



Commutation Due to Shortened Life Expectancy

In light of the number of questions on the subject of commutation of locked-in accounts and benefits accrued in pension plans due to shortened life expectancy, Alberta Finance has drafted the following to highlight the provisions of the Employment Pension Plans Act (the EPPA) and the Employment Pension Plans Regulation (the Regulation) dealing with unlocking due to shortened life expectancy. The following has no legal authority and the EPPA and Regulation should be used to determine specific legislative requirements.

Legislative Reference

Section 46 of the EPPA and Sections 39, 40, 41 and 43 of the Regulation provide for the commutation of pension benefits due to considerably shortened life expectancy.

Commutation from a Pension Plan

A pension plan, at its discretion, may provide that if a member or former member with an entitlement to a benefit in the plan has a terminal illness or a disability that is likely to shorten that person's life considerably, that person may, before payment of the pension commences, elect to convert the pension or part of it to a payment or a series of payments for a fixed term to that person.

Similarly, where a pension partner has an entitlement to a benefit in the pension plan (for example, a pre-retirement death benefit), the shortened life provisions also apply to the benefit for that pension partner.

The terminal illness or the degree of disability must be certified in writing by a doctor. Where the member or former member has a pension partner, that person must complete the appropriate waiver form to permit the commutation.

Commutation from a Locked-in Account

Where a benefit has been transferred from a pension plan to a LIRA or a retirement income arrangement, the contract may provide for the withdrawal of money as a lump sum or a series of payments where a physician certifies that the owner has a terminal illness or that due to a disability the owner's life is likely to be considerably shortened.

Where the account owner has a pension partner, the person must complete the appropriate waiver form to permit the commutation.

What Constitutes Shortened Life Expectancy

Unlike other jurisdictions, Alberta does not specify that a considerably shortened life expectancy is one in which the member or account owner only has a certain period to live.

Instead, the determination of a considerably shortened life expectancy is left to the discretion of the physician, and would be compared relative to the life expectancy that the member or account owner might otherwise reasonably expect in the absence of the terminal illness or disability.

Example: The member or account owner's doctor informs him that he has a life expectancy of 10 years.

- If he is currently in his 30s, it is reasonable to conclude that his life expectancy is considerably shortened to what he might otherwise have been expected to live.
- However, if he is in his 80s, the 10-year life expectation might not be deemed as considerably shortened.

Pension Partner Waiver Form

Where applicable, the pension partner of the member or account owner must complete Form 2 – Pension Partner's Declaration to Permit Commutation due to Shortened Life Expectancy or Taking Non Residency Status to permit the unlocking of the benefit.

For further information please contact the Alberta Superintendent of Financial Institutions or visit their website www.finance.gov.ab.ca

CUMIS Market-Based Funds

Gross Annualized Rates of Return as at June 30, 2006

Fund	3 Month (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Money Market					
Canadian Money Market Fund (PH&N)	1.0	3.3	2.8	2.9	3.8
30 Day T-bills	1.0	3.2	2.7	2.7	3.5
Fixed Income					
Retirement Security Fund (CUMIS)	1.2	5.1	5.2	5.6	6.5
Universe Bond Index Fund (BGI)	-1.0	-0.7	4.7	6.9	7.4
Income Fund (Ethical)	-1.0	-0.2	4.9	7.0	—
Fixed Income Fund (McLean Budden)	-1.6	-1.5	4.5	6.6	7.5
Short-Term Bond & Mtgage Fund (PH&N)	0.2	0.8	3.7	5.4	6.1
Bond Fund (PH&N)	-0.8	0.3	5.2	7.4	7.7
ScotiaMcLeod Universe	-1.0	-0.7	4.7	6.9	7.3
Balanced					
Balanced Fund (Ethical)	-4.5	6.8	11.1	5.9	—
Balanced Core Fund (McLean Budden)	-3.0	6.6	10.3	6.8	—
Balanced Fund (PH&N)	-3.5	5.5	10.5	5.9	8.1
Active Balanced Fund Benchmark	-2.8	8.1	11.3	6.2	7.8
Canadian Equity					
S&P/TSX Composite Index Fund (BGI)	-3.5	19.7	20.7	10.5	10.6
Canadian Equity Fund (Bissett)	-5.8	11.6	18.1	10.4	—
Growth Fund (Ethical)	-5.0	13.4	15.9	7.5	—
Special Equity Fund (Ethical)	0.5	26.6	—	—	—
Canadian Small Cap Fund (Franklin Templeton)	0.1	36.5	—	—	—
Large Cap Canadian Equity Fund (Mawer)	-4.0	15.1	18.9	12.7	13.6
Small Cap Canadian Equity Fund (Mawer)	0.6	21.1	26.6	23.8	17.4
Canadian Equity Core Fund (McLean Budden)	-4.3	15.9	18.0	11.3	—
Canadian Equity Value Fund (McLean Budden)	-3.4	13.8	17.0	12.1	15.5
Canadian Equity Fund (PH&N)	-5.4	10.0	16.0	7.6	10.7
S&P/TSX Composite Index	-3.5	19.6	20.7	10.5	10.6
NB Small Cap Universe Index	-5.9	20.2	23.5	12.8	7.3
Dividend					
Dividend Income Fund (PH&N)	-5.7	7.1	15.6	11.2	18.0
S&P/TSX Composite Index	-3.5	19.6	20.7	10.5	10.6
U.S. Equity					
U.S. Equity Index Fund (BGI)	-6.1	-1.6	3.7	-4.0	5.9
American Equity Fund (McLean Budden)	-4.4	0.0	5.5	-0.4	—
U.S. Equity Fund (PH&N)	-5.4	-1.8	1.7	-5.4	2.6
S&P 500 (\$Cdn)	-6.0	-1.4	4.0	-3.6	6.1
Foreign Equity					
EAFE Equity Index Fund (BGI)	-3.9	14.7	15.7	3.3	4.3
International Fund (Bissett)	-1.9	12.5	18.4	3.9	—
International Equity Fund (Ethical)	-6.9	11.7	—	—	—
Non North American Equity Fund (Mawer)	-3.1	17.9	18.4	7.1	10.3
Global Equity Fund (McLean Budden)	-4.3	6.0	8.8	0.1	7.3
Overseas Equity Fund (PH&N)	-4.1	10.6	12.8	1.4	—
Growth Fund (Franklin Templeton)	-3.9	8.5	13.9	3.6	—
MSCI EAFE (\$Cdn)	-4.0	14.9	15.9	3.4	4.3
Actively Managed Asset Allocation Funds					
LifePoints Balanced Income (Frank Russell)	-2.1	4.6	8.4	6.4	8.7
LifePoints Balanced Growth (Frank Russell)	-3.0	8.6	11.5	6.4	9.0
LifePoints Long-Term Growth (Frank Russell)	-3.4	13.1	15.0	7.1	9.8
LifePoints All-Equity (Frank Russell)	-4.5	12.8	14.4	—	—
Index Managed Asset Allocation Funds					
Conservative Balanced Index Fund (BGI)	-2.2	3.9	7.5	4.8	6.9
Moderate Balanced Index Fund (BGI)	-3.0	7.5	11.0	6.0	8.3
Aggressive Balanced Index Fund (BGI)	-3.5	11.4	14.0	6.5	8.7

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

1 - Retirement Security Fund charges 1.2% in Investment Management Fees. The returns shown above for RSF are net of fees.

2 - Current benchmark composition: 35% S&P/TSX Capped Composite Index, 25% MSCI World ex Canada Index, 35% SC Universe Bond Index, 5% SC 30-Day T-Bill Index.

3 - Pooled funds are not guaranteed, their values change frequently and past performance may not be repeated

4 - The Ethical Funds charge an expense management fee against the fund up to a maximum of 20 basis points

5 - Mawer Investment Management charges expenses against the funds and are not included in the above fees

News from the Government

Old Age Security

Old Age Security (OAS) benefit rates increased for the July to September 2006 quarter.

Basic OAS benefits, paid to people age 65 and older, are \$487.54 per month. The Guaranteed Income Supplement is \$593.97. The Spouse's Allowance and the Widowed Spouse's Allowance increased to \$874.30 and \$967.24 respectively for the April to June 2006 quarter.



Important Notice

Changes to Benchmarks for Russell LifePoints® Portfolios

In March 2006, CUMIS Retirement Services advised clients that the foreign content in the Russell Investments LifePoints® Portfolios would be increasing. Although the overall ratio of equities to fixed income for each portfolio is to remain the same, the equity portion of each portfolio will be re-balanced to approximately one-third Canadian and two-thirds foreign.

Russell will implement the Portfolios' new asset allocation policies between July 1, 2006 and September 1, 2006 in a series of three transition events. The Canadian Equity Fund managers will raise cash within their portfolios, which will then be allocated to the US, Overseas and Global Equity Fund managers. Russell will work closely with each manager to ensure their target weights are maintained and the target asset allocations are achieved.

Concurrent with these changes to the LifePoints® Portfolios' asset allocation policies, benchmarks will also be modified. Table 1 (see below) summarizes the timing and details of the benchmark changes.

At this time, Russell will not implement a passive currency hedge strategy for any portion of the foreign equity holdings. Russell's research supports the use of a hedging strategy for investors who are concerned about short-term volatility caused by currency movements within a portfolio heavily weighted to foreign content. However, the long-term risk/return benefits of hedging, factoring in transaction costs, are expected to be equal to or less than maintaining an unhedged position.

LifePoints® is a trademark or registered trademark of Russell Investments Canada Limited.

Table 1: Changes To Lifepoints Portfolio Benchmarks

	Target Allocation Portfolios			
	Balanced Income	Balanced Growth	Long-Term Growth	All Equity
Current Benchmark Weights				
Scotia Capital Universe Bond Index	65.0	40.0	20.0	0.00
S&P/TSX Capped Composite Index	15.0	30.0	50.0	40.0
MSCI World ex-Canada Index ¹	20.0	30.0	30.0	60.0
As of July 5, 2006				
Scotia Capital Universe Bond Index	65.0	40.0	20.0	0.00
S&P/TSX Capped Composite Index	13.9	26.7	42.2	37.8
MSCI World ex-Canada Index ¹	21.1	33.3	37.8	62.2
As of July 31, 2006				
Scotia Capital Universe Bond Index	65.0	40.0	20.0	0.00
S&P/TSX Capped Composite Index	12.8	23.3	34.4	35.6
MSCI World ex-Canada Index ¹	22.2	36.7	45.6	64.4
As of August 31, 2006				
Scotia Capital Universe Bond Index	65.0	40.0	20.0	0.00
S&P/TSX Capped Composite Index	11.7	20.0	26.7	33.3
MSCI World ex-Canada Index ¹	23.3	40.0	53.3	66.7

¹ - Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

Important Notice

Guidelines for filing Annual Actuarial Valuations under the Alberta Employment Pension Plans Act – Updated May 2006

In light of the change in funding status of pension plans resulting from market fluctuations, the office of the Superintendent of Pensions, Alberta, is increasing its monitoring of the financial status of all defined benefit pension plans registered under the Employment Pension Plans Act (the EPPA). Section 14(3)(b) of the EPPA provides the authority for the Superintendent to request an actuarial valuation report be filed by a pension plan administrator.

In an effort to more closely monitor the financial health of defined benefit plans, the following guidelines will apply to all defined benefit pension plans.

The Superintendent will notify pension plans that have either a going concern funded ratio or a solvency ratio of less than 0.85; they will be required to file an annual actuarial valuation with the Superintendent until the funded status of the pension plan climbs above the indicated targeted funding ratios.

If, before the annual valuation date, a plan sponsor makes a contribution to their pension plan so as to improve the going concern funded status and/or solvency status (as applicable) to the 0.85 threshold, and notifies the Superintendent of this fact by filing an interim actuarial valuation report and cost certificate, the filing of annual valuation reports will not be required and the plan will remain subject to the normal triennial valuation schedule.

Further, the Superintendent may provide an exemption from this policy to those plan sponsors provided the following criteria are met: a written application for exemption has been submitted by the plan sponsor; submission of satisfactory evidence from at least two recognized rating agencies that the plan sponsor's credit rating is at least one grade above that considered to be minimum investment grade; all filings with the Superintendent are up to date; and submission of an Audited Financial Statement of the fund for the most recent fiscal year end (if not already required).

Pension plans that continue to exhibit funding levels below the targeted amounts may be subject to further review and examination by the Superintendent in accordance with section 90 of the EPPA.

For further information please contact the Alberta Superintendent of Financial Institutions or visit their website www.finance.gov.ab.ca



Pension Watch is produced for CUMIS Life Retirement Clients. If you would like extra copies for employee distribution, please contact CUMIS Retirement Services at:

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