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When questions are asked about the sustainability of pension plans given today’s longevity, Otto von Bismarck is often introduced into the conversation.

As chancellor of Germany during the last half of the 19th Century, he created, in 1889, the first state old age pension system. Those who cite von Bismarck to justify raising the age at which retirees can collect pension benefits offer the fact that he picked the age 65 because that was the age at which the average German died. In fact, several online sources – including Wikipedia – dispel this saying the age at which benefits would be paid was 70 and the average German in the late 19th Century died at age 45. Indeed, it was until 1916 that the age was lowered to age 65.

High Mortality Rates

Now, in case anyone looks at this and wonders how anyone in Germany could have collected a pension, remember, mortality rates include everyone. If an infant dies before their first birthday, for the average mortality rate to be 45, someone has to live to age 89. This was an era of high mortality rates for infants and mothers giving birth. Health and safety practices were not what they are today which meant workers died younger and more often on the job. The fact that the average German lived until age 45 meant that there were a number who did live past age 70 and collected their pensions. Bismarck himself lived to age 83 and was eligible to collect the pension for the last nine years of his life.

The dilemma we face now with men in Canada living to age 78 and women to age 80 is that to do something comparable to 19th Century Germany means the age at which retirement benefits would be paid needs to be raised to somewhere around 105.

The whole mortality bell curve has changed and shifted. Instead of a gradual rise in deaths to a median age and then a corresponding gradual decline, there is a long rise to the right side of the chart and then it sort of drops off. So, increasing the age at which pensions are paid out even to age 70 has a minimal impact on the overall expense because most people are still living close to 10 years past that. This means state and employer Defined Benefit plans, as well as employee Defined Contribution plans, have to last longer and longer into retirement.

Can’t Keep Working

We need to be aware, as well, that one of the main reasons people retire before age 65 is health. One estimate suggests a third of people retire because of health reasons. While we have not seen numbers, we suspect it escalates the closer you get to 65 and then starts increasing even more after that.

So the question that needs to be answered is ‘if we require people to work longer before they can collect their pension, will they even be physically able to?’ We may be living longer, but there is nothing to indicate we are any more capable of working longer. This is of particular concern in Canada where, according to industry statistics, more than three-quarters of workers in the private sector have no employer pension and are relying on their own savings (if any) and government old age security programs to fund their retirement.

This means millions of Canadians may well find themselves trapped into never retiring simply because they can’t. Financial considerations will be the driver for raising the age when retirement benefits kick in. The unfortunate part is that those Canadians who were not fortunate enough to land a government job or did not make enough to save for retirement will have no choice about when they can leave the workforce, if ever. They’ll simply try to keep working until their health prevents them from doing so.
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Russell
Sadiq S. Adatia is chief investment officer at Russell Investments Canada. He currently heads its Canadian equity funds and LifePoints Portfolios, but will now have overall responsibility for the Canadian investment team.

TruServ
Estelle Moore is human resource manager at TruServ Canada Inc. The majority of her career has been with the Royal Bank of Canada and, most recently, she was with the Assiniboine Credit Union.

Standard Life
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Industrial Alliance
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Oxford
Gawain Smart is vice-president, legal, for Oxford Properties Group, the real estate investment arm of OMERS. Previously, he was a partner in the real estate group of Davies Ward Phillips & Vineberg LLP in New York, NY, focusing largely on structuring real estate private equity funds, real estate-based debt financing, and real estate acquisitions.

Addenda
Bill Onslow is portfolio manager, U.S. equities, at Addenda Capital. He has 27 years investment experience acquired at Mutual Life of Canada, Altamira Management, and Natcan Investment Management.

Watson Wyatt
Laura Samaroo is the western Canada office leader for Watson Wyatt Worldwide’s retirement practice. Based in the Vancouver, BC, office, she will provide expertise to clients and prospects on a full spectrum of pension services including CICA and FASB financial reporting, financing, design, mergers and acquisitions, governance, and administration.

RBC Dexia
Susan Pike is global head, market products and services, at RBC Dexia Investor Services. Over the past decade, she has advanced through a series of positions of increased responsibility with RBC Dexia and its predecessor organization, most recently as global head, securities lending.

ACPM
Marie Bordeleau is director of membership and stakeholder services for the Association of Canadian Pension Management (ACPM). Previously, she was with Base Consulting and Management Inc. where she was involved in areas such as program development and membership services.

AGF
Michael (Mike) Still is vice-president, business development, Ontario and Western Canada, at AGF Asset Management Group. He will focus on building its assets under management from pension plans, charities, foundations, and endowments in Ontario and the western provinces.

Desjardins
Gil McGowan is regional vice-president, sales, savings for groups and businesses, at Desjardins Financial Security. He will be responsible for developing and implementing strategies aimed at promoting group retirement services and ensuring this sector’s growth in brokerage and consulting markets in Ontario and the western provinces.
Lamoureux Wants Pension Summit
Claude Lamoureux is calling on the federal finance minister to convene a national meeting of ministers responsible for pensions in November. The retired president and chief executive officer of the Ontario Teachers’ Pension Plan and now a special advisor to the Canadian Institute of Actuaries told the Economic Club of Toronto the summit would address a range of pension issues including the steady decline of DB pension plans. He said that DB plans will soon be available only to politicians and civil servants and “imagine how taxpayers will feel about supporting these plans through their taxes, when their own workplace offers either a less effective program or none at all.”

Sponsors Willing To Trade Higher Returns For Less Volatility
Risk avoidance and volatility are the top priorities for Canadian plan sponsors in the wake of the credit crisis and the ongoing turbulence in the capital markets, says an ‘SEI Global Quick Poll.’ It says nearly two-thirds (62 per cent) of Canadian pension plan sponsors polled favoured volatility control over increasing returns. “The longer the roller-coaster, the more pension sponsors want to get off the ride – even if it means sacrificing potential returns,” says Andrew Kitchen, managing director of strategies and solutions, SEI Canada. “While the specific risks might vary, the demands of controlling the risk are taking their toll on financial executives – and hindering day-to-day strategic decisions to improve the bottom line.”

Supplementary Pension Needed To Fill Gap
Shortcomings in workplace pensions and individual retirement saving plans mean millions of Canadians face large declines in living standards when they retire. The answer, says a C.D. Howe Institute Commentary, is a major new supplementary pension plan for Canadians. In the study, The Canada Supplementary Pension Plan (CSPP): Towards an Adequate, Affordable Pension for All Canadians, Keith Ambachtsheer outlines the factors that jeopardize the ability of Canadians to put away adequate retirement savings and proposes a practical solution to the problem – the CSPP. The CSPP would have automatic enrolment, investment, and annuitization features. Ideally, it would be nationwide, but can also work on a sub-national or provincial level.

Ethical Funds Turn To Emerging Markets
The Ethical Funds Company will expand its corporate engagement activities to the emerging market companies in its portfolio, says its annual review of its Shareholder Action Program. As a first step, it has signed on to the Emerging Markets Disclosure Project, a coalition of investors currently representing $850 billion in assets under management. The project is a joint effort to improve the reporting on sustainability issues in emerging market companies. Experience in the North American market has shown that once companies begin to publicly report on their environmental, social, and governance (ESG) performance, they begin to actively work to improve that performance, especially in relation to their peers.
HSBC Changing Name
HSBC Investments (Canada) Limited has become HSBC Global Asset Management (Canada) Limited. The name change in Canada is part of the re-naming of the HSBC Group’s investment management businesses around the world. HSBC Global Asset Management is the core global asset management business of the HSBC Group. In Canada, the business provides investment management services to institutional, retail, and high net worth private clients and acts as manager of the HSBC Pooled Funds.

‘E’ Now Means Employee
The ‘E’ in SERP now applies to ‘Employees,’ not just senior executives, says Buck Consultants’ survey of ‘Supplemental Employee Retirement Plans in Canada.’ With the average wage steadily climbing, more and more employees are finding their pensions restricted by the Income Tax Act limits under the registered pension plan. In 1968, the maximum pension a full career employee could receive under a registered pension plan was $40,000, about seven times the average wage at that time. In those days, only the highest paid executives had to worry about the income tax limits on their pensions. Today, the maximum pension limit is only about 1.8 times the average wage. As a result, employers are finding it increasingly necessary to offer supplemental pension arrangements not only for their senior executives, but for their middle management employees as well.

ACPM Intervenes In Kerry
The Association of Canadian Pension Management (ACPM) will seek to intervene in the case of Elaine Nolan et al. v. Kerry Canada Inc. The ACPM says the two major questions before the Supreme Court of Canada (SCC) in the Kerry case are whether or not the ongoing costs of administering a pension plan are properly payable from the pension fund and if contribution holidays are properly permitted in a pension plan that combines both Defined Benefit and Defined Contribution provisions. In June 2007, the Ontario Court of Appeal concluded that plan expenses could be paid from the pension fund in the absence of an explicit prohibition in the plan documents preventing such payment and also condoned contribution holidays taken in respect of a DB/DC arrangement. “The Court of Appeal decision was logical and well-reasoned,” says ACPM President Scott Perkin. “The ACPM will argue that the SCC ought to affirm the reasoning and result reached by the Ontario Court of Appeal.” The SCC has agreed to hear an appeal of the case and the ACPM noted that the issues raised in the appeal are of significant importance to occupational pension plans across Canada.

Monitor ‘Instant Survey’ Results In
The results of Benefits and Pensions Monitor’s ‘Instant Survey’ are in. We asked ‘Will the group led by the Ontario Teachers Pension Plan complete its acquisition of BCE Inc.?’ Our survey was launched Friday, May 30, just prior to the Supreme Court of Canada agreeing to hear BCE Inc’s appeal of a May 22 Quebec Court of Appeal decision that ruled holders of company bonds had not been treated fairly in the attempt by an Ontario Teachers’ Pension Plan-led group to acquire the telecommunications company. The survey results show 73 per cent of respondents believe the deal will go through as planned.

Correction
In the ‘Alternative Investment Managers – Special Report’ on page 21 of the May issue of Benefits and Pensions Monitor, the chart showing the target allocations for various pension funds contained an error for the OMERS allocation.
OMERS has a 20 per cent target for infrastructure, and no target for hedge funds. Also, although it does have a small amount of private debt, it has no target in that area.
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To get MFC Global’s expertise working for you, please contact Stuart Graham, Vice-President & Managing Director, Institutional Investments at 416 852-3013 or by email at stuart_graham@mfcglobal.com
For some time now in Quebec, small and medium-sized enterprises and community groups have been fighting for an opportunity to have Defined Benefit pension plans of their own. For these groups, the member-funded pension plan (MFPP) may be the answer.

In response to a lobbying effort by the Quebec Federation of Labour and a coalition of not-for-profit groups, the Quebec Pension Board has developed regulations for a new type of DB plan, an MFPP. Under these regulations, all employer contributions are preset and fixed, allowing employers to avoid any risks related to plan deficits or other liabilities. Employers must simply cover at least 50 per cent of the normal cost of the plan.

Employee contributions may vary depending on the plan’s financial position. Whether the plan is in surplus or in deficit, risk is shared collectively among contributing members only.

On the basis of the new regulations, two new multi-employer plans are about to officially launch in the province.

Rejean Bellemare, pension researcher for the FTQ (the biggest trade union in the province), says about nine employers, covering approximately 800 members, have officially signed on to its MFPP. Within the first year, he expects a total of 1,000 to 1,500 members will be in the plan.

“Our employees have wanted a DB plan for some time, but employers have said they don’t want to be responsible for any deficits. Now everyone has a good option, which they feel is better than a DC or an RRSP.”

Michel Lizée, pension trustee for the University of Quebec Pension Fund, represents a large coalition of not-for-profit and women’s groups set to launch a multi-employer MFPP as well. Money is expected to flow in sometime in the third quarter. So far, 160 employers representing about 900 workers have signed on. There are about 50,000 employees in the not-for-profit sector in Quebec – a huge market, he says.

Benefit Flexibility, Indexing Reserve Are Keys

For the smaller organizations involved, Lizée says what makes this new DB plan work is its benefit flexibility and the ability to create an indexing reserve. “What I think is if you want to attack the viability of DB plans, introducing some form of benefit flexibility makes a big difference in how sustainable the plan becomes. It’s far more powerful than focusing on the funding or investment policy.”

Under the regulations, an MFPP must assume that all pension credits and benefits are to be indexed annually to the cost of living, but indexing is not guaranteed. The plan may be indexed, but only if it remains fully funded and solvent. No benefit improvements can be introduced if it has a deficit. An indexing reserve is created and maintained through employee contributions, which are raised or lowered accordingly.

Looking forward, Lizée says a potential drawback to the plan could be employee contribution volatility, but various lines of defence are in place to ensure rates stay stable. The benefit formula, for example, is considered a prudent, yet necessary, aspect to the plan. Currently, the DB formula is set at flat or career averages only. Each $100 contributed buys an annual pension of $10, plus conditional indexing. For now, it’s a very conservative formula, Lizée says.

“We will try to be as conservative as we can until we have the make-up of the group in place. All surpluses of the plan go to the participants anyway so we can be as careful as we want at the gate – that’s the basis on which solvency and capitalization funding will be done.”

The regulatory constraints of the plan, along with the economic reality of small and medium employers, may, however, imply modest pensions. As part of the plan, Lizée says there are a number of additional tools that can help members increase their income replacement rate. For example, at retirement, participants can transfer into an RRSP or convert into a guaranteed annuity. Members can also transfer from other pension plans or RRSPs to redeem years of service.

Benefits and Pensions Monitor – June 2008

Quebec Groups Look To Member-funded DB Plan

SPONSOR’S DESK

By: George Di Falco

George Di Falco is Benefits and Pensions Monitor’s staff writer (gdifalco@powershift.ca).
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As our workforce ages, many employees are at risk of age-onset afflictions such as osteoporosis. International Osteoporosis Foundation (IOF) research suggests that the disease, which can be fatal, affects 1.4 million Canadians, mostly those who are 50-plus.

The ‘Silent Thief’
Osteoporosis is often referred to as the ‘silent thief’ because it can occur without symptoms. The deterioration of bone mass – which makes the skeleton fragile and brittle and leads to an increase of fractures, particularly in the hip and spine – is not something which develops overnight. It steadily reduces bone mass over the course of many years. If a diagnosis is made for the first time while treating a fracture, then the disease is likely fairly advanced. So early detection is critical to preventing fractures which is the ultimate goal once osteoporosis has been diagnosed.

A BMD (bone marrow density) test is the most common and effective diagnostic tool. Osteoporosis Canada recommends a BMD if:
- you are 65 years or older
- you have lost four or more centimetres in height overall or two or more in one year

Are Bones Bad For Business?

- you have kyphosis (excessive backward arch of the spine that looks like a hump or a rounded back)

The first step in combating osteoporosis is to complete a risk factor assessment individually or with a doctor. A heel ultrasound test can also be used to determine bone density and can be conducted at a workplace awareness clinic. It is a less expensive and more portable method of detection, but is not as precise as a BMD.

The ‘Osteoporosis in the Workplace: The social, economic and human costs of osteoporosis on employees, employers and government’ report estimates that the annual direct cost of treating osteoporosis fractures for people at work in Canada is $1.3 billion per annum.

According to the International Osteoporosis Foundation, vertebral fractures are more serious as a workplace problem because they more frequently afflict both women and men at a younger age, even earlier than 50. Vertebral fractures can result in chronic back pain and deformity, reducing quality of life and ability to work.

This Disease Doesn’t Discriminate
Osteoporosis is commonly thought of as a woman’s disease. While it is not as prevalent in men as it is women (it affects one in four women over the age of 50), in fact, one in eight men over the age of 50 suffers the disease. Why then has osteoporosis in men long been underestimated? Osteoporosis in women is mostly caused by the depletion of estrogen levels in post-menopausal women. However, it is now being shown that the reduction of testosterone in aging males also reduces the amount of estrogen that circulates through a man’s body. The result is a similar male/female reduction of calcium which causes the body to use its stored source – bones.

While some studies have been done using male patients, research is now underway in order to better understand risk factors, preventative methods, and treatments. While it is believed that testosterone can help to increase bone mass density in men, there is no research that proves it reduces fractures. The challenge now is how to use available medication for individual needs, which is true for both genders.

A Secondary Situation
There are common factors that put people at risk of developing osteoporosis such as age, family history, and not getting enough calcium. A lesser known situation is secondary osteoporosis which occurs when an individual is taking medication to treat another condition and the medication actually thins the bone mass. A list of possibly harmful medications can be found at the Osteoporosis Canada website.

Less than 10 per cent to 20 per cent of patients receive timely treatment leaving thousands at risk of workplace accident or injury. Therefore, ongoing awareness, workplace education for both men and women, and risk testing are critical to diagnosis and treatment.

The good news is that osteoporosis is now a largely treatable condition. With a combination of medications and lifestyle alterations, many osteoporosis patients are employed full-time and living active, healthy lifestyles.
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Long/short equity investing has recently seen increased investor interest amid the turmoil of volatile world equity markets. Nevertheless, the notion of long/short investing is still foreign to many investors.

History And Benefits Of Long/Short Strategies

Long/short equity strategies have existed since 1949 when Alfred Winslow Jones raised $60,000 for a new concept in investing. He both bought and short sold stocks in equal amounts to cancel out any market movements, making his profits solely a function of his stock-picking ability. Since 1949, this concept has been time-tested and researched vigorously, and so-called ‘long/short strategies’ have proliferated.

Today, it is estimated that more than $1,074 billion in assets are under management in long/short equity strategies globally.

Long/short equity strategies have evolved and subdivided since 1949. Now, they comprise four distinct classes – equity market neutral, long/short equity, equity long bias, and limited long/short (or 130/30-type strategies). The four classes are distinguished mainly by their degree of exposure to the directional movement of the equity market.

The recent equity market downturn and accompanying volatility have encouraged many investors unfamiliar with long/short strategies to consider the use of long/short strategies. Typical investors who may find this asset class appealing include pension funds having specific payout requirements; foundations and endowments seeking an even return stream; and hedge funds looking for strong return-to-risk ratios and low correlations to other managers’ returns. The specific features offered by any manager for a long/short strategy can vary widely. For example, characteristics of a long/short strategy launched in the second quarter of 2008 by AXA Rosenberg include:

- Returns targeted to be similar to equity market returns
- Volatility targeted to be substantially lower than equity market volatility
- Drawdowns (peak to trough) targeted to be far below equity market levels
- Potential low correlation to the returns of other asset classes
- Broad investment universe with a large and mid cap focus
- Global in reach, with targets of 50 per cent U.S., 40 per cent Europe, and 10 per cent Japan
- Leverage of approximately 130 per cent long and 122 per cent short

This set of features is unique to this strategy, but the goals of this strategy are similar to those of other long/short structures under management today.

Three key factors that distinguish managers of long/short strategies include the quality of their security selection, both long and short, their ability to manage long/short risk, and their ability to efficiently execute short sales. Regardless of the stock selection process, a long/short strategy benefits from identifying a large number of long and short candidates for portfolio construction and rebalancing on an ongoing basis. While many firms have a substantial track record identifying candidates for long-only portfolios, few firms have extensive experience picking both long and short positions and managing long/short risk. In addition, firms with more extensive shorting experience will tend to have more mature prime brokerage relationships. This both facilitates the shorting process and helps to maximize the cost efficiency of implementation.

In today’s equity markets, many investors are considering the use of long/short strategies because of their targeted equity market-like returns, generally lower risk, and generally low correlation to the returns of other asset classes. The specific features and performance of any strategy will be unique to its manager with key drivers of success being the quality of a manager’s stock selections, their understanding of risk management, and their ability to efficiently execute short sales.

Innovations In Long/short Equity Investing

The benefits often touted for long/short strategies include low correlation to other asset classes, generally low total risk, and often (depending on manager skill) favourable return-to-risk ratios. Although many investors unfamiliar with long/short strategies see them as overly risky, long/short strategies, in fact, often have lower total risk than many diversified long-only equity portfolios. In addition, because long/short strategies tend to have low correlation to other asset classes, they may provide valuable diversification in a standard equity/bond asset allocation scheme.

Investor Needs In Today’s Markets

The recent equity market downturn and accompanying volatility have encouraged many investors to consider the use of long/short strategies. Typical investors who may find this asset class appealing include pension funds having specific payout requirements; foundations and endowments seeking an even return stream; and hedge funds looking for strong return-to-risk ratios and low correlations to other managers’ returns. The specific features offered by any manager for a long/short strategy can vary widely. For example, characteristics of a long/short strategy launched in the second quarter of 2008 by AXA Rosenberg include:

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The role of consultants, including those in the pension and benefits field, has always been to advise, assist, and advocate on behalf of their clients. And, they most often prove their worth during times of change and uncertainty.

This is one of those periods of change as the character of the workforce goes through what is arguably the biggest shift since the onset of the computerized office and plant. Every aspect of workforce planning is affected, from the work environment and culture to compensation and benefits. As employers and benefit plan sponsors turn to actuaries, outsourcers, and benefits consultants with new dilemmas, these advisors find themselves facing new paradigms and new dilemmas. And while the role of consultants hasn’t changed, the focus of their efforts has.

**Times Have Changed – Has Your Consultant?**

For the first time, employers are looking at a staff complement that is stratified by four distinct generations, each with different and often competing demands.

**Mature Employees**

Mature employees, born before 1945 and coming up to retirement in the next few years, look to the security of traditional health and retirement benefits.

The Boomers (born between 1945 and 1964), capitalizing on the risks they’ve taken in building their careers, want the rewards of guaranteed pensions and a varied, but traditional, benefits menu. Both these groups are more interested in the traditional components of compensation – base pay, bonuses, and long-term incentives.

Gen X-ers, those born from the mid-‘60s to the early ‘80s, like their independence and are looking for portability of pensions and lower-cost healthcare benefits.

Finally, the Millenial, or Generation Y, are both flexible and persistent in their career aspirations. They’ve been characterized as the ‘cash is king’ generation and favour non-traditional health and wellness benefits (gym memberships, for example) along with cash balance retirement plans.

Both Gen X and Gen Y want the traditional components of compensation to be competitive in the marketplace and both seek a balance of non-traditional rewards.

Any one of these demographics presents challenges to employers who are competing more and more to acquire and retain talented employees. Combine them all in one workplace, and the complexities of compensation, benefits, and rewards for that talent can become overwhelming.

**Tame These Opportunities**

It’s the consultant’s role to help tame these complexities through widely-researched industry knowledge, administrative support and governance abilities, and a flair for communications. The real challenge to consultants is to come up with innovative plan designs, creative communications, and a cross-discipline approach to service offerings that balances the needs of this multi-generational workforce.

What are the drivers of the kinds of innovation that benefits consultants need to develop to bring to market?

In medical and insurance plans, the older worker has an eye on standard benefit coverage, paying special attention to long- and short-term disability insurance for medical conditions they are starting to experience.

They want lower deductibles, favour cost-reductions through co-payment arrangements, and want to know that as they retire, they will have adequate healthcare benefits to supplement provincial public healthcare programs.

Meanwhile, the boomers and GenX-ers are more interested in things such as health assessments, wellness programs, and coaching. There is a certain appeal in consumer-driven healthcare and savings options.

The youngest generation has the most creative take on healthcare, preferring programs that keep them fit and informed of...
health dangers they can avoid. They are least likely to opt for traditional benefits and are more likely to prefer the flexibility of savings options.

Retirement plans for Generation Y are on their radar, but they certainly put little value on traditional Defined Benefit plans and plans offering retiree medical coverage or phased retirement — it’s all too far in the future for them. That’s not to say they don’t understand the importance of saving for retirement. For them, as they start out in their careers, the flexibility and portability of employer-match Defined Contribution plans make the most sense.

Gen-X and Boomers give more weight to DB plans, though Gen-X is far more accepting of the portability and returns offered by DC plans. Each generation, however, acknowledges the appeal of at least some kind of floor-level guarantee on retirement income.

Consultants will have to find ways to help employers provide the incentives in these areas to attract and keep the talent they want, at a cost they can manage. Innovation in meeting such diverse needs will be the biggest driver of consulting revenue in the next while.

Communications

The creative push is at its strongest in communicating compensation, benefits, working conditions, career development, and the incentives to attract and keep talented employees. Benefits are part of the entire rewards package, the part often least visible and least valued. Yet, they are also among the costliest items in the talent strategy — employees represent about 35 per cent of company expense costs. With that much at stake, employers need to be able to prove to current and prospective employees that they’re the ‘employer of choice.’ Developing total rewards information and online communications will need to be a key part of the consultant’s focus.

However, the old assumptions that drove these communications in the past are undergoing radical changes too. The character of the new workforce is not simply differentiated by age. In Canada, with immigration policies designed to balance out a flat birth rate, the cultural makeup of employees is going to be increasingly diverse. Add in different family structures, deeper reliance on technology, more options in the scheduling of work, and a staff that ranges widely in their need for authority and informality, and the one-size-fits-all communications plan is bound to fail. In developing employee communications, the paradigms and ‘givens’ that have served in the past are likely to cloud the issues and lead to mixed, lost, or ignored messages. The focus for consultants is on creative management of effective programs to get those messages across.

Service Offerings

Along with sound advice on designing benefit plans that meet the needs of the workforce and the return on that investment through effective and engaging communication of those plans to employees, companies will look to consultants to manage costs. They always have, but those costs are quickly becoming unmanageable. Administration expenses, communications costs, drug spending, medical care experience and premiums, and pension funding costs are all on the rise. Cost containment increasingly comes up as the number one issue facing sponsors of pensions and healthcare plans.

Increasingly, clients are going to demand the ability of their consultants to come up with ways to manage these costs through health and wellness education, negotiations with insurers for optimum premium rates, efficient and reliable administration systems (especially for pension administration), and innovations in plan design and plan changes to meet the needs of regulators, sponsors, and employees. They will expect consultants to create the new services and products required by this changing workforce, and to make them affordable and manageable.

The role of a ship’s navigator didn’t change when sail gave way to steam. However, new ships, their new complexities, and new courses changed the tools and techniques navigators used to get them where they were heading. The consultant’s role hasn’t changed either — it just requires innovation, imagination, and a new cultural awareness to fill that role.

Marina Scassa is director, communications and sales support, for Buck Consultants, an ACS company.
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Benefits and Pensions Monitor – June 2008
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THIS TEAM MEANS BUSINESS.

Desjardins & Co.
Group retirement specialists providing the support and guidance you need... across Canada.

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Seeding refers to investing in early-stage hedge funds with the goal of participating in the manager’s future financial success. A variety of investors including pension funds, family offices, investment banks, and hedge fund-of-funds (FoFs) are interested in seeding early-stage hedge funds. While we discuss seeding in general, our focus is mainly from the perspective of a hedge FoF company managing a seeding fund (see Figure 1).

Seeding funds provide capital to hedge funds in return for a percentage of the fees paid to the manager of the specific fund (participation) and, sometimes, for a stake in the fund management company (equity). The seeder’s capital is invested in redeemable units of the seeded hedge fund and is not working capital for the fund management company. Therefore, the return on an investment in a seeding fund may include:

- **Fund Performance** – Returns earned on the underlying hedge fund’s performance.
- **Participation Fees** – Returns earned by participating in the fund company’s fees from the specific fund. Participation fees typically range from 20 to 25 per cent of the manager’s fees (both management and performance fees).
- **Equity Stakes** – Longer term, returns may be earned by selling an equity stake in the fund company. (Note: Only some seeding funds take equity stakes.)

Figure 1 provides an overview of a typical seeding fund’s structure which is a closed-end hybrid hedge FoF and private equity vehicle. An investor in this longer lock-up fund typically commits capital and earns returns from the underlying hedge funds plus participation fees. This ‘participation override’ gives investors exposure to the fund company’s economics which could be viewed as a call option on the growth of the hedge fund industry.

While Figure 1 highlights an investment in one hedge fund, seeding funds typically invest in eight to 15 new funds, which are ideally diversified across different hedge fund strategies (relative value, event driven, long/short equity, etc.). Seeders also seek to diversify the types of managers and to diversify by region, although most seeders focus on managers in the established hedge fund markets of Europe and the U.S. with limited interest, at this point, in Asian managers.

Seeding funds typically have a lock-up period of two to four years and a fund lifespan of six to eight years. The investor’s capital is generally fully committed upfront to the seeding fund, where it is initially invested in the sponsoring company’s hedge FoFs which ensures instant diversification and an immediate return stream.

While hedge FoF companies seed start-up hedge fund managers in the hope of finding new talent at an early stage, they typically have broader strategic goals for seeding programs. Many hedge FoFs include early-stage managers in their general manager selection process as these managers often perform well in the initial stages and provide good strategy diversification. With many well-established hedge funds, it is sometimes difficult to find excess capacity and early-stage managers often provide this capacity. Therefore, seeders seek to secure future capacity rights and beneficial terms (liquidity provisions, preferential redemptions rights) with early-stage managers at a critical stage.

**Early-stage managers generally seek well-established** and successful partners who can assist them in their growth and development. Therefore, seeders require established business networks, extensive experience, and a solid reputation to provide support for:

- **Business Operations** – Provide working capital, business consulting, and related services
- **Portfolio Risk Management** – Provide risk management support for trading and overall portfolio construction
- **Operational Risk Management** – Advise on industry best practices, internal controls, prime brokers, counterparties.
- **Compliance** – Advise on compliance issues relating to reporting and control of trading, investor relationships, and client service.

### Selecting Early-stage Managers

Early-stage hedge fund managers require seed capital to launch new funds which may be managed by:

- Emerging managers starting out in the hedge fund industry as entrepreneurs.
- Second-generation managers who have been in the hedge fund industry for many years.
- Established managers who have multiple hedge funds and have set up a new fund.

Early-stage managers generally have less than $50 million in assets and a track record less than one year. When investing in these
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In summary, a promising second-generation hedge fund start-up is characterized by a balanced mix of hedge fund trading and operations experience, and comprehensive risk management.

Challenges In Seeding Business Models

The hedge fund industry grew dramatically over the past decade and different seeding models have evolved as the industry matures. Any seeding model must ensure a sustainable alignment of interests between the seeder and early-stage managers.

Today, some seeders argue that the conventional private equity/venture capital model is flawed as it is difficult to unwind deals with managers or the potential exit routes to sell equity stakes are not practical. Thus, while seeding funds hold a put option on the fund company’s equity, for highly successful hedge funds the principals are often unable (or unwilling) to pay the pre-negotiated, formula-driven price. Also, it may be difficult to attract investment banks or private equity firms to buy equity stakes from a seeding fund.

Thus, a more appropriate seeding model may be one that is similar to mezzanine financing. Mezzanine capital is expensive financing for a company with high credit risk. In the event of default, mezzanine debt is less likely to be repaid in full, hence financing rates of 20 to 30 per cent are common. However, mezzanine debt is still cheaper financing than equity as current shareholders are less diluted and don’t cede ownership of the company. Therefore, seeding investments can be viewed as a short- to medium-term ‘loan’ with ‘interest’ tied to the fund’s gross revenue.

The returns on successful mezzanine deals should be smoother than a pure venture capital approach where success relies on a few home runs in a selection of weak managers. Therefore, a mezzanine financing approach may be a better seeding model than the venture capital model as it can attract top-tier hedge fund start-ups through an alignment of interests and better exit and liquidity terms.

Potential Returns And Risks Of Seeding Funds

In a portfolio context, a longer lock-up hedge FoF/private equity vehicle can complement an investor’s hedge fund or private equity allocation. The goal of investing in a seeding fund should be to enhance returns above those of a diversified hedge FoFs. Thus, a seeding fund’s return distribution should shift significantly to the right as the fund participates in the economics and growth of early-stage hedge fund managers where:

- Capital is invested immediately in a diversified hedge FoFs (no ramp-up phase)
- Capital is invested in the hedge fund’s redeemable units (not working capital)
- There is typically a ‘stop-loss clause’ to preserve as much capital as possible if the manager underperforms
- Capital plus performance generally flows back to investors at the end of the lock-up period (after three to four years), while additional returns are realized at fund maturity (in seven to eight years)

Therefore, a seeding fund’s return sources are a blend of successful hedge fund and private-equity-style investing.

As with any longer lock-up fund, the experience and expertise of the seeding fund manager is critical. The primary risk of a seeding fund is manager risk as investors are totally reliant on the seeding manager’s skills in finding early-stage managers, negotiating participation agreements where interests are aligned, and managing a sufficiently diversified portfolio to provide above-average, risk-adjusted returns. Most important, the seeding manager must have a robust risk management infrastructure and controls in place to proactively monitor risk. For example, the seeding manager should have a dedicated risk manager for the seeding fund with managed accounts for the underlying hedge funds with 100 per cent position transparency. An independent valuation of the funds should be done daily and contractual exit options should be in place if a hedge fund breaches investment guidelines.

‘Catalyst Capital’

Seeding funds motivate the case for investing as one of ‘catalyst capital’ for talented managers. Today, hedge funds play a critical role in capital markets as they provide liquidity to the markets and risk transfer services – services that were traditionally provided almost exclusively by banks. One could argue that the credit crisis of 2007/08 and the weakness of bank balance sheets have created excellent opportunities for seeding funds as high-quality new investment talent continues to leave investment banks and set up hedge funds. Therefore, seeding talented early-stage hedge fund managers can provide seeding fund investors with a call option on the continued growth of the dynamic hedge fund industry.

Bernice Miedzinski is executive vice-president, institutional relationship management, for Man Investments Canada Corp. (bmiedzinski@maninvestments.com).
For most Canadian investors, improving the environment seems like a great idea, but provides little basis for generating positive returns, particularly in our resource-driven economy. Yet, surely the intense focus by governments on energy efficiency, carbon emissions, water quality, and a myriad of other environmental issues is driving some real investment opportunities? U.S., European, and even Australian investors certainly think so as clean tech funds gain popularity.

In our experience, however, Canadian investors are often quick to point out that for every Zenon Environmental or Timminco, there have been several spectacular crashes such as Ballard Power or Bennett Environmental.

After 15 years of analyzing and investing in environmental trends, we have found that the number of opportunities for profitable investment in this area has increased dramatically in the last 18 months. Yet, the Canadian investment community remains largely unaware of them, mostly due to the predominance of resource investments within our economy and the mistaken view that one must be an ‘ethical’ investor to commit funds to environmental trends.

We believe that regardless of one’s investment philosophy, the relationship between global economic growth and environmental constraints provides an extremely fertile ground for uncovering robust investment ideas.

The ‘Re-developing’ World

Most ‘developing’ countries have far surpassed the accomplishments of their current ‘developed’ counterparts if one considers thousands of years of recorded history. These re-developing countries are once again emerging as economic powerhouses and driving fundamental changes in the manner in which goods are produced and consumed globally.

One obvious indication of the high growth rates of these countries has been their demand for global commodities, both for domestic consumption and for export as finished goods, as these countries become the world’s manufacturers. Unlike the last secular commodity bull market – loosely defined as occurring between 1968 and 1982 – the demand of the U.S. and other developed nations is not the key driver behind the current cycle. Instead, dramatic long-term trends within re-developing countries such as increasing urbanization, rising per-capita-GDP, infrastructure build-out, and food consumption changes are underpinning demand.

While there are well understood investment implications to these trends, what is less obvious are the congruent environmental constraints within which this growth will occur. Global climate change, water stress, and local air pollution are several of the pressing issues that all countries are now being forced to address. The opportunities for companies providing solutions that ensure access to resources while minimizing the environmental impact are truly immense and are in the early stages of exploration.

The ‘Greening’ Consumer

Markets tend to be fairly myopic and short-term in outlook despite accepted theory supporting a long-term focus. For this reason, many long-term secular trends are simply ignored in spite of their investment implications. An obvious example is the population growth that the world has sustained over the last 40 years. From only three billion consumers in 1960, the world is now supporting more than six billion consumers, each with equal ambitions of satisfying needs for food, fuel, and, ultimately, status goods. In fact, much to the chagrin of environmentalists, our ability to consume is finite and transcends any cultural or geographic boundaries.

Even while consumption becomes more efficient, population and economic growth means that we still are consuming more of almost everything (See Exhibit 1). In rich countries, we buy more appliances, larger homes, and bigger vehicles. In poor countries, higher GDP per person results in higher growth rates in energy use, water use, etc.

As we become wealthier in monetary terms, human beings also tend to become concerned about the perceived quality of their existence. This interest is partially why it has become so difficult to build new industrial facilities in both rich and emerging economies and why environmental regulation becomes stricter almost every year. For instance, it has been impossible to receive approval for constructing much needed refining capacity in North
for agricultural production. Given these constraints, it is not surprising that alternative technologies are attracting such attention. Just as kerosene eventually supplanted whale oil and nuclear power helped ameliorate the energy crisis of the 1970s by displacing oil in power generation, the search for new alternative energy solutions is on.

Unfortunately, well-intentioned policy can have unintended consequences. For example, regulation which has diverted funds to corn based ethanol fuels and away from research into more sustainable cellulosic based fuels has also contributed to agricultural commodity inflation.

Development of both more efficient means of harnessing energy from carbon fuels and of non-carbon alternatives such as solar and wind will be critical to investment returns over the next decade. Green living trends among consumers are already established, but have dramatically increased in the last two years. We believe that these trends will continue to alter the investment landscape and that their full impact has yet to be realized by the market.

### Pricing Externalities

A critical feature of future resource consumption will be the value assigned to those inputs or emissions which were previously undervalued or free. These are often referred to as externalities within economic theory as they have typically been external to conventional market mechanisms. However, trading markets have been established for pricing emissions such as sulphur and nitrous oxide in the U.S. and for carbon in Europe. Carbon taxes will become more common in order to send accurate price signals to energy consumers. This reorientation will ultimately change the way in which we consume as previously inexpensive fuels, such as coal and oil, are repriced to reflect their true costs, taking account of waste streams or emissions. Appropriate pricing of water will also alter our consumption patterns dramatically.

Throughout this process, companies that provide solutions (clean technologies) or infrastructure (certification, trading) will offer immense opportunities for investors. Traditional industries will be forced to re-engineer their production processes dramatically if they are to remain competitive. This re-engineering has already begun, driven by jurisdictions such as California that aim to price energy inputs according to their entire life cycle costs, including emissions. As yet, however, there has been little related interest within the investment community. We have found that, in some cases, a particular emission, such as sulphur, or a policy trend, such as support for biofuel, may drive an entire thread of investment opportunities.

### An Environmental Thematic Approach

Most of the investment opportunities identified through our analysis can be captured within the four key environmental themes outlined below. Companies included within our environmental strategy are those that stand to benefit significantly from these themes over our investment horizon. Firms may be domestic or global in orientation and range from micro-cap to mega-cap in size.

- **Energy and Power Solutions**
  - Companies that are active in developing or installing renewable and alternative energy technologies such as biofuels, wind, solar, hydro, biomass, and geothermal industries are obvious beneficiaries of the quest for cleaner fuels. Also benefiting are those who provide solutions that lead to greater process efficiency or improved energy consumption such as real-time power pricing including smart metering, lighting, and control systems.

- **Water and Waste Water Solutions**
  - Access to water of adequate quality for drinking, industrial processes, and agriculture will be one of the key challenges globally in coming years. As public interest in this issue grows, we believe water pricing will become an important issue. Companies that are providing water purification, waste water treatment, and desalination technologies will excel.

- **Waste Management and Pollution Control**
  - Opportunities have emerged for technologies that reduce the quantity of waste for removal and that render the remaining waste safer for handling and disposal. Standards for waste emissions are becoming more stringent in most jurisdictions, providing a strong market context for companies with pollution control equipment including those that reduce carbon emissions.

- **Environment, Health, and Safety**
  - Older infrastructure and tougher regulations are creating opportunities for firms providing environmental monitoring equipment, training, and response capabilities. Consumers are increasingly interested in organic food choices as a result of interest in environmentally sensitive agricultural practices, leading the industry to respond.

And the spread of infectious diseases continues to be a global challenge, especially in light of globalization and population pressures. Consequently, companies that have developed diagnostic tools or treatments will play an important role in the combat against these viruses.

At this stage, we believe the Canadian investment community remains relatively unaware of the immense opportunities presented by environmental markets. Contrary to popular belief, we think environmental themes merge well with the drivers of global growth and are only likely to increase in importance. However, expertise in these markets will be required to define specific opportunities or risks.

Martin Grosskopf is associate portfolio manager and manager of sustainability research and Rachel Davies is an investment analyst at Acuity Investment Management Inc. (michael_peck@acuityfunds.com)
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The last 20 years have seen remarkable change in the Canadian pension landscape. Defined Contribution pension plans now dominate in the private sector. In the process, many Defined Benefit plans have been closed, converted to DC, or wound up. The reasons for this phenomenon have been documented all too often and will not be repeated here.

The question is, ‘What will the next 20 years bring?’ Will DC plans get the job done?

The many employers who have gone through the painful transition from DB to DC are no doubt banning on it. Similarly, organizations that have never sponsored anything but DC plans may feel they have little reason to worry. In spite of a few hiccups (the 2001-2002 stock market correction for example), plan sponsors have had few problems managing their DC plans. Why should the future be any different?

It turns out there are several reasons why. The following offers some educated guesses as to what the future will bring. Our approach starts by revisiting the past.

Success And Failure
First though, we need to define what success and failure look like within a DC plan.

It is fair to say that a DC plan is meeting expectations if it can deliver a targeted amount of retirement income and not deviate significantly from that target.

Employers will define the target differently. At one end of the spectrum are the public sector plans which generally provide comprehensive coverage. By comprehensive, we mean that the plan is generous enough that employees do not need to supplement their retirement income with personal savings. At the other end are organizations who contend that employers do not need to sponsor a retirement plan at all.

In the private sector, few Canadian employers position themselves at either extreme. Most believe that sponsoring a retirement plan is the right thing to do and that a ‘core plan’ is sufficient to fulfill the employer’s obligation.

What should a core plan look like? Views will vary, but for the sake of this article I’ll define it as a plan that provides 25 to 35 per cent of final pay after 30 years of service. When combined with government pensions, such a plan will provide middle-income employees with a basic level of security after retirement. We’ll refer to the 25 to 35 per cent range as the optimal range.

Degree Of Variability
Guess what, DC plans historically would not have been able to deliver pensions within the optimal range. This won’t come as news to anyone, but the degree of variability might. When we retrofit a DC plan to the past, we find that no single contribution rate would have produced retirement income in the optimal range even half the time. The closest fit turns out to be a DC plan with a combined employer/employee contribution rate of seven per cent of pay. Even then, the fit is not very good. A seven per cent plan would have produced a DC pension in the optimal range only one-third of the time and be below the optimal range half the time. For the purposes of the analysis that follows, we will err on the high side and assume an eight per cent DC plan. This is convenient since eight per cent is closer to the average total contribution rate for DC plans in Canada today.

failure look like within a DC plan.

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What’s worse than investment risk?
We modeled the eight per cent DC plan using historical returns to simulate real-life performance. Good statistics are available on all the relevant capital markets since 1938 so we will assume that our eight per cent DC plan was established on January 1, 1938. The first retirees with 30 years of service would have retired in December 1967.

Figure 1 shows how much pension an employee would have been able to buy upon retiring between 1967 and 2007 after a 30-year career. (The assumptions used in our calculations assume a 50/50 asset mix, retirement at age 61 with a partially indexed pension, and moderate survivor benefits.)

Quite Lucky Overall
Retirees since 1995 have been quite lucky overall. Their pension would have been above the optimal range in every year. The worst they would have done was retiring in 2002 (right after the ‘perfect storm’) and even then they would have received a pension of 37 per cent of final pay.

One decade earlier, however, and the picture is
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quite different. No 30-year accumulation period ending before 1995 would have produced retirement income of 35 per cent of final pay. The situation is worse again before 1985 when no 30-year period would have produced even 25 per cent. The low point occurs for retirees in 1977. They would have received a pension of only 14 per cent of pay.

Let’s pause to let this sink in. An accumulation period of 30 years in an eight per cent DC plan would have produced a lifetime pension as low as 14 per cent of pay or as high as 48 per cent. Few will argue that this type of variability is acceptable. We will have more to say about this later on.

It is important to note that only a fraction of this variability is due to investment volatility. Another factor is at work. To uncover it, assume investment returns and annuity purchase interest rates never varied from year to year. This sounds like utopia from a DC plan perspective and one would expect it would produce DC pensions that are a constant percentage of pay.

In fact, that is not the case. If annual investment returns and annuity purchase rates were both held constant in every year since 1938, the resulting DC pension would still be subject to some wild swings (see Figure 2) ranging from a low of 15 per cent of final pay to a high of about 29 per cent.

**Wage Inflation**

The culprit is wage inflation. High pay increases mean lower pensions as a percentage of pay in DC plans. Pay increases were much higher in the 1970s than any time since then. That is why DC pensions were so much lower in the 1970s. Over time, a DC participant will be more vulnerable to the rate of pay increases than to investment risk. This is especially true if the high wage inflation occurs closer to the end of the employee’s career.

This is perhaps the most critical flaw with DC plans. If the only problem were investment volatility, it could be controlled, at least in theory, by applying innovative investment strategies. However, no investment strategy is an effective hedge against the detrimental impact that wage inflation has on DC pensions.

So wage inflation and investment volatility are the twin hazards afflicting DC plans. The pension would have been outside the optimal range about two-thirds of the time. We must therefore ask the question: ‘Is a plan that produces a pension ranging from 14 per cent to 48 per cent of pay really acceptable?’ This is a problem that all DC plan sponsors are almost certain to face some day. Few have worried about it so far because we are still in the ‘sweet spot’ of a very long-term economic cycle that has been characterized by low inflation and high returns. From this perspective, it is easy to see what enabled employers to adopt DC plans in the past 20 years with minimal employee resistance.

**Challenging Environment**

The conditions that cause DC plans to underperform do not occur overnight, but once they do emerge, they may prevail for many years. As Table 1 suggests, there is reason to believe that a more challenging environment for DC plans is beginning to surface.

We note that the current economic conditions are similar, in many respects, to 40 years ago (see the sidebar ‘History Rhymes’). The conditions in 1967 were the precursor to a very difficult time for DC plans. The two factors that would complete the picture today are rising bond yields and, more important, rising wage inflation. Any number of factors could cause wages to rise:

- A weakening currency that makes imports more expensive
- A loose monetary policy
- Rising wages and costs in low income countries (which have been exporting deflation)
- Further labour shortages (caused perhaps by the retirement en masse of the boomer generation)
- A delayed reaction to oil price shocks and rising commodity prices

Some of these factors are already present and the rest seem at least plausible. If
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IN HALIFAX
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bond yields and wage inflation do rise, the
decade of the 2010s will almost certainly be
less favourable than the 2000s for retiring
DC participants. The 2020s may be worse
again. Unlike investment volatility, which
tends to have a short-term effect and then reverse itself, inflation is pernicious. Once
in 2025 with only half as much pension as
retirees in 2000 received?
Remember that the two characteristics of
an ideal plan – stability of costs and
predictability of pension income – are at
opposite ends of a spectrum of possibili-
ties.

A Brave New World
So what can plan sponsors do to ensure
that their long-term employees don’t retire
DC plans are at the left end of that spec-
trum, but maintaining stable costs may not
be tenable once the conditions for DC plans
have started to deteriorate. A swing back to
the right end of the spectrum – DB – may be
just as problematic, so the only other choice
is somewhere in the middle.

A new plan design is called for, one that
occupies this middle space. It has to be one
that will shelter employees from the worst
of the DC storms that may be looming, but
without bankrupting the employer in the
process.

The good news is that such plans exist.
The bad news (for employers) is that they
must inevitably incorporate some DB ele-
ments.
The fact is, some balance of DB and DC
characteristics is necessary for a pension
plan to reflect the needs of both employers
and members. Traditional pension plans
have tended to focus almost exclusively on
the needs of just one or the other of these
parties. Some compromise will be neces-
sary to ensure one party or the other is not
going to be deeply disappointed at some
point.

Little Mileage
In the current era, organizations recog-
nize that they get little mileage from
maintaining DB plans and all the risk they
ta
eil. Employees generally will not accept
a reduction in cash compensation to reflect
the employer’s greater risk under a DB
regime. Some organizations maintain a DB
plan nonetheless, but doing so is no longer
the path of least resistance.
The path of least resistance is DC, but
that path may be changing. DC participants
will probably not be able to retire with as
much pension in the next 10 years as they
would have enjoyed over the past 10 years.
The 10 years after that may be worse again.
At some point, the extent of the variability
will lead to a crisis and employers will feel
the pressure to shore up their DC plans in
some fashion. The longer corrective measu-
res are delayed, the more expensive they
will be to implement.
Understandably, many DC sponsors will
be reluctant to act too soon.
First, a return to traditional DB plans is
a non-starter given the accounting implica-
tions and the scrutiny of investors. Second,
many employees actually like their DC
plans – no wonder, given that economic
conditions still favour DC. Third, there is
a chance that this rather dark vision of the
future of DC plans will not come to pass,
that some unforeseen factor will intervene
to save the day.

History, however, suggests otherwise.
Fred Vettese is executive vice-president and
chief actuary of Morneau Sobeco (fvet-
tese@morneausobeco.com).

Table 1

<table>
<thead>
<tr>
<th>Period Ending</th>
<th>Interest rate for annuities</th>
<th>10-year average inflation</th>
<th>War in progress</th>
<th>10-year equity return</th>
<th>US/Canada exchange rate</th>
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<td>1967-69</td>
<td>5.65%</td>
<td>2.16%</td>
<td>Vietnam</td>
<td>11.3%</td>
<td>.925</td>
</tr>
<tr>
<td>2007</td>
<td>5.7%</td>
<td>2.17%</td>
<td>Iraq, Afghanistan</td>
<td>9.5%</td>
<td>.94</td>
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</table>

* Using provincial bond yields less 25 bps as a proxy

Inflation 40 years ago was low, as were yields on long bonds. Equities had enjoyed a remarkable run. The U.S. was mired in an unfortunate and increasingly costly war that was creating large budget deficits.
The parallel isn’t perfect, though. Wage inflation is lower now than it was 40 years ago (but that could change). The U.S. budget deficits have not caused long-
term bond yields to rise (at least not yet). And demographics are very different.

Fred Vettese is executive vice-president and chief actuary of Morneau Sobeco (fvet-
tese@morneausobeco.com).

* For the complete paper, including more information on the assumptions used in
the charts, see the Vision newsletter at www.morneausobeco.com.
14ᵉ Conférence régionale du Québec 2008
du 8 au 10 septembre 2008
Osez…
Hilton Lac-Leamy ▪ Gatineau, Québec
The world of work has changed and so has the meaning and the reality of retirement.

In ever-increasing numbers, members of the baby boom generation are re-writing the definition of retirement by exploring phased retirement, self-employment, or meaningful volunteer work. However, a smooth transition to retirement doesn’t just happen. There are key issues to address and challenges to face.

Not that long ago, men and women worked to age 65 and then abruptly left the workforce for a relatively short period of enforced leisure. Today, people are ‘retiring’ on their own timetables, living longer, and choosing to continue working in creative retirement occupations. Their reasons are many:

- they love the work
- they enjoy the camaraderie
- they want the personal fulfillment
- they simply need to feel useful or to make a difference

As people age and begin to realize retirement is looming, they start to grapple with many issues. Will they be happy doing little or no work? Are they prepared to accept the fact that their skills and knowledge will not be used to the fullest? The solution for a growing number of maturing people is to ease into retirement by transitioning out of the workforce with a reduced workload, while finding that perfect mix of other retirement activities.

Nature Of Retirement

The nature of retirement is changing. No longer do people wish to experience a sudden end to work, followed by an equally sudden onset of full-time retirement.

The good news is that retirement is becoming a segue into a new phase of life. In their mature years, Canadians have broader latitude to look for more satisfying and flexible lifestyle options. With fewer financial and family pressures, they can seek the perfect balance of work and leisure that ‘works’ for them. And their years of experience provide valuable insights into who they are, what they do well, and what they want to do.

Working in retirement is about more than money. A 2006 Decima eVox survey for Investors Group showed 30 per cent of respondents said the opportunity to maintain connections with other people was a benefit of working in retirement.

Phased retirement is the catch-all term for any method of gradually decreasing work time and workload instead of an abrupt move from full-time employment to retirement. It can take many forms, but usually consists of a pre-retirement gradual reduction in hours or days of work. It can also be post-retirement, part-time work, or volunteering for retirees who wish to remain actively engaged in life – and lots of Canadians are choosing the phased retirement option.

Work that a person enjoys enhances his or her physical and psychological health. It should be a personal choice of when to retire with enough money to live well, or to continue working at an interesting job as the employee moves toward full-time retirement on their personal schedule.

For employers, phased retirement programs are a useful way to retain skilled, mature employees who would otherwise leave. They can not only reduce labour costs, they can provide mentoring to younger employees.

Additionally, in all sorts of careers, there will simply not be enough skilled people to fill the pipeline in the coming years. Experts predict that there will be pronounced labour shortages within 15 years.

Work Gives Back

Many people are realizing that for all they give to work, work gives back something important to them. That’s why many organizations are enticing talented mature employees to stay involved by offering benefits and flexible scheduling that can often be negotiated by someone seeking to ease out on their own schedule. In increasing numbers, organizations are realizing they must change existing structures for work, rewards, motivation, and personal growth to attract and retain much-needed mature employees.

The Canadian government is also recognizing the trend to phased retirement with policy incentives that will allow people to postpone their retirement and continue working – in part because the baby boom generation could put severe pressure on pension plans by retiring en masse and because, as they retire, fewer skilled workers will be available.
Do your clients want their employees to have the protection they need when they retire? By complementing employer-sponsored benefits programs with Extended Health Care Insurance for Retirees, employees will have access to a retiree health care solution - at no additional cost to the Plan Sponsor and with little administrative effort.

We’ll work with you to ensure you have the information you need to help present Extended Health Care Insurance for Retirees to your clients. And our personalized communications will help retirees understand their options for protecting themselves and their loved ones in their retirement. Create a win-win solution for your clients and their retirees.

Extended Health Care Insurance for Retirees. Life’s brighter under the sun.

Extended Health Care Insurance for Retirees is underwritten by Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies.

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to produce the goods and services that fuel Canada’s economic growth and prosperity.

For mature employees, phased retirement is beneficial because it helps them to gradually ease into retirement while maintaining a higher income than they might receive in retirement.

Many people simply do not want to slow down. Instead, they want to stay engaged through all their retirement years, to reconnect with the passions of youth, to travel, to engage in a hobby, or to pursue further education. Others want to continue working for as long as they wish because they enjoy their job, it gives them a continuing sense of self-worth, lets them to stay connected with other people, enables them to keep active, and it adds to their income.

Escalating Trend
The 2006 survey brought further evidence of the escalating trend toward the ‘new retirement.’ The poll found that 58 per cent of all working Canadians and a whopping 67 per cent of those in the 45 to 64 baby boom age group say they plan to do some sort of work in retirement.

For many, contributing to something of significance is reward enough. If an individual doesn’t want to continue punching a clock and collecting a paycheque, volunteering can be a very satisfying way to stay connected and provide valuable services.

The ‘new retirement’ means keeping connected to the community and the world.

Planning a retirement is a challenge just like many others in life. Canadians approaching retirement should take the time to think it through:

◆ What are the available options?
◆ What are the retirement policies of the employer?
◆ Is there a specific time when the individual must retire, or can they set their own timetable?
◆ Do they have the financial resources to be able to work for fun and not for a paycheque?
◆ What will their resources, money, and skills be at age 55, 65, 75?
◆ What types of part-time or consulting work can they explore based on their experience, knowledge, and desire to continue in an enjoyable occupation?

When an employee is ready to enter this new life phase, they can choose to:

◆ remain with their current employer in a more flexible role that fits their lifestyle and gives them the freedom to do other things they find engaging and exciting
◆ move to a new employer who will accommodate phased retirement and enjoy the work
◆ start their own business in a field they enjoy

Phased retirement does pose some unique financial planning questions that should be answered before a final decision is made:

◆ Will a portion of the individual’s income come from part-time work or consulting?
  ▪ Withdrawals from a Registered Retirement Savings Plan (RRSP) should be carefully planned. RRSP owners should ensure they will have enough income while avoiding excessive income tax. The key is devising a customized strategy for withdrawing retirement income that meets current and future needs.
  ▪ If someone is phasing into retirement by continuing to work for their current employer, will they be able to access pension benefits, either in whole or in part?
  ▪ Even with the recent changes to the federal phased retirement legislation, many company-sponsored pension plans do not have provisions for phased retirement. An employee might have to retire, take a full pension, and then go back to work. Or they may have to support themselves on a part-time income without any pension benefits until they fully retire. If an individual wants to continue working part-time, will the income be sufficient without Canada Pension Plan (CPP) benefits? If you are under 65, CPP does not provide for phased benefits – individuals either retire and receive full CPP benefits or they continue working (full or part-time) and do not receive them.
  ▪ The Quebec Pension Plan (QPP) has allowed phased retirement agreements since 1998. Employees between the ages of 55 and 69 can enter into an agreement with their employer to have all or part of their reduced pay considered pensionable earnings. The employer and employee QPP contribution stops once the employee has reached the maximum contribution amount for the year.

◆ How will phased retirement affect employee benefits such as a supplemental health plan?
  ▪ Will the employer offer them to a part-time or consulting employee, or will the benefits be funded out of income?

◆ How about personal health status?
  ▪ Can the individual count on keeping up with the requirements of continuing employment – especially if one of the primary reasons for working is the need for the extra income stream?

Someone already retired who decides to return to the workforce faces many of the same financial issues as a person who chooses phased retirement.

Working in retirement can happen in two ways:

◆ A person takes full retirement and then returns to the workforce for the same company, a different company, or even in a different occupation.
◆ A person takes full retirement and then does unpaid work such as volunteering for an organization that has some meaning in their life.

Each of these choices will have an effect on retirement income and the amount of taxes to be paid.

Here are some things personal retirement plans need to consider:

◆ Net worth – including the value of all investments, real estate, insurance, and other retirement assets, minus the outstanding balance of debts
◆ Personal financial plan – work with a financial advisor to review income flow, investment portfolio, and government income programs to establish methods to increase and/or stabilize monthly retirement income
◆ Strategies for asset protection, risk minimization, and income tax reduction – especially in relation to making withdrawals or taking distributions from RRSPs
◆ Supplementary income from your other financial resources – review life insurance plans and their cash values, real estate holdings, registered and non-registered investments, annuities, long-term savings accounts, and other assets to establish how much they could contribute to retirement income on a regular basis

A phased retirement can be a great way to maintain and enhance social connections and to get more satisfaction out of life in retirement. However, the decision to phase into retirement should be a personal choice, not a necessity.

Having the right financial plan appropriate for the retirement path chosen can help ease the transition as well as help make choices that are best suited to each individual’s unique overall life plan. Whether a personal vision of phased retirement includes working, volunteering, or both, Canadians should be able to retire when they want, as they want, according to their own schedule and in their own unique way.

Jane Olshewski is a financial life planning expert with the advanced financial planning team at Investors Group.
After a hard day analyzing medical claims data, we like to unwind for a few hours and focus on dental claims.
Individual critical illness insurance has been available in Canada since the mid-’90s. It has become a popular insurance product with more than 360,000 policies in force as of December 2007. More recently, a group version of this product has become available and is starting to attract the attention of group insurance brokers and consultants, as well as HR professionals.

The Fundamental Question
As I work for an insurance company that distributes a Group CI product, it would not be hard for me to describe in detail what Group CI is, its features and benefits, and its market applications. I could easily give you a Group CI ‘infomercial’ and certainly plan to address these points, but I wanted to start with something more basic: ‘Is there a need for this product?’ The answer is ‘Absolutely, yes.’ Group CI addresses a real financial need.

Many Canadians have, and will continue to incur, ‘out-of-pocket’ expenses when they are diagnosed with a critical illness. If you agree with this statement, then the obvious solution would be for all Canadians to purchase an individual CI policy. The reality is that a large segment of our population will not have access to these individual products either due to cost or because they do not represent an attractive segment for individual insurance brokers.

Dr. Barnard’s Vision
Individual CI and Group CI are similar in that they are designed to pay a lump sum benefit when the insured survives a major illness. The typical illnesses covered include cancer, heart attacks, strokes, coronary artery by-pass surgery, and multiple sclerosis.

The idea for this product came from Dr. Marius Barnard, a South African medical doctor who is famous for having been part of the unit of cardiac surgeons who performed the first-ever heart transplant operation. During his years in private practice, Dr. Barnard began to realize that the illnesses that he was treating his patients for also resulted in negative financial side effects. Many of them had to change their lifestyles and some had to stop working. Some had life insurance, but because he was able to help them survive these illnesses, the life insurance was not going to be of any assistance to them. This led him to the idea of an insurance product that would pay a benefit following the survival of a major illness.

The Out-of-Pocket Costs Of Getting Sick
The basis for Dr. Barnard’s idea is that there are financial consequences to surviving a major illness. Throughout my career, I’ve often spent time searching for data supporting Dr. Barnard assertion. I have come across a lot of documentation that alludes to the fact that there is an out-of-pocket cost to getting sick, but until recently I had not found an economic study of this problem.

However, a research paper published by Dr. Chris Longo, associate professor at the DeGroote School of Business, entitled ‘An examination of cancer patients’ monthly ‘out-of-pocket’ costs in Ontario, Canada’ provides some documentation. This paper captures the results of a survey of 282 cancer patients in Ontario. The purpose of the survey was to measure the costs incurred by cancer patients during their treatment. It also determined how problematic these costs were to the financial well-being of these patients.

The survey focused on what the out-of-pocket costs were in regards to a variety of expenses incurred during the cancer treatment. These included parking, medical devices, prescription drugs (not covered by private or government plans), alternative medicine, vitamins, homecare, family care, and several others. The results were quite interesting and finally provided scientific proof of the assertion that getting cancer, in many cases, will result in significant out-of-pocket costs to the patient. Twenty per cent of the survey participants indicated that their financial burden was significant. For those, the total out-of-pocket costs ranged from $17,358 to $32,428 over an 11-month period (average treatment duration for the survey participants). Keep in mind that these

Group Critical Illness Insurance: Is There A Need?

By: Eddy Levy

HEALTHCARE

Benefits and Pensions Monitor – June 2008 49
Four out of five Canadian employees want their employers to offer a tool to help them assess their health risks. They also want workplace wellness programs, including education about topics related to their health.*

Your employees are ready to do more about their health, and they look to you as a source of information. Great-West can help you take action. With our **Health Factors: work-life solutions** program, we can work with you to provide the wellness support your employees are looking for.

* Source: the sanofi-aventis Healthcare Survey 2007

Make the healthy choice. Call Great-West or ask your benefits advisor about Health Factors today.
are after-tax dollars. The pre-tax earnings required to fund these costs would be significantly higher.

Turning our attention to some of the other high incidence illnesses such as heart attack, stroke, and MS, I cannot refer to a study similar to the one done by Dr. Longo to outline the expenses associated with surviving one of these illnesses. However, we do know that important lifestyle changes usually take place when a person is recovering from one of these illnesses. Depending on the severity of the heart attack, the survivor is often instructed to reduce their stress level and possibly find an occupation that will encourage a slower pace. This will undoubtedly result in a reduction of the income, as well as unexpected and unplanned for expenses.

In many cases, a survivor of a major stroke will be facing significant challenges, both physical and mental. Having to adapt a home for wheelchair access, medical equipment, physiotherapy visits that go beyond the funded limit, private nursing care, child care, and replacement of spouse’s salary (spouse taking unpaid leave to care for stroke victim) are all potential sources of significant expenses that could have a devastating effect on a family’s financial well-being.

**Why A Group Product?**

The second part of the fundamental question of whether there is a need for Group CI is to ask ourselves ‘Is a group product the right vehicle for offering this type of insurance protection?’ We know that the individual CI product is readily available – virtually any broker licensed to sell life insurance is able to sell an individual CI policy. But will they want to? And are the premiums affordable for the average Canadian?

Let’s touch on the affordability aspect first. A healthy, non-smoking, 45-year-old female buying $35,000 of term 10 individual CI will pay approximately $27 a month. A healthy male, non-smoker, age 48, buying $25,000 of term 10 will pay approximately $24 each month. We cannot assume that most Canadians have room in their budget for this extra expense.

You’ll notice that I described these individuals as being ‘healthy.’ In order to purchase an individual CI policy, the underwriting process is quite rigorous. There is a fairly lengthy questionnaire that needs to be completed. It includes questions regarding the applicant’s current state of health, their medical history, and their family’s medical history. There may also be a need to supply a sample of blood and urine. Once all of this information is collected, the insurer will make a decision to issue a policy at exactly the premium that was applied for or to issue one at a higher premium if they have determined that the applicant’s state of health, medical history, or family history indicate a higher than normal claim risk. I should also mention that there is also the possibility that the applicant will be denied coverage. A denial could be based on the same risk factors, but because the claim risk is so high, it is unacceptable for the insurer.

Distribution of individual insurance products has undergone important changes over the past 10 to 15 years. We have seen significant merger and acquisition activity in the Canadian insurance industry during this time. Canada’s life and health insurance industry was comprised of 117 firms in 2001. This was down from 168 companies operating in the sector in 1990.

This has resulted, among other things, in the virtual disappearance of the agency system. There are currently only a small number of ‘captive’ agency systems still operating in Canada. Sun Life and RBC are examples of companies still using this model.

Presently, the majority of agents selling life insurance are independent brokers. Being independent, they face high operating costs. As a result, they tend to concentrate on selling to the middle/high income segment, where the average premium will be higher and more ‘worth their while.’ An insurance
Mr. McGowan will be responsible for developing and implementing strategies aimed at promoting Group Retirement Services and ensuring this sector’s growth in brokerage and consulting markets in Ontario and the Western provinces.

Mr. McGowan holds a variety of industry-related designations and licenses. Prior to joining Desjardins Financial Security in 2008, Mr. McGowan worked for over 8 years with a major financial institution in the group retirement plan market place.

About Desjardins Financial Security

Desjardins Financial Security is a component of Desjardins Group, the largest integrated cooperative financial group in Canada. Specialized in life and health insurance and retirement savings for individuals and groups, every day, Desjardins Financial Security ensures the financial security of over five million Canadians from coast to coast. It employs more than 3,700 people and manages more than $22 billion in assets. The company has offices in cities across Canada including Vancouver, Calgary, Winnipeg, Toronto, Ottawa, Montréal, Québec, Lévis, Halifax and St. John’s.

In this article, I set out to answer the fundamental question of whether there is a need for Group CI. The need for this type of employee benefit comes from the following areas:

- There is a quantifiable out-of-pocket cost when a person develops a major illness.
- Individual CI products may not be affordable for the middle to low income population segment.
- The middle to low income segments will likely not have access to individual CI products as this is an unattractive market for the majority of life insurance brokers.

The feedback from our existing Group CI policyholders also showed an important recurring theme. According to formal and informal surveys, the implementation of a Group CI benefit has resulted in a significant increase in employee satisfaction for the employers that made this decision. Employees are happy to have this benefit and this reflects positively on how they feel about their place of employment.

Eddy Levy is vice-president, sales and marketing, accident and health, at ACE INA Life Insurance (eddy.levy@ace-ina.com).

**APPOINTMENT**

GIL MCGOWAN

Peter Ferland, Vice-President, Sales, Savings and Segregated Funds at Desjardins Financial Security, is pleased to announce the appointment of Gil McGowan as Regional Vice-President, Sales, Savings for Groups and Businesses.

Mr. McGowan will be responsible for developing and implementing strategies aimed at promoting Group Retirement Services and ensuring this sector’s growth in brokerage and consulting markets in Ontario and the Western provinces.

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IN MEMORIAM

Bruce Rollick

Vancouver actuary Bruce Rollick began his professional career in the insurance industry in Toronto, ON, before returning to Vancouver in 1966 to join Farrant and Company which was acquired in 1975 by The Wyatt Company. In 1977, Bruce became managing consultant of the Vancouver office. Under his leadership, the office grew from a few associates to a staff of more than 100 with a large and varied client base.

Following his retirement in 1996, he formed Strategic Income Security Services (SISS). He continued to provide strategic consulting advice to many of his former trustee pension and health and welfare clients, and provided advice to individuals as well.

A gifted athlete, he won numerous Canadian badminton championships, both in men’s singles and mixed doubles. In his more than 40 years in the sport, he was also recognized as a tireless advocate for badminton.

A devoted family man, Bruce is survived by his wife Judy, his two daughters and their families, and his mother, sister, and brother.

— Susan Chortyk

NOTICE OF APPOINTMENT

Rene Chabot, Senior Vice-President, Group Pensions at Industrial Alliance Insurance and Financial Services Inc., is pleased to announce the appointment of Michael Marmoreo as Regional Vice-President, Sales, Group Pensions, Central & Western Canada.

Mr. Marmoreo joined Industrial Alliance in 2004 as the Regional Sales Director, Group Pensions, in the Toronto office. He has more than 30 years of experience within the industry and has worked for many other insurers involved in the group pension market segment.

Founded in 1892, Industrial Alliance is the fifth largest life and health insurance company in Canada. It employs more than 3,000 people and manages and administers over $50 billion in assets. Its stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. Industrial Alliance is among the 100 largest public companies in Canada.

www.ina.ca.com

The Canadian economy and its effect on benefit trust funds in Canada will be one of the topics explored at the International Foundation of Employee Benefit Plans’ 41st Annual Canadian Employee Benefits Conference. Other sessions will offer information on fiduciary responsibilities to manage benefits. It takes place August 10 to 13 in Halifax, NS. Visit: http://www.ifebp.org/canannual

CPBI Quebec’s 14th Annual Regional Conference is set for September 8 to 10 in Gatineau, QC. Theme for this year’s event is ‘Dare …’ Visit: www.cpbi-icra.ca

Susan Enefer, manager, corporate governance, at BC Investment Management Corporation and John D’Agata, director, pensions and benefits, McGill University, will share their experiences and insights on incorporating socially responsible investing (SRI) into investment policies at the ‘Association of Canadian Pension Management’s 2008 National Conference.’ It takes place in Lake Louise, AB, from September 16 to 19. Visit: http://www.acpm.com/default.asp?action=article&ID=303

The 2008 Eastern Ontario HR Conference & Trade Show takes place September 18 in Ottawa, ON. This year’s conference is produced in partnership by Ottawa Human Resources Professionals Association (OHRPA) and the Human Resources Professionals Association (HRPA). Visit: http://www.hrpa.ca/HRPA/Events/2008easternontarioconference

Appointment Notice

Lawrence Lim, CFA
Vice-President, Client Services
Standard Life Investments Inc.

Standard Life Investments Inc. is pleased to announce that Lawrence Lim has joined the company’s Distribution and Client Service Team in the position of Vice-President, Client Services. Lawrence is responsible for maintaining and building strong client relationships with our institutional clients in the Central Canada region.

Lawrence brings to SLI over 10 years of investment and consulting experience in the institutional pension fund and endowment markets.

Standard Life Investments Inc. has been providing investment management services in Canada since 1973 and manages approximately $27 billion of assets. (www.sli.ca)

Standard Life Investments Inc. is a subsidiary of Edinburgh-based Standard Life Investments Limited, a leading asset management company with approximately CDN$281 billion of assets under management. (www.standardlifinvestments.com)
It isn’t always easy to prove things that we believe should be the case. I’m talking about the link between employee satisfaction and company stock performance.

The way the world is supposed to work is straightforward. Benefits attract and retain employees and keep them happy and healthy. Happy employees make for a happy company. And a happy company makes for happy shareholders and a rising stock price.

That is the theory, but where is the evidence?

A study by Alex Edmans at the MIT Sloan School of Management titled ‘Does the Stock Market Misvalue Intangibles? Employee Satisfaction and Equity Prices’ is getting some notice and publicity as it concludes that companies that were seen to be good places to work earned above average stock market returns. It is, as the author notes, the first study that documents the positive long-term stock price consequences of employee-friendly programs.

Definitive Word

However, rather than being the definitive word on the importance of human capital, the study actually shows the difficulty of proving a relationship that we believe should exist in real life.

Edmans uses Fortune magazine’s annual ranking of the ‘100 Best Companies to Work For in America.’ Fortune’s ranking is based on survey results from employees themselves, as well as the magazine’s evaluation of pay and benefits programs. A portfolio of these top companies is created beginning in 1998 and the stock prices are tracked through that year. In January of the following year, the portfolio is rebalanced to contain the new firms noted in the study (fees and transaction costs don’t appear to be factored into the study). Between 1998 and 2005, this portfolio had gross returns of 12.7 per cent annually, more than double the benchmark’s market return of 5.6 per cent.

If you are a money manager here, and if the study is correct, then you have a wonderful opportunity for creating alpha. Step one: study a list (there are several published each year) of the best companies to work for. Step two: create a portfolio of stocks from the list. Step three: profit.

Except, there are some serious limitations in play here. Interestingly, only two-thirds of the companies on the list in 1998 were publicly traded; the rest being privately held. This wasn’t a one-year anomaly, but was actually indicative of a larger trend. For all the years examined, only about half to two-thirds of the 100 companies on the list were publicly traded. Whether there is a relationship between a company being a good place to work, and it’s being privately held, will have to await another study.

Relatively Small

So the number of stocks in the portfolios is relatively small and the period of study is less than a decade, all causing you to wonder about how applicable the results are.

Yet, there are other causes for concern. A portfolio of stocks created in 1998 from the magazine list and never rebalanced to include new companies on the annual list and to delete companies that have fallen off the list, actually outperforms the portfolio with annual rebalancing. And a portfolio of companies that have been dropped from the list (not companies that are judged to be ‘the worst companies to work for,’ but companies that were once in the top 100, but are no longer in that grouping) also outperforms the market benchmark over the study period.

So while there may be a trend here, the evidence is far from conclusive. Maybe the 50 to 65 companies tested on the list are an extreme ‘right tail’ effect – these ‘best of the best companies’ may show a relationship with stock price that doesn’t exist for the other 99 per cent of the publicly traded companies that exist.

Plus, other factors may be influencing any relationship. For example, there is the ‘publicity effect’ which occurs when any firm on the Fortune list attracts new business to the firm. Here, increased analyst coverage and interest from stock buyers can push a stock higher. This has nothing to do with employee satisfaction driving the stock price of these firms higher.

All of this shows the great difficulty of linking employee happiness with a company’s financial results and, ultimately, with that company’s stock price performance. This lack of evidence doesn’t mean that we should stop trying to keep our employees satisfied and happy to come to work everyday. It just means that we don’t yet have proof that this drives our company’s stock performance.
To be successful in any business, attention to detail is crucial. And this is especially true when it comes to providing retirement services for your employees. At Great-West Life we are completely committed to the highest principles of accountability and providing superior, reliable group retirement services. If you want your group retirement plan to run as smoothly as you wish everything else did, give us a call at 1-800-452-0025 or visit www.grsaccess.com
We make buying the world a bit easier.

Start with a disciplined, research-driven investment process.
Add access to the local economic and market insights of GE business leaders around the world.
The result? The confidence to invest in today’s complex, global marketplace.
Tap into the power of GE. Let us help you buy the world.

keith.smith@corporate.ge.com  Tel: (905) 858-6683 or
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