

To: Members of the Pension Plan for Faculty, Librarians and Senior Administrative Officers of Mount Allison University

From: The Pension Advisory Committee

Re: Replacement of UBS Global Asset Management Global Equity Fund with New Low-Cost Indexed Foreign Equity Funds

Date: June 4, 2007

The Pension Advisory Committee (“PAC”) is responsible for periodically reviewing the investment options available to Plan members. Such a review was recently conducted by the PAC with the assistance of Mercer Investment Consulting.

Replacement of UBS Global Asset Management Global Equity Fund

Due to certain organizational changes at UBS Global Asset Management and other factors, the PAC has decreased confidence in UBS’ ability to add value to global equity investments. Given the small size of the assets currently invested in the UBS fund and the current options available through Sun Life Financial, it was determined that the most cost effective replacement option was to select indexed equity funds.

Accordingly, the Committee has selected the following two replacement indexed funds for the UBS global equity fund:

- BGI (Barclays Global Investors) US Equity Index Segregated Fund (Registered)
- BGI EAFE Equity Index Segregated Fund

The PAC notes that total fees for each of these two new funds (approximately 0.4% per annum) are significantly less than that of the UBS fund (approximately 1.0% per annum).

Replacement Dates

On June 26, 2007, 50% of any funds invested in the UBS Global Asset Management Global Equity Fund will be replaced with the BGI US Equity Index Segregated Fund. The other 50% will be replaced with the BGI EAFE Equity Index Segregated Fund.

These transactions will not affect the dollar value in your account and will have no tax implications. **No immediate action is required on your part. You will be able to view your account on-line during the replacement period between June 25, 2007 and June 26, 2007 but you will not be able to process transactions during this period.** On

June 27, 2007, the account freeze will be lifted and you will be able to perform account transactions.

Members should note that the 50/50 split between the two BGI funds will also apply to any future contributions that had been previously directed to the UBS fund. You may of course change how you allocate future contributions amongst the various funds by contacting Sun Life in the normal way.

More Information about these Low-Cost Indexed Equity Funds

BGI is one of the world's largest providers of structured investments, including index and asset allocation strategies, and manages more than 2000 funds worldwide totaling over \$2.1 trillion. The PAC expects BGI returns to be extremely close to the indices they are tracking, namely S&P500 (\$Cdn) for the U.S. fund and the MSCI Barra EAFE¹ (\$Cdn) for the EAFE fund. In addition, the total fees for these funds are very low.

Members who invest in the Transition Fund managed by CREF may also wish to consider these indexed investment options as potential lower-cost replacements of the Transition Fund. The Transition Fund is invested in a blend of stocks that attempt to mimic or slightly beat a benchmark of 80% Russell 3000 index² and 20% MSCI EAFE index. While a blend of 80% BGI U.S. index fund and 20% BGI EAFE equity fund might be a reasonable replacement proxy for the Transition Fund, members might consider a more globally diversified blend of U.S. and non North-American stocks. The U.S. stock market currently represents approximately 48% of developed world markets. Members may also want to note that the total fees for the Transition Fund are currently around 0.66% per annum, compared with approximately 0.4% for the BGI index funds.

Please see the attached Morningstar® sheets for more information on the new index funds being made available to Plan members.

Please call the Sun Life Financial Customer Care Centre at 1-866-733-8612 if you have any questions about these new funds.

Members of the Pension Advisory Committee:

Anita Cannon	(364-2572)	Rob Ireland	(364-2506)
Dale Creelman	(364-2294)	Pravin Varma	(364-2592)
Paul Del Motte	(364-2234)	Ron Sutherland	(364-2282)
Betty Hunter-Brayley	(364-2246)		

¹ EAFE stands for Europe, Australia and Far East. The Morgan Stanley Capital International Barra EAFE index is a recognized index for non-North American equities. (Web-site: <http://www.msibarra.com/>).

² The Russell 3000 index is a broad market index that tracks the returns of the 3000 largest U.S. companies. It represents roughly 98% of the U.S. equity market. The S&P500 index focuses more on larger companies as it tracks the return of the 500 largest U.S. companies and represents roughly 75% of the U.S. equity market. The risk/returns characteristics for both these U.S. equity indices are very similar.