



Impact of 2005 Federal Budget On Individual Pension Plan (IPP) Funding

The 2005 Federal Budget does not have any material impact on IPP contribution amounts.

The 2005 Federal Budget introduced the following changes to the retirement savings limits:

Year	Existing (Pre-Budget)			New (Post-Budget)		
	DC / MP	DB	RRSP	DC / MP	DB	RRSP
2005	\$18,000	\$2,000.00	\$16,500	\$18,000	\$2,000.00	\$16,500
2006	Indexed	Indexed	\$18,000	\$19,000	\$2,111.11	\$18,000
2007			Indexed	\$20,000	\$2,222.22	\$19,000
2008				\$21,000	\$2,333.33	\$20,000
2009				\$22,000	\$2,444.44	\$21,000
2010				Indexed	Indexed	\$22,000
2011						Indexed

DC / MP = Defined Contribution or Money Purchase Pension Plan maximum dollar contribution limit based on 18% of current employment earning.

DB = Defined Benefit Pension Plan maximum pension limit expressed as annual pension per year of pensionable service based on 2% of employment earnings.

RRSP = RRSP maximum dollar contribution limit based on 18% of prior year earned income.

Indexed = Increase by the average wage index growth each year.

**Impact of 2005 Federal Budget
On Individual Pension Plan (IPP) Fund**



Page 2

The IPP is a Defined Benefit (DB) Pension Plan therefore benefits provided under an IPP are subject to the defined benefit maximum pension limit. IPP contribution amounts must be determined based on actuarial assumptions prescribed in Income Tax Regulation 8515 for valuation purpose. The prescribed assumption on the escalation of the maximum pension limit is 5.5% per annum.

The following table compares the projected maximum pension limit pre-budget and post-budget:

Year	Pre-Budget⁽¹⁾	Post-Budget⁽²⁾
2005	\$2,000.00	\$2,000.00
2006	\$2,110.00	\$2,111.11
2007	\$2,226.05	\$2,222.22
2008	\$2,348.48	\$2,333.33
2009	\$2,477.65	\$2,444.44
2010	Indexed at 5.5%	Indexed at 5.5%

(1) Indexed at 5.5% per annum after 2005.

(2) Indexed at 5.5% per annum after 2009.

Except for the year 2006, the projected maximum pension limit under the old basis (i.e. before the 2005 Federal Budget) would be slightly higher than the projected maximum pension limit under the new basis (i.e., after the 2005 Federal Budget).

**Impact of 2005 Federal Budget
On Individual Pension Plan (IPP) Fund**



Page 3

Even though the new Federal Budget gives the appearance that the maximum pension limit has been increased over the next few years, it actually reduces IPP contribution amounts slightly except for IPP members who are expected to retire in 2006 at age 65.

The following table summarizes the impact of the 2005 Federal Budget on the 2005 Current Service Contribution ("CSC") for each age from 40 to 65. The assumptions used in the table are that the individual attains exact age on January 1, 2005 and that the individual's employment earnings exceed \$100,000:

Age	2005 CSC Pre-Budget \$	2005 CSC Post-Budget \$	Budget Impact on 2005 CSC \$
40	18,838	18,586	(252)
41	19,196	18,938	(258)
42	19,557	19,295	(262)
43	19,927	19,660	(267)
44	20,307	20,034	(273)
45	20,689	20,412	(277)
46	21,085	20,803	(282)
47	21,478	21,191	(287)
48	21,893	21,600	(293)
49	22,305	22,007	(298)
50	22,730	22,425	(305)
51	23,157	22,847	(310)
52	23,600	23,283	(317)
53	24,047	23,725	(322)
54	24,498	24,170	(328)
55	24,965	24,631	(334)
56	25,439	25,098	(341)
57	25,920	25,573	(347)
58	26,414	26,060	(354)
59	26,914	26,553	(361)
60	27,424	27,057	(367)
61	27,942	27,568	(374)
62	28,474	28,290	(184)
63	29,011	28,961	(50)
64	29,561	29,576	15
65	30,122	30,122	0