

Client Provided Values	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
Assumption Drivers		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	
Outstanding																				
Employer	\$1,656	\$1,046	\$867	\$897	\$953	\$1,027	\$1,063	\$1,082	\$1,091	\$1,095										
Sales Agents	\$20,064	\$17,241	\$15,859	\$15,391	\$14,970	\$14,591	\$14,250	\$13,943	\$13,666	\$13,418										
Financial Institutions	\$18,591	\$15,944	\$14,636	\$14,178	\$13,767	\$13,396	\$13,063	\$12,763	\$12,493	\$12,250										
Investment Dealers	\$1,473	\$1,297	\$1,223	\$1,213	\$1,203	\$1,195	\$1,187	\$1,180	\$1,174	\$1,168										
Direct																				
Total	\$21,720	\$18,288	\$16,725	\$16,287	\$15,923	\$15,617	\$15,313	\$15,024	\$14,757	\$14,513										
Sales																				
Employer	\$1,100	\$715	\$605	\$550	\$550	\$550	\$550	\$550	\$550	\$550										
Sales Agents	\$1,540	\$1,190	\$1,204	\$1,118	\$1,118	\$1,118	\$1,118	\$1,118	\$1,118	\$1,118										
Financial Institutions	\$1,540	\$1,071	\$1,083	\$1,006	\$1,006	\$1,006	\$1,006	\$1,006	\$1,006	\$1,006										
Investment Dealers	\$1,350	\$119	\$120	\$112	\$112	\$112	\$112	\$112	\$112	\$112										
Direct																				
Total	\$2,640	\$1,905	\$1,809	\$1,668	\$1,668	\$1,668	\$1,668	\$1,668	\$1,668	\$1,668										
Redemptions																				
Employer	\$1,298	\$1,325	\$785	\$520	\$493	\$477	\$513	\$532	\$541	\$545										
Sales Agents	\$2,246	\$4,013	\$2,586	\$1,586	\$1,539	\$1,497	\$1,459	\$1,425	\$1,394	\$1,367										
Financial Institutions	\$2,246	\$3,718	\$2,392	\$1,464	\$1,418	\$1,377	\$1,340	\$1,306	\$1,276	\$1,249										
Investment Dealers	\$2,021	\$295	\$195	\$122	\$121	\$120	\$119	\$119	\$118	\$117										
Direct																				
Total	\$3,544	\$5,338	\$3,371	\$2,106	\$2,032	\$1,974	\$1,972	\$1,957	\$1,935	\$1,912										
											% of Current Forecasted Sales ¹									
											65%	55%	50%	50%	50%	50%	50%	50%	50%	50%
											70%	68%	65%	65%	65%	65%	65%	65%	65%	65%
											70%	68%	65%	65%	65%	65%	65%	65%	65%	65%
											70%	68%	65%	65%	65%	65%	65%	65%	65%	65%
											68%	64%	60%	60%	60%	60%	60%	60%	60%	60%
											Churn Rate ²									
											80%	75%	60%	55%	50%	50%	50%	50%	50%	50%
											20%	15%	10%	10%	10%	10%	10%	10%	10%	10%
											20%	15%	10%	10%	10%	10%	10%	10%	10%	10%
											20%	15%	10%	10%	10%	10%	10%	10%	10%	10%
											35%	29%	22%	21%	20%	20%	21%	21%	21%	21%

30/08/2004

Canada RDP Cost Model
REFOCUS Scenario
Baseline Values

Service & Maintain
Redemptions



Note Explanation

- 1 Sales assumed to decrease and then stabilize as a result of streamlining the program. The Employer channel sales are assumed to decline more than the Sale Agent channel sales due to the introduction of User Fees.
- 2 Redemptions are assumed to increase as a result of fewer products and a more cost effective pricing approach. Both channels are assumed to experience a short term increase in churn, as a result of program changes, and then stabilize. The Employer channel churn rate is assumed to stabilize at a rate lower than the Current scenario due to the introduction of User Fees.
- 3 Origination costs are the costs associated with the acquisition (marketing, public relations, commissions, etc.) and processing of sales transactions.
- 4 Sales Commissions assumed to decrease (see Baseline Value page) to reduce the program costs.
- 5 [Information withheld]
- 6 Registered Products assumed to decrease in line with sales.
- 7 Forecasted costs provided by CI&S are allocated to Origination Fixed Costs (Marketing Service, Salaries & Sales Force Remuneration, and Other) based on the actual 2002/03 account groupings found in the 2002/03 financial data, except for Salaries & Sales Force Remuneration and Other (which includes shared costs).
- 8 Marketing Service activities assumed to decrease in an effort to reduce program costs. Television promotional activities are eliminated and expected to have a significant impact on the marketing cost decrease.
- 9 Salaries & Sales Force Remuneration assumed to decrease significantly with the front office being integrated back into the Bank of Canada. A smaller sales team and a shorter sales campaign will contribute to reducing the costs.
- 10 Other origination costs assumed to remain at current levels except for a reduction in shared services and other administrative activities.
- 11 Servicing costs are the costs associated with the maintenance of existing accounts.
- 12 [Information withheld]
- 13 [Information withheld]
- 14 User Fees are included in the Refocus scenario to recover EDS Servicing variable costs, assuming cost recovery of 25% of EDS servicing and redemption variable costs.
- 15 Trailers Fees are assumed to remain unchanged from the Current scenario. *We recommend a renegotiation of the Trailer Fees with the financial institutions in the final report.*
- 16 DAO costs are assumed to remain at the same level as the Current scenario to participate in the integration of the current program into the Bank of Canada and the operation of the new entity.
- 17 EDS servicing fixed costs are assumed to remain at 100% of Current scenario.
- 18 Registered Products servicing fixed costs are assumed to remain at 100% of Current scenario values.
- 19 Amortization of Outsourcing reflects the remaining 7 of 9.5 years of amortization of \$23.2 million cost to outsource backoffice from Bank of Canada to EDS.
- 20 Redemption costs are all costs associated with the redemption activity.
- 21 [Information withheld]
- 22 [Information withheld]
- 23 Redemption Fees reflect allocation of the Current scenario fees adjusted due to the short term increase in the churn which will hasten the payment of these fees.