POWER FINANCIAL CORPORATION

# ANNUAL MEETING OF SHAREHOLDERS

THURSDAY, MAY 14, 2015

ADDRESS TO SHAREHOLDERS

BY

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PRESIDENT AND
CHIEF EXECUTIVE OFFICER

**Non-IFRS Financial Measures and Presentation** – In analyzing the financial results of the Corporation and consistent with the presentation in previous years, net earnings attributable to common shareholders are comprised of:

- operating earnings attributable to common shareholders; and
- other items or non-operating earnings, which include the after-tax impact of any item that in management's judgment would make the period-over-period comparison of results from operations less meaningful. Other items also include the Corporation's share of any such item presented in a comparable manner by a subsidiary or a jointly controlled corporation or associate.

Management uses these financial measures in its presentation and analysis of the financial performance of Power Financial, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. Operating earnings, as defined by the Corporation, assist the reader in comparing the current period's results to those of previous periods as items that are not part of ongoing activities are excluded from this non-IFRS measure.

Operating earnings attributable to common shareholders and operating earnings per share are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities.

The Corporation also uses a non-consolidated basis of presentation to present and analyze its results, financial position and cash flows. In this basis of presentation, Power Financial's interests in Lifeco and IGM are accounted for using the equity method. Presentation on a non-consolidated basis is a non-IFRS presentation. However, it is useful to the reader as it presents the parent's corporate operations apart from those of its operating subsidiaries thereby reflecting the individual respective contributions of each subsidiary to the consolidated results of the parent.

**Forward-Looking Statements** – Certain statements in this document, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including its most recent Management's Discussion and Analysis and Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

The visual presentation accompanying Mr. Orr's remarks is available on the Corporation's website at www.powerfinancial.com.

# PRESIDENT'S ADDRESS
# TO THE ANNUAL MEETING OF SHAREHOLDERS

POWER FINANCIAL CORPORATION

May 14, 2015

Good morning ladies and gentlemen. It's my pleasure to address you this morning and report to you on the results of the Power Financial Corporation group of companies.

Thank you for being here today, the company's first ever Annual General Meeting to be held in Toronto.

Our group has a significant presence in this city, with Canada Life's and Mackenzie Investments' head offices located just a few blocks from here.

Power Financial and Power Corporation have also recently opened an office in Toronto, given the scale of our activities here and the importance of this city and the province to the financial industry.

Over the past year, Power Financial has made substantial progress in strengthening its various businesses.

The highlights include:

- Recording the highest earnings in the company's history in 2014;
- Increasing the dividend paid to common shareholders this past quarter, the first such increase since the beginning of the financial crisis;
- Investing heavily across our group in order to better serve the needs of our millions of clients across Canada, the United States and Europe;
- Successfully integrating the business of Irish Life, acquired in 2013, with Canada Life's Irish business; and
- Acquiring J. P. Morgan's retirement business in the United States and combining it with the retirement businesses of Great-West Financial and Putnam to create "Empower Retirement," the second-largest retirement provider in the U.S.

Our companies pursue a multi-branded strategy, operating in Canada through Great-West Life, London Life, Canada Life, Investors Group, Mackenzie Financial and Investment Planning Counsel. In the United States, we do business as Great-West Financial, as the newly created Empower Retirement, as Putnam Investments and as PanAgora Investments. In Europe, we operate under the Canada Life brand in the U.K. and Germany, and Irish Life in Ireland.

Across the group, we have over $700 billion of financial assets under management. When we add to this the financial assets held by our clients on our distribution platforms, but managed by other financial institutions, we have over $1.2 trillion of assets under administration.

Our companies serve over 30 million clients, either on an individual basis, typically through a financial advisor, or through an employer-based program at their place of work.

We believe in the value of financial advice, and have close to 12,000 financial advisors who work directly with our group and typically use our company brands, and we also provide our products to clients through literally hundreds of thousands of financial advisors not affiliated with our group.

We also have 24,000 employees across our financial services businesses.

Power Financial, together with the Frère group of Belgium, owns a controlling interest in the Pargesa Group. Pargesa, through Groupe Bruxelles Lambert, has significant holdings in several major global companies based in Europe, being: Imerys, Lafarge, Total, SGS, Pernod Ricard and Engie.

## GROUP STRATEGY

I would now like to share with you our group's strategy with respect to its financial services businesses and how this has evolved over time.

We are focused upon what are called the financial accumulation, decumulation and protection markets. What this really means is we help people save, prepare for and manage their retirement and we provide them with financial protection for life's expected and unexpected events, such as health issues, disability, living longer than expected and death.

Our strategy is to create leadership positions in all of our markets. Leadership provides the scale and financial strength to offer attractive and competitive products to clients, while also facilitating strong returns to shareholders.

Across our various businesses, we are either currently a market leader, or we are pursuing a strategy to become a market leader.

We have chosen to concentrate on a limited number of geographic markets rather than operate all around the world. Our principal markets are Canada, the U.S., the U.K. and Ireland.

We follow an active governance model, with long-term involvement of individuals from our group on the boards of our subsidiaries. We think this leads to more informed decision making and provides us with a competitive advantage.

We are extremely long-term in our orientation, with a view to growing and building our businesses over decades, not years.

Finally, we never lose sight of the fact that we make long-term promises to people. Our clients entrust their financial futures to us, and so we manage our affairs with prudence and caution so that we can deliver on our promises.

The strategy I have just described has been in place for several decades. We have gone through different phases of its execution, however, and we are in a different phase today from where we have been in the past.

Between the mid-nineties and 2007, the year before the financial crisis, we pursued an acquisition-led strategy.

We made four large acquisitions, and numerous smaller ones. Great-West Lifeco and IGM Financial completed acquisitions totalling over $20 billion during this period. We dramatically strengthened our market positions in Canada and established new businesses in the U.K. and the U.S. We created strong distribution networks and were highly focused on cost control. The strategy created tremendous value for our shareholders.

Between 2008 and 2012, our energies were directed at preserving our financial strength and flexibility in the face of the financial crisis. Across our group, we increased liquidity and capital levels, and responded to much more stringent regulatory requirements, which prescribed significant changes to how regulated financial businesses should be governed and managed.

The crisis demonstrated that our pre-crisis success had been built on very solid foundations — Great-West Lifeco having been the only major publicly traded life insurance company in the world to maintain its credit ratings from S&P and Moody's through the crisis.

During the past two years, we have entered a new phase — one that places the emphasis on organic growth, complemented by acquisitions rather than led by them.

The markets we operate in offer our companies many opportunities for growth. Taking advantage of them requires increased investment in people and technology, and innovation in our products and services.

While the opportunities are great, there are many challenges as well, including ever increasing regulatory requirements, persistent low interest rates and the emergence of low-cost competitive models.

The leadership teams at Great-West Lifeco and IGM are tackling these challenges while being clearly focused on the growth opportunities before them.

Power Financial's objective throughout this period has been and continues to be the creation of value for our shareholders over the long-term. During the twenty-year period I just described, the earnings attributable to common shareholders of Power Financial have grown from $291 million to $2.1 billion. The market capitalization of our common shares went from $2.4 billion to $25.8 billion, while we also distributed over $11.7 billion in dividends to our common shareholders.

## FINANCIAL RESULTS

Let me now discuss our financial results. Power Financial's operating earnings attributable to common shareholders were $2,105 million in 2014, compared with $1,708 million in 2013.

Net earnings attributable to common shareholders, including other items, were $2,136 million in 2014, compared with $1,896 million in 2013.

Power Financial's record earnings in 2014 were driven by the strong financial results reported by its subsidiaries. The strength in earnings resulted from increased business volumes, higher market levels and the benefits of acquisition activity.

In March of 2015, Power Financial announced that it was increasing the quarterly dividend payable to its common shareholders by 6.4 per cent to $0.3725 per share. The higher earnings, recent dividend increases by the Corporation's principal subsidiaries and positive momentum in the underlying businesses all contributed to the Board's decision to increase the dividend.

Return on shareholders' equity was 15.1% during 2014.

Let me now turn to the results and highlights of our subsidiaries.

## GREAT-WEST LIFECO

Power Financial holds a 71.1% interest in Great-West Lifeco.

Great-West Lifeco's operating earnings attributable to common shareholders were $2,546 million in 2014, compared with $2,052 million in 2013.

Great-West Lifeco is led by Paul Mahon, President and Chief Executive Officer, who was appointed to this role in 2013. The company has growth-oriented leadership teams in place in each of Canada, Europe and the U.S. It also has a very strong team in place in its corporate functions, with new leadership in the Finance, Risk, Human Resources, and Actuarial functions.

### GREAT-WEST LIFECO — CANADA

Great-West Lifeco's business in Canada is led by Dave Johnston, President and Chief Operating Officer.

In Canada, the company's products and services impact the lives of more than 12 million people — one in three Canadians.

It operates under three great brands — Great-West Life, London Life and Canada Life, which have been built upon many years of making and keeping promises — 124 years at Great-West Life, 141 years at London Life; 168 years at Canada Life.

Canadian net earnings were up 7% in 2014, and Canadian sales grew by 13%.

This growth helped us to maintain and build Great-West Lifeco's leading market positions — in individual insurance, individual savings and retirement, group life and health, and group retirement services.

The company's business is about helping improve Canadians' financial, physical and mental well-being.

Enhancements to Canadian products and services focused on supporting customers' financial security goals and serving them better or faster in the many ways they choose to do business with the company.

Building out its digital services' capabilities is a major commitment and long-term investment that is transforming how Great-West delivers services to advisors, customers, plan sponsors and plan members.

**GREAT-WEST LIFECO — EUROPE**

Great-West Lifeco's European operations bring together diverse insurance and wealth management businesses in the United Kingdom, Ireland and Germany. Our European brands — Canada Life and Irish Life — are deeply-rooted and well-respected.

Arshil Jamal is President and Chief Operating Officer of the company's Europe and Reinsurance operations.

In the U.K., Canada Life has been a leading provider of group insurance products and retirement income products, including payout annuities, for many decades.

In 2014, Great-West strengthened its position in this market by acquiring a block of U.K. annuities from Equitable Life.

Last year, the U.K. government made significant changes to the retirement income landscape. While payout annuities are still a viable option for consumers, they will now have far greater choice and will look to their advisors for guidance and support.

In Ireland, the integration of Irish Life and Canada Life under the Irish Life brand is nearing completion. The strength of the team that has been brought together in Ireland has helped Irish Life achieve great things — synergies are greater than expected, integration costs were below target, and Irish Life has grown its market share across the business.

Irish Life marked its 75th anniversary in 2014, presenting a great opportunity to re-launch the Irish Life brand. Featuring the theme of 75, our leadership group launched a campaign that promoted 75 facts about Irish people and living in Ireland.

The campaign theme — "We **know** Irish life, We **are** Irish Life" has resonated with customers, advisors, staff and media, as it speaks to *understanding* — a core attribute of building *trust*.

**GREAT-WEST LIFECO — UNITED STATES**

Great-West Lifeco's businesses in the United States are led by Robert Reynolds, President and Chief Executive Officer, Great-West Lifeco U.S. Inc.

Under Bob's leadership, finding strategic business synergies across our U.S. operations has been a key focus. The launch of Empower Retirement is helping us realize this vision.

Empower Retirement, part of Great-West Financial, represents the coming together of the retirement businesses of Great-West Financial, Putnam Investments and the recently acquired J.P. Morgan Retirement Plan Services.

Empower serves over 7 million Americans who have more than $400 billion in plan assets with us. It is the nation's second-largest retirement services provider.

Empower symbolizes a new era in helping Americans prepare for a secure retirement. The name Empower signifies people taking charge of their retirement planning.

Empower is setting a new standard for plan participants' online experience. This is driving increasing retirement contribution rates, helping Americans grow their retirement savings.

Great-West Lifeco also owns Putnam Investments. The company has made significant strides towards becoming one of the U.S.'s premier asset management firms with global reach.

Over the last six years, Putnam has been recognized repeatedly by *Barron's*/Lipper for outstanding investment performance across asset classes. The firm's innovative products and services have in turn experienced a very positive reception in the marketplace, delivering excellent returns to clients and generating solid back-to-back years of net sales.

Putnam continues to receive broad accolades for its cutting-edge work on customer service, web communications and social media.

Great-West Lifeco's U.S. businesses are well positioned to provide the company and our whole group with strong business and earnings growth well into the future.

## IGM FINANCIAL

Power Financial's other significant financial services subsidiary is IGM Financial, in which it holds a 62.8% interest.

IGM is one of Canada's premier personal financial services companies, and one of the country's largest managers and distributors of managed asset products. The company serves the financial needs of Canadians through multiple distinct businesses, including Investors Group, Mackenzie Investments and Investment Planning Counsel.

Operating earnings for 2014 were $826 million, compared with $764 million in 2013, up 8%.

Total assets under management at December 31, 2014 totalled $142 billion, compared with $132 billion in 2013.

### INVESTORS GROUP

Investors Group is led by Murray Taylor, President and Chief Executive Officer. He is also Co-President and Chief Executive Officer of IGM.

Investors Group continued to expand the number of its region offices in 2014, to a total of 110 across Canada. Throughout 2014, its consultant network grew by 472, for a total of 5,145 by year-end, the highest level in the history of the company. Investors Group continued to set itself apart by offering personal, comprehensive financial planning to approximately one million clients across Canada.

In 2014, Investors Group clarified its vision with the key statement "Our vision is to improve our clients' financial well-being." This statement very much reflects the historical focus of the company and its commitment to the future. Investors Group expresses its vision through "Comprehensive Planning" and "Diligence in Our Efforts," with its focus on being "People Who Care".

In January 2014, Investors Group introduced an ongoing program of surveys to measure the experience of every new client after three months and of every existing client annually.

Results of the surveys completed in 2014 indicate a strong appreciation of the value of advice and service provided by Investors Group consultants through varying economic cycles.

Ninety-six per cent of new client respondents are satisfied with the service they receive and 94% are willing to refer a friend or family member to Investors Group.

And 92% of existing clients indicate they were either very satisfied or extremely satisfied with the service they've received.

Mutual fund assets were $73.5 billion at the end of 2014, and fund sales during the year were $7.5 billion, up almost 12% over 2013.

**MACKENZIE INVESTMENTS**

IGM also owns Mackenzie Investments, which provides diversified investment solutions to individuals and institutions through proprietary research and experienced investment professionals.

At December 31, Mackenzie had $71 billion of assets under management across individual, strategic alliance and institutional channels.

Jeff Carney was appointed President and Chief Executive Officer of Mackenzie and Co-President and Chief Executive Officer of IGM in 2013.

Mackenzie has adopted a new, investor-focused vision:

"Mackenzie Investments is committed to the financial success of investors, through *their* eyes."

The company has established six core strategies to guide that vision and shape its initiatives.

In 2014, Mackenzie attracted key investment management talent, built new leadership and executed on its key strategies, while it continued to support advisors in all aspects of their business.

Mutual fund gross sales were $7.1 billion in 2014, the company's best result in the last six years.

## PARGESA HOLDING

I will now turn to the Pargesa group. Paul Desmarais, Jr. is Chairman and Co-Chief Executive Officer of Pargesa, and he works closely with Arnaud Vial, who is Managing Director. At December 31, 2014, together with the Frère group of Belgium, Power Financial held a 55.5% equity interest in Pargesa. Pargesa in turn held a 50% equity interest in the Belgian holding company Groupe Bruxelles Lambert, or "GBL," which owns the major holdings of the group.

The Pargesa group has been very busy over the past few years positioning its portfolio of companies for future growth.

Most notably during 2014, Lafarge, one of the principal investments, announced plans to merge with Holcim to create LafargeHolcim, the most advanced group in the building materials industry worldwide. Lafarge Holcim will operate in 90 countries. The transaction was approved by shareholders and is expected to close in July 2015. GBL would hold 9% of the combined entity.

In addition to its strategic holdings, GBL is also developing an incubator-type portfolio comprised of interests of smaller size in a limited number of listed and unlisted companies.

Albert Frère stepped down as Director and Chief Executive Officer of GBL earlier this month and did not seek another term as Vice-Chairman and Executive Director of Pargesa. Mr. Frère has been a loyal partner to our group for more than thirty years. Throughout this time, Mr. Frère was admired by all for his many professional and personal qualities and for his exceptional business sense. Together with his friend, the late Paul Desmarais, he has been the driving force behind the success of the Pargesa Group.

Paul Desmarais, Jr. and Mr. Frère's son, Gérald, are now continuing this long-term partnership, which is indeed strong and currently extends by agreement to 2029, with provision for possible further extension. We would like to acknowledge and thank Albert Frère for his exceptional contribution to the group.

Pargesa reported operating earnings of SF339 million in 2014, compared with SF251 million in 2013.

The contribution to Power Financial's operating earnings was $112 million in 2014, compared with $76 million in 2013.

## INVESTMENT IN WEALTHSIMPLE

Power Financial recently agreed to become a strategic investor in Wealthsimple. We can invest up to $30 million in Wealthsimple over the first year of the agreement, and have the option to invest more in the future.

Power Financial believes that Canadians are better prepared financially when they receive financial advice. Wealthsimple offers an innovative solution that complements the demographics served by our other financial services brands. It provides financial advice to a number of Canadians who might not otherwise seek it, or have access to it, including millennials and those with more modest assets.

It is too early to tell whether or how our existing businesses will interact with, or benefit, from Wealthsimple.

## CORPORATE SOCIAL RESPONSIBILITY

Over the past year, Power Financial and its subsidiaries built on their long-standing tradition of contribution to the communities in which they operate and strengthened their commitment to social responsibility. We developed broader relationships with our stakeholders, and improved the communication of our Corporate Social Responsibility, or "CSR" performance. Our commitments are now firmly embedded in our Code of Business Conduct and Ethics and CSR Statement.

We became a signatory to the United Nations Global Compact in 2014. This is a voluntary strategic policy initiative for businesses committed to establishing a consistent approach to corporate social responsibility within ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

On the environmental front, and for the third year in a row, our efforts on energy and carbon management were recognized in 2014 through the Carbon Disclosure Project. Great-West Lifeco and IGM Financial also obtained very favourable rankings from the CDP.

In addition, we have recently launched a dedicated Corporate Social Responsibility website as a means of publicly documenting and disclosing our CSR commitments, programs and performance. You will see examples throughout the website of how our responsible management philosophy allows us to generate long-term value and sustainable growth for Power Financial's shareholders, while contributing to the broader good of society at large.

## FIRST QUARTER 2015 EARNINGS

It is now my pleasure to report on earnings of the Corporation for the first quarter of 2015.

Operating earnings for the quarter ended March 31, 2015 were $565 million, compared with $440 million in 2014.

Net earnings were $573 million, compared with $467 million in 2014.

## QUARTERLY DIVIDEND

At the meeting of the Board which was held earlier today, the Directors declared a quarterly dividend of 37.25 cents per share on the common shares of the Corporation.

## CANADA'S RETIREMENT READINESS DEBATE

I would now like to turn to the current policy debate on Canada's retirement system.

It is a debate that raises some important questions.

How do we ensure that Canadians across all walks of life are well prepared for retirement?

What is the right balance between government-provided mandatory programs and individual choice and control over savings decisions and timing of consumption?

How do we ensure that public policies are based upon hard data and facts, when there is much misunderstanding on the topic of retirement in the public domain and understandable concern on the part of many Canadians?

The available fact base about Canadians' retirement readiness has greatly expanded over the past few years. The good news, and the surprising news for many, is that the vast majority of Canadians are on track to sustain their standard of living in retirement. This is what numerous experts have concluded in recent studies.

The facts say that at least 75%, indeed, probably more than 85%, of Canadian households are going to be able to enjoy a standard of living in retirement that will be comparable to or better than their standard of living pre-retirement.

These findings begin to make sense when you consider how the Canadian system works.

The public pillars of our retirement system, that is, Old Age Security (OAS), the Guaranteed Income Supplement (GIS), the Canada Pension Plan and the Quebec Pension Plan, adequately replace income for Canadians in the lowest two income quintiles — the 40% of households who earn the least. The Organisation for Economic Co-operation and Development confirms Canada's good international standing in this regard. Overall, the poverty rate among seniors in Canada is one of the lowest in the OECD and is lower than the poverty rate in the general population.

But Canadians do not rely solely on government programs for their retirement income. Middle- and upper - income Canadians, whose standard of living is not fully replaced by government programs, also save through numerous means. These include savings through tax-assisted programs, both individually and at work, with RRSPs, TFSAs, company pension plans and group RRSPs being examples of this. Canadians also save through "non-registered" investments outside of these tax-assisted vehicles. But many also accumulate a substantial portion of their savings through non-financial assets, such as their home or a private business.

Unfortunately, these non-registered assets are often ignored in some studies which consider the retirement readiness of Canadians. And that is a huge mistake, because these assets represent a large part of the savings held by many Canadians.

But while a great majority of Canadians are on track for retirement, survey after survey have also shown that a majority of Canadians believe they will not have enough income in retirement.

So what is responsible for the major gap between perception and reality?

It's hard to know, but lingering fear created by the financial crisis, media attention about pension plans reporting funding challenges due to persistent low interest rates, and our own industry's call to Canadians to save more could all be contributing to the anxiety.

To be clear, there are issues to be addressed in the Canadian retirement system.

Many Canadians who work at smaller employers have no savings plan at work. This group of Canadians are far more likely to be unprepared for retirement.

Some Canadians who do work at employers with company savings programs don't contribute, or don't contribute enough. This has been addressed by legislation in other countries, but not in Canada, that allows for auto-enrollment of employees, and for auto-escalation of employee contribution amounts over time, with a right for individual employees to opt out.

Lower income people in retirement face particular challenges in Canada if they are single, and a majority of these are women. This is due to technical clauses in the OAS, GIS and survivor benefit clauses of the Canada and Quebec Pension Plans.

These problems do exist, but they exist with specific groups of Canadians, and they call for targeted solutions.

Canadians' high level of anxiety about not being ready for retirement is putting pressure on our elected representatives to "do something big" — to come up with "big solutions." "Big solutions" can have significant and negative unintended consequences.

Universal proposals such as expansion of the Canada Pension Plan is one example of a big solution; the proposed Ontario Retirement Pension Plan (ORPP) is another.

One of the most striking facts that the data reveals is that the groupings of Canadians who are not on track to maintain their standard of living in retirement are mostly found in upper-middle income and higher-income brackets. This further calls into question the logic of universal solutions, particularly in that they could very easily impact lower- and middle-income Canadians very negatively.

Low-income Canadians are already going to maintain their standard of living in retirement through existing government programs. Reducing their current income to fund greater retirement income hardly seems like a good trade-off. And because of the way Canada's income support programs work when people are retired, a high portion of the extra income they would eventually receive in retirement from these proposals will effectively be clawed back, and taxed at higher rates.

Universal proposals would also force middle- and higher-income Canadians to save more, notwithstanding that a vast majority of them are already saving enough. By forcing unnecessary savings, universal solutions will reduce current income from households and from the economy, not to speak of increasing payroll deductions for employers. In addition to the impact this will have on peoples' current lifestyles, this cannot be good, short and probably even medium term, for aggregate demand, and also for employment in Canada.

These proposals will also displace existing savings. This is likely to occur particularly in the case of the proposed ORPP. A survey by the Canadian Life and Health Insurance Association in Ontario has shown that a vast majority of businesses, if forced to implement the ORPP, would consider scrapping their current, existing workplace pension plan. Many Ontarians would lose a comparatively generous employer plan with immediate benefits, in exchange for a less generous one, which would take 40 years to fully fund.

The research shows that to be effective the solutions need to be specific and targeted. Facilitating low-cost workplace savings plans for Canadians who work at smaller employers, like Quebec's Voluntary Retirement Savings Plan, is a good targeted solution. What is needed now is a pan-Canadian framework.

And reducing poverty among retired single seniors, most of whom are women, could be accomplished with technical fixes to Canada's existing government programs.

Fact-based and targeted solutions are needed to tackle Canada's specific retirement challenges. Targeted solutions will leave the country in the best financial position to deal with other significant challenges that have yet to be solved, such as funding future health care costs for an ever-aging Canadian population.

## EXECUTIVE DEVELOPMENTS

Before I close, I would like to acknowledge the tremendous contribution to our group over many years of Ray McFeetors, who retired this past year as Vice-Chairman of Power Financial. Ray began with Great-West Life in 1968, eventually becoming President and Chief Executive Officer of Great-West Lifeco, a position he held for many years, including during the very successful period of intense acquisition activity that I described earlier in my presentation. He then became the Chairman of Great-West Lifeco.

Please join me in recognizing Ray McFeetors.

We are also delighted that, earlier this year, Mr. Claude Généreux joined Power Financial as Executive Vice-President.

Previously, Claude held various leadership roles with McKinsey & Company, the management consulting firm. During his 28 years with McKinsey, he focused on serving global organizations in the financial services, resources and energy sectors. He is Director Emeritus of McKinsey and also serves on the Board of Governors of McGill University and on the Board of the Jeanne Sauvé Foundation.

Claude, please stand and be recognized.

## CONCLUSION

Our financial services businesses are focused upon providing financial security and peace of mind to millions of people through various investment, retirement and insurance solutions. Excellence and innovation in products and services and value to the customer are critical factors in meeting client needs. Financial strength and the ability to honour long-term commitments are equally important.

The need for these products and services is expected to continue to grow in the future.

Power Financial and its subsidiaries are committed to creating long-term value for shareholders based upon the success of our clients, our employees and our business partners, while contributing positively to the communities in which we operate.

Ladies and gentlemen, allow me to express our thanks to you, our shareholders, for your continuing support, as well as to the management teams and to all the employees of our group companies for their outstanding work and for their active community involvement. We would also like to thank the thousands of financial advisors who work hard to serve the interests of their clients. Last, but certainly not least, we thank our clients for the trust they have shown in our companies.

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