

January 24, 2012

From: The Pension Advisory Committee

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

Re: Transfers of Other Retirement Savings into the Pension Plan

In response to a number of inquiries from Pension Plan members, the Pension Advisory Committee (PAC) wishes to advise members that the terms of the Pension Plan permit transfers from Registered Retirement Savings Plans (RRSPs) and other registered programs (e.g. a registered pension plan from a former employer) into the Pension Plan. Following are some details regarding the potential benefits and considerations in respect of transfers into the Pension Plan. Members are encouraged to consult with their financial advisor regarding any decision to transfer funds from their personal RRSP accounts into the Pension Plan.

Potential Benefits of Transferring Funds into the Pension Plan

You may wish to consider the following potential benefits of transferring registered funds into the Pension Plan:

- **Lower Fees / Competitive GIC Rates:** Due to the nature of the group arrangement, the University has been able to negotiate favourable investment management fees and GIC terms for Pension Plan members. Most of the funds (including the target date portfolios) offered in the Pension Plan have investment management fees (including estimated operating expenses) of less than 0.78% *per annum*. This contrasts with typical retail investment management fees in excess of 2% *per annum*. Over the course of a 20-year period, a 1% *per annum* lower fee would compound to a 22% higher expected accumulated retirement assets. Also, under the current terms of the agreement with Sun Life Financial, the minimum interest rate credited to GICs is 3% per annum. The PAC believes that this rate is competitive with current retail GIC rates available at major financial institutions.
- **Consolidating your Retirement Accounts:** You may find it helpful to consolidate your retirement savings to help better co-ordinate your investment strategies and plan your retirement. All your assets will be reported on one statement. This will assist you in the better oversight of your retirement assets.
- **Program Governance:** The University, with the assistance of the PAC and its advisors has a rigorous governance process for the selection and monitoring of service providers and fund options. It is hoped that this process will lead to the selection of effective providers, better terms (lower fees) and funds that are more likely to outperform over the long term.

Transfers into the Pension Plan Do Not Change the Character of Your Funds

It is important to note that a transfer from another registered savings program does not change the key characteristics of your retirement savings. In other words, the locking-in status, the ability to transfer to other registered plans and the access to cash withdrawals are retained. Specifically, you should note that:

- If you transfer assets from a regular (*i.e.* non locked-in) RRSP to your Pension Plan account, those assets will be administered separately from your regular contributions and essentially treated as though they were voluntary contributions. You would retain the right to transfer them out of the Pension Plan at a later date or withdraw them in cash (subject to any withdrawal fees and income tax, for cash withdrawals).
- If you transfer assets from a locked-in RRSP or from a pension plan with a previous employer, then Sun Life would administer the new funds separately and respect the original locking-in requirements (*i.e.* that applied in your previous account / pension plan) for that portion of your account. You would retain the right to transfer them out of the Pension Plan, but only to another locked-in retirement savings program that agrees to administer the original locking-in requirements.

Finally, you should note that funds within the Pension Plan are not directly¹ available for use in the Home Buyers Plan or the Life Long Learning Program. Accordingly, you should consider whether you would want to use either of these programs in the near future before applying for a transfer to the Pension Plan.

How Transfers in Are Invested

You should be aware that transfers into the Pension Plan are normally treated as new contributions for the purpose of investment instructions. For example, if your ongoing contributions are invested in the MTA 2025 Target Date Portfolio, then a transfer coming into the Pension Plan would be invested in that same option, regardless of how it may have been invested in your previous registered account. If you wish your transfer into the Pension Plan to be invested in a different approach than your ongoing contributions, you can call the Sun Life Financial Customer Care Centre to advise them of the upcoming transfer and ask them to put a note on your file to have the incoming funds invested in your preferred approach.

If you are interested in pursuing a transfer of your other retirement savings into the Pension Plan, you can contact the Sun Life Financial Customer Care Centre at 1- 866-733-8612 for more information. You may also wish to contact your financial institution and ask for assistance with the decision to transfer your funds and should you decide to proceed, with the forms required to complete the direct transfer. You should request clarification on how long the transfer may take and consider the impact of being out of the market for that period of time.

¹ While it would be possible to transfer non-locked in funds from your voluntary account into an RRSP first and then applying for the applicable program, this extra step could be considered an inconvenience.

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Members of the PAC – David Bruce, Anita Cannon, Paul Del Motte, Betty Hunter-Brayley, Stephen Law, Ron Sutherland, Pravin Varma