Court will be legally binding on *all* members of the “Class” (the group of individuals taking part in the proceeding). Under the Ontario *Class Proceedings Act*, where a proceeding is certified, members of the Class are given notice of the Court’s order and the opportunity to opt out of the class proceeding if they choose to do so.

Anyone who opts out of the class proceedings will not be a part of the Class, and will therefore not be bound by any subsequent order of the Court. Such individuals are then free to seek their own individual legal remedy, at their own cost.

16. What do I have to do to consent to the variation of trust?

Variation of trust consents apply only to Non-PWU Group members (not to PWU Group members).

Members of the Non-PWU Group who remain entitled to benefits under the Plan must consent to the variation of trust in order to participate in the Proposal and to receive a payment of surplus (or, for active members, to receive a contribution holiday).

A variation of trust cannot proceed without unanimous consent from all beneficiaries of the trust. All members of the Non-PWU Group (active, deferred/vested and pensioners) who remain entitled to benefits under the Plan are beneficiaries of the Plan’s trust fund and, therefore, they must consent to the variation of trust. (See Q&A #6.) If you are a member of the Non-PWU Group, you can consent to the variation of trust by filling out and returning the Decision Form (orange-bordered item F) included in this package.

Under the laws governing variations of trust, however, other persons are also considered beneficiaries of the trust whose consent must be obtained. These include:

- The individual(s) whom the Non-PWU Group member has designated to receive any death benefits from the Plan in the event of the member’s death.
- The spouse of the Non-PWU Group member, but only in two circumstances:
 - If the member is a pensioner, and the member’s pension is being paid in a “joint-and-survivor” form (which means that if the member dies before his or her spouse, a monthly pension will continue to be paid to the surviving spouse), or
 - If the member’s spouse has an entitlement under the Plan under a court order or domestic contract related to the breakdown of the marriage of the member and the spouse.

If you are a Non-PWU Group member and you need to obtain your spouse’s or designated beneficiary’s consent in order to participate in the Proposal, your Decision Form (orange-bordered item F) will show this requirement.

If you need to obtain your designated beneficiary’s consent, you may have the option of revoking (cancelling) your beneficiary designation under the Plan instead of obtaining his or her consent. If this option applies to you, it will be noted on your Decision Form. For more information on that option, refer to the enclosed member committee Report (yellow-bordered item C).

17. What happens if I consent to the Settlement Proposal using the Decision Form, but later want to opt out of the class proceedings?

If a member opts out of the class proceedings, they are indicating that they do not support the Proposal and do not wish to be bound by the proposed Settlement Approval Order. In such a case, the member is no longer eligible to participate in the Settlement Proposal.

18. What happens if a member of the Partial Wind-Up (PWU) Group opts out of the class proceedings, but the Settlement Proposal proceeds?

If a member of the PWU Group opts out of the class proceedings, but the Proposal proceeds following receipt of necessary court and regulatory approvals, the member who opted out will not receive a surplus payment as part of the implementation of the Proposal. Instead, a proportional share of the surplus will be set aside and left in the Plan, representing the surplus amount that the member would have received under the Proposal plus the related amounts that would have been paid to Canada Life and to members of the Non-PWU Group.

The surplus left behind in the Plan will then have to be dealt with. The member who opted out can subsequently consent to the deal, and receive essentially the same surplus payment he or she would have received under the Proposal. Otherwise, if (for example) the member opted out because he or she opposed the deal, he or she could take court action. The member would have to bear the cost of his or her own legal counsel in such court action. (Under the Proposal, all legal fees will be paid out of the surplus, and members of the Surplus Sharing Group will not have to pay any of the legal fees themselves.)

The parties will be asking the Court to make an order as part of the Settlement Approval Order limiting Canada Life's financial exposure in any subsequent litigation commenced by opt-outs. (See Q&A #21.)

19. What happens if a member of the Non-Partial Wind-Up (Non-PWU) Group opts out of the class proceedings, but the Settlement Proposal proceeds?

If a member of the Non-PWU Group opts out of the class proceedings, then even if the Proposal proceeds based on consents received from other members, the opt-out will not receive any financial benefit from the settlement.

20. What happens if a Non-Partial Wind-Up (Non-PWU) Group member does not consent to the Settlement Proposal?

If a member of the Non-PWU Group does not consent to the Proposal, then even if the Proposal proceeds based on consents received from other members, the non-consenting member will not receive a share of surplus. The result is the same if a member of the Non-PWU Group opts out of the class proceeding – no surplus is paid in that case. (See Q&As #19 and #21.)

21. What does it mean for Canada Life's financial exposure to be limited in the event of future legal claims by opt-outs?

Under the Proposal, the parties will be asking the Court, as part of the Settlement Approval Order, to limit Canada Life's financial exposure should one or more opt-outs choose to start their own legal action against Canada Life and raise any of the claims contained in the Statement of Claim and settled as part of the Settlement Approval Order, other than a claim by an opt-out to receive a proportionate share of surplus allocable to a Partial Wind-Up (the "Subsequent Proceeding"). For example, this would include the claim that pension plan administration expenses were improperly paid from the Plan fund.

If the opt-out is successful in the Subsequent Proceeding and obtains a court judgment ordering Canada Life to make a payment to the opt-out or to the Plan fund, a payment will be deemed to have been made on behalf of Canada Life in partial satisfaction of the amount found to be owing. The effect of this deemed payment will be to reduce the amount that has to be paid by Canada Life to an amount equal to the opt-out's share of what could have been recovered by the entire Surplus Sharing Group (of over 5,400 members) had the Proposal not proceeded and had the entire Surplus Sharing Group participated in the opt-out's legal action against Canada Life. This deemed payment will also apply if the opt-out makes a similar claim against the Plan Trustees or any other party.

Value of Benefits in the Proposal

22. How is the value of a member's benefits calculated for purposes of determining how much surplus he or she receives?

PWU Group

Subject to the provision made for certain Quebec members (referred to on pages 13 and 14), members of each PWU Group will receive 57.22% of the surplus attributable to their Partial Wind-Up, allocated to each member proportionally based on the value of their benefits under the Plan as at the effective date of the Partial Wind-Up as set out in the actuarial report prepared by the Plan actuaries.

The calculation of the value of a member's benefits for purposes of allocating surplus will exclude any grow-in benefits (see below) and will be calculated based on the amount that would be paid out of the Plan in a lump sum if the member chose to receive his or her Plan entitlements in that fashion. (The lump sum is essentially the "present value" of the member's future pension payments – that is, the amount of money that would be required at the calculation date to pay for the future pension payments.)

(Grow-in benefits cause members affected by a partial wind-up who meet certain age and service requirements to become eligible for better early retirement benefits than they otherwise would have received if the partial wind-up had not been declared. They are provided only under Ontario and Nova Scotia legislation.)

Non-PWU Group

Members of the Non-PWU Group who are deferred/vested members or pensioners will receive 12.44% of the surplus attributable to the Partial Wind-Ups, allocated to each member proportionally based on the value of his or her benefits under the Plan as of June 30, 2005, calculated on a "wind-up" basis (that is, calculated on the assumption that the Plan had terminated on that date). If the member had died or had received a lump-sum payment in satisfaction of his or her Plan benefits prior to that date, then the value of his or her benefits for purposes of the surplus allocation will be the value on the day immediately prior to his or her death or the day immediately prior to the day of the lump-sum payment, as applicable.

Note that no member of the PWU Group, nor any member of the Non-PWU Group who is a deferred/vested member or a pensioner, will receive less than \$1,000 in surplus. An estimate of each eligible member's financial benefits under the Settlement Proposal is outlined in the Personal Information Statement (blue-bordered item E) provided in this information package.

23. What does it mean for surplus to be allocated to members proportionally based on the value of their benefits under the Plan?

An example will help to illustrate this concept. The example uses the Integration PWU, but the numbers used below are not the actual numbers – they are for illustration purposes only.

An actuarial document, called a partial wind-up report, must be prepared for the Integration PWU and filed with the pension regulator. It shows the value of the pension benefits earned under the Plan by the members included in the Integration PWU, as at the date of the partial wind-up (the value of pension benefits is sometimes referred to as the pension plan's "liabilities" related to the members in question).

In this hypothetical example, the total value of all the pension benefits earned by all members included in the Integration PWU is \$200,000,000. Also, "Mary," one of the members included in the Integration PWU, is entitled to pension benefits under the Plan valued at \$10,000.

Finally, in this hypothetical example, the surplus attributable to the Integration PWU, after expenses, is \$1,000,000.

As described in this information package, Partial Wind-Up surplus is to be split as follows:

- 30.34% will be paid to Canada Life.
- 12.44% will be paid to the members of the Non-PWU Group.
- 57.22% will be paid to the members of the PWU Group.

57.22% of \$1,000,000 is \$572,200, and therefore the group of members included in the Integration PWU will share \$572,200. Since Mary is included in the Integration PWU, she is a member of the PWU Group, and therefore she will share in the \$572,200 that is payable to that group.

Mary's share of that amount is calculated as follows: In this example, the value of the pension benefits she earned under the Plan, as at the date of the Integration PWU, is \$10,000. Since the total value of all pension benefits earned by members affected by the Integration PWU is \$200,000,000, the value of Mary's pension benefits represents 0.005% of the total (\$10,000 divided by \$200,000,000 equals 0.005%).

Therefore, Mary will receive 0.005% of the \$572,200 surplus to be shared by the group of members affected by the Integration PWU. The result of that calculation is \$2,861. That is the amount of surplus that Mary will receive, if the Settlement Proposal proceeds.

24. Why does my Personal Information Statement show only an estimate of my possible surplus share? How and why could the estimate change?

The amount of surplus that you actually receive, should the Proposal proceed, will likely be different (higher or lower) than the estimate shown on your Personal Information Statement for various reasons. First of all, until all of the pension benefits earned by members affected by the Partial Wind-Ups are paid or provided for, the value of those benefits will fluctuate (for various reasons, including changes in interest rates), which will affect the amount of the Partial Wind-Up surplus (the more valuable the benefits, the less surplus will remain, and vice versa).

Also, the assets of the Plan fund are invested in stocks, bonds and other investments, and therefore the total amount of Partial Wind-Up surplus will also fluctuate depending on the returns on those investments.

As the overall Partial Wind-Up surplus fluctuates, so will the amount to be shared by the eligible members.

25. Will tax be payable on my surplus share?

Surplus distributions received in cash are considered taxable income by the Canada Revenue Agency, and may attract income tax depending on each individual's personal circumstances. Canada Life will deduct applicable withholdings for tax when making lump-sum surplus payments from the Plan to individuals.

If a member of the Surplus Sharing Group is entitled to more than \$15,000 in surplus payable in cash, they will be able to contribute part or all of it to a registered retirement savings plan (RRSP) without withholdings, if he or she first confirms to Canada Life that he or she has available RRSP contribution room.

26. What happens if a member of the Surplus Sharing Group dies before receiving his or her share of surplus?

If a member of the Surplus Sharing Group dies before receiving his or her surplus share, the share will be paid instead to the member's spouse, designated beneficiary or estate. Any necessary consents must have been provided by the individual before he or she died, or (if applicable) they must be provided after the death by the spouse, beneficiary or estate.

Selecting Legal Counsel

27. What if an eligible member wants to consent to the Settlement Proposal but doesn't want to retain legal counsel to do so?

If an eligible member wants to consent to the Proposal but does not want to retain the counsel selected by the member committees, he or she should call the Canada Life Service Centre toll-free at 1-888-252-1847 so that the necessary documents can be sent to the eligible member. If a member makes this choice, it is recommended that the member obtain independent legal advice at the member's own expense.

Members who retain counsel already selected by the member committees by filling out the Decision Form will not be obligated to pay any legal fees. For members who would be included in the potential Adason PWU, counsel is Sack Goldblatt Mitchell LLP. For all other members, counsel is Koskie Minsky LLP and Harrison Pensa LLP.

Note: The information package that includes this Detailed Description document refers to a Settlement Proposal related to The Canada Life Canadian Employees Pension Plan (the "Plan"). While every effort has been made to ensure that these materials are accurate, in the event of any error, omission or discrepancy between what is said in the information package and what is contained in either the Surplus Sharing Agreement or the Plan, the provisions of the Surplus Sharing Agreement and the terms of the Plan, both as may be amended from time to time, as well as the terms of any applicable Court Order or regulatory approval, shall govern.