

## **Brock University Pension Plan Short Term Fund Information Summary**

### **What is the Short Term Fund (STF)?**

The STF was created in 1998 to allow active Plan members to transfer a portion of their Money Purchase Account to a short term fixed income fund, on a voluntary basis, in the few years immediately preceding their normal retirement date.

### **Why was the STF created?**

Some members of the Brock University Pension Plan expressed a desire to stabilize the value of their Money Purchase Account in the years immediately before retirement. Their objective was to improve their ability to plan for retirement by removing some of the uncertainty that comes from fluctuating investment returns experienced by the Money Purchase Fund.

### **Who is eligible to transfer a portion of their Money Purchase Account to the STF?**

All active members who have attained age 62 (or who will attain age 62 before the end of the current calendar year) are eligible. The transfer happens once a year and is made as close as possible to November 1<sup>st</sup> of each plan year.

### **How can I elect to transfer a portion of my Money Purchase Account to the STF?**

If you meet the eligibility requirements, you will receive an option form which outlines the maximum portion of your June 30<sup>th</sup> account balance that can be transferred to the STF. This form is distributed to members who meet eligibility requirements in mid-September.

If you wish to transfer a portion of your Money Purchase Account to the STF, you have to complete and return the option form to the Human Resources Department by the date indicated on the form. If your signed (and witnessed) form is not received by this date, no transfer can be made this year. No exceptions can be made and there will be no follow up reminder regarding the transfer. It is your responsibility to ensure the option form is returned on time if you wish to make a transfer in any given year.

### **How much can I elect to transfer?**

The maximum amount that an eligible member can elect to transfer in a given year is based on a percentage of the Money Purchase Account balance on the June 30<sup>th</sup> preceding each November 1<sup>st</sup> transfer date. The percentage of the Money Purchase Account balance that can be transferred varies by age and is:

- **Up to 50%** of the June 30 balance in the calendar year the member reaches **age 62**
- **Up to 75%** of the June 30 balance in the calendar year the member reaches **age 63**
- **Up to 100%** of the June 30 balance in the calendar year the member reaches **age 64 and every year thereafter until retirement**

**Is the amount I elect to transfer adjusted for rates of return between July 1 and October 31?**

Yes, the transfer amount that you request will be adjusted for rates of return on the Money Purchase Account between July 1<sup>st</sup> and Oct 31<sup>st</sup>. The actual amount transferred will be the lesser of:

- The adjusted amount using rates of return known at the time of transfer (normally this would include rates of return up to Sept 30<sup>th</sup>); and,
- The adjusted amount using rates of return up to October 31<sup>st</sup>.

Members who request a transfer of funds to the Short Term Fund will receive a letter from Human Resources in late November (once the actual October rates of return are known) confirming the actual amount of funds transferred.

**Who manages the investment of funds in the STF?**

The STF is managed by McLean Budden.

**What is the STF invested in?**

The STF is invested in the McLean Budden Fixed Income Fund and the McLean Budden Money Market Fund (approximately 50% in each fund).

Overall, the objective of the STF is to outperform five year guaranteed investment certificates over the long run; however, the investment returns can be volatile and there is no guarantee that the STF will meet this objective. The returns on the STF can be negative from time to time.

**What is the McLean Budden Fixed Income Fund invested in?**

The McLean Budden Fixed Income Fund invests primarily in a diversified portfolio of bonds issued or guaranteed by Canadian governments (federal and provincial) and corporations. It may also invest in U.S. dollar denominated bonds from Canadian issuers, to a maximum of 10%.

The McLean Budden Fixed Income Fund's term to maturity is actively managed, within set ranges, according to the interest rate outlook. At least 25% of the fund is invested in Government of Canada bonds with the balance invested in provincial and corporate issues depending on market conditions. The corporate and provincial sectors are normally emphasized over a market cycle due to their higher yields.

The objective of the McLean Budden Fixed Income Fund is to provide investors with long-term returns, primarily through interest income.

**What is the McLean Budden Money Market Fund invested in?**

The McLean Budden Money Market Fund invests in high-quality, low-risk short-term money market investments, such as cash, treasury bills, bankers' acceptances, short-term corporate paper issued by Canadian companies and term deposits. The term to maturity of the investments in the McLean Budden Money Market Fund will not exceed one year.

The objective of the McLean Budden Money Market Fund is to provide investors with a modest level of income, while preserving capital.

**How has the STF performed relative to the Money Purchase Fund over time?**

The following table summarizes the returns on the Money Purchase Fund and the Short Term Fund over the last 10 plan years.

<b>Year</b>	<b>Money Purchase Fund (%)</b>	<b>Short Term Fund (%)</b>
2002/2003	2.54	5.56
2003/2004	13.58	1.94
2004/2005	10.90	7.30
2005/2006	5.37	0.56
2006/2007	14.88	3.92
2007/2008	-1.76	5.07
2008/2009	-15.21	4.75
2009/2010	7.51	3.19
2010/2011	12.59	2.41
2011/2012	1.97	5.18

Please note that the returns shown in the above table are calculated net of expenses and are for plan years which run from July 1<sup>st</sup> to June 30<sup>th</sup>. As with most other investments, past performance cannot be used to predict future performance.

**How will I know how much is in my Short Term Account after my initial transfer?**

As noted above, members who request a transfer of funds to the Short Term Fund will receive a letter from Human Resources confirming the actual amount of funds transferred once the October rates of return are known.

From that point in time, your annual pension statement (which is prepared as of each June 30th) will show a breakdown of the amount of your funds that are in the Money Purchase Fund and the amount that are in the Short Term Fund.

**If I transfer a portion of my Money Purchase Account to the STF now, can I choose to transfer those assets back at a later date?**

No. Any portion of your Money Purchase Account balance that is transferred to the STF will remain in the STF until your retirement from the Pension Plan.

**What happens to the funds in my Short Term Account when I retire from the Plan?**

When you retire from the Plan, the value in your Short Term Account will be transferred back to the Money Purchase Fund and used to provide a monthly pension through the Variable Annuity Account (if you elect to take a pension from the Plan) or will be paid out to your Locked In Retirement Account (if you elect to transfer your funds from the Plan).

**Who bears the cost of the administering the STF?**

Participants in the STF bear the entire costs associated with investing and administering the STF. The STF rates of return shown on the pension web site are net of expenses.

**Should I transfer funds to the STF?**

The decision to transfer funds to the STF is a very personal decision and must be made in accordance with your individual circumstances and risk tolerance. It should also be in alignment with your overall retirement plan. It is advisable for members to consult with their financial planner when making their decision.

**Who do I contact if I have questions regarding the STF transfer option?**

Questions regarding the STF can be directed to Wanda Fast at extension 4898 (or by email at [wfast@brocku.ca](mailto:wfast@brocku.ca)). Wanda is also available, by appointment, to meet with members regarding any pension and/or related retirement items, including the STF.