MEMORANDUM OF INFORMATION
Actuarial Valuation of the ELCIC Pension Plan
May 2009

Plan Description

The ELCIC Pension Plan is a defined contribution pension plan for active members. Prior to July 1, 2003 when a pension plan member retired and elected to receive a pension from the ELCIC Pension Plan, his/her individual account was converted to provide a lifetime monthly benefit.

This process is similar to anyone converting their RRSP's to an annuity. The monthly benefit was determined by the pension plan's actuary, using an assumed rate of return, the cash balance available in the member's account and the most appropriate and up to date mortality table. The selection of the assumptions used in the conversions were determined in accordance with the Canadian Institute of Actuaries standards and the conversion basis and report was accepted and approved by the regulatory authorities as being appropriate. The plan administrator does not and can not determine the assumptions used by the actuary.

Within the ELCIC Pension Plan, the retiring member's account was closed and the funds assigned to the retired life portion of the plan. This was done on an accounting basis, until the time when the funds were physically split at the beginning of 2004 and the Member Accumulation Account (MAA) and the Retired Benefit Account (RBA) were created.

Governing Legislation

Since the ELCIC Pension Plan has these life annuities, it must comply with section 14(3)(b)(ii) of the Alberta Employment Pension Plans Act which requires the filing of actuarial valuation reports and cost certificates that are satisfactory to the Superintendent of Pension and must be in the form required by the Superintendent of Pensions. These reports are also required to be filed with Canada Revenue Agency. Actuarial reports must be prepared by a Fellow of the Canadian Institute of Actuaries and comply with all applicable regulations and professional standards.

The ELCIC Pension Plan is also required to provide annual audited financial statements. The auditors request a copy of the valuation report and have their staff actuary review the assumptions used. The ELCIC Pension Plan has always received an unqualified audit report from its auditors.

Actuarial Valuation Report Assumptions

An actuarial valuation report uses assumptions and factors to determine the funded status of the pension plan as set out by the requirements of the Canadian Institute of Actuaries and Pension Legislation and Regulations. These assumptions are proxies for current market conditions and represent the approximate value that the life insurance company market would require in order to settle the pension plan benefits.

The standard requirement for producing actuarial valuation reports is every three years, unless the pension plan has an unfunded liability in which case they are required annually. The ELCIC Pension Plan therefore is updating its actuarial valuation report annually and each report is in effect a refresh of the plan status based on the latest data, market conditions and legislation.

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Mortality Tables

A mortality table is an actuarial table indicating life expectancy and probability of death as a function of age and sex. This is used to determine how long a monthly benefit is likely to be paid to a member. The tables used, which are listed below, are based on the actuarial profession's assessment of past mortality experience and reflects future improvements in mortality. The research is conducted by various actuarial organizations. In order for the results to be statistically significant, the data set must involve a large number of lives (i.e. typically in excess of 100,000 lives; the ELCIC Pension Plan has less than 500 lives).

Years	**Mortality Table used in Actuarial Valuation Reports**
1987 to 2000 inclusive	The 1983 Group Annuitants Mortality Tables (GAM 83)
2003	The 1994 Group Annuity Mortality Static Table
2004 to 2008 inclusive	Uninsured Pensioner 94 Mortality table (UP94) statically projected to year 2015 based on Scale AA

Mortality Experience

Mortality experience is the financial result of the lives in the plan compared to what the table predicted. This experience is updated every time a valuation report is completed. The financial result affects the pension plan's reserve or the deficiency. While the average yearly result over the last six years has been a loss of approximately $150,000 per year, this amount represents less than 0.3 of one per cent of the total liabilities of the plan.

Solvency Deficiency

At December 31, 2003 the ELCIC pension plan had a solvency deficiency of $16,103,519 which increased in 2004 to $18,260,480 as long term bond rates continued to fall and assumptions had to be adjusted. Initially the plan administrator created a funding plan to pay the deficiency over 15 years ending 2018. Over these last five years the plan administrator has worked diligently with regulators to ensure compliance with the legislation and preservation of the commitments made to retirees.

The plan administrator has also worked tirelessly with consultants to create strategies to reduce the deficiency. At the end of 2007 the annual report stated that the deficiency payment plan was reduced (in spite of the second year increase) by three years to 2015. Further opportunities are currently being researched with the intention to further reduce the deficiency.

Strategic Objective

The ELCIC Pension Plan administrator has stated that when the pension plan is fully funded the remaining retired life annuities will be transferred to a life insurance company. This means that the ELCIC Pension Plan will transfer all risks and future liability exposure (including mortality) to the life company.

For further reading please visit any of the following websites or review the suggested reading material.

Suggested websites:

Canadian Institute of Actuaries http://www.actuaries.ca/index_e.cfm

Society of Actuaries http://www.soa.org/Home.aspx

International Federation of Employee Benefits http://www.ifebp.org/

Actuarial Bookstore http://www.actuarialbookstore.com/

Suggested Reading Material

Pension mathematics for actuaries
By Arthur W. Anderson
Edition: 2
Published by ACTEX Publications, 1992
ISBN 0936031107, 9780936031101
217 pages

Fundamentals of private pensions
By Dan Mays McGill, Kyle N. Brown, Wharton School.
Pension Research Council, John J. Haley, Sylvester J. Schieber
Edition: 8, illustrated
Published by Oxford University Press, 2005
ISBN 0199269505, 9780199269501
878 pages

Mortality Table Construction, Batten

Mercer Handbook of Canadian pension and Welfare Plans