Old Age Security

(First Quarter of 2005)

Basic Benefits	GIS max. single	GIS max. married	Spouse's Allowance	Widow/Widower
$471.76	$560.69	$365.21	$863.97	$924.04

	Canadian Pension Plan		Quebec Pension Plan	
	2004	**2005**	**2004**	**2005**
YMPE				
Basic Exemption	**40,500.00**	**41,100.00**	**40,500.00**	**39,900.00**
Contribution Rate	**3,500.00**	**3,500.00**	**3,500.00**	**3,500.00**
- employee	4.95%	4.95%	4.95%	4.95%
- employer	4.95%	4.95%	4.95%	4.95%
- self-employed	9.9%	9.9%	9.9%	9.9%
Annual contribution (maximum)				
- employee	1,831.50	1,861.20	1,831.50	1,861.20
- employer	1,831.50	1,861.20	1,831.50	1,861.20
- self-employed	3,663.00	3,722.40	3,663.00	3,722.40
Retirement benefit (maximum)	**814.17/mo**	**828.75**	**814.17/mo**	**828.75**
Death benefits				
- lump sum	2,500.00	2,500.00	2,500.00	2,500.00
- spouse maximum under				
55	452.42/mo	462.42	687.45/mo	699.42
65	452.42/mo	462.42	704.90/mo	710.37
- spouse maximum over 65	488.50/mo	497.25	488.50/mo	497.25
- orphan (per child)	192.68/mo	195.96	61.18/mo	62.22
Disability benefits				
- contributor (maximum)	922.80/mo	1,010.23	992.77/mo	1,010.20
- child (per chld)	192.68/mo	195.96	61.18/mo	62.22

Common Investing Mistakes (cont'd)

12. Not knowing your tolerance for risk. With every investment comes some form of risk, and it goes without saying that individuals should choose investments that carry a level of risk that is acceptable to them. When an individual is determining his or her tolerance for risk, they should measure the potential impact that an actual loss of dollars would have on both their portfolio and their emotions. Generally speaking, investors should be willing to accept more risk as their investment time horizon increases. However, this is very much a personal matter; every individual has a different tolerance for risk and should not choose investments based on what other investors are doing, even if they share a similar time horizon.

We believe that an educated investor will be a more successful investor. The CFA Institute deserves credit for researching these common mistakes, and for making this information available. Investors are well advised to take this into consideration.

Pension Watch is intended to provide general information only.
It is not intended to provide specific advice or recommendations for any individual.

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February 2005

The last edition of Pension Watch looked at "Financial Advice".
This edition looks at "Common Investing Mistakes".

Common Investing Mistakes

We have stressed in this column in the past that investing is a long-term endeavour that requires patience and discipline. Over time, a well-constructed investment plan should help an individual achieve his or her investment goal, be it capital appreciation, income generation, or a combination of the two. However, by committing one or more common investing mistakes, investors can significantly reduce their overall returns. The good news is that it is not difficult for prudent investors to avoid such mistakes.

The CFA Institute, a global non-profit association that administers the well-respected Chartered Financial Analyst program and sets professional standards for the investment industry, recently asked selected members to identify some of the most common and costly mistakes that individual investors make. The Institute highlighted 12 common mistakes, accompanied by suggestions on how to avoid them. What follows is a summary of the most commonly cited missteps, drawing on the study conducted by the CFA Institute.

1. No investment strategy. An investment strategy serves as a framework to guide future decisions. A well-planned strategy should incorporate an investor's objective, time horizon and risk tolerance, among other factors. At the outset of the investment process, investors should have a clear sense of their objectives, and the level of risk and volatility that they are comfortable with. Without such a strategy, investors have no direction or guidelines upon which to base their investment decisions.

2. Investing in individual stocks instead of in a diversified portfolio of securities. An investment in an individual stock carries greater risk than an investment in a diversified portfolio of securities (e.g., a mutual fund). Insufficient diversification (or failure to diversify) leaves investors vulnerable to fluctuations in a particular security or sector. Investors should build and maintain a broadly diversified portfolio that incorporates different asset classes. However, investors must also be careful not to over-diversify their portfolios (i.e., they should not own too many investment products), as this can lead to higher fees and duplication of holdings - which, in turn, can lead to lower returns.

3. Investing in stocks instead of in companies. Investing is not gambling, and should not be treated as a hit-or-miss proposition. Prudent investors analyze the fundamentals of a company and industry with the mindset of investing in an enterprise that has positive long-term growth potential. Investors should analyze all aspects of a company, including its corporate governance profile, and must steer clear of investing based on market momentum in order to be successful. For many individual investors, this type of analysis is best left to a professional money manager.

4. Buying high. The fundamental principle of investing is to buy low and sell high. Unfortunately, many investors get this backwards, as they focus on buying the best performing or most popular investments of the day (at their highest prices). Many individuals are attracted to investments that post strong short-term performance numbers, assuming that the investment will continue to perform well in the future. However, the opposite is often true. Past performance is not always indicative of future performance, as those investors who are guilty of "chasing performance" can attest. To avoid the trap of purchasing the top-performing investments of the day, individuals must remain disciplined and patient and stick to their long-term investment strategy rather than buying into investment fads or trends when there is a lot of "buzz" about them.

5. Selling low. Investors must keep in mind that mistakes will be made, and that not every investment will increase in value. It can be a costly mistake to hold onto an investment that has poor future growth prospects. If a security has already suffered substantial losses, the investor may want to hang on anyway - out of stubbornness or in the hope that eventually he'll be proven right. It is important to admit when an investment was a mistake, and to be willing to realize the loss and redeploy assets toward a more promising investment, without letting emotion get in the way.

6. Churning your investments. Frequent trading increases transaction costs, which, in turn, reduce long-term returns. Furthermore, this practice runs counter to a long-term buy-and-hold strategy and places emphasis on investing based on market momentum. Studies have proven that excessive transaction costs can have a measurable impact on returns. The solution is to adhere to a buy-and-hold strategy, rather than one that focuses on active trading.

7. Acting on "tips" and "sound bites." Unfortunately, it is common practice for many people to rely on water-cooler gossip and breaking news as sources of information for investment decisions. Acting on such information may seem like an exciting way to achieve attractive short-term returns, as investors may think they have a leg up on the market. However, it is important to remember that the investment community is comprised of professionals who conduct intensive research and analysis and gather information from several independent sources before making an investment decision. It is a mistake to think that this process can be bypassed based solely on a tip or sound bite from a source whose credibility may be questionable, and where the full context of the information may not be apparent.

CUMIS
RETIREMENT SERVICES

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PERFORMANCE COMPARISON

For The Period: Ending Dec. 31, 2004	3 Months %	1 Year %	3 Year %	5 Year %	10 Year %
ACTIVELY MANAGED FUNDS					
Balanced Fund	5.6	10.2	5.2	4.9	9.4
Canadian Equity Fund	8.0	15.1	6.4	5.9	11.4
Overseas Equity Fund (1) (2)	8.1	8.5	-0.7	N/A	N/A
U.S. Equity Fund (2)	1.8	-1.2	-7.7	-7.0	6.6
Dividend Income Fund (3)	7.9	15.8	11.1	17.9	18.9
Short-Term Bond & Mortgage Fund	1.9	5.3	5.6	6.9	7.6
Bond Fund	3.1	7.3	8.1	8.6	9.3
Canadian Money Market Fund	0.6	2.3	2.6	3.6	4.3
CUMIS FUND					
Retirement Security Fund	5.2(4)	5.3	5.7	6.1	6.9
PASSIVELY MANAGED FUNDS					
S&P/TSX Composite Index Fund (5)	7.2	14.6	8.3	3.6	10.2
U.S. Equity Index Fund (2) (6)	3.3	2.5	-6.0	-6.3	N/A
EAFE Equity Index Fund (2) (7)	9.1	11.3	1.7	-4.7	N/A
Universe Bond Index Fund (8)	3.1	7.2	7.5	8.2	N/A
Conservative Balanced Index Fund (9)	4.1	7.2	4.4	3.8	8.3
Moderate Balanced Index Fund (10)	5.2	9.3	5.1	3.6	9.4
Aggressive Balanced Index Fund (11)	6.0	10.6	5.1	2.7	9.4
INDICES					
Active Balanced Fund Benchmark	5.1	9.3	5.1	3.3	8.7
S&P/TSX Composite Index	7.2	14.5	8.3	3.6	10.1
S&P 500	3.4	2.8	-5.8	-5.9	10.3
MSCI EAFE	9.2	11.5	1.8	-4.8	3.9
ScotiaMcLeod Universe	3.1	7.2	7.5	8.2	9.0
30 Day T-bills	0.6	2.2	2.5	3.4	4.1

(1) Overseas Equity Fund merged with Euro-Pacific Equity Fund March 9, 2001
(2) Subject to Canada Customs and Revenue Agency Foreign Content Limit of 30%
(3) Only available under group RSP and DPSP contracts
(4) Annualized
(5) Fund Inception: October 1999. Performance prior to November 1999 is for TSE 300 Equity Index Fund
(6) Fund Inception: January 2000. Performance prior to February 2000 is for Barclays U.S. Equity Index Fund - Canada
(7) Fund Inception: June 1999. Performance prior to July 1999 is for EAFE Equity Index Fund B
(8) Fund Inception: October 1999. Performance prior to November 1999 is for Universe Bond Index Fund
(9) Fund Inception: August 1999. Performance prior to September 1999 is modeled using the benchmark asset mix and index returns
(10) Fund Inception: June 1999. Performance prior to July 1999 is modeled using the benchmark asset weights and index returns
(11) Fund Inception: August 1999. Performance prior to September 1999 is modeled using the benchmark asset weights and index returns

Common Investing Mistakes (cont'd)

8. Paying too much in fees and commissions. Investment fees and commissions inevitably reduce returns. Accordingly, individuals should seek to reduce investment expenses wherever possible by seeking low-cost investment products. Prior to opening an account or establishing a relationship with an advisor, investors should ensure that they are fully informed as to the full array of expenses that they may be charged. It is an unfortunate reality that many investors are unaware of the fees they are paying.

9. Decision-making by tax avoidance. The primary objective of any investment decision should be to ensure that the investment's suitability matches the investor's needs (based on his or her objective, risk tolerance and time horizon). While it is important to be aware of possible tax implications, individuals who place too much emphasis on tax avoidance risk straying from their investment objective. For example, an individual may neglect to rebalance her account because of the possible capital gains that may be triggered by doing so. Yet, this may lead to a distortion in her asset mix, leading to greater overall risk and volatility than she may be comfortable with.

10. Unrealistic expectations. If investors do not set realistic expectations, disappointment is inevitable. It is important for investors to base their long-term performance expectations for their portfolios on the long-term returns of the asset classes in which they are invested. Capital markets produce short-term periods of above-average and below-average returns. Investors must recognize this and remain disciplined in setting expectations rather than assuming that, for example, periods of robust market returns will be the norm going forward.

11. Neglect. Declining equity markets and investment losses tend to discourage investors, leading them to neglect or ignore their portfolio. It is important for investors to review their portfolio on a regular basis to ensure that their investment strategy is being adhered to. As well, successful investors continue to invest in times of good markets and bad. Establishing a pre-authorized contribution (PAC) program is an effective way to do this. As different asset classes perform differently over time, neglecting a portfolio can lead to significant changes in its asset mix and risk profile, which could lead to an unpleasant surprise for the investor when he or she takes an interest again.

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NEWS FROM THE GOVERNMENT

Ontario Adopts New CIA Standard and Extends Surplus Regulation

On December 10th 2004, Ontario filed Regulation 386/04, which amends several provisions of the province's Pension Benefits Act Regulation (PBA Regulation). Two changes resulting from Regulation 386/04 will be of particular interest to pension plan sponsors and administrators:

- Adoption of the new Standard of Practice for Determining Pension Commuted Values; and
- A two-year extension of the application of the surplus rules in section 8 of the PBA Regulation.

New CIA Standard Adopted

On June 15th 2004, The Canadian Institute of Actuaries (CIA) announced that a new Standard of Practice for Determining Pension Commuted Values (New Standard) would take effect on February 1st 2005. The New Standard affects defined benefit (DB) pension plan sponsors in the following areas:

- Solvency and wind-up valuations;
- Pension plan funding;
- Calculation of transfer values for terminating members;
- Administrative systems and procedures; and
- Communications to members.

Regulation 386/04 amends subsections 19(1) and 29(2) of the PBA Regulation to replace references to the Canadian Institute of Actuaries' 1993 Recommendations for the Computation of Transfer Values from Registered Pension Plans with references to the New Standard. As a result, effective February 1st 2005 the commuted value of a pension, deferred pension or ancillary benefit must be calculated in accordance with the New Standard.

Surplus Sharing Regulation Extended (Again)

Section 8 of the PBA Regulation first came into force on December 18th 1991. This section is commonly referred to as the "surplus sharing regulation", and requires that no distribution of surplus be made to an employer on a full or partial windup of a pension plan unless there is written agreement of the collective bargaining agent of the employees. If there is no collective bargaining agent, at least two-thirds of plan members must agree to the distribution.

Section 8 was intended as a temporary measure, and was originally supposed to be effective for a three-year period, until new surplus regulations could be developed. However, this "temporary" regulation has been regularly renewed for fixed terms. Section 2 of Regulation 386/04 amends subsection 8(3) of the PBA Regulation to extend the application of the surplus sharing regulation to December 31st 2006 - the seventh time the regulation has been extended.

It remains unclear when (or if) the provincial government will move towards the development of a new regulation. In July 2001, the Ontario Ministry of Finance released a consultation paper entitled "Surplus Distribution from Defined Benefit Pension Plans". Following this consultation, the Ontario government released Bill 198, an omnibus budget bill. Part XXV of Bill 198 proposed to amend the PBA to make it easier for employers to withdraw pension surpluses. However, due to public opposition, the provisions of Bill 198 relating to surplus entitlement were withdrawn, and no new initiative has been announced.