

Supplementary Pension Plan

for

Capital Health

(Amended and Restated as at March 31, 2005)

**SUPPLEMENTARY PENSION PLAN FOR  
CAPITAL HEALTH**

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SECTION 1            DEFINITIONS AND INTERPRETATION

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1.01    Whenever used in the Supplementary Plan, unless the context clearly indicates otherwise, the following terms shall have the following meaning:

“*Act*” shall mean the Income Tax Act (Canada) and any regulations and administrative rules made thereunder as amended from time to time.

“*Actuarial Equivalent*” shall have the same meaning as set forth in the Pension Plan; however, at all times the actuarial assumptions to be used in determining the actuarial equivalent shall be in accordance with the CIA Recommendations. For greater certainty, in determining equivalent value, account shall be taken neither of the income tax consequences that would arise to the recipient of the benefit nor of the income tax consequences of the manner in which such benefit is funded or secured.

“*Actuary*” shall mean a person or firm retained by the Employer (or, in the circumstances described in Section 11.03(2), the Trustee) to provide actuarial services as may be required from time to time for the purposes of the Trust Fund or the Supplementary Plan, who is (or, in the case of a firm, one of whose employees or members is) a Fellow of the Canadian Institute of Actuaries, provided that no such person or firm shall be the Actuary hereunder until the Employer has notified the Trustee in writing of the identity of the Actuary;

“*CIA Recommendations*” shall mean the Standard of Practice for Determining Pension Commuted Values issued by the Canadian Institute of Actuaries, as amended from time to time.

“*Continuous Service*” shall mean an Employee’s uninterrupted period of employment since his last date of hire by a local or a public board, commission or other public body listed in Part 1 of Schedule 2 to the Pension Plan, including any period while Disabled, any periods of temporary absence approved by the Employer for the purposes of the Plan

and any periods of lay-off not exceeding 26 weeks in length, except where an actual cessation of employment has occurred.

The period of Continuous Service shall be expressed in years, with fraction of years for completed working days up to and including the last day of employment.

"CRA" shall mean the Canada Revenue Agency.

"Designated Beneficiary" shall mean the person or persons so designated under the Pension Plan.

"Disabled" or "Disability" shall mean the disability of an Employee who is in receipt of benefits from the Employer's short term disability plan or long term disability plan, provided that a medical doctor licensed in Canada certifies in writing that the Employee is physically or mentally impaired to the extent that he is prevented from performing the duties of the employment in which he was engaged before the commencement of the impairment.

"Early Retirement Date" shall mean the date of a Member's early retirement from the Pension Plan.

"Earnings Cap" shall mean for any Plan Year, \$1,722.22 or such greater amount permitted in the Act, divided by .02, plus 30% of the YMPE for that Plan Year.

"Effective Date" shall mean January 1, 2000.

"Employee" shall mean a person who is employed or continues to be employed by the Employer on or after the Effective Date and includes a:

- (1) *Full-Time Employee* which means an Employee employed by the Employer on a permanent full-time continuous basis; and an
- (2) *Other Than Full-Time Employee* which means an Employee employed by the Employer on other than a full-time permanent continuous basis.

*“Employer”* shall mean Capital Health. Any reference in the Supplementary Plan to any action to be taken, consent, approval or opinion to be given, discretion or decision to be exercised by the Employer shall refer to the Employer, as the context may require, acting through its Board of Directors or any person authorized by its Board of Directors for the purposes of the Supplementary Plan.

*“Event of Default”* shall mean:

- (1) the failure of the Employer to cause the Actuary to prepare and deliver to the Trustee a report (which the Trustee is not required to review for compliance with the terms of the Trust Agreement) at least 15 days prior to the Renewal Date setting out the Face Amount;
- (2) the failure of the Employer, on or before the Renewal Date, either to
  - (a) make arrangements enabling the Trustee to renew or replace the Letter of Credit, or
  - (b) deposit with the Trustee an amount in cash that the Actuary certifies in writing is equal to the face amount of the letter of credit that would otherwise be required;
- (3) the failure of the Employer, on or before the Renewal Date, to contribute to the Required Amount to the so that the Trustee may obtain the replacement of the then current Letter of Credit;
- (4) the receipt by the Trustee of a written notice from a Member in the form required under the Trust Agreement, certifying that
  - (a) the Employer has failed to make payment of undisputed benefits due to him or her in accordance with the Supplementary Plan for a period of 30 days following its due date, and

- (b) the Member has provided a notice to the Employer of such default (and attaches a photocopy or a true copy of the notice given thereunder) and such failure to make payment has continued for 30 days following the date of such notice; and
- (5) the failure of the Employer to make a payment to the Trustee of all expenses, fees and compensation incurred or payable under the Trust Agreement after 30 days following delivery to the Employer by the Trustee of a written notice from the Trustee that such payment is overdue.

*“Excess Average Earnings”* shall mean the Member’s Highest Average Earnings less the Highest Average Salary as determined in accordance with the provisions of the Pension Plan but where the annual salary in each year of the averaging period is limited by the Earnings Cap in that year.

*“Face Amount”* shall mean the amount, as certified by the Actuary, by which the Projected Wind Up Liability exceeds the amount of the Plan Assets.

*“Grossed Up Commuted Value”* shall mean, in relation to benefits that a Member has a present or future entitlement to receive, a lump sum amount that is the Actuarial Equivalent value of those benefits, provided that at all times the actuarial assumptions to be used in determining the Actuarial Equivalent shall be in accordance with the CIA Recommendations except that the interest rate shall equal 70% of the non-indexed interest rate set out in such CIA Recommendations. For greater clarity, this provision is intended to take into account the income tax consequences that would arise to the recipient of the benefit.

*“Health Care Organization”* shall mean any organization deemed by the President to be a Health Care Organization provided the organization participates in the Pension Plan, and shall include the Employer.

*"Highest Average Earnings"* shall mean the highest average of a Member's annual earnings including Salary and incentive pay paid by the Employer in the 5 or, if less than 5, the total number of consecutive years of Continuous Service.

*"Highest Average Salary"* shall have the same meaning as set forth in the Pension Plan.

*"Letter of Credit"* shall mean a Letter of Credit described in Section 14.02.

*"Member"* shall mean an Employee who becomes a member of the Supplementary Plan in accordance with Section 3 and who remains entitled to benefits under the Supplementary Plan.

*"Normal Pension"* shall mean the pension benefit for a Member who has terminated from the Pension Plan, completed at least 2 years of Continuous Service, and either

- (1) has attained the age of 55 years with the sum of his age and Vesting Service (at the termination date) amounting to not less than 85 years, or
- (2) has attained the age of 65 years.

*"Pensionable Service"* shall mean:

- (1) Members on the Effective Date

For Employees who become Members of the Supplementary Plan on the Effective Date:

All years and fractions of years for completed working days of Continuous Service after December 31, 1991 with a Health Care Organization up to the Effective Date, plus all years and fractions of years for completed working days of Continuous Service with the Employer after the Effective Date, subject to paragraph 3) below. Pensionable Service shall also include any prior service purchased under the Pension Plan where the purchase had been made prior to the Effective Date.

- (2) Members after the Effective Date

For Employees who become Members of the Supplementary Plan after the Effective Date:

All years and fractions of years for completed working days of Continuous Service after December 31, 1991 with the Employer,

- (a) while a Member of the Supplementary Plan, or
- (b) prior to becoming a Member of the Supplementary Plan but after the date the Employee first attained an eligible position with the Employer in accordance with Section 3.01(1), and while a member of the Pension Plan.

All such Pension Service shall be subject to paragraph 3) below.

(3) Conditions Relating to Pensionable Service

- (a) Pensionable Service shall include unpaid leaves of absence in respect of a period of Disability but limited in accordance with Section 10.01.
- (b) Pensionable Service shall not exceed 35 years.
- (c) Pensionable Service shall not accrue during periods the Member's salary grade falls below the level that is required for continued participation in the Supplementary Plan in accordance with the Employer's written policies and procedures as amended from time to time by the Employer.
- (d) Pensionable Service shall include the period of Continuous Service outlined in Section 3.01(1) for Members who have met all the conditions of Section 3 Plan Membership.

(4) Leave of Absence

Notwithstanding the above, in respect of periods of absence after December 31, 1991, the aggregate of Pensionable Service granted for such absences is limited to a maximum full-time equivalent of 5 years, plus an additional 3 years credited in



respect of absences that occur within the 12 month period which commences at the time of birth or adoption of a child of the Member.

(5) Part Time Service

It is provided, however, that the Pensionable Service of a Member during a period that he was an Other Than Full-Time Employee be prorated by the ratio of the Member's actual working days worked to the regular working days of a Full-Time Employee, such ratio not to exceed 1.

*"Pension Commencement Date"* shall mean the date that the Member's pension commences to be paid, as determined in accordance with the provisions of Section 4.

*"Pension Plan"* shall mean the Local Authorities Pension Plan, as defined in Sections 1 to 12 of and Schedule 1 to the Public Sector Pension Plans Act, and the Public Sector Pension Plans Act Alberta Regulation 366/93, as that plan is in effect from time to time.

*"Pension Plan Normal Form of Payment"* shall mean the normal form of payment under the Pension Plan, being payable for the lifetime of the Member in equal monthly installments for the longer period of 60 months or the remaining lifetime of the retired Member, and adjusted from time to time for cost of living increases in accordance with the Pension Plan.

*"Plan Assets"* shall mean the assets held in the Trust Fund and shall include:

- (1) the Letter of Credit from time to time held thereunder,
- (2) any funds paid to the Trustee, in accordance with Section 6,
- (3) the earnings, profits, and increments thereon, net of refundable tax payable, and
- (4) the right to the refundable tax held by CRA, less
- (5) all distributions and authorized payments therefrom.

Where Plan Assets are to be determined for the purposes of the report in Section 6.04 and for the purposes of the definition of Face Amount, Plan Assets shall mean the greater of the amount of Plan Assets as at the commencement date of the Letter of Credit and as at the expiry date of the Letter of Credit, using such assumptions as are recommended by the Actuary and adopted by the Employer for this purpose. Plan Assets for purposes of paragraph (2)(b) of the definition of Event of Default and for purposes of the definition of Face Amount and of Sections 6.03(2) and 6.06, shall not include the amount of the Letter of Credit.

*“Plan Year”* shall mean each 12 month period ending December 31.

*“Projected Wind Up Liability”* shall mean, as at any time in a calendar year, 110% of the greater of:

- (1) the aggregate of all Wind Up Liabilities, at that time, for individuals entitled to benefits under the Supplementary Plan as at the commencement date of the Letter of Credit; and
- (2) the aggregate of all Wind Up Liabilities, at that time, for individuals entitled to benefits under the Supplementary Plan as at the expiry date of the Letter of Credit.

For the purposes of this definition, any individual accruing Pensionable Service at the valuation date shall be considered to:

- (3) have accrued Pensionable Service under this Supplementary Plan and the Pension Plan to the earlier of
  - (a) the applicable date under (1) or (2) above; and
  - (b) the date on which his employment terminated;
- (4) have earnings, in respect of the additional period of Pensionable Service described in clause (3) above, equal to the earnings that it is reasonable to consider that the individual would have been credited in respect of that period, taking into account

any data received by the Actuary and certified by the Employer to be correct for this purpose with respect to remuneration actually received in the current calendar year; and

(5) be fully vested in all benefits under the Supplementary Plan.

For the purposes of clause (4) hereof, the Employer's reasonable estimate of earnings shall be used in the determination of the Projected Wind Up Liability.

*"Renewal Date"* shall mean the date that is one month before the date on which the Letter of Credit is due to expire; the initial Letter of Credit is due to expire on March 31, 2006, and thus the first Renewal Date is February 28, 2006.

*"Required Amount"* shall mean the amount certified by the Employer to be an amount necessary to acquire a Letter of Credit having the Face Amount set out in the report for the ensuing year commencing April 1.

*"Salary"* shall have the same meaning as set forth in the Pension Plan.

*"Spouse"* shall have the same meaning as set forth in the Pension Plan.

*"Supplementary Pension Benefit"* shall mean the amount determined in accordance with Section 5.

*"Supplementary Plan"* shall mean the Supplementary Pension Plan for Capital Health as set forth herein, together with any and all amendments and supplements thereto.

*"Supplementary Plan Normal Form of Payment"* shall mean the normal form of payment under the Supplementary Plan, being payable in equal monthly installments for a period of 120 months, and adjusted from time to time for cost of living increases in accordance with Section 5.03.

*"Trust Agreement"* shall mean any agreement or agreements now or subsequently executed between the Employer and the Trustee for the purposes of this Supplementary Plan.

“*Trust Fund*” shall mean the trust fund maintained to provide benefits under or related to this Supplementary Plan.

“*Trustee*” shall mean a trust company or an individual or group of individuals appointed by the Employer to hold, administer, and invest the Trust Fund and includes any combination or successors thereof.

“*Vesting Service*” shall mean Pensionable Service under the Pension Plan.

“*Wind Up Liability*” as at any particular time, in relation to an individual entitled to benefits under the Supplementary Plan, shall mean the Grossed Up Commuted Value, as at the particular time, of all benefits payable under the Supplementary Plan in respect of the individual, determined in accordance with the following assumptions:

- (1) the Supplementary Plan is terminated and the participation of Capital Health in the Pension Plan ceases, as of the time immediately before that particular time;
- (2) all obligations under the Pension Plan and the Supplementary Plan in respect of the individual, are satisfied by the payment, at that particular time of a lump sum amount;
- (3) the Continuous Service and Vesting Service of the Member is terminated at the particular time.

“*YMPE*” shall mean the Year’s Maximum Pensionable Earnings under the Canada Pension Plan.

1.02 Throughout this Supplementary Plan, unless the context applies otherwise, reference to the male gender shall include the female gender, and words importing the singular number shall include the plural number, and vice versa.

1.03 Unless otherwise stated, references to Sections refer to Sections of this Supplementary Plan.

**SECTION 2            EFFECTIVE DATE AND PURPOSE**

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- 2.01    The Supplementary Plan shall be effective as of the Effective Date. The Supplementary Plan shall apply to Members who retire or terminate their employment with the Employer on or after the said Effective Date. Employees who retired or terminated their employment with the Employer prior to the said Effective Date shall not be covered by the Supplementary Plan.
- 2.02    The Supplementary Plan is established, and shall be maintained, solely for the purpose of providing benefits to Members in excess of the limitations imposed by the Act on benefits otherwise payable to those Members under the Pension Plan.
- 2.03    Effective the 31st day of March, 2005, the Supplementary Plan shall provide for the securing of Supplementary Pension Benefits by way of a Letter of Credit to be held by a trust which is to be constituted as a retirement compensation arrangement, as defined under the Act. The Employer shall contribute the Letter of Credit fees to the aforesaid trust.

**SECTION 3            PLAN MEMBERSHIP**

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**3.01    Eligibility**

An Employee shall become a Member of the Supplementary Plan upon the first of the month next following or coincident with:

- (1)    The completion of two years of Continuous Service with the Employer in a position of either President, Chief Operating Officer, Vice President or equivalent level, and
- (2)    Membership in the Pension Plan in accordance with the meaning of that term therein, and
- (3)    Designation as a Member eligible for benefits under this Supplementary Plan by the President of the Employer, in writing. The written designation shall include the membership effective date and the Pensionable Service to be covered under the Supplementary Plan.

Employees on the Effective Date who are designated as eligible by the President shall become Members on the Effective Date.

The President may at any time revoke a Member's designation. This will result in the termination of the Member's participation in the Supplementary Plan.

**SECTION 4      RETIREMENT DATES**

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4.01    Commencement of Supplementary Pension Benefits

Except as otherwise provided herein, the commencement of Supplementary Pension Benefits under the Supplementary Plan shall be coincident with the cessation of employment with the Employer.

4.02    Normal Retirement Date

The Normal Retirement Date shall be the date the Member is first eligible for a Normal Pension.

4.03    Early Retirement Date

The Early Retirement Date shall be in accordance with the Section 1 definition.

SECTION 5 AMOUNT OF SUPPLEMENTARY PENSION BENEFIT

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5.01 Normal Retirement Pension

Each Member who retires on his Normal Retirement Date, pursuant to Section 4.01 (Commencement of Supplementary Pension Benefits) and Section 4.02 (Normal Retirement Date), shall be entitled to receive a monthly Supplementary Pension Benefit, payable in the Supplementary Plan Normal Form of Payment, equal to:

- The Actuarial Equivalent of the following benefit, payable under the Pension Plan Normal Form of Payment:

1/12th of 1.75% of Excess Average Earnings multiplied by Pensionable Service.

5.02 Early Retirement Pension

Each Member who retires on an Early Retirement Date, pursuant to Section 4.01 (Commencement of Supplementary Pension Benefits) and Section 4.03 (Early Retirement Date), shall be entitled to receive a Supplementary Pension Benefit equal to the Normal Retirement Pension accrued to his Early Retirement Date pursuant to Section 5.01 (Normal Retirement Pension), based on his Pensionable Service and Excess Average Earnings up to the Early Retirement Date, but reduced by 0.25% for each month, (prorated for partial months) that the Member's Pension Commencement Date precedes the earliest of:

- (1) the date when the sum of his age at that date and his Vesting Service at his Early Retirement Date is equal to 85; or
- (2) the date he will attain age 60.



5.03 Cost of Living Increases

On January 1st of each year, Supplementary Pension Benefits payable in accordance with the provisions of the Supplementary Plan shall be increased for cost of living increases, as follows:

- (1) The increase shall apply to all periodic Supplementary Pension Benefits in payment to Members or their Spouses; and
- (2) The increase shall be equal to 60% of the average of the increases in the Alberta consumer price index (as published by Statistics Canada) in the 12 month period ending on October 31st of the previous year.

The amount of increase for the first year shall be prorated for the number of complete months in the year from the Member's Pension Commencement Date to December 31st of that year.

5.04 Retirement with less than two years of Continuous Service

A member who has not completed two years of Continuous Service at the time of cessation of employment is not eligible for a Supplementary Pension Benefit.

5.05 No Reduction in Benefits

Nothing in this Supplementary Plan shall be construed to reduce any benefit payable to a Member under the Pension Plan. The sole purpose and intent of this Section is to provide to Members those benefits which would have been payable under the Pension Plan but for the limitations imposed upon the Pension Plan by the Act.

**SECTION 6                      CONTRIBUTIONS TO THE SUPPLEMENTARY PLAN**

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6.01    Member Contributions

Members are neither required nor permitted to contribute to the Supplementary Plan.

6.02    Benefits to be Provided from General Funds

Subject to the provisions of Section 14, benefits under this Supplementary Plan shall be paid out of the general funds of the Employer.

6.03    Employer Contributions

(1)    In 2005 and no later than the Renewal Date of each calendar year commencing in 2006, the Employer shall make an annual contribution to the Trust Fund equal to the Required Amount and to pay any other charges that the Trustee is required to pay out of the Trust Fund.

(2)    In addition to or in substitution for the contribution required under Section 6.03(1), the Employer may (but is not required to) contribute to the Trust Fund such amounts as are sufficient, with investment earnings thereon, to ensure that, as at the Renewal Date of the calendar year, the Plan Assets are not less than the Projected Wind Up Liability.

6.04    Valuation Reports

The Employer shall cause the Actuary to prepare a valuation report, no later than February 15 of each calendar year commencing in 2005 certifying the Projected Wind Up Liability, the Plan Assets and the Face Amount, which valuation report shall be delivered to the Employer and the Trustee.

6.05 Benefits Payable from Trust Fund

A Member may enforce his or her claim for the payment of Supplementary Pension Benefits against the assets of the Employer if the Trust Fund does not hold sufficient Plan Assets to pay such benefits.

6.06 Withdrawal of Excess Plan Assets

Subject to Section 11.06(2), if, at any time, the latest valuation report of the Supplementary Plan reveals an excess of the Plan Assets over the Projected Wind Up Liability, the Employer may withdraw such excess Plan Assets. The Employer shall not be obliged to obtain the consent of the Members to make such withdrawal, nor shall the Employer be obliged to give any notice of such withdrawal to the Members.

**SECTION 7      FORM OF SUPPLEMENTARY PENSION BENEFIT**

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**7.01    Alternative Forms of Pension Benefits**

The Supplementary Pension Benefit shall normally be paid in the Supplementary Plan Normal Form of Payment, but may alternatively be paid as a lump sum payment or as a series of monthly payments for a term of more or less than 120 months, by mutual agreement between the Member and the Employer. In this event, the alternative form of payment shall be the Actuarial Equivalent of the Supplementary Plan Normal Form of Pension Benefit. Furthermore, at any time during the term of monthly payments, by mutual agreement between the Member and the Employer, the Employer may pay an Actuarial Equivalent lump sum payment in lieu of the remaining balance of monthly payments.

If the payment is made as a lump sum, the Employer may utilize the Registered Retirement Savings Plan transfer provisions of the Act with respect to retiring allowances, if so requested by the Member, if acceptable under the Act, and if approved by the Employer.

**7.02    Death of Member after Retirement**

If a Member dies after commencement of monthly payments under this Supplementary Plan but before completion of the 120-month term referred to in the Supplementary Plan Normal Form of Payment, or before completion of an alternative term referred to in 7.01 above, any remaining balance of his Supplementary Pension Benefit shall be paid in monthly installments to his surviving Spouse. If there is no surviving Spouse, an Actuarial Equivalent lump sum payment shall be made to his Designated Beneficiary or, if none, to his estate.

**SECTION 8      PRE-RETIREMENT DEATH BENEFITS**

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8.01    Death before completion of two years of Continuous Service

No Supplementary Pension Benefit shall be payable to a Member who dies before completion of two years of Continuous Service.

8.02    Death after completion of two years of Continuous Service

Upon the death of a Member who has completed two years of Continuous Service, the Supplementary Pension Benefit shall be paid as the Actuarial Equivalent of the Supplementary Pension Benefit calculated in accordance with Section 5, deferred to the Member's Early Retirement Date and based on Pensionable Service at the date of death.

Notwithstanding the above, by mutual agreement between the Member and the Employer, the Employer may pay the Actuarial Equivalent benefit in three equal annual installments, adjusted from time to time for cost of living increases in accordance with Section 5.03, in lieu of the single payment.

8.03    General

If a Member dies prior to the commencement of benefit payments under the Pension Plan, the Supplementary Pension Benefit, if any, shall be paid as an Actuarial Equivalent lump sum payment to his surviving Spouse. If there is no surviving Spouse, such payment shall be made to his Designated Beneficiary, or if none, to his estate.

SECTION 9            TERMINATION OF EMPLOYMENT BENEFITS

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9.01    Termination before completion of two years of Continuous Service

No Supplementary Pension Benefit shall be payable to a Member upon termination of employment for any reason, who has not completed two years of Continuous Service.

9.02    Termination after completion of two years of Continuous Service

Upon the termination of a Member who has completed two years of Continuous Service, the Supplementary Pension Benefit shall be paid as the Actuarial Equivalent of the Supplementary Pension Benefit calculated in accordance with Section 5, deferred to the Member's Early Retirement Date and based on Pensionable Service at the termination date. The Actuarial Equivalent benefit shall be paid in three equal annual installments, adjusted from time to time for cost of living increases in accordance with Section 5.03.

Notwithstanding the above, by mutual agreement between the Member and the Employer, the Employer may pay an Actuarial Equivalent lump sum payment in lieu of the remaining balance of annual payments.

9.03    General

The Employer may utilize the Registered Retirement Savings Plan transfer provisions of the Act with respect to retiring allowances in respect of the above lump sum payment, if so requested by the Member, if acceptable under the Act, and if approved by the Employer.

In the event of the death of the Member prior to completion of the series of payments in 9.02, the provisions of 7.02 shall apply.

**SECTION 10      DISABILITY BENEFITS**

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10.01 Supplementary Plan Disability Benefits

A Disabled Member shall continue to accrue Pensionable Service while he is in receipt of benefits from the Employer's short term disability plan. The Disabled Member shall not accrue Pensionable Service but will accrue Continuous Service, while on long term disability, up to his Normal Retirement Date, or earlier termination of employment.

For the purposes of this Section the Member's salary shall be adjusted in accordance with the Pension Plan.

**SECTION 11 FUTURE OF THE SUPPLEMENTARY PENSION PLAN**

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**11.01 Continuation of the Supplementary Plan**

The Employer expects and intends to maintain the Supplementary Plan indefinitely, but reserves the right to terminate the Supplementary Plan, in whole or in part, or to amend the Supplementary Plan, to merge or consolidate all or part of the Supplementary Plan with comparable plans of other employers, and to divide the Supplementary Plan into two or more separate plans.

**11.02 Amendment to the Supplementary Plan**

Neither an amendment to or the termination of the Supplementary Plan shall:

- (1) cause the reduction or cessation of any benefits under the Supplementary Plan (and of the Employer's obligation to provide such benefits) which have accrued under the Supplementary Plan to the Member prior to the effective date of the amendment or termination;
- (2) cause the modification or revocation of the provisions of Section 6.03 prior to the termination of the Supplementary Plan, except to require greater contributions than are thereby required.

**11.03 Termination of the Supplementary Plan and Allocation of the Trust Fund**

- (1) The Supplementary Plan shall be wound up as of the date of the occurrence of an Event of Default which results in a full draw down on the Letter of Credit in accordance with Section 14.03.
- (2) As soon as practicable after the Trustee has become aware of the occurrence of an Event of Default that results in a full draw down on the Letter of Credit or following the voluntary wind up of the Supplementary Plan in its entirety (in



accordance with Section 11.01 hereof), the Employer shall arrange for the Actuary to prepare an actuarial report effective as of the date of the Event of Default or termination of the Supplementary Plan. If the Employer does not arrange for the Actuary to prepare said actuarial report following the termination of the Supplementary Plan or a full draw down of the Letter of Credit or if the report does not contain data the Trustee requires in order to wind-up the Trust Fund in accordance with the terms hereof and the Trust Agreement, the Trustee shall retain an Actuary (which may be the same actuary retained by the Employer) to prepare and deliver a wind-up report, and in such case, the Trustee shall pay for the services of the Actuary from the Fund. Said wind up report shall contain the following:

- (a) a determination of the amount of the Plan Assets;
- (b) a determination of the aggregate Wind Up Liabilities of the Members, which determination is to be made by aggregating the Wind Up Liability with respect to each Member;
- (c) a certification that the wind up report has been prepared in accordance with the provisions of the Supplementary Plan in effect as at the date of the Event of Default or the voluntary wind up of the Supplementary Plan.

As soon as practicable following receipt of the wind up report, prepared in accordance with this Section 11.03(2), the Employer shall contribute to the Trust Fund the amount of any deficiency disclosed in said report. In addition, all assets of the Trust Fund shall be distributed to those persons entitled to payment thereunder in accordance with this Section 11.

- (3) As soon as practicable following the occurrence of an Event of Default that results in a full draw down on the Letter of Credit or the voluntary termination of the Supplementary Plan by the Employer, the assets of the Trust Fund shall be applied, subject to any requirement of a statute or court order, in priority of payment on the basis set forth below:

- (a) the reasonable costs, expenses, charges and liabilities owing to the Trustee in accordance with the terms of the Trust Agreement to the extent that the Trustee has not been able to recover such fees, costs, expenses, charges and liabilities from the Trust Fund in accordance with said Trust Agreement;
- (b) the reasonable outstanding expenses and fees of agents and other professional advisors appointed by the Trustee pursuant to the Trust Agreement to the extent that the Trustee has not been able to recover such fees, costs, expenses, charges and liabilities from the Trust Fund in accordance with said Trust Agreement;
- (c) any other proper charges or taxes applicable to, or levied against the Trust Fund;
- (d) payment by way of lump sum to each individual entitled to a Supplementary Plan benefit the lesser of the Wind Up Liability at the date of the termination of the Supplementary Plan and a lump sum amount equal to the amount of such remaining Plan Assets multiplied by the ratio of:
  - (i) the Wind Up Liability, with respect to the individual, that was included in the valuation report most recently delivered pursuant to Section 6.04, projected to the date of the termination of the Supplementary Plan, to
  - (ii) the aggregate of the Wind Up Liabilities that were included in such valuation report, projected to the date of the termination of the Supplementary Plan; and
- (e) if there are Plan Assets still remaining, the Trustee shall pay to each individual entitled to a Supplementary Plan benefit the lesser of any portion of the Wind Up Liability based on the report, prepared in

accordance with this Section 11.03(2) that was not paid under Section (d) above (referred to herein as the Residual Liability) and a lump sum amount equal to the amount of such remaining Plan Assets multiplied by the ratio of:

- (i) the Residual Liability for such individual to
  - (ii) the aggregate Residual Liabilities for all such individuals.
- (4) Pending the outcome of any proceedings commenced to collect any Employer contribution required under Section 11.03(2), the Trustee may make interim distributions in accordance with Section 11.03(3).
- (5) The Employer may terminate the Supplementary Plan at any time, whether or not participation in the Pension Plan is terminated, provided that it gives 30 days advance written notice of such termination to the Members. If at any time, the Supplementary Plan is terminated and participation in the Pension Plan is not terminated, the Wind Up Liability referred to herein shall be based on the assumption that participation in the Pension Plan ceases at that time.

#### 11.04 Winding Up of the Employer

In the event the Employer shall have been wound up or in the event that the Trustee has made a full demand on the Letter of Credit, the Supplementary Plan shall be deemed fully terminated and the provisions of Section 11.03 above shall apply.

#### 11.05 Termination of the Pension Plan

In the event that the Employer ceases to participate in the Pension Plan, all benefit accruals under this Supplementary Plan shall cease as of the date of such cessation of participation. Benefits that have accrued to such date shall continue to be payable in accordance with the terms of the Supplementary Plan. It is understood that, for the purposes of this Section 11.05, the establishment by the Employer of a successor plan under the pension legislation of Alberta or the commencement of participation in another

registered pension plan shall not result in the cessation of accruals under this Supplementary Plan, it being understood however that the retirement benefit formula under this Supplementary Plan may be adjusted with respect to service from and after the date of cessation of participation under the Pension Plan to reflect the fact that the retirement benefit formula under the successor or other registered plan is different from that provided under the Pension Plan.

#### 11.06 Treatment of Surplus Assets

- (1) Notwithstanding Section 6.06, once a termination of the Supplementary Plan has occurred, the Employer shall not be entitled to withdraw any excess Plan Assets from the Trust Fund except in accordance with Section 11.06(2).
- (2) If, after all liabilities under the Supplementary Plan have been satisfied, there should remain Plan Assets in the Trust Fund, such surplus Plan Assets shall revert to the Employer or shall be applied as the Employer may direct.

#### 11.07 President's Power to Increase Benefits

In the context of the broad authority granted to the President by the Board of Directors to set compensation levels, the President may increase Supplementary Plan benefits in respect of an individual Member or subgroup of Members. Such increase in benefits shall be accomplished by:

- (1) granting additional Pensionable Service;
- (2) providing a benefit accrual rate other than 1.75% in respect of any particular period of Pensionable Service;
- (3) providing for a different definition of Highest Average Earnings in respect of any particular period of Pensionable Service; or
- (4) any combination of the foregoing;

and may be conditional upon the Member satisfying specified service or performance criteria.

All such increases, including any specified conditions, shall be documented by the President and communicated to the affected Member or Members in a manner consistent with the documentation and communication standards applicable for compensation adjustments.

Any increase to the President's Supplementary Plan benefits granted under this Section 11.07 must be approved by the Board of Directors. The Board of Directors shall document all such increases granted to the President including any specified conditions, and shall communicate this to the President in a manner consistent with the documentation and communication standards applicable for compensation adjustments.

**SECTION 12      GENERAL PROVISIONS**

---

12.01 Non-Assignability of Benefits

Except as specifically provided herein:

- (1) no benefit or payment of part thereof to which any Member, Spouse, or Designated Beneficiary may be entitled under the Supplementary Plan shall be capable of or be subject in any manner to being given as security, anticipation, surrender, commutation, alienation, sale, transfer, assignment, pledge, encumbrance or charge whatsoever, whether voluntary or involuntary, and any attempt to so give as security, anticipate, surrender, commute, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void;
- (2) nor shall any benefit, payment or part thereof be in any way liable for or subject to the debts, contracts, liabilities, engagements, faults or torts of any person entitled to such benefit or payment.

12.02 Non-Commutation of Pensions

A benefit payable to a Member, or his Spouse, under the Plan shall not be capable of commutation except as permitted under Section 7.01, 8.02 and 9.02.

Notwithstanding the above, if the Member's benefit under the Pension Plan is commuted in the event of shortened life expectancy, the Member's benefit under this Supplementary Plan may also be commuted.

12.03 Payment of Pension to Representative of Member

- (1) If any benefit from the Pension Plan is paid to a representative of the person entitled to receive that benefit, by reason of mental incompetence, then the benefit from the Supplementary Plan shall be paid to the same representative.
- (2) Any payments made by the Employer pursuant to subsection (1) above shall operate as a complete release and discharge on the part of the Supplementary Plan and the Employer with respect to such payments, and the Employer shall be under no liability to follow the application of the funds so paid.

12.04 No Right to Employment

The Supplementary Plan shall not be deemed to constitute a contract between the Employer and Member or other person in its employ, nor shall anything herein contained be deemed to give a Member or other person in the employ of the Employer any right to be retained in such employ or to interfere with the right of the Employer to discharge any Member or such other person at any time and to treat him without regard to the effect which such treatment might have upon him as a participant of the Supplementary Plan.

12.05 Information to be Provided before Employer Pays Benefits

Payment of benefits shall not be made until the person entitled to payment of the benefit has satisfied the requirements for payment of the benefit from the Supplementary Pension Plan.

12.06 Employer Records

Wherever the records of the Employer are used for the purposes of the Supplementary Plan, such records shall be conclusive of the facts with which they are concerned, unless and until they are proven to be in error.

12.07 Severability

If any provision of the Supplementary Plan is held to be invalid or unenforceable by a court of competent jurisdiction, its invalidity or unenforceability shall not effect any other provision of the Supplementary Plan and the Supplementary Plan shall be construed and enforced as if such provision had not been included therein.

12.08 Construction

This Supplementary Plan shall be governed and construed in accordance with the law of the Province of Alberta.

12.09 Currency

All benefits payable under the Supplementary Plan shall be paid in the lawful currency of Canada.

12.10 Withholding Taxes

Any lump sum benefit or periodic series of benefit payments made under this Supplementary Plan shall be subject to appropriate withholding taxes.

12.11 Expenses

All normal and reasonable fees and expenses incurred in the operation of the Supplementary Plan shall be paid by the Employer.



**SECTION 13      ADMINISTRATION**

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13.01 Employer As Administrator

The Employer shall be the designated administrator responsible for the overall administration, interpretation and application of the Supplementary Plan, and all decisions of the Employer in connection with the administration of the Supplementary Plan will be binding upon the Employer and the Members. The Employer may enact such rules and regulations relating to the operation of the Supplementary Plan as it considers necessary for the carrying out of its provisions and may amend or revoke such rules and regulations from time to time.

13.02 Delegation of Duties

The Employer may delegate certain duties with respect to the administration of the Supplementary Plan to such committee or person or persons as it may determine, whether or not the members of the committee or the person or persons are employees, officers or directors of the Employer. The Employer may authorize the committee, person or persons so determined by it to act on its behalf and to execute instruments on its behalf. Any instrument signed on behalf of such committee, or by any person or persons so authorized by the Employer and certified by the Employer to be so authorized, shall be deemed as properly and effectively evidencing the action of the Employer.

13.03 Disclosure

Each Member will be provided with a written explanation of the terms and conditions of the Supplementary Plan and amendments thereto applicable to him, together with an explanation of his rights and duties with respect to the benefits available to him under the Supplementary Plan, within 60 days of the date on which the Employee joins the Supplementary Plan.

13.04 Notice of Amendment

The Employer shall provide a notice and written explanation of an amendment to the Supplementary Plan to each Member or other person entitled to payment from the Supplementary Plan who are affected by the amendment, within 90 days of the amendment's effective date.

13.05 Annual Statement

The Employer shall provide annually to each active Member a written statement in respect of the Supplementary Plan, the Member's retirement benefits and any ancillary benefits, within 180 days of the Supplementary Plan's yearend.

13.06 Statement on Termination of Employment

When a Member of the Supplementary Plan terminates employment with an Employer or otherwise ceases to be a Member, the Employer shall give to the Member, or to any other person who as a result becomes entitled to a payment under the Supplementary Plan, a written statement in respect of the benefits, rights and obligations of the Member or other person within 30 days of the termination of the Member.

13.07 Inspection of Documents

The Employer shall make available for inspection by eligible individuals the documents and information concerning the Supplementary Plan.

13.08 Accounting Information

The Actuary shall prepare accounting liabilities and pension expense figures from time to time to be reported in the Employer's financial statements.

**SECTION 14      SECURITY**

---

14.01 Establishment of Trust Fund

The Employer shall appoint a Trustee and shall establish, and maintain during the continuance of this Supplementary Plan, a Trust Fund to be held by the Trustee pursuant to the terms of a written Trust Agreement between the Employer and the Trustee, which shall provide for the Trustee to hold a Letter of Credit as described in Section 14 herein. The Trust Fund shall be administered by the Trustee. The Employer shall have the sole right to select the Trustee or remove any Trustee so appointed by it and to appoint its or their successor and shall have the sole right to determine the form and terms of the Trust Agreement. All benefits paid directly from the Trust Fund are subject to applicable withholding taxes. This Trust Fund is intended to be a retirement compensation arrangement for purposes of the Income Tax Act.

14.02 Letter of Credit

- (1) The Employer shall arrange with a bank for the provision of a Letter of Credit which satisfies the criteria described in Section 14.02(2).
- (2) For the purposes of Section 14.02(1), a Letter of Credit must be:
  - (a) irrevocable by a financial institution;
  - (b) payable to the Trustee as beneficiary;
  - (c) incapable of being assigned by the Trustee other than to a successor trustee;
  - (d) for a term ending on March 31, 2006 and for a term of at least 12 months thereafter, which term shall commence immediately upon the expiry of any Letter of Credit already in place;

- (e) provided by the financial institution without a requirement that the Employer provide collateral or pledged assets or similar security unless such security is a condition of the Employer's general line of credit with the same bank;
- (f) for an amount at least equal to the Face Amount; and
- (g) payable immediately upon the Trustee delivering to the issuer a written demand and, upon such payment, the issuing bank must withhold and remit to the Receiver General the appropriate amount of refundable tax.

**14.03 Requirement to Present the Letter of Credit for Payment**

- (1) Unless the Trustee has received a payment in accordance with Section 6.03, the Trustee shall forthwith demand payment in whole under the Letter of Credit if an Event of Default (other than an Event of Default as described in clause 4) or 5) of the definition thereof) has occurred.

If there has been an Event of Default as described in clause 4) of the definition thereof, the Trustee may make a partial demand on the Letter of Credit in an amount equal to the accrued liability in respect of the relevant Member as determined by the Actuary and the Trustee shall forthwith distribute that amount, less any tax required to be withheld thereon to the relevant Member.

Notwithstanding the foregoing, if four (4) or more Events of Default as described in clause 4) of the definition thereof occur within any 10 day period the Trustee shall draw down the full amount of the Letter of Credit.

- (2) In addition, if an Event of Default as described in clause 5) of the definition thereof has occurred, the Trustee may make a partial demand on the Letter of Credit in an amount equal to twice any unpaid fees and expenses, and shall remit half of such total to the Receiver General, and shall transfer the other half to its own account.

- (3) Should the Letter of Credit be presented for payment when an Event of Default has not occurred, then the Employer shall have the responsibilities set out in Sections 6.03 and 6.04 as if a Renewal Date were upcoming thirty (30) days following the date when the Letter of Credit was presented for payment. If the Employer has complied with said Sections 6.03 and 6.04 as modified by this paragraph, then all funds that as a result of the draw down of the Letter of Credit are paid into the Trust Fund or any part thereof, but not including any amounts remitted to the Receiver General as refundable tax, shall be paid on the instruction of the Employer within thirty (30) days after the replacement Letter of Credit is deposited in the Trust Fund.

#### 14.04 General Provisions Pertaining to the Letter of Credit

- (1) In the event that the Trustee has made demand and received payment under the Letter of Credit for its full face amount pursuant to Section 14.03, the Trustee shall act in accordance with the terms of the wind up report as to the amounts to be paid out, to whom such amounts are to be paid, and the dates of such payment all in accordance with the terms of the Supplementary Plan and the Trustee shall pay for the services of the Actuary in this regard from the Trust Fund unless such services are paid for by the Employer.
- (2) In no circumstances shall the Members and other persons who have a right to receive payment from the Trust Fund be deemed to have consented to or acquiesced in a failure by the Trustee to present a Letter of Credit for payment when required.
- (3) The existence of a Letter of Credit shall not diminish the obligation of the Employer to provide benefits accrued under the Supplementary Plan. In the event that a Letter of Credit is not honoured by the issuer, the Letter of Credit shall not constitute the sole recourse of the Trustee or the Member or Beneficiary for payment into the Trust Fund of the amount of the Letter of Credit or constitute the

sole recourse of the persons entitled to benefit payments for payment of such benefits.

**14.05 Fiscal Year**

The fiscal year of the Trust Fund shall be the calendar year.

**14.06 Expenses**

The Employer shall pay all expenses related to the maintenance and operation of the Trust Fund and this Supplementary Plan, subject to any express provisions in the Trust Agreement to the contrary.

**14.07 Anti-Dilution**

Subject to Section 11.03 but otherwise notwithstanding any provision in this Supplementary Plan to the contrary or any amendment hereto, in any calendar year, the Plan Assets shall not be used for any purpose other than for the payment of benefits included in the Projected Wind Up Liability, as determined in the valuation report delivered to the Employer pursuant to Section 6.04 as of the immediately preceding February 15, and the payment of Trust Fund expenses, provided that where such Plan Assets exceed such Projected Wind Up Liability, the excess may be paid to the Employer in accordance with the terms of the Supplementary Plan. For the purpose of this Section 14.07, Plan Assets shall include the face value of any Letter of Credit held by the Trustee.

R:\Fremes\2005\Capital Health\Supp Pension Plan0318.doc

1J2 Walter C. Mackenzie Health Sciences Centre  
8440 - 112 Street  
Edmonton, Alberta  
Canada T6G 2B7

Office: (780) 407-1000  
Fax: (780) 407-7161

April 1, 2007

**CONFIDENTIAL**

John McPhail  
Vice President – Human Resources  
1J2.17 WMC, 8440 – 112 Street  
Edmonton, Alberta  
T6G.2B7

Dear John:

**RE: Supplementary Pension Plan (SPP)**

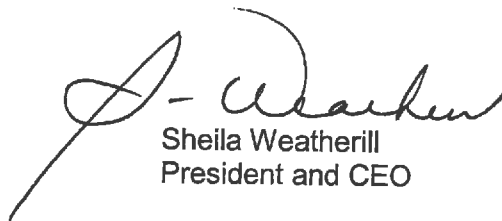
As previously discussed, in accordance with section 11.07 of our SPP contract, I am authorizing the following:

- Effective January 1, 2007, increase Allaudin Merali's SPP service by 5.09 years, so to fully credit him with service back to January 1, 1992.
- Effective January 1, 2007, increase John McPhail's SPP service by 2.72 years, so to fully credit him with service back to January 1, 1992.

This change is in support of our overall executive recruitment and retention strategy and will provide benefit equity for all original Supplemental Pension Plan members.

DATED as of the 1st day of April, 2007

Sincerely,



Sheila Weatherill  
President and CEO

Copy: Allaudin Merali, Executive Vice President and Chief Financial Officer  
Darren Sander, Regional Manager, Employee Benefits

Schedule 2 (continued)

SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2005

- Full time equivalent (FTE) is calculated based on a weighted average number of individuals occupying a category or position for the year based on a standard work year of 2,022.75 hours, except for named individuals.

Total actual discrete number of individuals employed were 26,445 (2004 26,121)

- Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.
- Benefits and allowances include the employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, unemployment insurance, workers compensation, car benefits and allowances, and tuition. The President & CEO is also provided with an automobile allowance.
- Severance expenses include amounts paid in lieu of notice and certain other severance related costs. Numbers of staff reported under the severance category are the discrete numbers of people receiving severance.
- The average salary and benefits amounts exclude severance payments.
- Other adjustments include non cash increases in pension accruals. No cash payment has been made to any named staff during the year. These non-cash adjustments relate to accrued supplementary pension benefit obligation and consists of the following:

a)	2005 Service Costs	2004 Service Costs
The Current Year Costs of the plan were:		
President & Chief Executive Officer	\$ 58	\$ 40
Senior Vice President Facilities Planning & Construction	36	26
Senior Vice President Health Services	19	12
Chief Planning Officer	10	7
Community Care, Rehab & Mental Health	14	-
Finance & Administration	31	16
Government Relations	-	-
Human Resources	-	-
Public Affairs	12	8
Regional Support Services & Community Hospitals	16	12
Royal Alexandra Hospital/Diagnostic & Equipment Services	19	15
	\$ 215	\$ 136

- b) The annual amortized cost of the prior service liability and interest costs amounted to:

	2005		2004	
	Prior Service Costs	Interest Costs	Prior Service Costs	Interest Costs
President & Chief Executive Officer	\$ 28	\$ 60	\$ 37	\$ 42
Senior Vice President Facilities Planning & Construction	14	31	19	22
Senior Vice President Health Services	5	8	7	6
Chief Planning Officer	6	9	8	6
Community Care, Rehab & Mental Health	2	3	5	2
Finance & Administration	7	17	19	12
Government Relations	5	-	-	-
Human Resources	8	11	13	8
Public Affairs	3	5	3	4
Regional Support Services & Community Hospitals	5	15	9	11
Royal Alexandra Hospital/Diagnostic & Equipment Services	3	17	9	12
	\$ 86	\$ 176	\$ 149	\$ 125



Schedule 2 (continued)

**SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2006**

1. Full time equivalent (FTE) is calculated based on a weighted average number of individuals occupying a category or position for the year based on a standard work year of 2,022.75 hours, except for named individuals.  
Total actual discrete number of individuals employed were 27,857 (2005 26,445)
2. Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.
3. Benefits and allowances include the employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, unemployment insurance, workers compensation, car benefits and allowances, and tuition. The President & CEO is also provided with an automobile allowance.
4. Severance expenses include amounts paid in lieu of notice and certain other severance related costs. Numbers of staff reported under the severance category are the discrete numbers of people receiving severance.
5. The average salary and benefits amounts exclude severance payments.
6. Other adjustments include non cash increases in pension accruals. No cash payment has been made to any named staff during the year. These non-cash adjustments relate to accrued supplementary pension benefit obligation and consists of the following:

a) The Current Year Costs of the plan were:

	2006	2005
	(thousands of dollars)	
Service Costs	Service Costs	Service Costs
President & Chief Executive Officer	\$ 72	\$ 58
Senior Vice President Facilities Planning & Construction	38	36
Executive Vice President & Chief Operating Officer - Health Services	22	19
Executive Vice President & Chief Financial Officer	34	31
Director - Government Affairs	3	-
Vice President - Human Resources	-	-
Vice President - Public Affairs	13	12
Other	64	59
	<u>\$ 246</u>	<u>\$ 215</u>

b) The annual amortized cost of the prior service liability and interest costs amounted to:

	2006		2005	
	Prior Services Costs	Interest Costs	Prior Service Costs	Interest Costs
President & Chief Executive Officer	\$ 43	\$ 57	\$ 28	\$ 60
Senior Vice President Facilities Planning & Construction	12	34	14	31
Executive Vice President & Chief Operating Officer - Health Services	30	(1)	5	8
Executive Vice President & Chief Financial Officer	35	8	7	17
Director - Government Affairs	2	1	5	-
Vice President - Human Resources	19	6	8	11
Vice President - Public Affairs	2	8	3	5
Other	28	53	16	44
	<u>\$ 171</u>	<u>\$ 166</u>	<u>\$ 92</u>	<u>\$ 171</u>

Schedule 2 (continued)

CAPITAL HEALTH  
CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2007

1. Full time equivalent (FTE) is calculated based on a weighted average number of individuals occupying a category or position for the year based on a standard work year of 2,022.75 hours, except for named individuals.

Total actual discrete number of individuals employed were 30,352 (2006 27,857)

2. Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.
3. Benefits and allowances include the employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, unemployment insurance, workers compensation, car benefits and allowances, and tuition. The President & CEO and certain other senior executives are also provided with an automobile or equivalent allowance.
4. Severance expenses include amounts paid in lieu of notice and certain other severance related costs. Numbers of staff reported under the severance category are the discrete numbers of people receiving severance.
5. The average salary and benefits amounts exclude severance payments.
6. The accrued obligation by executives under the Supplementary Executive Retirement Plan is as follows:

	Accrued Obligation March 31, 2006	Current Costs	Prior Service and other Costs	Accrued Obligation March 31, 2007	Unamortized Past Year Costs <sup>(1)</sup>	Liability March 31, 2007
Chief Executive Officer	\$ 1,377	\$ 111	\$ 127	\$ 1,615	\$ 130	\$ 1,745
Senior Vice President Facilities Planning & Construction	697	53	46	796	10	806
Executive Vice President & Chief Operating Officer						
- Health Services	222	52	58	332	118	450
Executive Vice President & Chief Financial Officer	429	64	68	561	108	669
Director Government Affairs	38	3	11	52	9	61
Vice President - Human Resources	278	31	39	348	60	408
Executive Director	97	9	18	124	38	162
Others	1,196	98	46	1,340	78	1,418
	<u>\$ 4,334</u>	<u>\$ 421</u>	<u>\$ 413</u>	<u>\$ 5,168</u>	<u>\$ 551</u>	<u>\$ 5,719</u>

<sup>(1)</sup> As explained in Note 20(j), this amount has been actuarially determined as an accrued benefit obligation due to unamortized net actuarial losses. This increases the total liability for the pension obligation.

Schedule 2 (continued)

CAPITAL HEALTH  
CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2008

- Full time equivalent (FTE) is calculated based on a weighted average number of individuals occupying a category or position for the year based on a standard work year of 2,022.75 hours, except for named individuals.

Total actual discrete number of individuals employed were 29,927 (2007 28,396)

- Base salary includes pensionable base pay.
- Other cash benefits includes premiums, bonuses, overtime, lump sum payments and honoraria.
- Other non-cash benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, employment insurance, workers compensation and current and prior service costs of supplementary pension plan per note (6) below.  
The President & CEO and certain other senior executives are also provided with an automobile or equivalent allowance. No dollar amount is included in other non-cash benefits.
- Severance expenses include amounts paid in lieu of notice and certain other severance related costs. Numbers of the staff reported under the severance category are the discrete numbers of people receiving severance.
- Supplementary Retirement Plan (SRP)  
Under the terms of the supplementary retirement plan, executive officers may receive supplemental retirement payments. Retirement arrangements costs as detailed below are not cash payments in the period but are the period expense for the rights to future compensation. Cost shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. SRP provides future pension benefits to participants based on years of service and earnings.

	SUPPLEMENTARY RETIREMENT BENEFITS						2007
	2008						
	Accrued Obligation March 31, 2007	Current Service Cost	Prior Service and Other Costs	Accrued Obligation March 31, 2008	Unamortized Past Year Costs(1)	Liability March 31, 2008	
President & Chief Executive Officer	\$ 1,615	\$ 116	\$ 126	\$ 1,857	\$ 105	\$ 1,962	\$ 1,745
Senior Vice President Facilities Planning & Construction	796	-	(62)	734	8	742	806
Executive Vice President & Chief Operating Officer - Health Services	332	59	87	478	95	573	450
Executive Vice President & Chief Financial Officer	561	67	151	779	362	1,141	669
Director Government Affairs	52	8	22	82	7	89	61
Vice President - Human Resources	348	33	57	438	118	556	408
Senior Vice President - Public Affairs	-	-	-	-	-	-	-
Executive Director	124	11	15	150	31	181	162
Other members	1,340	156	318	1,814	63	1,877	1,418
	<u>\$ 5,168</u>	<u>\$ 450</u>	<u>\$ 714</u>	<u>\$ 6,332</u>	<u>\$ 789</u>	<u>\$ 7,121</u>	<u>\$ 5,719</u>

(1) This amount has been actuarially determined as an accrued benefit obligation due to unamortized net actuarial losses. This increases the total liability for the pension obligation.

# MERCER

Human Resource Consulting

Sun Life Plaza II, Suite 2800  
140 Fourth Avenue SW  
Calgary, Alberta  
Canada T2P 3N3  
403 410 3278 Fax 403 261 6938  
carole.richards@mercer.com  
www.mercerHR.com

15 July 2005

Mr. Darren Sander  
Capital Health  
Suite 0700, North Tower  
Capital Health Centre  
10030 107th Street  
Edmonton, AB T5J 3E4

## **Private & Confidential**

Subject:

**Supplementary Pension Plan Service Costing for Allaudin Merali**

Dear Darren:

We are pleased to provide information on the cost of crediting additional service back to January 1, 1992 for Allaudin Merali in the Supplementary Pension Plan for Capital Health (the "SPP").

The data, assumptions and methods used in the costings are the same as those used for accounting purposes as at December 31, 2004 (except as noted below), and are listed in Appendix A. The costings assume Mr. Merali earns bonuses equal to 15% of his base salary, which is consistent with the assumption used for accounting purposes.

The salary assumption used for accounting purposes is 4% base salary increases, plus merit and promotion. Mr. Merali's base salary increases have averaged 10% over the last 5 years, so we have also prepared a costing assuming 10% growth in his base salary. This costing will give you a sense of how leveraged SPP liabilities can be, as the SPP covers any earnings that exceed the LAPP salary cap.

We have prepared the costings assuming Mr. Merali's service in the SPP is credited from January 1, 1992. In fact, he was not a LAPP member during some of this time, so if Capital Health decides to credit service retroactively we may have to review the plan text to ensure that the SPP only covers earnings in excess of the LAPP salary cap for the period prior to his hire date with Capital Health.

# MERCER

Human Resource Consulting

Page 2  
 15 July 2005  
 Mr. Darren Sander  
 Capital Health

The results of our costings are as follows:

	<b>Current Assumptions</b>	<b>Past Service Granted</b>	<b>Past Service Granted &amp; 10% Salary Scale</b>
Credited service in SPP	7.91 years	13.00 years	13.00 years
Salary growth assumption	4.0% + Merit&Promotion	4.0% + Merit&Promotion	10.00% per annum
<b>Accrued liability information</b>			
Accrued liability at 12.31.2004 for accounting purposes	\$337,000	\$554,000	\$766,000
Cost to provide additional 5.09 years of service at 12.31.2004	\$ -	\$217,000	\$429,000
<b>Projection to age 60</b>			
SPP value at age 60 <sup>1</sup> (projected to <u>December 31, 2011</u> )	\$953,000	\$1,277,000	\$1,761,000
Additional cost at age 60	\$ -	\$324,000	\$808,000

For example, if Mr. Merali's past service is granted retroactively to January 1, 1992, the cost as at December 31, 2004 on an accounting basis is \$217,000. This means that Capital Health's accounting liabilities will increase by \$217,000 as at December 31, 2004, assuming his future salary will grow at 4% + merit and promotion. If Mr. Merali continues to work until age 60, we expect the value of his benefit at the end of 2011 to be \$1,277,000. The SPP would payout the value of this benefit over 10 years. If his salary increases by 10% per year to age 60, the value of his SPP benefit at the end of 2011 is projected at \$1,761,000.

We would also like to point out that bond yields have dropped considerably since the end of 2004. If Capital Health were to prepare an accounting valuation as at June 30, 2005, the discount rate for accounting purposes would drop to 5.20%. A drop in the discount rate will result in an increase in the liabilities reported for the SPP, a rough estimate based on the duration of your plan's liabilities is an increase of approximately 10%.

<sup>1</sup> Mercer's valuation system rounds the member's age at the valuation date, so for valuation purposes we project he will reach age 60 by the end of 2011.

# MERCER

Human Resource Consulting

Page 3  
15 July 2005  
Mr. Darren Sander  
Capital Health

Darren, please don't hesitate to contact me if you have any questions.

Regards,

A handwritten signature in cursive script that reads "Carole Richards".

Carole Richards, F.S.A., F.C.I.A.

CR/rg

Copy:  
John Slipp, Mercer Human Resource Consulting  
Paul Van Wallegem, Mercer Human Resource Consulting

**MERCER**

Human Resource Consulting

**Appendix A**

## Valuation Methods and Assumptions as at December 31, 2004

<b>Economic Assumptions</b>	<b>December 31, 2004</b>
Discount Rate	5.90% per annum
Inflation	2.75% per annum
Pension Indexation	1.65% per annum
General Salary Increases	4.00% per annum plus merit and promotion scale
Income Tax Act Maximum – Pension Limitation Increases	- \$2,000 per year of service in 2005 increasing after 2005 at 3.5%
Non-Investment Expenses	None
<b>Demographic Assumptions</b>	
Mortality	UP94 table projected 25 years
Termination	No pre-retirement termination
Retirement	Age 60
Disability	None assumed
Actuarial Cost Method	Projected Benefit Method

CAPITAL HEALTH  
CONSOLIDATED SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2008  
(thousands of dollars)

	2008						Severance <sup>(3)</sup>		2007	
	Number of FTEs <sup>(1)</sup>	Base Salary <sup>(2)</sup>	Other Cash Benefits <sup>(3)</sup>	Other Non-Cash Benefits <sup>(4)</sup>	Sub-total	Number of FTEs	Amount	Total	Number of Individuals	Total
<b>Staff</b>										
Chief Executive Officer	1.00	\$ 518	\$ 136	261	\$ 915	-	-	\$ 915	1.00	\$ 880
Management persons reporting to the CEO:										
Senior Vice President Facilities Planning & Construct	-	-	285	-	285	-	-	285	1.00	427
Executive Vice President & Chief Operating Officer - Health Services	1.00	350	64	162	576	-	-	576	1.00	490
Vice President - Academic Affairs	0.25	51	-	-	51	-	-	51	1.00	225
Executive Vice President & Chief Financial Officer	1.00	364	87	237	688	-	-	688	1.00	564
Director - Government Affairs	1.00	136	26	49	211	-	-	211	1.00	188
Vice President - Human Resources	1.00	255	48	108	411	-	-	411	1.00	377
Vice President - Medical Affairs	1.00	335	48	19	402	-	-	402	1.00	338
Senior Vice President - Public Affairs	1.00	200	29	18	247	-	-	247	1.00	225
Executive Director	1.00	154	29	41	224	-	-	224	1.00	217



Schedule 2 (continued)

CAPITAL HEALTH  
SCHEDULE OF SALARIES AND BENEFITS  
FOR THE YEAR ENDED MARCH 31, 2009  
 (Thousands of dollars)

	2009					Severance			2008	
	Number of FTEs <sup>(a)</sup>	Base Salary <sup>(b)</sup>	Other Cash Benefits <sup>(c)</sup>	Other Non-Cash Benefits <sup>(d) (i)</sup>	Sub-total	Number of FTEs	Severance (e)	Total	Number of FTEs (a)	Total
<b>Board Direct Reports <sup>(h)</sup></b>										
President & Chief Executive Officer - AHS <sup>(i)</sup>	0.02	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
Interim Chief Executive Officer - AHS <sup>(i)</sup>	0.88	-	-	-	-	-	-	-	-	-
Chief Executive Officer <sup>(i)(k)</sup>	0.27	147	318	181	646	1	1,510	2,156	1.00	915
<b>Management persons reporting to the CEO: <sup>(l)</sup></b>										
Senior Vice President Facilities Planning & Construction	-	-	-	-	-	-	-	-	1.00	285
Executive Vice President & Chief Operating Officer - Health Services	0.22	82	91	7	180	-	-	180	1.00	576
Vice President - Academic Affairs	-	-	-	-	-	-	-	-	0.25	51
Executive Vice President & Chief Financial Officer <sup>(k)</sup>	0.40	160	363	202	725	1	1,027	1,752	1.00	688
Director - Government Affairs <sup>(k)</sup>	0.51	73	100	4	177	1	254	431	1.00	211
Vice President - Human Resources <sup>(k)</sup>	0.48	126	179	63	368	1	466	834	1.00	411
Vice President - Medical Affairs <sup>(k)</sup>	0.75	264	114	20	398	1	387	785	1.00	402
Senior Vice President - Public Affairs	0.44	92	60	40	192	1	309	501	1.00	247
Executive Director	0.28	45	87	33	165	1	264	429	1.00	224