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*

RESPONDING MOTION RECORD OF
THE CANADA LIFE ASSURANCE COMPANY
(Motion Returnable January 10, 2014)

November 28, 2013

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Court File No.: 05-CV-287556CP

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AFFIDAVIT OF WALLACE B. ROBINSON
(Sworn November 27, 2013)

I, **WALLACE B. ROBINSON**, of the City of London, in the Province of Ontario, MAKE OATH AND SAY:

1. I am Assistant Vice-President, Pension Benefits, at The Canada Life Assurance Company ("Canada Life"). I am a Fellow – Canadian Institute of Actuaries and a Fellow – Society of Actuaries and I am familiar with The Canada Life Canadian Employees Pension Plan (the "Plan") and the proposed settlement of this proceeding. I therefore have knowledge of the matters to which I swear in this affidavit, except where such knowledge is stated to be based on information and belief, in which case I believe those facts to be true.

The Integration PWU

2. In 2003, Canada Life declared a partial wind-up of the Plan following Canada Life's acquisition by The Great-West Life Assurance Company (the "Integration PWU"). The period

for the partial wind-up was July 10, 2003 – June 30, 2005 and the effective date of the Integration PWU was June 30, 2005.

3. Subsequent to the Integration PWU, the Plan actuary, Mercer, prepared an initial report in respect of the Integration PWU. A copy of that report is attached as Exhibit A.

4. The initial partial wind-up report identified the value of the Plan assets allocable to the partial wind-up as at the wind-up date of June 30, 2005 as $273,124,000 and estimated the liabilities of the Plan members affected by the Integration PWU to be $175,130,000.

5. The initial partial wind-up report estimated that the assets allocable to the Integration PWU exceeded the estimated liabilities and estimated wind-up expenses by approximately $93 million. This estimate of the surplus allocable to the Integration PWU was dependent upon the assumptions used to estimate the liabilities of the members affected by the Integration PWU. The actual surplus which would ultimately be available for distribution could not be determined at the date of the initial partial wind-up report since surplus is the amount (if any) actually remaining from the allocated assets *after* the pension liabilities of the Integration PWU members have been settled in a manner permitted by the *Pension Benefits Act* (the "PBA") and all partial wind-up expenses have been paid.

6. The Integration PWU assets were segmented from the other assets of the Plan in March, 2008. These assets were invested according to a separate investment strategy from the ongoing Plan based on the expected distribution of the PWU assets and with a view to matching the nature and duration of the investments to Mercer's assumptions as to how many members of the Integration PWU would elect to receive a lump sum transfer of the commuted value of their pension entitlement and how many would elect to receive an immediate or deferred pension. The value of the Integration PWU assets grew from $273,124,000 at June 30, 2005 to $319,573,000 as at August 31, 2012.[1]

Agreement on Terms of SSA

7. This proceeding was commenced in 2005. Following a mediation before Justice Winkler in April 2007, Canada Life, the Plaintiffs and the Executive Committee of

[1] The latter number includes an asset transfer of $6,557,000 not reflected in the June 30, 2005 value.

CLPENS (the "CLPENS Executive") signed a Memorandum of Understanding establishing a non-binding framework for settlement of the litigation. After a lengthy period of negotiations, the parties reached agreement on the terms of a Surplus Sharing Agreement (the "SSA") in late 2010.

Member Elections – Basic Benefits

8. Under the PBA, Canada Life was required to permit persons affected by the Integration PWU to elect either to transfer the commuted value of their pension entitlement to a qualified locked-in arrangement or to receive a guaranteed deferred or immediate pension (the latter of which would be the default should a member fail to make an election).

9. Before Canada Life provided this election to members, I had an exchange of correspondence with FSCO to confirm that the commuted values were to be calculated using the assumptions and methodology set out in the initial partial wind-up report that is attached hereto as Exhibit A. Attached as Exhibit B are copies of the following documents from my exchange with FSCO:

- Letter dated October 8, 2010 from me to Penny McIlraith (FSCO)
- Letter dated October 27, 2010 to me from Ben Jagnarine (FSCO)
- Letter dated November 4, 2010 from me to Ben Jagnarine
- Letter dated November 24, 2010 to me from Ben Jagnarine
- Letter dated November 30, 2010 from me to Ben Jagnarine

10. Following my exchange with FSCO, Mercer provided certain additional information and calculations to FSCO in respect of the commuted value calculations. After reviewing the proposed methodology and assumptions used, FSCO provided the requested confirmation in respect of the commuted value calculations by letter dated April 14, 2011. A copy of that letter is attached as Exhibit C.

11. In July 2011, election forms were mailed to members affected by the Integration PWU to permit them to elect to transfer the commuted value of their basic pension entitlement

into a locked-in arrangement or retain their right to a guaranteed pension. Canada Life informed members that if they chose (or were deemed to have chosen) the guaranteed pension option, an annuity would be purchased from an insurance company on their behalf in order to provide that pension. Where members elected to take the commuted value of their pension entitlement, commuted values were calculated by Mercer in a manner consistent with FSCO Policy T800-401 and using the assumptions and methodology set out in the initial partial wind-up report. Attached as Exhibit D is a copy of FSCO Policies T800-401 and T800-403 (which replaced FSCO Policy T800-401 effective January 1, 2012) relating to the calculation of commuted values.

Mail-Out of Member Information Packages

12. The settlement entered into between Canada Life, the Plaintiffs and the CLPENS Executive provided for information packages to be sent to Plan members and an opportunity for members to vote on the proposed settlement.

13. Information packages were prepared and sent to Class members in March 2011. These packages contained individual estimates of each member's surplus share under the proposed settlement. These estimates were premised on the total estimated amount of surplus available for distribution in respect of the Integration PWU being $62.2 million (references to estimated Integration PWU surplus in this affidavit are estimated amounts of surplus net of all expected expenses). The estimates provided to members in their information packages were based on 90% of this amount.

14. I am advised by Ben Ukonga of Mercer that this surplus estimate was based on an estimate of the cost of settling the basic benefit entitlements of the Integration PWU group which used the interest rates applicable under the relevant actuarial standards and the following assumptions made by Mercer as to how Integration PWU members would elect to receive their basic pension entitlements:

Age of Integration PWU Member	% assumed would elect to receive lump sum commuted value	% assumed would elect immediate or deferred pension
> 55	30	70
50 – 55	50	50
< 50	70	30

Court Approval of Settlement – January 2012

15. On January 27, 2012 the Court approved the settlement of this proceeding in accordance with the terms of the SSA. At that time, Canada Life's most recent estimate of the Integration PWU surplus was the surplus estimate that had been prepared by Mercer as at June 30, 2011. Mercer had estimated the Integration PWU surplus as at June 30, 2011 to be $54 million. This estimate continued to be based on the previously-referenced assumption as to the percentage of members affected by the Integration PWU who would exercise their right to receive a lump sum transfer of the commuted value of their basic benefit entitlement.

16. On February 10, 2012, Canada Life was first advised by Mercer that the estimated costs as of December 31, 2011 of settling the basic benefits of the Integration PWU members were significantly higher than had been previously estimated. Mercer advised Canada Life that this was mainly because of (i) a drop in long-term interest rates over the relevant period (which increased the present value and thus the cost of settling basic benefits for members who elected to receive a guaranteed pension) and (ii) because fewer members than expected had elected to receive the commuted value of their pension benefits in lieu of a guaranteed pension. Mercer advised that, as a result, the Integration PWU surplus as at December 31, 2011 was significantly lower than previous estimates. Mercer subsequently advised that the estimated Integration PWU surplus as at December 31, 2011 (on the assumption that all Integration PWU members who had not yet chosen their payment option with respect to their basic benefits would be deemed to have elected to receive a guaranteed pension) was under $10 million. This information was

subsequently shared with Class counsel and the court. Attached hereto as Exhibit E is a copy of an email with attachment from Jeff Galway to Mark Zigler dated February 23, 2012.

Transfer of PWU Assets and Liabilities to On-Going Portion of the Plan

17. In May 2012, Canada Life solicited bids for annuities to settle the basic benefits of those members of the Integration PWU who had not elected to receive their commuted values. Attached as Exhibit F is an affidavit sworn on September 21, 2012 by Linda Greig of Mercer that discusses the process undertaken by Canada Life to obtain quotations on providing annuities for those Integration PWU members who elected (or were deemed to have elected) to receive an immediate or deferred pension.

18. When all of the seven insurance providers who had been approached declined to bid, Canada Life determined that its only option was to instead provide for the basic benefits of these members by transferring the liability to satisfy these pension rights to the ongoing portion of the Plan and by also transferring from assets allocable to the Integration PWU assets equal in value to that liability. The amount of the assets and liabilities to be transferred was calculated in the manner prescribed in FSCO Policy W100-233, a copy of which is attached as Exhibit G. The transfer was effective August 31, 2012 following notice to Class counsel and a court appearance on September 27, 2012.

19. Attached as Exhibit H is a copy of the affidavit I swore on September 24, 2012 in respect of the September 27, 2012 court appearance which explains the reasons behind Canada Life's transfer of assets and liabilities to the ongoing portion of the Plan and explains Canada Life's desire to effect the transfer as quickly as possible. Of immediate concern at that time was a pending change to the Canadian Institute of Actuaries' actuarial Guidance which, if implemented before the liabilities of the Integration PWU members were transferred to the ongoing portion of the Plan, would have increased the liabilities of the Integration PWU members and resulted in there being no surplus attributable to the Integration PWU. By effecting the transfer, Canada Life assumed the risk of having to fund any increase in liabilities resulting from a change in the actuarial Guidance as part of its funding obligation for the ongoing Plan.

20. Effective June 30, 2013, following the effective date of the transfer to the ongoing portion of the Plan of the liabilities (and equal assets) of the Integration PWU members who had not elected a transfer of their commuted values, the change in actuarial Guidance that I discussed in my affidavit of September 24, 2012 was in fact implemented by the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting. I am advised by Ben Ukonga that the immediate effect of this change in actuarial Guidance was to increase the liabilities of the ongoing portion of the Plan in respect of the transferred Integration PWU members by approximately $45 million. Had there been no transfer of assets and liabilities, this change would have reduced the Integration PWU surplus by approximately $45 million resulting in a significant deficit.

Proposed SSA Amendment

21. Prior to the September 27, 2012 court appearance, Mercer had estimated that the Integration PWU surplus as at August 31, 2012 was $3.1 million because of a further increase in the cost of satisfying the benefit entitlements of members of the Integration PWU group. This estimate was later revised to $2.6 million.

22. Following the September 27, 2012 motion and a mediation with Justice Strathy in December 2012, Canada Life, the Plaintiffs and the CLPENS Committee agreed on the terms of an amendment to the SSA that sought to ameliorate the position of Class members. The amendment to the SSA was conditional upon court approval. On March 28, 2013 the Court declined to approve the amendment.

2013 Elections By IPWU Members

23. Because the election forms provided in 2011 to Plan members affected by the Integration PWU had contemplated that annuities would be purchased for those who did not elect a lump sum transfer of their commuted values, Canada Life was required pursuant to FSCO Policy W100-233 to provide those who had not originally elected to receive commuted values a further opportunity to elect that option if they wanted to do so. New benefit statements and election forms were mailed to these members in early January 2013 and members were provided with the minimum statutory period of 90 days in which to elect. Mercer calculated the commuted values set out in these forms in a manner that was consistent with FSCO policy and

using the assumptions and methodology set out in the wind-up report that is attached hereto as Exhibit A (which, as noted above, had been approved by FSCO).

24. By the end of the 90-day period referred to above, 142 Integration PWU members who had previously elected or were deemed to have elected to receive a deferred or immediate pension had elected to instead receive a lump sum transfer of their commuted values (with interest).

25. Because the commuted value payable to a member is less than the amount that would be transferred to the ongoing portion of the Plan in respect of his or her liabilities had he or she elected to instead receive a pension from the Plan, the effect of the new 142 commuted value elections was to reduce the overall liabilities of the Integration PWU members and hence increase the estimated Integration PWU surplus. As a result, Mercer has calculated that the effect of these elections was to produce an Integration PWU surplus as at August 31, 2012 of approximately $11.8 million.

26. The projected Integration PWU surplus as at December 31, 2013 is $11 million. The Integration PWU assets are now held in short-term investments in order to protect the assets from declines due to market forces. Since all of the pension liabilities of the Integration PWU members have now been provided for, going forward, the only two factors that will impact this surplus estimate are investment returns in respect of the Integration PWU assets (which will not be significant given the asset class in which the funds are invested) and the expenses associated with the partial wind up and settlement. Under the SSA, 69.66% of this amount is distributable to eligible Plan members.

November 2013 Proposed Amendment to SSA

27. While pursuing an appeal of the March 28, 2013 decision, Canada Life decided to explore the possibility of a revised settlement with the Plaintiffs and the CLPENS Committee. On September 11, 2013, Canada Life offered to contribute an additional $8 million to top up the payments contemplated by the SSA.

28. The Plaintiffs and CLPENS Executive did not accept Canada Life's offer but there followed negotiations and counter-offers which ultimately produced a new amendment to the SSA. That amendment is also conditional upon court approval. A copy of the new SSA Amendment is attached as Exhibit I.

29. The terms of the new amendment provide that there will be a single distribution of surplus to the Class which will occur immediately following court and regulatory approval. The amendment provides that each member of the Integration PWU Sub Class and each member of the Inactive Eligible Non-PWU Sub Class (i.e. pensioners and deferred/vested members) are guaranteed to receive a surplus payment equal to the greater of 56% of the amount that was estimated in his or her March 2011 information package, and $1000. Canada Life will contribute an amount (estimated to be approximately $11.3 million) which, when added to the existing amount of surplus and after taking into account certain specified adjustments to the original settlement, will provide these guaranteed payments.

30. The other specified adjustments contemplated by the new amendment are that:

1) Class Counsel will waive a total of $1,000,000 in legal fees which were previously approved by the court, and will not charge any legal fees incurred from January, 2012 to completion of this matter. Those amounts will be applied for the benefit of the Integration Partial Wind-Up Sub Class and the Inactive Eligible Non-PWU Sub Class members exclusively, and will not be shared with Canada Life under the SSA provisions; and

2) Canada Life will waive its entitlement to reimbursement of a portion of its settlement expenses in the amount of $500,000, and will also waive entitlement to a portion of the interest on its outstanding expenses (estimated at $800,000), and these amounts will be added to the Integration PWU surplus to be distributed.

31. Of the 3252 Plan members who are entitled to a surplus distribution from the Integration PWU surplus under the SSA (includes all Integration PWU members and all Inactive Eligible Non-PWU members), 707 were advised in their March 2011 information packages that their surplus estimate was the $1000 minimum and those 707 members will continue to receive that amount if the new amendment is implemented.

32. A further 380 Plan members were advised in their March 2011 information packages that their surplus estimate was between $1000 and $1786. These 380 members would now receive the minimum $1000 distribution. In other words they would receive between 56% and 100% of the amount estimated in their March 2011 information packages. The remaining members of this group would receive 56% of the amount shown in their March 2011 estimates.

33. The new amendment does not affect entitlements under the SSA of active Plan members or members of the other partial wind-ups contemplated by the SSA.

34. The following chart summarizes the position of Class members (excluding those in the Pelican Sub-Class, the Adason Sub-Class and the Indago Sub-Class) under the proposed amendment as compared to the estimate they received in March 2011.

	Number of Class members	**Estimated Benefit per March 2011 Information Packages**	**Proposed Settlement in Relation to the March 2011 Information Packages**
Active Eligible Class Members	1378	Two-year contribution holiday	100%
Integration PWU Members and Inactive Eligible Non-PWU Members	707	$1000	100%
Integration PWU Members and Inactive Eligible Non-PWU Members	380	$1000 - $1786	56% - 100%
Integration PWU Members and Inactive Eligible Non-PWU Members	2165	> $1786	56%

35. This chart demonstrates that under the proposed amended settlement about 45% of Class members will receive the same benefit as was estimated in the March 2011 information packages that they received.

36. For those Integration PWU Members and Inactive Eligible Non-PWU Members whose estimated benefit as per the March 2011 information packages exceeded $1,786, the average and median pay-outs under the March 2011 information packages and the proposed amended settlement are as follows:

Integration PWU Members (1,532 whose March 2011 Estimate was > $1,786)	**March 2011 Information Packages**	**Proposed Amended Settlement**
• Average	$20,261	$11,346
• Median	$ 7,957	$ 4,456

Inactive Eligible Non-PWU Members (633 members whose March 2011 Estimate was > $1,786)	**March 2011 Information Packages**	**Proposed Amended Settlement**
• Average	$10,827	$6,063
• Median	$ 6,238	$3,494

SWORN BEFORE ME at the City of London, in the Province of Ontario, on November 27, 2013.

Commissioner for Taking Affidavits

Amy Metzger

WALLACE B. ROBINSON

These are Exhibits A-I referred to in

the Affidavit of Wallace B. Robinson

Sworn before me this 27th day of

November, 2013.

A Commissioner, etc.

Amy Metzger

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EXHIBIT "A"

March 31, 2006

The Canada Life Canadian Employees Pension Plan

(Registration Number 0354563)

Report on the Partial Plan Wind-Up as at June 30, 2005

MERCER
Human Resource Consulting

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MMC Marsh & McLennan Companies

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Introduction

Report on the Partial Wind-up of The Canada Life Canadian Employees Pension Plan (the "Plan") as at June 30, 2005

To The Canada Life Assurance Company (the "Company" or "Canada Life")

At your request, we have prepared this report on the partial wind-up of the Plan as at June 30, 2005.

This partial wind-up was declared by Canada Life as a result of the workforce integration measures taken after the acquisition of the Company by The Great-West Life Assurance Company ("Great-West Life") on July 10, 2003. All members of the Plan whose employment with Canada Life terminated in conjunction with the integration, other than those members of the Plan who were employed in the province of Québec, have been included in the partial wind-up. This includes members whose employment was terminated during the integration period by Canada Life, as well as those who resigned or retired voluntarily. It also includes those members who were informed during the integration period that their employment would be terminated as a result of the integration and whose employment was, or will be, subsequently terminated after June 30, 2005. The integration period started effective July 10, 2003, the date Canada Life was acquired by Great-West Life, and ended on June 30, 2005 (the "Partial Wind-up Date").

On September 4, 2003, the Financial Services Commission of Ontario ("FSCO") approved Canada Life's request to commence monthly pension payments from the pension fund to those members and former members of the Plan who are eligible for, and who elect to receive, an immediate pension. The option for members to transfer funds from the pension fund, however, will not be provided until after this partial wind-up report and subsequent report are approved.

The purposes of this report are to:

- describe the benefits and settlement options for members affected by the partial wind-up;
- determine the accrued pension and commuted values for members affected by the partial wind-up;
- assess the financial position of the Plan at June 30, 2005;
- establish a methodology for funding any wind-up deficiency;
- establish a methodology for the distribution of Plan assets to satisfy the entitlements under the Plan of the members affected by the partial wind-up, except the methodology for the treatment of the "estimated partial wind-up surplus"[1], and
- seek the approval of the Superintendent of the Financial Services Commission of Ontario (the "Superintendent") of the partial wind-up report, pursuant to Section 70 of the *Ontario Pension Benefits Act* (the "PBA"), except for the treatment of any estimated partial wind-up surplus.

The treatment of estimated partial wind-up surplus, if any, is unknown at the date this report was prepared and will be the subject of a subsequent report filed with the Superintendent in due course.

This valuation reflects the provisions of the Plan as at June 30, 2005. This report is based on the terms of the Plan as filed with the Superintendent on the date the report was prepared. A summary of the Plan provisions is provided in Appendix D.

A new Canadian Institute of Actuaries Standard of Practice For Determining Pension Commuted Values ("CIA Standard") was released in July 2004. The effective date of the new CIA Standard was February 1, 2005. The new CIA Standard was used to calculate the wind-up liabilities for all members whose employment terminated on or after February 1, 2005. It was also reflected in the calculation of the wind-up liabilities as at June 30, 2005 for all members who were not included in the partial wind-up.

On July 29, 2004, the Supreme Court of Canada dismissed the appeal in Monsanto Canada Inc. v. Superintendent of Financial Services ("*Monsanto*"), confirming that the

[1] Any excess of the total estimated value of Plan assets allocated to the partial wind-up over the total estimated partial wind up liabilities.

surplus rights, if any, of members affected by a partial plan wind-up are not less than the surplus rights, if any, they would have on a full plan wind-up on the partial wind-up date. As described above, the determination and treatment of any estimated partial wind-up surplus will be the subject of a subsequent report filed with the Superintendent in due course.

We also note that any subsequent declaration of a partial wind-up of the Plan in respect of other past events, or future disclosure of an additional existing (but unknown) past partial Plan wind-up, could cause an additional claim on Plan assets, the consequences of which would be addressed in a subsequent report, however, we are making no representation as to the existence of, or potential for, any such unknown existing or subsequently declared partial wind-ups.

This report has been prepared on the assumption that all of the assets in the pension fund are available to meet all of the claims on the Plan. We are not in a position to assess the impact that the Ontario Court of Appeal's decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption in the context of past events.

The 2005 Federal budget, which received Royal Assent on June 29, 2005, has increased the maximum benefit accruals for registered pension plans. The impact of these increased limits has been reflected in this valuation.

The actuarial assumptions and methods used for the valuation as at June 30, 2005 are described in detail in Appendix B.

For the purposes of this report, the value of the assets and liabilities of the Plan were determined as at June 30, 2005 (the "Valuation Date"). After checking with representatives of Canada Life and Great-West Life, to the best of our knowledge there have been no events subsequent to the Valuation Date which, in our opinion, would have a material impact on the results of the valuation.

This valuation provides an estimate of the Plan's financial position on its partial wind-up. The Plan's financial position at the time of actual settlement of benefits will be different to the extent that experience to the date of settlement turns out to be different from the assumptions made in this report.

This report will be filed with the Financial Services Commission of Ontario and with the Canada Revenue Agency.

Respectfully submitted,

Hrvoje Lakota
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

March 29/2006
Date

Charly Pazdor
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

29 March 2006
Date

The Canada Life Canadian Employees Pension Plan

Registration number with the Financial Services Commission of Ontario and with the Canada Revenue Agency: 0354563

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Confirmation of Compliance

Effective June 30, 2005, the Plan is being partially wound-up in respect of members of the Plan whose employment terminated in conjunction with the workforce integration measures taken after the acquisition of Canada Life by Great-West Life on July 10, 2003, other than those members of the Plan who were employed in the province of Québec. For greater certainty, this includes certain members whose employment had not yet been terminated as at the Valuation Date but who have been advised that their employment would be terminated as a result of the integration. The integration period started on July 10, 2003 and ended on June 30, 2005. FSCO was advised of the closure of the integration period in a letter from Canada Life dated August 3, 2005.

In accordance with Section 68 of the PBA, a wind-up notice was sent to affected members of the Plan as they terminated active employment during the workforce integration. A copy of the wind-up notice was sent on August 27, 2003 to the Financial Services Commission of Ontario.

As required by FSCO Policy W100-102, the following is a confirmation of compliance with various legislative requirements of the PBA. For members in provinces other than Ontario who were affected by the partial wind-up, the rules applicable to those provinces were and will be followed.

Affected members are entitled to their full accrued benefits as if they were fully vested in accordance with Sections 73 and 74 of the PBA. There are no ancillary benefits which require the consent of the Plan sponsor. Section 39 of the PBA has been considered when calculating the entitlements. Prior Plan benefits transferred into the Plan are included in the partial wind-up.

Affected members entitled to a deferred or immediate pension will be provided with statements, in accordance with Section 72 of the PBA, describing their entitlements depending upon age, service and amount of pension, as detailed in Appendix F to this report. The option election forms will state that the pension must be payable as a joint and survivor pension, unless a member does not have a spouse, or a duly completed waiver is submitted before retirement.

Pursuant to Subsection 73(2) of the PBA, each member affected by the partial wind-up will be offered the following options with respect to the settlement of their entitlement under the Plan:

1. receive the accrued pension at normal retirement date or at an early retirement date with applicable reductions pursuant to the Plan terms; or

2. transfer the commuted value of the accrued pension to a Locked-In Retirement Account, or, if the member is eligible, to a Life Income Fund or a Locked-In Retirement Income Fund; or

3. transfer the commuted value of the accrued pension on a locked-in basis to a life insurance company in order to purchase a life annuity; or

4. transfer the commuted value of the accrued pension on a locked-in basis to another registered pension plan if the administrator of the Plan agrees to such a transfer.

Members included in the partial wind-up who have already elected to commence receipt of their basic pension benefits will be given an option to elect to receive the value of their benefits in a lump sum (adjusted for any pension payments already made) or to continue receiving their pension entitlements in accordance with their original election.

The commuted value of the pension has been calculated in accordance with the applicable recommendations of the Canadian Institute of Actuaries in effect at the date of the member's termination of employment. For members affected by the partial wind-up who terminated before February 1, 2005, the calculations were based on the Recommendations for the Computation of Transfer Values from Registered Pension Plans of the Canadian Institute of Actuaries, September 1993. For members affected by the partial wind-up who terminated on or after February 1, 2005, as well as those members not affected by the partial wind-up, the calculations were based on the Canadian Institute of Actuaries' Standard of Practice for Determining Pension Commuted Values, July 2004.

Locking-in requirements under Section 63 of the PBA have been applied to benefits described in Sections 36, 37 and 74 of the PBA. However, as permitted under Section 50 the PBA, if the annual pension is less than 2% of the Year's Maximum Pensionable Earnings under the Canada Pension Plan in the year of termination ($822 in 2005) the

commuted value of the member's pension will be paid to the member in a cash lump sum, in lieu of the options pursuant to subsection 73(2) of the PBA being offered.
For members who elect to transfer out the commuted value of their entitlement under the Plan, the commuted value will be credited with interest, at the initial rate of interest assumed in determining the commuted value, from the date as of which the commuted value was determined to the first of the month of payment, in compliance with Subsection 24(12) of the Regulations under the PBA.

All employer contributions required in accordance with the actuarial valuation report as at January 1, 2003 to the partial wind-up date have been remitted to the Plan fund.

3

Financial Position of the Plan

Financial Position on a Partial Wind-up Basis

This section sets out the financial position of the Plan on a wind-up basis as at June 30, 2005, in respect of members affected by the partial wind-up. The first step is to determine the portion of the Plan assets as at June 30, 2005 that is allocable to the partial wind-up, in accordance with the Financial Services Commission of Ontario's Policy W100-102 and S900-401. Under the methodology used in this report, the assets allocated to the partial wind-up are determined by multiplying the market value of Plan assets, as at June 30, 2005, by the ratio of the liability for the members affected by the partial wind-up to the wind-up liability for all the Plan members. This is referred to as the "standard method" under Policy W100-102. For purposes of this initial report we have used this standard method, however, for reasons that include the fact that this Plan covers members with service in a number of jurisdictions outside of Ontario, the final methodology to be used to apportion Plan assets in the partial wind-up will be confirmed in the subsequent report filed with the Superintendent dealing with the treatment of any estimated partial wind-up surplus[2].

[2] Policy W100-102 states that "Where a plan covers only members with Ontario employment, FSCO staff will accept, as a matter of practice, the splitting of assets between the wound up portion and the on-going portion of the plan in proportion to the wind up liabilities as of the effective date of wind up" and refers to this as the "standard method". However, the Policy goes on to state that "the splitting of assets on another method may also be accepted if the actuary can confirm that, in his or her opinion, such a split would not result in an asset allocation that is materially different than that under the standard method".

The liability for the members affected by the partial wind-up is based on membership data as at June 30, 2005, as detailed in Appendix F to this report. The liability for the remaining Plan members is based on the membership data as at January 1, 2005, with an adjustment to active members' service and pensionable earnings to reflect benefit accruals between January 1, 2005 and June 30, 2005 and to remove liabilities for those employees whose benefit entitlements were paid out during that period[3]. No other adjustments were made to the membership data as at January 1, 2005.

[3] These include Québec members whose employment was terminated during the integration period and who elected to receive their benefits in a lump sum as well as a number of members whose employment with Canada Life terminated prior to the beginning of the integration period and who elected to transfer the value of their benefits from the Plan between January 1, 2005 and June 30, 2005.

The estimated Plan assets allocated to the partial wind-up as at June 30, 2005 are determined as follows:

Estimated Assets Allocated to Partial Wind-up

	30.06.2005	
Market value of Plan assets	$752,990,000	(A)
Present value of accrued benefits for members affected by the partial wind-up		
▪ active and disabled members	$30,154,000	
▪ deferred pensioners	$84,636,000	
▪ pensioners and survivors	$44,147,000	
▪ DC members	$589,000	
▪ estimated additional liability for members who may elect to receive their benefits in a form of an immediate or deferred annuity	$15,604,000	
	$175,130,000	(B)
Present value of accrued benefits for members not affected by the partial wind-up		
▪ active and disabled members	$77,380,000	
▪ deferred pensioners	$38,174,000	
▪ pensioners and survivors	$173,728,000	
▪ DC members	$1,033,000	
▪ estimated additional liability for members who may elect to receive their benefits in a form of an immediate or deferred annuity	$17,381,000	
	$307,696,000	(C)
Estimated market value of assets allocated pro rata to partial wind-up[4]	$273,124,000	AxB÷(B+C)

[4] For the purposes of this initial report, the allocation of Plan assets between the members affected by the partial wind-up and those not affected by the partial wind-up was done based on the "standard method" under Policy W100-102. As discussed earlier, for reasons that include the fact that this Plan covers members with service in a number of jurisdictions outside of Ontario, the final methodology to be used to apportion Plan assets in the partial wind-up will be confirmed in the subsequent report filed with the Superintendent dealing with the treatment of any estimated partial wind-up surplus. In addition, the surplus amount could change due to a number of other factors, including refinements in membership data used in the calculations.

The estimated financial position of the partial wind-up portion of the Plan, on a wind-up basis, at the Valuation Date, June 30, 2005, is as follows:

Estimated Financial Position — Partial Wind-up Basis

	30.06.2005
Estimated market value of assets allocated pro rata to the partial wind-up[5]	$273,124,000
Estimated partial wind-up expenses	($5,000,000)[6]
Total estimated value of partial wind-up assets	$268,124,000
Present value of accrued benefits for members affected by the partial wind-up	
▪ active and disabled members	$30,154,000
▪ deferred pensioners	$84,636,000
▪ pensioners and survivors	$44,147,000
▪ DC members	$589,000
	$159,526,000
Estimated additional liability for members who may elect to receive their benefits in a form of an immediate or deferred annuity	$15,604,000
Estimated total partial wind-up liabilities	$175,130,000
Estimated Partial Wind-Up Surplus[5]	$92,994,000

The additional liability for members who elect to receive their benefits in a form of an immediate or deferred annuity depends on members' portability elections. This amount will differ from the figure shown in the above table to the extent that the members' portability elections differ from the assumption described in Appendix B or that the cost of providing the annuities is different than assumed.

[5] For the purposes of this initial report, the allocation of Plan assets between the members affected by the partial wind-up and those not affected by the partial wind-up was done based on the "standard method" under Policy W100-102. As discussed earlier, for reasons that include the fact that this Plan covers members with service in a number of jurisdictions outside of Ontario, the final methodology to be used to apportion Plan assets in the partial wind-up will be confirmed in the subsequent report filed with the Superintendent dealing with the treatment of any estimated partial wind-up surplus. In addition, the surplus amount could change due to a number of other factors, including refinements in membership data used in the calculations.

[6] This amount could change substantially depending on what expenses are ultimately charged against the assets allocated to the partial wind-up group.

Sensitivity of Financial Position to Market Conditions

Plan assets continue to be invested in accordance with the Plan's statement of investment policies and procedures. The estimated value of partial wind-up assets may change, perhaps significantly, as a result of investment gains or losses on the Plan assets between the Valuation Date and the date the benefits for the members affected by the partial wind-up are settled. Liability gains or losses could also cause a change in the financial position of the Plan. For example, a change in interest rates would affect the estimated cost of providing pension benefits to those members who ultimately elect to receive their benefit in a form of an immediate or a deferred pension.

As well, the amount of estimated partial wind-up expenses shown in the Plan's financial position has been based on the partial wind-up activities that are expected to take place after the Valuation Date. Actual Partial wind-up expenses could be significantly different than those estimated, which would cause the total estimated value of partial wind-up assets to increase or decrease.

Treatment of Any Estimated Partial Wind-Up Surplus

The treatment of any estimated partial wind-up surplus is unknown as of the date this report was prepared and shall be addressed in a subsequent report.

4

Distribution of Plan Assets

The distribution of benefits and the proposal for dealing with surplus will be addressed in a subsequent report.

5

Actuarial Opinion

Actuarial Opinion with Respect to the Partial Wind-up of The Canada Life Canadian Employees Pension Plan as at June 30, 2005

Registration 0354563

Based on the results of this valuation, we hereby certify that, as at June 30, 2005,

- The liabilities in respect of members affected by the partial wind-up of the Plan amount to $175,130,000 as at June 30, 2005.

- The calculation of the commuted values for the affected members whose employment terminated before February 1, 2005 and who have portability rights was based on the Recommendations for the Computation of Transfer Values for Registered Pension Plans issued by the Canadian Institute of Actuaries, September 1993.

- The calculation of the commuted values for the affected members whose employment terminated on or after February 1, 2005 and who have portability rights was based on the Canadian Institute of Actuaries' Standard of Practice for Determining Pension Commuted Values, July 2004.

- No benefits payable on wind-up, other than the treatment of any potential partial wind-up surplus, were excluded from the calculation of wind-up liabilities.

- The future funding of the continuing portion of the Plan should be in accordance with the actuarial valuation report as at January 1, 2003.

- In our opinion, for the purposes of this valuation:
  - the data on which the valuation is based are sufficient and reliable,
  - the assumptions are appropriate, and
  - the methods employed are appropriate.

- This report has been prepared, and our opinions given, in accordance with accepted actuarial practice. It has also been prepared in accordance with the requirements of the *Ontario Pension Benefits Act* and the *Income Tax Act*, and applicable administrative practices from the Financial Services Commission of Ontario and the Canada Revenue Agency.

Hrvoje Lakota
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries .

March 29/2006
Date

Charly Pazdor
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

29 March 2006
Date

Appendix A

Plan Assets

Sources of Plan Asset Data

The pension fund is subject to a trust and is invested in accordance with the investment policy by Capital Guardian, Jarislowsky Fraser and Laketon.

We have relied upon the auditors' reports prepared by Deloitte & Touche, for the period from January 1, 2003 to January 1, 2005, and the fund statements prepared by The Canada Life Assurance Company for the period from January 1, 2005 to June 30, 2005.

We have also relied on information provided to us by The Canada Life Assurance Company regarding the defined contribution account balances for those members of the plan who accrued defined contribution benefits during 1999.

Reconciliation of Plan Assets

The pension fund transactions for the period from January 1, 2003 to June 30, 2005 are summarised as follows:

Reconciliation of Plan Assets (Market Value)

	2003	2004	2005 (6 months)
January 1	$591,768,000[7]	$654,700,000	$709,176,000
PLUS			
Members' contributions	$5,078,000	$3,433,000	$1,256,000
Company's contributions	$0	$0	$0
Investment income	$19,410,000	$19,206,000	$11,387,000
Net capital gains (losses)	$60,548,000	$51,784,000	$40,264,000
	$85,036,000	$74,423,000	$52,907,000
LESS			
Pensions paid	$13,707,000	$15,433,000	$8,286,000
Lump-sum refunds	$5,549,000	$1,200,000	$957,000
Administration fees[8]	$2,848,000	$3,314,000	$1,471,000
	$22,104,000	$19,947,000	$10,714,000
December 31	$654,700,000	$709,176,000	$751,369,000[9]

In addition, there are $1,621,000 in defined contribution account balances for members who accrued benefits under the defined contribution provision of the Plan during 1999. The resulting market value at June 30, 2005 is $752,990,000.

[7] This amount is based on the information shown in the audited financial statements and is different from the amount shown in the January 1, 2003 valuation report (which was based on un-audited statements for the fund). The key difference in the amounts is attributable to a pending transfer of $5,967,000 to Meloche Monnex .

[8] These amounts represent accrued expenses in respect of past periods which have not yet been reimbursed from the Plan fund.

[9] As at June 30, 2005.

We have tested the pensions paid, the lump-sum refunds and the contributions for consistency with the membership data for the Plan members who have received benefits or made contributions. The results of these tests were satisfactory.

Appendix B

Actuarial Methods and Assumptions

Actuarial Valuation Methods

Valuation of Assets

For the purposes of this report, we have valued the Plan assets at market.

Valuation of Actuarial Liabilities

For the purpose of this report, no benefits payable on wind-up were excluded from the calculation of wind-up liabilities.

For the purposes of this report, the employment of active members not included in the partial wind-up as well as those employees included in the partial wind-up who were still actively accruing service on June 30, 2005 was assumed to have terminated on June 30, 2005.

We have considered that members under the earliest retirement age specified in the Plan would be entitled to a deferred pension payable from their normal retirement date or such earlier age for which Plan eligibility requirements have been satisfied at their employment termination date. Members over the earliest retirement age specified in the Plan are considered to be entitled to an immediate pension, reduced in accordance with the Plan rules. We have also considered that any Ontario and Nova Scotia[10] members whose age plus years of service equal at least 55 at their employment termination date would be entitled to a deferred pension payable from the age that would produce the greatest value if employment were to have continued for the purpose of determining eligibility for early retirement benefits. For each individual Plan member, accumulated employee contributions with interest plus 50% of the present value of the pension are established as a minimum actuarial liability.

[10] Subject to changes made to Nova Scotia pension legislation effective December 9, 2004

Benefits are going to be settled pursuant to affected member elections that will be made in accordance with Subsection 73(2) of the PBA or such similar rules in other provinces.

The value of benefits accrued on June 30, 2005 for active, disabled, and partial wind-up members was calculated based on the assumptions prescribed for the calculation of commuted values from registered pension plans at the date of the member's termination of employment. For greater certainty:

- For partial wind-up members who terminated employment prior to February 1, 2005, the calculations were done based on the recommendations of the Canadian Institute of Actuaries applicable on the member's date of termination of employment.
- For other partial wind-up members, as well as active and disabled members not included in the partial wind-up, the calculations were done based on the Canadian Institute of Actuaries Standard of Practice for Determining Pension Commuted Values applicable on the earlier of June 30, 2005 and the date of the member's termination of employment, if applicable.

For active, disabled, and partial wind-up members eligible to retire with an immediate pension on June 30, 2005, the financial position at June 30, 2005 includes an estimate of the additional liability that would arise if these members elected to receive their benefits in the form of an immediate or a deferred pension, rather than through a lump sum transfer. For the purposes of this estimate, the additional liability was determined based on an estimated cost of settlement of these benefits through purchase of annuities.

The value of benefits for deferred vested and retired members not included in the partial wind-up was determined based on an estimate of the cost of settlement through purchase of annuities.

For partial wind-up members who have been notified that their employment will be terminated as part of the integration but who are still accruing service at June 30, 2005, liabilities and benefits shown in this report are calculated based on final average earnings and credited service as at June 30, 2005. The ultimate benefit these members receive will depend on their service and final average earnings as at their eventual date of termination from the Plan as well as the assumptions prescribed for calculation of commuted values at that time.

Actuarial Assumptions

The actuarial assumptions used in our calculations are summarised in the following table:

Actuarial Assumptions

Benefits assumed to be settled through lump sum transfer	
▪ Nominal interest rate	Retained members: 4.50% per year for the first 10 years following June 30, 2005, 5.50% per year thereafter Partial wind-up members: in accordance with CIA recommendations at member's date of termination
▪ Inflation	Retained members: 2.22% per year for the first 10 years following June 30, 2005, 2.86% per year thereafter Partial wind-up members: in accordance with CIA recommendations at member's date of termination
▪ Mortality rate	Retained members: UP94 projected to 2015 (50% male) Partial wind-up members: in accordance with CIA recommendations at member's date of termination (i.e. GAM83 (50% male) for terminations occurring before February 1, 2005, and UP94 projected to 2015 (50% male) for terminations occurring after January.31, 2005)
▪ Post retirement indexing	In determining the amount of post retirement indexing included in the calculation of commuted values we have reflected the indexing formula specified in the Canada Life pension plan which limits the amount of post retirement increases to the lesser of inflation and the average fund rate of return less 4%.
Benefits assumed to be settled through annuity purchase	
▪ Nominal interest rate	4.65% per year
▪ Mortality rate	UP94 projected to 2015 (sex distinct)
▪ Inflation	2.50% per year
▪ Post retirement indexing	We have assumed that the life insurance company would price the annuities as if they were fully indexed for inflation
Final average earnings:	Based on actual pensionable earnings over the averaging period
Family composition:	80% of currently single and 100% of currently married Members will have a spouse on the earlier of death or retirement. Where available, we have used the actual difference between the age of the member and the spouse. Otherwise, we have assumed that the male partner will be three years older than the female partner.
Wind-up expenses:	$5,000,000

The provision for partial wind-up expenses was based on an estimate of administrative, communications, actuarial, legal and other fees related to the partial wind-up that was provided to us by the Company.

Appendix C

Membership Data

Analysis of Membership Data

We have used the membership data as at June 30, 2005, provided by the Company for members affected by the partial Plan wind-up. For members not affected by the partial Plan wind-up, the membership data has been extrapolated from the data provided to us by the Company as at January 1, 2005.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation in respect of members affected by the partial wind-up. These tests were applied to basic information (date of birth, date of hire, date of membership, sex, etc.), pensionable earnings, credited service, contributions accumulated with interest. The results of these tests were satisfactory for the purpose of this valuation.

Notwithstanding the data review outlined above, as is the case for any plan, new information may come to light about membership data especially for the inactive members of the ongoing group. At this point, we are not in a position to comment about how these issues may affect the Plan liabilities; however as, and when, these issues get resolved, there is a possibility that figures shown in this report will change.

Affected members will receive a statement of entitlements and option forms, in accordance with Section 72 of the PBA or similar requirements in other jurisdictions, based on the data used herein and as detailed in Appendix F of this report. The statement of entitlements and option forms contains a certification that must be signed by the member regarding the accuracy of their membership data and spouse's date of birth, if any. To the extent that membership data is corrected through this process, it is intended that member's entitlement be recalculated as of the date of the partial Plan wind-up.

Plan membership data is summarised below. For comparison, we have also summarised corresponding data from the previous valuation.

Membership Data

	30.06.2005	01.01.2003
Members affected by Partial Wind-Up		
Number	2,149	0
Average final average earnings	$65,550	$0
Average years of pensionable service	7.6 years	0.0 years
Total annual accrued pension	$17,859,450	$0
Average annual accrued pension	$8,311	$0
Average age	41.9	0.0
Accumulated contributions with interest	$50,120,770	$0
Remaining Active Members		
Number	1,663	3,662
Average final average earnings	$51,034	$54,082
Average years of pensionable service	6.5 years	5.6 years
Total annual accrued pension	$9,783,375	$19,352,770
Average annual accrued pension	$5,883	$5,342
Average age	41.8	39.5
Accumulated contributions with interest	$21,105,236	$54,660,674
Deferred Pensioners		
Number	696	772
Total annual pension	$3,767,264	$4,793,399
Average annual pension	$5,413	$6,209
Average age	46.7	45.0
Pensioners and Survivors		
Number	848	851
Total annual lifetime pension	$14,319,683	$14,197,421
Average annual lifetime pension	$16,886	$16,683
Average age	75.2	74.4

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

Reconciliation of Plan Membership

	Active and Disabled[11]	Deferred Vested	Pensioners and Beneficiaries	Partial Wind-up	Total
Total at 01.01.2003	**3,662**	**772**	**851**	**0**	**5,285**
New entrants	372				372
Rehired	1	(1)			
Terminations:					
▪ not vested	(70)				(70)
▪ transfers/refunds	(79)	(109)			(188)
▪ deferred pensions	(75)	75			
▪ partial wind-up	(2,142)			2,142	
Deaths	(7)		(63)	7	(63)
Retirements	(6)	(43)	49		
Data Corrections	7	2	11		20
Total at 06.30.2005	**1,663**	**696**	**848**	**2,149**	**5,356**

[11] Note: the number of disabled members has decreased from 127 at 1.1.2003 to 113 at 6.30.2005.

The distribution of the active members not affected by the partial wind-up by age and pensionable service as at June 30, 2005, is summarised as follows:

Distribution of Active Members Not Affected by the Partial Wind-up by Age Group and Pensionable Service as at 06.30.2005

	Years of Pensionable Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
Under 20								
20 - 24	6							6
25 - 29	148	25						173
30 - 34	219	93	4	1				317
35 - 39	164	87	33	1				285
40 - 44	120	114	39	14				287
45 - 49	83	84	23	24	14			228
50 - 54	51	70	17	13	13	10		174
55 - 59	31	55	15	10	7	6	5	129
60 - 64	17	18	8	7	3	1	4	58
65 +	1	1	3	1				6
Total	**840**	**547**	**142**	**71**	**37**	**17**	**9**	**1,663**

The distribution of members affected by the partial wind-up by age and pensionable service as at June 30, 2005, is summarised as follows:

Distribution of Members Affected by the Partial Wind-up by Age Group and Pensionable Service as at 06.30.2005

	Years of Pensionable Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
Under 20								
20 - 24	14							14
25 - 29	172	8						180
30 - 34	302	78	4					384
35 - 39	248	107	69	1				425
40 - 44	163	95	87	51	1			397
45 - 49	123	70	34	29	45	1		302
50 - 54	75	38	24	28	20	27	1	213
55 - 59	36	25	11	18	8	25	27	150
60 - 64	14	12	10	6	2	7	16	67
65 +	4	4		2	3	1	3	17
Total	**1,151**	**437**	**239**	**135**	**79**	**61**	**47**	**2,149**

Detailed information for these members is also summarized in the enclosed Appendix F.

The distribution of the inactive members not affected by the partial wind-up by age as at June 30, 2005, is summarised as follows:

Distribution of Inactive Members Not Affected by the Partial Wind-up By Age Group as at 06.30.2005

	Deferred Pensioners		Pensioners and Survivors	
Age	**Number**	**Average Pension**	**Number**	**Average Pension**
Under 30	12	$1,345		
30 – 34	60	$2,316		
35 – 39	97	$2,918	1	*
40 – 44	137	$4,043		
45 - 49	153	$5,415		
50 - 54	113	$7,768	1	*
55 - 59	63	$9,024	36	$18,879
60 - 64	38	$9,687	108	$16,437
65 - 69	15	$4,147	141	$18,559
70 - 74	7	$5,968	134	$18,503
75 - 79	1	*	146	$17,482
80 - 84			143	$13,948
85 - 89			84	$16,434
90 - 94			33	$11,883
95 - 99			17	$16,146
100 +			4	$42,517
Total	**696**	**$5,413**	**848**	**$16,886**

* For confidentiality reasons, average pensions are not shown for age groups with less than 2 members.

Appendix D

Summary of Plan Provisions

Introduction

The Canada Life Assurance Company Trusteed Canadian Staff Pension Fund (1965) was established on December 31, 1964. The Canada Life Assurance Company Trusteed Canadian Staff Pension Fund (1958) and The Canada Life Assurance Company Trusteed Canadian Agents Fund were merged into this Plan effective January 1, 1997 and the combined plan was renamed the Canada Life Canadian Employees Pension Plan.

This valuation is based on the Plan provisions in effect on June 30, 2005 as filed with the Superintendent as of the date this report was prepared. The following is a summary of the Plan's main provisions in effect on June 30, 2005. It is not intended as a complete description of the Plan.

Eligibility for Membership

Each person hired by the Company as a staff employee on a full-time or a permanent part-time basis is eligible, but not required, to join the Plan upon date of hire. Each such person is required to join the Plan upon the later of attaining age 25 and the completion of two years of continuous service.

Each person who is hired by the Company as a Field Management employee is required to join the Plan upon date of hire.

An employee who is employed by the Company on a temporary basis is eligible, but not required, to join the Plan following two years of continuous service provided that, in the two consecutive years, the employee has:

- earned at least 35% of the YMPE; or
- worked at least 700 hours for the Employer.

The YMPE, or Year's Maximum Pensionable Earnings, refers to the maximum annual amount of earnings upon which an employee and an employer contribute to the Canada/Québec Pension Plan (C/QPP).

Contributions

Each Staff Member or Field Management Member is required to contribute 2.5% of the member's pensionable earnings up to an annual maximum contribution of $2,500. Employees who have accrued 35 years of credited service are not required to make any additional contributions into the Plan.

Retirement Dates

Normal Retirement Date

The normal retirement date for Staff Members is the last day of the month in which the member attains age 65. The normal retirement date for Field Management Members is the last day of the month in which the member attains age 60.

Early Retirement Date

If a Staff Member has been in the Plan for at least two years, the member may choose to retire as early as age 55. If a Field Management Member has been in the Plan for at least two years, the member may choose to retire as early as age 50.

Postponed Retirement

An active member may postpone retirement beyond the normal retirement date; however, in accordance with the Income Tax Act, all members must commence their pension prior to the end of the year in which they attain age 69.

Retirement Benefits

Normal Retirement Benefit (Staff Members)

The retirement income benefit payable at the normal retirement date to Staff Members is equal to the sum of:

- 1.6% of the member's highest 3-year average earnings up to final average YMPE; and
- 2.0% of the member's highest 3-year average earnings in excess of final average YMPE

multiplied by the member's Staff pensionable service, capped at 35 years.

The highest 3-year average earnings are defined as the greater of:

- the annual average of the Member's pensionable earnings in the final 36-month period up to the Member's termination of employment, retirement, or death; and,
- the annual average of the Member's pensionable earnings in any three consecutive calendar years in the last fifteen calendar years.

The Final Average YMPE is defined as the average of the YMPE in the year in which the Member or Field Management Member terminates employment with Canada Life, retires, or dies and the YMPE in each of the two immediately preceding calendar years.

Normal Retirement Benefit (Field Management Members)

The retirement benefits payable at the normal retirement date to Field Management members is equal to the sum of the following four components:

Post-1988 Field Management Benefit	For each year of Field Management pensionable service on or after January 1, 1988 (up to a maximum of 35 years of service), the member will receive a pension equal to the sum of: ▪ 1.5% of the member's highest 5-year average earnings up to the final average YMPE; and, ▪ 2.0% of the member's highest 5-year average earnings in excess of the final average YMPE.
Annuity Purchase Benefit	The Annuity Purchase Benefit provides an annual pension payable to the Field Management member, with the amount of the pension based on the employee contributions and (notional) company grants that are accumulated with interest until the member's retirement, death, or termination and are converted to a pension based on a factor specified in the Plan text. The Annuity Purchase Benefit is equal to the sum of the member's: ▪ earnings-related required contributions and company grants (made prior to December 31, 1987), with interest, multiplied by the applicable factor from Table A; and ▪ commission-related required contributions and notional company grants, with interest, multiplied by the applicable factor from Table B.
Commission Earnings Benefit	The Commission Earnings Benefit provides an annual pension payable to the Field Management member, with the amount of the pension calculated based on the member's indexed commission earnings multiplied by the applicable factor from Table C.
Designated Appointee Benefit	The Designated Appointee Benefit provides an annual pension payable to the Field Management member, with the amount of the annual pension equal to 0.5% of the member's final 10-year earnings multiplied by the Field Management member's designated appointee pensionable service.

Tables A, B, and C referred to in the above Plan description are shown on the following page.

Retirement Age	Table A	Table B	Table C
50	.0602	.598	.0048
51	.0614	.0610	.0052
52	.0626	.0623	.0056
53	.0638	.0637	.0060
54	.0656	.0651	.0064
55	.0674	.0666	.0069
56	.0686	.0681	.0074
57	.0704	.0697	.0080
58	.0722	.0712	.0087
59	.0740	.0729	.0094
60	.0758	.0747	.0100
61	.0770	.0765	.0107
62	.0782	.0783	.0114
63	.0800	.0802	.0121
64	.0818	.0821	.0129
65	.0835	.0841	.0139
66	.0859	.0862	.0147
67	.0877	.0882	.0154
68	.0895	.0903	.0163
69	.0919	.0924	.0173

Early Retirement Pension (Staff Members)

If a member retires early, the member will be entitled to a pension that is calculated the same way as for a normal retirement. The pension payable however, will be reduced as follows:

Early Retirement Reduction for Staff Members

If member has:	Early retirement reduction:
Age 60 with more than 30 years of pensionable service	No reduction for early retirement
Age 60 with less than 30 years of pensionable service	The member's normal retirement date pension will be reduced by 0.4% multiplied by the lesser of: ▪ The number of months by which the pension commencement date precedes the member's normal retirement date; and ▪ The number of months by which the member's pensionable service is less than 30 years.
Under age 60 with more than 30 years of pensionable service	The member's normal retirement date pension will be reduced by 0.4% for each month by which the pension commencement date precedes the member's attainment of age 60.
Under age 60 and less than 30 years of pensionable service	The member's normal retirement date pension will be reduced by 0.4% multiplied by: ▪ the number of months by which the pension commencement date precedes the member's normal retirement date; minus ▪ the number of months by which the member's pensionable service exceeds 25 years.

If the member attained age 50 and completed at least 20 years of pensionable service as of January 1, 1997, reduction of the member's pension shall not exceed 0.4% multiplied by the lesser of the number of months by which the pension commencement date precedes the member's normal retirement date; and the number of months by which the pension commencement date precedes the date at which the member would have attained age 60 and completed at least 30 years of pensionable service.

If a member has both Staff service and Field Management service, the member can elect to commence the Staff portion of his pension as early as age 50; however the amount of the Staff pension will be reduced so that the amount of pension is actuarial equivalent of the pension otherwise payable at age 55.

Early Retirement Pension (Field Management Members)

If a member retires early, the member will be entitled to a pension that is calculated the same way as for a normal retirement. The pension payable however, will be reduced as follows:

Early Retirement Reduction for Field Management Members

Post-1988 Field Management Benefit	The normal retirement date pension will be reduced by 0.4% for each month by which the member's pension commencement date precedes the member's normal retirement date.
Annuity Purchase Benefit	The annual pension is calculated by multiplying the member's accumulated contributions and grants by a factor from Table A or Table B, as appropriate.
Commission Earnings Benefit	The annual pension is calculated by multiplying the member's indexed commission earnings by a factor from Table C.
Designated Appointee Benefit	The normal retirement date pension will be reduced by 0.6% for each month by which the member's pension commencement date precedes the member's normal retirement date.

Postponed Retirement Pension

A member who continues to be an active employee of Canada Life may elect to postpone retirement. In that case, the member would continue to accrue service (up to his or her 69th birthday).

For Staff Members, the pension shall not be less than the actuarial equivalent of the pension accrued by the member as of his normal retirement date, increased by the amount by which the pension would have been indexed.

For Field Management Members, the pension will be determined as follows:

Postponed Pension Benefits for Field Management Members

Post-1988 Field Management Benefit	The pension shall not be less than the actuarial equivalent of the pension accrued by the member as of his normal retirement date, increased by the amount by which the pension would have been indexed.
Annuity Purchase Benefit	The Annuity Purchase Benefit provides an annual pension payable to the Field Management member, with the amount of the pension based on the employee contributions and (notional) company grants that are accumulated with interest until the member's retirement, death, or termination and are converted to a pension based on a factor specified in the Plan text. The accumulated contributions and grants are multiplied by the factor from Table A or Table B, as applicable.
Commission Earnings Benefit	The Commission Earnings Benefit is based on the member's indexed commission earnings multiplied by the applicable factor from Table C.
Designated Appointee Benefit	The Designated Appointee Benefit will be equal to the amount accrued by the member as of his normal retirement date.

Maximum Pension

The total annual pension payable from the Plan upon retirement, death or termination of employment cannot exceed the lesser of:

- 2% of the average of the best three consecutive years of total compensation paid to the member by the Company, multiplied by total credited service; and
- the greater of $1722.22 and the applicable maximum pension limit as specified in the Income Tax Act, Canada, multiplied by the member's total credited service.

Survivor Benefits

Death Before Retirement

If a Staff Member dies before the pension commencement date, the member's spouse will receive an immediate pension equal to 60% of the pension accrued by the member at his death, with a guarantee of at least 120 monthly payments. Alternatively, the spouse may elect a deferred pension or a lump sum settlement equal to the value of the immediate pension. If the member has no spouse, the member's beneficiary will receive a lump sum equal to the present value of 120 monthly payments of 60% of the normal retirement date pension accrued by the member up to his death. In either situation, the death benefit payable to the member's beneficiary will be at least equal to the commuted value of the member's benefits.

If a Field Management member dies before his pension commencement date, death benefits shall be equal to the sum of the following:

Pre-Retirement Death Benefits for Field Management Members

Post-1988 Field Management Benefit	An immediate pension equal to 60% of the Post-1988 Field Management pension benefits accrued by the member up to his death, with a guarantee of at least 120 monthly payments. Alternatively, the spouse may elect a deferred pension or a lump sum settlement equal to the value of the immediate pension. If the member has no spouse, the member's beneficiary will receive a lump sum settlement equal to the commuted value of 60% of the pension accrued by the member at his death, as would have been payable to the member at the member's normal retirement date, with a guarantee of at least 120 monthly payments.
Annuity Purchase Benefit	The member's spouse, or beneficiary if there is no spouse, will receive a benefit equal to value of the member's earnings related company grants with interest, earnings related required contributions with interest, commission related notional company grants with interest; and, commission related required contributions with interest.
Commission Earnings Benefit	A lump sum equal to the value of the Commission Earnings Benefit that the member would have been entitled to at his normal retirement date. If the member has a spouse, the spouse may elect an immediate unreduced annuity or a deferred annuity of equal value.
Designated Appointee Benefit	A lump sum equal to the value of the Designated Appointee Benefit that the member would have been entitled to at his normal retirement date. If the member has a spouse, the spouse may elect an immediate unreduced annuity or a deferred annuity of equal value.

Death After Retirement

The normal form of payment for the Staff Member's benefit and for the Field Management benefit for pensionable service on and after January 1, 1988 is as follows:

- For a member with a spouse the normal form of payment is a joint and survivor 60% pension, with 60 monthly payments of 60% of the member's pension guaranteed.

- For a member without a spouse, the normal form of payment is a lifetime pension, with 120 monthly payments of 60% of the member's pension guaranteed.

The normal form of payment for the Field Management member's Designated Appointee, Commission Earnings, and Annuity Purchase Benefits is a lifetime pension, with 120 monthly payments of 100% of the member's pension guaranteed.

For all benefits the member may elect to receive an optional form of pension on an actuarial equivalent basis.

Termination Benefits

If a member's employment terminates for reasons other than death or retirement, the benefits payable from the Plan will depend on the member's length of Plan membership, as follows:

Benefits in the Event of Termination of Employment

If member has:	The Plan will pay:
Less than two years of membership	A refund of the member's contributions with interest.
At least two years of membership	A deferred lifetime pension based on the member's earnings, contributions and credited service up to the date of termination.

Deferred pensions are payable commencing at the applicable normal retirement date; however, a member may elect to commence receipt of pension early subject to early retirement reduction factors described in the above sections Early Retirement Pension (Staff Members) and Early Retirement Pension (Field Management Members).
If a member is entitled to a deferred pension, the member may also transfer the commuted value of that pension into another retirement vehicle in accordance with the applicable federal and provincial legislation.

Pension Indexing

The annual pensions payable to Members and Field Management Members hired by Canada Life prior to January 1, 2001, and their respective spouses and beneficiaries shall be increased each January 1 following the member's retirement date. The amount of the pension increase will be equal to (a) minus (b) where:

(a) is the Member's or Field Management Member's annual pension at his or her pension commencement date multiplied by the lesser of:

(i) the cumulative return based on the excess of the Current Year Rate for Indexing over 4% for each year measured from the Member's or Field Management Member's pension commencement date to January 1 of the year; and,

(ii) the cumulative Consumer Price Index Rate measured from the Member's or Field Management Member's pension commencement date to January 1 of the Plan year; and,

(b) is the Member's or Field Management Member's annual pension as at December 31 of the previous Plan year.

In no event shall the adjustment on any January 1 decrease the Member's or Field Management Member's pension below the amount of the annual pension payable on December 31 of the immediately preceding year.

The first increase for a Field Management Member will not take place until January 1 following the Field Management Member's attainment of age 60.

Effective January 1, 2003, the Current Year Rate for Indexing means the average of the fund rates of return over the first 15 of the preceding 16 Plan years. Between January 1, 2001 and January 1, 2003, the Current Year Rate for Indexing meant the average of the fund rates of return over the first 5 of the preceding 6 Plan years. Prior to January 1, 2001, the Current Year Rate for Indexing meant the rate earned by the Company on its life insurance and annuity funds during the preceding calendar year, excluding the affect of the Company's investment in its subsidiaries.

Note that some Field Management Members hired before January 1, 2001 elected to receive some or all of their pension in a non-indexed form when they retired.

Pension benefits for members hired after December 31, 2000 may be increased, from time to time, at the discretion of the Company in accordance with such method as the Company may in its discretion adopt effective any January 1.

Appendix E

Employer Certification

With respect to the report on the partial wind-up of the Canada Life Canadian Employees Pension Plan, as at June 30, 2005, I hereby certify that, to the best of my knowledge and belief:

- a copy of the official Plan documents and of all amendments made effective to June 30, 2005, were provided to the actuary;
- the membership data provided to the actuary include a complete and accurate description of every person, of whom we are aware, who is entitled to benefits under the terms of the Plan for service up to June 30, 2005,
- all events subsequent to June 30, 2005 that may have an impact on the results of the valuation have been communicated to the actuary, and
- all Company contributions required to be made to the Plan up to June 30, 2005 have been made in accordance with the most recent actuarial valuation report and interim actuarial opinion filed with the Financial Services Commission of Ontario.

March 30, 2006
Date

Signed

W. B. ROBINSON
Name

Appendix F

Private and Confidential
Schedule of Individual Affected Member Entitlements

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MERCER
Human Resource Consulting

Mercer Human Resource Consulting Limited
161 Bay Street, PO Box 501
Toronto, Ontario
Canada M5J 2S5
416 868 2000

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EXHIBIT "B"

Canada Life

Wallace (Wally) B. Robinson
Assistant Vice-President, Pension Benefits, Human Resources
Canada Life Assurance Company
255 Dufferin Avenue, London, Ontario N6A 4K1
Telephone (519) 435-7320, Fax (519) 435-7330
E-mail wally.robinson@londonlife.com

October 8, 2010

Registration # 0354563

Ms Penny McIlraith
Pension Officer
Financial Services Commission of Ontario
5160 Yonge Street
Toronto, ON M2N 6L9

Dear Ms McIlraith

Subject: Partial Wind-Up of the Canada Life Canadian Employees Pension Plan (registration # 0354563) effective June 30, 2005

Dear Ms McIlraith:

On behalf of the Canada Life Assurance Company ("Canada Life"), and further to the Report on the Partial Plan Wind-Up of the Canada Life Canadian Employees Pension Plan as at June 30, 2005 ("Partial Wind-Up Report") which was filed with the Superintendent of Financial Services in March of 2006, we wish to request that the Superintendent approve the Partial Wind-Up Report, insofar as it relates to the payment of basic benefits to affected Plan members.[1]

As was noted in the Partial Wind-Up Report, the treatment of any estimated partial wind-up surplus will be dealt with in a subsequent report filed with the Superintendent. In that regard, we refer to the Report on the Actuarial Valuation for Funding Purposes as at December 31, 2008, which was filed with the Superintendent in September 2009. As noted in that report as at the end of 2008, there continued to be a substantial amount of surplus in the Plan attributable to the 2005 partial wind-up.

Distribution of Plan Assets

Subject to the Superintendent's approval of the Partial Wind-Up Report insofar as it relates to the payment of basic benefits, Canada Life will proceed with the distribution of basic benefits as follows:

[1] For the purpose of this letter, the term "basic benefits" refers to all benefits that the affected members are entitled to under the terms of the Canada Life Canadian Employees Pension Plan, including grow-in benefits where provided for by provincial pension benefits legislation, but excluding any potential surplus that may arise from the partial plan wind-up.

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1. Within 60 days following the later of (a) the receipt of written approval referred to above from the Superintendent and (b) the member's date of termination of employment and cessation of service accruals, Canada Life will notify each affected member of his or her benefit entitlements and settlement options[2]. Each affected member will then have 90 days to make his or her choice; otherwise the member will be deemed to elect a deferred annuity, or, if eligible, an immediate annuity.

2. Within 60 days of receiving the affected members' elections, Canada Life will direct the funding agent to make payments, as required, out of the pension fund in accordance with employees' choices and deemed choices.

3. Following the receipt of written approvals and members' elections described above, Canada Life will purchase annuities for those individuals who elect to receive an immediate or deferred pension pursuant to Subsection 73(2) of the *Ontario Pension Benefits Act* (PBA), or are deemed to have so elected pursuant to subsection 72(2) of the PBA.

The proposed distribution of assets outlined above is pursuant to the *Ontario Pension Benefits Act* and similar legislative requirements in other relevant jurisdictions.

Sincerely,

W. B. Robinson
Assistant Vice-President, Pension Benefits

[2] Specific settlement options were described in Section 2 of the Partial Wind-Up Report.

Financial Services Commission of Ontario

Pension Plans Branch

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Direction des régimes de retraite

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Ontario

October 27, 2010

Registration Number: 0354563

Wallace B. Robinson
Assistant VP, Pension Benefits
Canada Life
255 Dufferin Avenue
London ON N6A 4K1

Dear Mr. Robinson:

Re: The Canada Life Canadian Employees Pension Plan

Thank you for your letter of October 8, 2010. Pursuant to section 70(3) of the Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA), the following requests are hereby approved:

1. To commence monthly pension payments from the pension fund to those members and former members of this plan who are eligible for, and who elect to receive, an immediate pension.

2. To settle the benefits of members of the above plan who are eligible for immediate retirement and who elect a settlement to provide an immediate source of income; the settlement of these benefits may be effected through the purchase of annuities and the commencement of payments thereunder, or through the transfer of entitlements to a Life Income Fund or a Locked-In Retirement Fund; this approval is based on your advice that all contributions have been remitted to the effective date of the wind up and that the plan is fully funded.

3. To settle the benefits of members of the above plan who have elected to transfer the value of their entitlement out of the fund in accordance with section 42 of the PBA; this approval is based on your advice that all contributions have been remitted to the effective date of the wind up and that the plan is fully funded.

Should you have any questions or concerns, you may contact me directly at (416) 590-7157. Please refer to the registration number shown at the top right-hand corner of this letter.

Yours truly,

Ben Jagnarine
Pension Officer
by Delegated Authority from
the Superintendent of Financial Services

BJ

Copy: Sandy Overholt, Canada Life

Canada Life

Wallace (Wally) B. Robinson
Assistant Vice-President, Pension Benefits, Human Resources
Canada Life Assurance Company
255 Dufferin Avenue, London, Ontario N6A 4K1
Telephone (519) 435-7320, Fax (519) 435-7330
E-mail wally.robinson@londonlife.com

November 4, 2010

Registration # 0354563

Mr. Ben Jagnarine
Pension Officer
Financial Services Commission of Ontario
5160 Yonge Street Suite 1600
Toronto ON M2N 6L9

Dear Mr. Jagnarine

Re: The Canada Life Canadian Employees Pension Plan (the Plan)
Your Letter of October 27, 2010

Thank you for your letter of October 27 approving the settlement of basic benefits for members included in the June 30, 2005 partial wind-up of the Plan.

In my letter of October 8, I requested the Superintendent's approval of the Partial Wind-Up Report, insofar as it relates to the settlement of these basic benefits. Canada Life wishes to ensure that the assumptions and methodology related to basic benefit calculations, as as set out in the Partial Wind-Up Report, are acceptable to the Superintendent before it proceeds with the payment of basic benefits. Therefore, we would appreciate it if you could confirm that the Superintendent has approved the Partial Wind-up Report, subject to the completion of the partial wind-up surplus distribution under the proposed class action settlement.

If the Report has not yet been approved in respect of the settlement of basic benefits, I would appreciate receiving an indication of when such approval may be expected.

Thank you in advance for your consideration.

Sincerely

W.B. Robinson

Financial Services Commission of Ontario

Pension Plans Branch

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Ontario

November 24, 2010

Registration Number: 0354563

Wallace B. Robinson
Assistant VP, Pension Benefits
Canada Life
255 Dufferin Avenue
London ON N6A 4K1

Dear Mr. Robinson:

Re: The Canada Life Canadian Employees Pension Plan

This is in response to your letter of November 4, 2010 requesting an update on the status of the partial wind up of the above pension plan effective June 30, 2005.

Please be advised that the wind-up report and other documents are currently under review and an update will be provided in the near future.

Until such time, please note that our October 27, 2010 approval is for basic benefit payments only.

Should you have any questions or concerns, you may contact me directly at (416) 590-7157. Please refer to the registration number shown at the top right-hand corner of this letter.

Yours truly,

Ben Jagnarine
Pension Officer

BJ

Copy: Sandy Overholt, Canada Life

Canada Life

Wallace (Wally) B. Robinson
Assistant Vice-President, Pension Benefits, Human Resources
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E-mail wally.robinson@londonlife.com

November 30, 2010

Registration # 0354563

Mr. Ben Jagnarine
Pension Officer
Financial Services Commission of Ontario
5160 Yonge Street Suite 1600
Toronto ON M2N 6L9

Dear Mr. Jagnarine

Re: The Canada Life Canadian Employees Pension Plan (the Plan)
Your Letter of November 24, 2010

I thought I would take a few minutes to document our telephone conversation of November 29th.

I gave you a quick overview of the situation with respect to this pension plan; in particular, some details about the class action suit that was initiated in 2005. Until the court action is resolved, we will not be seeking approval for the distribution of surplus. Nor will we be declaring partial wind-ups for the three potential partial wind-ups that would precede the 2005 partial wind-up. However, at this time, we would like to proceed with producing the termination packages for all the partial wind-up members and giving them the option to transfer the value of their pension out of the plan. But before we do that, we would like the Superintendent's approval of the assumptions and methodology used to calculate the commuted values.

You indicated you are in the process of reviewing the assumptions and methodology proposed in the Partial Wind-Up Report as at June 30, 2005. During your review, if you have any questions or concerns, you will deal directly with Mercer to resolve them.

Once you confirm to us that the Superintendent has approved the assumptions and methodology, we will then produce the termination packages for all partial wind-up members. For those who elect the transfer options, we will transfer the funds as requested. For those who elect or are deemed to elect the immediate or deferred pension option, we will purchase annuities.

We are paying monthly pensions to those partial wind-up members who are eligible to retire and have elected to do so (we received permission to do so in a letter from FSCO dated September 4, 2003). The termination package will give these pensioners the option of continuing to receive the monthly pension as well as the option of deferring the pension or of transferring the value of their pension out of the pension plan to their own locked-in retirement vehicle.

I trust this summary reflects your understanding of our telephone conversation. If you have any questions/comments, please do not hesitate to contact me.

Yours truly

W.B. Robinson

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of Ontario

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April 14, 2011

Registration Number: 0354563

Joseph Tang
Principal
Mercer (Canada) Limited
161 Bay Street
PO Box 501
Toronto ON M5J 2S5

Dear Dear Mr. Tang:

Re: The Canada Life Canadian Employees Pension Plan

We have reviewed the wind-up report and other documents submitted by you in respect of the partial wind up of the above pension plan effective June 30, 2005. Based on this review, the proposals set out in the report for the distribution of pension benefit entitlements are acceptable for the purposes of the Pension Benefits Act, R.S.O. 1990, c. P.89 (PBA). Pursuant to my authority under section 70(3) of the PBA, with the exception of the surplus assets, the distribution of the assets related to the partial wind up in accordance with the report is hereby authorized. Any proposals with respect to the distribution of the surplus assets related to the partial wind up will be dealt with separately. When the proposals for the distribution of the surplus assets are found to be acceptable, we shall proceed with the approval of the wind-up report.

Please note that pursuant to section 70(6) of the PBA, the members, former members and other persons affected by the partial wind up "shall have rights and benefits that are not less than the rights and benefits they would have on a full wind up of the pension plan on the effective date of the partial wind up." The rights and benefits referred to in this subsection include any entitlements to surplus that would exist on a full wind up. Therefore, the PBA requires the distribution of surplus assets on the partial wind up of a pension plan.

When a plan is being partially wound up, the administrator has a fiduciary obligation to ensure that any remaining surplus is paid out in an expeditious manner. In doing this, the administrator must ensure that any interests the beneficiaries or employer have in the surplus are assessed and protected. To satisfy these fiduciary duties, all advice necessary to resolve any surplus entitlement issues should be obtained. In determining surplus entitlement, a review should be made of all relevant plan and trust documents that have existed since the plan's inception. This review should include amendments, provisions regarding the power to amend, relevant predecessor plans, employee booklets, and the like.

If you determine that the plan beneficiaries are entitled to the surplus, you should file a supplementary wind-up report, outlining the method by which the surplus will be distributed to the affected beneficiaries. If you determine that the employer is entitled to the surplus, you should advise the employer to apply to the Superintendent for his consent to distribute the surplus. Should you believe, after having obtained appropriate advice, that the matter of surplus entitlement is not clear, you should take appropriate legal steps to clarify the situation in order that the surplus can be paid out.

We ask that you inform us as to your intentions regarding these surplus funds. The PBA and Regulation 909 set out a number of options that are available to you. We suggest that you review these options and decide how you wish to proceed. In addition we ask that you provide a reconciliation of the funds allocated to the partial wind up from the date of wind up to current date. Please submit the reconciliation along with your timetable for the distribution of surplus by June 12, 2011.

In the event you have any questions or concerns, you may contact me directly by telephone at (416) 590-7157. Please quote the registration number shown at the top right-hand corner of this letter.

Yours truly,

Ben Jagnarine
Pension Officer
by Delegated Authority from
the Superintendent of Financial Services

BJ

Copy: Sandy Overholt, The Canada Life Assurance Company

EXHIBIT 'D"

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Financial Services Commission of Ontario
Commission des services financiers de l'Ontario

Ontario

SECTION:	Transfer Values
INDEX NO.:	T800-401
TITLE:	Recalculation of Transfer Values - PBA ss. 42(1) and 73(2) - Regulation 909 ss. 19(1), 20(1), 24(11.1), 24(12) and 29(2)
APPROVED BY:	Superintendent of Financial Services
PUBLISHED:	FSCO website (July 2001)
EFFECTIVE DATE:	August 1, 2001[No longer applicable - replaced by T800-403 - January 2012]
REPLACES:	C125-500, T800-400

This policy replaces C125-500 and T800-400 as of the effective date of this policy.

Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 ("FSCO Act"), Pension Benefits Act, R.S.O. 1990, c. P.8 ("PBA") or Regulation 909, R.R.O. 1990 ("Regulation"), the FSCO Act, PBA or Regulation govern.

QUESTION

Since January 1, 1988, the *Pension Benefits Act* (the "PBA") has provided mandatory portability rights for individual pension plan members on termination of employment (now s. 42) and wind-up of a pension plan (now s. 73). In both circumstances, members are entitled to transfer the commuted value of their deferred pension to another pension fund, if the administrator of that plan agrees to accept the transfer, transfer the commuted value into a prescribed retirement savings arrangement or use the commuted value to purchase a life annuity.

When calculating a commuted value to be transferred on member termination as provided in subsection 42(1) of the PBA, subsection 19(1) of Regulation 909 (the "Regulation") requires that the commuted value shall not be less than the value determined in accordance with the Recommendations for the Computation of Transfer Values from Registered Pension Plans (the "Recommendations") issued by the Canadian Institute of Actuaries and effective on September 1, 1993.

When a person elects to exercise his or her entitlement under subsection 73(2) of the PBA on plan wind-up, subsection 29(2) of the Regulation provides that the commuted value of the pension benefit shall not be less than the value determined in accordance with the Recommendations. Subsection 29(2) of the Regulation became effective on March 3, 2000.

In both situations, some period of time may elapse between the date of computation and the date of transfer. Section 4 of the Recommendations suggests that an actuary should establish the period for which the transfer value applies before recomputation is required. When some period of time has elapsed between the date of computation and the date of transfer, should transfer values calculated under subsections 19(1) and 29(2) of the Regulation be recomputed?

ANSWER

Before addressing this question, a distinction must be made between commuted values calculated for two separate purposes:

- $ when a calculation is made with respect to a mandatory portability right that becomes effective on an individual's termination date or the date of plan wind-up; and
- $ when a calculation is made with respect to any other portability right provided for under a pension plan which becomes effective after an individual's termination date.

It is FSCO's view that section 4 of the Recommendations does not apply to commuted values calculated in the first instance, when a member has a mandatory right to make a portability election within a prescribed period and has made the election within this period.

Prescribed Election Periods

Section 42 of the PBA stipulates that terminated members (individual members who terminate employment or cease to be members of the pension plan) who are not eligible to receive an immediate pension at date of termination have the right to elect a portability option. Subsection 73(2) of the PBA requires that a person entitled to a pension benefit on the wind-up of a pension plan, other than a person receiving a pension, is also entitled to a portability option. These rights, however, are time-limited.

The required time period for making a transfer election under section 42 of the PBA is prescribed under subsection 20(1) of the Regulation. In accordance with clause 41(1)(p) of the Regulation, the election period must be identified in the termination statement provided to the member. If an individual does not make an election within the prescribed period, the right to require the administrator to transfer the commuted value is extinguished (subsection 42(4) of the PBA). In this case, the default option is a deferred pension payable from the pension plan.

Of course, in circumstances where an administrator fails to provide a written statement within the period prescribed under subsection 41(2) of the Regulation, a terminated member's election period cannot be shortened as a consequence of late notice. Accordingly, the appropriate election period would commence at the date the statement is provided.

The required time period for making a transfer election under section 73(2) is prescribed in subsection 28(3) of the Regulation. In accordance with clause 28(2)(o) of the Regulation, the election period must be identified in the notice statement provided to the member. If an individual does not make an election within the prescribed period, the right to require the administrator to transfer the commuted value is extinguished (subsection 72(2) of the PBA). In this case, the default option is a pension payable from the pension plan.

Computation Dates

Subsections 19(1) and 29(2) of the Regulation specify the method of determining a commuted value for the purposes of section 42 and subsection 73(2) of the PBA. The commuted value of the pension benefit may not be less than the value determined in accordance with the Recommendations issued by the Canadian Institute of Actuaries and effective September 1, 1993.

According to Section 2(C) of the Recommendations, the transfer value should be computed as of the date the beneficiary becomes entitled to a deferred pension. For a transfer under subsection 42(1) of the PBA, this entitlement occurs on the date of termination. Where a person exercises his or her entitlement under subsection 73(2) of the PBA, subsection 29(2) of the Regulation requires the commuted value to be determined as of the date of the wind-up.

When a pension plan provides portability entitlements for terminating members who are entitled to an immediate pension, the computation date will be the date of termination. When a plan provides or is amended to provide portability entitlements for deferred vested members who previously either had no statutory or plan rights or did not make a transfer election within the prescribed period, the computation date will be the date the transfer value is determined in accordance with the plan provisions.

Interest Accrual

Transfer values calculated under subsections 19(1) and 29(2) of the Regulation, where a member has a mandatory right to make a portability election within a prescribed period, should not be recomputed when the transfer occurs after the computation date. These values, however, may be subject to interest adjustment as prescribed in subsections 24(11.1) and 24(12) of the Regulation.

When a commuted value is calculated for the purposes of section 42 of the PBA and time has elapsed between the date of termination and the date of payment, subsection 24(11.1) of the Regulation requires that interest at the rate used to calculate the commuted value at the date of termination be credited from the date of termination to the beginning of the month in which the payment is made.

When a plan administrator fails to provide a written termination statement within the prescribed period, no downward adjustment of the commuted value plus interest is permitted. At the date the transfer is made from the pension plan, the amount transferred with respect to an individual should not be less than the commuted value computed as at the individual's date of termination, plus interest credited at the rate and over the period indicated above.

In accordance with subsection 24(12) of the Regulation, if an individual makes an election under subsection 73(2) of the PBA to transfer a pension benefit, the commuted value of the pension benefit shall accumulate interest at the same rate used to calculate the commuted value of the pension benefit in the wind-up report. This interest shall accumulate from the effective date of the wind-up to the beginning of the month in which the payment is made.

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Financial Services Commission of Ontario
Commission des services financiers de l'Ontario

Ontario

SECTION:	Transfer Values
INDEX NO.:	T800-403
TITLE:	Recalculation of Transfer Values - PBA ss. 42, 72(2) and 73(2) - Regulation 909 ss. 19(1), 20(1), 24.2, 24.4, 28(2)(15), 28(3), 29(2), 41(1)(p) and 41(2)
APPROVED BY:	Superintendent of Financial Services
PUBLISHED:	FSCO website (January 2012)
EFFECTIVE DATE:	January 1, 2012 [references updated – July 1, 2012]
REPLACES:	T800-401

This policy replaces T800-401 (Recalculation of Transfer Values) as of the effective date of this policy.

Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.

Note: The electronic version of this policy, including direct access to all linked references, is available on FSCO's website at www.fsco.gov.on.ca. *All pension policies can be accessed from the* **Pensions** *section of the website through the* **Pension Policies** *link.*

The purpose of this policy is to consider the calculation of transfer values when an individual pension plan member is terminated or when a pension plan is wound up.

Calculation of Commuted Values

Since January 1, 1988, the PBA has provided mandatory portability rights for individual pension plan members on termination of employment (s. 42) and wind-up of a pension plan (s. 73). In both circumstances, members are entitled to transfer the commuted value of their deferred pension to another pension fund, if the administrator of that plan agrees to accept the transfer, transfer the commuted value into a prescribed retirement savings arrangement, or use the commuted value to purchase a life annuity.

When calculating the commuted value to be transferred on member termination as provided in section 42(1) of the PBA, section 19(1) of the Regulation requires that the commuted value shall not be less than the value determined in accordance with section 3500 of the *Standards of Practice* of the Actuarial Standards Board, published by the Canadian Institute of Actuaries, revised June 3, 2010 (the "CIA standards").

When a person elects to exercise his or her entitlement under section 73(2) of the PBA on plan wind-up, section 29(2) of the Regulation provides that the commuted value of the pension benefit shall not be less than the value determined in accordance with the CIA standards.

In both situations, some period of time may elapse between the date of computation and the date of transfer. The CIA standards suggest in section 3520.02 that an actuary should establish the period for which the transfer value applies before recomputation is required.

A distinction must be made between commuted values calculated for two separate purposes:

- when a calculation is made with respect to a mandatory portability right that becomes effective on an individual's termination date or the date of plan wind-up; and
- when a calculation is made with respect to any other portability right provided for under a pension plan which becomes effective after an individual's termination date.

It is FSCO's view that section 3520.02 of the CIA standards does not apply to commuted values calculated in the first instance, when a member has a mandatory right to make a portability election within a prescribed period and has made the election within this period. In this situation, transfer values calculated under sections 19(1) and 29(2) or the Regulation should not be recomputed when the transfer occurs after the computation date.

Prescribed Election Periods

Section 42 of the PBA stipulates that terminated members (individual members who terminate employment or cease to be members of the pension plan) who are not eligible to receive an immediate pension at date of termination have the right to elect a portability option. Section 73(2) of the PBA requires that a person entitled to a pension benefit on the wind-up of a pension plan, other than a person receiving a pension, is also entitled to a portability option. These rights, however, are time-limited.

The required time period for making a transfer election under section 42 of the PBA is prescribed under section 20(1) of the Regulation. In accordance with clause 41(1)(p) of the Regulation, the election period must be identified in the termination statement provided to the member. If an individual does not make an election within the prescribed period, the right to require the administrator to transfer the commuted value is extinguished (section 42(4) of the PBA). In this case, the default option is a deferred pension payable from the pension plan.

Of course, in circumstances where an administrator fails to provide a written statement within the period prescribed under section 41(2) of the Regulation, a terminated member's election period cannot be shortened as a consequence of late notice. Accordingly, the appropriate election period would commence at the date the statement is provided.

The required time period for making a transfer election under section 73(2) is prescribed in section 28(3) of the Regulation. In accordance with clause 28(2)(15) of the Regulation, the election period must be identified in the notice statement provided to the member. If an individual does not make an election within the prescribed period, the right to require the administrator to transfer the commuted value is extinguished (section 72(2) of the PBA). In this case, the default option is a pension payable from the pension plan.

Computation Dates

Sections 19(1) and 29(2) of the Regulation specify the method of determining a commuted value for the purposes of section 42 and section 73(2) of the PBA. The commuted value of the pension benefit may not be less than the value determined in accordance with the CIA standards on pension commuted values.

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According to Section 3520.06 of the CIA standards the transfer value should be computed as of the date the member becomes entitled to a deferred pension. For a transfer under section 42(1) of the PBA, this entitlement occurs on the date of termination. Where a person exercises his or her entitlement under section 73(2) of the PBA, section 29(2) of the Regulation requires the commuted value to be determined as of the effective date of the wind-up.

When a pension plan provides portability entitlements for terminating members who are entitled to an immediate pension, the computation date will be the date of termination. When a plan provides or is amended to provide portability entitlements for former members (deferred vested members) who previously either had no statutory or plan rights or did not make a transfer election within the prescribed period, the computation date will be the date the transfer value is determined in accordance with the plan provisions.

Interest Accrual

Transfer values calculated under sections 19(1) and 29(2) of the Regulation, where a member has a mandatory right to make a portability election within a prescribed period, should not be recomputed when the transfer occurs after the computation date. These values, however, may be subject to an interest adjustment as prescribed in sections 24.2 and 24.4 of the Regulation.

When a commuted value is calculated for the purposes of section 42 of the PBA and time has elapsed between the date of termination and the date of payment, section 24.2 of the Regulation requires that interest at the rate used to calculate the commuted value at the date of termination be credited from the date of termination to the beginning of the month in which the payment is made.

When a plan administrator fails to provide a written termination statement within the prescribed period, no downward adjustment of the commuted value plus interest is permitted. At the date the transfer is made from the pension plan, the amount transferred with respect to an individual should not be less than the commuted value computed as at the individual's date of termination, plus interest credited at the rate and over the period indicated above.

In accordance with section 24.4 of the Regulation, if an individual makes an election under section 73(2) of the PBA to transfer a pension benefit, the commuted value of the pension benefit shall accumulate interest at the same rate used to calculate the commuted value of the pension benefit in the wind-up report. This interest shall accumulate from the effective date of the wind-up to the beginning of the month in which the payment is made.

EXHIBIT "E"

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GALWAY, JEFF

From: GALWAY, JEFF
Sent: Thursday, February 23, 2012 2:21 PM
To: Mark Zigler
Cc: Clio M. Godkewitsch; 'Anthony Guindon'; dwilliams@harrisonpensa.com; jforeman@harrisonpensa.com; McSweeney, Ian; Rienzo, Douglas
Subject: Kidd Harvey
Attachments: Memo re Surplus Changes.pdf; clsurplustracking (5).xls

Dear Mark:
Canada Life has recently received from Mercer an update as at December 31, 2011 of the estimated actuarial surplus available for distribution under the settlement. As you will see from the attached memorandum prepared by Canada Life, two factors-the estimated cost of buying the annuities (due primarily to declining interest rates) and the annuity purchase take up rate vs. commuted value transfer elections-have significantly impacted the most recent estimate of the Integration PWU surplus (net of expenses). The actual cost of buying the annuities will not be known until Canada Life has received annuity purchase quotes. After you have had an opportunity to review the attached memorandum, please call us to discuss.
Jeff

Canada Life Canadian Employees Pension Plan
Partial Wind-Up Surplus Update

The following table shows the estimated surplus of the Integration PWU and the 3 Prior PWUs as of June 30, 2010, December 31, 2010, June 30, 2011 and December 31, 2011 as calculated by Mercer. The total estimated surplus for all 4 partial wind-ups has decreased from $71.0 million as of June 30, 2010 to $34.0 million as of December 31, 2011. However, as can be seen from the table below, it is only the estimate of the Integration PWU surplus that has decreased (from $62.2 million as of June 30, 2010 to $23.7 million as of December 31, 2011).

SURPLUS ($ millions)

	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011
Integration PWU	$62.2	$63.8	$54.0	$23.7
Pelican PWU	$2.5	$2.9	$2.9	$2.9
Indago PWU	$1.2	$1.3	$1.3	$1.2
Adason PWU	$5.1	$6.4	$6.1	$6.2
Total	**$71.0**	**$74.5**	**$64.3**	**$34.0**

As of June 30, 2011, Integration partial wind-up members had not yet chosen their payment option with respect to their basic benefits, that is, they had not elected the transfer option or the guaranteed pension option. Therefore for each estimate of Integration PWU surplus up until that date, assumptions were made by Mercer relating not only to applicable interest and inflation rates, but also as to which election members would choose for the payment of their benefit entitlement (transfer value or a guaranteed pension). With respect to the guaranteed pension option, the estimated costs of purchasing annuities were based on the preliminary guidance from the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting on the estimated costs of purchasing annuities.

For the December 31, 2011 estimate of the Integration PWU surplus, the *actual* elections made by the members to that date (1419 of 2149 Integration pwu members had made elections) were used to determine the cost of settling the basic benefit entitlement, and the estimated surplus value remaining. For those members who had not yet elected an option as at that date, the assumptions that were applied in the June 30, 2011 estimate re which option members would elect were used.

Note that if the assumption regarding which option members will choose is altered such that all Integration PWU members who have not yet made an election are deemed to have elected the guaranteed pension option (the required default option communicated in member information packages), then the estimate of the Integration Partial wind-Up surplus as of December 31, 2011 is reduced from $23.7 million to approximately $8 million.

The interest rate and inflation assumptions used to calculate the estimated costs of purchasing annuities are shown in the following table.

Indexed annuities interest assumptions	**June 30, 2010**	**December 31, 2010**	**June 30, 2011**	**December 31, 2011**
During deferred period	**4.0%**	**4.5%**	**4.2%**	**3.35**
After deferred period	**3.65%**	**3.5%**	**3.5%**	**2.5%**
Inflation assumption	**2.2%**	**2.4%**	**2.5%**	**2.0%**

The attached table shows the change in Integration PWU surplus due to various factors for each six-month period from January 1, 2010 to December 31, 2011. The most significant factors in the recent change in the Integration PWU surplus estimate are the change in the interest rate used to calculate the cost of annuities, and the high annuity take-up rate.

Canada Life Canadian Employees Pension Plan

Integration PWU Surplus Estimates
Assuming 3 Prior PWUs are Declared

	Surplus Estimate in $ million				
	Period				Total Period
	January 1, 2010 June 30, 2010	July 1, 2010 December 31, 2010	January 1, 2011 June 30, 2011	July 1, 2011 December 31, 2011	January 1, 2010 December 31, 2011
Surplus at beginning of period	**$70.7**	**$62.2**	**$63.8**	**$54.0**	**$70.7**
Changes in surplus during period due to:					
investment income less interest required on reserves	$0.2	$8.2	$0.9	$1.8	$11.1
actual experience-January 1, 2011 valuation			($2.0)		($2.0)
change in interest/inflation assumptions re annuity purchase	($6.2)	($5.3)	($7.5)	($28.5)	($47.5)
effect of election of guaranteed pensions				($10.2)	($10.2)
asset allocation refinement				$5.9	$5.9
ongoing expenses allocated to integration PWU	($0.7)	($0.9)	($0.9)	($1.7)	($4.2)
other	($1.8)	($0.4)	($0.3)	$2.4	($0.1)
Surplus at end of period	**$62.2**	**$63.8**	**$54.0**	**$23.7**	**$23.7**

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EXHIBIT "F"

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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*

AFFIDAVIT OF LINDA GREIG
(Sworn September 21, 2012)

I, **LINDA GREIG**, of the Town of Aurora in the Province of Ontario, **MAKE OATH AND SAY**:

1. I am a Senior Associate at Mercer (Canada) Limited ("Mercer"). I have knowledge of the matters to which I swear in this affidavit, except where such knowledge is stated to be based on information or belief, in which case I believe those facts to be true.

Background

2. I have been employed by Mercer since 1988. I am a Certified Employee Benefits Specialist and hold a Life Insurance Agent license in the Province of Ontario. I am the annuity specialist consultant for Mercer clients in Ontario, consulting to our clients around the structuring, process and placement of group annuity purchases. Since 2006, I have also been the annuity placement consultant to Mercer consultants across Canada.

Solicitation of Annuity Quotations

3. Mercer provides actuarial consulting services to The Canada Life Assurance Company.

4. In connection with the 2005 partial wind up of The Canada Life Canadian Employees Pension Plan (the "Plan") (the "Integration PWU"), on or about May 14, 2012, Mercer sent request for bid packages to seven insurance companies, inviting each company to submit a quotation on providing annuities for those Integration PWU members who elected (or who were deemed to have elected) to receive an immediate or deferred pension.

5. The seven companies in question were Sun Life Financial, Desjardins Financial Security, Industrial Alliance, BMO Life Assurance Company of Canada, Manulife Financial, Standard Life and Canada Life. These are the seven largest group annuity providers in Canada.

6. Each of the seven companies received the same bid package. A copy of my cover letter to Sun Life Financial (excluding the individual member data included in each bid package) is attached hereto as Exhibit "A".

7. In my letters to the seven annuity providers, the Plan was not specifically identified and Canada Life was referred to as ABC Canada Ltd.

8. By June 12, 2012, Mercer had been advised by each of the seven annuity providers that they would not be submitting an annuity quote in respect of the Integration PWU. There were two principal reasons given as to why each company was not prepared to quote. The first relates to the large percentage of individuals in the Integration PWU group who are entitled to a deferred pension (as opposed to an immediate pension). Given the longer time horizon over which deferred annuity payments are paid, insurers prefer quoting on annuity business where the proportion of deferred members to immediate pensioners is low.

9. The second reason for not providing an annuity quote articulated by the majority of the annuity providers related to the complicated indexing feature of the Plan (described in detail starting at page 12 of my letter). The concern was this feature would make the underwriting extremely difficult.

10. Some of the other concerns articulated by the seven annuity providers, in terms of why they were not prepared to quote for this group, included the high liability value of the group, the administrative complexity of the Plan, and the difficulty in finding suitable assets to appropriately match the liability of this annuity obligation stream.

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11. Given the reasons provided by these seven companies as to why they were not prepared to provide an annuity quote in connection with the Integration PWU members, I think it is very unlikely that any of these insurance companies (which are the companies generally willing to provide group annuity quotes), if approached again, would quote on providing annuities for this group.

Indexed Annuity Pricing

12. Based upon my experience, I fully expect that even if an annuity quote could be obtained from an annuity provider for indexed pensions, where the indexing is solely linked to changes in the level of the Consumer Price Index (CPI), that any quote obtained would be substantially higher than the estimate that is generated by the application of the applicable Educational Note on estimating the cost of purchasing annuities issued by the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting (the "Committee"). In recent years, to the extent that Canadian annuity providers have been prepared to quote on providing indexed annuities, where the indexing is linked to CPI, these quotes have been substantially higher than the estimated cost of purchasing these same annuities as per the guidance from the Committee.

13. I am aware of a Mercer client who went to market in 2012 to obtain indexed annuity quotes for pensions where the indexing was linked to CPI. Mercer received quotes from two insurers on the 220 members in question. Based upon Mercer's actuarial calculations, the implied discount rate utilized by the annuity providers who submitted the quotes was approximately 165 to 184 basis points lower than the discount rate guidance provided in the Committee's Educational Notes to estimate the cost of buying an indexed annuity. In other words, the cost to the Mercer client to purchase these indexed annuities was substantially higher than the estimated cost to purchase the indexed annuities based on the Committee's guidance.

SWORN BEFORE ME at the City of Toronto in the Province of Ontario, on September 21, 2012.

Commissioner for Taking Affidavits

Elliot Patterson Saccucci, a Commissioner, etc., Province of Ontario, while a Student-at-Law. Expires April 27, 2014.

LINDA GREIG

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Exhibit "A"

MERCER

Linda M. B. Greig
Senior Associate

161 Bay Street, P.O. Box 501
Toronto, Ontario M5J 2S5
416 868 2592
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linda.greig@mercer.com
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Private & Confidential
Ms. Christine Romano
Director, Payout Annuity Pricing
Group Retirement Services
Sun Life Financial
225 King Street West, 15th Floor
Toronto, Ontario
M5V 3C5

14 May 2012

Subject: Request for Annuity Quote
Pension Plan for Employees of ABC Canada Ltd. (the "Plan")
Registration No. 1234567

Dear Christine:

ABC Canada Ltd. ("ABC") is the administrator of the above-noted Plan. On behalf of ABC, we invite you to submit a quotation on annuities for certain employees who are former members, retirees or beneficiaries included in the partial wind-up of the Plan. The Plan is registered under the *Pension Benefits Act* of Ontario and was partially wound up in 2005.

All the annuitants' data are detailed in the attached schedules as follows:

Group 1	Immediate annuities for 51 annuitants entitled to receipt of monthly pension payments from the Plan; and deferred annuities for 230 deferred annuitants.
Group 2	Immediate annuities for 51 annuitants entitled to receipt of monthly pension payments from the Plan; and deferred annuities for 230 deferred annuitants.
Group 3	Immediate annuities for 51 annuitants entitled to receipt of monthly pension payments from the Plan; and deferred annuities for 230 deferred annuitants.
Group 4	Immediate annuities for 52 annuitants entitled to receipt of monthly pension payments from the Plan; and deferred annuities for 229 deferred annuitants.
Group 5	Immediate annuities for 52 annuitants entitled to receipt of monthly pension payments from the Plan; and deferred annuities for 229 deferred annuitants.

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Please see the attached Description of Data Fields; these are included in the schedules.

Pensions for each annuitant are either indexed pensions or non-indexed pensions after retirement as indicated in the attached schedules (Post retirement indexing flag).

You are invited to submit a bid for any one or more Groups or on all the Groups. Please be specific in indicating which Groups you are bidding on as well as the pricing implications. Please specify if you would offer a bid improvement if more than one Group is placed with you.

For the immediate annuitants and the deferred annuitants in each Group, please insert the single premium for the pension amount in respect of each of the annuitants listed in the respective schedules. **Please note that the single premium for each annuitant must be entered in the attached schedules provided; otherwise, your quote will not be considered.**

The balance of this letter covers the following sections:

1. Immediate Annuitants
2. Deferred Annuitants
3. Plan Provisions for Deferred Annuitants
4. Administrative Arrangement for Assuris Split Pensions
5. Special Provision for Shortened-Life Expectancy
6. Indexation
7. Data Adjustments
8. Commissions and Other Conditions
9. Timetable
10. Information Required with the Quotation

The following documents are included as attachments to this request for annuity quote. These attached documents require your completion as part of your response to this request.

- Annuity Checklist
- Annuity Quote Questionnaire
- Annuity Quote Summary
- Insurer Quality Questionnaire

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1. **Immediate Annuitants**

(a) Payment of Benefits

The selected insurer will be expected to provide monthly payments for the immediate annuitants beginning with the **September 30, 2012 / October 1, 2012** payment. Most pensions are payable at the end of each month, however, for some annuitants, pensions are payable at the beginning of the month. The first payment is coincident with the annuitant's retirement date. For payments made on the last day of the month, the last payment is the payment coinciding with or immediately preceding the date of death of the annuitant, (subject to the form of pension selected). For greater clarify, the last payment for a pension that is payable at the beginning of the month is due on the first of the month of the annuitant's death.

(b) Forms of Pension

The forms under which pensions are payable are shown in the attached schedules. An explanation of each code is provided in the attached Description of Form of Pension Codes in the Description of Data Fields document.

2. **Deferred Annuitants**

Details of the Plan provisions applicable to each deferred annuitant are described in Section 3 below. Annuitants may have Class A, Class B and Class C benefits. The provisions applicable to each class are specified below.

Portability

All benefits accrued to the deferred annuitants are fully vested and are **non-commutable, subject to section 5 of this letter on shortened life expectancy or as required under applicable pension legislation.** These annuitants are not entitled to any lump sum or transfer options because they have already been offered their options and have elected (or have been deemed to have elected) a deferred or immediate pension.

MARSH & McLENNAN COMPANIES

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The commuted values of the benefits for the deferred annuitants where portability is required are to be calculated at the time the portability right is exercised by the annuitant, using the transfer value prescribed under the pension legislation applicable to the annuitant in effect at that time.

3. Plan Provisions for Deferred Annuitants

The following provisions apply to all the deferred annuitants, except where otherwise indicated. The monthly pension amount shown for the deferred annuitants is the amount payable at the earliest unreduced retirement date in the "normal form" of pension.

(a) Normal Retirement Date

The Normal Retirement Date:

(i) for Class A pensions, is the last day of the month in which the annuitant attains age 65;

(ii) for Class B pensions, is the last day of the month in which the annuitant attains age 60;

(iii) for Class C pensions, is the first day of the month coincident with or immediately following the annuitant's attainment of age 65.

If an annuitant has Class A and Class B pensions, these pensions must commence at the same time If the annuitant elects to commence his/her pension between age 60 and age 65, his/her Class A pension is reduced according to the appropriate retirement reduction for Class A pension, and his/her Class B pension is actuarially increased from his/her Class B normal retirement date to the pension commencement date.

If the annuitant has a Class C pension, the annuitant may commence the Class C pension at the same time as another Class pension or at a different time.

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(b) Normal Forms of Pension for Class A and Class B

The normal form of payment for the annuitant's benefit is determined at pension commencement. After such date the form of payment cannot be changed.

(i) Annuitant with a Spouse

For an annuitant with a spouse on pension commencement, the normal form of payment is a joint and survivor pension reducing to 60% on the death of the annuitant and payable to the later of the spouse's death and 60 months measured from the annuitant's pension commencement date. If the annuitant's spouse predeceases the annuitant, 60% of the pension continues after the annuitant's death to the annuitant's beneficiary or, if none, to the annuitant's estate, ceasing with the payment due for the later of the 60th monthly payment and the month coincident with or immediately preceding the annuitant's death. Alternatively, the annuitant's beneficiary or the administrator of the annuitant's estate may direct the commuted value of the remaining payments be made in a lump sum.

If there is no designated beneficiary or if a designated beneficiary predeceases the annuitant, the commuted value will be paid in a lump sum to the annuitant's estate. If a designated beneficiary, as a result of an annuitant's death, is entitled to payments of the benefits and the beneficiary dies before receiving any or all of the payments due to the beneficiary, the commuted value of the payments will be paid in a lump sum to the beneficiary's estate.

(ii) Annuitant without a Spouse

For an annuitant who does not have a spouse on pension commencement the normal form is one which is payable in equal monthly instalments for the lifetime of the annuitant with 60% of the pension guaranteed until the later of the 120th monthly payment and the month coincident with or immediately preceding the annuitant's death. The annuitant's beneficiary or the annuitant's estate shall be paid the commuted value of any remaining payments in a lump sum cash amount.

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A deferred annuitant with a spouse may not elect any form of pension which provides a benefit to the spouse that is less than 60% of the benefit paid to the annuitant unless a written waiver by the annuitant's spouse (and annuitant, where required) is provided in accordance with applicable pension legislation.

(c) Normal forms of Pension for Class C

The normal form of payment for the annuitant's Class C pension is a lifetime pension guaranteed for 10 years. For a deferred annuitant who has an eligible spouse at date of pension commencement, the following automatic form of pension is payable unless the appropriate waiver is provided.

The pension is payable in an amount as a Joint and Survivor form of pension, as required under applicable pension legislation providing for a continuation of the annuitant's pension to the Spouse after the death of the annuitant, for the Spouse's remaining lifetime. The amount of this pension is the actuarial equivalent of the normal form of pension for a member without a spouse.

(d) Optional Forms of Pension

In lieu of the normal form of pension and subject to the mandatory joint and survivor pension or waiver described in this Section 3, a deferred annuitant may elect any optional form permitted under the Income Tax Act and as allowed by the annuity provider. The amount of the optional form of pension will be the actuarial equivalent of the normal form of pension applicable to the annuitant described in Section 3(b) and (c) above.

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(e) Early Retirement Date

The Early Retirement Date:

(i) for Class A annuitant's pension, is the last day of any month on or after the attainment of age 55; and

(ii) for Class B annuitant's pension, is the last day of any month on or after the attainment of age 50;

(iii) for Class C annuitant's pension, is the first day of any month coincident with or immediately following the attainment of age 55; and

If an annuitant has both Class A pension and Class B pension, the annuitant can elect to commence his/her Class A pension as early as age 50, with the appropriate early retirement reduction (described in more detail below). The annuitant must commence his/her Class A and Class B pensions at the same time. If the annuitant has a Class C pension, the annuitant may commence the Class C pension at the same time as another Class pension or at a different time.

(f) Early Retirement Reductions

There are different early retirement provisions applicable to each class of pensions. The details are as follows:

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For Class A Pensions:

Early Retirement Reduction

If annuitant has:	Early retirement reduction:
Age 60 with more than 30 years of eligibility service	No reduction for early retirement
Age 60 with less than 30 years of eligibility service	The annuitant's pension will be reduced by 0.4% multiplied by the lesser of: • The number of months by which the pension commencement date precedes the annuitant's normal retirement date; and • The number of months by which the annuitant's eligibility service is less than 30 years.
Under age 60 with more than 30 years of eligibility service	The annuitant's pension will be reduced by 0.4% for each month by which the pension commencement date precedes the annuitant's attainment of age 60.
Under age 60 and less than 30 years of eligibility service	The annuitant's pension will be reduced by 0.4% multiplied by: • the number of months by which the pension commencement date precedes the annuitant's normal retirement date; minus • the number of months by which the annuitant's total eligibility service exceeds 25 years.

For annuitants who are entitled to "grow-in" as indicated in the schedules, the eligible service used to determine the early retirement reduction is the sum of the annuitant's eligible service at the annuitant's date of termination and the period between the annuitant's date of termination and the annuitant's pension commencement date. For other annuitants not entitled to "grow-in", the eligible service used is the annuitant's eligible service at the date of termination only.

For annuitants with both Class A and Class B pensions, the annuitant can elect to commence the Class A pension as early as age 50; however the amount of the Class A pension will be reduced so that the amount of Class A pension is the actuarial equivalent of the pension otherwise payable at age 55.

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For Class B Pensions:
The annuitant's normal retirement date pension will be reduced by 0.4% for each month by which the annuitant's pension commencement date precedes the member's normal retirement date.

For Class C Pensions:
If the annuitant meets one of the two criteria below:
- eligible to retire at the date of termination; or
- entitled to "grow-in" as indicated in the schedules,

the annuitant's pension will be calculated as a percentage of the annuitant's normal retirement pension. The percentage is based on the annuitant's age at pension commencement and the annuitant's total eligibility service as specified in the following table:

Years of Eligibility Service*	Attained Age at Early Retirement Date									
	64	63	62	61	60	59	58	57	56	55
15+	100.0	100.0	100.0	100.0	100.0	95.2	90.4	85.6	80.8	76.0
14	95.2	95.2	95.2	95.2	95.2	95.2	90.4	85.6	80.8	76.0
13	95.2	90.4	90.4	90.4	90.4	90.4	90.4	85.6	80.8	76.0
12	95.2	90.4	85.6	85.6	85.6	85.6	85.6	85.6	80.8	76.0
11	95.2	90.4	85.6	80.8	80.8	80.8	80.8	80.8	80.8	76.0
10	95.2	90.4	85.6	80.8	76.0	76.0	76.0	76.0	76.0	76.0
9	95.2	90.4	85.6	80.8	76.0	71.2	71.2	71.2	71.2	71.2
8	95.2	90.4	85.6	80.8	76.0	71.2	66.4	66.4	66.4	66.4
7	95.2	90.4	85.6	80.8	76.0	71.2	66.4	61.6	61.6	61.6
6	95.2	90.4	85.6	80.8	76.0	71.2	66.4	61.6	56.8	56.8
5 or less	95.2	90.4	85.6	80.8	76.0	71.2	66.4	61.6	56.8	52.0

* Eligibility Service includes the deferred period for annuitants entitled to grow-in as indicated in the Appendix.

For other annuitants, the early retirement pension will be actuarially equivalent to the annuitant's pension payable at the normal retirement date.

(g) Maximum Pension (Tested at Pension Commencement)

The total annual pension payable from the Plan cannot exceed the greater of $1722.22 and the applicable maximum pension limit as specified in the Income Tax Act, Canada at the members' date of termination, multiplied by the annuitant's total pensionable service in respect of the Class of pension being commenced.

The above maximum is reduced by 3% p.a. for each year by which pension commencement precedes the earlier of the date the annuitant would have attained age 60, 30 years of eligibility service or 80 points (age plus eligibility service) if the annuitant's employment had continued. This is referred to as the "ITA Maximum".

Upon pension commencement, the monthly pension payable in respect of the particular Class of pension is equal to the lesser of:

- the annuitant's uncapped pension with the appropriate early retirement reductions if applicable; and,
- the ITA Maximum as described above

(h) Death Benefit Before Pension Commencement

Class A and Class B Pensions

If an annuitant dies before the pension commencement date, the annuitant's spouse will receive an immediate pension equal to 60% of the pension accrued by the annuitant at the annuitant's death, with a guarantee of at least 120 monthly payments. Alternatively, the spouse may elect a deferred pension or a lump sum settlement equal to the value of the immediate pension.

If the annuitant has no spouse, the annuitant's beneficiary will receive a lump sum equal to the commuted value of 120 monthly payments of 60% of the normal retirement date pension accrued by the annuitant up to the annuitant's death.

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In either situation, the death benefit payable to the annuitant's spouse or beneficiary will be at least equal to the commuted value of the annuitant's benefits.

Class C Pensions

If an annuitant dies before the pension commencement date, the annuitant's spouse, or if there is no spouse, the beneficiary, will receive the commuted value of 100% of the annuitant's accrued pension. The annuitant's spouse can elect to have the death benefit paid as an immediate or deferred annuity.

If the annuitant is eligible to retire at the date of death and the annuitant has an eligible spouse, the commuted value of the death benefit payable to the annuitant's spouse will not be less than the commuted value of 60% of the pension the annuitant would receive if the annuitant had elected to commence his/her pension immediately prior to the date of death.

4. Administrative Arrangement for Assuris Split Pensions

The pension amounts of 111 Immediate annuitants and 122 deferred annuitants as indicated in the schedules exceed the coverage guaranteed by Assuris. Their pension amounts have been split. The amount indicated under the "Monthly Assuris Split Pension (2) (3) and (4)" fields, to the extent your organization is unable to provide full Assuris coverage, are to be purchased by you, with a different insurer(s) in order to obtain 100% coverage. Each of these pensions is payable on the same terms and conditions as the amounts of pension payable by you in this annuity quotation. Please include the amount of the amount of single premium applicable for each Assuris split in the attached schedules assuming that you are retaining all 5 Groups of members.

The insurance company whose bid is chosen (the lead insurer) for a particular Group is required to handle the administration and payment of the annuities for the split pensions from the secondary insurer(s) for these annuitants. This arrangement would involve the lead insurer in the following responsibilities:

(a) securing proofs of age, as necessary;

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(b) co-ordinating annuity payments (i.e. making one payment in respect of an annuitant's total pension entitlement with appropriate tax withholding, recovering from the secondary insurer any amount guaranteed by the secondary insurer and issuing one T4 for the annuitant's total pension entitlement); and

(c) dealing with annuitants and beneficiaries (on change of payment on death, etc.) and co-ordinating with the secondary insurer involved.

In addition, the lead insurer will be responsible for determining the pension at early commencement based on the entire benefit and will be responsible for advising each of the other insurers of the adjusted amounts each insurer is to pay.

Any additional costs, terms and conditions that would apply to the above arrangement should be included on the attached Annuity Quotation Summary.

If pieces of pension can be carried by separate insurance companies within your corporate family, please so indicate in the annuity quotation providing the name of the other insurance company(ies) ("Affiliated Company(ies)"), as well as any additional costs, terms and conditions that would apply.

5. Special Provision for Shortened-Life Expectancy

Where permitted by applicable pension legislation of the province in which the annuitant was employed, in the event that the life expectancy of an annuitant is likely to be considerably shortened by reason of a disability or illness, the value of the annuitant's pension entitlement may be commuted in accordance with the prescribed conditions of the applicable pension legislation.

6. Indexation

The rate of indexing each year for annuitants entitled to indexed pensions, as indicated in the schedules, is based on the current plan indexing formula…that is the lesser of the increase in the cost of living and the average rate of return on the pension fund averaged

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over 15 years. Please see attached documents showing historical indexation, projected examples of future increases, as well as individual examples.

We have provided a summary of the historical fund returns from 1988 onwards and the historical CPI from 2004 onwards for your information. For each year in the future, ABC will provide you with the applicable year's fund return in order for you to calculate the appropriate increase for each individual.

Pension Indexing After Retirement for Class A and B Pensions

The monthly pensions payable to annuitants as indicated in the schedules and their respective spouses and beneficiaries shall be increased each January 1 following the annuitant's pension commencement date. The amount of the pension increase will be equal to (a) minus (b) where:

(a) is the lesser of (i) and (ii):

(i) the annuitant's monthly pension at his or her pension commencement date multiplied by the cumulative return based on the excess of the *Current Year Rate for Indexing* over 4% for each year measured from the annuitant's year of pension commencement to January 1 of the year; and,

(ii) the annuitant's monthly pension at his or her pension commencement date multiplied by the cumulative *Consumer Price Index Rate* measured from the annuitant's year of pension commencement date to January 1 of the Plan year.

(b) is the annuitant's monthly pension as at December 31 of the previous Plan year.

In no event shall the adjustment on any January 1 decrease the annuitant's pension below the amount of the monthly pension payable on December 31 of the immediately preceding year. The first increase, if any, after pension commencement is pro-rated based on the number of months the annuitant received a pension in the first calendar year of retirement. (For example, if an annuitant retires on August 31, 2003, the increase at January 1, 2004 would be pro-rated based on 5 months out of 12).

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For members with Class B Pensions, the first increase of the Class B Pension shall not take effect until the January 1 following the later of the commencement of the Class B Pension and the attainment of age 60. For greater certainty, this first increase will be the cumulative increase since the commencement of the Class B Pension.

Since the indexing for each individual is based on the cumulative increases in inflation compared to cumulative fund returns since pension commencement, the rate of increase in each particular year may vary from to individual to individual.

Definition of Current Year Rate for Indexing

The Current Year Rate for Indexing means the average of the Plan's fund rates of return over the first 15 of the preceding 16 Plan years.

Definition of Consumer Price Index Rate

The Consumer Price Index Rate means, as of January 1 of any year, the percentage increase in the Consumer Price Index for Canada- All Items (not seasonally adjusted) as published by Statistics Canada from October 31 of the first Plan year of the immediately preceding 2 Plan years to October 31 of the second Plan year of the immediately preceding 2 Plan years.

Pension Indexing After Retirement for Class C Pension

The monthly pensions payable to annuitants and their respective spouses and beneficiaries shall be increased each March 1 based on 50% of the average increase in the Consumer Price Index (all items, not seasonally adjusted) over the last three calendar years. However, in no event can the increase be greater than the previous year's CPI increase. The first increase commences on March 1 after at least 12 monthly payments have been made to the annuitant..

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7. **Data Adjustments**

ABC has tried to verify the data listed in the schedules. While every effort has been made to ensure that the data being provided is accurate, there may be instances where data may be changed at a later date including for pensioners' or spouses' deaths prior to September 30 / October 1, 2012. The Insurer must be willing to make an adjustment to the premium amount to reflect any data updates that will be submitted, on the same actuarial and other basis as that used for the original quote.

In addition there may be small movements from one Group to another or removal of annuitants from the Groups after the premium payment date.

Please confirm that the completion of the purchase is not contingent on 100% verification of the birth dates and any other relevant data.

However, there will be no adjustment to the premium if the correction to the personal data of the annuitants arises after the execution of the annuity contract by the selected insurer and ABC.

8. **Commissions and Other Conditions**

Commissions: No commissions will be payable.

Documents:
- A certificate is to be prepared for each annuitant.
- A welcome letter, approved by Mercer and ABC, is to be prepared for each annuitant and provided with each annuitant's certificate. If there is additional cost involved in the preparation or revision of your standard letter, please indicate the amount of cost.
- An annuity policy is to be prepared for submission to Mercer and ABC.

The selected insurer may wish to distribute a request for proof(s) of age and beneficiary designation, using the insurer's own forms, to those annuitants for whom these are not available.

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If your quotation is accepted, you will be provided with a pensioner file from the current provider containing the SINs of the immediate annuitants, their addresses, banking information, and tax deduction information.

In the event that the contact information for an annuitant is not current, please confirm how you would propose to treat such individual, and whether there would be any additional charges in this event.

Please also confirm the date the pensioner file is required by in order to make the September 30 / October 1, 2012 pensioner payment on time.

9. <u>Timetable</u>

Please submit your quotation before **12:00 noon on Monday, June 4, 2012** at our offices at 161 Bay Street, PO Box 501, Toronto, Ontario, M5J 2S5 (Fax: 416-868-2131 or alternate 416-868-2913) or (e-mail: linda.greig@mercer.com and alternate david.kearney@mercer.com).

Monday, June 4, 2012, 12:00 noon	Quotation to be returned to Mercer
Wednesday, June 6, 2012, 4:00 p.m.	Quotation guarantee expiry date
Wednesday, June 6, 2012, 4:00 p.m.	Acceptance letter to selected insurer
Wednesday, June 20, 2012, 5:00 p.m.	Payment of premium to selected insurer
September 30 / October 1, 2012	First pension payment date

If you are unable to quote on this group annuity, please notify us immediately.

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10. Information Required with the Quotation

Please complete and provide:

1. the single premium for each annuitant by inserting the amount in the field provided on each of the attached schedules;
2. an outline of any conditions in your quotation that do not satisfy the specifications in this letter;
3. the enclosed Annuity Checklist;
4. the attached Annuity Quote Questionnaire;
5. the attached Annuity Quote Summary; and
6. the attached Insurer Quality Questionnaire.

Please also confirm or indicate:

1. that your quotation will be guaranteed and irrevocable until 4:00 p.m. **June 6, 2012;**
2. that the immediate annuitants will receive their first pension payment on **September 30 / October 1, 2012;**
3. that there will be an adjustment to the single premium amount in the event of the death of an immediate annuitant occurring before the first pension payment date, September 30 / October 1, 2012;
4. that you will make an adjustment to the premium amount, if necessary, on the same actuarial and other basis as that used for the original quote, in the event of:
   - correction to the personal data of the annuitants;
   - the death of a deferred annuitant, or
   - the removal of a deferred annuitant from the attached schedules, or
   - the addition of a deferred annuitant who was included in the wind-up of the Plan and who elects a pension option after the mailing of this letter.

   However, there will be no adjustment to the premium if the correction to the personal data of the annuitants arises after the execution of the annuity contract by your company and ABC;

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5. the basis on which you will determine the "actuarial equivalent" of any benefit to be provided in accordance with the terms of this letter and your quotation;

6. that in the event an actuarial commuted value calculation is required, your company will use the basis as prescribed by the applicable pension legislation in effect at the relevant time;

7. the basis used for the quotation (including interest rates, mortality by age if a standard mortality table is not used, and expense factors). **We will treat this information in strict confidence and we will use it only to confirm the reasonableness of the single premium quoted in relation to the underlying assumptions;**

8. that there are no additional administration fees once the annuity has been purchased;

9. the basis on which you will adjust the single premium should the transfer of premium not occur on the agreed-upon date; and

10. the person at your company who may be contacted on June 6, 2012 to confirm the acceptance of your quotation, if accepted, including telephone and fax number.

If ABC accepts a particular quotation, such acceptance shall be communicated to the selected insurer by letter delivered electronically or via facsimile transmission to the insurer at the address set out in the insurer's quotation at or before 4:00 p.m. on **June 6, 2012**.

On **June 20, 2012**, ABC shall deliver to the selected insurer payment in an amount equal to the insurer's quotation. Payment to the insurer may be made by such means as ABC and the insurer mutually agree.

This letter, the attached Schedules, Appendices and all related materials are provided to the recipients in the strictest of confidentiality, and solely for the purpose of facilitating the annuity purchase. No documentation may be released to any person outside of the recipient insurance company's employment without Mercer's prior written authorization.

MARSH & McLENNAN COMPANIES

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Please remember to include all of the requested information and data, and return to:

Mercer
Attention: Linda Greig and (alternate) David Kearney
161 Bay Street, PO Box 501
Toronto, Ontario M5J 2S5
Fax No. (416) 868-2913
E-mail: linda.greig@mercer.com and david.kearney@mercer.com

If you have any questions, please feel free to contact Linda Greig at 416-868-2592 or David Kearney at 416-868-2068.

Sincerely,

Linda Greig

Linda M. B. Greig
Senior Associate

Copy: Doug Johnson, Mercer
David Kearney, Mercer
Ben Ukonga, Mercer
Sally Chan, Sun Life

Enclosures

1. Annuity Checklist
2. Annuity Quote Questionnaire
3. Annuity Quote Summary
4. Insurer Quality Questionnaire
5. Annuitant Data Files (5 Groups)
6. Annuity Data – Field descriptions
7. Plan Indexation – historical data and example of projection
8. Sample indexation calculation

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ANNUITY CHECKLIST

Pension Plan for Employees of ABC Canada Ltd.

Insurer: ______________________________

Have you completed and returned the Annuity Quote Questionnaire by June 4, 2012?	☐
Have you provided the documentation requested and outlined any conditions in your quotation that do not satisfy the specifications as requested in Section 10?	☐
Have you responded to items 1 - 10 in Section 10?	☐
Have you included the Annuity Quote Summary?	☐
Have you filled in the "Single Premium" for each annuitant in the respective fields in each of the schedules for each Group?	☐
Have you provided the information requested in the Insurer Quality Questionnaire?	☐

Please return all material to:

Linda Greig and David Kearney
Mercer
161 Bay Street, P.O. Box 501
Toronto, Ontario M5J 2S5
Fax: (416) 868-2913
E-mail: david.kearney@mercer.com and linda.greig@mercer.com

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ANNUITY QUOTE QUESTIONNAIRE

Pension Plan for Employees of ABC Canada Ltd.

Insurer: ____________________

1. Under which regulatory authority(ies) is your insurance company licensed to conduct annuity business in Canada.

   ____

2. How frequently (i.e. monthly, quarterly, annually, etc.) is your corporate licence to conduct business being renewed?

   ____

3. Is your insurance company a member of Assuris, and will the annuities issued be of the type which are guaranteed by Assuris? If not, please explain.

   ____

4. At the last calculation date (please specify date), what was your insurance company's available capital and surplus as a percentage of the Minimum Continuing Capital and Surplus Requirement (MCCSR) established in accordance with the CLHIA formula?

   ____________________ at date: ____________________

5. If this case were awarded to your insurance company, to what extent would the figure in 4 above change?

   ____

Prepared by*: ____________________

Name: ____________________

Date: ____________________

* This Questionnaire should be signed by an officer of the insurance company.

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ANNUITY QUOTE SUMMARY

Pension Plan for Employees of ABC Canada Ltd.

Insurer: ______________________________

Return to: Linda Greig and David Kearney
Mercer
161 Bay Street, P.O. Box 501
Toronto, Ontario M5J 2S5
Fax: (416) 868-2913 E-mail: linda.greig@mercer.com
david.kearney@mercer.com

	Total Lives	Total Pension	Premium
• Group 1 (pensioners)			
• Group 1 (deferreds)			
Subtotal Group 1			
• Group 2 (pensioners)			
• Group 2 (deferreds)			
Subtotal Group 2			
• Group 3 (pensioners)			
• Group 3 (deferreds)			
Subtotal Group 3			
• Group 4 (pensioners)			
• Group 4 (deferreds)			
Subtotal Group 4			
• Group 5 (pensioners)			
• Group 15(deferreds)			
Subtotal Group 5			
Grand Total			

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ANNUITY QUOTE SUMMARY (cont'd)

Total Single Premium for all Groups Insurer will accept $ ____________________

Please specify which Group or combination of Groups that the Insurer is willing to accept.

Group	Yes/No
1	
2	
3	
4	
5	

The person responsible for making binding decisions for the insurance company, if a decision must be made during the period for which the quotation is guaranteed, or if adjusted single premium figures are required once the guarantee expires, is:

Name: ____________________

Title: ____________________

Insurance Company: ____________________

Address: ____________________

Telephone Number: ____________________

Fax Number: ____________________

Prepared By: ____________________
(signature)

Name: ____________________ (Please Print)

Date: ____________________

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INSURER QUALITY QUESTIONNAIRE

Pension Plan for Employees of ABC Canada Ltd.

Insurer: ______________________________

---

1. Briefly describe your organisation that is issuing the annuity contracts including:

   - Brief history of the firm (including purchases and divestitures)
   - The ownership structure and type of insurance company
   - The date the firm was established in Canada

2. Please provide a copy of the most recent reports on your rating by independent credit rating agencies, if such ratings exist. Has your rating been adjusted downward over the last 5 years? If so, briefly explain what has contributed to such changes.

3. Please confirm your volume of annuity business as at December 31, 2011 (and that of your Affiliated Company, if applicable) in terms of:

   - Annual amount of pension paid;
   - Number of cheques issued each month;
   - Number of direct deposits made each month;
   - Actuarial reserve for annuities in the course of payment;
   - Actuarial reserve for deferred annuities.

4. Please confirm whether or not the group annuity business or some portion of the group annuity business is reinsured.

5. Please confirm that you will provide an information package for each former member for whom a deferred annuity is purchased prior to the start date of their respective annuity and confirm what is included in the package.

6. Please confirm your services for the annuitants including:

   - How the annuitants will contact you for questions or changes
   - Your service standards for responding to annuitants questions
   - Your service standards for annuitant transactions
   - Your service standards for providing information packages

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Pension Plan for Employees of ABC Canada Ltd.

Annuity Data
Description of Data Fields

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Description of Data Fields

Field Name	Field Description
EE Number	Unique employee identification number.
Gender	M for male F for female
Birth Date	
Date of Employment	
Date of Plan Entry	
Class A Pensionable Service	Pensionable service under Class A provisions
Class B Pensionable Service	Pensionable service under Class B provisions
Prior Plan Eligibility Service	Prior plan service to be used for eligibility purposes
Total Eligibility Service	Total service to be used for eligibility purposes
Province of Employment	*AB, BC, MB, NB, NL, NS, ON, PE, QC, SK*
Marital Status Statement Date at July 1, 2011	S for single M for married
Spouse date of birth at statement date	
Member Date of Death	
Survivor Date of Death	
Termination Date	
Normal retirement date	
Earliest unreduced retirement date	
Pension commencement date	
For pension in payment	
Post Retirement Indexing Flag	FALSE Pension not indexed TRUE Pension indexed annually after pension commencement
Uncapped Monthly Pension	Uncapped monthly lifetime pension payable at earliest unreduced retirement date
Pension Form	Form of payment for monthly pension commenced on pension commencement date, as described below
Date of Last Guaranteed Payment	
Survivor Percentage	

ROR Pension	Monthly registered plan pension at Pension Commencement Date multiplied by the cumulative return based on the excess of the Current Year Rate[1] for Indexing over 4% for each year to January 1, 2012.
CPI Pension	Monthly registered plan pension at Pension Commencement Date multiplied by the cumulative Consumer Price Index for each year to January 1, 2012
Pension in Pay	Monthly registered plan pension in pay as at January 1, 2012 (with/without indexing, as applicable)
Grow-in flag	Flag for members entitled to grow-in

Description of Pension Form Codes

Code	Description
LA	Life only pension
CC	Life pension with a guarantee period, with 100% of the pension guaranteed during the guarantee period
CCRXX	Life pension with a guarantee period, reducing on death of member with XX% of the pension guaranteed during the guarantee period
CO	Term Certain, pension ends on end date provided
CA	Joint & Survivor pension with no guarantee period
CAC	Joint & Survivor pension with a guarantee period, 100% of the pension guaranteed during the guarantee period, reducing to survivor percentage on the later of death of member and end of guarantee period
CACRXX	Joint & Survivor pension with a guarantee period, with XX% of the pension guaranteed during the guarantee period
JLCRXX	Joint & Last Survivor pension with a guarantee period, with, XX% of the pension guaranteed during the guarantee period

[1] Current Year Rate for Indexing is defined in the RFQ document

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Description of Indexing Codes

Code	Description
A	No indexing
G	Guaranteed Post retirement indexing
L	Guaranteed post retirement indexing for Class B pensions – for early retirements, no indexing prior to age 60, cumulative indexing giving January 1 of year following attainment of age 60
N	No indexing

Description of Pension Forms for Class C Pensions

Code	Description
Life Guaranteed - #	Life with a guarantee period, 100% of pension guaranteed
J&S XX% - No Guar	Joint & Survivor pension, XX% continuing to spouse on death of member
J&S XX% – Guar #	Joint & Survivor with a guarantee, 100% of the pension is guaranteed during the guarantee period, reducing to XX% on later of death of member and end of the guarantee period
Class C Pension Guarantee	Years of guaranteed payments from date of pension commencement
Class C Monthly Pension	Monthly registered plan pension as at February 1, 2012

Description of Status Codes

Code	Description
Deferred	Terminated vested and elected (or was deemed to have elected) a deferred pension for Class A, Class B, and/or Class C service
Deferred (Retired for Class C Service)	Terminated vested and elected a deferred pension for Class A service, and elected to commence pension for Class C service.
Retired	Commenced pension for Class A, Class B, and/or Class C service on pension commencement date
Retired (beneficiary)	Commenced pension for Class A, Class B, and/or Class C service on pension commencement date, deceased on Member Date of Death with beneficiary in receipt of pension
Retired (Deferred Class C Service)	Commenced pension for Class A and/or Class B service on pension commencement date, and elected a deferred pension for Class C service

Pension Plan for Employees of ABC Canada Ltd.
Sample Post Retirement Pension Increases

			DOR = March 31, 2003				DOR = June 30, 2003			
Year	Current Yr. Rate of Indexing - 4%	Consumer Price Index Rate	(1)	(2)	Min(1 , 2)	% Increase	(1)	(2)	Min(1 , 2)	% Increase
2003			$1,000	$1,000	$1,000	n/a	$1,000	$1,000	$1,000	n/a
2004	5.000%	1.560%	$1,042	$1,013	$1,013	1.32%	$1,029	$1,009	$1,009	0.92%
2005	4.940%	2.290%	$1,093	$1,036	$1,036	2.29%	$1,080	$1,032	$1,032	2.29%
2006	4.570%	2.640%	$1,143	$1,064	$1,064	2.64%	$1,129	$1,060	$1,060	2.64%
2007	5.820%	0.930%	$1,210	$1,074	$1,074	0.93%	$1,195	$1,069	$1,069	0.93%
2008	5.340%	2.470%	$1,274	$1,100	$1,100	2.47%	$1,259	$1,096	$1,096	2.47%
2009	4.950%	2.600%	$1,337	$1,129	$1,129	2.60%	$1,321	$1,124	$1,124	2.60%
2010	2.860%	0.090%	$1,376	$1,130	$1,130	0.09%	$1,359	$1,125	$1,125	0.09%
2011	3.880%	2.440%	$1,429	$1,157	$1,157	2.44%	$1,412	$1,153	$1,153	2.44%
2012	3.490%	2.900%	$1,479	$1,191	$1,191	2.90%	$1,461	$1,186	$1,186	2.90%

			DOR = March 31, 2004				DOR = June 30, 2004			
Year	Current Yr. Rate of Indexing - 4%	Consumer Price Index Rate	(1)	(2)	Min(1 , 2)	% Increase	(1)	(2)	Min(1 , 2)	% Increase
2004			$1,000	$1,000	$1,000	n/a	$1,000	$1,000	$1,000	n/a
2005	4.940%	2.290%	$1,041	$1,019	$1,019	1.91%	$1,029	$1,013	$1,013	1.34%
2006	4.570%	2.640%	$1,089	$1,046	$1,046	2.64%	$1,076	$1,040	$1,040	2.64%
2007	5.820%	0.930%	$1,152	$1,056	$1,056	0.93%	$1,139	$1,050	$1,050	0.93%
2008	5.340%	2.470%	$1,214	$1,082	$1,082	2.47%	$1,199	$1,076	$1,076	2.47%
2009	4.950%	2.600%	$1,274	$1,110	$1,110	2.60%	$1,259	$1,104	$1,104	2.60%
2010	2.860%	0.090%	$1,310	$1,111	$1,111	0.09%	$1,295	$1,105	$1,105	0.09%
2011	3.880%	2.440%	$1,361	$1,138	$1,138	2.44%	$1,345	$1,132	$1,132	2.44%
2012	3.490%	2.900%	$1,409	$1,171	$1,171	2.90%	$1,392	$1,164	$1,164	2.90%

			DOR = March 31, 2005				DOR = June 30, 2005			
Year	Current Yr. Rate of Indexing - 4%	Consumer Price Index Rate	(1)	(2)	Min(1 , 2)	% Increase	(1)	(2)	Min(1 , 2)	% Increase
2005			$1,000	$1,000	$1,000	n/a	$1,000	$1,000	$1,000	n/a
2006	4.570%	2.640%	$1,038	$1,022	$1,022	2.20%	$1,027	$1,015	$1,015	1.54%
2007	5.820%	0.930%	$1,098	$1,032	$1,032	0.93%	$1,086	$1,025	$1,025	0.93%
2008	5.340%	2.470%	$1,157	$1,057	$1,057	2.47%	$1,144	$1,050	$1,050	2.47%
2009	4.950%	2.600%	$1,214	$1,084	$1,084	2.60%	$1,201	$1,077	$1,077	2.60%
2010	2.860%	0.090%	$1,249	$1,085	$1,085	0.09%	$1,236	$1,078	$1,078	0.09%
2011	3.880%	2.440%	$1,298	$1,112	$1,112	2.44%	$1,284	$1,105	$1,105	2.44%
2012	3.490%	2.900%	$1,343	$1,144	$1,144	2.90%	$1,328	$1,137	$1,137	2.90%

			DOR = March 31, 2011				DOR = June 30, 2011			
Year	Current Yr. Rate of Indexing - 4%	Consumer Price Index Rate	(1)	(2)	Min(1 , 2)	% Increase	(1)	(2)	Min(1 , 2)	% Increase
2011			$1,000	$1,000	$1,000	n/a	$1,000	$1,000	$1,000	n/a
2012	3.490%	2.900%	$1,029	$1,024	$1,024	2.42%	$1,020	$1,017	$1,017	1.69%

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Pension Plan for Employees of ABC Canada Ltd.

HISTORIC DATA

Year	Fund Rate of Return	Current Year Rate for Indexing	Current Year Rate for Indexing minus 4%	CPI Inflation
1987	5.10%			
1988	14.70%			
1989	16.40%			
1990	-2.90%			
1991	17.70%			
1992	6.60%			
1993	20.90%			
1994	-3.59%			
1995	14.42%			
1996	20.87%			
1997	14.04%			
1998	8.65%			
1999	14.21%			
2000	9.00%			
2001	-5.89%			
2002	-10.08%			
2003	13.71%	10.01%	6.01%	3.21%
2004	10.98%	9.00%	5.00%	1.58%
2005	15.82%	8.94%	4.94%	2.29%
2006	10.51%	8.57%	4.57%	2.64%
2007	0.67%	9.82%	5.82%	0.93%
2008	-10.15%	9.34%	5.34%	2.47%
2009	11.43%	8.95%	4.95%	2.60%
2010	8.62%	6.88%	2.88%	0.09%
2011	3.20%	7.88%	3.88%	2.44%
2012		7.49%	3.49%	2.90%

2011 fund rate of return not finalized

Pension Plan for Employees of ABC Canada Ltd.

PROJECTING FUTURE INCREASES-EXAMPLE
Assumed Fund Rate of Return 5.5%
Assumed Increase in CPI 2.0%

Year	Fund Rate of Return	Current Year Rate for Indexing	Current Year Rate for Indexing minus 4%	CPI Inflation
1987	5.10%			
1988	14.70%			
1989	16.40%			
1990	-2.90%			
1991	17.70%			
1992	6.60%			
1993	20.90%			
1994	-3.59%			
1995	14.42%			
1996	20.87%			
1997	14.04%			
1998	8.65%			
1999	14.21%			
2000	9.00%			
2001	-5.89%			
2002	-10.08%			
2003	13.71%			
2004	10.98%	9.00%	5.00%	1.58%
2005	15.82%	8.94%	4.94%	2.29%
2006	10.51%	8.57%	4.57%	2.64%
2007	0.67%	9.82%	5.82%	0.93%
2008	-10.15%	9.34%	5.34%	2.47%
2009	11.43%	8.95%	4.95%	2.60%
2010	8.62%	6.88%	2.88%	0.09%
2011	3.20%	7.88%	3.88%	2.44%
2012	5.50%	7.49%	3.49%	2.90%
2013	5.50%	6.31%	2.31%	2.00%
2014	5.50%	5.75%	1.75%	2.00%
2015	5.50%	5.54%	1.54%	2.00%
2016	5.50%	4.95%	0.95%	2.00%
2017	5.50%	4.72%	0.72%	2.00%
2018	5.50%	5.48%	1.48%	2.00%
2019	5.50%	6.52%	2.52%	2.00%
2020	5.50%	5.97%	1.97%	2.00%
2021	5.50%	5.61%	1.61%	2.00%
2022	5.50%	4.92%	0.92%	2.00%
2023	5.50%	4.58%	0.58%	2.00%
2024	5.50%	4.91%	0.91%	2.00%
2025	5.50%	5.95%	1.95%	2.00%
2026	5.50%	5.55%	1.55%	2.00%
2027	5.50%	5.35%	1.35%	2.00%
2028	5.50%	5.50%	1.50%	2.00%
2029	5.50%	5.50%	1.50%	2.00%
2030	5.50%	5.50%	1.50%	2.00%

2011 fund rate of return not finalized

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Appendix D -Projection 2

PROJECTING FUTURE INCREASES-EXAMPLE
Assumed Fund Rate of Return 6.5%
Assumed Increase in CPI 2.0%

Year	Fund Rate of Return	Current Year Rate for Indexing	Current Year Rate for Indexing minus 4%	CPI Inflation
1987	5.10%			
1988	14.70%			
1989	16.40%			
1990	-2.90%			
1991	17.70%			
1992	6.60%			
1993	20.90%			
1994	-3.59%			
1995	14.42%			
1996	20.87%			
1997	14.04%			
1998	8.65%			
1999	14.21%			
2000	9.00%			
2001	-5.89%			
2002	-10.08%			
2003	13.71%			
2004	10.98%	9.00%	5.00%	1.58%
2005	15.82%	8.94%	4.94%	2.29%
2006	10.51%	8.57%	4.57%	2.64%
2007	0.67%	9.82%	5.82%	0.93%
2008	-10.15%	9.34%	5.34%	2.47%
2009	11.43%	8.95%	4.95%	2.60%
2010	8.62%	6.88%	2.88%	0.09%
2011	3.20%	7.88%	3.88%	2.44%
2012	6.50%	7.49%	3.49%	2.90%
2013	6.50%	6.31%	2.31%	2.00%
2014	6.50%	5.81%	1.81%	2.00%
2015	6.50%	5.67%	1.67%	2.00%
2016	6.50%	5.15%	1.15%	2.00%
2017	6.50%	4.99%	0.99%	2.00%
2018	6.50%	5.81%	1.81%	2.00%
2019	6.50%	6.92%	2.92%	2.00%
2020	6.50%	6.44%	2.44%	2.00%
2021	6.50%	6.14%	2.14%	2.00%
2022	6.50%	5.52%	1.52%	2.00%
2023	6.50%	5.25%	1.25%	2.00%
2024	6.50%	5.64%	1.64%	2.00%
2025	6.50%	6.75%	2.75%	2.00%
2026	6.50%	6.42%	2.42%	2.00%
2027	6.50%	6.28%	2.28%	2.00%
2028	6.50%	6.50%	2.50%	2.00%
2029	6.50%	6.50%	2.50%	2.00%
2030	6.50%	6.50%	2.50%	2.00%

2011 fund rate of return not finalized

DAVID KIDD et al. - and - **THE CANADA LIFE ASSURANCE COMPANY et al.**

Plaintiffs | Defendants

Court File No. 05-CV-287556CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at TORONTO
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF LINDA GREIG
(Sworn September 21, 2012)

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The Canada Life Assurance Company

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EXHIBIT "G"

Financial Services Commission of Ontario
Commission des services financiers de l'Ontario

Ontario

SECTION:	Wind Up
INDEX NO.:	W100-233
TITLE:	Distribution of Benefits on Partial Wind Up Where Immediate or Deferred Pensions are Not Purchased
APPROVED BY:	Superintendent of Financial Serviees
PUBLISHED:	FSCO website (June 2010)
EFFECTIVE DATE:	March 10, 2010

Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.

Note: The electronic version of this policy, including direct access to all linked references, is available on FSCO's website at www.fsco.gov.on.ca. *All pension policies can be accessed from the* Pensions *section of the website through the* **Pension Policies** *link.*

Administrators of pension plans (administrators) are no longer required to purchase annuities for members affected by a partial wind up who are receiving pension payments, or who chose or were deemed to have chosen a deferred pension (Affected Group). However, administrators may still purchase annuities for the Affected Group, as provided under section 43 of the PBA, if it determines that it is prudent to do so.

This policy outlines a procedure for administrators to follow in the event that the administrator chooses **not** to purchase annuities for the Affected Group. This policy also provides guidance on the determination of the value of the liabilities for the Affected Group and the timing of the transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan. Unless speeifically noted otherwise in this policy, the term "transfer" refers to the transfer of the assets and liabilities of the Affected Group.

Please note that this poliey does not apply to members affected by the partial wind up who are eligible and have elected a transfer of the commuted value of the pension benefit out of the pension plan under section 42(1) of the PBA.

If administrators and their agents have questions about plan wind ups, they should refer to the PBA and Regulation. Additional information may also be obtained from other policies published by FSCO that deal with wind up issues. Policies are intended to clarify the interpretation of the PBA and Regulation in certain situations and to assist administrators and their agents in understanding the requirements of the PBA, Regulation and FSCO's practices so that full compliance can be achieved.

Background

The July 29, 2004 Supreme Court of Canada decision in respect of Monsanto Canada Inc. required the distribution of any surplus related to the wound up portion of the plan as part of the partial wind up process in order to complete the distribution of assets related to the partial wind up. In this proeess, the administrator was required to distribute all of the assets of the plan assoeiatcd with the partial wind up. To satisfy that requirement, the Superintendent took the position that the purchase of annuities was necessary to settle the benefits that were payable to members, former members (including retired members) and other persons affected by the wind up who did not eleet a transfer of the commuted value of their benefits. However, on December 2, 2009, the Financial Services Tribunal in a decision in respeet of an Imperial Oil Limited pension plan held that administrators may satisfy the requirement to distribute plan assets related to the Affected Group's benefits on partial wind up by transferring the assets to the on-going portion of the plan and are not required to purchase annuities for this group.

Communicating the impact of the decision not to purchase annuities

In the event of a partial wind up, the plan administrator will need to make a decision as to whether or not to purehase annuities for some or all of the Affeeted Group. This decision must be communicated to FSCO and to all persons affected by the partial wind up.

If the administrator decides not to purchase some or all of the annuities, the administrator will be required to transfer the assets and liabilities in respect of the members of the Affected Group who chose to receive their pension benefits from the pension plan, to the on-going portion of the pension plan in order to complete the distribution of assets related to the partial wind up (Note: The transfer is said to be a notional transfer as the assets and liabilities of the Affected Group will simply remain in the plan).

FSCO will require the administrator to advise all persons affected by the partial wind up as to the impact on their pension benefit when a pension payment is being provided under the pension plan as opposed to it being provided through an annuity purchased from an insurance company. This information is to be included in the individual statement issued to all persons affected by the partial wind up (setting out the person's entitlement under the plan and the options available to those persons) as required under section 72(1) of the PBA and section 28(2) of the Regulation. The information being provided should clearly indicate that their pension benefits will be payable or continued to be payable from the pension plan and that any subsequent settlement will be subject to the terms of the plan and its funded status at that time.

Partial Windup Reports already Filed

In a situation where a partial wind up report has been filed with FSCO indicating that annuities are to be purchased for the Affected Group and the administrator subsequently decides not to purchase the annuities, the administrator is required to advise FSCO of the decision, revise the report to reflect the change and file the revised report with FSCO for review. Furthermore, for those members who made elections based on the administrator' s previous decision to purchase annuities, the administrator is required to provide a revised statement to the Affected Members who made an election to receive an immediate or deferred pension on the premise that annuities will be purchased for them. The revised statement will include the information described above where annuities are not being purchased.

Basis for Determining the Value of Immediate and Deferred Pensions

Section 29(8) of the Regulation does not permit the payment of commuted values or purchase of annuities until the partial wind up deficit, if any, has bcen fully funded (except for a payment of the current value of any additional voluntary and/or required contributions made by the member employee prior to the wind up date). Where there is a partial wind up deficit as at the wind up date, section 31(2) of the Regulation requires additional funding over no more than 5 years annually in advance or funding by way of an immediate lump sum.

Where annuities are purchased for the Affected Group through an insurance company, the cost to fully settle the liabilities is known and the wind up surplus or deficit is calculated as the difference between the assets allocated to the partial wind up group and the sum of the following:

(a) commuted value entitlements (for eligible members who elect commuted value transfers under section 73(2) of the PBA),
(b) any cash lump sum payment payable under sections 39(4), 50, 63(2), 63(3) and 63(4) of the PBA,
(c) the annuity purchase premium paid to a life insurance company (for members who are eligible for and chose or were deemed to have chosen an immediate or a deferred pension), and
(d) partial wind up expenses.

Where an administrator chooses not to purchase annuities for the Affected Group, the wind up surplus or deficit is calculated the same way as above except that, instead of an actual annuity purchase premium paid to a life insurance company, the value of the immediate and deferred pensions would he based on the applicable guidance from the Educational Notes published by the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting for the purpose of estimating annuity premiums as at the date a determination is to be used.

Timing of Transfer of the Assets and Liabilities of the Affected Group

Where there is a deficit as at the partial wind up date, section 75 of the PBA and section 31 of the Regulation require additional contributions to be made into the pension fund by the plan sponsor to increase the level of the funded position of the wind up assets to 100%. Until this funding is complete (either by way of amortized payments over no more than 5 years or an immediate lump sum), the administrator is required to track the assets and liabilities relating to the partial wind up separate and apart from the assets and liabilities relating to the on-going portion of the pension plan. When there is no further amount to be funded under section 75 of the PBA, the transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan can occur once written confirmation from the actuary of full funding of the partial wind up is received by FSCO. FSCO will also require administrators to provide written confirmation to FSCO that the transfer of the assets and liabilities of Affected Group to the on-going portion of the pension plan has occurred. Confirmation about the transfer as set out above can be included in the annual reports required by section 32 of the Regulation, or can be provided in a separate letter addressed to the Superintendent.

In a situation where the sponsor of a pension plan is required to fund a partial wind up deficit and the financial position of the wound up portion of the pension fund after settlement of all benefits reveals there are assets remaining, the employer may apply for a refund of overpayment of contributions (under section 78(4) of the PBA) equal to an amount that is not in excess of the required payments made to fund the partial wind up deficit. If, after the refund of overpayment to the employer, there still remain assets then that amount may be distributed as surplus assets in accordance with the PBA and Regulation.

Where there is a surplus as at the partial wind up date and the financial position of the wound up portion of the pension fund after the wind up effective date shifts to a deficit position, the employer must pay the deficit in the manner and the times set out in section 31 of the Regulation. If the payment date is more than five years from the partial wind up date the payment must be paid in a lump sum payment. Once funding is complete, the transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan can occur provided that confirmation of full funding of the partial wind up is received by FSCO.

Where there is a surplus as at the wind up date, the transfer of thc assets and liabilities of thc Affected Group can occur prior to the completion of the surplus distribution. The form of surplus distribution may be a lump sum cash payment or an increase to pension benefits to members affected by the wind up. For more information regarding the distribution of surplus on partial wind up, see policies S900-901 ("Allocation of Surplus to Members, Former Members and Other Persons on Wind Up") and S900-910 ("Distribution of Surplus to Employer on Partial Wind Up").

Tracking the pension benefits of the Affected Group

The notional split between the wound up and on-going portions of the pension plan must be maintained until all assets relating the partial wind up have been settled, including a surplus distribution, if any. That is, upon the (notional) transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan, the administrator must ensure that Affected Group receive the pension benefit they are entitled to (including any grow-in entitlement as provided for Ontario members, early retirement subsidies, etc.)

Completion of Partial Wind Up

The administrator must advise the Superintendent in writing once all assets have been distributed from the wound up portion of the pension plan. Once the Superintendent is advised of this distribution, the file on the partial wind up will be closed.

EXHIBIT "H"

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*

AFFIDAVIT OF WALLACE B. ROBINSON
(Sworn September 24, 2012)

I, WALLACE B. ROBINSON, of the City of London, in the Province of Ontario, MAKE OATH AND SAY:

1. I am Assistant Vice-President, Pension Benefits, at The Canada Life Assurance Company ("Canada Life"). I am a Fellow – Canadian Institute of Actuaries and a Fellow – Society of Actuaries and I am familiar with The Canada Life Canadian Employees Pension Plan (the "Plan") and the proposed settlement of this proceeding. I therefore have knowledge of the matters to which I swear in this affidavit, except where such knowledge is stated to be based on information and belief, in which case I believe those facts to be true.

Estimate of the Integration Partial Wind Up Surplus

2. As of the date of the settlement approval motion in this matter (January 27, 2012), the most recent Mercer estimates of the surplus in the Plan attributable to the Integration partial wind up (the "Integration PWU") and the Indago, Adason and Pelican proposed partial wind ups (the "Indago PWU", "Adason PWU" and "Pelican PWU", respectively) was approximately $64.3M (Integration PWU $54M; Pelican PWU $2.9M; Indago PWU $1.3M and Adason PWU $6.1M). These estimates were as at a point in time namely as at June 30, 2011.

3. Between June 30, 2011 and December 31, 2011, however, there were two external events which significantly impacted the estimate of the Integration PWU surplus causing a decrease in the estimated surplus. As discussed in a memorandum entitled "Canada Life Canadian Employees Pension Plan –Partial Wind-Up Surplus

Update" (attached to my affidavit as Exhibit "A"), the two biggest factors contributing to the decrease in the estimated surplus attributable to the Integration PWU between June 30, 2011 and December 31, 2011 were the dramatic and persistent drop in interest rates over the relevant period and the fact that significantly more Integration PWU members than expected elected (or were deemed to have elected) a guaranteed pension as opposed to transferring the commuted value of their pension entitlement out of the Plan.

4. Subsequent to the settlement approval motion, Canada Life was advised by Mercer that as at December 31, 2011 the estimated surplus attributable to the Integration PWU had decreased from approximately $54M to approximately $8M (assuming all Integration PWU members who had not yet chosen their payment option with respect to their basic benefits were deemed to have elected to receive a guaranteed pension).

5. The most recent estimate of the Integration PWU surplus provided by Mercer (as at August 31, 2012) is $3.1M. The assumptions used to generate this estimate are contained in a report prepared by Mercer dated September 12, 2012. A copy of this report is attached to my affidavit as Exhibit "B" (see scenario 2 – page 5).

Transfer of Integration PWU Members to Ongoing Plan

6. In May of this year, acting upon Canada Life's direction, Mercer approached seven annuity providers and asked them to quote on providing annuities for the Integration PWU members who had elected (or were deemed to have elected) to receive a guaranteed pension. None of the seven annuity providers in question were prepared to quote on this business.

7. As plan administrator, Canada Life is required under the *Pensions Benefits Act* (Ontario) to settle the basic benefits of persons affected by a partial wind up. Given the fact that no insurer was prepared to quote on providing annuities, in order to complete the Integration PWU and in order to implement the settlement, Canada Life's only option is to settle basic benefits by transferring the assets and liabilities related to these Integration PWU members into the on-going portion of the Plan and pay the pensions for this group out of the Plan. This transfer would be done in accordance with Financial Services Commission of Ontario ("FSCO") policy W100-233 (a copy of which is attached hereto as Exhibit "C"). As discussed in this policy, FSCO's position is that plan administrators are not required to purchase annuities for members affected by a partial plan wind-up; instead, administrators can settle the basic benefits of affected partial wind-up members by transferring the assets and liabilities of those members to the on-going portion of the pension plan.

8. As discussed at page 3 of the FSCO policy, where annuities are purchased for partial wind-up members through an insurance company, the cost to settle the liabilities is known and the partial wind-up surplus or deficit is the amount left after the annuity purchase cost and plan wind-up expenses are deducted from the partial wind-up assets.

9. The FSCO policy goes on to note that where an administrator chooses not to purchase annuities for the partial wind-up members, the transfer of assets and liabilities to the ongoing plan is based upon the estimated cost of purchasing annuities. This estimate is to be calculated based on guidance contained in Educational Notes published by the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting (the "CIA Committee").

10. The estimated Integration PWU surplus of $3.1M as at August 31, 2012 (referred to in paragraph 5 above) is based upon the estimated cost of purchasing annuities calculated in accordance with the CIA Committee's Educational Notes.

11. The amount of the pension payable to Integration PWU members will be the same whether their pension is provided by way of an annuity or is provided from the Plan.

Impending Change to the CIA Committee's Guidance on Estimating the Premium Cost of Indexed Annuities

12. In May of this year, in an Educational Note, the CIA Committee discussed its guidance in respect of estimating the cost of purchasing an indexed annuity. A copy of this note is attached hereto as Exhibit "D". In this note, the CIA Committee stated that while the data concerning the pricing of indexed annuities is extremely limited, information collected from insurers who provided illustrative quote data revealed that the premiums quoted were substantially higher than the estimated premiums calculated in accordance with the guidance provided by prior Educational Notes.

13. In this same Educational Note, the CIA Committee went on to state:

> The PPFRC intends to conduct further research in 2012 regarding the pricing of indexed annuities. The analysis will include confirmation as to whether the insurers would be willing to actually transact on the basis reflected in the illustrative annuity quotes. This research may result in the revision of future guidance for estimating the cost of purchasing indexed annuities.

14. In an Educational Note supplement dated August 16, 2012, the CIA Committee reiterated the point made in its earlier note that the illustrative premium quotes provided by insurers to the CIA Committee were substantially higher than the estimated premiums calculated in accordance with the guidance provided by prior Educational Notes, and that the Committee was in the process of conducting further research regarding the pricing of indexed annuities. The Committee again stated that this research may result in the revision of future guidance for estimating the cost of purchasing indexed annuities. A copy of the August 16, 2012 Educational Note supplement is attached hereto as Exhibit "E".

15. Based upon these Educational Notes, Canada Life is concerned that if there is a delay in transferring assets and liabilities related to the Integration PWU members to the ongoing Plan, the guidance provided by the CIA Committee that is used to estimate the cost of purchasing annuities may change in the interim. Given the CIA Committee's statements that the premium quotes provided by insurers for the illustrative quotes are "substantially higher" than the guidance provided by prior Educational Notes, any such change made to the CIA's Guidance will increase the estimated cost of purchasing indexed annuities.

16. By way of example, based upon the figures provided in the Mercer September 12, 2012 report (Exhibit "B" hereto), if the new CIA Committee's guidance resulted in a reduction of 50 bps (0.5%) in the net rate of return used to calculate the cost of purchasing indexed annuities, and had this new guidance been in effect as of August 31, 2012, then as at that date there would have been no Integration PWU surplus but an estimated Integration PWU deficit of approximately $19.5M. For each additional 50 bps reduction in the net rate of return there would be a further increase in the estimated deficit of an additional $22.5M. If a deficit arises in the Integration PWU prior to the transfer of Integration PWU assets and liabilities to the on-going Plan, that deficit will have to be funded in full by Canada Life prior to the transfer of the Integration PWU assets and liabilities to the on-going Plan.

17. I would note that if the Integration PWU assets and liabilities are transferred to the on-going Plan prior to any change in the CIA Committee's guidance, any subsequent change in the CIA Committee's guidance for indexed annuities could result in a solvency deficit arising in the on-going Plan (as the CIA Committee's guidance is also utilized by actuaries when they prepare an actuarial valuation). That said, any deficit that arises in respect of the on-going Plan as a result of a change in the CIA Committee's guidance would not have to be funded by Canada Life immediately, but could be funded over a five-year period starting from the date of the next actuarial valuation.

18. Given the likelihood (in my view) that there will be a change in the CIA Guidance which will lead to an increase (likely a significant increase) in the estimated cost of purchasing indexed annuities, there is some urgency in Canada Life effecting the transfer of Integration PWU assets and liabilities to the on-going plan prior to this change becoming effective so as to preserve some surplus for distribution to the Integration PWU members and to avoid the prospect of Canada Life having to fully fund a large Integration PWU deficit. In this regard, I note that changes in the CIA Committee's guidance can be announced with retroactive effect (as recently occurred when the CIA Committee changed its guidance with respect to estimating the cost of purchasing non-indexed annuities-see the August 16, 2012 Educational Note Supplement attached hereto as Exhibit "E").

<u>Minimum Surplus Allocations Under the Surplus Sharing Agreement</u>

19. At paragraphs 32-36 of his affidavit sworn September 20, 2012, Mr. Robertson speaks to the $1000 minimum surplus allocation to Eligible PWU Group Members and Inactive Eligible Non-PWU Group Members. In his affidavit, Mr. Robertson indicates that Inactive Eligible Non-PWU members' share of available surplus based on Mercer's August 31, 2012 estimate would be insufficient to meet the minimum $1000 payment under the SSA.

These statements by Mr. Robertson do not accurately reflect the terms of the SSA under which $1.65M, not $0.39M, would be allocated to Inactive Eligible Non-PWU Group Members based on the August 31, 2012 estimate.

20. Under the Surplus Sharing Agreement (the "SSA"), section 7(a) provides that the "Final Partial Wind Up Surplus" shall be shared 30.34%/69.66% between Canada Life and the Eligible PWU Group Members ("Eligible Member Group Surplus Share"). "Final Partial Wind Up Surplus" is defined in section 2(a)(iv) of the SSA to mean the aggregate (net of administrative and legal expenses) of the Integration PWU surplus, the Indago PWU surplus, the Adason PWU surplus and the Pelican PWU surplus.

21. Section 7(c) of the SSA goes on to provide that the Eligible Member Group Surplus Share shall be allocated as between Eligible PWU Group Members ("Eligible PWU Group Surplus Allocation") and the Inactive Eligible Non-PWU Group Members ("Inactive Eligible Non-PWU Group Surplus Allocation") on the following basis:

> (i) The Eligible PWU Group Surplus Allocation shall be 57.22% of the Final Partial Wind Up Surplus; and
>
> (ii) The Inactive Eligible Non-PWU Group Surplus Allocation shall be 12.44% of the Final Partial Wind Up Surplus.

22. Section 7(c) of the SSA then states that the Eligible Non-PWU Group Surplus Allocation shall be allocated and distributed among individual Inactive Eligible Non-PWU Group Members in accordance with section 8 of the SSA. Section 8(d) of the SSA provides that the Inactive Eligible Non-PWU Group Surplus Allocation shall be allocated among the Inactive Eligible Non-PWU Group Members *pro rata* to their wind up liabilities, subject to a minimum allocation of $1,000.

23. Accordingly, the surplus to be allocated to the Inactive Eligible Non-PWU Group members is 12.44% of the <u>aggregate</u> of the surplus allocable to each of the Integration PWU, Indago PWU, Adason PWU and Pelican PWU.

24. Based upon the Mercer September 12, 2012 report, the estimated surplus for each of the Integration PWU, Indago PWU, Adason PWU and Pelican PWU as at August 31, 2012 was as follows:

Integration PWU	$3.1M
Indago PWU	1.1M
Adason PWU	6.2M
Pelican PWU	<u>2.9M</u>
	$13.3M

25. Accordingly, based on the surplus estimates as at August 31, 2012 the Inactive Eligible Non-PWU Group Member surplus share under the SSA would have been 12.44% of $13.3M or $1.65M.

26. There are 1418 Inactive Non-PWU Group members. Not all of the 1418 Inactive Non-PWU Group members, however, are Inactive Eligible Non-PWU Group members (ie some of these individuals did not provide the requisite consent required under the SSA.) Even if the $1.65M were distributed *pro rata* amongst the 1418 Inactive Non-PWU Group members, the result would be an individual surplus allocation of $1,167 per Inactive Non-PWU Group member.

27. Given that section 7(d) of the SSA explicitly provides that for the Eligible PWU Group Members the Final Partial Wind Up Surplus is not to be shared as a common pool but allocated to each partial wind up, I agree with Mr. Robertson that based on the August 31, 2012 Mercer estimates, approximately $1.77M in surplus would be allocated to the Integration PWU members resulting in an allocation of approximately $825 per member.

SWORN BEFORE ME at the City of London, in the Province of Ontario, on September 24, 2012.

Commissioner for Taking Affidavits

WALLACE B. ROBINSON

This is Exhibit "A" referred to in
the Affidavit of Wallace Robinson
sworn before me this 24 day
of September 2012.

A Commissioner, Etc.

Canada Life Canadian Employees Pension Plan
Partial Wind-Up Surplus Update

The following table shows the estimated surplus of the Integration PWU and the 3 Prior PWUs as of June 30, 2010, December 31, 2010, June 30, 2011 and December 31, 2011 as calculated by Mercer. The total estimated surplus for all 4 partial wind-ups has decreased from $71.0 million as of June 30, 2010 to $34.0 million as of December 31, 2011. However, as can be seen from the table below, it is only the estimate of the Integration PWU surplus that has decreased (from $62.2 million as of June 30, 2010 to $23.7 million as of December 31, 2011).

SURPLUS ($ millions)

	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011
Integration PWU	$62.2	$63.8	$54.0	$23.7
Pelican PWU	$2.5	$2.9	$2.9	$2.9
Indago PWU	$1.2	$1.3	$1.3	$1.2
Adason PWU	$5.1	$6.4	$6.1	$6.2
Total	**$71.0**	**$74.5**	**$64.3**	**$34.0**

As of June 30, 2011, Integration partial wind-up members had not yet chosen their payment option with respect to their basic benefits, that is, they had not elected the transfer option or the guaranteed pension option. Therefore for each estimate of Integration PWU surplus up until that date, assumptions were made by Mercer relating not only to applicable interest and inflation rates, but also as to which election members would choose for the payment of their benefit entitlement (transfer value or a guaranteed pension). With respect to the guaranteed pension option, the estimated costs of purchasing annuities were based on the preliminary guidance from the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting on the estimated costs of purchasing annuities.

For the December 31, 2011 estimate of the Integration PWU surplus, the *actual* elections made by the members to that date (1419 of 2149 Integration pwu members had made elections) were used to determine the cost of settling the basic benefit entitlement, and the estimated surplus value remaining. For those members who had not yet elected an option as at that date, the assumptions that were applied in the June 30, 2011 estimate re which option members would elect were used.

Note that if the assumption regarding which option members will choose is altered such that all Integration PWU members who have not yet made an election are deemed to have elected the guaranteed pension option (the required default option communicated in member information packages), then the estimate of the Integration Partial wind-Up surplus as of December 31, 2011 is reduced from $23.7 million to approximately $8 million.

The interest rate and inflation assumptions used to calculate the estimated costs of purchasing annuities are shown in the following table.

Indexed annuities interest assumptions	June 30, 2010	December 31, 2010	June 30, 2011	December 31, 2011
	4.0%			
During deferred period	3.65	4.5%	4.2%	3.35
After deferred period		3.5%	3.5%	2.5%
Inflation assumption	**2.2%**	**2.4%**	**2.5%**	**2.0%**

The attached table shows the change in Integration PWU surplus due to various factors for each six-month period from January 1, 2010 to December 31, 2011. The most significant factors in the recent change in the Integration PWU surplus estimate are the change in the interest rate used to calculate the cost of annuities, and the high annuity take-up rate.

Canada Life Canadian Employees Pension Plan

Integration PWU Surplus Estimates
Assuming 3 Prior PWUs are Declared

	Surplus Estimate in $ million				
	Period				Total Period
	January 1, 2010 June 30, 2010	July 1, 2010 December 31, 2010	January 1, 2011 June 30, 2011	July 1, 2011 December 31, 2011	January 1, 2010 December 31, 2011
Surplus at beginning of period	$70.7	$62.2	$63.8	$54.0	$70.7
Changes in surplus during period due to:					
investment income less interest required on reserves	$0.2	$8.2	$0.9	$1.8	$11.1
actual experience-January 1, 2011 valuation			($2.0)		($2.0)
change in interest/inflation assumptions re annuity purchase	($6.2)	($5.3)	($7.5)	($28.5)	($47.5)
effect of election of guaranteed pensions				($10.2)	($10.2)
asset allocation refinement				$5.9	$5.9
ongoing expenses allocated to integration PWU	($0.7)	($0.9)	($0.9)	($1.7)	($4.2)
other	($1.8)	($0.4)	($0.3)	$2.4	($0.1)
Surplus at end of period	$62.2	$63.8	$54.0	$23.7	$23.7

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This is Exhibit "B" referred to in
the Affidavit of Wallace Robinson
sworn before me this 24 day
of September 2012.

S.L. Savage

A Commissioner, Etc.

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Benedict O. Ukonga, FSA, FCIA, CFA
Principal

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MERCER

September 12, 2012

Ms Amy Metzger
Counsel - Litigation
The Canada Life Assurance Company
255 Dufferin Avenue
London, Ontario
N6A 4K1

Privileged & Confidential
Prepared for the Advice of Counsel

Subject: Estimate of the financial position on a solvency basis of the portions of the Canada Life Registered Plan affected by the 2005 partial wind-up and the potential Indago, Adason and Pelican partial wind-ups

Dear Amy:

As requested, this letter provides an estimate of the financial position of the portion of the Canada Life Canadian Employees Pension Plan (the "Canada Life RPP" or the "Plan") affected by the June 30, 2005 partial plan wind-up (the "2005 PWU group") and the portions of the Plan affected by the potential Indago, Adason and Pelican partial wind-ups on a solvency basis as at August 31, 2012.

Similar to our previous updates, we have estimated the financial position of the 2005 PWU group under two scenarios:

- Scenario 1: assuming that terminations of Indago, Adason Property Management and Pelican Foods employees who were members of the Plan (the "Historical Potential PWU groups") do **not** trigger separate partial wind-ups of the Plan; and

- Scenario 2: assuming that separate partial wind-ups of the Plan are triggered by the terminations of Indago, Adason Property Management and Pelican Foods employees who were members of the Plan.

The estimated financial positions of the Historical Potential PWU groups are only shown under scenario 2.

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Please note the following:

- The liabilities of the 2005 PWU group and the historical potential wind-up groups have been calculated based on market conditions at August 31, 2012. The assumptions used are summarized in Appendix A. They also reflect our current understanding of the provisions of the Canada Life Registered Plan.

- Under Scenario 2, the liabilities of the Indago, Adason and Pelican Foods employees include the estimated liabilities for additional benefits that would arise if partial wind-ups of the Plan were declared in respect of each of these groups.

- For the 2005 PWU group, the cumulative pending expense payments have been updated from June 30, 2012 to August 31, 2012 by increasing the amount at June 30, 2012 with the expenses for this group for July and August 2012 (provided by Canada Life). For the historical potential partial wind-up groups, we have left the cumulative pending expense payments unchanged from the amounts at June 30, 2012. We do not expect these amounts to have materially changed as at August 31, 2012 from their respective amounts at June 30, 2012.

  As mentioned in our earlier estimates, these cumulative pending expense payments are being held as "payables" against the assets allocated to the respective groups[1]. Appendix B provides further information on these cumulative pending expense payments:

The cumulative pending expense payments are as follows:

Group	Cumulative pending expense payments
June 2005 partial wind-up group	$14.2 million
Indago	$0.0 million
Pelican	$0.1 million
Adason Property Management	$0.4 million

[1] Plan assets were segmented before pending expense payments were deducted, therefore, cumulative pending expense payments are being held as payables against the respective groups' allocated assets.

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Estimated Financial Position as at August 31, 2012

Under Scenario 1, assuming partial wind-ups are not declared as a result of the terminations of Indago, Adason Property Management and Pelican Foods employees who were members of the Plan, the estimated financial position of the 2005 PWU group at August 31, 2012 is as follows. For comparison purposes, we show the estimated financial position at June 30, 2012 (and based on the new CIA annuity purchase guidance, which became effective June 30, 2012).

Estimated financial position for 2005 PWU group ($ million)	**August 31, 2012**	**June 30, 2012**
Assets	$312.7	$311.6
Pending asset transfer	$6.9	$6.7
Liabilities	($286.5)	($285.8)
Pending expense payments	($14.2)	($14.0)
Surplus	$18.9	$18.5
Provision for future termination expenses	($12.7)	($12.7)
Surplus net of termination expenses	$6.2	$5.8

The provision for future termination expenses for the 2005 PWU group, of $12.7 million, is an estimate of the future administrative, communications, actuarial, legal and other fees related to the partial wind-up that was provided by Canada Life.

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A reconciliation of the change in the estimated financial position from June 30, 2012 to August 31, 2012 is as follows:

(millions)	
Estimated surplus at June 30, 2012	$5.8
Investment return on assets allocated to the partial wind-up group	$2.2
Interest on liabilities at 2.7%	($1.3)
Impact of election of commuted values	$1.3
Change in estimated costs of purchasing annuities	($1.8)
Increase in pending expense payments	($0.2)
All other factors	$0.2
Estimated surplus at August 31, 2012	$6.2

Impact of potential partial wind-up declarations in respect of Indago, Adason and Pelican

Under Scenario 2, assuming that terminations of employees of Indago, Adason Property Management and Pelican Foods are declared to be separate partial wind-ups of the Plan, the estimated financial position of the different groups within the Plan (excluding Crown DC account balances) as at August 31, 2012 are as follows:

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Estimated financial position at August 31, 2012 ($ million)	2005 PWU group	Indago	Adason	Pelican
Assets	$316.5[2]	$1.5	$12.2	$4.3
Liabilities	($286.5)	($0.2)	($5.2)	($1.1)
Pending expense payments	($14.2)	$0.0	($0.4)	($0.1)
Surplus	$15.8	$1.3	$6.6	$3.1
Termination expenses	($12.7)	($0.2)	($0.4)	($0.2)
Surplus net of termination expenses	$3.1	$1.1	$6.2	$2.9

A reconciliation of the estimated financial position from June 30, 2012 for Indago, Adason and Pelican to the estimated financial position at August 31, 2012 shown in this letter is presented below:

($ millions)	Indago	Adason	Pelican Foods
Estimated surplus at June 30, 2012	$1.1	$6.1	$2.9
Investment return on allocated assets	$0.0	$0.2	$0.1
Interest on liabilities	$0.0	($0.0)	$0.0
Increase in provision for future termination expenses	($0.0)	($0.0)	($0.0)
Changes in estimated costs of purchasing annuities	$0.0	$0.0	$0.0
All other factors	($0.0)	($0.1)	($0.1)
Estimated surplus at August 31, 2012	$1.1	$6.2	$2.9

[2] Reflects pending asset transfer as a result of data changes made

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Membership data, assumptions, and methodology

For the purpose of preparing the above estimates:

- We have used membership data as at August 31, 2012 for the 2005 PWU and as at December 31, 2011 for the Indago, Adason and Pelican potential partial wind-up groups.

- For the 2005 PWU group, we have reflected members' actual elections for the settlement of their basic benefits.
  - For members who elected a lump sum transfer, we have reflected the payment of their commuted values. We have reflected lump sum payments that the Company has indicated will be made up to September 14, 2012;
  - For members who elected an immediate or deferred pension, we have reflected the estimated cost of settling their benefits through the purchase of deferred or immediate annuities;
  - For members whose settlement elections have not been received, we have assumed these members would elect, or be deemed to elect, an immediate or deferred pension. We have estimated the cost of settling their benefits through the purchase of deferred or immediate annuities.

  In addition, under scenario 2, we have assumed all Indago, Adason, and Pelican Foods employees with remaining benefit entitlements[3] would elect, or be deemed to elect, to have their benefits settled through the purchase of immediate or deferred annuities.

- The calculations were prepared based on our current understanding of the provisions of the Canada Life Registered Plan;

- We have used the economic assumptions (specifically interest rate and inflation) consistent with the economic conditions at August 31, 2012;

  The assumptions used in our calculations are summarized in Appendix A;

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[3] This excludes members who have already received a lump sum transfer (at their initial termination dates) but are entitled to additional benefits as a result of a partial wind-up being declared

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- We have relied on the August 31, 2012 market value of assets provided to us by Canada Life;
- The estimated financial positions are expressed on a solvency basis;
- The estimated cost of purchasing annuities is based on the Canadian Institute of Actuaries' Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2011 and December 30, 2012 effective June 30, 2012;

  We note that in Canada, there is very limited data available in the market regarding the pricing of annuities indexed to inflation. The market for these annuities is also virtually non-existent. As a result, it is possible, maybe even likely, that the actual cost of purchasing these annuities will exceed (potentially materially) the estimates shown in this letter.

If you have any questions regarding the above, we would be glad to discuss them with you in more detail at your convenience. As always, you can reach me at (416) 868 7385.

Sincerely,

Benedict O. Ukonga, FSA, FCIA, CFA
Principal

Copy:
Wally Robinson: Great-West Life | London Life | Canada Life
Doug Johnson, Joseph Tang, James Dalton: Mercer

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Appendix A: Key Assumptions

	August 31, 2012	June 30, 2012
Benefits assumed to be settled through annuity purchase		
Nominal interest rate	<u>Immediate retirement</u> Indexed: 2.36% per year Non-indexed: 3.04% per year <u>Deferred retirement</u> Indexed: 3.04% during the deferral period, 2.36% after commencement Non-indexed: 3.04% per year	<u>Immediate retirement</u> Indexed: 2.35% per year Non-indexed: 3.05% per year <u>Deferred retirement</u> Indexed: 3.05% during the deferral period, 2.35% after commencement Non-indexed: 3.05% per year
Mortality rate	UP 94 with generational mortality improvements (sex distinct)	UP 94 with generational mortality improvements (sex distinct)
Inflation	1.95% per year	1.90% per year
Post retirement indexing	We have assumed that the life insurance company would price the annuities as if they were fully indexed for inflation.	We have assumed that the life insurance company would price the annuities as if they were fully indexed for inflation.
Provision for future wind-up expenses:	June 2005 PWU: $12.7 million Indago: $0.0 million Adason: $0.4 million Pelican: $0.1 million	$13 million for the June 30, 2005 partial wind-up (based on information provided by Canada Life). To be determined for the other potential partial wind-ups groups.
Member settlement elections	All remaining members of the 2005 PWU group, and remaining Indago, Adason and Pelican members are assumed 100% immediate or deferred annuities	All remaining partial-windup members assumed 100% immediate or deferred annuities
Basis	Solvency	Solvency

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Appendix B

Reconciliation of the assets allocated to the 2005 PWU group (under scenario 1 and before pending expenses)

Reconciliation from June 30, 2012 to August 31, 2012

	2005 PWU group
June 30, 2012	$311,648,000
PLUS	
Members' contributions	$0
Company's contributions	$0
Investment income	$2,182,000
	$2,182,000
LESS	
Pension and lump sums paid	$1,123,000
	$1,123,000
August 31, 2012	$312,707,000

Pending Expense Reimbursements[4]

(millions)	2005 PWU group	Indago	Adason	Pelican
June 30, 2012	$14.0	$0.0	$0.4	$0.1
Estimated plan Expenses – July and August 2012	$0.2	$0.0	$0.0	$0.0
August 31, 2012	$14.2	$0.0	$0.4	$0.1

[4] Cumulative pending expenses as provided by Canada Life

This is Exhibit "C" referred to in
the Affidavit of Wallace Robinson
sworn before me this 24 day
of September 2012.

S2 Savage

A Commissioner, Etc.

Financial Services Commission of Ontario
Commission des services financiers de l'Ontario

Ontario

SECTION:	Wind Up
INDEX NO.:	W100-233
TITLE:	Distribution of Benefits on Partial Wind Up Where Immediate or Deferred Pensions are Not Purchased
APPROVED BY:	Superintendent of Financial Services
PUBLISHED:	FSCO website (June 2010)
EFFECTIVE DATE:	March 10, 2010

Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.

Note: The electronic version of this policy, including direct access to all linked references, is available on FSCO's website at www.fsco.gov.on.ca. *All pension policies can be accessed from the* **Pensions** *section of the website through the* **Pension Policies** *link.*

Administrators of pension plans (administrators) are no longer required to purchase annuities for members affected by a partial wind up who are receiving pension payments, or who chose or were deemed to have chosen a deferred pension (Affected Group). However, administrators may still purchase annuities for the Affected Group, as provided under section 43 of the PBA, if it determines that it is prudent to do so.

This policy outlines a procedure for administrators to follow in the event that the administrator chooses **not** to purchase annuities for the Affected Group. This policy also provides guidance on the determination of the value of the liabilities for the Affected Group and the timing of the transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan. Unless specifically noted otherwise in this policy, the term "transfer" refers to the transfer of the assets and liabilities of the Affected Group.

Please note that this policy does not apply to members affected by the partial wind up who are eligible and have elected a transfer of the commuted value of the pension benefit out of the pension plan under section 42(1) of the PBA.

If administrators and their agents have questions about plan wind ups, they should refer to the PBA and Regulation. Additional information may also be obtained from other policies published by FSCO that deal with wind up issues. Policies are intended to clarify the interpretation of the PBA and Regulation in certain situations and to assist administrators and their agents in understanding the requirements of the PBA, Regulation and FSCO's practices so that full compliance can be achieved.

Background

The July 29, 2004 Supreme Court of Canada decision in respect of Monsanto Canada Inc. required the distribution of any surplus related to the wound up portion of the plan as part of the partial wind up process in order to complete the distribution of assets related to the partial wind up. In this process, the administrator was required to distribute all of the assets of the plan associated with the partial wind up. To satisfy that requirement, the Superintendent took the position that the purchase of annuities was necessary to settle the benefits that were payable to members, former members (including retired members) and other persons affected by the wind up who did not elect a transfer of the commuted value of their benefits. However, on December 2, 2009, the Financial Services Tribunal in a decision in respect of an Imperial Oil Limited pension plan held that administrators may satisfy the requirement to distribute plan assets related to the Affected Group's benefits on partial wind up by transferring the assets to the on-going portion of the plan and are not required to purchase annuities for this group.

Communicating the impact of the decision not to purchase annuities

In the event of a partial wind up, the plan administrator will need to make a decision as to whether or not to purchase annuities for some or all of the Affected Group. This decision must be communicated to FSCO and to all persons affected by the partial wind up.

If the administrator decides not to purchase some or all of the annuities, the administrator will be required to transfer the assets and liabilities in respect of the members of the Affected Group who chose to receive their pension benefits from the pension plan, to the on-going portion of the pension plan in order to complete the distribution of assets related to the partial wind up (Note: The transfer is said to be a notional transfer as the assets and liabilities of the Affected Group will simply remain in the plan).

FSCO will require the administrator to advise all persons affected by the partial wind up as to the impact on their pension benefit when a pension payment is being provided under the pension plan as opposed to it being provided through an annuity purchased from an insurance company. This information is to be included in the individual statement issued to all persons affected by the partial wind up (setting out the person's entitlement under the plan and the options available to those persons) as required under section 72(1) of the PBA and section 28(2) of the Regulation. The information being provided should clearly indicate that their pension benefits will be payable or continued to be payable from the pension plan and that any subsequent settlement will be subject to the terms of the plan and its funded status at that time.

Partial Windup Reports already Filed

In a situation where a partial wind up report has been filed with FSCO indicating that annuities are to be purchased for the Affected Group and the administrator subsequently decides not to purchase the annuities, the administrator is required to advise FSCO of the decision, revise the report to reflect the change and file the revised report with FSCO for review. Furthermore, for those members who made elections based on the administrator' s previous decision to purchase annuities, the administrator is required to provide a revised statement to the Affected Members who made an election to receive an immediate or deferred pension on the premise that annuities will be purchased for them. The revised statement will include the information described above where annuities are not being purchased.

Basis for Determining the Value of Immediate and Deferred Pensions

Section 29(8) of the Regulation does not permit the payment of commuted values or purchase of annuities until the partial wind up deficit, if any, has been fully funded (except for a payment of the current value of any additional voluntary and/or required contributions made by the member employee prior to the wind up date). Where there is a partial wind up deficit as at the wind up date, section 31(2) of the Regulation requires additional funding over no more than 5 years annually in advance or funding by way of an immediate lump sum.

Where annuities are purchased for the Affected Group through an insurance company, the cost to fully settle the liabilities is known and the wind up surplus or deficit is calculated as the difference between the assets allocated to the partial wind up group and the sum of the following:

(a) commuted value entitlements (for eligible members who elect commuted value transfers under section 73(2) of the PBA),
(b) any cash lump sum payment payable under sections 39(4), 50, 63(2), 63(3) and 63(4) of the PBA,
(c) the annuity purchase premium paid to a life insurance company (for members who are eligible for and chose or were deemed to have chosen an immediate or a deferred pension), and
(d) partial wind up expenses.

Where an administrator chooses not to purchase annuities for the Affected Group, the wind up surplus or deficit is calculated the same way as above except that, instead of an actual annuity purchase premium paid to a life insurance company, the value of the immediate and deferred pensions would be based on the applicable guidance from the Educational Notes published by the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting for the purpose of estimating annuity premiums as at the date a determination is to be used.

Timing of Transfer of the Assets and Liabilities of the Affected Group

Where there is a deficit as at the partial wind up date, section 75 of the PBA and section 31 of the Regulation require additional contributions to be made into the pension fund by the plan sponsor to increase the level of the funded position of the wind up assets to 100%. Until this funding is complete (either by way of amortized payments over no more than 5 years or an immediate lump sum), the administrator is required to track the assets and liabilities relating to the partial wind up separate and apart from the assets and liabilities relating to the on-going portion of the pension plan. When there is no further amount to be funded under section 75 of the PBA, the transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan can occur once written confirmation from the actuary of full funding of the partial wind up is received by FSCO. FSCO will also require administrators to provide written confirmation to FSCO that the transfer of the assets and liabilities of Affected Group to the on-going portion of the pension plan has occurred. Confirmation about the transfer as set out above can be included in the annual reports required by section 32 of the Regulation, or can be provided in a separate letter addressed to the Superintendent.

In a situation where the sponsor of a pension plan is required to fund a partial wind up deficit and the financial position of the wound up portion of the pension fund after settlement of all benefits reveals there are assets remaining, the employer may apply for a refund of overpayment of contributions (under section 78(4) of the PBA) equal to an amount that is not in excess of the required payments made to fund the partial wind up deficit. If, after the refund of overpayment to the employer, there still remain assets then that amount may be distributed as surplus assets in accordance with the PBA and Regulation.

Where there is a surplus as at the partial wind up date and the financial position of the wound up portion of the pension fund after the wind up effective date shifts to a deficit position, the employer must pay the deficit in the manner and the times set out in section 31 of the Regulation. If the payment date is more than five years from the partial wind up date the payment must be paid in a lump sum payment. Once funding is complete, the transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan can occur provided that confirmation of full funding of the partial wind up is received by FSCO.

Where there is a surplus as at the wind up date, the transfer of the assets and liabilities of the Affected Group can occur prior to the completion of the surplus distribution. The form of surplus distribution may be a lump sum cash payment or an increase to pension benefits to members affected by the wind up. For more information regarding the distribution of surplus on partial wind up, see policies S900-901 ("Allocation of Surplus to Members, Former Members and Other Persons on Wind Up") and S900-910 ("Distribution of Surplus to Employer on Partial Wind Up").

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Tracking the pension benefits of the Affected Group

The notional split between the wound up and on-going portions of the pension plan must be maintained until all assets relating the partial wind up have been settled, including a surplus distribution, if any. That is, upon the (notional) transfer of the assets and liabilities relating to the Affected Group to the on-going portion of the pension plan, the administrator must ensure that Affected Group receive the pension benefit they are entitled to (including any grow-in entitlement as provided for Ontario members, early retirement subsidies, etc.)

Completion of Partial Wind Up

The administrator must advise the Superintendent in writing once all assets have been distributed from the wound up portion of the pension plan. Once the Superintendent is advised of this distribution, the file on the partial wind up will be closed.

This is Exhibit "D" referred to in
the Affidavit of Wallace Robinson
sworn before me this 24 day
of September 2012.

S L Savage
A Commissioner, Etc.

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Educational Note

Assumptions for Hypothetical Wind-Up and Solvency Valuations with Effective Dates Between December 31, 2011, and December 30, 2012

Committee on Pension Plan Financial Reporting

May 2012

Document 212032

Ce document est disponible en français

Members should be familiar with educational notes. Educational notes describe but do not recommend practice in illustrative situations. They do not constitute Standards of Practice and are, therefore, not binding. They are, however, intended to illustrate the application (but not necessarily the only application) of the Standards of Practice, so there should be no conflict between them. They are intended to assist actuaries in applying Standards of Practice in respect of specific matters. Responsibility for the manner of application of Standards of Practice in specific circumstances remains that of the members in the pension practice area.

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Seeing Beyond Risk Canadian Institute of Actuaries Institut canadien des actuaires Voir au-delà du risque

Memorandum

To: All Pension Actuaries

From: Phil Rivard, Chair
Practice Council

Gavin Benjamin, Chair
Committee on Pension Plan Financial Reporting

Date: May 24, 2012

Subject: **Educational Note—Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates between December 31, 2011, and December 30, 2012**

This educational note provides guidance on assumptions to be used for hypothetical wind-up and solvency valuations for 2012. It confirms the initial guidance for 2012 assumptions that was provided in an announcement issued on February 6, 2012.

The Committee on Pension Plan Financial Reporting (PPFRC) would like to express its gratitude to BMO Assurance, The Co-Operators, Desjardins Financial Security, Great-West Life, Industrial Alliance, Manulife, Standard Life, and Sun Life for providing the committee with data.

In an educational note provided in 2010, the PPFRC included additional draft guidance on the assumptions to be used for hypothetical wind-up and solvency valuations for very large plans and plans with benefits indexed to the Consumer Price Index in situations where an alternative settlement method was being hypothesized. Comments were invited from pension actuaries and other interested parties. Subsequently, the Actuarial Standards Board established a designated group (DG) to review the practice-specific standards with respect to the selection of assumptions for hypothetical wind-up and solvency valuations. The DG has completed its review and concluded that significant changes to the standards are not appropriate at this time. Consequently, the PPFRC has resumed the process of developing additional guidance relating to the selection of assumptions for hypothetical wind-up and solvency valuations for very large and/or indexed plans in situations where an alternative settlement method is being hypothesized.

The PPFRC is also conducting further research regarding the pricing of indexed annuities and the effect on annuity pricing of the duration of the obligations being purchased.

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The PPFRC expects to issue additional and/or revised guidance as soon as practical following the completion of the above activities.

In accordance with the Institute's Policy on Due Process for the Approval of Guidance Material other than Standards of Practice, this educational note has been prepared by the PPFRC and has received final approval for distribution by the Practice Council effective May 24, 2012.

As outlined in subsection 1220 of the Standards of Practice, "*The actuary should be familiar with relevant Educational Notes and other designated educational material.*" That subsection explains further that a "practice which the Educational Notes describe for a situation is not necessarily the only accepted practice for that situation and is not necessarily accepted actuarial practice for a different situation." As well, "Educational Notes are intended to illustrate the application (but not necessarily the only application) of the standards, so there should be no conflict between them."

If you have any questions or comments regarding this educational note, please contact Gavin Benjamin at his CIA Online Directory address, gavin.benjamin@towerswatson.com.

PR, GB

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1. INTRODUCTION

According to paragraph 3330.16 of the Standards of Practice, the assumptions used for actual and hypothetical wind-up valuations would

- in respect of benefit entitlements that are assumed to be settled by purchase of annuities, reflect single premium annuity rates,
- in respect of benefit entitlements that are assumed to be settled by lump sum transfer, reflect the standards in section 3500 respecting commuted values, and
- in respect of benefit entitlements that are assumed to be settled in some other manner, reflect the manner in which such benefits would be settled.

This document has been prepared by the Committee on Pension Plan Financial Reporting (PPFRC) and is intended to provide actuaries with guidance in selecting appropriate assumptions for hypothetical wind-up and solvency valuations in respect of benefit entitlements that are assumed to be settled by purchase of annuities or by lump sum transfer with effective dates on or after December 31, 2011, and prior to or on December 30, 2012. For greater clarity, this document does not provide detailed guidance on selecting appropriate assumptions for hypothetical wind-up and solvency valuations in respect of benefit entitlements that are assumed to be settled in a manner other than the purchase of annuities or lump sum transfer.

This educational note confirms the initial guidance for 2012 assumptions that was provided in an announcement issued on February 6, 2012.

2. SETTLEMENT METHODS

To comply with paragraph 3330.16 of the Standards of Practice, the actuary would make an assumption for each class of plan members as to the portion of liabilities settled by annuity purchase, commuted value transfer or other manner of settlement. Typically, classes of plan members would include at least

- active members not eligible for retirement,
- active members eligible for retirement,
- retired members and surviving spouses, and
- deferred vested members.

In determining the appropriate assumption for the method of settlement, the actuary would consider

- any legislative requirements to offer specific settlement options to various classes of members,
- the settlement provisions of the plan and, in particular, the options to be provided to members upon plan wind-up,
- the benefit provisions of the plan, for example,

where a plan has generous ancillary benefits, an election to receive a commuted value transfer may be affected by the maximum transfer limits imposed under section 8517 of the Income Tax Act (Canada) Regulations, or

where a plan has inflexible retirement options and few optional forms of payment, a member may prefer to elect a commuted value transfer to increase flexibility in payment terms,

the postulated scenario upon which the hypothetical wind-up is based,

past experience of the plan, when relevant, and

any experience from actual wind-ups of comparable plans of which the actuary may be aware.

All requirements of the Standards of Practice with respect to the development and reporting of assumptions would apply to this assumption.

3. BENEFITS ASSUMED TO BE SETTLED BY LUMP SUM TRANSFER

For hypothetical wind-up valuations, of which solvency valuations are a subset, paragraph 3240.05 of the Standards of Practice states, *"For a hypothetical wind-up valuation, the actuary should assume that the wind-up date, the calculation date and the settlement date are coincident."*

Accordingly, the wind-up liabilities for benefits expected to be settled through the payment of a lump sum transfer would be determined in accordance with section 3500 of the Standards of Practice, applying the assumptions consistent with the particular valuation date.

4. BENEFITS ASSUMED TO BE SETTLED BY PURCHASE OF NON-INDEXED GROUP ANNUITIES

Methodology

The PPFRC began collecting data from insurers on a quarterly basis in 2009. Six insurers agreed to provide quotes, on a confidential basis, on illustrative blocks of business. The insurers that agreed to provide this information are Desjardins Financial Security, Great-West Life, Industrial Alliance, Manulife, Standard Life, and Sun Life Financial. In late 2011, two additional insurers, BMO Assurance and The Co-Operators, agreed to provide quotes on the same basis.

The PPFRC prepared data for two illustrative blocks of business for non-indexed pensions that were then provided to the insurers. One illustrative block is intended to be representative of a large purchase (i.e., with a total premium greater than $15 million) and the other illustrative block is intended to be representative of a small purchase (i.e., with a total premium less than $15 million).

The characteristics of the illustrative blocks of business, as follows, are:

Large Purchase (approximately $39 million total premium)

Retirees	
• Number	229
• Average age	66
• Average monthly lifetime pension	$700
• Number with bridge pension payable to age 65	44
• Average monthly bridge pension	$322
Deferred vested	
• Number	95
• Average age	46
• Average monthly lifetime pension at age 65	$642

Small Purchase (approximately $6.4 million total premium)

Retirees	
• Number	24
• Average age	66
• Average monthly lifetime pension	$710
• Number with bridge pension payable to age 65	5
• Average monthly bridge pension	$412
Deferred vested	
• Number	37
• Average age	46
• Average monthly lifetime pension at age 65	$678

Based on current interest rate levels and assuming that the pensions are not indexed, the durations of the illustrative blocks are as shown here.

	Large Purchase	Small Purchase
Retirees	10.9	10.7
Deferred vested	24.4	24.5
Combined	13.5	17.4

Using these data, the insurers indicated that they would provide realistic quotes (i.e., as though the quotes truly represent blocks of business on which they are bidding) as of the agreed-upon dates. Based on the quotes, the PPFRC then calculated the implicit discount rate underlying each quote.

The insurers indicated that it would not be appropriate, for competitive reasons, for the PPFRC to disclose the individual discount rates underlying the insurer quotes, including the discount rate associated with the most competitive quote. Also, the insurers indicated that, in their view, it is not appropriate to rely solely on the most competitive illustrative quote for purposes of establishing group annuity purchase discount rate assumptions because the capacity at which group annuities can be transacted at the best illustrative price might be limited. For example, a particular insurer may not be transacting actual sales at a particular date, even though illustrative quotes are provided at that date, if the insurer has met its capacity limit.

After lengthy discussions, the PPFRC and the insurers agreed that, for purposes of providing guidance on group annuity purchase discount rates, it would usually be appropriate to reference the average of the discount rates for the three most competitive quotes. In reaching this conclusion, the PPFRC considers the magnitude of the spread between the illustrative quotes (which data are confidential).

The guidance contained in this educational note is partially based on quotes provided by the eight insurance companies on illustrative group annuity business using pricing conditions at December 31, 2011. These data were collected on the same basis as the illustrative quotes as of December 31, 2010 (as described in the May 2011 educational note), and are consistent with the methodology adopted as of each quarter end in 2011. Consistent with the analysis performed at previous quarter ends, the illustrative quote information was supplemented with data on the pricing of actual group annuity purchases during the fourth quarter of 2011 provided by certain actuarial consulting firms.

Analysis

The results of the illustrative non-indexed quotations at December 31, 2011, based on the UP94 generational mortality tables (with the AA improvement scale), are summarized below and compared to the previous illustrative quote information provided by the insurers as at September 30, 2011.

AVERAGE OF THE THREE MOST COMPETITIVE QUOTES (USING UP94 GENERATIONAL MORTALITY TABLES)				
	Large Purchase		**Small Purchase**	
	30/09/2011	**31/12/2011**	**30/09/2011**	**31/12/2011**
Retirees				
• Discount rate	3.57%	3.28%	3.56%	3.36%
• Spread over CANSIM V39062	+ 0.89%	+ 0.87%	+ 0.88%	+ 0.95%
Deferred vesteds				
• Discount rate	3.59%	3.46%	3.52%	3.50%
• Spread over CANSIM V39062	+ 0.91%	+ 1.05%	+ 0.84%	+ 1.09%

The illustrative quotes suggest that an appropriate discount rate for estimating the cost of purchasing a non-indexed group annuity for immediate pensions be determined as the unadjusted yield on Government of Canada (GoC) long-term bonds (CANSIM V39062) increased arithmetically by approximately 90 basis points (bps), in conjunction with the UP94 generational mortality tables.

The pricing information for *actual* group annuity purchases during the fourth quarter of 2011 was also considered. In particular, the data on the actual purchases of non-indexed annuities during the month of December 2011 that were available to the PPFRC produced an average spread of approximately 90 bps above the prevailing unadjusted yield on GoC long-term bonds (CANSIM series V39062).

While the illustrative quotes do indicate differences in the pricing for immediate and deferred annuities, some of the insurers provide their quotes on the basis that the immediate and deferred annuities are comingled in the same purchase. As a result, and based on both the illustrative quotes and the actual group annuity data, the PPFRC has concluded that there is not sufficient evidence at this time to differentiate the guidance on pricing of group annuities for large and small annuity purchases, and immediate and deferred annuities.

Guidance for Non-indexed Pensions

Based on the analysis described above, the PPFRC has concluded that an appropriate discount rate for estimating the cost of purchasing a non-indexed group annuity would be determined as the unadjusted yield on GoC long-term bonds (CANSIM V39062) increased arithmetically by 90 bps, in conjunction with the UP94 generational mortality tables. This guidance applies to both immediate and deferred pensions and also applies regardless of the overall size of a group annuity purchase.

Example

As at December 31, 2011, the unadjusted CANSIM V39062 rate was 2.41%. This rate would form the basis for developing an appropriate underlying discount rate for valuations of non-indexed group annuities with effective dates of December 31, 2011, and January 1, 2012, to be used in conjunction with the UP94 generational mortality tables. Prior to rounding, an applicable underlying discount rate would then be determined as 2.41% + 0.90% = 3.31%.

Each actuary would use discretion in determining whether to round discount rates to the nearest multiple of five, 10, or 25 basis points. Consistency in the application of such rounding would be maintained.

5. INDEXED PENSIONS

As in prior years, data regarding the pricing of annuities indexed to the Consumer Price Index (CPI) are extremely limited. None of the data obtained regarding actual annuity purchases during the fourth quarter of 2011 pertain to indexed annuities. In most cases, the contributing insurers did provide illustrative quote data for the sample blocks on a CPI-indexed basis. It may be noted that the premiums quoted for the illustrative quotes on this and prior occasions are substantially higher than the guidance provided by prior educational notes.

The PPFRC intends to conduct further research in 2012 regarding the pricing of indexed annuities. The analysis will include confirmation as to whether the insurers would be willing to actually transact on the basis reflected in the illustrative annuity quotes. This research may result in the revision of future guidance for estimating the cost of purchasing indexed annuities.

Accordingly, an acceptable proxy for estimating the cost of purchasing a group annuity where pensions are fully indexed to the rate of change in the CPI would be the unadjusted yield on GoC real-return long-term bonds (CANSIM series V39057) in conjunction with the UP94 generational mortality tables. This guidance applies to both immediate and deferred pensions and also applies regardless of the overall size of a group annuity purchase. As at December 31, 2011, the unadjusted CANSIM V39057 rate was 0.45%.

In situations where pensions are partially indexed, indexed to a measure other than the CPI, or contain a deferred component, the actuary would make appropriate provisions for such situations consistent with the guidance provided in this educational note and other relevant educational notes.

6. INDIVIDUAL ANNUITY PRICING

The PPFRC observes that, particularly during a period of capital market turbulence, the pricing of individual and group annuities can differ for reasons such as:

- there is a greater risk of anti-selection for individual annuities,
- the size of the average monthly pension is usually larger for individual annuities,
- individual annuities may have less complex ancillary features,
- the ability to find appropriate fixed-income investments to back the annuity obligation may be a lesser issue for individual annuities due to the relatively small premium size, particularly during a period in which many fixed-income instruments are highly illiquid, and
- the group annuity pricing is underwritten at the time of the quote, while individual annuity pricing for a particular quote may be "automated".

As a result of these factors, the pricing of individual and group annuities can differ significantly, as occurred in late 2008 and early 2009. Where an actuary considers that a plan's hypothetical wind-up or solvency obligations could be settled by the purchase of individual annuities, yields based on relevant individual annuity quotations could be reflected in establishing the annuity purchase discount rate assumption.

7. LARGE PLANS

As noted in prior educational notes, due to capacity constraints within the Canadian group annuity market, it is possible that large plans would not be able to purchase annuities upon plan wind-up. While the capacity of the group annuity market is not clearly known, it is the PPFRC's understanding that during the past few years total transactions in the Canadian group annuity market were less than $1.5 billion annually. Also, as discussed above, the availability of CPI-indexed annuities of any size may be severely limited.

It may be possible to market a large annuity as a series of smaller annuities over a reasonable period of time, thereby enabling a plan with greater annuity liabilities to access the annuity market anyway. However, this approach may not be suitable, or even possible, in every instance. For example, it may not be possible to settle groups representing annuity liabilities exceeding approximately $500 million over a reasonable period of time, even through a series of smaller annuities. Further, large plans with inflationary increases tied to an external index (i.e., CPI related) would likely have difficulty in settling liabilities successfully through a group annuity purchase.

It is very difficult to predict how the benefits of members in receipt of a pension would be settled for large plans with, effectively, no access to group annuity markets. In the absence of any practical experience, the actuary would make a reasonable hypothesis for the manner in which the benefits may be settled. In making such hypothesis, the actuary would consider relevant legislative requirements and regulatory guidance. Based on this hypothesis, the actuary would then develop appropriate assumptions.

Note that, in most circumstances where a plan wind-up is hypothesized, the principles underlying the determination of annuity prices would continue to apply. For example, if it is hypothesized that liabilities are to be settled through an establishment of a replicating portfolio, an actuary would be guided by the underlying philosophy used by insurance companies in pricing group annuities (i.e., that high-quality fixed-income assets with characteristics similar to the liabilities are used to "immunize" the purchase, with further adjustments for expenses and possibly margins for adverse deviations).

8. MORTALITY

Whether or not the actuary is considering a settlement mechanism other than the purchase of annuities, the mortality experience of pensioners can be a factor in developing an appropriate basis. The determinant is whether future pensioner mortality would be expected to be materially higher or lower than average either due to credible and persistent experience or to occupational or demographic factors.

There is evidence that insurers may consider demonstrable substandard mortality experience submitted when establishing the pricing basis for specific group annuities. Insurers also increasingly appear to be considering occupational or pension size data in establishing mortality assumptions for specific group annuities.

The actuary would consider an adjustment to regular annuity purchase assumptions where there is demonstrated substandard or super-standard mortality or where an insurer might be expected to assume significantly shorter or longer than normal longevity based on occupational or demographic factors. In such cases, the actuary would be expected to make provisions for future improvements in mortality in a manner consistent with the mortality improvements inherent in the assumed annuity purchase basis.

9. WIND-UP EXPENSES

Unless the actuary is satisfied that the expenses of wind-up are not to be charged to the pension fund, the actuary would make an assumption regarding these expenses and the assumption would be explicit. Expenses normally include such items as fees related to preparation of the actuarial wind-up report, fees imposed by a pension supervisory authority, legal fees, costs related to the purchase of annuities, and administrative costs related to the settlement of benefits. Actuaries may refer to the educational note <u>Expenses in Funding Valuations for Pension Plans</u> for further guidance.

10. RETROACTIVE APPLICATION

If an actuary has already prepared a funding valuation report with an effective date on or after December 31, 2011, before the publication of this guidance, the actuary would consider paragraphs 1820.33 through 1820.36 of the Standards of Practice to determine whether it is necessary to withdraw or amend the report.

11. FUTURE GUIDANCE

The PPFRC intends to continue monitoring group annuity pricing on a quarterly basis. Actuaries may use the spreads indicated above for valuations with effective dates on and after December 31, 2011, up to December 30, 2012, pending any further guidance or other evidence of change in annuity pricing.

Given the volatility in group annuity pricing which has occurred in the past few years, it is entirely possible that revised guidance could become necessary during the year and, if that occurs, there will necessarily be some delay (such as 60 to 90 days) between the effective date of data collection and the publication of revised guidance. When reporting results of a valuation, within a period of 60 to 90 days of the effective date of the valuation, the actuary may wish to alert users of the report to the possibility that revisions could be needed in the event of new guidance being published.

Moreover, actuaries may wish to be mindful of the volatility in group annuity prices when communicating advice related to future hypothetical wind-up and solvency valuations.

The PPFRC is currently developing guidance and/or conducting research with respect to alternative settlement methods, the pricing of indexed annuities, and the effect of liability duration on annuity pricing.

Responsibility for the manner of application of Pension-specific Standards of Practice in specific circumstances remains that of the member in the pension practice area.

This is Exhibit "E" referred to in the Affidavit of Wallace Robinson sworn before me this 24 day of September 2012.

S L Savage

A Commissioner, Etc.

Seeing Beyond Risk Canadian Institute of Actuaries Institut canadien des actuaires Voir au-delà du risque

Memorandum

To: All Pension Actuaries

From: Gavin Benjamin, Chair
Committee on Pension Plan Financial Reporting

Date: August 16, 2012

Subject: **Educational Note Supplement: Guidance for Assumptions for Hypothetical Wind-Up and Solvency Valuations Update – Effective June 30, 2012**

Document 212066

The most recent guidance from the Committee on Pension Plan Financial Reporting (PPFRC) regarding assumptions for hypothetical wind-up and solvency valuations was provided in an educational note supplement dated June 30, 2012, which was based on a review of data collected in the first quarter of 2012. The review concluded that there was not sufficient evidence to warrant changing the guidance provided in a May 24, 2012, educational note. This guidance concluded that for valuations with effective dates on and after December 31, 2011, an appropriate discount rate for estimating the cost of purchasing a non-indexed group annuity would be determined as the unadjusted average yield on Government of Canada (GoC) marketable bonds with maturities over 10 years (CANSIM series V39062) increased arithmetically by 90 bps, in conjunction with the UP94 generational mortality tables. This guidance applies to both immediate and deferred pensions and also applies regardless of the overall size of a group annuity purchase.

Methodology

The guidance published on June 30, 2012, as to estimated purchase costs for non-indexed group annuities was partially based on quotes provided by eight insurance companies on illustrative group annuities using pricing conditions as at March 31, 2012, and supplemented by data from certain actuarial consulting firms on actual group annuity purchases during the first and early second quarters of 2012.

Analysis

In an effort to continue to monitor group annuity pricing, the PPFRC obtained illustrative quotes on a similar basis to those obtained at March 31, 2012, but based on pricing conditions as at June 30, 2012 (however, it is noted that one of the eight insurers did not provide illustrative quotes at June 30, 2012). The illustrative non-indexed quotations at March 31 and June 30, 2012, may be summarized as follows:

AVERAGE OF THE THREE MOST COMPETITIVE QUOTES (USING UP94 GENERATIONAL MORTALITY TABLES)	Large Purchase		Small Purchase	
	31/03/2012	30/06/2012	31/03/2012	30/06/2012
Retirees				
• Discount rate	3.43%	2.98%	3.52%	3.05%
• Spread over CANSIM V39062	+ 0.88%	+ 0.73%	+ 0.97%	+ 0.80%
Deferred vesteds				
• Discount rate	3.69%	3.25%	3.70%	3.31%
• Spread over CANSIM V39062	+ 1.14%	+ 1.00%	+ 1.15%	+ 1.06%

If considered in isolation, over the three-month period, the illustrative quotes show a decrease of approximately 10 to 15 bps in the spread of the discount rates over the unadjusted average yield on GoC marketable bonds with maturities over 10 years (CANSIM V39062), in conjunction with the UP94 generational mortality tables.

The pricing information for the actual group annuity purchases for non-indexed pensions in the second quarter of 2012 that was available to the PPFRC produced an average spread which was in the range of 75 to 85 bps above the prevailing unadjusted average yield on GoC marketable bonds with maturities over 10 years (CANSIM V39062).

As a result, the PPFRC concluded that, effective June 30, 2012, a revision to the guidance contained in the educational note supplement published on June 30, 2012, is appropriate.

Guidance for Non-indexed Pensions

Based on the analysis described above, the PPFRC has concluded that, for valuations with effective dates on and after June 30, 2012, an appropriate discount rate for estimating the cost of purchasing a non-indexed group annuity would be determined as the unadjusted average yield on GoC marketable bonds with maturities over 10 years (CANSIM series V39062) increased arithmetically by 80 bps, in conjunction with the UP94 generational mortality tables. This guidance applies to both immediate and deferred pensions and also applies regardless of the overall size of a group annuity purchase.

The revised guidance on spreads applies to valuations with effective dates on and after June 30, 2012 up to December 30, 2012, pending any further guidance or other evidence of change in annuity pricing.

Example

As at June 30, 2012, the unadjusted CANSIM V39062 rate was 2.25%. This rate would form the basis for developing an appropriate underlying discount rate for valuations of non-indexed group annuities with effective dates of June 30, 2012. Prior to rounding, an applicable underlying discount rate would then be determined as 2.25% + 0.80% = 3.05%.

Guidance for Indexed Pensions

The data regarding the pricing of annuities indexed to the Consumer Price Index (CPI) continue to be extremely limited. Only one actual annuity purchase during the first and second quarters of 2012 pertained to indexed annuities. In most cases, the contributing insurers did provide illustrative quote data for the sample blocks on a CPI-indexed basis. It may be noted that the premiums quoted for the illustrative quotes on this and prior occasions are substantially

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higher than the guidance provided by prior educational notes. The PPFRC is in the process of conducting further research regarding the pricing of indexed annuities. This research may result in the revision of future guidance for estimating the cost of purchasing indexed annuities.

Until any revised guidance is issued, the guidance for estimating the cost of purchasing indexed annuities contained in the May 24, 2012, educational note continues to apply.

Validity of May 2012 Educational Note

With the exception of the revisions to the guidance contained in this educational note supplement, actuaries would continue to reference the May 24, 2012, educational note for guidance with respect to the selection of assumptions for hypothetical wind-up and solvency valuations with effective dates between June 30, 2012, and December 30, 2012.

Actual Annuity Pricing

The purpose of this educational note supplement is to provide actuaries with guidance related to the establishment of assumptions for hypothetical wind-up and solvency valuations. It is worth noting that the pricing for an actual group annuity purchase depends on many factors, with the result that the actual price may differ from the guidance provided herein. Some of the factors that may affect pricing of a particular purchase include, but are not limited to:

- The duration of the pensions being purchased;
- The proportion of deferred vested members included in the group being purchased;
- The average pension amount for the pensions being purchased;
- The mortality experience anticipated by the insurance companies bidding on the purchase; and
- Competitive pressures in the group annuity market at the time of the purchase.

DAVID KIDD et al.	**- and -**	**THE CANADA LIFE ASSURANCE COMPANY et al.**	Court File No. 05-CV-287556CP
Plaintiffs		Defendants	

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at TORONTO
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF WALLACE B. ROBINSON
(Sworn September 24, 2012)

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EXHIBIT "I"

THE CANADA LIFE CANADIAN EMPLOYEES PENSION PLAN

FINANCIAL SERVICES COMMISSION OF ONTARIO AND CANADA REVENUE AGENCY REGISTRATION NO. 0354563

SURPLUS SHARING AGREEMENT – AMENDMENT #3

Made as of the 1st day of October, 2013

AMONG:

DAVID KIDD, ALEXANDER HARVEY and JEAN PAUL MARENTETTE (hereinafter the **"Plaintiffs"**)

-and-

WILBERT ANTLER, ED BARRETT, ALEXANDER HARVEY, DAVID KIDD, BRIAN LYNCH, JIM MARTIN, GARY NUMMELIN, and **SHRIRAM MULGUND** in their collective capacity as, and on behalf of, the Executive Committee of CLPENS (hereinafter the **"CLPENS Executive"**)

-and-

LIN YEOMANS, SHAUNA MURRAY and **HEINZ SPUDIK** in their capacity as the members of the Pelican Pension Committee (hereinafter the **"Pelican Committee"**)

-and-

JOCK FLEMING and **SUSAN HENDERSON** in their capacity as the members of the Indago Pension Committee (hereinafter the **"Indago Committee"**)

-and-

GARRY C. YIP and **LOUIE NUSPL** in their capacity as the members of the Adason Pension Committee (hereinafter the **"Adason Committee"**)

- and -

THE CANADA LIFE ASSURANCE COMPANY

- and –

Those individuals in the Class (as defined herein) who have retained Members' Counsel to execute this Agreement on their behalf (hereinafter the **"Represented Participants"**, by their counsel)

- and –

Those individuals in the Class who have not retained Members' Counsel to execute this Agreement but who have provided their individual consents to this Agreement, as undersigned (hereinafter the **"Non-Represented Participants"**)

(collectively, the **"Parties"** and individually a **"Party"**)

WHEREAS the Parties entered into a Surplus Sharing Agreement (the **"Agreement"**) as of September 1, 2011;

AND WHEREAS the Agreement may be amended by written agreement of the "MOU Parties" as defined therein, being the Plaintiffs, the CLPENS Executive, the Pelican Committee, the Indago Committee, the Adason Committee, and Canada Life;

AND WHEREAS the MOU Parties amended the Agreement as of January 1, 2012 to clarify what is included in the "Settlement Expenses" (as defined therein) that can be paid out of surplus pursuant to the Agreement;

AND WHEREAS the MOU Parties amended the Agreement as of February 1, 2013 to reflect their agreement to revise the terms of the Settlement (as defined herein);

AND WHEREAS the February 1, 2013 amendment to the Agreement was expressly made subject to the approval of the Ontario Superior Court of Justice pursuant to section 29 of the Ontario *Class Proceedings Act, 1992*;

AND WHEREAS the Ontario Superior Court of Justice refused to approve the February 1, 2013 amendment, and released a judgment to that effect dated March 28, 2013, and therefore that amendment is of no force and effect;

AND WHEREAS the MOU Parties have agreed to further revisions to the terms of the Settlement;

AND WHEREAS the MOU Parties therefore wish to amend the Agreement again, as set out below (the **"Amendment"**);

AND WHEREAS the MOU Parties have instructed their counsel to execute this Amendment to the Agreement on their behalf;

NOW, THEREFORE, IN CONSIDERATION OF their mutual covenants, and for other good and valuable consideration, the MOU Parties agree as follows:

1. Capitalized terms used in this Amendment shall have the meaning set out in the Agreement.

2. The February 1, 2013 amendment to the Agreement is revoked.

3. In the ninth recital to the Agreement, the concluding words "(the "Settlement")" are deleted.

4. Paragraph 1(e)(vi) of the Agreement (definition of "Agreement") is amended by adding the words ", as amended from time to time" at the end of the paragraph.

5. Paragraph 1(e)(xvi) of the Agreement (definition of "Court Approval") is amended by adding the words "(unless waived by Canada Life)" immediately following the words "Court having jurisdiction over the issue in question and includes".

6. Paragraph 1(e)(liii) of the Agreement (definition of "Settlement") is deleted and replaced with the following:

> (liii) **"Settlement"** means the terms agreed to by the Parties in settlement of the claims advanced in the Amended Statement of Claim, in addition to all claims relating to the Indago PWU, the Pelican PWU, and the Adason PWU, under an agreement based on the framework and terms of the Integration MOU and the Adason MOU, all as reflected in this Agreement, as amended.

7. Paragraph 1(e) of the Agreement is amended by adding the following paragraph in the appropriate alphabetical position, with the existing paragraphs (including paragraph (liii) as amended above) re-numbered accordingly:

> (xxxiii) **"IPWG"** means those Eligible PWU Group Members who were included in the Integration PWU.

8. Paragraph 6(a)(i) of the Agreement is amended by renumbering paragraph 6(a)(i) as paragraph 6(a)(i)(A), adding the word "and" at the end, and adding the following new paragraph 6(a)(i)(B) immediately following it:

> (B) the Settlement can be implemented on the basis that the distributable surplus related to the Integration PWU has been determined based on the liabilities of those members who exercised their portability rights 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;

9. In order to provide for additional flexibility in respect of the Quebec court proceedings contemplated under the Agreement, paragraph 6(c)(vii) of the Agreement is amended by adding the following to the end of that paragraph:

> The provisions in this paragraph 6(c)(vii) related to Québec court proceedings are for the sole benefit of Canada Life, and may be waived by Canada Life in part or in whole in its sole discretion.

10. In order to increase the surplus allocable to the Integration PWU, Canada Life shall waive a portion of the Settlement Expenses which would otherwise be payable to it under the Agreement, and also waive a portion of the interest accruing on the Plan expenses which it has incurred but for which it has not yet been reimbursed. Accordingly, paragraph 7(a) of the Agreement is amended by adding the following to the beginning of that paragraph:

> Notwithstanding the provisions of paragraph 2(a)(iii), Canada Life shall waive its entitlement to reimbursement of a portion of its Settlement Expenses in the amount of $500,000; in addition, notwithstanding the provisions of paragraphs 2(a)(i) and 10(e), Canada Life shall waive entitlement to reimbursement of an amount equal to the amount of interest that would accrue under such paragraphs from August 31, 2012 to December 31, 2013; and the foregoing amounts shall be added to the Final Partial Wind Up Surplus allocable to the Integration PWU, prior to the division described in this paragraph 7(a).

11. In order to increase the surplus payable to those Eligible PWU Group Members who were included in the Integration PWU (*i.e.*, the "IPWG"), as well as the amount of surplus payable to the Inactive Eligible Non-PWU Group Members, the CLPENS Executive shall waive its entitlement to a portion of its legal fees approved by the Ontario Superior Court of Justice on January 27, 2012, which fees would otherwise be payable to it under the Agreement, and direct the resulting amount of increased surplus to those groups. Accordingly, paragraph 7(d) of the Agreement is amended by adding the following to the end of that paragraph:

> Notwithstanding the provisions of paragraph 2(a)(iii), the CLPENS Executive and their counsel shall waive their entitlement to reimbursement of a portion of the Settlement Expenses as follows:
>
> (iii) Settlement Expenses incurred prior to January 27, 2012 shall be waived in the amount of $800,000;
>
> (iv) Of the $250,000 in Settlement Expenses approved by the Ontario Court of Justice on January 27, 2012 for services rendered by counsel to the CLPENS Executive on and after that date, reimbursement of the entire amount shall be waived, except for disbursements up to a maximum of $50,000.
>
> Such amount shall be divided in the ratio set out in paragraph 7(c) – 57.22:12.44 – and the larger portion shall be added to that portion of the Eligible PWU Group Surplus Allocation that is payable to the IPWG. The smaller portion shall be added to the Inactive Eligible Non-PWU Group Surplus Allocation.

12. In order to reflect recent events related to annuity markets, paragraph 7(e) of the Agreement is deleted and replaced with the following:

> *Portability – All PWU Group Members*
>
> The Parties agree that PWU Group Members shall be given their portability rights under section 73(2) of the *Pension Benefits Act* (Ontario) or under a similar provision in the pension standards legislation applicable to them.
>
> *Integration PWU members – Transfer to Ongoing Portion of Plan*
>
> For any member of the Integration PWU who elected to receive (or was deemed to have elected) a deferred or immediate pension, the requirement to distribute plan assets related to the Integration PWU members' benefits has been satisfied by Canada Life transferring assets equal to such members' liabilities to the ongoing portion of the Plan effective August 31, 2012.
>
> *Prior PWU members – Annuity Purchase or Transfer to Ongoing Plan*

For any individual included in a Prior PWU who elects to receive (or is deemed to have elected) a deferred or immediate pension, Canada Life will either arrange for an annuity to be purchased, or will arrange for the pension to be provided from the ongoing portion of the Plan, as Canada Life may decide in its sole discretion. If an annuity is purchased for an individual included in a Prior PWU, the pension provided via such annuity, including indexation (if any), shall be determined in accordance with the terms of the Plan. Any annuities purchased for an individual included in a Prior PWU shall be insured annuities, and, subject to such reasonable administrative limits as may be imposed by Canada Life, shall only be purchased for an amount that on the date of purchase is within the Assuris limits. The Parties agree that any such annuities will be purchased following a competitive bidding process, which may include as potential annuity providers Canada Life and/or any of its affiliates.

13. Canada Life has agreed to guarantee the amount that eligible Integration PWU members receive under the Agreement. Accordingly, the following amendments to the Agreement are made:

(a) Paragraph 7(h) is amended by deleting "[intentionally left blank]" and adding the following:

Notwithstanding the foregoing provisions of this paragraph 7, Canada Life shall make such payments to individuals in the IPWG as are necessary such that, when added to the amounts otherwise payable under this Agreement, they receive the greater of the following two amounts:

(i) 56% of the surplus estimate shown on the individual's personal information statement contained in the roadshow communications mailed in or about March 2011;

(ii) $1,000.

(b) Paragraph 7(l)(i) is amended by adding new paragraph (F) at the end:

(F) Notwithstanding the foregoing provisions of this paragraph 7(l)(i), Canada Life shall make such payments to any Subsequent Consenter who is a member of the IPWG, and to any Subsequent Consenter described in paragraph 7(j) whose entitlement relates to an individual included in the Integration PWU, as are necessary such that, when added to the amounts otherwise payable under this paragraph 7(l)(i), they receive the greater of the following two amounts:

(1) 56% of the surplus estimate shown on the individual's personal information statement contained in the roadshow communications mailed in or about March 2011;

(2) $1,000.

(c) Paragraph 7(l)(v) is amended by adding new paragraph (E) at the end:

(E) Notwithstanding the foregoing provisions of this paragraph 7(l)(v), Canada Life shall make such payments to any Subsequent Consenter who is a member of the IPWG, and to any Subsequent Consenter described in paragraph 7(j) whose entitlement relates to an individual included in the Integration PWU, as are necessary such that, when

> added to the amounts otherwise payable under this paragraph 7(l)(v), they receive the greater of the following two amounts:
>
> (1) 56% of the surplus estimate shown on the individual's personal information statement contained in the roadshow communications mailed in or about March 2011;
>
> (2) $1,000.

14. Canada Life has agreed to guarantee the amount that Inactive Eligible Non-PWU Group Members receive under the Agreement. Accordingly, paragraph 8(d) of the Agreement is amended by adding the following new paragraph following the existing paragraph:

> Notwithstanding the foregoing provisions of this paragraph 8(d), Canada Life shall make such payments to Inactive Eligible Non-PWU Group Members (or their surviving spouse, beneficiary, or estate described in paragraph 8(f) below, if applicable) as are necessary such that, when added to the amounts otherwise payable under this Agreement, they receive the greater of the following two amounts:
>
> (i) 56% of the surplus estimate shown on the individual's personal information statement contained in the roadshow communications mailed in or about March 2011;
>
> (ii) $1,000.

15. The MOU Parties have agreed that only those fees and expenses incurred by counsel to the CLPENS Executive that were approved by the Ontario Superior Court of Justice on January 27, 2012, and no more, shall be paid under the Agreement, subject to the waiver described above. Accordingly, the following sentence is added to the end of paragraph 9(a):

> Notwithstanding the foregoing, and subject to paragraph 7(d), no Settlement Expenses incurred by the CLPENS Executive and their counsel, other than those already approved by the Ontario Superior Court of Justice on January 27, 2012, shall be paid under this Agreement.

16. In order to provide flexibility with respect to the payment process under the Agreement, the following paragraph (f) is added to paragraph 10 of the Agreement:

> (f) Notwithstanding any other provision of this Agreement, in order to satisfy any obligation it may have under this Agreement to make payments to an individual or estate, Canada Life may (in its sole discretion) forego part or all of the amounts otherwise payable to it under this Agreement, and any such foregone amounts shall instead be used to make part or all of the payments Canada Life would otherwise have had to make hereunder.

17. In order to reflect recent changes to the Ontario *Pension Benefits Act*, paragraph 11 of the Agreement is amended to add the words "or section 77.4(2)" immediately following the words "arising out of the Partial Wind Up applicable to them, whether under section 70(6)".

18. This Amendment shall be subject to the approval of the Ontario Superior Court of Justice pursuant to section 29 of the Ontario *Class Proceedings Act, 1992*. Unless and until the Ontario Superior Court of Justice approves this Amendment, it shall be of no force or effect.

19. This Amendment to the Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

20. The Parties have required that this Amendment to the Agreement and all deeds and documents relating to this Agreement be drawn up in the English language. Les Parties aux présentes ont exigé que le présent contrat et tous autres contrats et documents afférents aux présentes soient rédiges en langue anglaise.

Executed as of the date first written above.

CLPENS EXECUTIVE, by their counsel

Koskie Minsky LLP

PLAINTIFFS, by their counsel

Koskie Minsky LLP

PELICAN COMMITTEE, by their counsel

Koskie Minsky LLP

INDAGO COMMITTEE, by their counsel

Koskie Minsky LLP

ADASON COMMITTEE, by their counsel

Sack Goldblatt Mitchell LLP

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ADASON COMMITTEE, by their counsel

Darrell Brown

Sack Goldblatt Mitchell LLP

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THE CANADA LIFE ASSURANCE COMPANY, by its counsel

By: ______________________________
Osler, Hoskin & Harcourt LLP

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
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF WALLACE B. ROBINSON
(Sworn November 27, 2013)

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