

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

From: The Pension Advisory Committee

Re: Your Pension Plan – Saving for your Retirement

Date: June 4, 2007

The Pension Advisory Committee (“PAC”) is responsible for helping members understand the pension plan and ensuring that they have the information and tools needed to assist them in making appropriate investment decisions.

Based on aggregate information recently reviewed by the PAC, it is apparent that some plan members are investing large portions of their pension assets in short-term investments despite the long-term nature of the pension plan. The purpose of this memo is to ensure that you are aware of the purpose of the pension plan and the tools available to help you invest your pension assets.

Purpose of the Pension Plan and Your Role in Achieving Your Retirement Goals

The Pension Plan for Faculty, Librarians and Senior Administrative Officers of Mount Allison University was established as a convenient and cost effective retirement savings vehicle for eligible faculty members, librarians and senior administrative officers.

Upon retirement, your pension assets will be available to provide you with a lifetime income (either through a Life Income Fund or an annuity purchase). The amount of your retirement income will depend on both the amount of assets and the income you will continue to earn after retirement¹.

To achieve your retirement goals, you need to determine how best to invest your retirement savings. This is generally a long-term proposition given the objective is to provide you with a lifetime retirement income.

Short-Term Investments – Not as Helpful in Protecting Your Long-Term Retirement Income

GICs and money market funds are short-term investments. The risk of earning a negative return with these investments is small compared with many other investment options. These investment options are ideal for situations where one expects to cash out a large

¹ For example, if you elect to purchase a life annuity, the amount of monthly income would depend upon long term interest rates (or long term bond yields) at the time of purchase.

portion of one's investments in the short to medium term. On the other hand, the expected return from investing in short-term investments is much smaller than longer term investment options like bond funds, equity funds, balanced funds and other asset allocation funds.

For a lifetime retirement income savings program like your pension plan, a bond fund is likely the lowest risk investment option since its returns are linked to the cost of providing a long-term income. This is not to say that bond fund returns will always be positive. However, in the few cases where returns may be negative, the cost of providing a lifetime retirement income (purchasing an annuity) would most likely go down as well.

Over longer terms, neither short-term investments nor typical bond funds are likely to provide much protection against the cost of rising inflation. Empirical evidence suggests that equity funds are better positioned to keep up with inflation over the long term. Of course, over the short term, equity fund returns would typically vary the most.

Most members will find that they need a combination of bond funds and equity funds in order to protect their expected retirement incomes against the impact of changes in long-term interest rates and the cost of rising inflation respectively. While some members may be comfortable in making and managing their own mix, others may prefer pre-built asset allocation funds like the McLean Budden LifePlan Funds.

Help in Selecting Investment Options

Sun Life Financial provides you with a number of tools to assist you in investing your pension account. These tools can be accessed on the web at www.sunlife.ca/member . After logging in with your ID and password, you can access your account, make changes and explore all of these tools. Select **my info Café** and then, under the **Resource Centre**, select **My Money Tools**.

My Money Tools include an on-line asset allocation tool and a retirement planning tool. The "Investment Risk Profiler" asset allocation tool (copy attached) should take you no more than 15 minutes to complete. Upon completion, you should have a good idea of your risk profile and a suggested asset mix that matches your risk. You should compare your current investment decisions to those suggested for your risk profile.

If you need help at any time, whether in completing your questionnaire or in making changes to your investments, please call the Sun Life Financial Customer Care Centre at 1-866-733-8612.

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)		