

- 1    Q.    Provide the actuarial valuation completed as of December 31, 2004. (IC-17  
2            NLH)  
3  
4  
5    A.    Please see the attached documents.

January 14, 2005

Ms. Patricia Cantwell  
Director, Human Resources  
Newfoundland and Labrador Hydro Group of Companies  
P.O. Box 12400, Hydro Place, 500 Columbus Drive  
St. John's, Newfoundland and Labrador, A1B 4K7

Dear Patricia:

**RE: Newfoundland and Labrador Hydro  
Fiscal 2004 and 2005 accounting figures**

As requested, we are writing to provide you with the fiscal 2004 accounting figures for the Post-Employment Benefits other than pension (the "OPEB") provided by Newfoundland and Labrador Hydro (the "Company") to its employees. In addition, we provide an estimate for the fiscal 2005 OPEB expense.

**Benefits Valued**

We valued the following benefits in our calculations:

- Extended health care benefits;
- Dental benefits;
- Life insurance benefits;
- Retirement allowance;
- Transitional allowance provided to Churchill Falls employees;
- SERP benefits for Mr. Wells

Please refer to Appendix D for a summary of the benefits valued. If there are any other benefits that we have not included in our calculations, please let us know and we will revise the letter and our calculations accordingly.

**Actuarial Assumptions and Methods**

The actuarial method and assumptions used to determine the accrued benefit obligation ("ABO") and annual expense in respect of the OPEB are summarized in Appendix A to this letter. The key assumption, the discount rate used to calculate both the ABO as at January 1, 2004 and the 2004 expense, was 6.25% per annum. The discount rate used to determine the ABO as at December 31, 2004 and the estimated fiscal 2005 expense was also 6.25% per annum. This interest rate was determined with reference to AA bonds as at December 31, 2003 and December 31, 2004 with the same duration as the ABO.

We note that the ABO disclosed by the Company as at December 31, 2003 was based on a discount rate of 7.0%. We believe that, based on the duration of the liabilities as at December 31, 2003, a discount rate of 6.25% would have been more appropriate. As such, we have made an adjustment to the ABO at the beginning of fiscal 2004 to reflect the change in discount rate and the resulting loss (\$4,203,500 for Hydro and \$1,063,800 for Churchill Falls) will start to be amortized in the fiscal 2004 expense.

We also note that we are aware that wages will be frozen for 2005 and 2006 and, as a result, our actuarial basis used to calculate the December 31, 2004 ABO and the projected current service cost for 2005 has been adjusted to reflect this.

The extended health care cost increase assumption was 12% for 2003, reducing in 1% decrements to an ultimate rate of 5% starting in 2010.

Finally, the dental cost increase assumption was 2% per annum, which is in line with expected future increases in the dental fee guide.

Other than the discount rate, all assumptions are management's best estimate.

### **Average Claims Cost**

Please refer to Appendix B for a summary of the claims cost used in our valuation. We note that we verified that there was no material difference between the actual 2003 and 2004 claims and the expected claims determined in our December 31, 2002.

### **Data**

The data used in our valuation is the active members and retiree data as at December 31, 2002, as provided to us by the Company and by Atlantic Blue Cross Care. We have made basic data checks to ensure that age, service and salary are reasonable for the purposes of the valuation. Please refer to Appendix C for a summary of the data used in our valuation. This appendix also provides a summary of the data used in the previous valuation as at December 31, 1999.

### **New Disclosure Requirements**

The Canadian Institute of Chartered Accountants ("CICA") recently revised the disclosure requirements required under CICA Section 3461, and we have updated our letter to reflect the new required disclosure requirements. If you have any questions or require anything further regarding these new requirements, please do not hesitate to contact us.

### **Results**

We performed a valuation of the OPEB as at December 31, 2002 and projected these results to December 31, 2003 and December 31, 2004. The following tables show the fiscal 2004

expense, the development of the accrued benefit liability during 2004 as well as a reconciliation of the ABO to the accrued benefit liability as at December 31, 2004 for each division:

**Fiscal 2004 Expense**

	<b>Hydro</b>	<b>Churchill Falls</b>	<b>Total</b>
Company current service cost	\$1,307,700	\$398,400	\$1,706,100
Actual return on plan assets	\$0	\$0	\$0
Interest cost	\$2,394,600	\$654,100	\$3,048,700
Experience losses (gains)	\$3,547,500	\$882,300	\$4,429,800
<b>Expense prior to adjustments</b>	<b>\$7,249,800</b>	<b>\$1,934,800</b>	<b>\$9,184,600</b>
Adjustments to recognize long-term nature of benefits			
Difference between actual and expected return on plan assets	\$0	\$0	\$0
Difference between actual and recognized losses (gains)	(\$2,989,100)	(\$762,300)	(\$3,751,400)
Difference between actual and recognized past service cost	\$20,200	\$0	\$20,200
<b>Total Pension Expense</b>	<b>\$4,280,900</b>	<b>\$1,172,500</b>	<b>\$5,453,400</b>

**Development of Accrued Benefit Asset/(Liability) on Balance Sheet as at end of Fiscal 2004**

	<b>Hydro</b>	<b>Churchill Falls</b>	<b>Total</b>
Accrued Benefit Asset/(Liability) as at Dec. 31, 2003	\$26,939,400	\$7,742,700	\$34,682,100
Fiscal 2004 (Expense)/Income	\$4,280,900	\$1,172,500	\$5,453,400
Fiscal 2004 Company Contributions	(\$1,505,000)	(\$267,600)	(\$1,772,600)
Accrued Benefit Asset/(Liability) as at Dec. 31, 2004	\$29,715,300	\$8,647,600	\$38,362,900

**Reconciliation of the Accrued Benefit Asset/(Liability) as at end of Fiscal 2004**

	<b>Hydro</b>	<b>Churchill Falls</b>	<b>Total</b>
Assets	\$0	\$0	\$0
Accrued Benefit Obligation	\$39,299,900	\$10,805,100	\$50,105,000
Funded Status as at December 31, 2004	(\$39,299,900)	(\$10,805,100)	(\$50,105,000)
Less: Unamortized Amounts			
• Actuarial Experience Gain/(Loss)	(\$9,261,900)	(\$2,158,100)	(\$11,420,000)
• Past Service Cost	(\$322,700)	\$0	(\$322,700)
Accrued Benefit Asset/(Liability) as at December 31, 2004	(\$29,715,300)	(\$8,647,000)	(\$38,362,300)

If the health and dental future cost increase assumptions were increased by 1%, the Company 2004 current service cost would increase by approximately \$230,000 for Hydro and \$65,000 for Churchill Falls, and the interest cost component of 2004 expense would increase by approximately \$360,000 for Hydro and \$85,000 for Churchill Falls. The ABO as at

December 31, 2004 would increase by approximately \$5,800,000 for Hydro and by \$1,400,000 for Churchill Falls.

If the health and dental future cost increase assumptions were decreased by 1%, the Company 2004 current service cost would decrease by approximately \$170,000 for Hydro and \$50,000 for Churchill Falls, and the interest cost component of 2004 expense would decrease by approximately \$280,000 for Hydro and \$70,000 for Churchill Falls. The ABO as at December 31, 2004 would decrease by approximately \$5,150,000 for Hydro and by \$1,250,000 for Churchill Falls.

We understand that the Company adopted the “10% corridor” method to smooth experience gains and losses and this has been reflected in our calculations.

The following tables show the expected expense for 2005 for both the Hydro and the Churchill Falls divisions:

**Estimated Fiscal 2005 Expense**

	<b>Hydro</b>	<b>Churchill Falls</b>	<b>Total</b>
Company current service cost	\$1,357,000	\$413,500	\$1,770,500
Actual return on plan assets	\$0	\$0	\$0
Interest cost	\$2,494,000	\$692,800	\$3,186,800
Experience losses (gains)	\$0	\$0	\$0
<b>Expense prior to adjustments</b>	<b>\$3,851,000</b>	<b>\$1,106,300</b>	<b>\$4,957,300</b>
Adjustments to recognize long-term nature of benefits			
Difference between actual and expected return on plan assets	\$0	\$0	\$0
Difference between actual and recognized losses (gains)	\$444,300	\$89,800	\$534,100
Difference between actual and recognized losses (gains)	\$20,200	\$0	\$20,200
<b>Total Pension Expense</b>	<b>\$4,315,500</b>	<b>\$1,196,100</b>	<b>\$5,511,600</b>

Please refer to Appendix E for detailed accounting figures.

**Actuarial Opinion**

We performed a formal valuation of the OPEB benefits as at December 31, 2002. We have confirmed with the Company that since the valuation date, there are neither plan modifications to the provisions nor any extraordinary changes to the membership that would materially affect the results of this actuarial valuation.

We hereby certify that, in our opinion, as at December 31, 2004:

- a) The post-employment benefits other than pension for the Company are defined benefits for purposes of Section 3461 of the *CICA Handbook*.
- b) Our valuation thereof has been made in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from our valuation and extrapolation thereof have been determined in accordance with our understanding of Section 3461 of the *CICA Handbook*.
- c) Our valuation thereof was performed using best-estimate assumptions, other than the discount rate, developed by the Company in conjunction with Morneau Sobeco. These assumptions are described in our valuation report and are summarized in Appendix A.
- d) We have confirmed with the Company that the plan provisions are up to date as at the date of this report. We are not aware of any events that could have a significant effect on our valuation or on the Company's financial statements.

Furthermore, we hereby declare that in our opinion:

- The membership data upon which this valuation is based are sufficient and reliable for the purposes of the valuation.
- The preparers of the financial statements have selected the assumptions and they are in accordance with accepted actuarial practice.
- This report has been prepared, and our opinion given, in accordance with generally accepted actuarial practice.
- Emerging experience that differs from the assumptions used will result in gains and losses that will be revealed in future valuations.

We trust that the above is satisfactory. Please do not hesitate to contact us if you require any further information.

Yours truly,

Mike O'Connell, F.I.A., F.C.I.A.  
Partner

Ian Claveau, A.S.A.  
Consultant

## Appendix A – Actuarial Assumptions and Methods

### Actuarial Cost Method

The projected unit credit method of funding has been used to value the OPEB. The accrued benefit obligation is equal to the actuarial present value of all future benefits (net of retiree cost sharing), taking into account the assumptions described below, multiplied by the ratio of an employee's service at the valuation date to total service at the full eligibility date. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in that period.

For each member who is at or past the full eligibility date and each pensioner, the accrued benefit obligation is determined as the actuarial present value of all future post-retirement benefits that will be paid on their behalf.

### Actuarial Assumptions

The actuarial assumptions used for the valuation are summarized in the following table. All rates and percentages are annualized.

*Table A.1*

<b>Actuarial Assumptions – Economic Factors (per annum)</b>	
Discount Rates	6.25% (ABO as at January 1, 2004 and 2004 expense)
	6.25% (ABO as at December 31, 2004 and estimated 2005 expense)
	7.00% (2003 expense)
Salary Increases	3.5% (no increases assumed in 2005 and 2006)
General Inflation	2.0%
Dental Cost Increases	2.0%
Extended Health Care Cost Increases	12.0% in 2003; reducing in 1.0% decrements to an ultimate rate of 5.0%
Dental Utilization Rates	0.5% Decrease every year
Extended Health Care Utilization Rates	3% increase for each year prior to age 45 5% increase for each year between ages 45 and 65 2.5% increase for each year after age 65
Extended Health Care and Dental Loading	5.5% ASO charge 4% premium tax
Life Insurance Loading	2.5% administration fee 4% premium tax

Table A.2

<b>Actuarial Assumptions – Demographic Factors</b>	
Mortality	Group Annuity 1983 Table (GAM-1983) Unisex 80% male, 20% female
Retirement Age	One year after first age eligible to unreduced pension (earlier of age 55 with 30 years of service, age 60 with 5 years of service or age 65) Active members already older than one year after their first age eligible to an unreduced pension are assumed to retire at age 65
Termination	2.5% per year up to age 40, trending down to zero between 40 and 45
Age difference between member and spouse	Same age; 80% married at retirement
Members electing coverage at retirement	100%; 80% electing family coverage



## Appendix B – Calculation of Medical Cost

Atlantic Blue Cross Care provided extended health care and dental claims for the retirees for the period between September 1999 and May 2002. We projected future cost levels by applying the cost increase assumptions to average costs based on the claims experience data. These rates were further adjusted for utilization at different ages. The following chart shows the estimated average annual cost per covered retired individual with single coverage, at various ages:

*Table B.1*

	<b>Age 55</b>	<b>Age 60</b>	<b>Age 65</b>	<b>Age 70</b>	<b>Age 75</b>
<b>Extended Health Care</b>	\$703	\$897	\$1,145	\$1,296	\$1,466
<b>Dental</b>	\$144	\$141	\$138	\$134	\$131

Note that the costs shown above represent the total estimated cost per covered individual at each age. Family coverage is assumed to be twice the amount shown. All retirees are responsible for paying 50% of the extended health care premiums and 25% of the dental premiums based on the following premium scale:

*Table B.2*

<b>(100% of premiums)</b>	<b>Single</b>	<b>Family</b>
<b>Health</b>	\$1,267	\$2,578
<b>Dental</b>	\$161	\$335

### Life Insurance

Individuals are responsible for paying 50% of the life insurance premium after retirement. We have based our calculations on the actual amount of coverage for the retirees and on the expected coverage at retirement (based on their current salary and on the salary increase assumption) for the active members. We understand that the life insurance coverage is one times annual earnings at retirement but decreases to \$5,000 upon attainment of age 65.

## Appendix C – Membership Data

For our valuation as at December 31, 2002, we used data that was provided to us by the Company and by Atlantic Blue Cross Care as at December 31, 2002. We have reviewed the data for reasonableness, and internal consistency and are satisfied that the data is sufficient and reliable for the purposes of this valuation.

*Table C.1*

<b>Active Members</b>	<b>December 31, 2002</b>		<b>December 31, 1999</b>	
	<b>Hydro</b>	<b>Churchill Falls</b>	<b>Hydro</b>	<b>Churchill Falls</b>
Number	781	210	882	217
Average age	45.9	45.4	45.8	45.8
Average service	17.9	15.6	18.9	17.1
Average Salary	53,500	56,700	45,000	47,600
Females	107	36	120	29
Males	674	174	762	188

*Table C.2*

<b>Retirees</b>	<b>December 31, 2002</b>		<b>December 31, 1999</b>	
	<b>Hydro</b>	<b>Churchill Falls</b>	<b>Hydro</b>	<b>Churchill Falls</b>
Number	416	89	291	76
Average age	66.3	65.0	65.6	66.0
Single coverage – Extended Health Care	95	15	49	17
Family Coverage – Extended Health Care	320	73	242	59
Single coverage – Dental	87	12	N/A*	N/A*
Family Coverage – Dental	278	68	N/A*	N/A*
Average Current Life Insurance Coverage	26,900	31,800	37,700	38,000

\* For the valuation as at December 31, 1999, dental benefits were valued as part of extended health care benefits

## Appendix D – Summary of Plan Provisions

The following tables summarize the main provisions of the OPEB provided to the employees and retirees of the Company. The summary is based on information provided by the Company.

*Table D.1*

<b>First Eligibility age</b>	Age 55
<b>Life Insurance</b>	
Benefit	1 times the annual earnings at retirement, reducing to \$5,000 upon attainment of age 65
Cost Sharing	50% of premiums paid by the Company and 50% paid by the retirees
<b>Dental</b>	
Benefits	80% Basic – no maximum 70% Major, \$1,250 calendar year maximum Premium is 75% paid by the Company and 25% paid by the retirees
<b>Extended Health Care</b>	
Coinsurance	80%
Out of Province	Covered
Private duty nursing	\$25,000 maximum per calendar year
Drug coverage	Member pays dispensing fee
Vision	80% - one pair of spectacle lenses and frame per 36 month
Hearing Aids	\$300 maximum every 5 years
Paramedical practitioner	Different maximums for each covered practitioner
Hospital Coverage	100%, Semi-private
Cost sharing	50% of premiums paid by the Company and 50% paid by the retirees
<b>Retirement Allowance</b>	
Benefit	One week of salary per year of service at retirement, to a maximum of 26 weeks
<b>Transitional Allowance</b>	
Eligibility	Churchill Falls employees with 20 years of service or more
Benefit	\$500 per year of service
<b>SERP Benefits for Mr. Wells</b>	
Benefit	2% of final salary times service in current position at retirement
Indexing	None
Form of payment	60% of pension payable to the spouse upon Mr. Wells' death

We understand that coverage may continue to a surviving spouse after the member's death and that the spouse is responsible for paying 100% of the premiums.

## APPENDIX E

## Newfoundland Hydro

CICA 3461 Expense for fiscal years commencing January 1, 2004

Retroactive treatment of Transition Obligation - 10% corridor

	Hydro	Churchill Falls	Total
Fiscal year commencing January 1:	2004	2004	2004
<b>EXPENSE</b>			
CURRENT SERVICE COST	1,307,700	398,400	1,706,100
INTEREST ON ACCRUED BENEFITS	2,394,600	654,100	3,048,700
INTEREST ON ASSETS	0	0	0
STRAIGHT LINE AMORTIZATION OF:			
- Opening Deficit / (Asset)	0	0	0
- Experience Loss/(Gain)	558,400	120,000	678,400
- Past Service Costs	20,200	0	20,200
PENSION EXPENSE (INCOME)	4,280,900	1,172,500	5,453,400

## ACCRUED BENEFIT LIABILITY

OPENING BALANCE	26,939,400	7,742,700	34,682,100
EXPENSE (INCOME)	4,280,900	1,172,500	5,453,400
(COMPANY CONTRIBUTIONS) (Jan to Dec)	(1,505,000)	(267,600)	(1,772,600)
CLOSING BALANCE	29,715,300	8,647,600	38,362,900

CICA 3461 Expense for fiscal years commencing January 1, 2004

Retroactive treatment of Transition Obligation - 10% corridor

Fiscal year commencing January 1:	2004	2004	2004
<b>WORKSHEETS</b>			
<b>1. FINANCIAL POSITION OF THE PLAN AT BEGINNING OF PERIOD</b>			
Assets	0	0	0
Liabilities	33,555,100	9,137,900	42,693,000
Surplus (Deficit)	(33,555,100)	(9,137,900)	(42,693,000)
<b>2. PLAN COSTS FOR BENEFITS ACCRUING DURING THE PERIOD</b>			
Employee Contributions	0	0	0
Company Normal Cost	1,307,700	398,400	1,706,100
Total	1,307,700	398,400	1,706,100
<b>3. DEVIATIONS FROM PROJECTED FIGURES AT BEGINNING OF PERIOD</b>			
<b>LIABILITIES</b>			
Last Period's Projection	33,555,100	9,137,900	42,693,000
Actual Liabilities	33,555,100	9,137,900	42,693,000
Gain (Loss)	0	0	0
<b>ASSETS</b>			
Last Period's Projection	0	0	0
Actual Assets	0	0	0
Gain (Loss)	0	0	0
<b>BREAKDOWN BY CATEGORY:</b>			
Experience and Changes in Assumptions / Methods	(4,203,500)	(1,063,800)	(5,267,300)
Past Service Costs	0	0	0
Total	(4,203,500)	(1,063,800)	(5,267,300)

CICA 3461 Expense for fiscal years commencing January 1, 2004

Retroactive treatment of Transition Obligation - 10% corridor

Fiscal year commencing January 1:	2004	2004	2004
<b>WORKSHEETS</b>			
Assumed Discount Rate:	6.25%	6.25%	6.25%
<b>4. PROJECTIONS TO END OF PERIOD</b>			
<b>ASSETS</b>			
Opening Value	0	0	0
Company & Members Contributions	1,505,000	267,600	1,772,600
Transfers from Insurance Companies	0	0	0
Interest	0	0	0
Annuity payments by Royal Trust	0	0	0
Benefit Payouts	(1,505,000)	(267,600)	(1,772,600)
Settlement Payout	0	0	0
Projected Closing Value	0	0	0
Investment Gain/(Loss)	0	0	0
Estimated Closing Value	0	0	0
<b>LIABILITIES</b>			
Opening Value	33,555,100	9,137,900	42,693,000
Beginning of year adjustment	4,203,500	1,063,800	5,267,300
Benefit Improvements	0	0	0
Total Normal Cost	1,307,700	398,400	1,706,100
Interest	2,394,600	654,100	3,048,700
Benefit Payouts	(1,505,000)	(267,600)	(1,772,600)
Curtailments	0	0	0
Experience Loss due to Curtailment	0	0	0
Liabilities Settled	0	0	0
Closing Value	39,955,900	10,986,600	50,942,500
<b>SURPLUS</b>	(39,955,900)	(10,986,600)	(50,942,500)

CICA 3461 Expense for fiscal years commencing January 1, 2004

Retroactive treatment of Transition Obligation - 10% corridor

Fiscal year commencing January 1:	2004	2004	2004
<b>AMORTIZATION SCHEDULE</b>			
<b>AMORTIZATIONS ESTABLISHED AS AT January 1, 2004</b>			
Average Remaining Service Period as at January 1, 2004	12.0	12.0	12.0
<b>TRANSITIONAL OBLIGATION / (ASSET)</b>			
Opening Balance	0	0	0
Annual Component	0	0	0
Closing Balance	0	0	0
<b>AMORTIZATIONS</b>			
Average Remaining Lifetime as at January 1, 2004	17.0		
<b>PAST SERVICE COST / (ASSET)</b>			
Opening Balance	342,900	0	342,900
Annual Component	20,200	0	20,200
Closing Balance	322,700	0	322,700
Average Remaining Lifetime as at January 1, 2005	16.0		
<b>AMORTIZATIONS</b>			
<b>AGGREGATE NET ACTUARIAL LOSS / (GAIN)</b>			
10% Corridor	10,476,300	2,459,600	12,935,900
Opening Balance to Amortize	3,775,900	1,020,200	4,796,100
Annual Component	6,700,400	1,439,400	8,139,800
Amount not amortized	558,400	120,000	678,400
	9,917,900	2,339,600	12,257,500
Average Remaining Service Period as at January 1, 2005	12.0	12.0	12.0
<b>Total Closing Unamortized Losses (Gains)</b>	<b>\$10,240,600</b>	<b>\$2,339,600</b>	<b>\$12,580,200</b>

CICA 3461 Expense for fiscal years commencing January 1, 2004

Retroactive treatment of Transition Obligation - 10% corridor

New Disclosure	2004	2004	2004
<b>Benefit Cost</b>			
Current Service Cost	1,307,700	398,400	1,706,100
Interest on ABO	2,394,600	654,100	3,048,700
Actual Return on MV of Assets	0	0	0
Experience losses (Gains)	3,547,500	882,300	4,429,800
Plan improvements	0	0	0
<b>Benefit Cost prior to Adjustments</b>	<b>7,249,800</b>	<b>1,934,800</b>	<b>9,184,600</b>
<b>Adjustments to Benefit cost</b>			
Expected vs actual return on assets	0	0	0
Actual vs recognized experience losses (gains)	(2,989,100)	(762,300)	(3,751,400)
Actual vs recognized past service cost	20,200	0	20,200
Actual vs recognized transitional obligation (asset)	0	0	0
<b>Net Benefit Cost</b>	<b>\$4,280,900</b>	<b>\$1,172,500</b>	<b>\$5,453,400</b>

## APPENDIX E

## Newfoundland Hydro

CICA 3461 Expense for fiscal years commencing January 1, 2005

Retroactive treatment of Transition Obligation - 10% corridor

	Hydro	Churchill Falls	Total
Fiscal year commencing January 1:	2005	2005	2005
<b>EXPENSE</b>			
CURRENT SERVICE COST	1,357,000	413,500	1,770,500
INTEREST ON ACCRUED BENEFITS	2,494,000	692,800	3,186,800
INTEREST ON ASSETS	0	0	0
STRAIGHT LINE AMORTIZATION OF:			
- Opening Deficit / (Asset)	0	0	0
- Experience Loss/(Gain)	444,300	89,800	534,100
- Past Service Costs	20,200	0	20,200
PENSION EXPENSE (INCOME)	4,315,500	1,196,100	5,511,600

## ACCRUED BENEFIT LIABILITY

OPENING BALANCE	29,715,300	8,647,600	38,362,900
EXPENSE (INCOME)	4,315,500	1,196,100	5,511,600
(COMPANY CONTRIBUTIONS) (Jan to Dec)	(1,505,000)	(267,600)	(1,772,600)
CLOSING BALANCE	32,525,800	9,576,100	42,101,900

CICA 3461 Expense for fiscal years commencing January 1, 2005

Retroactive treatment of Transition Obligation - 10% corridor

Fiscal year commencing January 1:	2005	2005	2005
<b>WORKSHEETS</b>			
<b>1. FINANCIAL POSITION OF THE PLAN AT BEGINNING OF PERIOD</b>			
Assets	0	0	0
Liabilities	39,299,900	10,805,100	50,105,000
Surplus (Deficit)	(39,299,900)	(10,805,100)	(50,105,000)
<b>2. PLAN COSTS FOR BENEFITS ACCRUING DURING THE PERIOD</b>			
Employee Contributions	0	0	0
Company Normal Cost	1,357,000	413,500	1,770,500
Total	1,357,000	413,500	1,770,500
<b>3. DEVIATIONS FROM PROJECTED FIGURES AT BEGINNING OF PERIOD</b>			
<b>LIABILITIES</b>			
Last Period's Projection	39,955,900	10,986,600	50,942,500
Actual Liabilities	39,299,900	10,805,100	50,105,000
Gain (Loss)	656,000	181,500	837,500
<b>ASSETS</b>			
Last Period's Projection	0	0	0
Actual Assets	0	0	0
Gain (Loss)	0	0	0
<b>BREAKDOWN BY CATEGORY:</b>			
Experience and Changes in Assumptions / Methods	656,000	181,500	837,500
Past Service Costs	0	0	0
Total	656,000	181,500	837,500

CICA 3461 Expense for fiscal years commencing January 1, 2005

Retroactive treatment of Transition Obligation - 10% corridor

Fiscal year commencing January 1:

	2005	2005	2005
<b>WORKSHEETS</b>			
Assumed Discount Rate:	6.25%	6.25%	6.25%
<b>4. PROJECTIONS TO END OF PERIOD</b>			
<b>ASSETS</b>			
Opening Value	0	0	0
Company & Members Contributions	1,505,000	267,600	1,772,600
Transfers from Insurance Companies	0	0	0
Interest	0	0	0
Annuity payments by Royal Trust	0	0	0
Benefit Payouts	(1,505,000)	(267,600)	(1,772,600)
Settlement Payout	0	0	0
Projected Closing Value	0	0	0
Investment Gain/(Loss)	0	0	0
Estimated Closing Value	0	0	0
<b>LIABILITIES</b>			
Opening Value	39,299,900	10,805,100	50,105,000
Benefit Improvements	0	0	0
Total Normal Cost	1,357,000	413,500	1,770,500
Interest	2,494,000	692,800	3,186,800
Benefit Payouts	(1,505,000)	(267,600)	(1,772,600)
Curtailments	0	0	0
Experience Loss due to Curtailment	0	0	0
Liabilities Settled	0	0	0
Closing Value	41,645,900	11,643,800	53,289,700
<b>SURPLUS</b>	(41,645,900)	(11,643,800)	(53,289,700)

CICA 3461 Expense for fiscal years commencing January 1, 2005

Retroactive treatment of Transition Obligation - 10% corridor

Fiscal year commencing January 1:

	2005	2005	2005
<b>AMORTIZATION SCHEDULE</b>			
<b>AMORTIZATIONS ESTABLISHED AS AT January 1, 2004</b>			
Average Remaining Service Period as at January 1, 2004	12.0	12.0	12.0
<b>TRANSITIONAL OBLIGATION / (ASSET)</b>			
Opening Balance	0	0	0
Annual Component	0	0	0
Closing Balance	0	0	0
<b>AMORTIZATIONS</b>			
Average Remaining Lifetime as at January 1, 2004	16.0		
<b>PAST SERVICE COST / (ASSET)</b>			
Opening Balance	322,700	0	322,700
Annual Component	20,200	0	20,200
Closing Balance	302,500	0	302,500
Average Remaining Lifetime as at January 1, 2005	15.0		
<b>AMORTIZATIONS</b>			
<b>AGGREGATE NET ACTUARIAL LOSS / (GAIN)</b>			
10% Corridor	9,261,900	2,158,100	11,420,000
Opening Balance to Amortize	5,331,900	1,077,600	6,409,500
Annual Component	444,300	89,800	534,100
Amount not amortized	8,817,600	2,068,300	10,885,900
Average Remaining Service Period as at January 1, 2005	12.0	12.0	12.0
<b>Total Closing Unamortized Losses (Gains)</b>	<b>\$9,120,100</b>	<b>\$2,068,300</b>	<b>\$11,188,400</b>

CICA 3461 Expense for fiscal years commencing January 1, 2005

Retroactive treatment of Transition Obligation - 10% corridor

New Disclosure

	2005	2005	2005
<b>Benefit Cost</b>			
Current Service Cost	1,357,000	413,500	1,770,500
Interest on ABO	2,494,000	692,800	3,186,800
Actual Return on MV of Assets	0	0	0
Experience losses (Gains)	0	0	0
Plan improvements	0	0	0
<b>Benefit Cost prior to Adjustments</b>	<b>3,851,000</b>	<b>1,106,300</b>	<b>4,957,300</b>
<b>Adjustments to Benefit cost</b>			
Expected vs actual return on assets	0	0	0
Actual vs recognized experience losses (gains)	444,300	89,800	534,100
Actual vs recognized past service cost	20,200	0	20,200
Actual vs recognized transitional obligation (asset)	0	0	0
<b>Net Benefit Cost</b>	<b>\$4,315,500</b>	<b>\$1,196,100</b>	<b>\$5,511,600</b>