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Things I've Learned In 100 Issues Of Benefits And Pensions Monitor

Now in its 16th year, **Benefits and Pensions Monitor** is also celebrating 'Issue 100' this month. We have been privileged to have served the information needs of the '**benefits** and **pensions** industry' since our humble beginnings back in 1991.

Survive we did and today our circulation is more than 22,000 across Canada. And as readers know, having launched our www.bpmmagazine.com in 2003, our daily morning 'News Alerts' service has become the recognized source of 'industry news' with thousands of **plan sponsors** and other stakeholders across Canada, and beyond.

We didn't stop there. In 2005, we launched special focus industry supplements to further educate **plan sponsors** on the changing environment in Canada's **pension** and **investment** business: **Defined Benefit Monitor** and **Defined Contribution Monitor** are now a regular part of our publishing calendar, providing truly unique perspectives.

Media sponsorship has also been an important part of **Benefits and Pensions Monitor's** growth. Several years ago, we were asked to be the first media sponsor of the first annual CPBI/ICRA Atlantic Conference and, today, this conference is one of the fastest growing in attendance and provides a forum to address the specific interests of Eastern Canadian **plan sponsors**. We continue to lend media support and attend conferences in the **pension** and **investment**; HR management; and **health** and **benefits** areas across Canada throughout the year. We love this industry, its people, and its environment.

I would like to take this opportunity to extend my sincere thanks to all those individuals who have helped **Benefits and Pensions Monitor** achieve the success it enjoys today – **plan sponsors** and HR professionals, **money managers**, **consultants**, **custodians**, **lawyers**, and many more.

And I would be remiss if I did not also thank the members of the editorial advisory board and my dedicated team of editors, circulation and administration managers, magazine and web designers, and sales staff. It is truly an honour to work every day with such a great group of professionals.

John L. McLaine Publisher & Editorial Director

Since its first issue, **Benefits and Pensions Monitor** has set raising the knowledge of its plan sponsor readers as one of its main aspirations. The highest compliment we can be paid is when a reader tells us that they found a certain article to be very informative and substantive.

It seemed only natural then, to mark our 100th issue by asking industry experts, readers, and friends of the magazine 'What I've Learned In 100 Issues Of Benefits and Pensions Monitor.' What has been learned, follows:

Michael Beswick

Trustee, OPSEU Pension Trust Over my many years in the pension business, if there is one thing I have learned, it is to be careful and prudent with the resources entrusted to those of us who look after pension plans. Time and time again, I have seen people react foolishly to the illusion of wealth. It comes from market bubbles (stocks, real estate, likely alternative investments, and hedge funds), the effects of inflation, and the distortions it causes (such as eras of high real returns). Too often have I heard pundits propound that the 'future is different,' only to have economic realities reassert themselves. We need to be careful to husband our resources and not carelessly spend them on future commitments based on false premises.

Ed Buffett

President, Buffett & Company Workplace Wellness Ltd. It never ceases to amaze me that many employers seem to have underestimated the very important role that prevention can play in managing healthcare costs. That's the biggest thing I've learned.

Hugh Innes

Managing Director, York Investment Strategies The most important thing I've learned is to keep an open mind toward new investments and investment opportunities as they come along.

John Cardella

Executive Vice-president & Chief People Officer, Ceridian Canada I believe the most important lesson for me is the need for flexibility and to structure and design programs around generational and individual differences. Our workforce has become quite diverse in terms of lifestyles, family structures, and differing cultural backgrounds. As an example, many Boomers will want to work beyond age 65 while Generation Xers and Yers will have entirely different needs. Pensions and benefits need to meet the needs of all employee groups so as to maintain high levels of employee engagement and productivity!

David J. Grace

Principal, Eckler Ltd. The profound affect that accounting changes related to benefits and pensions have had on the prevalence of these plans. It has encouraged employers to eliminate post-retirement benefit plans and to switch from DB to DC pension plans. I always understood the impact that tax policy has, but was surprised at the profound affect the accountants had once they jumped on the band wagon.

Priscilla H. Healy

Head of Pension Group, Pallett Valo LLP The most important thing that I have learned from my nearly 20 years of experience in the pension industry is that DB pension plans are hugely important to most ordinary people as they enable an orderly, dignified retirement. Old age is scary, and old age in money strapped circumstances, a living nightmare. Accordingly, all stakeholders – governments, regulators, and employers – should be doing everything they can to encourage pension coverage, if not by way of DB plans, then through well designed and effective money purchase arrangements.

H.W. (Harry) Matheis

President & CEO, Matheis Associates Benefits Consultants Inc. The pension industry in Canada is continually challenged as evidenced by a changing workforce and its' future threatened with the inability of all stakeholders, including our politicians and the courts, to all get on the same page. The benefits industry is in motion and must continue the path of change from a cautious follower to innovator and leader for its value proposition to have a positive influence on employee benefit programs for the future.

Rob Carducci

Partner, HealthSource Plus What I've learned is that it's very important to tell your client and your partners what they need to hear, rather than what they want to hear. The realities of cost escalations and cost control are sometimes not the easiest message to convey to clients (especially in a competitive market). By ensuring full disclosure to all parties involved, you are positioning your practice for retention and solid client relationships.

Christopher Cartwright

Vice-president, The Financial Institute Of Canada Things change and every problem holds the seeds of its solution: tomorrow won't be a clone of today... if today's inflation is low, it will rise; if today's interest rates are high, they will fall; if there's a bull market, a bear will follow; if there's a surplus in the pension fund, there will soon be a deficit; today's loser is tomorrow's winner... I think Frank Sinatra summed it all up when he sang, 'That's Life.'

Harry S. Marmer

Senior Vice-president, Institutional Investment Services, Franklin Templeton Institutional Services

Top 10 Things I have Learned As It Relates to the Pension Industry

10. Pension funds are like roach motels – dollars go in but do not go out
9. For each and every expert there is an equal and equivalent expert
8. To perfect your governance, eliminate all your fellow committee members
7. You can't tell the difference any more between money managers, consultants, and sponsors
- 6 The average manager is the market
5. Chances are that the CPPIB will own all of Canada by 2020
- 4 Stock markets fluctuate
3. For DC plans to be 'Decidingly Comfortable,' they will need to introduce Target Date/Target Risk Funds
2. The death of Canadian fixed income management has arrived
- 1 Institutional changes occur glacially, but 'The Times They Are A-Changin'

Peter Lindley

Head of Investments, SSgA It was confirmed to me that the Canadian pension industry is at the forefront of global investing, by the leadership shown in the recent bidding for BCE Inc. Pension funds heading LBO consortiums has not been seen anywhere else in the world.

Patrick Longhurst

President, Longhurst & Jack Inc. From 1974 to 1977, I was very fortunate to be mentored by Barrie Sprawson. Among the things that Barrie taught me, one stands out: if the pension and benefits programs of an organization are not aligned with its overall business strategy, the funds allocated to them are 'dead dollars.' When these dollars are reassigned to programs that support the business strategy and are valued by the employees, the impact is electrifying. I believe this is the foundation of good pension and benefits consulting.

Bruce Grantier

Managing Director, Pension Assets, Corporate Pensions, Scotiabank While the investment industry has changed tremendously in many ways, some things never change. Peter Bernstein's 1992 'Capital Ideas' and 2007 update 'Capital Ideas Evolving' eloquently address what has changed. What hasn't changed? Warren Buffet's 1985 quote suggests one thing. "I have seen no trend towards value investing in the 35 years I've practiced it. There seems to be some perverse human characteristic that likes to make easy things difficult." With the growth of hedge funds, some of which use value techniques, one might question whether Buffet's observation is still valid. However, the much shorter time frame of hedge funds greatly differentiates them from value investors – I think Buffet's quote still applies.

Sarah Beech

Managing Principal Consulting, Hewitt Associates Benefit and pension plans are no more static than the employees who use them. They must be adjusted to meet the changing needs of a dynamic workforce.

Graeme Ozburn

Director, Client Solutions, RBC Dexia Investor Services One of the most important things I've learned over the years is that this industry, perhaps more than any other, is built upon the principal of trust. Long-term success requires us as an industry to protect and maintain that trust. To that end, plan sponsors and service providers must continue to work together to ensure transparency and good governance in order to safeguard and grow these assets, which are vital to the financial future of millions of Canadians.

Wendy Brodtkin

Director, Canada, T Rowe Price (Canada), Inc. The pension investment industry in Canada is a wonderful place to work. I was hired to manage the pension investments for VIA Rail in 1986. At that time, I didn't even know what a balanced fund was! I found the people in this business to be inquisitive, thoughtful, and always ready to share their knowledge and experience. They still are! I doubt there is a more collaborative industry in the world.

The second thing I have learned is that I will never stop learning. I thought I mastered the balanced fund concept a long time ago, but 20 years later and I'm not so sure.

Marilyn Lurz

Pension Consultant/Director, Lynmar Associates Limited Pension plans and the legislation surrounding them are not getting any simpler and plan members are still, for the most part, struggling to understand their pension plan benefits. The first Baby Boomers are now in their 60s, and word has it that they're mostly not experts at financial and retirement planning either. The confluence of these facts will make the lives of pension industry and HR professionals very interesting for the next several years. As the famous Hollywood actress, Bette Davis, once (almost) said – Fasten your seatbelts! It's going to be a bumpy ride!! (We Baby Boomers know that she said "night" not "ride," but close enough.)

Ian J.F. McSweeney

Partner, Osler Hoskin & Harcourt LLP The politics of pensions are complicated and make meaningful and timely reform at both the regional and national levels a real challenge. Sooner or later one would expect factors such as the huge disparity between rich public sector workforce pensions and what is generally available in the private sector in terms of benefit levels and membership coverage to have a significant impact on government policy, but this has been slow in coming.

Judith Lowes

Vice-president, Investment Services, Co-operators Investment Counselling Limited The most important thing I've learned in the benefits and pensions industry is the same thing I've learned about life. Relationships and helping people are most important; all else is just bricks and mortar.

Keith Smith

President, GE Asset Management Canada Above all, an asset manager must understand its clients' and prospective clients' needs in order to provide the thought leadership that forms the basis of long-term strategic partnerships.

Mary Johannesson

Director, Sales and Marketing, ESI Canada One of the most important things that I have learned in over 20 years in the group benefits business is that the more you learn ... the more you realize just how much there is still left to learn. One would think that the consolidation of the industry and advancements in technology would streamline processes, but, in fact, these have created a greater complexity within our industry requiring that people have a broader knowledge base and skill set.

Sharon Chandler

Director, Policy & Communications, Colleges Of Applied Arts And Technology Pension Plan During the years I have been fortunate enough to work with pension plans, both federally and provincially regulated. I have seen many changes in legislation, industry practice, governance, philosophy, and funding theory. Perhaps the most dramatic result of many of the changes has been the decrease in DB plans and the increase in Defined Contribution plans. This shift highlights what for me has been the most important thing I have learned and which I touch daily. It all boils down to people, their future, their well-being, their financial security, their belief in their employer, and their family. If we forget them, we have lost the reason to have pensions at all.

Jack O'Connor

Managing Director, North American Sales & Consultant Relations, MFS Despite the growth of the industry, it remains a very small community and relationships continue to be a critical component in everyone's success. The significant evolution is the idea of 'co-competition,' which is the concept of developing product with competitors and co-operatively introducing it to the market.

Rod Phillips

President & CEO, Shepell-FGI Plan sponsors don't only require our advice and services. They also need our advocacy, both within their organizations and with the employer community to sustain and build on the programs that support the health and productivity of employees.

Joel Kornblum

Vice President, Sales & Marketing, Eagle Investment Systems I work for a software company providing asset management and performance measurement software to the pensions and investment industry. I have learned that change in this industry is rapid and constant. Just when you think you have it figured out, the change happens again. You have to stay nimble and constantly be willing to listen to new ideas and learn.

Ken Kukkonen

Vice-president, Sales, Group Savings & Retirement, Standard Life For me, the most important thing I have learned in my career is the need to keep improving our communication to plan members. The concepts that we, as market professionals, take for granted are not well understood by the average Canadian plan member. Whether it's how to make appropriate investment choices or how much should be put aside for the future, I believe the average plan member really struggles with all issues pension related.

We have made great strides over the past 25 years in all areas of communication. Web based tools, improvements in face-to-face meetings, and conventional printed materials have all improved dramatically, but they still need to be more effective. I believe we have a long way to go before Canadians can confidently manage their own pension affairs to their best advantage.

Adam Taylor

Client Service & Marketing, Marvin & Palmer Associates, Inc. The most important thing that I have learned as it relates to the benefits and pensions industry is the importance of developing a disciplined investment strategy for the benefit of plan participants. The implementation of such a strategy allows plans to take a long-term view of global markets and avoid the expenses, both realized and unrealized, of trying to time short-term corrections and advances in these markets.

Christiane Bourassa

Principal, Senior Health & Welfare Actuary, Towers Perrin HR Services The most important thing I've learned is that you can't give good consulting advice until you see a situation from your client's perspective. This may sound trite, but in an age where we have access to volumes of data, research, and statistical analyses, it's tempting try to dazzle clients with information, rather than seek to understand their situation by asking questions. There really is no substitute for knowing your client.

Vaino V. Keelmann

Principal & Consultant, API Asset Performance Inc. My most important lesson has been to ignore the white noise of capital markets with its distracting information overload, so that I can focus on meeting client liabilities by employing the immense power of compound interest.

Murray McLean

Head of Institutional Investments, HSBC Investments (Canada) The beauty of diversification as it provides risk controlled downside protection from the numerous and inevitable vagaries of the capital markets and delivers a stable return pattern for the long-term is something that sticks with me. The pension business is all about delivering long-term success in the provision of a long-term benefit. In order to succeed at this endeavour, it is necessary to seek protection from downside risks. Time is your ally if you have taken a well-designed and well-diversified approach.

Clive Morgan

President, York Investment Strategies Prior to 2000, most pension plans only focused on the long term without fully considering the short-term risks when setting their policies. Since 1997, '10 standard deviation' events seem to occur more frequently than models assume. The lesson for me is that pension funds should focus on the management of these short-term risks (financial and investment) by using all available asset classes and alternative investment strategies. These alternative strategies include private equity, infrastructure, diversified hedge funds, and hedged equity products. I now believe that a plan sponsor can only manage risk, the returns will be what they are.

Ted Patterson

Director, Centre for Employee Benefits, Humber Institute Of Technology & Advanced Learning I guess the most important thing that I have learned is that change in the benefits and pension industry is a constant. There is no such thing as the status quo. This requires the benefit and pension practitioner to constantly be reading, learning, and updating their knowledge if they want to keep up with those changes. I feel that the rapid pace of change requires today's successful practitioner to be more flexible than ever, more willing to look at innovative approaches to problem-solving, and be acutely aware of the global influences on our industry.

Michael Gillis

Senior Vice-president, Business Development, Greystone Managed Investments Regardless of what we do, how sophisticated our investment thinking, and how creative our solutions, we must never forget the millions of people who need a pension to help them live comfortably in their retirement years. All our efforts must be in their best interests, not ours.

Rick Schwartz

Director, Compensation & Benefits, Hewlett-Packard (Canada) Co. A key learning for me in the 11 years or so I've been involved with compensation, benefits, and pensions is the extremely high perceived value employees place on benefits – far higher than our actual cost of providing them.

Bruce E. Winch

Vice President & National Lead, Institutional Investments, AIM Trimark Investments Although there is much that I have learned (and continue to learn) about the investment and pension industry, the most important thing I've learned is that I'm very fortunate to work with such a knowledgeable, respected, and fun group of people.

Jim Bates

Director Sales & Marketing, Green Shield Canada To never accept that something can't be done. There is always a solution that can be found to help someone with a benefit issue or problem. ■