



Saint Mary's University

Vice-President, Finance

Date: January 31, 2003

To: Members of the Faculty and Administration Pension Plan and
Members of the Support Staff Pension Plan

Subject: Pension Plan Update

A general meeting of members of both pension plans has been scheduled for Friday, March 7, 2003 to discuss significant changes to pension governance and pension operations at Saint Mary's. More information on this meeting will be provided once the agenda is finalized. In the meantime, this report to the members of the Faculty and Administration Pension Plan and the members of the Support Staff Pension Plan provides a preview and update.

Investment Management Services

One of the major activities over the past year was a comprehensive review of pension investment management services. This includes the Recordkeeper and Investment Manager. The present record keeper, Canada Life, and the present investment manager, Integra Capital, will both be replaced as of April 1, 2003. While the fundamental nature of our pension plans will not change, the transition will require certain decisions by plan members with respect to personal investment choices. There will be no change to employee/employer contributions and, of course, the value of your pension account at April 1, 2003 will be properly transferred.

The main steps in the search process were the following:

- Due diligence was exercised to select a consultant to assist with the technical aspects of this review. A pension investment expert from Mercer Human Resource Consulting was chosen for this purpose.
- Because of investment managers having alliances with record keepers, it was decided to do a "bundled" search. This led to a review of both the Recordkeeper and the Investment Manager.
- We reviewed with Mercer the quantitative and qualitative criteria to be considered in requesting and evaluating proposals from potential record keepers.
- Proposals were received and short-listed from the standpoint of (1) administrative and communication services, (2) Guaranteed Investment Certificates, (3) funds available to plan members, and (4) overall fees.

After an 11 hour marathon session where all the short listed candidates were interviewed, both the Faculty/Administration Pension Committee and the Support Staff Pension Committee concluded in favour of the proposal from Sun Life Financial.

Sun Life Financial currently provides service to 1,800 Defined Contribution (DC) pension clients including 23 Canadian universities. The company has \$7.4 billion DC assets under administration and has had only three client losses over the past three years (mergers and acquisitions).

Investment options

There will be a new, expanded list of investment options as follows:

- Canadian equity fund actively managed by Jarislowsky Fraser
- Canadian bond fund passively managed by Barclays Global Investors
- US equity fund passively managed by Barclays Global Investors
- Non-North American equity fund actively managed by UBS Global Asset Management
- Money Market fund actively managed by McLean Budden
- Balanced "life-cycle" funds composed of Canadian equity, Canadian bond, US equity and Non-North American equity funds
- Sun Life 5 year GIC

With the move to Sun Life Financial, we anticipate better service and communication as well as prospects for better investment returns (although past investment performance is not necessarily a predictor of the future). In addition, more investment choices will be welcome news for many pension plan members. Along with these positive moves comes a reduction in total fees.

In early March you will receive a welcome kit directly from Sun Life. Please ensure you take the time to read it and complete the Retirement Savings Worksheet and the Investment Risk Questionnaire. Bring the kit to an enrolment session where you will receive an enrolment kit containing important information about your investment choices (numerous sessions will be held at various times during March 17 to 24 to ensure a convenient time for you to attend one of the sessions). You will hear more about this at the March 7th pension information meeting.

Pension Governance

A new pension governance structure has been approved by the Board of Governors as of mid-September, 2002. The University takes an overseer role and has ex officio members on the pension committees. The committees, comprised of pension plan members, now have assumed the "Administrator" role. In other words, the University has delegated significant powers and authority to the pension committees. SMUFU members voted overwhelmingly (93%) to approve the new pension governance structure. The Support Staff Pension Committee approved an identical governance structure in a unanimous vote.

The new governance structure has several key elements:

- **Mission Statement** – The following statement has been approved by each committee:
"The University and the Pension Committee will assist plan members to achieve financial security by the time of retirement. This assistance will take two forms. Our primary focus will be the optimization of the pension plan. Our secondary focus will be the timely provision of information to enable pension plan members to make more informed and rational decisions regarding their retirement income. In the context of assisting plan members, our objective is to be competitive with other Canadian universities."
- **Organizational Structure** - In the Saint Mary's pension governance model, pension governance is a joint responsibility of the University and each pension committee. The University has a responsibility to establish and monitor the governance structure and pension committees to ensure that the pension plans continue to be appropriately governed. Each committee, acting as "Administrator" shall ensure that the pension plan and the pension fund is administered in accordance with the Pension Benefits Act.

- **Appointment of Committee Members** - Roles and responsibilities have been identified and assigned. Committee members have been appointed. The members of each pension committee collectively demonstrate the capability necessary to fulfil their governing responsibilities. Both committees have attended pension training sessions. Where appropriate, the committees will seek information and advice from qualified internal and external advisors.

Communication

We certainly recognize that effective communication with pension plan members is a priority. Recommendations have been developed for implementing a pension communication strategy. Six key objectives have been identified:

1. increase employee understanding of the Pension Plan
2. help employees make informed choices
3. help employees see the larger financial planning picture
4. identify resources
5. promote two-way communication
6. increase Pension Committee's knowledge of pension matters

Quite a lot has been happening on the pension scene at Saint Mary's University. I will not try to get it all out in this introductory memo. However, we certainly look forward to the general meeting of members on March 7. In fact, two identical sessions will be held that day (10:00 a.m. and 2:00 p.m.) in the hope that one of the times may be convenient for you to attend.

As Chair (ex officio) of the two pension committees, I want to recognize and thank the committee members who have spent a huge amount of time and effort working on pension issues on your behalf, and continue to do so. Thanks are also owed to Rashid Tayyeb, Patricia Fitzgerald and Sheldon Glick who made major contributions to our pension governance structure and investment manager search process. The current committee members are:

Faculty and Administration Pension Committee

Darryl Bruce	Kim Squires
Larry Corrigan	Kevin Webb
Walt Finden	G. Fred Young
Keith Hotchkiss	Nicola Young
Jeff Power	

Support Staff Pension Committee

Larry Corrigan	David Lane
Keith Hotchkiss	Kim Squires
IUOE appointment to be determined	

Committee Advisors (non-voting)

Ron Cochrane, Director, Finance
 Karen Henderson, Pension Consultant, Mercer Human Resource Consulting
 Karen Reedman, Benefits Officer



Larry Corrigan, MBA, FCGA
 Vice-President, Finance
Chair, Faculty and Administration Pension Plan Committee
Chair, Support Staff Pension Plan Committee