

PERFORMANCE COMPARISON

For The Period: Ending March 31, 2005	3 Months %	1 Year %	3 Year %	5 Year %	10 Year %
ACTIVELY MANAGED FUNDS					
Balanced Fund ^(PH&N)	1.9	7.9	5.8	4.3	9.1
Canadian Equity Fund ^(PH&N)	3.0	12.8	7.1	5.0	11.4
Overseas Equity Fund ^{(PH&N) (1)}	1.7	6.3	0.1	N/A	N/A
U.S. Equity Fund ^(PH&N)	-1.7	-6.3	-8.4	-7.5	5.7
Dividend Income Fund ^{(PH&N) (2)}	2.4	13.4	9.6	14.8	17.5
Short-Term Bond & Mtgage Fund ^(PH&N)	0.7	3.2	6.1	6.7	7.2
Bond Fund ^(PH&N)	1.2	5.4	8.7	8.2	8.9
Canadian Money Market Fund ^(PH&N)	0.6	2.3	2.6	3.4	4.2
Income Fund ^(Ethical)	0.8	5.0	8.3	7.2	N/A
Balanced Fund ^(Ethical)	2.1	8.3	5.4	3.2	N/A
Growth Fund ^(Ethical)	3.0	9.7	4.9	3.6	N/A
Special Equity Fund ^(Ethical)	5.4	N/A	N/A	N/A	N/A
International Equity Fund ^(Ethical)	-0.1	2.6	N/A	N/A	N/A
CUMIS FUND					
Retirement Security Fund	5.3 ⁽³⁾	5.3	5.6	6.0	6.8
PASSIVELY MANAGED FUNDS					
S&P/TSX Composite Index Fund ^{(BGI) (4)}	4.4	14.0	9.0	2.0	10.3
U.S. Equity Index Fund ^{(BGI) (5)}	-1.2	-2.1	-6.5	-7.0	9.0
EAFE Equity Index Fund ^{(BGI) (6)}	0.7	5.9	1.6	-4.7	4.0
Universe Bond Index Fund ^{(BGI) (7)}	1.1	5.0	8.3	7.7	8.6
Conservative Balanced Index Fund ^{(BGI) (8)}	0.9	4.5	4.7	2.9	7.9
Moderate Balanced Index Fund ^{(BGI) (9)}	1.6	6.7	5.5	2.3	9.1
Aggressive Balanced Index Fund ^{(BGI) (10)}	2.2	8.4	5.5	1.0	9.2
INDICES					
Active Balanced Fund Benchmark	1.9	7.2	5.5	2.4	8.5
S&P/TSX Composite Index	4.4	13.9	8.9	2.0	10.2
S&P 500	-1.2	-1.8	-6.3	-6.6	9.2
MSCI EAFE	0.8	5.9	1.7	-4.7	3.9
ScotiaMcLeod Universe	1.1	5.0	8.3	7.7	8.6
30 Day T-bills	0.6	2.2	2.5	3.3	3.9

Note: All performance data is shown on a gross or "pre-fee" basis except for Retirement Security Fund

- (1) Overseas Equity Fund merged with Euro-Pacific Equity Fund March 9, 2001
- (2) Only available under group RSP and DPSP contracts
- (3) Annualized
- (4) Fund Inception: October 1999. Performance prior to November 1999 is for S&P/TSX Composite Index Class A
- (5) Fund Inception: January 2000. Performance prior to February 2000 is for Barclays U.S. Equity Index Fund - Canada
- (6) Fund Inception: June 1999. Performance prior to July 1999 is for EAFE Equity Index Fund B
- (7) Fund Inception: October 1999. Performance prior to November 1999 is for Universe Bond Index Class A
- (8) Fund Inception: August 1999. Performance prior to September 1999 is modeled using the benchmark asset mix and index returns
- (9) Fund Inception: June 1999. Performance prior to July 1999 is modeled using the benchmark asset weights and index returns
- (10) Fund Inception: August 1999. Performance prior to September 1999 is modeled using the benchmark asset weights and index returns

NEWS FROM THE GOVERNMENT

Federal Budget 2005

The latest federal budget is the first tabled by a minority government in twenty-five years. Given the Liberals' political fortunes, its Budget contains something for practically everyone: tax cuts, higher retirement savings limits, elimination of foreign content restrictions for deferred-income plans, funding for the environment and health care. Below, we provide an overview and analysis of some of the items that relate to retirement savings and retirees.

Retirement Savings

Somewhat unexpectedly, the Budget contains a number of welcome measures affecting Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs), most notably:

- Increases to retirement savings limits; and
- Elimination of foreign-content restrictions on deferred income plan investments

Pension and RRSP Contribution Limits Increased

Before the Budget, contribution limits were supposed to increase in step with the Average Industrial Wage (AIW). Accordingly, the increases proposed in the Budget are not as large as they seem. The table below shows the amounts of the proposed increases, along with our calculation of what contribution and accrual limits would have been with AIW increases (based on an inflation rate of two percent and productivity growth of 0.5 percent):

	2005	2006	2007	2008	2009	2010	2011
Money Purchase limit							
Existing (with AIW)	18,000	18,450	18,911	19,384	19,868		
Proposed	18,000	19,000	20,000	21,000	22,000	indexed	
Defined Benefit limit							
Existing (with AIW)	2,000	2,050	2,101	2,153	2,207		
Proposed	2,000	2,111	2,222	2,333	2,444	indexed	
RRSP limit							
Existing (with AIW)	16,500	18,000	18,450	18,911	19,834	19,868	
Proposed	16,500	18,000	19,000	20,000	21,000	22,000	indexed

Lower and middle income earners, who are not affected by these retirement savings limits, can contribute as much as 18 percent of their earnings to a retirement tax shelter. However, even with the announced increases, it will still remain impossible for many individuals whose earnings put them below the top income tax bracket to take full advantage of the 18 percent limit (the top federal marginal tax rate for 2005 applies to incomes above \$115,739 and, like the retirement savings limits, is indexed).

Some employers sponsor pension plans with defined benefit accrual limits that increase in step with the maximum retirement savings limits should note that the increases announced in the Budget could have significant financial impacts, both from a pension funding and from an accounting standpoint. These impacts will depend on how generous the pension formula is, the number of plan members affected by the maximum contribution and accrual rates, and whether the employer provides supplemental retirement benefits.

Investment Restrictions Lifted for Pension Plans and RRSPs

In a surprising and welcome move, the Budget proposes to eliminate the much-maligned Foreign Property Rule (FPR). The FPR imposes a 30-percent limit on the amount of foreign investment that a deferred-income plan (such as an RRSP or RPP) can invest. Removing the FPR will allow Canadian retirement savings vehicles greater access to international capital markets. However, as discussed below, the Budget does not state whether the FPR will also be removed for public pension plans such as the Canada Pension Plan (CPP).

Paradoxically, eliminating the FPR may increase - rather than decrease - venture capital (VC) available to small businesses. This is because the limited partnerships that make VC investments are currently treated as foreign property. With the elimination of the FPR, pension funds will have greater liberty to make VC investments through limited partnerships, which is likely to increase the supply of VC to Canadian businesses.

The impact of eliminating the FPR will not be as large as it might first appear because investors could already get around the 30 percent limit by investing in clone funds that provided exposure to foreign markets. But, it's unlikely that many pension funds will move completely out of Canadian investments due to the "home country bias" that has been observed in other countries with no FPR, such as the United Kingdom, where the average foreign content of pension funds is 40 percent.

The Budget also proposes allowing RRSPs to hold investment-grade gold and silver bullion coins, bars and related certificates as investments.

Guaranteed Income Supplement (GIS) Increase

The Budget proposes to increase maximum monthly GIS payments by \$36 for single seniors and \$58 for couples. Half of this increase will take effect on January 1, 2006, with the remainder taking effect on January 1, 2007. Corresponding increases will also be made to both the Allowance and the Allowance for the Survivor benefits. The government estimates that a total of 1.6 million GIS recipients will benefit from the proposed increase.

Old Age Security

Old Age Security (OAS) benefit rates are increased for the April to June 2005 quarter.

Basic OAS benefits, paid to people age 65 and over, are \$473.65 per month. The Guaranteed Income Supplement is \$562.93. The Spouse's Allowance and the Widowed Spouse's Allowance are increased to \$840.32 and \$927.74 respectively for the October to December 2004 quarter.

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