

To: Koskie Minsky - via email at: canadalife@koskieminsky.com
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From: Patrick Garel
Date: November 24, 2013

Re: Webinar Questions and Class Member Submission

As a Canada Life partial windup group member, I thought it would be helpful to present Koskie Minsky with this list of concerns/objections in the form of questions that could hopefully be answered during the upcoming webinars, and also answered as part of the Koskie Minsky filings for the January 10, 2014 fairness hearing.

A. Determining fairness of proposed settlement - estimated surplus.

1. **Current estimated surplus in PWU fund?** What is the most recent estimate of the surplus, compared to the Aug 31, 2012 estimate of \$2.6 million?
2. **Understanding 2005 original estimated surplus.** The original PWU surplus estimate at June 30, 2005 was \$93 million. That surplus estimate included the effect of assuming that in the future some percentage of plan members would decide to take commuted values. What is the (lower) amount of estimated surplus when they remove the assumption about some plan members taking a commuted value?
3. **Understanding 2011 original estimated surplus.** The estimated surplus when the court approved the original agreement January 27, 2012 was \$58 million. Plan members had already been provided with the option to take a commuted value, so in this case the question would be how much of that surplus was resulted from: a) individuals already selecting commuted value and b) any assumed surplus from other plan members taking commuted values in the future (supposedly zero)?
4. **Commuted values.** Is the understanding correct that the commuted values offered in 2011 and 2013 were calculated assuming interest rates from 2003-2005 and if assumptions applicable to 2011 and 2013 had been used, the commuted value payouts for many individuals would have been higher by more than 50%?
5. **FSCO communications.** If FSCO decides that the commuted values will have to be recalculated, will Canada Life still honour the proposed 56% surplus payout that they have proposed, regardless of what is decided with regards to any additional future surplus payouts?

B. Determining fairness of proposed settlement - disclosures.

1. **Prior investment policy for PWU fund.** Is it fair to say that one of the main reasons for the large drop in surplus when interest rates decreased was the investment policy of investing 60% of the assets in cash and short term?
2. **Reason for prior investment policy?** Why did Canada Life establish that sort of investment policy when the deferred pension liabilities were very long term in nature?

3. **Communication to plan members.** Why have the letters to plan members said that the fund was "largely immunized" if that was not the case, and no correction to that understanding has been communicated?
4. **Current investment policy for PWU fund?** To help understand the potential for the PWU surplus re-emerging, what is the current investment policy for the PWU fund? Are the funds still invested largely in short term in anticipation of interest rates increasing?

C. Terms of proposed amendment # 3.

1. **Provision for future surplus payout removed.** Why has Canada Life removed the provision that was in amendment # 2 for future surplus payouts as the surplus improves? Objectors and Justice Perell had expressed the view that a longer period of time should be provided, but Canada Life has removed the provision altogether. [That is one reason for wondering how much of the surplus has already re-emerged.]
2. **Explanation of paragraph # 8 - "the Settlement can be implemented".** Is this paragraph asserting that FSCO has in effect already approved the proposed settlement? Otherwise, what is this paragraph trying to say?
3. **Explanation of paragraph # 8 - "those members who have exercised their portability rights".** One way or another, every PWU member will have exercised their portability rights, either through a commuted value or by agreeing to be transferred to the ongoing plan in lieu of the insured annuity to which they had been entitled. Or was that phrase meant to refer to only individuals taking commuted values?
4. **Explanation of paragraph # 8 - "the distributable surplus ... has been determined"?** That paragraph states "the distributable surplus ... has been determined based on the liabilities ... having been calculated using the methodology and assumptions in the partial wind-up report dated March 31, 2006 as approved by the Superintendent of Financial Services on April 14, 2011." My questions here would be:
 - a). What amount of distributable surplus is Canada Life referring to here?
 - b). As at what point in time is that distributable surplus being calculated?
 - c). Are the percentage splits as determined in the original surplus sharing agreement going to be applied against that amount of distributable surplus?
 - d). Is the result of that calculation what is meant in paragraph 13 (a) as "the amounts otherwise payable under this agreement"?
5. **Explanation of paragraph # 13.**
 - a). **"the amount otherwise payable"** - If the comments in the preceding question C.4.c) do not define "the amount otherwise payable", how is "the amount otherwise payable" determined? What are the most recent estimates for the components (e.g. distributable surplus) used in calculating that amount?

- b). **Only 56% of the prior identified surplus.** What financial rationale was used to arrive at a figure of 56%? Why would that be a fair amount compared to the 100% amount applicable at the time that plan members agreed to the settlement? It is Canada Life who is responsible for the liabilities and the fund's investment policies, and those are not the responsibility of the partial windup members.

D. Other ??