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Investing in Troubled Times Saint Mary's University Pension Plan



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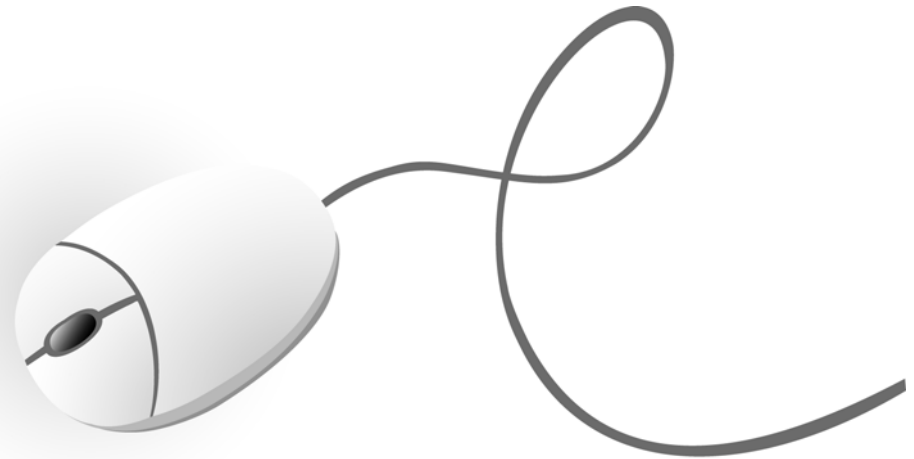
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 - *Investments denominated in a foreign currency will fluctuate with the value of the currency.*



Purpose of Today's Session

Agenda

- Overview of Recent Market Events
- Should we change our investments now?
- Should we have concerns with Sun Life?
- Resources Available
- Conclusion





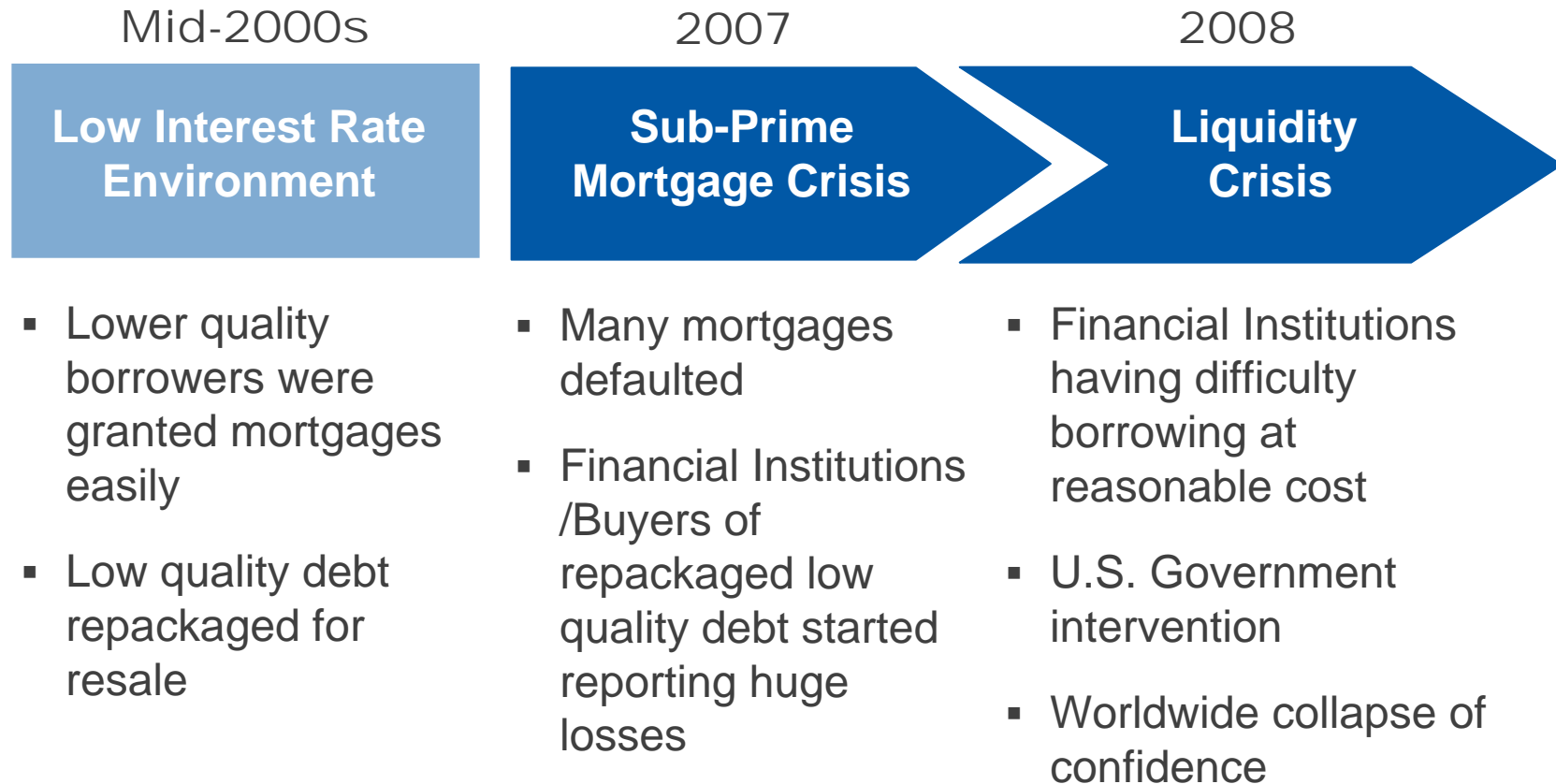
Overview of Recent Market Events

2008 is a Sad Year for all Financial Markets...

Financial Market	Year to October 31 (CAD\$)
Treasury Bill (DEX-91 days)	2.8%
Bond (DEX Universe)	1.0%
Canadian Equity (S&P/TSX)	-27.8%
U.S. Equity (S&P 500)	-17.3%
Europe Australasia Far East Equity (MSCI EAFE)	-30.1%
Typical Balanced Fund*	-14.1%

* Mercer Passive Portfolio: 42.5% DEX Universe, 25% S&P/TSX composite, 15% S&P (CAD\$), 15% MSCI EAFE (CAD\$), 2.5% DEX-91 days (monthly rebalanced)

What happened?



Implications for Canadian Market?

- **Our banking system...**

- Seems in fairly good shape vs. peers around the world
- Few direct exposures to troubled financial institutions

BUT...

- **Growing fear of U.S. recession...**

- Lower U.S. consumption
- Lower demand for Canadian energy and materials
- Impact on Canadian manufacturing



Funds in Pension Plan Exposed to Distressed Financial Institutions

- Some of the funds/portfolios offered under the Plan **directly exposed**
- Very marginal exposure (**less than 1%**)
- But funds in Pension Plan affected by **liquidity crisis and economic outlook**
- Actual year-to-date returns for the SMU portfolios as at October 31, 2008

SMU Portfolios	
Conservative	-8.44%
Moderate	-14.27%
Balanced	-17.08%
Growth	-19.86%
Aggressive	-22.55%



When is this market turmoil going to end?

- When investors **regain confidence** in the financial markets
- But given growing **risk of global recession...**
 - Investors will need to regain confidence in the economy in general as well





What should we do with our investments now?

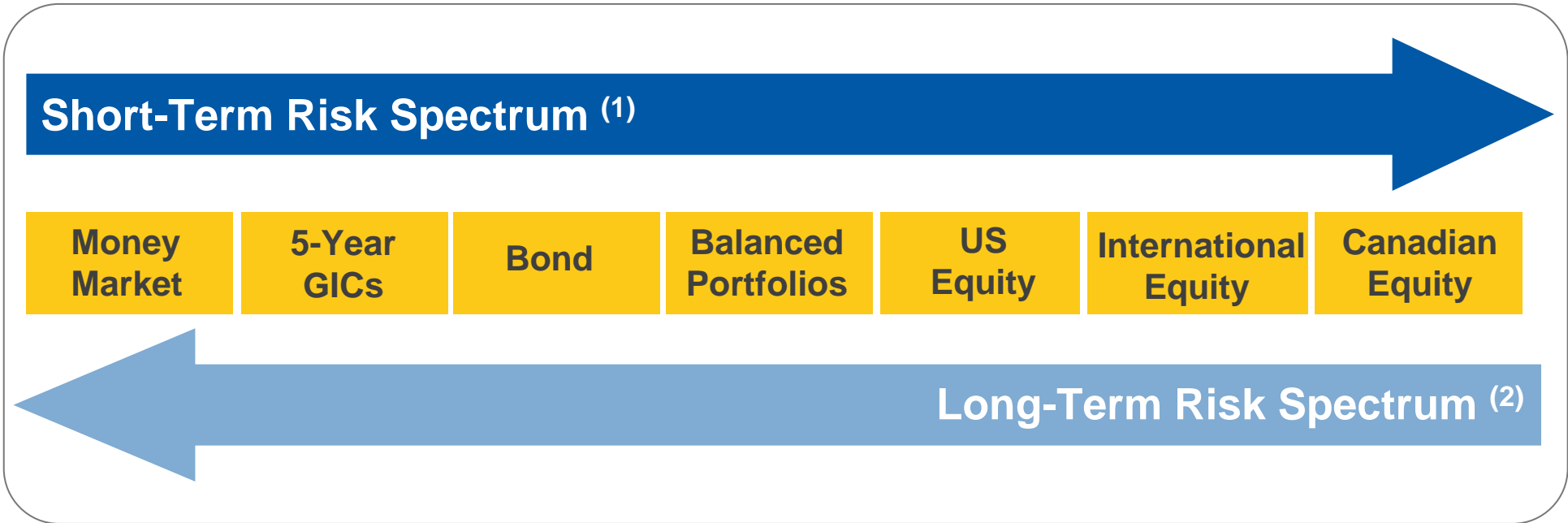
Reasons for Change

- Opportunity to review your risk profile vs. investments
 - Too conservative?
 - Too aggressive?
 - Not well diversified?
 - Can't sleep?
- Nearing retirement....
 - Considering an annuity purchase?



Reasons for Change
Risk/Return of Investment Options Offered

Risk Return Spectrum



(1) Short term risk is defined as volatility of returns and account balance

(2) Long term risk is defined as inadequate long term real returns to reach retirement objectives

Reasons for Change

Basic Concepts of Sound Investments... Asset Diversification

- **Diversification by:**
 - Type of investments (stocks, bonds, short-term investments, etc...)
 - Geography

- **Risk reduction** without necessarily impeding expected return



Reasons for Change

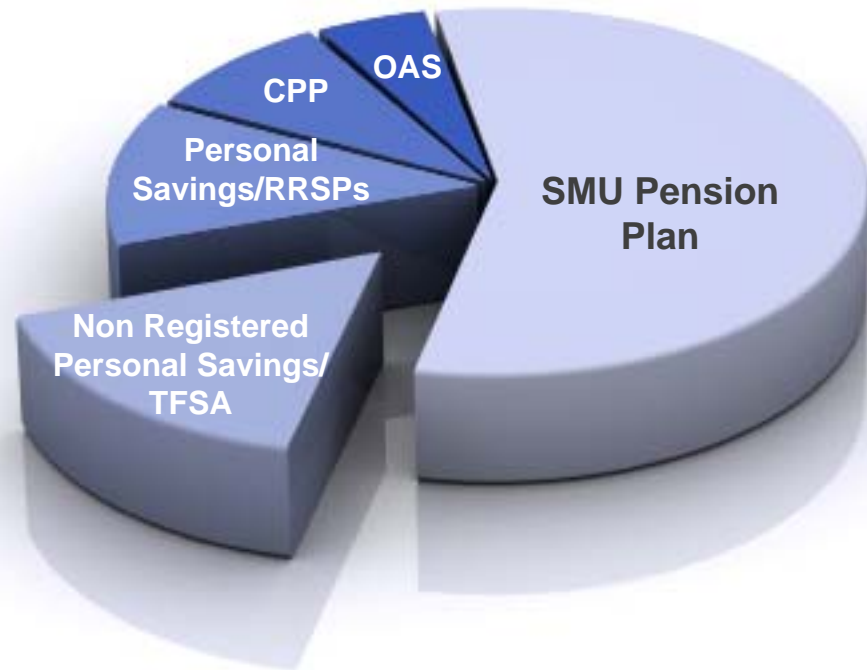
Silent Risk... Inflation

- Need to counter the long term effect of inflation
- Different asset classes provide different return potential

	Nominal return	Inflation	Real return
Treasury Bills	2.7%	2.3%	0.4%
Canadian Bond	4.4%	2.3%	2.1%
Canadian Equity	7.8%	2.3%	5.5%
Foreign Equity	7.8%	2.3%	5.5%

Reasons for Not Changing

- Purpose of the Plan
 - Savings for retirement (through regular payroll contributions)
 - For most... **long term outlook**
- Your Plan: **one source** of retirement income



Reasons for Not Changing

- Relative importance of contributions vs. investment return depends on accumulation stage

Accumulation stages

Young participant in early accumulation stage



Mid-Career participant with substantial account balance



Participant approaching retirement



Reasons for Not Changing

Young participant in early stage of accumulation



Range of return	6%		-10%
Account balance at beginning of year	10,000		10,000
Contribution	5,000	87%	5,000
Investment return	<u>748</u>	13%	<u>-1,257</u>
Account balance at end of year	<u>15,748</u>		<u>13,743</u>

In early years, the gains are dominated by contributions.

Reasons for Not Changing

Mid-Career participant with substantial account balance



Range of return	6%		-10%
Account balance at beginning of year	150,000		150,000
Contribution	6,000	40%	6,000
Investment return	<u>9,177</u>	60%	<u>-15,308</u>
Account balance at end of year	<u>165,177</u>		<u>140,692</u>

The gains in mid years are dominated by both contributions and investment return.

Reasons for Not Changing

Participant approaching retirement



Range of return	6%		-10%
Account balance at beginning of year	500,000		500,000
Contribution	7,000	19%	7,000
Investment return	<u>30,207</u>	81%	<u>-50,359</u>
Account balance at end of year	<u>537,207</u>		<u>456,641</u>

The gains in later years are dominated by investment return.

Reasons for Not Changing

Emotions Drive Investors...

- Investors want to win... but **are afraid to lose**
- Investing **always involves some risk**
- **Greed and fear** can be detrimental to investments



Reasons for Not Changing

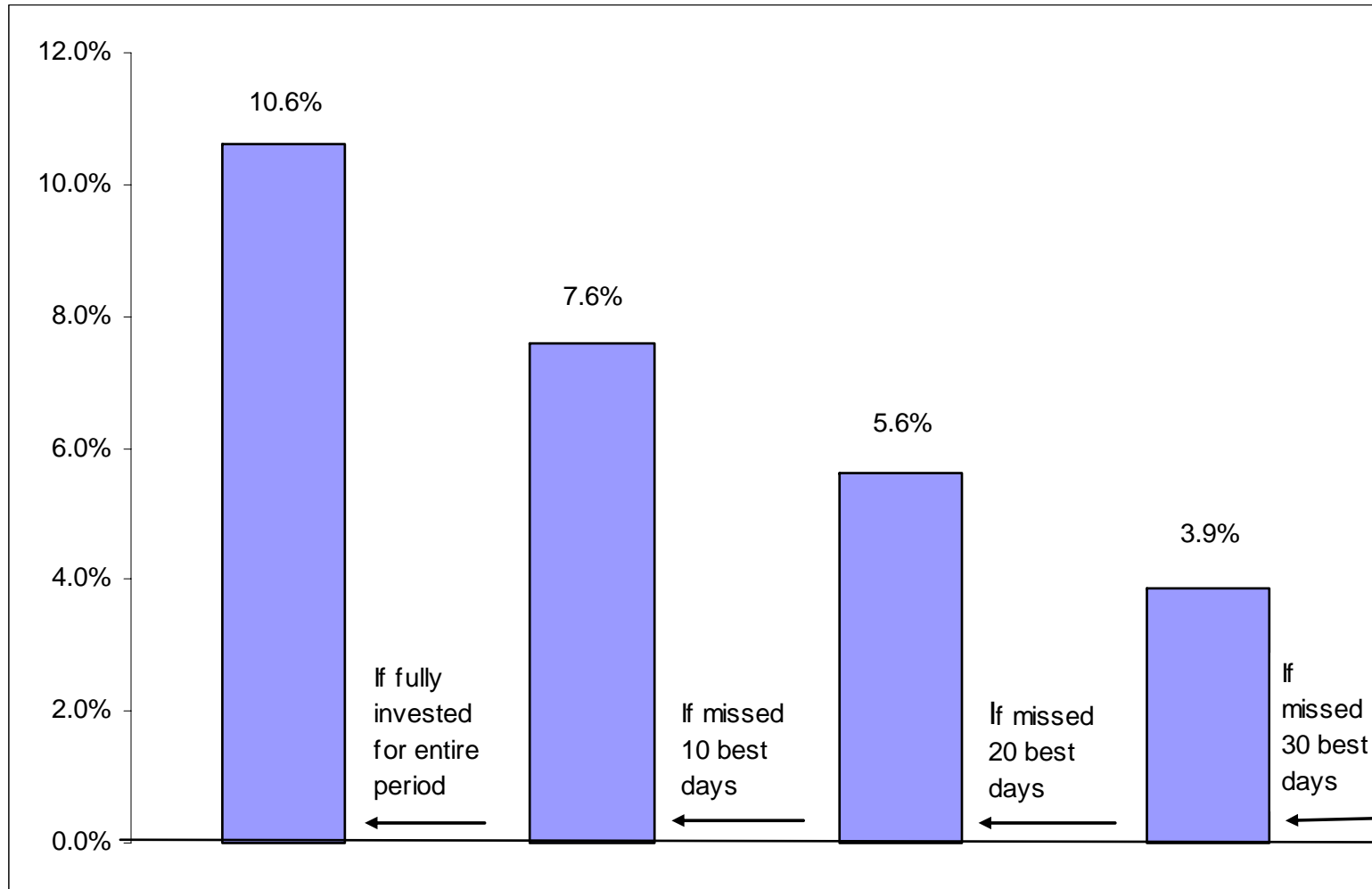
Patience During Crisis Events Has Paid Off...

Event	Bottom	Recovery (months)	Decline
Middle East Crisis	Jun-70	32	-25.4%
1st Oil Crisis	Sept-74	49	-31.9%
2nd Oil Crisis	Oct-81	28	-38.7%
Black Monday	Nov-87	23	-25.4%
Gulf War	Oct-96	39	-20.1%
Russian Crisis	Aug-98	19	-26.8%
IT Bubble Burst Middle/Far East Wars	Sept-02 Mar-03	59	-43.2%

Reasons for Not Changing

What if you miss the market's best days?

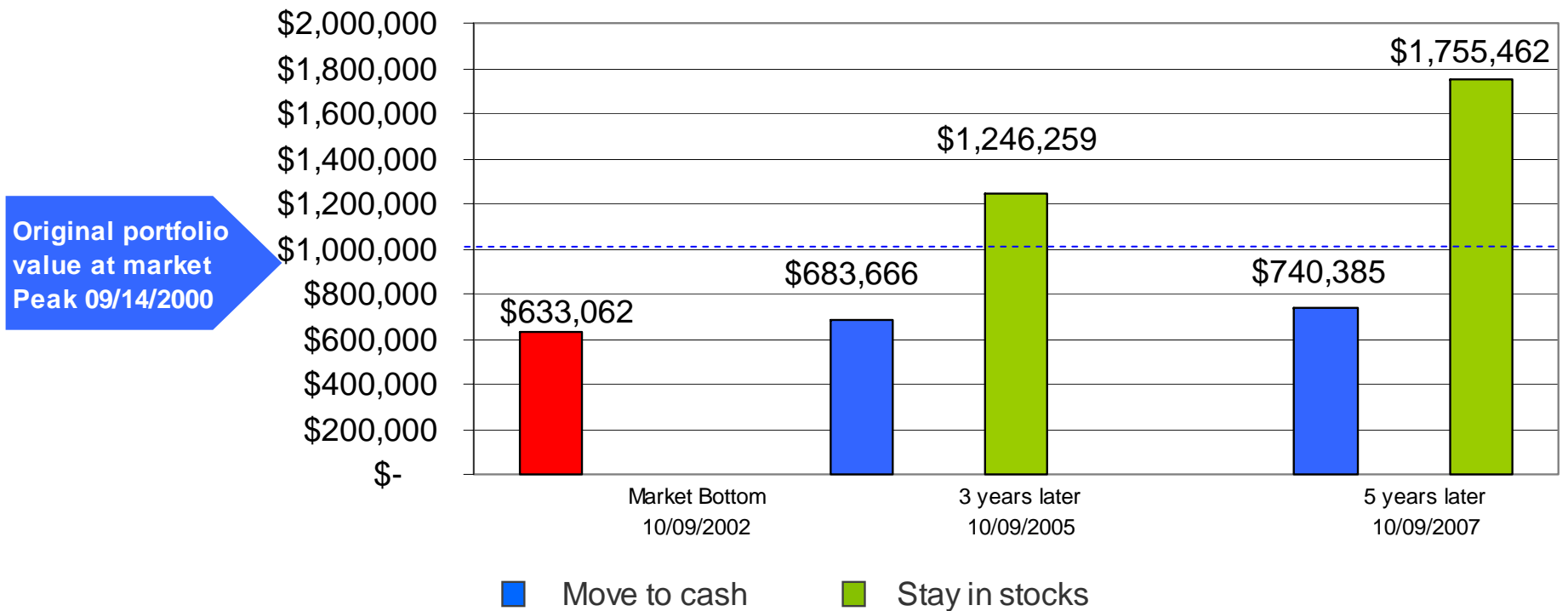
The price of being out of the Canadian Equity market
(October 1993 to September 2008)



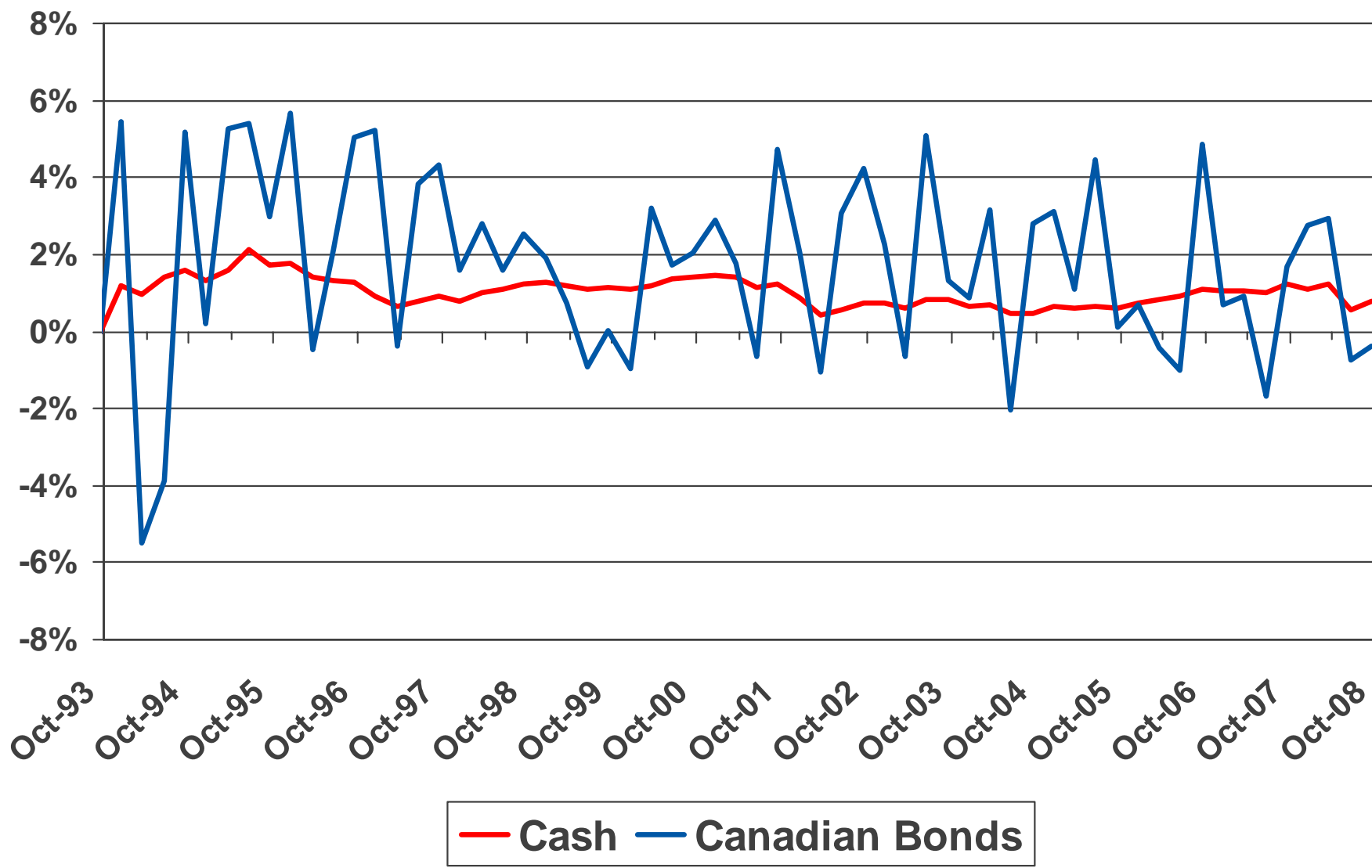
Reasons for Not Changing

What if you cash-out during crisis?

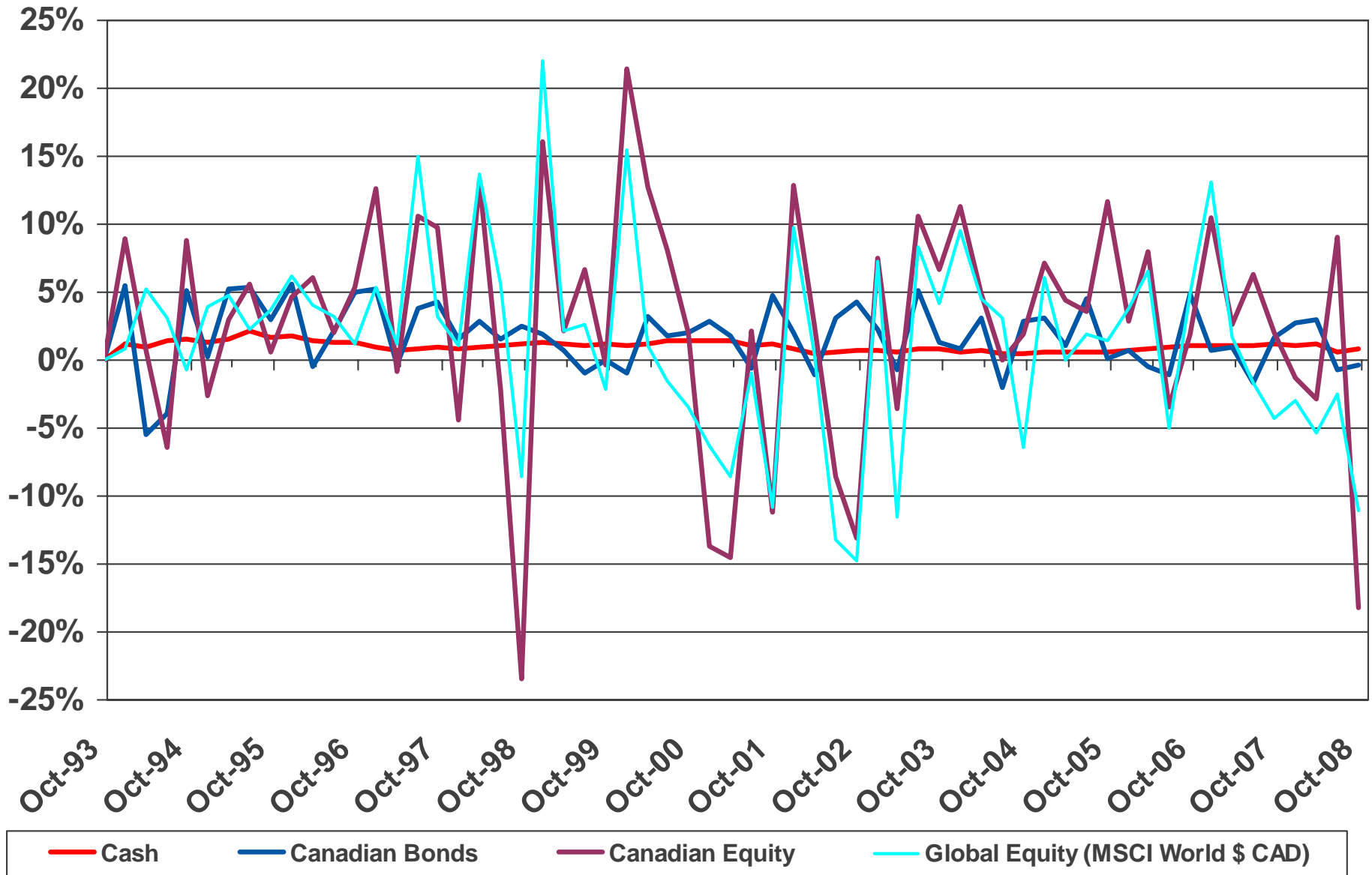
Remain invested in stocks or move to cash?



Short Term Risk (October 1, 1993 to October 1, 2008)

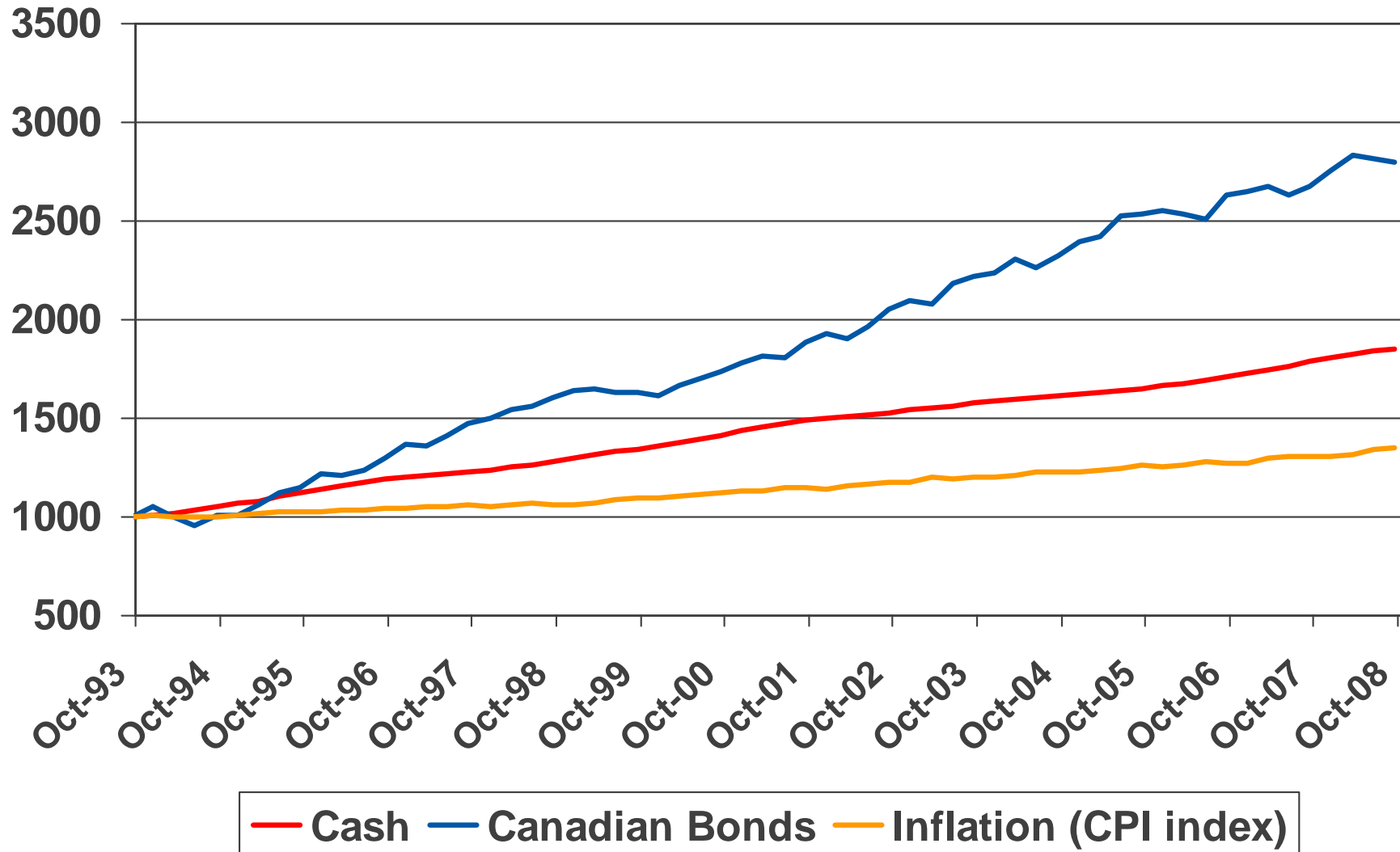


Short Term Risk (October 1, 1993 to October 1, 2008)



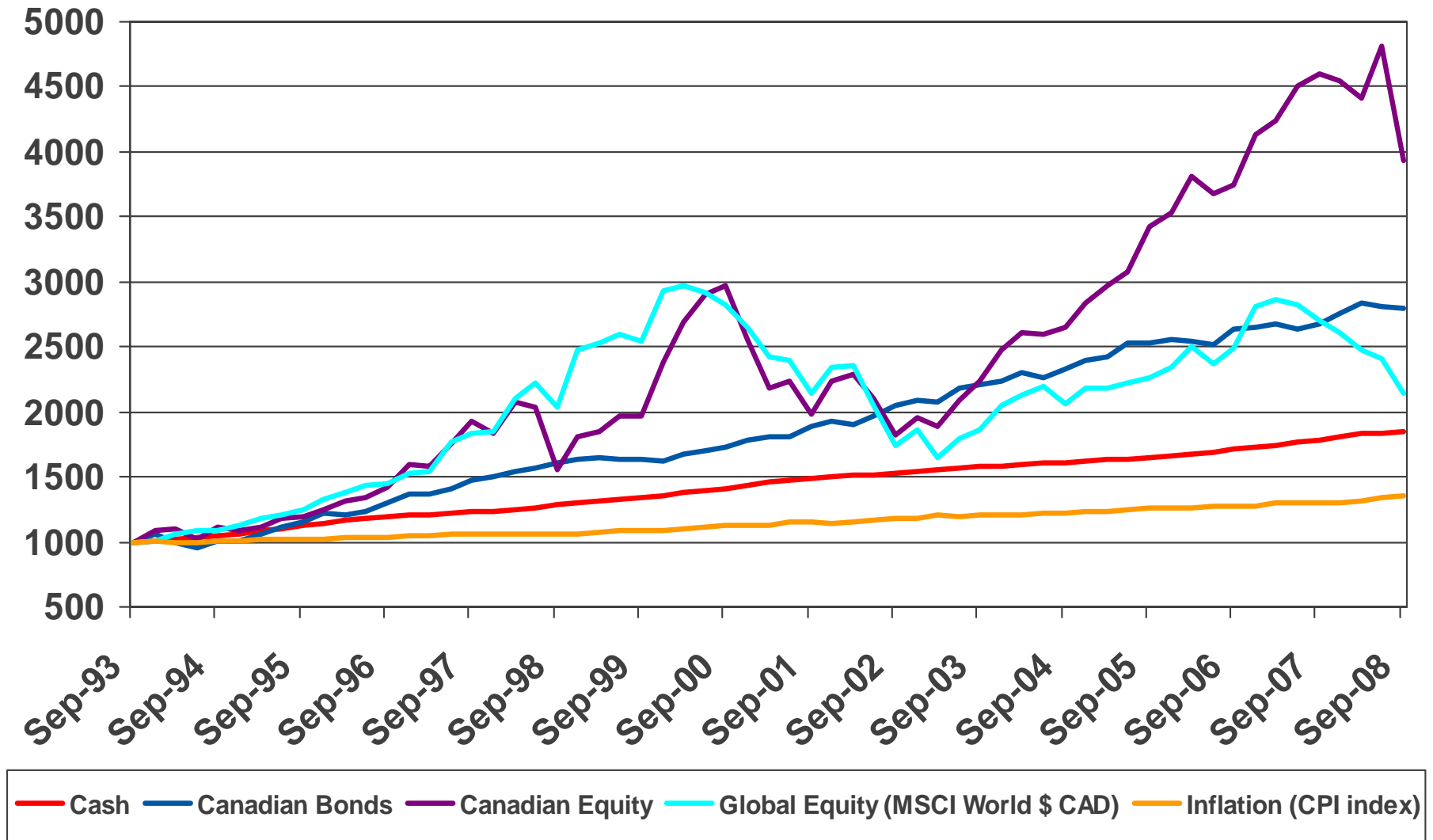
Long Term Growth

Growth of \$1000 (October 1, 1993 to October 1, 2008)



Long Term Growth

Growth of \$1000 (October 1, 1993 to October 1, 2008)





**Should we be concerned with
Sun Life Financial?**

Should we be concerned with Sun Life Financial?

- Sun Life's roles
 - Recordkeeper (Plan administration)
 - Guaranteed fund provider
 - External market-based funds maintenance
- Sun Life
 - Publicly-traded financial institution
 - Had exposure to distressed financial institutions



Should we be concerned with Sun Life Financial?

- Sun Life as a **recordkeeper**
 - Plan administration activities not affected by market downturn
- Sun Life as a **Guaranteed Fund provider**
 - Sun Life responsible to repay capital and accrued interests
 - Assets invested are commingled with Sun Life general assets
 - Protection under Assuris up to \$200,000 (2 layers of \$100,000)
- **Market-based funds** maintained by Sun Life
 - Assets held separately (segregated) from Sun Life general assets

On-Going Monitoring of the Plan

- The Pension Committee continues to monitor:
 - Sun Life
 - Plan investments





Resources Available



Resources Available

- Call **Sun Life** Customer Center
 - Toll free 1-866-733-8612 (9 a.m. to 9 p.m. Atlantic Time)
- Get help through your **Employee Assistance Program**
 - For information, general assistance or to arrange an appointment with a counselor (financial, personal)
 - All employees except Faculty, Professional Librarians
 - 1-800-268-5211
 - Faculty & Professional Librarians - SMU Health and Wellness Trust Group Benefits Plan:
 - 1-800-387-4765
- Consult your **personal financial planner**
 - Upcoming session will assist members with selection (Spring 2009)

Resources Available

Sun Life “Retirement Planner” Tool

- Use it to determine whether you’re ‘on track’ to meet your retirement goals
 - Allows you to calculate your projected income in retirement and determine what savings you’ll need to meet your goals
- To access, go to www.sunlife.ca/member and follow these links:
 - My InfoCafé
 - Resource Centre
 - My Money Tools
 - Retirement Planner
- You will need your member ID and password
 - Follow links on sign-in page if you’ve lost or forgotten ID/password



Conclusion

Conclusion

- Financial market going through severe downturn
- Should we change our investments now?
 - Opportunity to review your risk profile vs. investments
 - Purpose of Plan calls for long-term investing
 - Very few investors succeed in trying to time the market
 - Importance of diversification and...
 - Stay on course
- Access resources at your disposal



 **Questions**



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