

RCF

RETIREMENT COMPENSATION
FUNDING

ICF

INSURANCE CAPITAL
FUNDING

SERP *Plus*TM

Supplemental Pension Funding

Prepared For:
Public Corporation

Pre & Post Retirement Security

Cost Recovery For Shareholders

Retirement Compensation Arrangement
Trust Services Provided by BMO Trust Company

Working to Secure the Future

The Corporation has Supplemental Executive/Employee Retirement Plan (SERP) liabilities in excess of those funded under the Company’s Registered Pension Plans (RPPs). These liabilities will be discharged, post retirement, on a “pay-as-you-go” basis, potentially paid for by a future generation of shareholders. Tax credits are received as benefits are paid.

Security of benefits is dependent on the long term stability of Company, ownership and, Senior Executives and/or Board then in charge. That tomorrow’s Shareholders are expected to pay for today’s promises with, no recovery, could subsequently be of concern.

Purpose of Report

To show that a Managed SERP Program using the **SERPPlus™**, concept developed by Retirement Compensation Funding Inc (RCF) in conjunction with Insurance Capital Funding Inc (ICF) will provide **full security of benefits** but, on a **reduced and recoverable** “pay-as-you-go” for future Shareholders.

The security and control of current SERP benefits is with existing Management and Board.

Future Management and Shareholders receive the Cost Recovery benefits enabling the SERP to be financially viable, well in the future.

Provisions of SERP *(Appendix A shows entitlements)*

- **Benefits** – difference between total pension entitlement less that provided by RPPs and CPP.
- **Entitlement** – 2% x years of service (max 35 years) x final average “pensionable earnings”.
- **Pensionable Earnings** – current base plus 50% of average annual bonuses (3 previous years).
- **Average** – 3 or 5 years.
- **Service Credits** – 1 per year of service with extra credit of ½ or 1 for mid/late term hires as per employment contracts.

Current Pay-as-you-go Costs

- **Schedule A** – shows projected annual SERP entitlements at retirement.
- **Schedule B** –shows projected post-retirement SERP cash flow costs.

RCAs

SERP liabilities could be pre-funded using the Retirement Compensation Arrangements (RCAs) provisions of the Income Act (defined under Section 248 (1)). RCAs have two components: (1) the RCA Investment Account (RCAIA) and, (2) the Refundable Tax Account (RTA). The RTA earns no interest and receives 50% of all new contributions to the RCA and 50% of unsheltered investment gains (no differentiation between capital gains, dividend or interest income) in the RCAIA. For some, this is problematic.

Although RCAs can provide full security of SERP benefits, the investment inefficiency is restricting their use. SERPPlus™ utilizes the security aspect of RCAs but reduces this inefficiency.

How it works

SERPPlus™ is a method by which a Corporation can secure SERP “pension shortfall” promises at reduced and recoverable “Pay-As-You-Go” costs, utilizing “Asset to Asset” pre-retirement balance sheet transfers, **providing full security to SERP members** and, net cost recovery to Shareholders.

“Asset to Asset” transfers come from profits generated by current SERP members which, prudently, might be partially earmarked to provide liquidity for future SERP liabilities. However, they could just as easily be used by future Management for other corporate purposes. To segregate and secure would be deemed an RCA with Refundable Tax owing.

- **Step One** – Provides security, by the actual establishment of an RCA Pre-retirement. The inefficiency of the RTA for “pre-retirement” accrued benefits is avoided using Letters of Credit (LCs). “Post-retirement” security is through financed Terminal Funding contributions to the RCA when refunds from RTA mitigate inefficiency.
- **Step Two** – Provides Cost Recovery to Shareholders, by the establishment of a Special Purpose Subsidiary (SPS) financed by the purchase of Notes by SERP sponsor. The SPS also provides financing for net RCA Terminal Funding contributions at retirement.

Pre-retirement, SERPPlus™ is balance sheet neutral except, for net LC costs. Post-retirement, P & L costs are reduced to a net (but recoverable) interest expense. Accrued liabilities for “pay-as-you-go” costs are exchanged for Loan Liabilities reducing at each SERP members death.

Letters of Credit in RCA

Schedule C – shows accumulating required RCA balances (including Refundable Tax Account) assuming liability for both past and, future service (if an RCA was funded now to retirement) with mortality and survivor benefit assumptions as shown. These numbers are drawn from RCA ledgers in **Appendix A**.

The required LCs owned by the RCA should reflect the increasing combined RCA Investment Account (RCAIA) and Refundable Tax Account (RTA) balances required to fund benefits at retirement with, adjustments to mortality and investment assumptions as determined by Company’s Actuaries.

The annual contribution to RCAIA to cover LC fees must have a matching contribution to the RTA. LCs reduce as SERP members retire and individual benefits are Terminally Funded.

RCA Terminal Funding Costs

Schedule D – shows (i) the Terminal Funding cost to the RCA to secure both Primary and Survivor Benefits for each SERP retiree; (ii) calendar years required; (iii) annual net and cumulative loan interest and, (iv) loan re-payments.

The cumulative net recoverable cost of financing Terminal Funding costs is projected at \$2,928,492 with full funded security to SERP member vs. \$10,607,009 for current Pay-As-You-Go with no security.

Special Purpose Subsidiary (SPS)

The SPS is owned by the SERP employer. This allows for SERP Liabilities to be asset managed, while still providing SERP tax credits and, **without affecting other performance based compensation**. The SPS is funded by the sale of Notes to the SERP employer thus, not impacting the SERP sponsor's balance sheet or P & L (other than cost of LCs). The SPS provides both fairness to Shareholders and Executives while, mitigating the cost of SERP funding through the establishment of a **SERP Cost Recovery Plan** that:

- Provides financing of net Terminal Funding Costs to RCA.
- Pays Capital Dividends to SERP employer (on death of SERP Member) equal to the net Terminal Funding costs including net interest.
- Redeems Notes and makes payments against lost opportunity.

The Corporation exchanges current "pay-as-you-go-costs" for a substantially reduced recoverable interest expense. The net SERP liability for retired members is replaced with a new loan liability equal to the net Terminal Funding costs to the RCA relative to those benefits.

SERP Cost Recovery Plan

SERP Benefits are an integral part of retirement planning. The importance, cost of funding and, liability transfer, are not lost on SERP members. SERP benefits extend long in the future. Initially, little thought was given to SERP promises from companies like Nortel; CanWest; Lehman Bros etc, etc. **Even if security is not perceived as an issue, there is "member anxiety" that SERPs could subsequently be challenged given, the cost to future shareholders and, impact on cash flow to then management.**

As such, SERP members, **in exchange for full security at retirement**, will be accommodating in any effort to reduce impact on cash flow and, mitigate costs for Shareholders.

Under a SERP Cost Recovery Plan, members' lives are insured by the SPS relative to the net cost of providing individual SERP benefits. **The projected cash value in each contract at retirement is approximate to the net Terminal Funding cost of the SERP member.** Additional coverage on older members can reduce costs earlier.

All members will not reach normal life expectancy and, the excess mortality received over the net cost of funding benefits for these members, further mitigates the funding costs of others.

SPS Policies

These policies are underwritten by Sun Life Financial and tied to their Participating Account. Projections are based on their current Dividend Interest rates reflected in Illustrations forming part of this report.

The policies are specially configured (**Schedule E**) so that cash values at retirement are equal to projected net Terminal Funding cost to RCA to secure benefits. (highlighted in yellow). If needed, this assists the SPS in financing the Terminal Funding Loans. If required for Banking, adjustments can be made so that the net Terminal Funding loans equal 75% or 90% of cash values in policies owned by SPS.

Death Benefits received by the SPS are projected to be sufficient to provide recovery to Shareholders of the cost of providing SERP benefits namely:- (i) allow SERP sponsor to repay Terminal Funding loan and recover net interest with a Capital Dividend from the SPS; (ii) repay the notes from the SERP sponsor used by SPS to pay premiums and; (iii) pay SERP sponsor interest for lost opportunity on SPS notes (or allow SPS to build up reserves from excess benefits to further mitigate ongoing SERP costs).

As **Schedule G & H** summarize:

Total Death Benefits received by SPS:	\$28,830,230
Less Capital Dividends for	
Terminal Funding Loans: \$7,975,196	
Net Interest Paid to SPS: \$2,928,492	<u>\$10,903,688</u>
	<u>\$17,926,542</u>
Less redemption of SPS notes	<u>\$ 9,108,485</u>
Payment of Lost Opportunity on SPS Notes	\$ 8,,818,057

Full security has been given SERP members at retirement; post retirement cash flow costs have been reduced to a recoverable net interest expense; full cost recovery of Terminal Funding loans & net interest with ,repayment by SPS Asset Transfer Notes and, lost opportunity.

SPS Asset Transfers

Under the current “pay-as-you-go,” arrangement, the net P & L cost would be **\$10,607,009** from retirement. (**Schedule C**). **SERPPlus™** utilizes **pre-retirement asset transfers** (where the SERP liability belongs) from the Corporation to the SPS of **\$9,108,485** in exchange for notes from the SPS. These asset transfers are used by the SPS to purchase the Cost Recovery policies. The notes are repaid at SERP members death (**Schedule G**) with lost opportunity (**Schedule H**).

The advantage is that what would otherwise be a total operating cost to future shareholders for SERP benefits, is asset based (except net LC and interest costs) with full recovery of both net P&L charges and , redemption SPS Notes purchased plus, recovery of lost opportunity.

Special Purpose Subsidiary (SPS) Payouts

As SERP Members die, the insurance proceeds received by the SPS are used to repay Notes purchased by SERP sponsor and, to pay Capital Dividends to the SERP sponsor equal to both RCA net Terminal Funding and interest costs (**Schedule D**).

The SERP sponsor repays the Terminal Funding Loan to the SPS from the Capital Dividends received from the SPS. The SPS uses these funds to repay it’s lender.

Excess Insurance proceeds are paid to the SERP sponsor for lost opportunity (**Schedule H**) on SPS Notes used by the SPS to pay premiums. Alternatively, they can be retained by SPS to mitigate long term SERP costs for future SERP members .The lost opportunity payments would be subject to Investment Income Tax, so, the latter option might be desirable.

The RCA Terminal Funding also covered survivor benefits. These continue after the death of a SERP member receiving primary benefits. If the spouse pre-deceases the primary member, any excess RCA funding is used for other members.

Current Situation

- Security of SERP benefits is dependent on long term success of Corporation and actions of future Management and/or Board.
- Cash flow costs are deferred until post-retirement and currently are projected to cost shareholders a net **\$10,607,009**.

Managed SERP Program with SERPPlus™

- Provides security of benefits accrued to retirements utilizing Letters of Credit in an RCA to be established.
- At retirement, the RCA is Terminally Funded relative to the SERP Members primary and survivor benefits with net costs borrowed from the Special purpose Subsidiary (SPS).
- Cash flow costs pre-retirement are relative to the Letters of Credit for the RCA. Post-retirement they are the recoverable net interest on net Terminal Funding loans projected at **\$2,928,492**, a post-retirement cash flow savings of **\$7,678,517** and, with **full security provided to SERP members**.
- Loans and, net interest charges are recovered for shareholders at death of SERP members.

Asset Transfers to SPS

- Most large corporations keep liquid reserve assets on hand for future liabilities.
- For a period to the retirement of the last member of the SERP, some of these assets are transferred to the SPS in exchange for SPS Notes. Considering current shareholders, should be paying for current SERP liabilities, this is a proper use of corporate assets. The value of these notes projected at \$9,108,485, is not lost, remain on balance sheet and, do not exceed current non-recoverable net “pay-as-you go: costs” transferred to future shareholders.
- Importantly, utilizing assets to secure RCA Terminal Funding financing should not jeopardize other P&L based bonus compensation plans.
- The cash received by the SPS is transferred to Sun Life Financial relative to the policies described in the report.
- Based on 25 year averages ending in 2009 provided by Sun Life Financial, the average dividend interest rate of 9.3% as compared to the S&P/TSX Return of 9.3% and the 10 year GOC of 7.1% (Source: Sun Life Participating Account brochure #810-3599006-0).
- The standard deviation was 1.3% against the S&P/TSX Total Return of 16.4% and the 10 year GOC bond was 2.3%. Considering the time horizon for SERPs, these are acceptable returns.
- Individual Sun Life Financial Illustrations for each SERP Member form part of this report in **Appendix B**.

SPS Financing

- The cash values in the individual policies at retirement are projected to approximate the net Terminal Funding Cost of the RCA, at retirement (**Schedule F**) and can be used by the SPS, if required, as collateral in financing loans to the SERP Sponsor.
- If borrowing rates rise, net Terminal Funding costs will likely reduce and policy values could increase.
- Triennial reviews adjust all initial projections & assumptions.

SPS Cost Recovery

At the death of each SERP Member:

- Net Terminal Funding loans are repaid by the SERP sponsor to the SPS from a Capital Dividend paid by the SPS to the SERP Sponsor. The Capital Dividend also includes the recovery of net financing costs of the SERP sponsor.
- SPS Notes owned by SERP sponsor are redeemed by SPS.
- lost opportunity on “asset to asset” transfer SPS Notes is recovered by projected excess death benefits over net Terminal Funding loans, net interest and note repayment (**Schedule H**).

All SERP members are unlikely to live to assumed mortality (M82; F86) reducing cost and increasing funds available for lost opportunity recovery.

Professional Involvement and Fees

- A Managed SERP program utilizing **SERPPlus™** is a sophisticated concept requiring input from the SERP sponsor's Financial Advisors and Legal Counsel (both Corporate & Pension). and data from the Actuarial Consultants.
- Insurance Capital Funding Inc (ICF) will receive commissions on the Cost Recovery policies purchased by the SPS.
- As allowed, some of these commissions will be used to reimburse the cost of due diligence, establishment of SPS, SERP/RCA documentation and fees charged by RCF.
- Such fees and any cap will be agreed prior to the establishment of the Managed SERP

Assumptions & Projections

- All assumptions projections and data in this report are as indicated and are not guaranteed. They will be adjusted to reflect current data, dividend interest and loan rates at Triennial reviews. However, Asset Transfer totals of **\$9,108,485** and initial death benefits of **\$14,877,176** are fully guaranteed by Sun Life Financial (**Schedule F**) as shown in their illustrations in **Appendix B** to this report. Changes to their Dividend interest rate will impact cash values and projected death benefits.
- RCA ledgers and SERP funding calculations shown in Appendix A are the property of RCF Initial “shortfall” calculations for SERP entitlements are from SERP member data supplied and could vary from current projections based on assumptions used. These can be adjusted relative to known health conditions of some SERP members and ,size of SERP population.
- All members of the SERP do not have to be insurable. Same age benefits will be spread over those that can be insured.

About RCF

A full service 3rd party RCA provider established the first insurance funded RCA in Canada. In addition to **SERPPlus™**, funding products include **PENSIONPlus™** (fully tax sheltered investment account); **PENSIONPlus GIF™** (portfolio managed primary benefits and insured survivor benefits) and; **PENSIONPlus™** Prescribed (guaranteed Primary Funding with Prescribed Annuity payouts). See www.rcf.ca for more information including Senior Partners bios.

Schedule A

Year of Retirement	Executive #	Current Age	Individual SERP Entitlement at Retirement* (Indexed @ 2%)
2013	3	63	\$31,337
2018	2	58	\$64,980
2021	9	55	\$24,092
2022	1	54	\$196,575
2022	5	54	\$43,319
2025	4	51	\$112,200
2025	7	51	\$30,440
2028	6	48	\$52,536
2029	8	47	\$18,122

* Includes reduced survivor benefits where applicable. Excludes amounts received from Registered Pension Plan and CPP

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Current SERP

Pay-as-you-go Costs

Schedule B

Year	Gross Annual Post Retirement SERP Payments	Net Annual Cash Cost to Corporation (28% Corporate Tax Rate)	Cumulative Net Cost
2011	\$0	\$0	\$0
2012	\$0	\$0	\$0
2013	\$31,337	\$22,563	\$22,563
2014	\$31,964	\$23,014	\$45,577
2015	\$32,603	\$23,474	\$69,052
2016	\$33,256	\$23,944	\$92,996
2017	\$33,921	\$24,423	\$117,418
2018	\$99,579	\$71,697	\$189,116
2019	\$101,571	\$73,131	\$262,247
2020	\$103,602	\$74,594	\$336,841
2021	\$129,766	\$93,432	\$430,272
2022	\$372,256	\$268,024	\$698,297
2023	\$379,701	\$273,385	\$971,682
2024	\$387,295	\$278,853	\$1,250,534
2025	\$537,681	\$387,130	\$1,637,664
2026	\$548,434	\$394,873	\$2,032,537
2027	\$559,403	\$402,770	\$2,435,307
2028	\$623,127	\$448,652	\$2,883,959
2029	\$653,711	\$470,672	\$3,354,631
2030	\$666,786	\$480,086	\$3,834,717
2031	\$661,692	\$476,418	\$4,311,135
2032	\$674,925	\$485,946	\$4,797,081
2033	\$688,424	\$495,665	\$5,292,746
2034	\$702,192	\$505,579	\$5,798,325
2035	\$687,738	\$495,171	\$6,293,496
2036	\$663,278	\$477,560	\$6,771,056
2037	\$676,543	\$487,111	\$7,258,167
2038	\$690,074	\$496,853	\$7,755,021
2039	\$689,707	\$496,589	\$8,251,610
2040	\$562,419	\$404,942	\$8,656,552
2041	\$513,392	\$369,643	\$9,026,194
2042	\$523,660	\$377,035	\$9,403,230
2043	\$450,247	\$324,178	\$9,727,407
2044	\$436,905	\$314,571	\$10,041,979
2045	\$165,229	\$118,965	\$10,160,944
2046	\$137,637	\$99,099	\$10,260,043
2047	\$87,927	\$63,308	\$10,323,350
2048	\$89,686	\$64,574	\$10,387,924
2049	\$91,479	\$65,865	\$10,453,789
2050	\$63,933	\$46,032	\$10,499,821
2051	\$65,212	\$46,952	\$10,546,773
2052	\$66,516	\$47,891	\$10,594,665
2053	\$17,146	\$12,345	\$10,607,009

Assumptions:

28% Corporate Tax Rate

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To secure pre-retirement accrued benefits, an RCA is established and funded by Letters of Credit. Individual RCA Ledgers attached to this report (Appendix A) show the annual required contributions to an RCA to provide primary and survivor benefits if the RCA was to be pre-funded to retirement. If secured by Letters of Credit, the initial amount of Letter should be (i) the required opening past service RCAIA and RTA for all Plan Members as per RCA Ledgers in Appendix A (ii) or, as shown below, blended with past and future service.

Schedule C

		(a)	(b)	(a) + (b)
Year	RCA Annual Contribution If Funded	RCAIA Indicated Balance	RTA Indicated Balance	Required Letter of Credit
2011	\$1,095,636	\$577,948	\$547,818	\$1,125,766
2012	\$1,095,636	\$1,171,789	\$1,110,701	\$2,282,490
2013	\$802,914	\$1,594,490	\$1,542,702	\$3,137,191
2014	\$802,914	\$2,044,683	\$1,970,053	\$4,014,736
2015	\$802,914	\$2,506,913	\$2,408,825	\$4,915,738
2016	\$802,914	\$2,981,504	\$2,859,326	\$5,840,830
2017	\$802,914	\$3,468,789	\$3,321,872	\$6,790,660
2018	\$636,810	\$3,812,934	\$3,713,735	\$7,526,669
2019	\$636,810	\$4,199,078	\$4,081,740	\$8,280,818
2020	\$636,810	\$4,594,748	\$4,458,814	\$9,053,562
2021	\$595,485	\$4,952,968	\$4,824,523	\$9,777,491
2022	\$223,285	\$4,882,679	\$5,000,388	\$9,883,067
2023	\$223,285	\$4,930,516	\$5,053,176	\$9,983,692
2024	\$223,285	\$4,975,584	\$5,103,489	\$10,079,072
2025	\$66,541	\$4,784,558	\$5,072,807	\$9,857,365
2026	\$66,541	\$4,656,262	\$4,961,953	\$9,618,215
2027	\$66,541	\$4,518,539	\$4,842,378	\$9,360,917
2028	\$16,171	\$4,289,015	\$4,688,544	\$8,977,559
2029	\$0	\$4,045,997	\$4,488,780	\$8,534,777
2030	\$0	\$3,798,636	\$4,267,388	\$8,066,024
2031	\$0	\$3,556,743	\$4,033,012	\$7,589,755
2032	\$0	\$3,291,550	\$3,794,878	\$7,086,427
2033	\$0	\$3,011,514	\$3,543,487	\$6,555,002
2034	\$0	\$2,731,688	\$3,263,531	\$5,995,219
2035	\$0	\$2,436,915	\$2,997,610	\$5,434,524
2036	\$0	\$2,166,953	\$2,717,262	\$4,884,216
2037	\$0	\$1,862,671	\$2,442,108	\$4,304,778
2038	\$0	\$1,542,742	\$2,152,389	\$3,695,131
2039	\$0	\$1,220,930	\$1,848,145	\$3,069,075
2040	\$0	\$1,056,756	\$1,504,991	\$2,561,747
2041	\$0	\$809,693	\$1,280,874	\$2,090,566
2042	\$0	\$550,085	\$1,045,498	\$1,595,583
2043	\$0	\$375,373	\$789,532	\$1,164,905
2044	\$0	\$298,571	\$444,995	\$743,566
2045	\$0	\$0	\$0	\$0
Total:	\$9,597,404			

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Schedule D

Year	Executive Number	Projected Lump Sum Terminal Funding Cost for Plan Member	Net to Corporation (28% Corporate Tax Rate)	Loan Repayment	Cumulative Net Cost	Annual Net Interest if SPS Financed (3% loan interest)	Cumulative Net Interest	Interest Repayment
2013	3	\$562,179	\$404,769	\$0	\$404,769	\$8,743	\$8,743	\$0
2014	-	\$0	\$0	\$0	\$404,769	\$8,743	\$17,486	\$0
2015	-	\$0	\$0	\$0	\$404,769	\$8,743	\$26,229	\$0
2016	-	\$0	\$0	\$0	\$404,769	\$8,743	\$34,972	\$0
2017	-	\$0	\$0	\$0	\$404,769	\$8,743	\$43,715	\$0
2018	2	\$1,263,171	\$909,483	\$0	\$1,314,252	\$28,388	\$72,103	\$0
2019	-	\$0	\$0	\$0	\$1,314,252	\$28,388	\$100,491	\$0
2020	-	\$0	\$0	\$0	\$1,314,252	\$28,388	\$128,879	\$0
2021	9	\$468,329	\$337,197	\$0	\$1,651,449	\$35,671	\$164,550	\$0
2022	1,5	\$4,706,248	\$3,388,499	\$0	\$5,039,948	\$108,863	\$273,413	\$0
2023	-	\$0	\$0	\$0	\$5,039,948	\$108,863	\$382,276	\$0
2024	-	\$0	\$0	\$0	\$5,039,948	\$108,863	\$491,139	\$0
2025	4,7	\$2,633,258	\$1,895,946	\$0	\$6,935,894	\$149,815	\$640,954	\$0
2026	-	\$0	\$0	\$0	\$6,935,894	\$149,815	\$790,769	\$0
2027	-	\$0	\$0	\$0	\$6,935,894	\$149,815	\$940,584	\$0
2028	6	\$1,073,267	\$772,752	\$0	\$7,708,646	\$166,507	\$1,107,091	\$0
2029	8	\$370,209	\$266,550	\$0	\$7,975,196	\$172,264	\$1,279,355	\$0
2030	-	\$0	\$0	\$404,769	\$7,570,427	\$163,521	\$0	\$1,442,877
2031	-	\$0	\$0	\$0	\$7,570,427	\$163,521	\$163,521	\$0
2032	-	\$0	\$0	\$0	\$7,570,427	\$163,521	\$327,042	\$0
2033	-	\$0	\$0	\$0	\$7,570,427	\$163,521	\$490,563	\$0
2034	-	\$0	\$0	\$0	\$7,570,427	\$163,521	\$654,084	\$0
2035	-	\$0	\$0	\$909,483	\$6,660,944	\$143,876	\$0	\$797,961
2036	-	\$0	\$0	\$0	\$6,660,944	\$143,876	\$143,876	\$0
2037	-	\$0	\$0	\$0	\$6,660,944	\$143,876	\$287,753	\$0
2038	-	\$0	\$0	\$337,197	\$6,323,747	\$136,593	\$107,197	\$317,149
2039	-	\$0	\$0	\$3,388,499	\$2,935,248	\$63,401	\$0	\$85,850
2040	-	\$0	\$0	\$0	\$2,935,248	\$63,401	\$0	\$63,401
2041	-	\$0	\$0	\$0	\$2,935,248	\$63,401	\$63,401	\$0
2042	-	\$0	\$0	\$1,895,946	\$1,039,302	\$22,449	\$0	\$170,599
2043	-	\$0	\$0	\$0	\$1,039,302	\$22,449	\$22,449	\$0
2044	-	\$0	\$0	\$0	\$1,039,302	\$22,449	\$44,898	\$0
2045	-	\$0	\$0	\$772,751.97	\$266,550	\$5,757	\$0	\$50,655
2046	-	\$0	\$0	\$266,550.17	\$0	\$0	\$0	\$0
Totals:			\$7,975,196	\$7,975,196				\$2,928,492

Assumptions:
 28% Corporate Tax Rate
 3% Loan Interest Rate
 Projected contributions at retirement to secure both primary and survivor benefits

E. & O.E.

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Schedule E

Year	Annual Asset Transfer (Premium)*	Asset Repayment (Death Benefit @ Normal Life Expectancy)	Cumulative SPS Notes	Projected Asset Values
2011	\$779,680	\$0	\$779,680	\$419,179
2012	\$779,680	\$0	\$1,559,360	\$1,025,892
2013	\$779,680	\$0	\$2,339,039	\$1,747,999
2014	\$779,680	\$0	\$3,118,719	\$2,613,622
2015	\$779,680	\$0	\$3,898,399	\$3,482,494
2016	\$779,680	\$0	\$4,678,079	\$4,339,232
2017	\$779,680	\$0	\$5,457,758	\$5,257,596
2018	\$779,680	\$0	\$6,237,438	\$6,205,708
2019	\$779,680	\$0	\$7,017,118	\$7,181,068
2020	\$779,680	\$0	\$7,796,798	\$8,220,071
2021	\$629,405	\$0	\$8,426,203	\$9,270,740
2022	\$164,055	\$0	\$8,590,257	\$9,909,282
2023	\$164,055	\$0	\$8,754,312	\$10,545,055
2024	\$164,055	\$0	\$8,918,366	\$11,013,197
2025	\$55,776	\$0	\$8,974,142	\$11,373,130
2026	\$55,776	\$0	\$9,029,918	\$11,745,630
2027	\$55,776	\$0	\$9,085,694	\$12,145,877
2028	\$22,791	\$0	\$9,108,485	\$12,541,529
2029	\$0	\$0	\$9,108,485	\$12,944,565
2030	\$0	\$2,088,714	\$7,019,771	\$10,477,536
2031	\$0	\$0	\$7,019,771	\$11,034,432
2032	\$0	\$0	\$7,019,771	\$11,609,027
2033	\$0	\$0	\$7,019,771	\$12,200,973
2034	\$0	\$0	\$7,019,771	\$12,810,129
2035	\$0	\$1,184,512	\$5,835,259	\$11,278,061
2036	\$0	\$0	\$5,835,259	\$11,817,501
2037	\$0	\$0	\$5,835,259	\$12,370,673
2038	\$0	\$318,236	\$5,517,022	\$11,802,272
2039	\$0	\$3,030,140	\$2,486,883	\$5,927,544
2040	\$0	\$0	\$2,486,883	\$6,184,428
2041	\$0	\$0	\$2,486,883	\$6,447,005
2042	\$0	\$1,515,903	\$970,979	\$2,330,282
2043	\$0	\$0	\$970,979	\$2,425,841
2044	\$0	\$0	\$970,979	\$2,523,354
2045	\$0	\$560,742	\$410,237	\$1,106,219
2046	\$0	\$410,237	\$0	\$0
Total:		\$9,108,485		

Assumptions:

* Asset transfer is a minimum of 11 years or to age 65

* Under 'exempt' insurance regulations the cash surrender value does not exceed asset transfer until year 10

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Schedule F

Plan Member #	Age	Life Expectancy (Year)	Net Terminal Funding	Insurance Cash Surrender Value @ 65	Annual Asset Transfer (Premium)	Number of Years of Premiums to be made	Total Funds Transferred to Policy	Total Cash Value When Premiums Stop	Guaranteed Insurance Amount	Total Death Benefit at Life Expectancy (Projected & Non Guaranteed)
3	63	2030	\$404,769	\$405,743	\$189,883	11	\$2,088,714	\$2,173,608	\$2,918,144	\$4,233,742
2	58	2035	\$909,483	\$909,481	\$118,451	10	\$1,184,512	\$1,231,787	\$2,073,576	\$2,983,397
9	55	2038	\$337,197	\$337,198	\$31,824	10	\$318,236	\$337,198	\$608,457	\$972,582
1	54	2039	\$2,751,321	\$2,751,320	\$223,637	11	\$2,460,005	\$2,751,320	\$4,489,696	\$8,294,297
5	54	2039	\$637,177	\$637,177	\$51,830	17	\$570,134	\$637,177	\$1,039,767	\$1,919,980
4	51	2042	\$1,448,210	\$1,448,207	\$82,371	14	\$1,153,200	\$1,448,207	\$1,826,118	\$4,604,622
7	51	2042	\$447,736	\$447,735	\$25,907	14	\$362,704	\$447,735	\$564,572	\$1,373,633
6	48	2045	\$772,752	\$772,752	\$32,985	17	\$560,742	\$772,752	\$792,274	\$2,522,487
8	47	2046	\$266,550	\$586,080	\$22,791	18	\$410,237	\$586,080	\$564,572	\$1,925,490
Totals:			\$7,975,196	\$8,295,693	\$779,680		\$9,108,485	\$10,385,864	\$14,877,175	\$28,830,230

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Schedule G

	A	B	C	D	A-B-C-D
Plan Member #	Death Benefit @ Life Expectancy	SPS Notes	Terminal Funding Loan	Interest Repayment	Excess Death Benefit
3	\$4,233,742	\$2,088,714	\$404,769	\$1,442,877	\$297,382
2	\$2,983,397	\$1,184,512	\$909,483	\$797,961	\$91,441
9	\$972,582	\$318,236	\$337,197	\$317,149	\$0
1	\$8,294,297	\$2,460,005	\$2,751,321	\$85,850	\$2,997,121
5	\$1,919,980	\$570,134	\$637,177	\$63,401	\$649,268
4	\$4,604,622	\$1,153,200	\$1,448,210	\$170,599	\$1,832,613
7	\$1,373,633	\$362,704	\$447,736	\$0	\$563,193
6	\$2,522,487	\$560,742	\$772,752	\$50,655	\$1,138,338
8	\$1,925,490	\$410,237	\$266,550	\$0	\$1,248,703
Totals:	\$28,830,230	\$9,108,485	\$7,975,196	\$2,928,492	\$8,818,059

Assumptions:

- Life Expectancy projected at Male 82 & Female 86

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Lost Opportunity on SPS Notes

Schedule H

Year	Cumulative Notes	Annual Net Lost Opportunity	Cumulative Net Lost Opportunity	Lost Opportunity Recovery
2011	\$779,680	\$35,849	\$35,849	\$0
2012	\$1,559,360	\$71,698	\$107,547	\$0
2013	\$2,339,039	\$107,547	\$215,094	\$0
2014	\$3,118,719	\$143,396	\$358,490	\$0
2015	\$3,898,399	\$179,245	\$537,736	\$0
2016	\$4,678,079	\$215,094	\$752,830	\$0
2017	\$5,457,758	\$250,943	\$1,003,773	\$0
2018	\$6,237,438	\$286,792	\$1,290,565	\$0
2019	\$7,017,118	\$322,641	\$1,613,207	\$0
2020	\$7,796,798	\$358,490	\$1,971,697	\$0
2021	\$8,426,203	\$387,430	\$2,359,127	\$0
2022	\$8,590,257	\$394,973	\$2,754,100	\$0
2023	\$8,754,312	\$402,516	\$3,156,616	\$0
2024	\$8,918,366	\$410,059	\$3,566,675	\$0
2025	\$8,974,142	\$412,624	\$3,979,299	\$0
2026	\$9,029,918	\$415,188	\$4,394,487	\$0
2027	\$9,085,694	\$417,753	\$4,812,240	\$0
2028	\$9,108,485	\$418,801	\$5,231,041	\$0
2029	\$9,108,485	\$418,801	\$5,649,841	\$0
2030	\$7,019,771	\$322,763	\$5,675,223	\$297,382
2031	\$7,019,771	\$322,763	\$5,997,986	\$0
2032	\$7,019,771	\$322,763	\$6,320,750	\$0
2033	\$7,019,771	\$322,763	\$6,643,513	\$0
2034	\$7,019,771	\$322,763	\$6,966,276	\$0
2035	\$5,835,259	\$268,300	\$7,143,135	\$91,441
2036	\$5,835,259	\$268,300	\$7,411,436	\$0
2037	\$5,835,259	\$268,300	\$7,679,736	\$0
2038	\$5,517,022	\$253,668	\$7,933,404	\$0
2039	\$2,486,883	\$114,345	\$4,401,360	\$3,646,389
2040	\$2,486,883	\$114,345	\$4,515,705	\$0
2041	\$2,486,883	\$114,345	\$4,630,050	\$0
2042	\$970,979	\$44,645	\$2,278,888	\$2,395,806
2043	\$970,979	\$44,645	\$2,323,533	\$0
2044	\$970,979	\$44,645	\$2,368,178	\$0
2045	\$410,237	\$18,862	\$1,248,703	\$1,138,338
2046	\$0	\$0	\$0	\$1,248,703
Totals:				\$8,818,059

Assumptions:

28% Corporate Tax Rate
6.4% Interest Rate

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