

DESCRIPTION OF FUND OPERATIONS FOR SUN LIFE FINANCIAL VOLUNTARY RETIREMENT SAVINGS PLAN POLICY

Sun Life Segregated Funds (Conventional Funds)

Definitions

The definitions in the policy apply unless otherwise defined here or unless the context otherwise requires.

“Account” means the mechanism established for a member by Sun Life to record the Contributions, investment earnings, withdrawals, refunds and deductions allocated to the Funds selected by the member.

“External Unitized Fund Manager” means the manager of an External Unitized Fund.

“External Unitized Funds” means assets of a Segregated Fund which are pooled fund or mutual fund securities or other similar vehicles not managed by Sun Life, or insurance policies not issued by Sun Life or companies affiliated with Sun Life.

“Net Asset Value” means, at any particular time on a Valuation Date, the value as at such time of all assets of that Segregated Fund minus all of the liabilities of that Segregated Fund as at such time.

“Unit” is the means used to measure and record the member’s participation in the Segregated Fund to which Contributions have been directed.

“Unit Value” means the Unit Value or Net Asset Value per Unit, as the case may be, as determined in the Description of Fund Operations.

Description

Each Segregated Fund consists of a portfolio of securities that is owned and managed by Sun Life or managed by an investment management firm or firms for Sun Life. Each Segregated Fund is invested subject to the requirements of applicable federal and provincial legislation in securities appropriate to the Segregated Fund (bonds, stocks, short-term securities, mortgages, pooled fund trust units, mutual fund trust units and similar instruments, etc.) to reflect Contributions directed to the Segregated Fund.

Valuation of Fund Assets

(A) In calculating the Net Asset Value of a Segregated Fund as at any particular time, the following valuation principles shall apply:

- (i) the value of any cash or its equivalent on hand, on deposit or on call, bills and demand notes and accounts receivable, prepaid expenses, cash dividends declared and interest declared but not yet received will be its face amount;
- (ii) the value of any treasury bill shall be its amortized cost;
- (iii) the value of any fixed income securities shall be the end of day bid price as provided by the valuation services used by Sun Life at that time. In the event that such services are not available on that Valuation Date, the fair market value of the said fixed income securities shall be determined by Sun Life, acting reasonably;
- (iv) the value of any equity securities shall be the end of day bid price as provided by the valuation services used by Sun Life at that time. In the event that such services are not available on that Valuation Date, the fair market value of the said equity securities shall be determined by Sun Life, acting reasonably;

- (v) the value of any mutual or pooled fund security held by a Segregated Fund will be the last available net asset value per security;
- (vi) the value of any insurance policy based on segregated funds held by a Segregated Fund shall be the last available net asset value per unit of each of those segregated funds multiplied by the number of units held in respect of that insurance policy;
- (vii) options purchased by a Segregated Fund will be valued at the closing market price of such options on the exchange on which they are traded. If no sale has taken place on such Valuation Date, the close price will be determined at the last recorded sale price or the average between the last recorded bid and asked prices, whichever more accurately reflects, in the opinion of Sun Life, the fair value of such options;
- (viii) the value of futures contracts will be based on the closing market price of such contracts, on the exchange on which they are traded, less daily margin settlements prior to the reporting date; and
- (ix) the value of all other assets and of any asset for which price quotations are not available or for which the face value or other specified valuation is not, in the opinion of Sun Life appropriate, shall be determined by Sun Life on such basis and in such manner which fairly and accurately reflects Sun Life's opinion of the value of such assets.

(B) The assets of a Segregated Fund shall be deemed to include:

- (i) all cash or its equivalent on hand, on deposit or on call, including any interest accrued thereon;
- (ii) bills, demand notes and accounts receivable;
- (iii) all shares, debt obligations, insurance policies, mutual or pooled fund units, subscription rights and other securities owned or contracted for by Sun Life in respect of the Segregated Fund;
- (iv) all stock and cash dividends and cash distributions to be received by Sun Life in respect of the Segregated Fund and not yet received by it but declared to securityholders of record on a date on or before that time;
- (v) all interest accrued on any fixed interest-bearing securities owned by Sun Life in respect of the Segregated Fund that is included in the quoted price; and
- (vi) all other property of every kind and nature, including prepaid expenses and derivatives as permitted from time to time by the applicable pension or insurance regulators.

(C) The liabilities of a Segregated Fund shall be deemed to include:

- (i) all bills, demand notes and accounts payable;
- (ii) all expenses incurred or payable by the Segregated Fund and any expenses relating to the operation of a Segregated Fund, including legal, audit, trustee, custodial and safekeeping fees, interest, operating, and administrative costs (other than advertising, distribution and promotional expenses which are the responsibility of Sun Life), investor servicing costs, and costs of financial and other reports used by the Segregated Fund);
- (iii) all contractual obligations for the payment of money or property;
- (iv) all allowances for taxes (if any) or contingencies; and
- (v) all other liabilities of the Segregated Fund of whatsoever kind and nature.

In normal situations, each transaction of purchase or sale of a portfolio asset effected by a Segregated Fund shall be reflected in the next calculation of the Net Asset Value of the Segregated Fund made after the date on which such transaction becomes binding.

Valuation Date

Valuation Date means any Business Day of Sun Life. Sun Life reserves the right to change the frequency of valuation on an exceptional basis and may postpone any Valuation Date for such periods as it may consider necessary for the protection of those participating in the Segregated Fund.

Determination of Unit Values

The Unit Value for any Valuation Date is the dollar value of one Unit of a Segregated Fund for the Valuation Date, as determined by Sun Life.

The Unit Value of a Segregated Fund on the initial Valuation Date is an arbitrary value, such as \$10.00. The Unit Value of any Segregated Fund on any Valuation Date other than the initial Valuation Date will be determined by dividing:

- (a) the Net Asset Value of the Segregated Fund on that date, plus
- (b) any payments from the Segregated Fund since the last Valuation Date, less
- (c) any payments into the Segregated Fund since the last Valuation Date, by
- (d) the number of Units in the Segregated Fund on the previous Valuation Date.

The new Unit Value will remain unchanged up to but not including the next Valuation Date.

We reserve the right to increase the number of Units by splitting each existing Unit into more Units, thus reducing the value of each Unit proportionately. Conversely, the number of existing Units may be reduced by combining existing Units. In no event will the Net Asset Value of a Segregated Fund be affected by such increase or decrease in the number of Units.

Determination of Account Value

Upon receipt of a Contribution, Sun Life will create an Account to reflect Contributions directed to a Segregated Fund. Once an Account has been established (on an individual member or Policy basis as the case may be) further Contributions directed to such Segregated Fund will be credited to the previously established Account.

Benefits payable under the Policy will vary in amount depending upon (i) the dollar value in any Account in a Segregated Fund on any date; and (ii) the Net Asset Value of the Segregated Fund as determined from time to time and shall be a proportionate part thereof.

The Net Asset Value of a Segregated Fund is apportioned among Accounts maintained therein by means of Units. Amounts credited or charged to Accounts in a Segregated Fund are converted into Units on the Valuation Date coincident with or immediately following the date on which they are credited or charged, based on the Unit Value computed on that Valuation Date.

The dollar value of any Account in a Segregated Fund is determined on any date by multiplying the number of Units to the credit of such Account on such date by the Unit Value of that Segregated Fund as at the Valuation Date coincident with such date.

Sun Life may, at its option, pay all or any portion of any amount withdrawn from the Segregated Fund in the portfolio securities of the relevant Segregated Fund.

Fund Maturity Date

For Segregated Funds that have a fund maturity or target date and that invest in External Unitized Funds or not, the following two steps will be followed, without prior notice:

1. On the date established within the Segregated Fund's description as the fund's maturity or target date (the "Maturity Date"), the asset mix of the Segregated Fund, or in the case of a Segregated Fund which invests solely in units of an underlying target date fund, of the underlying fund, will become the final asset mix and thereafter remain constant; and

2. On the date of transfer (the “Sweep Date”), the assets within the Segregated Fund will be automatically transferred from the Segregated Fund to another Segregated Fund with a substantially similar asset mix and designed specifically to receive such transfers (the “Retirement Fund”).

Each series of maturity or target date Segregated Funds has its own Maturity Date and its own Sweep Date (which could be the same date), as communicated to members and employers.

Legal Context of Units

It is expressly understood and agreed that Units represent simply a means of measuring the member's participation in a particular Segregated Fund and that they have no independent existence or other significance whatsoever.

Sun Life's Responsibility

In the case of External Unitized Funds, the holding or safeguarding of the assets of the External Unitized Funds and the portfolio investment decisions made in respect of the assets of the External Unitized Funds are responsibilities of the External Unitized Fund Manager. The liability of Sun Life under the Policy with respect to such asset of a Segregated Fund varies in amount depending upon the market value of such asset of the Segregated Fund as so determined from time to time by the External Unitized Fund Manager, provided that Sun Life shall be liable to make payments under this Policy only to the extent assets are available to Sun Life.

In the event that assets are not made available to Sun Life in respect of an External Unitized Fund as a result of the negligence or malfeasance of the External Unitized Fund Manager or its agents, Sun Life will notify members and employers immediately on becoming aware of such occurrence. Sun Life will pursue its legal remedies against such parties in its capacity as unit holder. Sun Life's monitoring of External Unit Funds relies on information provided by the respective External Unitized Fund Managers and does not involve any on-site forensic audits of the External Unitized Fund Manager by Sun Life.

In the case of any other type of assets of a Segregated Fund, Sun Life shall be responsible for the holding and safeguarding of such assets and shall be liable for any act or omission resulting in loss, destruction, disappearance, conversion or misappropriation of such assets.

Administrative practices regarding the flow of funds between a Segregated Fund and the corresponding External Unitized Fund may cause the investment rate of return of the Segregated Fund to be higher or lower than that of the External Unitized Fund. **This variance should be particularly noted in situations where the External Unitized Fund is represented to provide an investment rate of return based on a passive investment style or a generally-accepted and specified index (e.g. the S&P/TSX Composite Index or the S&P 500).** Sun Life's liability under the Policy is measured solely by reference to the performance of the Segregated Fund and not the External Unitized Fund.

Delegation

Sun Life will have the power to delegate any of its powers and obligations with respect to the control, management and administration of each Segregated Fund without requiring the permission of any member or employer, but will remain responsible for the performance of that delegate. Sun Life may, in delegating any of its powers or obligations under the Description of Fund Operations, appoint or retain agents and grant such persons powers of delegation and sub-delegation and reimburse such persons with respect to services rendered and expenses incurred on behalf of each Segregated Fund.

**DESCRIPTION OF FUND OPERATIONS
FOR
SUN LIFE FINANCIAL VOLUNTARY RETIREMENT SAVINGS PLAN POLICY**

Sun Life Guaranteed Funds (1 through 5 Year Terms)

Definitions

The definitions in the policy apply unless otherwise defined here or unless the context otherwise requires.

“**Account**” means the mechanism established for a member by Sun Life to record the Contributions, investment earnings, withdrawals, refunds and deductions allocated to the Funds selected by the member.

“**Adjusted Value**” means the value of the Contribution in a Guaranteed Fund accumulated to the expiry of the guaranteed period at the guaranteed rate of interest and discounted back to the date of withdrawal at the then prevailing rate of interest for Contributions with the same term to maturity as the original investment.

“**Book Value**” means the then value of the Contribution in a Guaranteed Fund together with accumulated interest on the date of calculation.

Description

The Guaranteed Funds are interest paying Funds. For each of the Guaranteed Funds, Sun Life will set a new rate of interest from time to time.

Fund Investment

Upon receipt of a Contribution, Sun Life will create an Account to reflect Contributions directed to a Guaranteed Fund. Once an Account has been established further Contributions to be invested in a Guaranteed Fund will be credited to the previously established Account at the annual interest rate which is established by Sun Life on the date a Contribution is credited to that Guaranteed Fund.

Each Contribution allocated to an Account in a Guaranteed Fund will, except as hereinafter provided, be held in such Guaranteed Fund for the full duration of the term. During the period of the term, a Contribution will be credited with a guaranteed rate of interest which will be compounded daily based on the annual interest rate which is established by Sun Life on the date a Contribution is credited to a Guaranteed Fund. On the expiry of the guaranteed period applicable to a Contribution, the Contribution together with accumulated interest will be re-allocated to that Guaranteed Fund for the same guaranteed period and on the same conditions as are applicable to new Contributions then being credited to that Guaranteed Fund, unless Sun Life is instructed otherwise prior to the expiry of the guaranteed period.

If a Contribution is withdrawn from an Account in a Guaranteed Fund before the expiry of its guaranteed period the amount payable in respect of such withdrawal will be the value set out in the table below:

Reason for withdrawal	Withdrawal value
Inter-fund transfer	Adjusted Value
Withdrawal during active plan membership or employment	Adjusted Value
Payment of benefit on retirement	Adjusted Value
Payment of benefit on termination of employment/plan membership	Adjusted Value
Payment of death or disability benefit	Book Value
Transfer or payment of benefits on termination of an employer from the VRSP	Adjusted Value

Any partial amount withdrawn from the balance in an Account in a Guaranteed Fund will be withdrawn, on a pro-rata basis, from all Contributions held in the Account and accumulated interest.

Determination of Account Value

The balance in each Account in any Guaranteed Fund at any date will be the excess of the amounts credited to it on and prior to such date over the amounts charged to or withdrawn from it on and prior to such date.