NEWS FROM THE GOVERNMENT *continued*

The old limits under the legislation were 4% of the YMPE regarding the commuted value of a pension and 2% of the YMPE regarding an annual pension.

The YMPE is a figure determined under the Canada Pension Plan. For 2005, the YMPE is $41,100. Therefore, if a plan member terminates employment or retires in 2005 and the plan has incorporated the new small benefit provision into its plan text, then the plan administrator could make a lump sum payment in lieu of a pension where the commuted value of the member's pension does not exceed $8,220. If the member is eligible to commence a pension, then the administrator could make a lump sum payment if the member's annual pension is less than $1,644.

Changes to Locked-in Retirement Accounts

The Regulations prescribing the contractual provisions of Locked-in Retirement Accounts have been amended to mirror the amendments that affect pension plans:

- A surviving spouse is provided with the option to receive a survivor benefit in cash.
- A surviving spouse is permitted to waive entitlement to the survivor benefit prior to the death of the owner of a LIRA contract using a prescribed waiver form.

As well, a LIRA contract may contain a small benefit provision. This provision has been simplified and the threshold limit has been updated. The contract may provide for the withdrawal of the locked-in money as a lump sum if the amount of the locked-in money does not exceed 20% of the YMPE in effect in the year in which the withdrawal occurs. However, the issuer of the contract must be satisfied that the owner has no other locked-in money. The annual pension test can no longer be applied to a LIRA contract.

Voluntary Contributions Protected from Creditors

Section 63 of The Pension Benefits Act, 1992 protects assets held in registered pension plans, Locked-in Retirement Accounts (LIRA) and prescribed Registered Retirement Income Funds from enforcement proceedings by creditors (other than enforcement proceedings under The Enforcement of Maintenance Orders Act, 1997).

The Registered Plan (Retirement Income) Exemption Act, which came into force on March 4, 2003, extended the existing exemption from enforcement proceedings for pension money to other forms of retirement savings. Ordinary Registered Retirement Savings Plans, Registered Retirement Income Funds and Deferred Profit Sharing Plans are also now exempt from enforcement proceedings by creditors (other than enforcement proceedings under The Enforcement of Maintenance Orders Act, 1997). The amendments extend the protection provided to locked-in pension money and other forms of retirement savings through section 63 to additional voluntary contributions in a pension plan.

OLD AGE SECURITY

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

Basic OAS benefits, paid to people age 65 and over, are $476.97 per month. The Guaranteed Income Supplement is $566.87. The Spouse's Allowance and the Widowed Spouse's Allowance are increased to $846.21 and $934.24 respectively for the July to September 2005 quarter.

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PENSION WATCH is produced for CUMIS Life Retirement Clients

Pension Watch

Aug 2005

The last edition of Pension Watch looked at "RRSP vs. Mortgage"
This edition looks at "Managing Market Volatility".

Managing Market Volatility

A smart investment portfolio is designed to weather market downturns and benefit from market upturns.

Looking to the past

Sustained bull markets have always followed bear markets. In fact, every bear market since WWII has lasted fewer than two years, while the average length of subsequent bull markets has been longer than five years.

Other considerations

- Volatility is a fact of investing – markets go up and down and today, swings of 1% or more are common and are generally accepted as a fact of investing.
- Damage is often temporary when you stay the course.
- A loss is only a fact when you realize it – that is, when you sell.

The greatest gains go to those who stay invested – market volatility is generally short-lived and the upswings can be attractive if you stay the course.

Secrets to success

There are time-tested ways to manage volatile periods:

- Seek professional advice. Find an investment advisor with experience and market knowledge whose services include regular communication to help you navigate turbulent markets.
- Have a financial plan. Work with your investment advisor to capture the opportunities which best reflect your investment needs and tolerance for risk.
- Manage your expectations. With the last bull market lasting almost 10 years and reaching unprecedented heights, it's become difficult to realistically gauge returns. The fact is that long-term equity returns have averaged 8-11%. Historically, Canadian bond returns are about 9% and returns on cash are around 5-6%. Anything more may be considered unrealistic at best.
- Manage your emotions. Try to remain calm. Impulse and emotion are enemies to long-term goals. Investors tend to be influenced by the prospect of loss and take chances to avoid pain – chances that don't pay off in the long run.
- Stay focused. Remind yourself of your long-term plan and resist reacting to the barrage of investment information often concentrated on the short term-outlook for markets.
- Stay invested. Pulling money in and out of the markets can affect your long-term performance. Studies show that timing the markets doesn't pay off.

Investment success

A long-term diversified investment strategy has always been – and should always be – the best strategy for success. Here are four ways to diversify your portfolio:

- Asset allocation. Including all asset classes in your portfolio ensures you participate in the best performing asset class while protecting against the downside of the poorest performing one.
- Diversify by sector. This lets you participate in the strongest sectors while offsetting those that trail.
- Invest internationally. Investing in a number of other countries and sectors increases the investment return potential of your portfolio over the long term.

Diversify by investment styles. Having different styles of investing such as value, growth, growth at a reasonable price, and deep value often means one type of investment will outperform another in any given market condition. Combining them in your portfolio can take advantage of market cycles and lessen the impact of downturns.

CUMIS®
RETIREMENT SERVICES

PERFORMANCE COMPARISON

For The Period: Ending June 30, 2005	3 Months %	1 Year %	3 Year %	5 Year %	10 Year %
ACTIVELY MANAGED FUNDS					
Balanced Fund (PH&N)	3.0	10.5	9.5	4.0	8.9
Canadian Equity Fund (PH&N)	3.4	14.7	12.6	4.3	11.2
Overseas Equity Fund (PH&N) (1)	-0.9	3.2	2.8	N/A	N/A
U.S. Equity Fund (PH&N)	1.2	-7.5	-1.8	-7.0	5.5
Dividend Income Fund (PH&N) (2)	3.7	17.0	15.5	14.1	18.7
Short-Term Bond & Mtgage Fund (PH&N)	2.1	6.6	6.1	6.7	7.0
Bond Fund (PH&N)	4.3	12.0	9.2	8.6	8.8
Canadian Money Market Fund (PH&N)	0.7	2.5	2.7	3.3	4.1
Income Fund (Ethical)	4.6	11.9	8.9	8.1	N/A
Balanced Fund (Ethical)	3.9	12.6	8.2	3.7	N/A
Growth Fund (Ethical)	4.3	14.8	9.2	2.6	N/A
Special Equity Fund (Ethical)	4.1	22.9	N/A	N/A	N/A
International Equity Fund (Ethical)	1.8	5.6	N/A	N/A	N/A
CUMIS FUND					
Retirement Security Fund	5.2 (3)	5.2	5.5	5.9	6.7
PASSIVELY MANAGED FUNDS					
S&P/TSX Composite Index Fund (BGI) (4)	3.6	18.0	13.6	1.2	10.1
U.S. Equity Index Fund (BGI) (5)	2.5	-3.2	0.4	-6.4	8.5
EAFE Equity Index Fund (BGI) (6)	0.3	3.8	4.2	-4.2	4.1
Universe Bond Index Fund (BGI) (7)	4.5	12.0	8.7	8.3	8.5
Conservative Balanced Index Fund (BGI) (8)	3.1	7.7	6.8	3.1	7.7
Moderate Balanced Index Fund (BGI) (9)	3.3	10.0	8.5	2.3	8.9
Aggressive Balanced Index Fund (BGI) (10)	3.1	11.1	9.3	0.7	9.0
INDICES					
Active Balanced Fund Benchmark	3.3	10.7	8.7	2.3	8.3
S&P/TSX Composite Index	3.6	18.0	13.6	1.1	10.0
S&P 500	2.6	-2.9	0.7	-6.0	8.7
MSCI EAFE	0.2	3.8	4.3	-4.2	4.0
ScotiaMcLeod Universe	4.5	12.0	8.8	8.3	8.5
30 Day T-bills	0.6	2.3	2.6	3.2	3.8

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

THE PENSION BENEFITS AMENDMENT ACT, 2004 - SASKATCHEWAN

We are pleased to advise you that The Pension Benefits Amendment Act, 2004 was proclaimed into law effective June 1, 2005, along with The Pension Benefits Amendment Regulations, 2005. This following are some of the highlights of the amendments.

Pre-retirement Survivor Benefit

Section 33 of the Act, Pre-retirement Survivor Benefit, was repealed and replaced. The new section 33 requires a plan to provide the following benefit in the event of a death of a member or former member who has not commenced his or her pension:

- Where the member or former member dies before the earliest day on which the member or former member could have elected to receive a pension, a surviving spouse is entitled to receive a pension the value of which is equal to the commuted value of the pension of the deceased member or former member. Under the former legislation, the minimum survivor benefit was a pension equal in value to the commuted value of the deceased member's pension for service on and after January 1, 1994. The amendment extends the application of this provision to all years of service. This change increases the death benefit paid to some surviving spouses and simplifies administration of the provision for pension plan administrators.
- Where the member or former member dies after the earliest day on which the member or former member could have elected to receive a pension, the surviving spouse is entitled to receive a pension calculated in accordance with the post-retirement survivor benefit pursuant to section 34 of the Act, as if the member or former member had commenced his or her pension on the date of death. This provision was unchanged.
- A surviving spouse may elect within the period of 180 days following the day on which proof of death is provided to the administrator to:
  - transfer the commuted value of his or her pension in accordance with the portability provisions found in section 32 of the Act; or
  - receive a lump sum payment equal to the commuted value of his or her pension.

  This new provision allows a surviving spouse to receive a lump sum payment of the survivor benefits. Previously, survivor benefits had to be locked in. A plan may provide that where the spouse fails to make an election within 180 days, the surviving spouse is deemed to have elected to receive a lump sum payment.
- If the member or former member dies without leaving a surviving spouse, a lump sum payment equal to the commuted value of the pension to which a surviving spouse would have been entitled is paid to a designated beneficiary of the deceased member or former member or, if there is no validly designated beneficiary, to the estate of the deceased member or former member. This provision is unchanged.
- At any time before the date of death of a member or former member, the spouse of the member or former member may waive the spouse's entitlement by delivering a written and signed waiver to the administrator. A waiver form for this purpose may be found in the Regulations. The spouse may revoke a waiver at any time before the death of the member or former member by delivering a written and signed notice of revocation to the administrator. This notice is not prescribed in Regulations. The effect of signing a waiver is that a plan administrator can pay the benefit as if the member or former member died leaving no surviving spouse.

Pre-retirement Survivor Benefit

Section 39 of The Pension Benefits Act, 1992 provides that a plan can make a lump sum payment in lieu of a pension where the amount or value of the pension falls below a threshold amount. The amendments provide that a plan administrator may make a lump sum payment where:

- The maximum amount of the commuted value of a pension does not exceed 20% of the Year'sMaximum Pensionable Earnings (YMPE) in effect in the year in which the payment occurs; or
- The maximum amount of the annual pension does not exceed 4% of the YMPE in effect in the year in which the payment occurs.