

THE UNIVERSITY OF WINNIPEG
TRUSTEED PENSION PLAN
BOARD OF TRUSTEES

December 2011

To all Defined Contribution Plan members

Re: Defined Contribution Fund Fees

In the fall of 2010, Defined Contribution Plan members were advised of upcoming investment Fund changes in the DC component of the Plan. One of the member communications included information relating to a change in fee reporting, however, Plan members may not have fully appreciated the implications of the change until they actually saw the fees reported on their contribution statements and transaction reports. The purpose of this communication is to provide more information as a result of questions that have been raised by a number of concerned Plan members.

It is important to note, that the change is only a difference in reporting. You are paying the same amount in fees, but now you can clearly see how much you are paying.

What has changed?

Although Sun Life Financial disclosed the fees you were paying on the website and on your December statement, you never actually saw the transaction in your account. This is because most of the fees were built into the unit values of your investment options and although you were definitely paying the fees, you just couldn't see the transaction. In the interests of better disclosure, the University asked Sun Life to change the way fees are charged and reported to you. Now, instead of your unit value being reduced by the amount of the fee, which you may not have noticed, there is a transaction each month where you can actually see the fees that you pay.

How are fees charged and when are they reported?

The fees Sun Life collects are charged in two ways: some are based on your account balance ("asset based") and some are a per member charge.

Asset based fees are charged as a percentage of your account. They are different for each investment option and are deducted from your account after the end of each month. To determine the monthly fee, your account balance is multiplied by the fee and divided by 12. GST is added to this fee and deducted from your account at the same time.

The fees that you pay are disclosed to you on your December member statements and on the Plan Member Website. Your statements and the website also disclose other fees which could be charged under certain circumstances (example: RRSP withdrawals - \$25). The front page of the statement indicates the total fees you paid during the statement period. Transaction details on all of your fees charged can be found on the Plan Member Website.

What are the different types of fees?

Administration Fees

Sun Life Financial provides a number of services for which they charge a fee. Although their main job is keeping records of member contribution accounts, they also provide member education services, investment monitoring, a customer care centre, a plan member website and other tools and services to help you manage your account.

There are also administration costs associated with the operation of the University of Winnipeg Trusteed Pension Plan as a whole. These costs are all initially charged against the Defined Benefit component of the Plan, and at the end of every six month period the costs that relate to both components of the Plan are split between the two components on the basis of assets in each component. The portion of the costs that applies to the DC component is charged to DC members as a per member charge.

The Sun Life per member administration charge for your DC Pension Plan account is a \$12 annual administration fee; the University of Winnipeg Trusteed Pension Plan administration fee is a variable fee that is based on actual Plan administration costs in the previous six-month period (in the last five years has averaged at about \$26 per member per annum). The combined administration fee is divided by 12 and deducted from your account on the first business day of the month. The fee that is collected by Sun Life on behalf of the Board of Trustees is sent to the University at the end of each six-month period and is credited back to the Defined Benefit component. There is no per member charge for your Group RRSP account.

Operating Expenses

The Funds that are available to you for investment are Sun Life Financial segregated funds. These funds have legal, audit and other expenses that are paid out of the segregated fund by Sun Life Financial as “fund operating expenses”. These expenses can change from time to time.

The underlying investments in each segregated fund are pooled funds or mutual funds offered by the investment managers. These funds also have legal, audit and other expenses that are paid out of the pooled or mutual fund by the investment manager as “fund operating expenses”. These expenses can also change from time to time.

Fund Management Fees

All investment funds, particularly those that are actively managed, charge Fund Management Fees for their professional expertise in the investment of assets. These fees are paid by Sun Life directly to the Investment Manager and are charged as a percentage of your account balance.

For a chart showing the Fund fees as of **December 31, 2011** please go to the Defined Contribution component home page at http://www.uwinnipeg.ca/index/cms-filesystem-action/hr-docs/hr-benefits/pension_plan/dc_fees_dec_31_2011.pdf . The reported percentages include the asset based Fund Management Fee and the Fund operating expenses charged to the fund by both Sun Life Financial and the Investment Manager, but do not include GST.