



# INFORMATION CIRCULAR

**DATE:** MAY 28, 2018

No. 2018-09

**CATEGORY:** INVESTMENTS

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

**SUBJECT:** Launch of Global GIF Funds, GIF Preferred Pricing, and Fee For Service

## Announcement

Empire Life is launching enhancements to its Guaranteed Investments Funds (GIF) segregated fund product line. These enhancements expand our investors' global investment fund opportunities, reward High Net Worth (HNW) clients with lower fund costs (by reinvesting management fee credits) with our new Preferred Pricing Program and provide a Fee For Service purchase fee option for clients with nominee accounts.

## Launch of New Global GIF Funds

Effective May 28, 2018, we are launching seven new global segregated funds within GIF 75/75, 75/100 and 100/100. These new funds allow new and existing GIF clients more choices to globally diversify their investment portfolios.

New global Emblem GIF Portfolios:

- Emblem Global Conservative Portfolio GIF
- Emblem Global Balanced Portfolio GIF
- Emblem Global Moderate Growth Portfolio GIF
- Emblem Global Aggressive Growth Portfolio GIF

New global GIF Funds:

- Global Asset Allocation GIF
- Global Smaller Companies GIF
- Strategic Corporate Bond GIF

## Launch of GIF Preferred Pricing

Effective June 1, 2018, Empire Life is adding Preferred Pricing to all new and existing GIF contracts. GIF Preferred Pricing will automatically provide GIF clients with a Management Fee Credit (MFC) when the market value of their eligible GIF assets meets the Preferred Pricing minimum of \$500,000. MFCs are applied at the end of each month to purchase additional fund units.

Highlights of GIF Preferred Pricing:

- Eligible GIF assets include all GIF funds, except Money Market GIF
- Tiered Management Fee Credits (MFCs) based on market value:
  - 0.25% for \$500,000 - \$999,999
  - 0.50% for \$1,000,000+
- MFCs are applied from the first dollar
- MFCs will begin to accrue on June 1, 2018 with the first MFCs being applied to eligible accounts on June 29, 2018
- Individual client accounts are automatically combined together
- Householding is available for family members living at the same address.

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**Launch of GIF  
Fee For Service  
Option**

Empire Life is adding a new Fee For Service (FFS) purchase fee option to GIF 75/75, 75/100 and 100/100. The FFS option is only available in nominee name for GIF contracts held within a fee-based account with an investment dealer.

**New GIF Point  
of Sale  
Materials**

Effective May 28, 2018, GIF point-of-sale materials are amended and/or updated to include the new GIF global funds, Preferred Pricing, and the Fee For Service option. These materials are available for order at [empire.ca/advisor/forms](http://empire.ca/advisor/forms) or download at [www.empire.ca/gif](http://www.empire.ca/gif):

- The GIF Information Folder Addendum and Contract Provisions Endorsement (INV-943A) must now be included with the GIF Information Folder and Contract Provisions (INV-943) at the time of sale.
- An updated GIF Fund Facts document (INV- 941) which includes the new GIF global funds and the Fee For Service option must also be provided to all clients at the time of sale. Please destroy your existing stock of the GIF Fund Facts (dated 07/17).

**Customer  
Notification**

- Existing GIF clients will receive the GIF Addendum and Endorsement with their June 30, 2018 statement
- A notice of the changes will be posted on our consumer website on May 28, 2018.

**Reference**

Mike Stocks, Vice President and Chief Marketing Officer

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## FAQ

### What is happening?

Empire Life is enhancing its Guaranteed Investment Funds (GIF) product lineup through the introduction of 7 new global funds, a GIF Preferred Pricing program, and a Fee For Service option. The new funds and Fee For Service are available to all new and existing GIF contract holders effective Monday, May 28, 2018. The GIF Preferred Pricing program is effective June 1, 2018.

### Are new GIF Point of Sale materials required?

The following new and amended point of sale materials are required for all new GIF sales on or after May 28, 2018. These materials are available for order at [empire.ca/advisor/forms](http://empire.ca/advisor/forms) or download at [empire.ca/gif](http://empire.ca/gif).

- **GIF Information Folder Addendum and Contract Provisions Endorsement (INV-943A-EN-05/18)** – this document must be provided to clients along with the GIF Information Folder and Contract Provisions (INV-943-EN-06/17)
- **GIF Fund Facts (INV-941-EN-05/18)** – updated GIF Fund Facts document with the new GIF funds and the Fee For Service option

### How do I obtain the GIF Information Folder Addendum and Contract Provisions Endorsement for the GIF Information Folder and Contract Provisions I have in stock?

The new GIF Information Folder Addendum and Contract Provisions document (INV-943A-EN-05/18) is available for order at [empire.ca/advisor/forms](http://empire.ca/advisor/forms) or download at [empire.ca/gif](http://empire.ca/gif). All new GIF clients must be given a copy of this along with the GIF Information Folder and Contract Provisions (INV-943-EN-06/17) effective Monday, May 28, 2018.

### How will existing GIF clients be notified of these changes?

Clients will receive a copy of the GIF Information Folder Addendum and Contract Provisions Endorsement with their June 30, 2018 statement. A notice of the GIF enhancements will also be posted on the Empire Life consumer website.

## NEW GIF FUNDS

### Why are you launching new segregated funds?

There are benefits to investing globally such as exposure to sectors that are under-represented in Canada, and the potential for risk reduction through geographic diversification. The new global funds provide investors with more opportunities to geographically diversify their investments within their GIF contract.

### Can an existing GIF contract holder purchase or switch into the new funds?

Yes, the new funds are available to all new and existing GIF contract holders, beginning on Monday, May 28, 2018.

### Are the new funds available through Fast & Full?

Yes, all of the new GIF funds are available for new contracts opened using the Empire Life Fast & Full Investment Application as of Monday, May 28, 2018.

### Are the new funds available in Class Plus 3.0?

No, the new GIF funds are only available in GIF 75/75, GIF 75/100, and GIF 100/100 contracts.

**How are the new global Emblem GIF Portfolios different from the existing portfolios?**

The existing portfolios invest 10% to 25% in foreign content, depending on the portfolio. The global Emblem GIF Portfolios are for clients who want additional global exposure. All 10 Emblem GIF Portfolios provide clients with instant diversification across multiple asset classes, tactical asset management and transparency.

**How is the new Global Asset Allocation GIF different from the Asset Allocation GIF?**

The Global Asset Allocation GIF invests primarily in global equities and North American fixed income securities while Asset Allocation GIF invests primarily in Canadian equities and fixed income securities.

**How is the new Strategic Corporate Bond GIF different than the Bond GIF?**

The Strategic Corporate Bond GIF invests in corporate fixed-income investments, including investment grade corporate bonds, high yield bonds, floating rate loans, convertible bonds and preferred shares, while the Bond GIF invests primarily in Canadian investment grade corporate and government fixed income securities.

**Why are you re-opening the Global Smaller Companies fund in GIF?**

The Global Smaller Companies Fund was only available in our legacy products but we have received requests to make it available in our current products as well. By re-opening it, GIF clients now have the opportunity to further diversify their portfolio by investing in global small to mid-capitalization companies.

## **GIF PREFERRED PRICING**

**What is GIF Preferred Pricing?**

Starting June 1, 2018, GIF Preferred Pricing will automatically give clients who own eligible GIF assets that meet the minimum market value for the Preferred Pricing program a Management Fee Credit (MFC). The annual MFC rate is 0.25% at \$500,000 or 0.50% at \$1,000,000 and is applied to the entire balance, not just the balance above the thresholds. The MFC is applied to the client's eligible account(s) through the purchase of additional fund class units. A client's individually owned assets are automatically combined together for the purpose of meeting the minimum market value.

**Is householding of assets available with GIF Preferred Pricing?**

Yes, clients may combine their eligible GIF assets with those of family members – spouse, children under 25, grandparents living at the same address- in order to meet the minimum market value. All members must complete and sign the GIF Preferred Pricing Household form (INV-2070) and the form must be submitted to Empire Life for processing.

**Are jointly owned or corporately owned GIF accounts eligible for GIF Preferred Pricing?**

Yes, all GIF accounts are eligible for Preferred Pricing. Jointly owned accounts may be added to a household if the mailing address for the account matches the household. A corporately owned GIF account may be added if a member of the household owns 50% or more of the voting rights of the corporation.

**What products and funds are eligible for GIF Preferred Pricing?**

The Empire Life GIF 75/75, GIF 75/100, and GIF 100/100 contracts are eligible for GIF Preferred Pricing. All GIF funds except Money Market GIF are eligible for Preferred Pricing. Legacy Empire Life products (Elite, Elite XL, Class, Class Plus, Class Plus 2, Class Plus 2.1) and Class Plus 3.0 are not eligible for Preferred Pricing.

**How does the Management Fee Credit work with GIF Preferred Pricing?**

Every day that a client's eligible GIF assets meet or exceed the minimum market value either individually or as a household the assets will accrue a MFC. The Preferred Pricing MFCs are then allocated proportionately to each account through the purchase of additional GIF fund class units at the end of the month.

**What happens if the market value drops below the GIF Preferred Pricing minimum?**

If the market value drops below the Preferred Pricing minimum, no MFCs are accrued that day. If during a month the market value fluctuates above and below the Preferred Pricing minimum, a client will earn a MFC on days the market value exceeded the minimum, and will not earn a MFC when their market value is below the minimum.

**How are the Management Fee Credits taxed?**

Clients who own a registered GIF policy will not be taxed on the Management Fee Credits they receive. The credits will be fully taxed as income when withdrawn in the same manner as any withdrawal from a registered plan. Management Fee Credits withdrawn from a Tax Free Savings Account are tax free.

Management Fee Credits in a non-registered GIF policy are taxed as income in the year they are received and will be reported on the client's T3 slip

**When is the MFC paid?**

The MFC is paid automatically on the last business day of each month, after all transactions have been processed.

**How will clients and advisors see the MFCs?**

- Clients can see the MFCs deposited into their account on the first business day of each month when reviewing their accounts through the Investor Online Access portal.
- The MFCs will also be reported on the semi-annual and annual client statements.
- Please note that printed transaction confirmation notices for the MFCs will not be sent to clients.
- Advisors can see the MFCs in the Business Centre on the first business day of the month.
- Fundserv-enabled advisors will also see the MFCs in their back-office platform when the corresponding transaction files have been uploaded.

**Can you give me an example of how MFCs work with a single client?**

John Smith owns three GIF 75/100 accounts (RRSP, TFSA, and Non-Registered), all of which own a single fund (Dividend Growth GIF). The market values of each account from September 1 to September 15 are as follows:

- GIF 75/100 RRSP: \$350,000
- GIF 75/100 TFSA: \$50,000
- GIF 75/100 Non-Reg: \$125,000

As the total market value of all of John's GIF accounts is \$525,000 which exceeds the Preferred Pricing minimum, he accrues a MFC each day from September 1 to September 15. From September 16 to September 30 the market value of the accounts drops to the following:

- GIF 75/100 RRSP: \$325,000
- GIF 75/100 TFSA: \$40,000
- GIF 75/100 Non-Reg: \$120,000

As the total market value of all of John's GIF accounts is now \$485,000 which is below the Preferred Pricing minimum, he will not accrue a MFC for the remainder of the month.

On the last day of September, the MFCs accrued from September 1 to 15 will be used to purchase additional fund class units in John's accounts.

**Can you give me an example of how MFCs work with householding?**

Cindy Hayes owns two GIF 75/100 accounts (RRSP and LIRA), all of which own a single GIF fund (Asset Allocation GIF). The market values of each account are as follows:

- GIF 75/100 RRSP: \$150,000
- GIF 75/100 LIRA: \$250,000

Her individually owned GIF accounts do not meet the minimum to receive a Preferred Pricing Management Fee Credit (MFC), as the total market value is only \$400,000.

Cindy's spouse, Mike, also owns a GIF 75/100 RRSP with a market value of \$175,000, and their daughter, Tina, aged 23, at the same address, owns a GIF 75/75 TFSA with a market value of \$15,000.

Cindy, Mike, and Tina complete, sign, and submit the INV-2070 form to household their accounts. As the market value of their combined GIF accounts now exceeds the \$500,000 minimum ( $\$150,000 + \$250,000 + \$175,000 + \$15,000 = \$590,000$ ) they will begin accruing Preferred Pricing MFCs for each day the market value of their household exceeds the minimum.