Court File No.05-CV-287556CP

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

DAVID KIDD, ALEXANDER HARVEY, JEAN PAUL MARENTETTE, GARRY C. YIP, LOUIE NUSPL, SUSAN HENDERSON and LIN YEOMANS

Plaintiffs

- and –

THE CANADA LIFE ASSURANCE COMPANY, A.P. SYMONS, D. ALLEN LONEY and JAMES R. GRANT

Defendants

Proceeding under the *Class Proceedings Act, 1992*

SUPPLEMENTARY MOTION RECORD OF THE PLAINTIFFS
(Motion to Vary Judgment, returnable March 18, 2013)

March 12, 2013

KOSKIE MINSKY LLP
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Mark Zigler (LSUC#: 19757B)
Tel: (416) 595-2090
Fax: (416) 204-2877

Clio M. Godkewitsch (LSUC#: 45412G)
Tel: (416) 595-2120
Fax: (416) 204-2827

HARRISON PENSA LLP
450 Talbot Street, P.O. Box 3237
London, ON N6A 4K3

David B. Williams (LSUC#: 21482V)
Tel: (519) 679-9660
Fax: (519) 667-3362

Lawyers for the Plaintiffs, David Kidd, Alexander Harvey, Jean Paul Marentette, Susan Henderson and Lin Yeomans

SACK GOLDBLATT MITCHELL LLP
20 Dundas Street West
Suite 1100, Box 180
Toronto, ON M5G 2G8

Darrell Brown
Tel: (416) 979-4050
Fax: (416) 591-7333

Lawyers for the Plaintiffs, Garry C. Yip
and Louie Nuspl

TO: **BLAKE, CASSELS & GRAYDON LLP**
Box 25, Commerce Court West, 199 Bay Street
Toronto, ON M5L 1A9

Jeffrey W. Galway
Tel: (416) 863-3859
Fax: (416) 863-2653

Lawyers for the Defendant, The Canada Life Assurance Company

AND TO: **HICKS MORLEY HAMILTON STEWART STORIE LLP**
77 King Street West, 39th Floor
Box 371, TD Centre
Toronto, ON M5K 1K8

John C. Field
Tel: (416) 864-7301
Fax: (416) 362-9680

Lawyers for the Defendants, A.P. Symons, D. Allen Loney
and James R. Grant

TABLE OF CONTENTS

TABLE OF CONTENTS

TAB 1

Court File No. 05-CV-287556CP

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

DAVID KIDD, ALEXANDER HARVEY, JEAN PAUL MARENTETTE, GARRY C. YIP, LOUIE NUSPL, SUSAN HENDERSON and LIN YEOMANS

Plaintiff

- and -

THE CANADA LIFE ASSURANCE COMPANY, A.P. SYMONS, D. ALLEN LONEY and JAMES R. GRANT

Defendant

AFFIDAVIT OF ANTHONY GUINDON
(sworn March 12, 2013)

I, **ANTHONY GUINDON**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY**:

1. I am a lawyer with the law firm of Koskie Minsky LLP, Class Counsel in this matter, and as such, have personal knowledge of the matters to which I depose herein. Where my knowledge is based upon information and belief, I have indicated the source of my knowledge, and verily believe the same to be true.

2. In a Court approved notice which was mailed to Class Members on or about February 15, 2013, Class Members were advised of the Plaintiffs' motion to vary the Judgment of the Court dated January 27, 2012 in accordance with the terms of an Amended Surplus Sharing Agreement (the "ASSA"), and that any objections to the ASSA should be submitted to Class Counsel by March 11, 2013.

3. As of 1:00 p.m., March 12, 2013, Class Counsel has received 11 written objections to the ASSA. Attached hereto as Exhibits "A" to "K" are true copies of the written objections received to date by Class Counsel.

4. In addition to the aforementioned objections, a further Class Member, Mr. Dan Anderson, who I understand is an actuary, made numerous inquiries of Class Counsel regarding the reasons for the decline in the IPWU Surplus. I am advised by Clio Godkewitsch of Koskie Minsky LLP and verily believe that following various email exchanges between Mr. Anderson and Ms. Godkewitsch, and in light of concerns expressed by Mr. Anderson, Ms. Godkewitsch and the actuary retained by Class Counsel (Mr. Marcus Robertson) attended two lengthy conference calls with Mr. Anderson on March 5 and March 7, 2013, where his information requests and concerns were discussed. Mr. Anderson and others were also referred to the material filed with this Court on the September 27, 2012 motion and the actuarial reports and opinions therein, all of which were posted on the Koskie Minsky LLP website for this proceeding.

5. Following the foregoing discussions and exchanges of information, Mr. Anderson submitted two information sheets examining the status of the Integration Partial Wind-up Surplus to Class Counsel, which have been circulated to a number of other Class Members by Mr. Anderson, and which have been appended to a number of objections filed with Class counsel. These information sheets are attached hereto as Exhibit "L."

6. In response to the submissions of Mr. Anderson, and in light of the numerous inquiries received by the Canada Life Pension Rights Group ("CLPENS"), the CLPENS Executive Committee prepared and sent a detailed email message to the CLPENS email list, which included further explanations and details regarding the ASSA and the reduction of the IPWU Surplus. A true copy of this message is attached hereto as Exhibit "M."

7. I make this Affidavit in good faith in support of the motion to vary the Judgment in this proceeding, and for no other or improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on March 12, 2013.

Commissioner for Taking Affidavits

ANTHONY GUINDON

TAB A

This is **Exhibit "A"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Clio M. Godkewitsch

From:	Fred Taggart <fjtaggart@yahoo.com>
Sent:	March-08-13 8:01 AM
To:	Canada Life Main Pension Class Action
Subject:	Amended Settlement Court Proceedings on March 18, 2013
Attachments:	CLA-CLPENS Amendment - Response to Court PDF.pdf

Attached is commentary that I wish to have presented to the Court for consideration in the above matter.

I intend to share this document later today with each member of the CLPENS Executive Committee and then later again more broadly with plan members who may have an interest in these proceedings.

Please confirm receipt of the attached PDF file and please also confirm that this commentary will be presented to the Court prior to March 18, 2013.

Sincerely,

Fred Taggart

4204 Colonial Drive,
Mississauga, ON L5L 4B9

March 8, 2013

The Honourable Justice Perell
Ontario Superior Court of Justice

Background

I am a member of the Canada Life Pension Plan and a former executive at Canada Life. I was employed by Canada Life from 1973 until 2003. My last position at Canada Life was Vice President, Individual Insurance where I was responsible for the individual insurance operations in Canada. Prior to that, I was Vice President, Investments and Pensions and was responsible for Group Pension operations and Individual wealth accumulation products in Canada. I was part of the executive team that lost employment after the acquisition of Canada Life by Great-West Life in 2003. More than 2100 other employees of Canada Life also lost their jobs during this period.

I am also a former member (Oct, 2005 to Oct, 2007) of the CLPENS Executive Committee. I resigned from the Executive Committee in late October, 2007. Since that time, and until now, I did not speak against the settlement and I voted in support of the settlement that was presented in March, 2011.

I am very concerned with the disappearance of surplus from the Pension Plan. I am also concerned with the process that has been followed to get us to the point where individual plan members have to approach the court to be heard.

This proposed amendment is a hugely material change to the original settlement, and the settlement as amended would not have the support of members.

Where did the surplus go?

The original settlement proposed distributing $62m of surplus. This was down from a reported PWU surplus of **$103m** in 2006. The reasons given for the sharp drop were:

1) less investment income than anticipated

2) a change in actuarial assumptions - now expected that more people will opt for a guaranteed benefit rather than a commuted value

That brought the surplus down to $72m and, net of expenses the expected distribution was $62m.

After the settlement was approved by the court, the reported surplus dropped from $62m to less than $10m. The reasons given for this second sharp drop were:

1) persistent low interest rates which increase the cost of the basic benefits

2) a change in actuarial assumptions ... now recognize that even more people opted for a guaranteed benefit rather than a commuted value

It should be noted that both the low interest environment and the number of people opting for a guaranteed benefit were known well before the court date.

As a prelude to this amendment now before the court, we hear that the surplus has dropped to a mere $2.6m and it may be enhanced slightly with forgiveness of interest charges and by waiving a small portion of the legal fees. The reasons given for this latest drop in surplus are:

1) persistent low interest rates which increase the cost of basic benefits

2) a much higher take-up rate than anticipated of those opting for a guaranteed benefit rather than a commuted value

We also learn that Canada Life was unable to find a provider of insured annuities for this group of members (those in the Partial Wind-up) despite shopping the opportunity among 7 life insurers in Canada. Instead, Canada Life will be "forced" to keep paying the members from the fund.

Some questions the Court may wish to explore are:

1) Why would the number of people opting for a guaranteed benefit rather than a commuted value have any effect on the surplus? These two options are supposed to be actuarially equivalent. Of course they will only be actuarially equivalent if they are valued using the same assumptions.

   These two options in fact use widely different assumptions. Canada Life calculates the commuted values as of the member's termination date. Therefore the actuarial assumptions are based on a standard effective in 1993 and uses interest and mortality assumptions that are 10 years and 30 years respectively out of date. Those opting for a commuted value are assumed to earn 6% annually on the money - for each and every year from 2003 onwards. This assumption drives down the commuted value. The mortality assumption is based on mortality tables from 1983 and therefore ignores that people now live longer. By overstating interest rates and

understating how long people will live, the commuted value (i.e. the value of the pension) is significantly understated. The high take-up rate of those opting for a guaranteed benefit should come as a surprise to no-one. Members simply cannot replace the lost income stream with the commuted values offered.

Now let's look at those who opt for guaranteed benefits – how are their pensions valued? The actuarial assumptions used to value those pensions are the very opposite of those used for the commuted values. Not only do they now reflect longer lifespans (as they should) but they also assume that today's historically low interest rates will persist into the future. This increases the "assumed" cost of the benefit and eats into the surplus.

So, again, the question is, why would the **value** of the pension differ depending on whether the benefit is left in the fund or taken out? Actuarial standards set in 1993 never anticipated that disbursements would be made 20 years later using those standards, or that plan sponsors would conveniently ignore updated standards that are meant to ensure equitable treatment.

One of the ways to ensure that no-one "games" the system is to give plan members a choice of a commuted value or an insured annuity – the understanding being that market competition will always provide a fair cost for an insured annuity. This leads to the next question.

2) Why would no insurance company in Canada want to bid on a block of business that is in the hundreds of millions of dollars? Was the bid structured in such a way as to preclude any reasonable response? Who were the 7 companies that Canada Life approached? Did they include Canada Life itself, sister company London Life, parent company Great-West Life? If annuities are purchased, current pension values are crystallized and members can have comfort that the cost to the fund is both fair and permanent. If instead, those pension costs are simply estimated there is no assurance that the cost to the fund is either fair or permanent.

3) Now that the assets and liabilities have been transferred to the on-going plan, what happens if and when interest rates recover to a historically normal level? Don't the liabilities shrink as rapidly as they ballooned ... thus restoring the healthy surplus that the plan has enjoyed for decades? With a certain set of assumptions, we've seen nearly $100m disappear in the last 6 years. With a different set of assumptions, might we see the $100m reappear in the next 6 years?

It is unlikely that we will see a rebound by 31Dec14 as the US Fed is on record to hold interest rates steady until at least mid-2014. However, if it did magically occur, why would the second surplus distribution be capped at $15m?

It seems to this observer that Canada Life has seen a window of opportunity to move assets and liabilities to the ongoing plan, temporarily value the liabilities at historically low interest levels, distribute a severely diminished surplus to the plan members, and then wait for rising interest rates to restore the healthy surplus that the plan has enjoyed for many years. With a timely decision to make payments from the fund rather than purchasing annuities, Canada Life has locked the members' surplus claims into these tough economic circumstances while insulating their own share and in fact the entire PWU surplus from those same economic circumstances.

The process is unfair

All of this is being done via an amendment to the settlement, with no further information sessions for plan members, no opportunity to ask questions, and no opportunity to vote - yet members are bound by all of the terms and conditions and concessions that they agreed to in the original settlement when they believed they would share in $62m rather than less than $5m.

This negotiation process has dragged on for 8 years now. Suddenly, when the surplus has nearly evaporated (and only temporarily so), there is a rush to bring closure to the process. The original settlement was approved by the court on January 27, 2012. Members heard nothing more from CLPENS until May, 2012 when they were informed that the surplus had dropped by more than 80%. Then no further communication until the third week of February, 2013 when we learn the surplus has dropped a further 60%, and a settlement amendment was announced along with a pre-arranged court date. At that time, members had a mere three weeks to attempt to understand what has transpired and to individually comment or object to the court.

What should the Court do?

I respectfully submit that the Court should disallow this amendment. The original settlement terms should be enforced or, if that is not possible, then the original settlement set aside.

When members voted in favour of the settlement, they granted many concessions to Canada Life – forgiveness of expenses withdrawn from the plan in the past, the right to take future expenses from the plan, effective control of future surplus (to fund company contributions holidays). They also signed a release against any future claims against the Plan assets.

None of that would now have the support of plan members.

Respectively submitted,

Fred J Taggart

Clio M. Godkewitsch

From:	Uma Ratnam
Sent:	March-11-13 10:46 AM
To:	Clio M. Godkewitsch; Anthony Guindon
Cc:	Natercia McLellan
Subject:	FW: Settlement Amendment - Addendum to 8Mar13 letter
Attachments:	CLA-CLPENS Amendment - Response to Court ADDENDUM.pdf

fyi

From: Fred Taggart [mailto:fjtaggart@yahoo.com]
Sent: March-11-13 10:20 AM
To: Canada Life Main Pension Class Action
Subject: Settlement Amendment - Addendum to 8Mar13 letter

Please find attached a short addendum to my submission from last Friday. Please have this attached to my earlier submission.

As before, please confirm receipt of the attachment and its submission to the Court.

Kind regards,

Fred Taggart

Fred Taggart
4204 Colonial Drive
Mississauga, ON L5L 4B9

March 11, 2013

The Honourable Justice Perell,
Ontario Superior Court of Justice

ADDENDUM to my letter of March 8, 2013

Subsequent to my letter of March 8, I became aware of additional information recently posted to Class Counsel's website - in particular, the motion and motion response from September, 2012.

That information changes the details of my earlier submission but not my central argument. I believe that Canada Life has cleverly concealed the PWU surplus in the ongoing Plan in order to gain effective ownership of the entire surplus.

They have done this by exploiting the 2010 policy change from FSCO (allowing payments from the fund) and relying on the recent CIA Educational Guidance on how to value such liabilities (value them by estimating current annuity purchase rates). It would be sheer madness to annuitize at interest rates prevalent at 31Aug12. It would be brilliant to value the liabilities as if you had annuitized without actually suffering the financial pain of doing so.

This allows Canada Life to demonstrate that the surplus has vanished, discharge the partial wind-up, and then wait for interest rates to rise. When that happens, the estimated annuity purchase rates drop, the value of the liabilities drop in lock-step, and the surplus reappears. However, that surplus is now in the ongoing Plan and members have ceded future ownership of that surplus to Canada Life under the terms of the original settlement.

I stand by my earlier statement that plan members would not support any of this.

Respectfully,

Fred J. Taggart

TAB B

This is **Exhibit "B"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Clio M. Godkewitsch

From:	Bruce Tushingham <btushingham@rocketmail.com>
Sent:	March-11-13 9:58 AM
To:	Canada Life Main Pension Class Action; dan.anderson@sympatico.ca; CLPENS@rogers.com; Clio M. Godkewitsch
Subject:	March 11 court submission re CLA pension windup surplus with attachments
Attachments:	CLA pension surplus amendments - retaining rights to distributable surplus 2013-03-11(1).pdf; CLA pension surplus 2006 to 2012 - draft 2013-03-10.pdf

As a member of the CLA partial windup group I am submitting the following email and the two attached documents to formally express our concern for the proposed settlement and amendments, the disappearance of 98% of our surplus and for the total and complete lack of information concerning any and all aspects of the class action.

I am part of an email group that has been informally discussing the drastic, incomprehensible and rapid reduction in the available funds in the surplus and the surprising communication silence from all parties involved.

Because of a shared concern about the poor communications and lack of information, one of the pension members in that email group (Dan Anderson, not in the windup group) has been pressing for additional information and has prepared the following two attachments that reflect our concerns and questions that need to be addressed if the interests of the partial windup group are to be given any consideration.

The silence of both GWL and the lawyers representing us is baffling. Surly GWL owes their former employees who have toiled for many years to the company's benefit an explanation concerning the how and why the surplus funds were lost. The lawyers representing our group have made millions of dollars from our group but they too have not taken the initiative to ensure that important information was made available to plan members.

The members of the windup group where told that 98% of our surplus has disappeared but were not given any details to the why and the how. Many complex topics have been broken down so that the layman can understand. Books on the general theory of relativity or quantum mechanics of been published and newspaper articles have been written. These were written because someone cared or had an interest in proving the details so that everyone could understand. Yet GWL and Koskie Minsky have not provided a sufficiently meaningful explanation. Cleary GWL does not care about the former Canada Life employees and Koskie Minsky don't care about their current clients. Their interests appear to be only of a monetary nature.

We demand that pension members be told what really happened and not only in simplistic terms that everyone can understand, but also so that they have an opportunity to establish a more in depth understanding and an opportunity to collectively ask questions and see/hear the answers, including the following sorts of questions: Why were other pension groups not affected? Why were we told during the height of the recession that our money was safe and secure but then it disappears when the economy recovers? Why was the value of the surplus stable for 7 + years and then reduced to a tiny fraction of its original amount within months? As a minimum, the sort of information and insights contained in the attached documents should be distributed by email to as many class action members as possible in advance of seeking further responses from class action members and deciding how to proceed.

Under the current circumstances, it is important for the various parties to identify and understand the advantages and disadvantages of windup members retaining our right to a share of distributable surplus within the segregated pension fund, rather than all of us being forced to cash in our rights when the reported surplus is misleadingly reported as almost disappeared.

CLA pension surplus amendments - retaining rights to distributable surplus 2013-03-11.pdf

March 10, 2013 ***[also see March 11 addendum attached below, and misc. revision in red]***

CLA Windup Surplus
Nature and Adequacy of Proposed Settlement Amendments

Rationale for Retaining Rights to Distributable Surplus in Segregated Windup Pension Fund

With regards to the proposed amendments to the settlement agreement, two key considerations are the nature and adequacy of the proposed amendments.

The Court-approved Feb 2013 communications to CLA class action members indicate that the purpose of the amendments is to address the "changed economic circumstances". That same communication seems to state incorrectly: "the drop in the estimated integration PWU surplus is a regrettable consequence of economic circumstances beyond the control of the parties".

In fact, the surplus decline appears to be primarily as a result of the CLA windup pension fund management unilaterally (supposedly with the knowledge and/or influence of GWL representatives, but without the awareness of CLA windup members and their representatives), taking an aggressive duration-structure investment policy that was inconsistent with the duration structure of the liabilities and which guaranteed in the interim a dramatic drop in surplus if interest rates fell, while holding that asset position with the expectation of a highly-leveraged increase to surplus if and when interest rates increase.

The GWL representatives are positioning themselves to have potentially 100% of the financial recovery that is anticipated by such an investment policy, while compelling the CLA windup members to cash in their right to a share of distributable surplus in advance of such a financial recovery.

The attached draft pdf report (***"CLA pension surplus 2006 to 2012 - draft 2013-03-10.pdf"***) provides an indication of the primary components for the surplus drop from 2006 to Aug. 31, 2012. The CLA windup fund surplus is shown as dropping from $103 million at 2006 yearend, to a guesstimated $54 million at June 30, 2011, to $2.6 million at Aug. 31, 2012.

The estimated effect of the proposed amendments appears to be an offsetting amount of only $5.3 million (i.e. 2.6+0.8+0.5+0.2+1.2), leaving a substantial shortfall relative to the surplus drop, and more specifically a substantial shortfall relative to the portion of the drop that would be due to the adverse effects of the pension funds' unilateral investment policies.

The proposed amendments should provide much greater latitude for CLA windup members to participate in the eventual financial recovery that has been assumed by the structure of the fund's ongoing investment policy.

The comments below provide a framework that helps to clarify some of the considerations, although it is presented as a comparison between the CLA windup group and the Indago-Pelican-Adason groups.

An alternative approach that could be incorporated into the proposed amendments is outlined at the end of the commentary below, in place of the proposed one-time surplus adjustment at Dec 2014 and the cap on the subsequent financial recoveries.

March 10, 2013

To: Canadalifers and CLPENS representatives

re: Comparing CLA and IPA (Indago-Pelican-Adason)

During the March 5 phone discussion with KM lawyers, they confirmed the understanding that the amount of distributable surplus for the Indago and Pelican groups has been very stable (from 2006 to 2012), compared to the dramatic decline in the distributable surplus for the CLA windup group. The Feb 2013 letter from the CLPENS representatives also refers to the Adason group and seems to indicate that the Adason group's surplus has also been relatively stable.

However, the above reference to distributable surplus is really an apples and oranges comparison because of the different circumstances for the two groups, as will be illustrated by the comparison commentary below.

It seems worthwhile to understand why the CLA experience appears to be so much different from Indago etc.

But it is also worthwhile to understand that in fact the **IPA (Indago-Pelican-Adason) members** are probably in pretty much the same or worse financial situation relative to the windup group prior to the settlement date, setting aside for now any presumption that the IPA members would have made different investment decisions in the time period from 2006 to 2012, but in the context of those CLA investment policies, but the proposal to now force the CLA windup members to cash in their proportionate entitlement to distributable surplus, would seem to put the CLA windup members in a worse position.

Furthermore, if you take the time to read and understand the following comparison of the CLA and IPA circumstances, it provides a reference framework that should help to clarify some key considerations from the perspective that, although a final agreement on approach should be established ASAP and the legal costs should stop, the CLA windup group members should not all be compelled to cash out their right to a proportionate share of the surplus now, when the surplus has dipped so low (as a result of the pension fund's speculative investment policy that guaranteed losses for CLA windup members if interest rates fell and now guarantees gains for GWL if interest rates eventually rise). Cashing out the right to surplus now implies effectively losing access to almost all of that potential future financial recovery that is presumed by the fund's investment policy (and it seems inadequate to not only allow only one point in time, Dec 2014, to allow for a token sharing in recovery that may or may not happen by then, but to also arbitrarily cap any recovery that happens to occur).

Now, let's look at a comparison of the CLA windup members and the IPA terminated members.

The commentary below will be referring to only the comparison group of CLA and IPA members described herein, even though the respective groups might sometimes be referred to more generally as CLA members, IPA members, CLA windup members, IPA terminated members, etc.

CLA windup members were entitled to a share of their pension fund's surplus because they were designated as a partial windup group. No cash could be taken out of the fund until the windup process allowed that to happen. Assume for this comparison that none of those members were past their retirement date and none of them took a commuted value (very few did). In other words, prior to a surplus payment at the final settlement date, no cash left the pension fund.

The IPA terminated members will be receiving a share of their respective pension funds' surplus, even though those terminated members have not been formally designated as a partial windup group. Assume for this comparison that all of those IPA members took a commuted value prior to 2006 (apparently the vast majority of those members did take their money out of the fund). In other words, at least seven years prior to receiving a final surplus-settlement payment, all of the cash associated with the commuted value of their liabilities would have already been paid out of the fund.

Also assume, for an apples to apples comparison, that the IPA members are going to have a personal objective of using their commuted values to generate approximately the same pension benefit stream that they would have had with Canada Life, and they will hire someone to do the same asset and liability calculations (using windup valuation assumptions) that would be done by a pension fund, with a determination of the surplus or deficit position. When they first do that calculation as at 2006 yearend, they would see they were already in a deficit position relative to the assets in their possession because the commuted value they received was less than the windup value of the pension, although that shortfall in the commuted value payment

would supposedly be part of the 'surplus' they would now be collectively entitled to at the final settlement date.

For simplicity, assume that we are comparing a set of CLA and IPA members where each group had the same pension entitlements, and therefore would have the same total present value of pension liabilities at each point in time from 2006 to 2012. Also assume that the total assets associated with those liabilities was the same as at 2006 yearend, implying the same total "surplus" associated with the liabilities.

Also assume that from 2006 to 2012 the IPA members invested their commuted values in exactly the same way that the CLA windup investment managers invested the CLA windup pension funds, taking a risk position to benefit if and when interest rates rise (while incurring a not-yet-realized loss if interest rates first fall lower). The IPA members had no fiduciary responsibility to 'protect' their own financial position by purchasing assets that were consistent with the structure of the pension liabilities, and so we might assume for this comparison they took the same financial risks taken by CLA investment managers with the hope that interest rates would eventually increase.

Then from 2006 to 2012 the total asset, liability and "surplus" values would be the same for the IPA and the CLA groups.

For the IPA members, however, the "surplus" (difference between total assets and total liabilities) is divided into two components: a) the pension fund or fund owner would hold a relatively larger positive surplus component which at 2006 yearend was equal to the total net surplus plus the effect of the original commuted value shortfall, while b) the IPA member would hold an increasingly negative component that starts out 2006 yearend as the shortfall in the commuted value payout and increases with time as interest rates fall, liability values increase and the duration-mismatched assets are not able to increase in value to offset the increase in the present value of the liabilities.

There seem to be at least three notable observations from the above comparison of IPA and CLA groups:

A. Identical assets, liabilities and surplus associated with the IPA and CLA groups

With the above simplified assumptions (for comparison purposes), we would see that from 2006 to 2012 those comparative CLA and IPA groups would be associated with identical asset, liability and surplus values, in aggregate, but only if you look at the combined results regardless of who is holding the assets and making investment decisions and who is entitled to what proportion of the difference between the asset and liability values before and after the settlement date.

B. Differences in the proportionate ownership claims on the "surplus" up to the settlement date.

In this regards the IPA members would seem to actually be worse off (before considering the issue of what happens after the settlement date).

For CLA windup members, GWL's proportionate ownership of surplus up to 2012 year-end would apply to the total net surplus, such that GWL would in effect be participating in the adverse effects of the pension fund's investment decisions, although CLA windup members would also be proportionately impacted by the investment decision even though the CLA windup members had no say in the decision to purchase assets that were inconsistent with the long-term nature of the liabilities.

For the IPA members, however, GWL representatives would claim no ownership of the increasingly negative "surplus" held by the IPA member, but would likely claim a full proportionate ownership of the inflated positive surplus that is not in the hands of the IPA member.

In this regard, the IPA members would seem to be financially worse off relative to CLA windup members (before considering the issue of what happens after the settlement date) primarily because for the IPA financials, GWL would not be participating at all in the negative impact on surplus of the 2006-2012 investment decisions (i.e. where the market value of the assets is not increasing on a consistent basis relative to the increase in the present value of the liabilities), although this non-participation by GWL is consistent with the fact the GWL is not party to those IPA investment decisions to purchase assets that were inconsistent with the long-term nature of the liabilities.

Now consider in item C below what happens after the settlement date

C. Differences in proportionate ownership of expected financial recovery after the settlement date.

The CLA windup pension fund's investment policy since 2008 appears to be predicated on the gamble that interest rates would eventually rise. That investment policy guaranteed a huge drop in surplus as interest rates declined further. For this comparison we have assumed that IPA members have followed the same investment policy. FWIW, individuals would probably be reluctant to invest in long term bonds when interest rates are at historical lows.

So such losses have occurred up to the present and may persist to the expected settlement date of Dec 2013.

The comparison of CLA windup members and IPA terminated members changes after the settlement date.

The IPA members would have taken all of the investment policy surplus hits prior to the settlement date, and will get 100% of the financial recovery that is expected by that investment policy to eventually occur after the settlement date.

However, for the CLA windup members, although they are taking a large portion of the investment policy surplus hit prior to the settlement date (rather than 100% of that hit), they may end up with 0% of the financial recovery that is expected by the investment policy to eventually occur after the settlement date.

As noted above for CLA windup members, being forced to cash out their right to distributable surplus now, when surplus has hit a low point, is likely to imply losing access to almost all of the eventual financial recovery that has been expected by the aggressive short-duration asset structure of the 2008-2012 investment policy. It seems insufficient to allow only one point in time, Dec 2014, for a token sharing in recovery that may or may not happen by then, and to also arbitrarily cap any recovery that may occur.

Individuals with a sizable stake in the windup group might argue for the following alternative:

Retain Rights to Distributable Surplus, in Segregated Windup Pension Fund

a) Agreement on % share of surplus. Stop the legal expenses and recognize that the main result of the legal action has been to establish an agreement on the proportionate share of the surplus in the windup group segregated fund (along with the effect of the proposed amendments). The settlement date, which could be as at Dec 2011 or Dec 2012 would be primarily for the purpose of finalizing those % shares.

b) Continue to segregate the windup pension plan. Because of the inappropriate investment mix that has been positioned to produce leveraged gains only when interest rates rise, the windup fund should continue to be segregated until there is a reasonable opportunity for the surplus to be restored (excluding of course any additional pension contributions that GWL might make ... which seems unlikely anyway),

c) Individuals decide when to cash out their % share. Rather than being forced to cash out your share of the surplus when things are so bad, individuals would retain their proportionate interest in the surplus as it rebuilds in the fund, and every year or every 3 years when the fund would be revalued anyway for ongoing reporting, individuals would have the option to take out their share of the surplus, with this option staying in effect subject to a mandatory payout after, say, 9 years **(or longer)** if no election was made prior to that point.

d) GWL gets to withdraw surplus only as individuals cash out their % share. CLA windup members would benefit from the fact that GWL also retains a financial interest in the surplus in the fund because GWL they would only be able to remove a portion of that surplus as individuals

e) How can this approach be implemented without unnecessary complications and expense? The real value in this approach is individuals retaining the option of deciding when to cash out, and retaining that option for an extended period of time. The % shares of the distributable surplus would not have to change over time other than to recognize that distributable surplus would itself be proportionately smaller as others have taken out their share. There is no need to complicate the process by making an argument that individual % shares change as individuals age relative to their retirement date.

Addendum - March 11, 2013

<u>One Additional Consideration - An Offset to Potential Impact on Future Inflation Adjustments</u>

This is an ancillary consideration that might affect only some pension members, and not the primary financial rationale for retaining rights to distributable surplus in a segregated windup pension fund.

For some pension members there appears to be one additional compelling reason for the above approach, and that is in the context of anomalies in the CLA pension plan restrictions on future inflation protection. The comments below try to address this issue, after first trying to clarify the context. Retaining a right to the distributable surplus percentage in a segregated windup fund could help to provide windup members with a financial offset to potential future losses to inflation protection. Non-windup pension members would not have the benefit of that sort of offset, but would be protected from any related distortions that might result from combining the assets of the ongoing pension fund and the segregated pension fund.

The above March 10 commentary takes into account the fact that pension fund investment managers cannot manage assets without considering the duration structure of the corresponding liabilities, and when interest rates change, the financial effect on the market value of the assets is meaningless without also considering the financial effect on the market value of the liabilities.

For similar reasons, measures of the "rate of return" on the assets can be meaningless and misleading by themselves, since such rates are directly affected by the market value of the assets but take no account of the market value of the liabilities.

However, the CLA pension plan provides that some pension members will lose out on some of their inflation protection if the cumulative rate of return on the assets in the plan AS MEASURED FROM THEIR RETIREMENT DATE is less than the cumulative inflation from their retirement date.

Now, CLA's investment policy in the segregated windup pension fund (2006 to present) has apparently been set up to guarantee surplus losses if interest rates fall (despite the increase to asset market values), under a presumption that interest rates will be increasing.

If interest rates now do increase, the bond market values will drop and that would negatively impact the rate of return on the assets for that time period, even though surplus would be increasing because of an even greater decrease in the market value of the liabilities (i.e. the reverse of what happened 2008-2012).

If windup members are compelled to prematurely cash in their rights to a percentage share in distributable surplus, they would not only lose out on participating in the recovery of that surplus value, but at the same time may also find that they will lose out on some of their pension inflation protection.

Draft 2013-03-10

Partial Windup Group's Segregated Pension Fund Surplus

($ millions)

See commentary in notes below the summary.

Start of Period	2006-12-31	2008-12-31	2011-06-30	2008-12-31	2011-12-31	2006-12-31	
	2 years	2 yr, 6 mo	6 mo	3 years	8 months	5 yrs, 8 mo	
Starting surplus	103.4	71.8	54.0	71.8	11.3	103.4	
Revision to est. windup expenses:							
a) expense paid (*2)	0.0			0.0	0.0	0.0	*2 ?
b) revised est future pay't (*2)	-9.8			-10.8	-12.7	**-12.7**	*2
c) deduct starting estimate (*2)	2.8			9.8	10.8	**2.8**	*2
net change in est. expense	-7.0	0.0	-1.0	-1.0	-1.9	-9.9	
Interest on surplus	15.8	7.9	1.6	9.5	0.2	25.5	
Surplus transfers (*1)	0.0	0.0	6.1	6.1		6.1	
Primary surplus changes			- split? -				
1. Net MV changes (*3) to:							
a) MV adj liabilities	5.7	-11.2	-51.2	-62.4	-5.2	-61.9	
b) MV adj supporting assets	-23.3	7.3	1.5	8.7	0.0	-14.6	
Net MV adjustment >>	**-17.6**	-4.0	-49.8	**-53.7**	**-5.2**	**-76.5**	
2. 'Gain' from individuals taking lump-sum payouts (*4):							
a) realized 'gain' on payouts	0.0			7.7	1.3	9.0	*4
b) revised expected future gains	see *4				see *4	0.0	*4
c) deduct prior expectation	-25.4			-29.5	-3.1	-58.0	*4
Net 'gain' from payouts >>	**-25.4**	-21.8	0.0	**-21.8**	**-1.8**	**-49.0**	
Balance	2.6	0.0	-0.9	0.4	0.0	3.0	
Ending surplus	71.8	54.0	10.0	11.3	2.6	2.6	
End of Period	2008-12-31	2011-06-30	2011-12-31	2011-12-31	2012-08-31	2012-08-31	
Data Sources >>	pg 12 of 2008ye valn report (Sept 2009)		per surplus estimate in CLPENS~ letter (May 2012)	pg 12 of 2011 ye valn report (Sept 2012)	1. pg 5 of 2012-10-11 trnsfr report 2. Amy info 2012-10-09 (*5)	combined	

*1 - the surplus transfers relate to revised surplus allocations, relative to the non-windup group, per various data changes regarding the original split of the liabilities between both groups.

*2 - The total cumulative windup expenses (also called settlement expenses) to be paid at time of the settlement for legal, administrative, actuarial and communications costs, including interest, increased from an expected value prior to 2006 YE of $4.7 million (already deducted from the starting surplus) to an expected level as at Aug 31, 2012 of $12.7 million. Apparently the current expected level as at March 2013 is $13.7 million. This would be in addition to whatever expenses might have already been paid but not identified explicitly in the surplus movements?

*3 - MV (market value) changes would be expected here to generally net to zero, except to the

extent that the investment policy took a gamble on either the equity markets (pre-2008) or (post-2008) invested in bonds that had an average remaining term significantly shorter than the average term of the liabilties, hoping for a net gain if interest rates increased but guaranteeing substantial leveraged market value losses (i.e. MV of liabilities would increase without a corresponding increase to the supporting assets) if interest rates fell, which is what happened.

*4a - Notably, the approach of a collective 'gain' from lump sum payouts seems unreasonable in the context of the windup allocations, although one could argue in this case that the other windup group members may not in fact have have profited from that windfall gain, to the extent that the fund management's investment policies have more than wiped out such potential 'gains'?

*4b - For this lump-sum (commuted values) category of profits, it is the net of these two numbers that matters here. To make it easier to tie back to the reports (and due to a lack of sufficient info) the numbers do not respectively represent the full revised amount of surplus from commuted value payouts and the full original expectation of such profits.
The following would be a more complete presentation of this item:

2. 'Gain' from individuals taking lump-sum payouts (*4):	2 years	2 yr, 6 mo	6 mo	3 years	8 months	5 yrs, 8 mo	
a) realized 'gain' on payouts	0.0			7.7	1.3	9.0	
b) revised expected future gains	32.6			3.1	0.0	**0.0**	*4
c) deduct prior expectation	-58.0			-32.6	-3.1	**-58.0**	*4
	-25.4	-20.8	-1.0	-21.8	-1.8	-49.0	

So it appears that there was an expected 'gain' of $58 million as part of the surplus estimate, and the result was a gain of only $9 million. A rather illusory notion of a questionable form of surplus.

*4c - The 8 month estimate (Dec 2011 to Aug 31 2012) for the adjustment to the 'gain' from individuals taking lump sum cashouts is apparently based on the 2012-10-09 memo noted above (i.e. the difference between the ending surpluses of 5.7 and 2.6), but might also be some conservatism in the overall estimated surplus provided by the negotiating team. Nevertheless, the figure has been used to estimate back to 2006YE what the estimated gain was expected to be from individuals taking lump sum payouts.

*5 - For the 8 months ending Aug 31, 2012 the surplus reconciliation in the 2012-10-11 transfer document seems inconsistent with (and misleading relative to) the approach taken in the prior years' valuation reports. For example, instead of identifying interest on surplus, it shows a much higher amount for interest on liabilities instead, which results in an apples and oranges comparison in the analysis. Also (in addition see the comments for *4c. The presentation also raises the question whether "interest on pending expense reimbursement" which is disclosed in this document is not disclosed in the the other surplus movements ??

TAB C

This is **Exhibit "C"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Uma Ratnam

From: anne_carey@rogers.com
Sent: March-12-13 12:42 AM
To: Canada Life Main Pension Class Action
Cc: anne_carey@rogers.com
Subject: Re: Objection to Amendment of Canada Life Class Action.

typo.....diminishment..... of Settlement Proceeds....sorry.

--- On **Tue, 3/12/13, anne_carey@rogers.com** <*anne_carey@rogers.com*> wrote:

From: anne_carey@rogers.com <anne_carey@rogers.com>
Subject: Objection to Amendment of Canada Life Class Action.
To: canadalifeclass@kmlaw.ca
Cc: anne_carey@rogers.com
Date: Tuesday, March 12, 2013, 4:38 AM

To the attention of the Honourable Justice Perrell.

As a member of the Integration PWU Group, I am writing further to the letter dated February 15, 2013 which I received from Koskie Minsky LLP.

I wish to strongly and wholeheartedly oppose any approval of the proposed amendment by your Honour on Monday, March 18, 2013, on grounds that include the following points:

First of all, procedurally speaking, after 18 months of "radio silence" from Class Counsel, I suddenly received this letter giving me two weeks to get my objections in to you in preparation for the upcoming hearing, which I believe as a timeline or notice period as neither fair nor reasonable.

With respect to the substance of the matter, I think it is necessary to empathize as strongly as possible that the resolution which is being presented at this time does not constitute a minor change or "amendment", but rather represents a virtual recind of everything that was proposed as late at 2011, when we were asked to agree on the settlement proposed. Specifically, It had been previous confirmed in written communication that I was entitled to approximatley $38,000.00 of surplus, at this point, the "amendment" is offering me a meagre $1,000.00 in lieu of this $38,000.00, and others I know stand to loose upwards of $57,000 to $98,000.00.

Class Counsel and the CLPENS representatives, had "strongly" advised me in writing to accept the original Settlement, never once informing me of the possibility of such a fundamently dramatic decline. This very amendment itself speaks to the fact that there is no guarantee of the meagre $1,000.00. ever being paid.

Therefore, I appeal to your Honour, not to approve this amendment proposal by Canada Life and Koskie Minsky LLP. or at least not until such time as I and the rest of my colleagues in the Integration PWU Group, who were downsized (all 3000) of us back in 2002/2003, by Canada Life/Great West Life, have been given the opportunity to meet and discuss along with the CLPENS representatives, and Class Counsel in order to make a more informed decision.

Indeed, I would also go as far as to request, a full actuarial review of the Settlement given the gross insignificance of the explanations offered by Canada Life and Class Counsel.

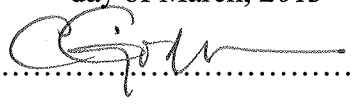
As an aside comment, in the infancy of establishing the original CLPENS group and up to time peiod the communication packages and member voting, annual meetings were conducted as a forum of keeping us informed, however, over the past 18 months no such opportunity have been offered or afforded us. As a matter of fact there has been "radio silence" running in tandem with the dimishment of the Settlement proceeds up to and including this latest communication on the amendment.

I look forward to the opportunity of being able to present myself and further material to you on the 18th.

Yours very truly;
Anne Carey

TAB D

This is **Exhibit "D"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013



.....

A Commissioner for taking affidavits, etc.

Uma Ratnam

From: Pension Group <clpens@rogers.com>
Sent: February-22-13 7:15 AM
To: Canada Life Main Pension Class Action
Subject: Fw: Re: Recent Developments - CLIO THINKS THAT THIS CANNOT BE TREATED AS OBJECTION

--- On **Thu, 2/21/13, Oanh Truong <*oktruong@yahoo.ca*>** wrote:

From: Oanh Truong <oktruong@yahoo.ca>
Subject: Re: Recent Developments
To: "Pension Group" <clpens@rogers.com>
Date: Thursday, February 21, 2013, 12:04 PM

Dear Sirs, Madams,

Thank you for letting me know.
I understand the difficult economic time, interest rate can effect the surplus.
However, it should not be a main reason to reduce the PWU substantially.
It is Employee's pension plan, our surplus. We already give up already so much.
In my opinion, no matter what we should receive closed to estimated.

My concern is the possible second distribution. Is it going to be 15 millions??

I am going to object to the amendments.

Hopefully the issue will be resolved fairly, reasonable.

Sincerely ,

Oanh Emily Truong
416 251 4052
416 816 9955
Oktruong@yahoo.ca

On 2013-02-20, at 12:32 PM, "Pension Group" <clpens@rogers.com> wrote:

> In case anyone has not received the February 2013 letter from Koskie Minsky LLP, this is to let you know that their website has been updated to reflect the most Recent Developments concerning the Surplus Settlement. Copies of the letters sent to affected groups are available here.

TAB E

This is **Exhibit "E"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Uma Ratnam

From: Henry Rachfalowski <Henry_Rachfalowski@manulife.com>
Sent: February-20-13 4:53 PM
To: Canada Life Main Pension Class Action
Subject: Changes to Settlement

To Whom it May Concern,

I am opposed to the changes proposed in the undated Notice to Members of the Integration Partial Windup (February 2013 on your website). I believe that all fees and expenses should be revisited and I believe that the distribution of any funds should be done on a pro-rata basis.

Henry A. Rachfalowski
Vice President & Senior Managing Director, Canadian Credit
Manulife Financial
200 Bloor Street East, NT4, B15
Toronto ON M4W 1E5
Bus: 416-852-3773
Fax: 416-852-6333
Exec. Assistant: Deborah Halls (416) 852-4098 x 224098

TAB F

This is **Exhibit "F"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Uma Ratnam

From: dfilipovi@sympatico.ca
Sent: March-07-13 10:24 PM
To: Canada Life Main Pension Class Action
Cc: clpens@rogers.com
Subject: revised * re. Canada Life Pension Plan: Objections/Comments for hearing of March 18, 2013

*** Please use this version instead of the one send earlier today. It corrects a date from Feb. 4/13 to Feb. 14/13 ***

The following letter is entrusted to Koskie Minsky LLP for filing with the Court in advance of the hearing

Objections / Comments to the amendments to the Settlement for consideration by Ontario Superior Court

While the letter of the law may have been adhered to in "managing" the surplus funds from an estimated $92,994,000 at June 30, 2005 (Line 33 of the Feb. 6/12 document from Ontario Superior Court) to an estimated $2.6 million at August 31, 2012 (letter of Feb. 14/13 from CLPENS), the Smell Test has been failed, badly.

All the waiving of rights to receive interest (a measly $800G), waiving reimbursement of legal fees (a meager $500G), foregoing legal fees (a paltry $200G) mentioned in the letter of Feb. 14/13 is much too little, much too late – just insulting. The parties responsible for the stewardship of these funds should have been exercising sound action years earlier.

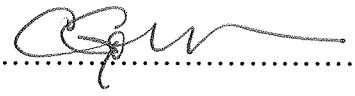
The letter of Feb. 14/13 stated "The drop is the estimated Integration PWU surplus is a regrettable consequence of economic circumstances beyond the control of the parties." This hand-washing of any responsibility and utter lack of accepting accountability is very disappointing.

Based on the atrocious governance of funds by the parties charged with stewardship of the moneys of +2,000 others I cannot believe that the proposed settlement represents the best possible outcome. I therefore wish to formally object to the proposed amendments to the Settlement.

Sincerely,
David Filipovich
Canada Life employee 1989 - 2003

TAB G

This is **Exhibit "G"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013



A Commissioner for taking affidavits, etc.

Uma Ratnam

From: Paul Ludzki <pludzki@sympatico.ca>
Sent: March-06-13 10:01 PM
To: Canada Life Main Pension Class Action
Subject: Letter of Objection to Canada Life Class Action Settlement Amendments
Attachments: CLA Settlement Objection.doc; ATT1818002.txt

My Letter of Objection to the amended settlement in the Canada Life class action proceedings is attached.

To Counsel for the Canada Life ex-employees and to the Ontario Superior Court

Re: Canada Life Employees Pension Plan – Class Action Proceedings and Amended Settlement Proposal

I object to the amended settlement on the grounds that it violates the principle of natural justice. It rewards Canada Life (Great West Life) for a decade of resistance to paying the employees their share of the pension surplus, and it penalizes the employees for spending all that time negotiating and eventually agreeing to a dramatically different settlement than what we are presented with now.

The numbers speak for themselves. During the ten years that have passed since Great West Life spent $7.4 Billion dollars to buy Canada Life, Great West Life recorded an annual profit of around $2 Billion per year (more, in most years). All this time the company held on to the estimated $100 Million pension surplus, resisting ex-employees' claim to it, knowing that the employees are losing years of opportunity to enjoy their share of the money while the company merrily goes along making money regardless of what happens to the pension surplus. Finally a settlement is reached, on the basis of which the ex-employees are given an estimated payout which sounds significant, so we agree to the settlement. However the settlement is engineered so that the wealthy insurance company doesn't simply pay the settlement amount to the employees, but rather it is "required" to ask other insurance companies to provide annuities to the plaintiffs. Lo and behold, these other insurance companies decline to do so, and Great West/Canada Life, after counting another $2+ billion dollar profit in the ensuing year, is able to plead poverty and an inability to pay out even the half of the $100M surplus it had settled for, instead declaring that it is now only able to pay 3% of the original surplus, on the basis of "a change in the prescribed actuarial assumptions" and the fact that a lot of the ex-employees selected one of the pension options they were offered by the company (which pensions, incidentally, have been frozen for 10 years because of the company's intransigence and preference for legal manoeuvring.)

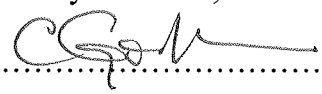
Great West Life (Canada Life) can easily afford to pay the amounts that were estimated in the original settlement proposal. Hiding the surplus back inside the ongoing pension plan does not change that fact. Neither do "difficult economic circumstances" change that fact. (At $2+ Billion profit per year, Great West Life is clearly not suffering from difficult economic circumstances.)

The plaintiffs and their lawyers should not accept this settlement and the court should not enforce it. The court should enforce a payout in line with the numbers that were presented to the ex-employees when the settlement was first proposed. Anything less is a violation of the trust and goodwill expressed at the time by the employees, and a perversion of the settlement agreement which only benefits the company.

Paul Ludzki
43 Lawrence Ave. W.,
Toronto, ON M5M 1A3
Canada Life employee 1994-2004

TAB H

This is **Exhibit "H"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013



.....

A Commissioner for taking affidavits, etc.

Uma Ratnam

From: Janice Durst <janicedurst@rogers.com>
Sent: March-11-13 11:46 PM
To: Canada Life Main Pension Class Action
Subject: Hearing Scheduled for March 18, 2013 / Objection being filed
Attachments: CL Class Action - letter to Koskie Minsky - Mar 11 '13.doc

March 11, 2013

Email to: canadalifeclass@kmlaw.ca

Koskie Minsky LLP, Barristers & Solicitors
20 Queen Street West, Suite 900, Box 52,
Toronto, ON M5H 3R3

Re: Canada Life Class Action / hearing scheduled for March 18, 2013
Attn: The Right Honourable Justice Perell

I am submitting this objection to approval of the Amended Settlement (that had originally been approved by the court on January 27th, 2012) at March 18, 2013 based on the fact that we, the Class Members, have been given neither sufficient time to review and properly assess the details and understand the immediate and longer term impacts of the proposed amendments, nor the means to meet and collaborate with fellow Members of the Class.

There has been a rather lengthy period during which we, the Class Members, have had no opportunity to commune. The last AGM for Class Members was, to the best of my knowledge, held in November 18th, 2009. Given the complexity of this matter, it would have been expected that the CLPENS Exec would have arranged a current opportunity for the Class Members to meet, in light of the fact that they have the means to contact and bring this group together.

I advised Koskie Minsky on February 25th, 2013 that I felt there was material that we should be able to review, and was told by Koskie Minsky on February 26th that "It is *anticipated* that there will be material filed with the Court in advance of the March 18 hearing, by both Canada Life and the Plaintiffs, which will explain and substantiate the drop in surplus. This *may* include both affidavit evidence and actuarial reports." [Italics mine.] On March 4th I received an email indicating that "we have posted some information on our website related to a motion last September which describes and explains the drop in surplus, which you will find useful". This material does not include the original actuarial assessment against which the change in value might be assessed.

Given the fact that I am today being told that the share of the Surplus attributable to me personally is potentially **$1,000** when I was advised in writing just two years ago that the amount was assessed at **$57,849** [which I was strongly urged by CLPENS to accept and agree to], you can appreciate that I require more than one week's time to attempt to gather the additional requisite data to carry out a full assessment of this matter and to secure professional counsel.

Thank you for your consideration. I will be attending the hearing on Monday, March 18th.

Sincerely,

Janice M. Durst,
147 Milverton Blvd.,
Toronto, ON M4J 1V2

TAB I

This is **Exhibit "I"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Uma Ratnam

From: k heywood <kheywood2003@yahoo.ca>
Sent: March-11-13 3:16 PM
To: Canada Life Main Pension Class Action
Cc: dan.anderson@sympatico.ca
Attachments: CLA pension surplus amendments - retaining rights to distr.pdf; CLA pension surplus 2006 to 2012 - draft 2013-03-10.pdf

Categories: Purple Category

Based on the information that the windup group has received, and the disappearing surplus, I would want to retain the rights to distributable surplus, in segregated pension windup fund and for GWL to provide more latitude than appears in the current agreement. With respect to the surplus, I do not want to support the proposed amended agreement which cashes out your interest in the distributable surplus as at Dec 2013 with revisions at Dec 2014. My preference is to have a longer-term opportunity to share in what is expected to be a higher level of distributable surplus in the future. As a member of the partial wind up group, the dramatic decline in the surplus should be more fully explained in plain english by GWL as well as the actions to improve these investments and improving what appears to be insufficient information for CLPENS to take actions to prevent the surplus decline.

I have attached two supporting documents prepared by Dan Anderson. The attached commentary document 'CLA pension surplus amendments' includes a 2013-02-11 addemdum. I would rather see an approach described as "retaining rights ro distributable surplus, in segregated pension winup fund" as indentified in this document. The 2013-03-11 addendum addresses the ancillary consideration of offsetting the potential negative impacts on future inflation protection. The second document, summarizes the component parts for the 2006-2011 surplus changes, with related commentary.
I will likely not be able to attend on March 18.

Sincerely,
Karen Heywood

CLA pension surplus amendments - retaining rights to distributable surplus 2013-03-11.pdf

March 10, 2013 *[also see March 11 addendum attached below, and misc. revision in red]*

CLA Windup Surplus
Nature and Adequacy of Proposed Settlement Amendments

Rationale for Retaining Rights to Distributable Surplus in Segregated Windup Pension Fund

With regards to the proposed amendments to the settlement agreement, two key considerations are the nature and adequacy of the proposed amendments.

The Court-approved Feb 2013 communications to CLA class action members indicate that the purpose of the amendments is to address the "changed economic circumstances". That same communication seems to state incorrectly: "the drop in the estimated integration PWU surplus is a regrettable consequence of economic circumstances beyond the control of the parties".

In fact, the surplus decline appears to be primarily as a result of the CLA windup pension fund management unilaterally (supposedly with the knowledge and/or influence of GWL representatives, but without the awareness of CLA windup members and their representatives), taking an aggressive duration-structure investment policy that was inconsistent with the duration structure of the liabilities and which guaranteed in the interim a dramatic drop in surplus if interest rates fell, while holding that asset position with the expectation of a highly-leveraged increase to surplus if and when interest rates increase.

The GWL representatives are positioning themselves to have potentially 100% of the financial recovery that is anticipated by such an investment policy, while compelling the CLA windup members to cash in their right to a share of distributable surplus in advance of such a financial recovery.

The attached draft pdf report (***"CLA pension surplus 2006 to 2012 - draft 2013-03-10.pdf"***) provides an indication of the primary components for the surplus drop from 2006 to Aug. 31, 2012. The CLA windup fund surplus is shown as dropping from $103 million at 2006 yearend, to a guesstimated $54 million at June 30, 2011, to $2.6 million at Aug. 31, 2012.

The estimated effect of the proposed amendments appears to be an offsetting amount of only $5.3 million (i.e. 2.6+0.8+0.5+0.2+1.2), leaving a substantial shortfall relative to the surplus drop, and more specifically a substantial shortfall relative to the portion of the drop that would be due to the adverse effects of the pension funds' unilateral investment policies.

The proposed amendments should provide much greater latitude for CLA windup members to participate in the eventual financial recovery that has been assumed by the structure of the fund's ongoing investment policy.

The comments below provide a framework that helps to clarify some of the considerations, although it is presented as a comparison between the CLA windup group and the Indago-Pelican-Adason groups.

An alternative approach that could be incorporated into the proposed amendments is outlined at the end of the commentary below, in place of the proposed one-time surplus adjustment at Dec 2014 and the cap on the subsequent financial recoveries.

March 10, 2013

To: Canadalifers and CLPENS representatives

re: Comparing CLA and IPA (Indago-Pelican-Adason)

During the March 5 phone discussion with KM lawyers, they confirmed the understanding that the amount of distributable surplus for the Indago and Pelican groups has been very stable (from 2006 to 2012), compared to the dramatic decline in the distributable surplus for the CLA windup group. The Feb 2013 letter from the CLPENS representatives also refers to the Adason group and seems to indicate that the Adason group's surplus has also been relatively stable.

However, the above reference to distributable surplus is really an apples and oranges comparison because of the different circumstances for the two groups, as will be illustrated by the comparison commentary below.

It seems worthwhile to understand why the CLA experience appears to be so much different from Indago etc.

But it is also worthwhile to understand that in fact the **IPA (Indago-Pelican-Adason) members** are probably in pretty much the same or worse financial situation relative to the windup group prior to the settlement date, setting aside for now any presumption that the IPA members would have made different investment decisions in the time period from 2006 to 2012, but in the context of those CLA investment policies, but the proposal to now force the CLA windup members to cash in their proportionate entitlement to distributable surplus, would seem to put the CLA windup members in a worse position.

Furthermore, if you take the time to read and understand the following comparison of the CLA and IPA circumstances, it provides a reference framework that should help to clarify some key considerations from the perspective that, although a final agreement on approach should be established ASAP and the legal costs should stop, the CLA windup group members should not all be compelled to cash out their right to a proportionate share of the surplus now, when the surplus has dipped so low (as a result of the pension fund's speculative investment policy that guaranteed losses for CLA windup members if interest rates fell and now guarantees gains for GWL if interest rates eventually rise). Cashing out the right to surplus now implies effectively losing access to almost all of that potential future financial recovery that is presumed by the fund's investment policy (and it seems inadequate to not only allow only one point in time, Dec 2014, to allow for a token sharing in recovery that may or may not happen by then, but to also arbitrarily cap any recovery that happens to occur).

Now, let's look at a comparison of the CLA windup members and the IPA terminated members.

The commentary below will be referring to only the comparison group of CLA and IPA members described herein, even though the respective groups might sometimes be referred to more generally as CLA members, IPA members, CLA windup members, IPA terminated members, etc.

CLA windup members were entitled to a share of their pension fund's surplus because they were designated as a partial windup group. No cash could be taken out of the fund until the windup process allowed that to happen. Assume for this comparison that none of those members were past their retirement date and none of them took a commuted value (very few did). In other words, prior to a surplus payment at the final settlement date, no cash left the pension fund.

The IPA terminated members will be receiving a share of their respective pension funds' surplus, even though those terminated members have not been formally designated as a partial windup group. Assume for this comparison that all of those IPA members took a commuted value prior to 2006 (apparently the vast majority of those members did take their money out of the fund). In other words, at least seven years prior to receiving a final surplus-settlement payment, all of the cash associated with the commuted value of their liabilities would have already been paid out of the fund.

Also assume, for an apples to apples comparison, that the IPA members are going to have a personal objective of using their commuted values to generate approximately the same pension benefit stream that they would have had with Canada Life, and they will hire someone to do the same asset and liability calculations (using windup valuation assumptions) that would be done by a pension fund, with a determination of the surplus or deficit position. When they first do that calculation as at 2006 yearend, they would see they were already in a deficit position relative to the assets in their possession because the commuted value they received was less than the windup value of the pension, although that shortfall in the commuted value payment

would supposedly be part of the 'surplus' they would now be collectively entitled to at the final settlement date.

For simplicity, assume that we are comparing a set of CLA and IPA members where each group had the same pension entitlements, and therefore would have the same total present value of pension liabilities at each point in time from 2006 to 2012. Also assume that the total assets associated with those liabilities was the same as at 2006 yearend, implying the same total "surplus" associated with the liabilities.

Also assume that from 2006 to 2012 the IPA members invested their commuted values in exactly the same way that the CLA windup investment managers invested the CLA windup pension funds, taking a risk position to benefit if and when interest rates rise (while incurring a not-yet-realized loss if interest rates first fall lower). The IPA members had no fiduciary responsibility to 'protect' their own financial position by purchasing assets that were consistent with the structure of the pension liabilities, and so we might assume for this comparison they took the same financial risks taken by CLA investment managers with the hope that interest rates would eventually increase.

Then from 2006 to 2012 the total asset, liability and "surplus" values would be the same for the IPA and the CLA groups.

For the IPA members, however, the "surplus" (difference between total assets and total liabilities) is divided into two components: a) the pension fund or fund owner would hold a relatively larger positive surplus component which at 2006 yearend was equal to the total net surplus plus the effect of the original commuted value shortfall, while b) the IPA member would hold an increasingly negative component that starts out 2006 yearend as the shortfall in the commuted value payout and increases with time as interest rates fall, liability values increase and the duration-mismatched assets are not able to increase in value to offset the increase in the present value of the liabilities.

There seem to be at least three notable observations from the above comparison of IPA and CLA groups:

A. Identical assets, liabilities and surplus associated with the IPA and CLA groups

With the above simplified assumptions (for comparison purposes), we would see that from 2006 to 2012 those comparative CLA and IPA groups would be associated with identical asset, liability and surplus values, in aggregate, but only if you look at the combined results regardless of who is holding the assets and making investment decisions and who is entitled to what proportion of the difference between the asset and liability values before and after the settlement date.

B. Differences in the proportionate ownership claims on the "surplus" up to the settlement date.

In this regards the IPA members would seem to actually be worse off (before considering the issue of what happens after the settlement date).

For CLA windup members, GWL's proportionate ownership of surplus up to 2012 year-end would apply to the total net surplus, such that GWL would in effect be participating in the adverse effects of the pension fund's investment decisions, although CLA windup members would also be proportionately impacted by the investment decision even though the CLA windup members had no say in the decision to purchase assets that were inconsistent with the long-term nature of the liabilities.

For the IPA members, however, GWL representatives would claim no ownership of the increasingly negative "surplus" held by the IPA member, but would likely claim a full proportionate ownership of the inflated positive surplus that is not in the hands of the IPA member.

In this regard, the IPA members would seem to be financially worse off relative to CLA windup members (before considering the issue of what happens after the settlement date) primarily because for the IPA financials, GWL would not be participating at all in the negative impact on surplus of the 2006-2012 investment decisions (i.e. where the market value of the assets is not increasing on a consistent basis relative to the increase in the present value of the liabilities), although this non-participation by GWL is consistent with the fact the GWL is not party to those IPA investment decisions to purchase assets that were inconsistent with the long-term nature of the liabilities.

Now consider in item C below what happens after the settlement date

C. Differences in proportionate ownership of expected financial recovery after the settlement date.

The CLA windup pension fund's investment policy since 2008 appears to be predicated on the gamble that interest rates would eventually rise. That investment policy guaranteed a huge drop in surplus as interest rates declined further. For this comparison we have assumed that IPA members have followed the same investment policy. FWIW, individuals would probably be reluctant to invest in long term bonds when interest rates are at historical lows.

So such losses have occurred up to the present and may persist to the expected settlement date of Dec 2013.

The comparison of CLA windup members and IPA terminated members changes after the settlement date.

The IPA members would have taken all of the investment policy surplus hits prior to the settlement date, and will get 100% of the financial recovery that is expected by that investment policy to eventually occur after the settlement date.

However, for the CLA windup members, although they are taking a large portion of the investment policy surplus hit prior to the settlement date (rather than 100% of that hit), they may end up with 0% of the financial recovery that is expected by the investment policy to eventually occur after the settlement date.

As noted above for CLA windup members, being forced to cash out their right to distributable surplus now, when surplus has hit a low point, is likely to imply losing access to almost all of the eventual financial recovery that has been expected by the aggressive short-duration asset structure of the 2008-2012 investment policy. It seems insufficient to allow only one point in time, Dec 2014, for a token sharing in recovery that may or may not happen by then, and to also arbitrarily cap any recovery that may occur.

Individuals with a sizable stake in the windup group might argue for the following alternative:

Retain Rights to Distributable Surplus, in Segregated Windup Pension Fund

a) Agreement on % share of surplus. Stop the legal expenses and recognize that the main result of the legal action has been to establish an agreement on the proportionate share of the surplus in the windup group segregated fund (along with the effect of the proposed amendments). The settlement date, which could be as at Dec 2011 or Dec 2012 would be primarily for the purpose of finalizing those % shares.

b) Continue to segregate the windup pension plan. Because of the inappropriate investment mix that has been positioned to produce leveraged gains only when interest rates rise, the windup fund should continue to be segregated until there is a reasonable opportunity for the surplus to be restored (excluding of course any additional pension contributions that GWL might make ... which seems unlikely anyway),

c) Individuals decide when to cash out their % share. Rather than being forced to cash out your share of the surplus when things are so bad, individuals would retain their proportionate interest in the surplus as it rebuilds in the fund, and every year or every 3 years when the fund would be revalued anyway for ongoing reporting, individuals would have the option to take out their share of the surplus, with this option staying in effect subject to a mandatory payout after, say, 9 years (or longer) if no election was made prior to that point.

d) GWL gets to withdraw surplus only as individuals cash out their % share. CLA windup members would benefit from the fact that GWL also retains a financial interest in the surplus in the fund because GWL they would only be able to remove a portion of that surplus as individuals

e) How can this approach be implemented without unnecessary complications and expense? The real value in this approach is individuals retaining the option of deciding when to cash out, and retaining that option for an extended period of time. The % shares of the distributable surplus would not have to change over time other than to recognize that distributable surplus would itself be proportionately smaller as others have taken out their share. There is no need to complicate the process by making an argument that individual % shares change as individuals age relative to their retirement date.

Addendum - March 11, 2013

<u>One Additional Consideration - An Offset to Potential Impact on Future Inflation Adjustments</u>

This is an ancillary consideration that might affect only some pension members, and not the primary financial rationale for retaining rights to distributable surplus in a segregated windup pension fund.

For some pension members there appears to be one additional compelling reason for the above approach, and that is in the context of anomalies in the CLA pension plan restrictions on future inflation protection. The comments below try to address this issue, after first trying to clarify the context. Retaining a right to the distributable surplus percentage in a segregated windup fund could help to provide windup members with a financial offset to potential future losses to inflation protection. Non-windup pension members would not have the benefit of that sort of offset, but would be protected from any related distortions that might result from combining the assets of the ongoing pension fund and the segregated pension fund.

The above March 10 commentary takes into account the fact that pension fund investment managers cannot manage assets without considering the duration structure of the corresponding liabilities, and when interest rates change, the financial effect on the market value of the assets is meaningless without also considering the financial effect on the market value of the liabilities.

For similar reasons, measures of the "rate of return" on the assets can be meaningless and misleading by themselves, since such rates are directly affected by the market value of the assets but take no account of the market value of the liabilities.

However, the CLA pension plan provides that some pension members will lose out on some of their inflation protection if the cumulative rate of return on the assets in the plan AS MEASURED FROM THEIR RETIREMENT DATE is less than the cumulative inflation from their retirement date.

Now, CLA's investment policy in the segregated windup pension fund (2006 to present) has apparently been set up to guarantee surplus losses if interest rates fall (despite the increase to asset market values), under a presumption that interest rates will be increasing.

If interest rates now do increase, the bond market values will drop and that would negatively impact the rate of return on the assets for that time period, even though surplus would be increasing because of an even greater decrease in the market value of the liabilities (i.e. the reverse of what happened 2008-2012).

If windup members are compelled to prematurely cash in their rights to a percentage share in distributable surplus, they would not only lose out on participating in the recovery of that surplus value, but at the same time may also find that they will lose out on some of their pension inflation protection.

Draft 2013-03-10

Partial Windup Group's Segregated Pension Fund Surplus

($ millions)

See commentary in notes below the summary.

		- CLPENS split? -					
Start of Period	2006-12-31	2008-12-31	2011-06-30	2008-12-31	2011-12-31	2006-12-31	
	2 years	2 yr, 6 mo	6 mo	3 years	8 months	5 yrs, 8 mo	
Starting surplus	103.4	71.8	54.0	71.8	11.3	103.4	
Revision to est. windup expenses:							
a) expense paid (*2)	0.0			0.0	0.0	0.0	*2 ?
b) revised est future pay't (*2)	-9.8			-10.8	-12.7	**-12.7**	*2
c) deduct starting estimate (*2)	2.8			9.8	10.8	**2.8**	*2
net change in est. expense	-7.0	0.0	-1.0	-1.0	-1.9	-9.9	
Interest on surplus	15.8	7.9	1.6	9.5	0.2	25.5	
Surplus transfers (*1)	0.0	0.0	6.1	6.1		6.1	
Primary surplus changes		- split? -					
1. Net MV changes (*3) to:							
a) MV adj liabilities	5.7	-11.2	-51.2	-62.4	-5.2	-61.9	
b) MV adj supporting assets	-23.3	7.3	1.5	8.7	0.0	-14.6	
Net MV adjustment >>	**-17.6**	-4.0	-49.8	**-53.7**	**-5.2**	**-76.5**	
2. 'Gain' from individuals taking lump-sum payouts (*4):							
a) realized 'gain' on payouts	0.0			7.7	1.3	9.0	*4
b) revised expected future gains	see *4				see *4	0.0	*4
c) deduct prior expectation	-25.4			-29.5	-3.1	-58.0	*4
Net 'gain' from payouts >>	**-25.4**	-21.8	0.0	**-21.8**	**-1.8**	**-49.0**	
Balance	2.6	0.0	-0.9	0.4	0.0	3.0	
Ending surplus	71.8	54.0	10.0	11.3	2.6	2.6	
End of Period	2008-12-31	2011-06-30	2011-12-31	2011-12-31	2012-08-31	2012-08-31	
Data Sources >>	pg 12 of 2008ye valn report (Sept 2009)		per surplus estimate in CLPENS~ letter (May 2012)	pg 12 of 2011 ye valn report (Sept 2012)	1. pg 5 of 2012-10-11 trnsfr report 2. Amy info 2012-10-09 (*5)	combined	

*1 - the surplus transfers relate to revised surplus allocations, relative to the non-windup group, per various data changes regarding the original split of the liabilities between both groups.

*2 - The total cumulative windup expenses (also called settlement expenses) to be paid at time of the settlement for legal, administrative, actuarial and communications costs, including interest, increased from an expected value prior to 2006 YE of $4.7 million (already deducted from the starting surplus) to an expected level as at Aug 31, 2012 of $12.7 million. Apparently the current expected level as at March 2013 is $13.7 million. This would be in addition to whatever expenses might have already been paid but not identified explicitly in the surplus movements?

*3 - MV (market value) changes would be expected here to generally net to zero, except to the

extent that the investment policy took a gamble on either the equity markets (pre-2008) or (post-2008) invested in bonds that had an average remaining term significantly shorter than the average term of the liabilties, hoping for a net gain if interest rates increased but guaranteeing substantial leveraged market value losses (i.e. MV of liabilities would increase without a corresponding increase to the supporting assets) if interest rates fell, which is what happened.

*4a - Notably, the approach of a collective 'gain' from lump sum payouts seems unreasonable in the context of the windup allocations, although one could argue in this case that the other windup group members may not in fact have have profited from that windfall gain, to the extent that the fund management's investment policies have more than wiped out such potential 'gains'?

*4b - For this lump-sum (commuted values) category of profits, it is the net of these two numbers that matters here. To make it easier to tie back to the reports (and due to a lack of sufficient info) the numbers do not respectively represent the full revised amount of surplus from commuted value payouts and the full original expectation of such profits.
The following would be a more complete presentation of this item:

2. 'Gain' from individuals taking lump-sum payouts (*4):	2 years	2 yr, 6 mo	6 mo	3 years	8 months	5 yrs, 8 mo	
a) realized 'gain' on payouts	0.0			7.7	1.3	9.0	
b) revised expected future gains	32.6			3.1	0.0	**0.0**	*4
c) deduct prior expectation	-58.0			-32.6	-3.1	**-58.0**	*4
	-25.4	-20.8	-1.0	-21.8	-1.8	-49.0	

So it appears that there was an expected 'gain' of $58 million as part of the surplus estimate, and the result was a gain of only $9 million. A rather illusory notion of a questionable form of surplus.

*4c - The 8 month estimate (Dec 2011 to Aug 31 2012) for the adjustment to the 'gain' from individuals taking lump sum cashouts is apparently based on the 2012-10-09 memo noted above (i.e. the difference between the ending surpluses of 5.7 and 2.6), but might also be some conservatism in the overall estimated surplus provided by the negotiating team. Nevertheless, the figure has been used to estimate back to 2006YE what the estimated gain was expected to be from individuals taking lump sum payouts.

*5 - For the 8 months ending Aug 31, 2012 the surplus reconciliation in the 2012-10-11 transfer document seems inconsistent with (and misleading relative to) the approach taken in the prior years' valuation reports. For example, instead of identifying interest on surplus, it shows a much higher amount for interest on liabilities instead, which results in an apples and oranges comparison in the analysis. Also (in addition see the comments for *4c. The presentation also raises the question whether "interest on pending expense reimbursement" which is disclosed in this document is not disclosed in the the other surplus movements ??

TAB J

This is **Exhibit "J"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

796481 East Back Line
R.R.1. Berkeley. ON
N0H 1C0

pandahnewman@gmail.com

March 11, 2013

Koskie Minsky LLP,
Barristers & Solicitors,
20 Queen Street West, Suite 900,
Box 52,
Toronto, Ontario
M5H 3R3

Attention: Canada Life Class Action

Dear Sirs,

I am a Non-PWU Group – Pensioner under The Canada Life Canadian Employees' Pension Plan, Company ID # 819754, and I wish to object to the amendment to the Settlement.

The proposed changes to the original Settlement are so extensive and far reaching that they invalidate the member's elections evidenced on the Decision Forms that were completed in April 2011.

My support of the Settlement was given on the understanding that I would receive a share of the surplus roughly equivalent to the estimated amount you stated in Document E of the Settlement Proposal Package. If I understand your numbers correctly, that estimated amount will be reduced by about 80%.

I therefore wish to rescind my support of the Settlement and to remain, with all of my rights and benefits and guaranteed pension, in The Old Plan.

Yours sincerely,

Howard H. Newman

TAB K

This is **Exhibit "K"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Kim Gadd

11-2 Wingreen Court

North York ON M3B 1B9

Monday March 11, 2013

Koskie Minsky LLP

Barristers and Solicitors

20 Queen Street West

Suite 900 Box 52

Toronto ON M5H 3R3

Attn: Canada Life Class Action

Dear Sirs,

Due to lack of available information and a reasonable amount of time to review the proposed Amendments pertaining to the Canada Life employees pension plan Integration Partial Windup, I am not prepared at present to agree with the proposed changes.

I require more details regarding the events and circumstances which led to the need to put such Amendments in place. Only then, will I be in a position to reasonably analyze and consider the Amendments presented. That being said, following written receipts of details that might support Such amendments, I would require a reasonable amount of time to evaluate and determine if Such amendments are warranted.

In addition, the Class Members were not provided with an opportunity to meet with other Class Members . It is for this purpose as well that I require additional time, and am formally requesting That the decision pertaining to the adoption of the Amendments be deferred.

Thank you for your consideration in light of the circumstances illustrated. As you are well aware, These proposed changes impact not only myself, but many other individuals.

Yours,

Kim Gadd

Kim Gadd

TAB L

This is **Exhibit "L"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Uma Ratnam

From:	Dan Anderson <dan.anderson@sympatico.ca>
Sent:	March-11-13 4:59 PM
To:	Canada Life Main Pension Class Action
Cc:	Clio M. Godkewitsch
Subject:	March 11 2013 court submission - CLA pension surplus - NO NEED TO RESPOND
Attachments:	CLA pension surplus amendments - retaining rights to distributable surplus 2013-03-11.pdf; CLA pension surplus 2006 to 2012 - draft 2013-03-10.pdf

March 11, 2013

to: canadalifeclass@kmlaw.ca

re: submissions for March 18 Court hearing - CLA pension surplus

Regarding the proposed amendments to the pension surplus agreements, I have undertaken to help provide technical support to fellow pension members with regards to the March 18 court hearings. Accordingly, I am submitting the two attached two documents which I have prepared based in part on the information sources identified herein, and I understand some of the members may have made these documents available as part of their submissions as well.

Your sincerely,
Dan Anderson

416-722-4841
dan.anderson@sympatico.ca

attached: "CLA pension surplus amendments - retaining rights to distributable surplus 2013-03-11.pdf"
attached: "CLA pension surplus 2006 to 2012 - draft 2013-03-10.pdf"

CLA pension surplus amendments - retaining rights to distributable surplus 2013-03-11.pdf

March 10, 2013 *[also see March 11 addendum attached below, and misc. revision in red]*

CLA Windup Surplus
Nature and Adequacy of Proposed Settlement Amendments

Rationale for Retaining Rights to Distributable Surplus in Segregated Windup Pension Fund

With regards to the proposed amendments to the settlement agreement, two key considerations are the nature and adequacy of the proposed amendments.

The Court-approved Feb 2013 communications to CLA class action members indicate that the purpose of the amendments is to address the "changed economic circumstances". That same communication seems to state incorrectly: "the drop in the estimated integration PWU surplus is a regrettable consequence of economic circumstances beyond the control of the parties".

In fact, the surplus decline appears to be primarily as a result of the CLA windup pension fund management unilaterally (supposedly with the knowledge and/or influence of GWL representatives, but without the awareness of CLA windup members and their representatives), taking an aggressive duration-structure investment policy that was inconsistent with the duration structure of the liabilities and which guaranteed in the interim a dramatic drop in surplus if interest rates fell, while holding that asset position with the expectation of a highly-leveraged increase to surplus if and when interest rates increase.

The GWL representatives are positioning themselves to have potentially 100% of the financial recovery that is anticipated by such an investment policy, while compelling the CLA windup members to cash in their right to a share of distributable surplus in advance of such a financial recovery.

The attached draft pdf report (***"CLA pension surplus 2006 to 2012 - draft 2013-03-10.pdf"***) provides an indication of the primary components for the surplus drop from 2006 to Aug. 31, 2012. The CLA windup fund surplus is shown as dropping from $103 million at 2006 yearend, to a guesstimated $54 million at June 30, 2011, to $2.6 million at Aug. 31, 2012.

The estimated effect of the proposed amendments appears to be an offsetting amount of only $5.3 million (i.e. 2.6+0.8+0.5+0.2+1.2), leaving a substantial shortfall relative to the surplus drop, and more specifically a substantial shortfall relative to the portion of the drop that would be due to the adverse effects of the pension funds' unilateral investment policies.

The proposed amendments should provide much greater latitude for CLA windup members to participate in the eventual financial recovery that has been assumed by the structure of the fund's ongoing investment policy.

The comments below provide a framework that helps to clarify some of the considerations, although it is presented as a comparison between the CLA windup group and the Indago-Pelican-Adason groups.

An alternative approach that could be incorporated into the proposed amendments is outlined at the end of the commentary below, in place of the proposed one-time surplus adjustment at Dec 2014 and the cap on the subsequent financial recoveries.

March 10, 2013

To: Canadalifers and CLPENS representatives

re: Comparing CLA and IPA (Indago-Pelican-Adason)

During the March 5 phone discussion with KM lawyers, they confirmed the understanding that the amount of distributable surplus for the Indago and Pelican groups has been very stable (from 2006 to 2012), compared to the dramatic decline in the distributable surplus for the CLA windup group. The Feb 2013 letter from the CLPENS representatives also refers to the Adason group and seems to indicate that the Adason group's surplus has also been relatively stable.

However, the above reference to distributable surplus is really an apples and oranges comparison because of the different circumstances for the two groups, as will be illustrated by the comparison commentary below.

It seems worthwhile to understand why the CLA experience appears to be so much different from Indago etc.

But it is also worthwhile to understand that in fact the **IPA (Indago-Pelican-Adason) members** are probably in pretty much the same or worse financial situation relative to the windup group prior to the settlement date, setting aside for now any presumption that the IPA members would have made different investment decisions in the time period from 2006 to 2012, but in the context of those CLA investment policies, but the proposal to now force the CLA windup members to cash in their proportionate entitlement to distributable surplus, would seem to put the CLA windup members in a worse position.

Furthermore, if you take the time to read and understand the following comparison of the CLA and IPA circumstances, it provides a reference framework that should help to clarify some key considerations from the perspective that, although a final agreement on approach should be established ASAP and the legal costs should stop, the CLA windup group members should not all be compelled to cash out their right to a proportionate share of the surplus now, when the surplus has dipped so low (as a result of the pension fund's speculative investment policy that guaranteed losses for CLA windup members if interest rates fell and now guarantees gains for GWL if interest rates eventually rise). Cashing out the right to surplus now implies effectively losing access to almost all of that potential future financial recovery that is presumed by the fund's investment policy (and it seems inadequate to not only allow only one point in time, Dec 2014, to allow for a token sharing in recovery that may or may not happen by then, but to also arbitrarily cap any recovery that happens to occur).

Now, let's look at a comparison of the CLA windup members and the IPA terminated members.

The commentary below will be referring to only the comparison group of CLA and IPA members described herein, even though the respective groups might sometimes be referred to more generally as CLA members, IPA members, CLA windup members, IPA terminated members, etc.

CLA windup members were entitled to a share of their pension fund's surplus because they were designated as a partial windup group. No cash could be taken out of the fund until the windup process allowed that to happen. Assume for this comparison that none of those members were past their retirement date and none of them took a commuted value (very few did). In other words, prior to a surplus payment at the final settlement date, no cash left the pension fund.

The IPA terminated members will be receiving a share of their respective pension funds' surplus, even though those terminated members have not been formally designated as a partial windup group. Assume for this comparison that all of those IPA members took a commuted value prior to 2006 (apparently the vast majority of those members did take their money out of the fund). In other words, at least seven years prior to receiving a final surplus-settlement payment, all of the cash associated with the commuted value of their liabilities would have already been paid out of the fund.

Also assume, for an apples to apples comparison, that the IPA members are going to have a personal objective of using their commuted values to generate approximately the same pension benefit stream that they would have had with Canada Life, and they will hire someone to do the same asset and liability calculations (using windup valuation assumptions) that would be done by a pension fund, with a determination of the surplus or deficit position. When they first do that calculation as at 2006 yearend, they would see they were already in a deficit position relative to the assets in their possession because the commuted value they received was less than the windup value of the pension, although that shortfall in the commuted value payment

would supposedly be part of the 'surplus' they would now be collectively entitled to at the final settlement date.

For simplicity, assume that we are comparing a set of CLA and IPA members where each group had the same pension entitlements, and therefore would have the same total present value of pension liabilities at each point in time from 2006 to 2012. Also assume that the total assets associated with those liabilities was the same as at 2006 yearend, implying the same total "surplus" associated with the liabilities.

Also assume that from 2006 to 2012 the IPA members invested their commuted values in exactly the same way that the CLA windup investment managers invested the CLA windup pension funds, taking a risk position to benefit if and when interest rates rise (while incurring a not-yet-realized loss if interest rates first fall lower). The IPA members had no fiduciary responsibility to 'protect' their own financial position by purchasing assets that were consistent with the structure of the pension liabilities, and so we might assume for this comparison they took the same financial risks taken by CLA investment managers with the hope that interest rates would eventually increase.

Then from 2006 to 2012 the total asset, liability and "surplus" values would be the same for the IPA and the CLA groups.

For the IPA members, however, the "surplus" (difference between total assets and total liabilities) is divided into two components: a) the pension fund or fund owner would hold a relatively larger positive surplus component which at 2006 yearend was equal to the total net surplus plus the effect of the original commuted value shortfall, while b) the IPA member would hold an increasingly negative component that starts out 2006 yearend as the shortfall in the commuted value payout and increases with time as interest rates fall, liability values increase and the duration-mismatched assets are not able to increase in value to offset the increase in the present value of the liabilities.

There seem to be at least three notable observations from the above comparison of IPA and CLA groups:

A. Identical assets, liabilities and surplus associated with the IPA and CLA groups

With the above simplified assumptions (for comparison purposes), we would see that from 2006 to 2012 those comparative CLA and IPA groups would be associated with identical asset, liability and surplus values, in aggregate, but only if you look at the combined results regardless of who is holding the assets and making investment decisions and who is entitled to what proportion of the difference between the asset and liability values before and after the settlement date.

B. Differences in the proportionate ownership claims on the "surplus" up to the settlement date.

In this regards the IPA members would seem to actually be worse off (before considering the issue of what happens after the settlement date).

For CLA windup members, GWL's proportionate ownership of surplus up to 2012 year-end would apply to the total net surplus, such that GWL would in effect be participating in the adverse effects of the pension fund's investment decisions, although CLA windup members would also be proportionately impacted by the investment decision even though the CLA windup members had no say in the decision to purchase assets that were inconsistent with the long-term nature of the liabilities.

For the IPA members, however, GWL representatives would claim no ownership of the increasingly negative "surplus" held by the IPA member, but would likely claim a full proportionate ownership of the inflated positive surplus that is not in the hands of the IPA member.

In this regard, the IPA members would seem to be financially worse off relative to CLA windup members (before considering the issue of what happens after the settlement date) primarily because for the IPA financials, GWL would not be participating at all in the negative impact on surplus of the 2006-2012 investment decisions (i.e. where the market value of the assets is not increasing on a consistent basis relative to the increase in the present value of the liabilities), although this non-participation by GWL is consistent with the fact the GWL is not party to those IPA investment decisions to purchase assets that were inconsistent with the long-term nature of the liabilities.

Now consider in item C below what happens after the settlement date

C. Differences in proportionate ownership of expected financial recovery after the settlement date.

The CLA windup pension fund's investment policy since 2008 appears to be predicated on the gamble that interest rates would eventually rise. That investment policy guaranteed a huge drop in surplus as interest rates declined further. For this comparison we have assumed that IPA members have followed the same investment policy. FWIW, individuals would probably be reluctant to invest in long term bonds when interest rates are at historical lows.

So such losses have occurred up to the present and may persist to the expected settlement date of Dec 2013.

The comparison of CLA windup members and IPA terminated members changes after the settlement date.

The IPA members would have taken all of the investment policy surplus hits prior to the settlement date, and will get 100% of the financial recovery that is expected by that investment policy to eventually occur after the settlement date.

However, for the CLA windup members, although they are taking a large portion of the investment policy surplus hit prior to the settlement date (rather than 100% of that hit), they may end up with 0% of the financial recovery that is expected by the investment policy to eventually occur after the settlement date.

As noted above for CLA windup members, being forced to cash out their right to distributable surplus now, when surplus has hit a low point, is likely to imply losing access to almost all of the eventual financial recovery that has been expected by the aggressive short-duration asset structure of the 2008-2012 investment policy. It seems insufficient to allow only one point in time, Dec 2014, for a token sharing in recovery that may or may not happen by then, and to also arbitrarily cap any recovery that may occur.

Individuals with a sizable stake in the windup group might argue for the following alternative:

Retain Rights to Distributable Surplus, in Segregated Windup Pension Fund

a) Agreement on % share of surplus. Stop the legal expenses and recognize that the main result of the legal action has been to establish an agreement on the proportionate share of the surplus in the windup group segregated fund (along with the effect of the proposed amendments). The settlement date, which could be as at Dec 2011 or Dec 2012 would be primarily for the purpose of finalizing those % shares.

b) Continue to segregate the windup pension plan. Because of the inappropriate investment mix that has been positioned to produce leveraged gains only when interest rates rise, the windup fund should continue to be segregated until there is a reasonable opportunity for the surplus to be restored (excluding of course any additional pension contributions that GWL might make ... which seems unlikely anyway),

c) Individuals decide when to cash out their % share. Rather than being forced to cash out your share of the surplus when things are so bad, individuals would retain their proportionate interest in the surplus as it rebuilds in the fund, and every year or every 3 years when the fund would be revalued anyway for ongoing reporting, individuals would have the option to take out their share of the surplus, with this option staying in effect subject to a mandatory payout after, say, 9 years (or longer) if no election was made prior to that point.

d) GWL gets to withdraw surplus only as individuals cash out their % share. CLA windup members would benefit from the fact that GWL also retains a financial interest in the surplus in the fund because GWL they would only be able to remove a portion of that surplus as individuals

e) How can this approach be implemented without unnecessary complications and expense? The real value in this approach is individuals retaining the option of deciding when to cash out, and retaining that option for an extended period of time. The % shares of the distributable surplus would not have to change over time other than to recognize that distributable surplus would itself be proportionately smaller as others have taken out their share. There is no need to complicate the process by making an argument that individual % shares change as individuals age relative to their retirement date.

Addendum - March 11, 2013

<u>One Additional Consideration - An Offset to Potential Impact on Future Inflation Adjustments</u>

This is an ancillary consideration that might affect only some pension members, and not the primary financial rationale for retaining rights to distributable surplus in a segregated windup pension fund.

For some pension members there appears to be one additional compelling reason for the above approach, and that is in the context of anomalies in the CLA pension plan restrictions on future inflation protection. The comments below try to address this issue, after first trying to clarify the context. Retaining a right to the distributable surplus percentage in a segregated windup fund could help to provide windup members with a financial offset to potential future losses to inflation protection. Non-windup pension members would not have the benefit of that sort of offset, but would be protected from any related distortions that might result from combining the assets of the ongoing pension fund and the segregated pension fund.

The above March 10 commentary takes into account the fact that pension fund investment managers cannot manage assets without considering the duration structure of the corresponding liabilities, and when interest rates change, the financial effect on the market value of the assets is meaningless without also considering the financial effect on the market value of the liabilities.

For similar reasons, measures of the "rate of return" on the assets can be meaningless and misleading by themselves, since such rates are directly affected by the market value of the assets but take no account of the market value of the liabilities.

However, the CLA pension plan provides that some pension members will lose out on some of their inflation protection if the cumulative rate of return on the assets in the plan AS MEASURED FROM THEIR RETIREMENT DATE is less than the cumulative inflation from their retirement date.

Now, CLA's investment policy in the segregated windup pension fund (2006 to present) has apparently been set up to guarantee surplus losses if interest rates fall (despite the increase to asset market values), under a presumption that interest rates will be increasing.

If interest rates now do increase, the bond market values will drop and that would negatively impact the rate of return on the assets for that time period, even though surplus would be increasing because of an even greater decrease in the market value of the liabilities (i.e. the reverse of what happened 2008-2012).

If windup members are compelled to prematurely cash in their rights to a percentage share in distributable surplus, they would not only lose out on participating in the recovery of that surplus value, but at the same time may also find that they will lose out on some of their pension inflation protection.

Draft 2013-03-10

Partial Windup Group's Segregated Pension Fund Surplus

($ millions)

See commentary in notes below the summary.

		- CLPENS split? -					
Start of Period	2006-12-31	2008-12-31	2011-06-30	2008-12-31	2011-12-31	2006-12-31	
	2 years	2 yr, 6 mo	6 mo	3 years	8 months	5 yrs, 8 mo	
Starting surplus	103.4	71.8	54.0	71.8	11.3	103.4	
Revision to est. windup expenses:							
a) expense paid (*2)	0.0			0.0	0.0	0.0	*2 ?
b) revised est future pay't (*2)	-9.8			-10.8	-12.7	**-12.7**	*2
c) deduct starting estimate (*2)	2.8			9.8	10.8	**2.8**	*2
net change in est. expense	-7.0	0.0	-1.0	-1.0	-1.9	-9.9	
Interest on surplus	15.8	7.9	1.6	9.5	0.2	25.5	
Surplus transfers (*1)	0.0	0.0	6.1	6.1		6.1	
Primary surplus changes		- split? -					
1. Net MV changes (*3) to:							
a) MV adj liabilities	5.7	-11.2	-51.2	-62.4	-5.2	-61.9	
b) MV adj supporting assets	-23.3	7.3	1.5	8.7	0.0	-14.6	
Net MV adjustment >>	**-17.6**	-4.0	-49.8	**-53.7**	**-5.2**	**-76.5**	
2. 'Gain' from individuals taking lump-sum payouts (*4):							
a) realized 'gain' on payouts	0.0			7.7	1.3	9.0	*4
b) revised expected future gains	see *4				see *4	0.0	*4
c) deduct prior expectation	-25.4			-29.5	-3.1	-58.0	*4
Net 'gain' from payouts >>	**-25.4**	-21.8	0.0	**-21.8**	**-1.8**	**-49.0**	
Balance	2.6	0.0	-0.9	0.4	0.0	3.0	
Ending surplus	71.8	54.0	10.0	11.3	2.6	2.6	
End of Period	2008-12-31	2011-06-30	2011-12-31	2011-12-31	2012-08-31	2012-08-31	
Data Sources >>	pg 12 of 2008ye valn report (Sept 2009)		per surplus estimate in CLPENS~ letter (May 2012)	pg 12 of 2011 ye valn report (Sept 2012)	1. pg 5 of 2012-10-11 trnsfr report 2. Amy info 2012-10-09 (*5)	combined	

*1 - the surplus transfers relate to revised surplus allocations, relative to the non-windup group, per various data changes regarding the original split of the liabilities between both groups.

*2 - The total cumulative windup expenses (also called settlement expenses) to be paid at time of the settlement for legal, administrative, actuarial and communications costs, including interest, increased from an expected value prior to 2006 YE of $4.7 million (already deducted from the starting surplus) to an expected level as at Aug 31, 2012 of $12.7 million. Apparently the current expected level as at March 2013 is $13.7 million. This would be in addition to whatever expenses might have already been paid but not identified explicitly in the surplus movements?

*3 - MV (market value) changes would be expected here to generally net to zero, except to the

extent that the investment policy took a gamble on either the equity markets (pre-2008) or (post-2008) invested in bonds that had an average remaining term significantly shorter than the average term of the liabilties, hoping for a net gain if interest rates increased but guaranteeing substantial leveraged market value losses (i.e. MV of liabilities would increase without a corresponding increase to the supporting assets) if interest rates fell, which is what happened.

*4a - Notably, the approach of a collective 'gain' from lump sum payouts seems unreasonable in the context of the windup allocations, although one could argue in this case that the other windup group members may not in fact have have profited from that windfall gain, to the extent that the fund management's investment policies have more than wiped out such potential 'gains'?

*4b - For this lump-sum (commuted values) category of profits, it is the net of these two numbers that matters here. To make it easier to tie back to the reports (and due to a lack of sufficient info) the numbers do not respectively represent the full revised amount of surplus from commuted value payouts and the full original expectation of such profits.
The following would be a more complete presentation of this item:

2. 'Gain' from individuals taking lump-sum payouts (*4):	2 years	2 yr, 6 mo	6 mo	3 years	8 months	5 yrs, 8 mo	
a) realized 'gain' on payouts	0.0			7.7	1.3	9.0	
b) revised expected future gains	32.6			3.1	0.0	**0.0**	*4
c) deduct prior expectation	-58.0			-32.6	-3.1	**-58.0**	*4
	-25.4	-20.8	-1.0	-21.8	-1.8	-49.0	

So it appears that there was an expected 'gain' of $58 million as part of the surplus estimate, and the result was a gain of only $9 million. A rather illusory notion of a questionable form of surplus.

*4c - The 8 month estimate (Dec 2011 to Aug 31 2012) for the adjustment to the 'gain' from individuals taking lump sum cashouts is apparently based on the 2012-10-09 memo noted above (i.e. the difference between the ending surpluses of 5.7 and 2.6), but might also be some conservatism in the overall estimated surplus provided by the negotiating team. Nevertheless, the figure has been used to estimate back to 2006YE what the estimated gain was expected to be from individuals taking lump sum payouts.

*5 - For the 8 months ending Aug 31, 2012 the surplus reconciliation in the 2012-10-11 transfer document seems inconsistent with (and misleading relative to) the approach taken in the prior years' valuation reports. For example, instead of identifying interest on surplus, it shows a much higher amount for interest on liabilities instead, which results in an apples and oranges comparison in the analysis. Also (in addition see the comments for *4c. The presentation also raises the question whether "interest on pending expense reimbursement" which is disclosed in this document is not disclosed in the the other surplus movements ??

TAB M

This is **Exhibit "M"** referred to in the affidavit of **Anthony Guindon** sworn before me, this 12th day of March, 2013

.....

A Commissioner for taking affidavits, etc.

Anthony Guindon

To: Clio M. Godkewitsch
Subject: RE: A Message from the CLPENS Executive Committee

--- On **Tue, 3/12/13, Pension Group <*clpens@rogers.com*>** wrote:

From: Pension Group <clpens@rogers.com>
Subject: A Message from the CLPENS Executive Committee
To: wlantler@rogers.com
Date: Tuesday, March 12, 2013, 3:09 AM

A Message from the CLPENS Executive Committee

In addition to sharing your financial disappointment at the drastically reduced payouts to be paid under our class action settlement, the CLPENS Executive Committee (EC) feels the pain of having so little to show for its many hours of work over many years.

In addition to pondering various "conspiracy theories", the EC has also wrestled with the question of whether "we could have done things differently". On the first count, your EC has considered and rejected the possibility of manipulation and believes firmly that the reduced values to be paid to the Integration Partial Wind-up group ("IPWU Group") are the result of developments in world financial markets and, more specifically, their impact on the yields on Government of Canada real return bonds. On the latter count, we believe that our actions were appropriate in light of the information that was available at the time. The very long time involved in drafting, agreeing to and implementing the Surplus Sharing Agreement was clearly critical but, unfortunately, there was very little that your EC could do to expedite the process. In summary, we achieved an excellent settlement wherein nearly 70% of divisible surplus went to plan members; sadly, world economic developments which were totally beyond our control reduced the divisible surplus amount.

While the outcome of our class action is disappointing, your EC is unanimous in the assessment that it is the best result achievable in the circumstances. With this note, we will provide more background information and hope that our memberships will come to the same conclusion.

Members wishing a more detailed technical explanation of the issues discussed in this note are directed to the "Documents" section of the Canada Life segment of the Koskie Minsky website (http://www.kmlaw.ca/Case-Central/Overview/Court-Documents/?rid=56).

Reduced Surplus Values

The biggest issue is the reduction in available surplus with respect to the IPWU Group. The following table summarizes information about the IPWU Group surplus that has been reported to the Financial Services Commission of Ontario.

Valuation Date	Assets	Liabilities	Surplus*
January 1, 2006	$287.7 million	$184.3 million	$103.4 million
December 31, 2008	$288.9 million	$217.1 million	$71.8 million
December 31, 2011	$293.9 million	$285.5 million	$8.4 million
August 31, 2012	$292.5 million	$286.8 million	$5.7 million

*All surplus figures are net of estimated expenses.

Clearly, there has been no deterioration of assets held in respect of the IPWU Group. Almost from the outset of our negotiations, this subset of plan assets was invested primarily in fixed income assets (that is, bonds). While a more traditional asset mix, incorporating greater holdings in stocks, may have produced higher returns, doing so would also have exposed plan assets to a much greater risk of capital loss.

With asset values holding up rather well, **it is the increase in plan liabilities that has caused the massive reduction in surplus values**.

In simple language, "plan liabilities" for the IPWU Group means the cost of providing the future benefits promised by the plan. For fully indexed pension benefits (most of the pensions paid under the Canada Life Plan are indexed), there are two ways to measure the cost of future benefits. One way is to purchase annuities from an insurance company. The premium charged by the insurance company defines the "exact" cost of the future benefits. In the absence of an annuity purchase[1], the Canadian Institute of Actuaries recommends that the plan actuary estimate the cost of fully indexed pensions by discounting expected future payments using yields on Government of Canada real-return long-term bonds.

Unfortunately for our situation, the rate for real return bonds has plummeted to all time lows over the past few years:

Date	Real Return Bond Rate*
June 30, 2009	1.86%
December 31, 2009	1.53%
June 30, 2010	1.42%
December 31, 2010	1.11%
June 30, 2011	1.03%
December 30, 2011	0.45%
June 29, 2012	0.44%
December 31, 2012	0.38%

*Source: Bank of Canada

A simple example will show the effect of changing discount rates. If a rate of return of 6% is

assumed, to have $100 a year from now, you need to invest $94.34; at 4%, you need to invest $96.15. A reduction in the interest rate assumed causes an increase in the amount that needs to be invested. Over longer periods (and pensions are long term things), the effect is more pronounced. At 6%, to have $100 twenty years from now, you need to invest $31.18; at 4%, you need to invest $45.64.

While the actuarial calculation of plan liabilities is more complicated, using our simple present value analogy is instructive. At 1.42%, you need to invest $75.43 to have $100 twenty years from now; at 0.45%, you need to invest $91.41. An increase of 21.2%!

While the drop in real return bond rates accounts for most of the increase in plan liabilities, the collective tendency of Integration Partial Wind-up members to stick with their pension benefit (as opposed to taking a lump sum commuted value) exacerbated the situation. For the January 1, 2006 valuation, the actuary assumed that members eligible to retire with immediate pensions would elect purchases and all others would elect lump sums. The plan actuary further assumed that pensions would be purchased for deferred vested members and pensioners. For the December 31, 2008 valuation, the actuary assumed that 30% of members age 55 and over would elect lump sums and 70% would elect purchases. For members from ages 50 to 55, the assumption was 50% lump sums and 50% purchases. For members under age 50, the assumption was 70% lump sums and 30% purchases. By December 31, 2011, actual experience was used (including that all members who had not made elections were assumed to have elected annuity purchases).

We understand that some members have questioned why the surplus distributions to the other partial plan wind-ups (Indago, Adason, Pelican Foods) have not been so severely reduced (or have not been reduced at all).

The reason is that the members of these groups have tended to take commuted value payments and, in doing so, have relinquished their claims to receiving pensions. For members who elect lump sum settlements, the entitlement is determined at the date of termination (effective date of the partial wind-up for deferred vested members on the partial wind-up date) and then brought forward with the initial discount rate to the month of payment, so the key discount rates are the rates in effect when the members terminated employment.

The results for the other partial wind-up groups can be instructive for those who wonder how the surplus disappeared. Specifically, had a large percentage of IPWU Group members opted for a commuted value settlement (giving up their pensions in doing so), the result would have been a large surplus for this group.

<u>The Need for An Amended Settlement Agreement</u>

The Settlement Agreement called for the plan to purchase an annuity to satisfy the benefits of those members of the Class who chose to maintain their benefit in the form of a monthly pension. However, this aspect of the Settlement Agreement could not be implemented as no insurer was prepared to quote on such an annuity.

What to do?

Technically, CLPENS could have asked the Court to set aside the previously-approved settlement on the grounds that it could not be implemented as written. It is not clear that the Court would have done so and, even if the Court agreed to this course of action, we would have been back to the scenario of returning to court to argue about the ownership of the (much diminished) surplus. However, by doing so, **no Class member would receive any current**

payment. Although members of the IPWU Group had little to lose and may have wished to pursue this strategy, members of the other partial wind-up groups (Indago, Adason, Pelican Foods) had a lot to lose. As Non Partial Wind-up members (retirees, deferred vested members and active members) would not be part of any subsequent court action, they would receive nothing. Accordingly, CLPENS did not think it right to pursue a solution that eliminated all current payouts in return for the possibility of the partial wind-up groups being declared owners of whatever plan surplus existed at an unknown future date.

Instead, we negotiated a compromise with Canada Life. The compromise involved:

- receiving financial concessions which will increase the payout by $2.7 million. These concessions are itemized under the heading "Amount of Surplus" in the Notice to Members dated February 14, 2013 which is available on the Koskie Minsky website;
- maintaining the practice of paying pensions from the fund as opposed to via an annuity. This issue is discussed under the heading "Purchase of Annuities" in the above noted Notice to Members. In the view of the EC, the non-purchase of annuities is a non-issue. Pensions under the Canada Life plan have traditionally been paid from the pension fund and not through the purchase of annuity contracts; and
- establishing the possibility of a second distribution of surplus if real return interest rates increase sufficiently by December 31, 2014. This issue is discussed under the heading "Possibility of Second Surplus Distribution" in the above noted Notice to Members. As discussed above, we have no control over world financial markets and, based on most forecasts, such an increase in rates is not anticipated. However, if real return rates increase as precipitously as they fell, class members may receive a further surplus distribution.

In conclusion, while the outcome of our class action is disappointing, it is the result of unprecedented market developments and your EC believes that the amended settlement is the best result achievable in the circumstances.

CLPENS EXECUTIVE COMMITTEE

---

[1] In Spring 2012, the Plan actuary sought quotes for the IPWU Group pensions from insurance companies licensed to sell annuities in Canada. Several companies were approached, including Great-West Life. None of the insurance companies surveyed were willing to sell annuities for the IPWU Group.

N.B. Please note that the Plaintiffs' Motion Material and factum are available on the Koskie Minsky website at http://www.kmlaw.ca/Case-Central/Overview/Court-Documents/?rid=56

DAVID KIDD, et al.
Plaintiffs

and

THE CANADA LIFE ASSURANCE COMPANY, et al.
Defendants

Court File No: 05-CV-287556CP

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto

SUPPLEMENTARY MOTION RECORD OF THE PLAINTIFFS
(Motion to Vary Judgment, returnable March 18, 2013)

KOSKIE MINSKY LLP
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3

Mark Zigler (LSUC#: 19757B)
Tel: (416) 595-2090
Fax: (416) 204-2877

Clio M. Godkewitsch (LSCU#: 45412G)
Tel: (416) 595-2120
Fax: (416) 204-2827

HARRISON PENSA LLP
450 Talbot Street, P.O. Box 3237
London, ON N6A 4K3
David B. Williams (LSUC#: 21482V)
Tel: (519) 679-9660
Fax: (519) 667-3362

Lawyers for the Plaintiffs , David Kidd, Alexander Harvey, Jean Paul Marentette, Susan Henderson and Lin Yeomans

SACK GOLDBLATT MITCHELL LLP
20 Dundas Street West
Suite 1100, Box 180
Toronto, ON M5G 2G8
Darrell Brown
Tel: (416) 979-4050
Fax: (416) 591-7333

Lawyers for the Plaintiffs, Garry C. Yip and Louie Nuspl