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To: Saint Mary's University Pension Plan Members

Subject: Recent Market Turmoil – Impact on the SMU Pension Plan

The recent events in the global financial markets highlight the fact that there is risk in investing. As a member of the SMU Pension Plan, you may be concerned about how these events will affect your pension account. On Friday, November 7 at 10 a.m. in the Scotiabank Conference Theatre (SB201), we will be offering a free session regarding pension investment taking into account the recent market turmoil.

Direct Exposure to Specific Corporate Investments

The Pension Committee will continue to be in communication with our group retirement provider Sun Life Financial (SLF) to verify the exposure of the funds held within our pension plan. Based on preliminary analysis, we believe that exposure of our pension plan to the specific securities most directly involved in the recent financial market upheaval (for example, Lehman Brothers, Merrill Lynch, and AIG) is quite small. However, the effects of these events are not limited to the institutions directly involved, and the general upheaval in the financial markets has affected a broad array of investments.

Effect on Sun Life Financial

You may also be wondering about the financial health of Sun Life Financial. The pension funds offered are known as segregated funds. The assets are held separately (or segregated) from SLF’s general assets. SLF reports that it has a strong balance sheet and is well capitalized beyond minimum requirements. SLF is a highly diversified enterprise across businesses, products, services and geography. At the end of the second quarter, the Sun Life Financial group of companies had total assets under management of $413 billion. Earnings were also strong, at $1.05 billion for the six month period ending June 30, 2008. SLF’s overall investment portfolio is well capitalized and diversified with over $100 billion in assets and the exposure to both Lehman and AIG is immaterial, representing less than 1% of its total investment portfolio.

Putting Market Returns into Perspective

The following table shows the expected long term return for each of the investment portfolios offered within the SMU pension plan. The table also shows the ‘poor return’ scenario you might expect to see once every 10 years or so as a result of normal market cycles. Finally, the table shows actual returns for the SMU portfolios for the quarter which ended September 30, 2008.

Portfolio	Expected Long-Term Annual Rate of Return*	1 in 10 Annual Poor Return* Scenario	Actual Return* from 1-Jul-08 to 30-Sep-08
Conservative (30% equity)	6.0%	-2.2%	-4.6%
Moderate (50% equity)	6.7%	-4.3%	-7.4%
Balanced (60% equity)	7.0%	-5.5%	-8.8%
Growth (70% equity)	7.3%	-6.8%	-10.2%
Aggressive (80% equity)	7.6%	-8.2%	-11.6%

* All return figures are before fees

Please see over…

As an example, someone investing in the Balanced Portfolio might hope to achieve an average return over the long term of about 7% per year (before fees). In pursuing this approach, a member might expect to see (once every ten years or so) a return for that year of -5.5% or less. Actual returns in the SMU Balanced Portfolio (before fees) from July 1 to September 30, 2008 were approximately -8.8%. If this were an annual return, we might have expected to see returns this bad or worse once every 20 years or so (or perhaps twice in your career).

The bottom line is that the returns we have seen this quarter are unusual, but not a remote possibility. While returns like this are disappointing, as investors for our retirement, we unfortunately should expect to see them from time to time. The attached *my money* newsletter provides a perspective on consulting financial advisors to assess your risk profile.

Automatic Re-balancing

One of the important features of the investment portfolios available in the pension plan is that they are automatically re-balanced back to the target mix each quarter. This has two important consequences for plan members using portfolios:

- each quarter, Sun Life will sell assets within those asset classes with allocations exceeding the target, and purchase assets in those asset classes with a lower percentage than the target allocation. Effectively, the process as a whole follows the adage, “buy low, sell high”.

- the amount of risk to which your retirement assets are exposed will be reset each quarter, back to the target risk associated with that portfolio

At times like these, automatic re-balancing takes the emotion out of pursuing these reasonable goals. While nobody has a crystal ball to predict what will happen next, these strategies have proven effective in the past.

Financial Planning for Retirement

Your financial planning horizon will vary depending upon your unique circumstances, but for most people, financial planning for retirement requires a long-term outlook. While it can be dangerous to ignore changes in the financial markets, it can also be damaging to over-react to what may be short-term volatility.

Investing always involves an element of risk, and investing for retirement can be complicated. The Pension Committee strongly urges you to seek independent financial advice from a trusted and knowledgeable source to ensure that you are on track to meet your retirement goals.

Detailed information about the pension plan and your account is available through the SLF Plan Member website. Sign-in to www.sunlife.ca/member with your Access ID and Password. You can also contact SLF’s Customer Centre at 1-866-733-8612 every business day from 9 a.m. to 9 p.m. Atlantic Time. You could also check http://www.smu.ca/administration/hr/pension.html the SMU Pension website. Finally, please watch for our advertisement for the upcoming pension education session on investing in turbulent times - to be held on Friday, November 7 at 10 a.m. Refreshments will be provided.

On behalf of the Saint Mary’s University Pension Committee,

Larry Corrigan, MBA, FCGA
Vice-President, Finance and Chair of the Pension Committee

my money At a Glance

Helping You Understand Financial Planning and Investments

Feeling on edge?

Don't let the markets get you down

If you're like most investors, the recent events in North American markets have probably put you on edge. There has been a string of announcements about distressed U.S. banks either going bankrupt or being taken over apparently as a result of very loose lending practices.

The turmoil has been reflected on the markets. Recently, the Dow Jones Industrial Average (DJIA) has fallen sharply with the Toronto Stock Exchange (TSX) following suit. While the drops have been significant – the worst we've seen in six years – the losses still pale in comparison to the 1987 stock market crash, when the DJIA fell 22% in one day.

Nonetheless, newspapers across the continent and around the globe have been peppered with gloomy headlines chronicling the downturn of the economy, raising fears of a recession. It has certainly provided us with a wealth of dramatic stories; however, it has done nothing to calm the fears of investors.

But if dramatic changes in the markets scare you enough to sell your investments, you could be making a huge mistake.

Lessons of history

History tells us that what goes down has always rebounded and come back up. Sometimes it takes time – almost two years in the case of the October 1987 crash and longer during the 1970's bear market and the 1930's Great Depression – but inevitably the markets do bounce back. And if you choose to take your money out of the game, you could miss out on valuable gains as the mercury begins to rise again.

How long has it taken for the markets to recover?

Market Event	Recovery Time
1987 stock market crash	21 months
Russian financial crisis	17 months
Asian financial crisis	2 months
September 11, 2001 terrorist attacks on the USA	3 months

Source: Morningstar, S&P/TSX Composite monthly returns

This information is based on a $10,000 account balance at the beginning of the event month, and applying the monthly returns of the S&P/TSX Composite Index until the balance returned to $10,000.

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Sun Life Financial

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Diversification is key

One of the best weapons against market volatility is diversification. A portfolio that has a mix of equities and bonds and geographies is the best way to protect yourself from feeling the brunt of wild swings in the markets.

This means avoiding the temptation to put all of your investments in low-risk money market funds if that doesn't reflect your long term risk profile. While these products have less risk attached to them, they also provide very little growth potential. In some cases, they don't even keep pace with inflation.

For the long term investor, staying the course is imperative in order to achieve the long-term gains that most people are after when they enter the market.

But remaining patient during turbulent financial times is easier said than done. Doing a proper risk-assessment and scheduling regular meetings with your financial advisor will increase your chances of success, and more important, improve your comfort level.

If there's a positive scenario that a bear market presents, it's the lure of a good bargain. A drop in the markets can be a great opportunity to invest in a strong, reputable fund, at a low price.

*If you have a general question or suggestion about this newsletter, please send an e-mail to can_pencontrol@sunlife.com or write to **my money** At a Glance Newsletter, Group Retirement Services Marketing, Sun Life Financial, 225 King Street West, Toronto, ON M5V 3C5.*

Funds in your group plan

If you're concerned about the financial health of Sun Life Financial during these turbulent times, rest assured the company is well-capitalized to handle fluctuations in the market. This means that we are well prepared to meet our obligations under any guaranteed funds investments. Furthermore, the funds other than guaranteed funds offered through our group retirement and savings plans are typically known as segregated funds. That means the assets from these funds are kept separate from all other Sun Life Financial assets, and are therefore protected from Sun Life Financial's own exposure to failing companies.

The credit crisis in the U.S. is unlikely to stretch north of the border

If you've been watching the news lately, you know that these are tough times in the United States' financial sector. But a similar credit crunch and financial crisis isn't expected to reach its way into Canada. There are a few reasons why we are in a positive position to weather this financial storm.

- First, Canada's five major banks appear to be well capitalized to handle any risks.
- Second, their lending practices have been more conservative leading to fewer mortgages that aren't being repaid. While it's true that Canadians are extending themselves further into debt, the problems appear to be less severe than those faced by our counterparts south of the border.

Quick Tips for calm during turbulent markets

1. **Keep to your plan.** Don't panic and make an emotional decision. Remember that bad news sells for the media, and the headlines reflect short-term events. Saving for retirement is a long-term project that demands a long-term perspective.

2. **Talk to your financial advisor.** You may have used a financial advisor to help you to determine what types of investments you are comfortable with, and which investments are right for you. Your financial advisor can also help you weather the storm.

3. **A diversified portfolio spreads the risk.** A well diversified portfolio of stock, bond and cash investments is ideal for spreading the investment risk across many investment types. Investing in different geographies provides even more diversification. Managing risk is an important part of your investment plan.

4. **Make regular investments over time.** By being in a group plan, making regular investments through payroll deductions will help you to manage higher unit prices by taking advantage of lower unit prices, so that the average price lies somewhere in the middle.