

EMPIRE LIFE INFORMATION CIRCULAR

DATE: JANUARY 11, 2016

No. 2016-03

CATEGORY: INVESTMENTS

TO: Managing General Agents, Associate General Agents, Brokers, General Agents and National Accounts

SUBJECT: Empire Life Money Market Fund – Temporary Management Fee Waiver

Announcement Starting January 15, 2016 and continuing for up to one year, Empire Life is temporarily waiving part of the Money Market Fund management fees to partially offset the impact of negative returns experienced by some customers. Empire Life will continuously review the situation throughout 2016.

While we cannot guarantee that temporarily waiving part of the management fee will result in positive returns, it is our intent to provide some level of relief to customers.

We are pleased to be delivering this initiative without any negative impact to your compensation. Empire Life is committed to helping you and customers while providing you with an opportunity to discuss the impact of low interest rates on their investments.

Background In the past, money market funds have acted as a safe haven. However, low interest rates have created an environment in which many money market funds have posted negative returns. Money market funds are not risk free investments and the whole industry has been affected by the current interest rate environment.

Customer Notification An announcement will be posted on our customer website on January 15, 2016. This temporary action does not affect guarantees or features of the Empire Life Guaranteed Investment Funds Contract.

Attachments FAQ and a copy of the customer announcement.

Reference Julie Yoshikuni, Vice-President, Retail Investment Products and Marketing



Empire Life temporarily waives part of Money Market Fund management fees
Frequently Asked Questions

Question #1: What is happening?

Answer #1: Empire Life is temporarily waiving part of the Money Market management fees starting January 15, 2016, for a period of up to one year. Our goal is to partially offset the impact of negative returns customers have experienced in the Fund due to the low interest rate environment, while giving you the opportunity to educate them on the ongoing impact to their investment returns.

Question #2: What does the Empire Life Money Market Fund invest in?

Answer #2.: In order to achieve its investment objectives, the Empire Life Money Market Fund invests in short-term securities such as treasury bills, short-term debt issued by governments and their agencies, short-term notes issued by Canadian Chartered Banks, Corporations and Trust Companies, as well as in floating rate notes issued by Canadian Corporations.

Question #3: Can money market funds generate a negative return?

Answer #3: Yes, money market funds can generate negative returns. Money market funds are not risk free investments and are not guaranteed to have positive returns. The Fund is exposed to interest rate risk and credit risk through its underlying investments. In addition, the Fund's investments are priced every day according to market prices which can result in fluctuations in the value of the units of the Fund.

Question #4: How much of the Money Market management fee will be waived?

Answer #4: The initial waiver will be approximately 20% of the management fee of each Fund Class. Empire Life will continuously review the situation throughout 2016 and may adjust that percentage from time to time.

Question #5: Will my compensation be impacted by the temporary Money Market management fee waiver?

Answer #5: No, your compensation will not be impacted by the management fee waiver. The Money Market deposit and trailer commission rates will remain the same.

Question #6: Why do some Empire Life Money Market Fund Classes have positive returns while others have negative returns?

Answer #6: The Empire Life Money Market Fund Classes have different management fees. This affects each Class' rate of return.

Question #7: What happens if interest rates go up in 2016? And what happens if interest rates go down?

Answer #7: Empire Life will continue to monitor the situation closely throughout 2016. Empire Life may, at its discretion, at any time and without prior notice, increase or decrease the amount of the Money Market management fee waived.

Question #8: Are customer's Maturity Benefit and Death Benefit Guarantees impacted by the negative returns?

Answer #8: No, customer's Maturity Benefit and Death Benefit Guarantees are not impacted by the negative returns. The guarantees in their segregated fund contracts are only impacted when withdrawals are made.

Question #9: Will you be communicating the temporary waiver of Money Market management fees to customers?

Answer #9: The following notice will be posted to the consumer section of our website on January 15, 2016, advising customers of the temporary waiver of management fees.

Empire Life temporarily waives part of Money Market management fee

Starting January 15, 2016 and continuing for up to one year, Empire Life is temporarily waiving part of the Money Market Fund management fees to partially offset the impact of negative returns experienced by some customers. Empire Life will continue to monitor the situation closely throughout 2016.

While we cannot guarantee temporarily waiving part of the management fee will result in positive returns, it is our intent to provide some level of relief to customers. This temporary measure gives customers the opportunity to discuss the impact of low interest rates on investments with their advisor.

In normalized times, money market funds have acted as a safe haven. However, low interest rates have created an environment in which many money market funds have posted negative returns. Money market funds are not risk free investments.

Temporarily waiving part of the money market management fee does not affect customer's Maturity Benefit and Death Benefit Guarantees or features of the Empire Life Guaranteed Investment Funds contracts.

Please contact your advisor for further information.