



May 2010

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2009 CICA Section 5970 Audit Report

The CICA Section 5970 Audit Report was recently released. This report reflects the requirements under Section 5970 of the Canadian Institute of Chartered Accountants (CICA) Handbook, which harmonize the Canadian reporting of internal controls with those of the US SAS70 standards.

The report outlines our key internal Group Retirement Services processes and safeguards, which ensure plan sponsor and member records are maintained using carefully monitored and controlled business practices. It provides clients with insight into the nature of the controls and the testing performed by an external audit firm, which examines our corporate policies and procedures, computer systems, information access control and internal audit processes. The audit firm also reviews our compliance monitoring, privacy controls and sponsor/member servicing.

The report is a key component of our quality assurance program. It is an independent validation of how well we fulfill our mandate to safeguard client information. It illustrates the rigour with which we approach our responsibilities, and it gives our clients valuable audited information to help them with their governance obligations.

For 2009, our auditors provided an unqualified opinion that the processes and controls were as represented and sufficient.

You can obtain a copy of this report from your Sun Life Financial Group Retirement Services representative.

2009 Segregated Funds Annual Report

The Sun Life Financial 2009 Segregated Funds Audit Report was recently released. In it the auditors confirm that they have reviewed the financial information of each of our Core Investment Selection™ funds and agree that the funds' financial statements present fairly, in all material respects, the net assets of each of the funds as at December 31, 2009. If your auditors are interested in seeing the report, your Sun Life Financial Group Retirement Services representative would be pleased to send you a copy.

At a Glance Newsletter – update on recent issues

The **At a Glance** newsletter focuses on plan member education with topics ranging from retirement savings to tax planning to investments. Here's what we covered recently:

- January/February issue: *Filing your return doesn't have to be taxing* gives tips on tax-savings opportunities such as finding money to contribute to your RRSP and income-splitting. How TFSAs compare to RRSPs and how to apply your RRSP to the Lifelong Learning Plan (LLP) and the Home Buyers' Plan (HBP) are also featured.
- March issue: *The group plan advantage* highlights the benefits of enrolling in employer-sponsored group plans, and how group plans help members reach their savings and retirement goals.
- April Issue: *Getting your bearings: Making sense of your savings and retirement options* offers plan members the information they need to identify and differentiate between today's investing and savings choices and make smart financial decisions to help ensure their savings plans are on track.

You can find **At a Glance** issues at www.sunlife.ca/ataglance.

Client services consolidation taking place in 2010

We will be consolidating and moving our client services teams to our offices in Waterloo, Ontario, and Montreal, Quebec, by the end of this year.

This transition will centralize our services in two environments with increased sharing of expertise and cross-training capabilities. Since we're committed to a seamless integration and excellence in customer service, there will be no disruption of service to plan sponsors or members.

Harmonized sales tax update

Ontario and British Columbia agreed to implement the harmonized sales tax (HST), which will replace existing provincial sales taxes and the federal goods and services tax in those provinces beginning July 1, 2010, and would be administered by the Canada Revenue Agency. Legislation to enact the HST has been passed into law by the Governments of British Columbia and Ontario.

In preparation for this change, Sun Life Financial is participating in industry discussions about the impact the latest harmonization may have on our business. We are still waiting for details about this legislative change from the federal government. We'll keep you up to date on changes that may affect sponsors and members. For more information, visit this link on the Canada Revenue Agency website <http://www.cra-arc.gc.ca/gncy/hrmnztn/menu-eng.html>.

Improved MLI reaching more plan members

The Member Loyalty Index (MLI) on the Plan Member Services website is a survey that helps us understand if we're meeting plan member expectations. In 2009, we enhanced it to maximize its effectiveness. To increase its visibility and boost response rates, it is now directly linked to an ad on the **Home** page of the Plan Member Services website. As well, every member who completes the survey is entered to win one of eight JUMP cards valued at \$200 each, redeemable at more than 200 Canadian retailers. Two winners will be drawn each quarter.

The survey takes about five minutes to complete and asks plan members about:

- The Plan Member statement;
- The Plan Member Services website;
- The Customer Care Centre;
- Their enrolment experience (if they've joined the plan or added a product within the last 12 months);
- Their overall satisfaction with Sun Life Financial;
- Whether they're willing to keep their assets with us when they leave their employer; and
- Whether they're willing to recommend us to others.

A new feature targets plan members who have provided a low score on particular questions. They are invited to tell us what we can do to improve their experience, so that we can use those insights to help shape future innovations or processes.

Retiring Soon – update on recent issue(s)

The spring edition of **Retiring soon** will be emailed to **Retiring soon** members on May 14, 2010. For an advance copy, please contact your Sun Life Financial Group Retirement Services representative. This edition focuses on boosting health with superfoods, strategies on converting savings into income, and discovering vacation options close to home.

SLF celebrates 10th anniversary as a public company

On March 22, 2010, Sun Life Financial Inc. marked its 10th anniversary since demutualizing and becoming a public company. During this past decade, Sun Life has expanded in size, scope and customer reach in all of its markets.

Since Sun Life Financial began its first day of trading on March 23, 2000, the average annual total shareholder return (comprised of share price appreciation and dividends) has been 12.3%. The common share price has risen since then from \$12.50 (US\$8.50) to \$31.94 (US\$31.39) at March 19, 2010.

For highlights of Sun Life Financial's history over the last decade and milestones from its 145-year history, please visit www.sunlife.com/history.

SLF selected one of the 100 most sustainable corporations in the world

Earlier this year, Sun Life Financial Inc. was named as one of the Global 100 Most Sustainable Corporations in the World in an announcement at the World Economic Forum in Davos, Switzerland.

The Global 100 includes companies from 24 countries encompassing all sectors of the economy, with a collective enterprise value of \$4 trillion, and three million employees. Sun Life Financial is one of only nine Canadian corporations and the only North American insurance company named to the Global 100 list.

This edition of the Global 100 list establishes a new standard of transparency for such rankings. The 2010 Global 100 tapped intelligence from the world's largest sustainability research alliance put together by Legg Mason's Global Currents Investment Management to isolate the top 10 per cent of companies from a universe of 3,000 global stocks. The top 10 were then transparently ranked based on 10 indicators, with data sourced from ASSET4, a Thomson Reuters business, and The BLOOMBERG PROFESSIONAL[®] service.

In addition to its Global 100 ranking, Sun Life Financial is also listed on the FTSE4Good Index and the Dow Jones Sustainability Index North America.

SLF wins Reader's Digest Trusted Brand Award

We were recently voted by Canadians as the most trusted life insurance company in Canada through the Reader's Digest 2010 Trusted Brand awards program.

We won this recognition over all other insurance companies in Canada. This awards program was based on a Harris/Decima poll commissioned by Readers Digest, conducted in October 2009. The poll asked respondents, unprompted, which brands they trusted the most for a number of different product categories.

Product quality, customer service and brand experience scored high among poll respondents who chose Sun Life Financial as their most trusted brand of life insurance. Like our life insurance business, these are qualities that Sun Life Financial emphasizes throughout its operations.

Industry and Regulatory News

Changes to Manitoba pension legislation

In March 2010, the province of Manitoba announced pension legislation changes that will take effect (in most cases) as of May 31, 2010. These changes will affect pension plans that are registered in Manitoba as well as plans that have members employed in Manitoba. Plans registered under the federal Pension Benefits Standards Act (PBSA) are not affected by such changes. There will also be changes that impact LIRAs, LIFs and LRIFs. Sun Life Financial is currently reviewing these changes and will provide details as needed. For more information, visit <http://www.gov.mb.ca/labour/pension/>.

DPSP 90-days rule – reminder to contact Sun Life Financial promptly

Deferred Profit Sharing Plans (DPSPs) are subject to an Income Tax Act rule stipulating that amounts become payable, and therefore deregistered, 90 days after a member terminates, dies, retires, or the DPSP is wound up. We'd like to remind you it's very important that you contact your Sun Life Financial representative immediately when such an event occurs. This allows us to send the settlement option package to the member or beneficiary/executor promptly. They must elect a tax-sheltered option within the timeframe provided or we will be required to deregister the funds and withhold tax.

New electronic filing option for AIRs

The FSCO launched a new electronic filing option for Annual Information Returns (AIRs) on March 31, 2010. Although electronic filing is optional and paper forms can still be submitted, the published information suggests that plan sponsors can delegate electronic filing to their service providers.

As a service provider, Sun Life Financial is committed to assisting you in your role as plan sponsor and administrator. We feel that it is more appropriate at this time for plan sponsors, who have ready access to most, if not all the information required, to file the AIR. We will continue our current practice of providing you with information and reports to help you complete the AIR and submit it to FSCO. This process will be reviewed to determine the most efficient method of filing the AIR. To learn more, visit www.fSCO.gov.on.ca.

FSCO reducing amendments for Ontario DCPs

According to a recent FSCO website posting, the effective date of a reducing amendment cannot be any earlier than the date a full application for the amendment is received by FSCO. Previously, the effective date of a reducing amendment could not be earlier than the date that notice was sent to affected members.

Impact of legislative change:

- Sun Life Financial can no longer implement a reducing amendment before an amendment is completed, signed by the client and filed with FSCO indicating a future date for the reducing amendment.
- If you're reducing your plan's DCP contribution formula you can't start deducting at the lower rate until the full application for amendment is received by FSCO.

An amendment is considered filed when the following FSCO conditions are met:

- The amendment itself is received by FSCO;
- An Application for Registration of a Pension Plan Amendment (Form 1.1) is received by FSCO;
- A notice to members and former members (as applicable) is distributed; and
- Any other required documentation is received by FSCO.

For an Ontario-registered DCP, members must be given 45 days from the reducing amendment's date of notice to make comments. This recent change will mean that FSCO will not register the amendment until the later of (a) the end of the 45-day period from date of notice, or (b) the date the amendment is filed with FSCO for registration.

To find the actual FSCO questions and answers regarding this change, visit www.fSCO.gov.on.ca.

Consultations by Canada's Task Force on Financial Literacy

In the July 2009 edition of GRS News, we reported that Sun Life Chief Executive Officer Donald A. Stewart was recently appointed Chairman of Canada's national Task Force on Financial Literacy. Since then the task force has started public consultation with Canadians to understand what elements are considered necessary for financial literacy and the nation's best ideas on how existing institutions should interact to best deliver those components. For more information on Canada's Task Force on Financial Literacy, please visit: www.financialliteracyincanada.com.

Inside Investments

The following information was released since the 2009 year-end edition of GRS News. For full details of all investment updates, plan sponsors can refer to **Morningstar®**, which is available through the Plan Sponsor Services website.

Investment news

Plan sponsors may wish to consider whether the following investment updates have any implications for the investment options available within their plans.

On June 30, 2010, the Sun Life Financial 2010 Milestone® Segregated Fund will reach maturity. At this time, all assets and future contributions will automatically transfer to the Sun Life Financial Money Market Segregated Fund or a comparable money market fund currently in each plan. For plans that do not offer an active money market fund, a Sun Life Financial representative will contact the plan sponsors and plan advisors in order to add the fund to the plan.

Plan members can continue to invest in the Sun Life Financial 2010 Milestone Fund until it matures on June 30, 2010; however, plan sponsors are urged to encourage plan members to update their investment instructions.

More details regarding the fund maturity and strategy for the transfer of the assets will be communicated to all plan sponsors in early May 2010.

On January 10, 2010, BlackRock Asset Management Canada Limited (BlackRock) announced that the benchmark returns for the following Canadian LifePath® Index Funds (LifePath Funds) were restated for the period from July 2008 to September 2009:

BlackRock LifePath® 2020 Index Fund
BlackRock LifePath® 2025 Index Fund
BlackRock LifePath® 2030 Index Fund
BlackRock LifePath® 2035 Index Fund
BlackRock LifePath® 2040 Index Fund

It is important to note that only the *benchmark* performance for the LifePath Funds were restated and not the performance of the funds themselves.

Personnel updates

Connor, Clark & Lunn Investment Management Ltd. (CC&L) announced the resignation of Richard Lewis, Co-Head, Institutional Equity at New Star Institutional Managers, at the end of 2009.

Mr. Lewis had co-led the Institutional Equity team along with Mark Beale, who has been promoted to Chairman and will continue to lead the eight-member investment team together with Ian Beattie, in his role of Chief Investment Officer, and Tim Bray, a 24-year veteran of the team, who will assume the role of Managing Director. The investment team is also supported by two client service and three management support staff.

The firm also confirmed the departure of four portfolio managers in North America and Asia and five analysts over the past two years, events that had not been previously communicated by CC&L. The departures over this period were for varied reasons, including individuals' poor performance results, redundancies and individuals leaving the industry. Over the same period, the team also added three portfolio managers and one analyst.

Russell Investments Canada Limited (Russell) announced the resignation of Mark Hansen, Managing Director of Russell's Americas Institutional business, as of March 1, 2010. Mr. Hansen joined Russell in 2006. Reporting directly to Andrew Doman, CEO, Mr. Hansen was responsible for overseeing investment strategies, including investment consulting, and client services for Russell Institutional. He will continue to lead Russell's Americas Institutional business and work closely with the broader leadership team until the firm appoints a replacement to head its institutional business.

The above change has no material direct impact on any funds that form part of Sun Life Financial's Core Investment Selection™.

Revisions/updates to Statement of Investment Policies and/or Objectives

Bissett Investment Management (Bissett) revised their Statement of Investment Objectives and Strategies for the Bissett Canadian Equity Fund and the Bissett Bond Fund, including benchmark changes for the Bissett Canadian Balanced Fund. These changes were effective June 2009, but were only communicated to Sun Life Financial recently.

Bissett confirmed that there are no material changes to the 2009 update of the Investment Objectives and Strategies. Bissett added the following information with regard to short-selling: "If utilized, these transactions will be used with the other investment strategies in a manner considered most appropriate to achieving the Fund's overall investment objectives and enhancing the Fund's returns."

As well, the benchmark returns for the Bissett Canadian Balanced Fund were revised as follows:

- S&P/TSX Composite Index weighting was reduced from 35% to 30%; and
- A five per cent allocation to BMO Nesbitt Burns Canadian Small Cap Index fund was added.

The following table reflects the changes in the benchmark weights for the Bissett Canadian Balanced Fund:

Bissett Canadian Balanced Fund	New Benchmark	Previous Benchmark
DEX Universe Bond Index	40%	40%
S&P/TSX Composite Index	30%	35%
BMO Nesbitt Burns Canadian Small Cap Index	5%	nil
S&P 500	12.5%	12.5%
MSCI EAFE Index	12.5%	12.5%

Bissett's Statement of Investment Objectives and Strategies outlines issues such as investment objectives, risk factors, strategies and guidelines for the investment funds managed by Bissett. A copy of the Statement of Objectives and Strategies is available on the Sun Life Financial Plan Sponsor Services website.

Greystone Managed Investments Inc. (GMI) revised their Statement of Investment Policies and Guidelines (SIP&G) for the Greystone Canadian Equity Segregated Fund and the Greystone Canadian Balanced Segregated Fund effective January 1. GMI's Statement of Investment Policies and Guidelines outlines issues such as investment objectives, risk factors, strategies and guidelines for the investment funds managed by GMI.

The following outlines the changes to the SIP&G for both funds:

- Subscription receipts have been added to the list of permissible investments for the Greystone Canadian Equity Segregated Fund and the Greystone Canadian Balanced Segregated Fund;
- All sections of the policy relating to operations of both funds were moved into an appendix, and some minor editorial non-material changes were made to some sections.
- The Neutral Asset Mix column in the Asset Guidelines section of the SIP&G for the Greystone Canadian Equity Segregated Fund has been removed since the intent of the fund is to be fully invested.

A copy of the Statement of Objectives and Strategies is available on the Sun Life Financial Plan Sponsor Services website at www.sunlife.ca/sponsor (**Home > Group Retirement Services > Investments > Investment news**).

Effective January 1, 2010, Sun Life Assurance Company of Canada updated the Statement of Investment Policies and Guidelines for the Sun Life Financial Granite™ Moderate Segregated Fund to provide for the change in the performance of the fund's benchmark. The only change is in the allocation to the S&P 500 (\$CAD) and S&P 500 (\$USD) from 6% and 9% to 5% and 10% respectively. Sun Life Financial is of the opinion that this change will more closely align the Sun Life Financial Granite™ Moderate Segregated Fund with the benchmark allocations.

Effective January 1, 2010, UBS Global Asset Management (Canada) Co. (UBS) has made changes to its Pooled Funds' Investment Policy Statements.

The funds offered through Sun Life Financial's Core Investment Selection™:

- UBS (Canada) Balanced Segregated Fund*
- UBS (Canada) Bond Segregated Fund*
- UBS (Canada) Canadian Equity Segregated Fund*
- UBS (Canada) Canada Plus Equity Segregated Fund*
- UBS (Canada) American Equity Segregated Fund
- UBS (Canada) International Equity Segregated Fund*
- UBS (Canada) Global Equity Segregated Fund
- UBS (Canada) Short Term Bond Segregated Fund
- UBS (Canada) Small Capitalization Segregated Fund*

* These funds have some key changes in UBS' revised Investment Policy Statements effective January 1. All the other changes in the Investment Policy Statements for these funds are not material and were made for clarification purposes only.

For all Pooled Funds, UBS removed the following wording from the securities lending section: "Collateral in the form of Government of Canada Treasury Bills is provided for 105% of the market value of the securities lent."

UBS confirmed that the collateral is marked to market daily and if necessary, new securities would be pledged as collateral if the market value fell below the 105% minimum. Government and corporate debt and convertible securities are acceptable as collateral.

InSights: TFSA update – are plan members taking advantage of this powerful savings option?

The ***InSight*** series of research reports looks at issues relevant to the group retirement services industry. The April 2010 issue offers insight into how our plan members are using the group TFSA and how their experiences compare with TFSA investors in the retail environment. Data for this report reflect the experiences of Sun Life Financial plan sponsors with 12 or more plan members participating in the TFSA as part of their group retirement savings plan.

The TFSA update includes data on how much plan members are saving and how they are investing their assets. It also provides general information about this powerful savings option and why you should consider adding it to your group retirement and savings program.

Retirement InSights: Automatic solutions for workplace saving – a global perspective

In the April 2010 issue of ***Retirement InSights***, we look at how pension reform that allows automatic savings solutions through the workplace is transforming the way people save for retirement in many parts of the world.

Automatic solutions include automatic plan enrolment at a pre-set contribution rate, automatic contribution increases, and automatic investment in a default investment option. While they have proven to be highly effective ways to increase participation in workplace savings plans and the rate of savings in several countries, automatic solutions remain rare in Canada, due mainly to legislative restrictions.

Sun Life Financial supports pension reform that would allow automatic solutions to be available in Canada, and believes that making these solutions available through the workplace will help Canadians achieve lifetime financial security.

Automatic solutions for workplace saving – a global perspective will be distributed as an executive summary of a research report by the same name. The full research report will be available on request from your Sun Life Financial Group Retirement Services representative.