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The traditional thinking about Defined Contribution pension plans is that members need some choice, but not too much. As a result, plan sponsors wrestle with the issue of how many fund options to offer members in their plans.

However, there is also a growing sentiment that a single fund approach may, in fact, be better. This was the focus of a session at the recent CPBI Western Region Fall 2008 Conference. Murray Campbell, of Lawson Lundell LLP, suggested – in a presentation entitled ‘DC Plans – Do You Need Investment Choice’ – that a single fund approach may be a better design for DC plans.

Share The Same View
Interestingly, a number of people at the seminar and in conversations at networking sessions at the conference all apparently share the same view.

The Single Fund DC Plan

Campbell’s key point is while the multi-fund approach is perceived to pose less legal risk, this may not be the case. Among the legal risks of the multi-fund plan, he cited:

- inappropriate disclosure which leads to inappropriate investment decisions/losses
- inappropriate choice or retention of investment options (or managers) which leads to losses
- members not able to implement choices in a timely manner which leads to investment losses
- giving control over investments to individuals who aren’t willing or able to exercise that control

Under the single-fund plan, the lone legal risk was that the sponsor could be liable for negligent investment of the fund. That’s it, that’s the legal risk.

Out of the legal risk, another consideration is that sponsors of single fund plans do not have to comply with the Joint Forum of Financial Regulators’ Capital Accumulation Plan Guidelines. Since the one fund approach is kind of like a Defined Benefit approach to DC, the education obligation of the CAP guidelines all but disappears and communication becomes basically a statement of the account (as of whatever date).

However, this could change as the guidelines are now being reviewed and one has to believe that with the growing interest in single fund approaches such as life cycle and target date funds that the regulators will have something to say.

Get Past This Idea

One aspect he failed to mention is the equality of the one fund approach. Plan members get the same treatment. That in itself would mitigate any legal risk.

It might also help DC sponsors get past the feeling of obligation that they need to ensure that the employer plan compliments the individual member’s personal savings for retirement. Each member is entitled to save for retirement as they wish and it is their responsibility to see where the company pension plan fits into their circumstances.

In some ways, we may already be seeing the evolution towards the one fund plan. The growing interest in life cycle and target date plans as the default option is a move to that approach. The attraction is partly because of a desire to see members get the best possible savings for retirement and the realization professional management of these funds is proven to add value.

The question, therefore, is why is it is taking so long for sponsors to wake up and realize that if they must have a DC plan, the single fund approach not only has less legal risk, but promises a better retirement payout.
A Canadian Partnership

When Ron Harris needs to discuss his company’s pension plan, help is a phone call away. The chief executive officer of Jones Packaging Inc. can take advantage of a unique program offered by his provider. Standard Life’s Executive Sponsor program partners up its senior executives with its clients. For Jones Packaging, the Executive Sponsor is Standard Life President and Chief Executive Officer Joseph Iannicelli.

Fourth Generation

Longstanding relationships characterize both companies. Standard Life, now celebrating 175 years of serving Canadians, was in Canada for nearly 50 years before Jones Packaging Inc., a fourth generation, family-owned and managed company, started in London, ON, in 1882.

Henry Jones then founded a company to serve the packaging needs of the Canadian pharmacy market. An innovator on many fronts, he started looking for ways to attach the labels to prescription bottles. Up until then, pharmacists used glue to stick the labels to the bottles. Henry Jones, however, learned about a European practice of using pre-gummed labels and was the first to bring that to Canada.

“So, our roots really started with the pharmacy and then branched out into the pharmaceutical industries. We do a lot of other things, but it’s been pretty true right from the beginning,” says Harris.

Today, it has more than 500 employees and Jones Packaging has facilities in London, Guelph, and Brampton, ON, as well as the UK. It has two primary operating divisions. The larger of the two produces folding cartons, pressure sensitive labels, shrink sleeves, and inserts for pharmaceutical products. An example of their products is the packaging for Tylenol.

The plan today gives employees about 20 investment options, ranging from bond funds to Canadian and U.S. equity to real estate. Depending on the individual employee’s appetite for risk, there is something for each person.

Since the plan has been around for some period of time, it is relatively well understood, says Jeff Low, vice-president, human resources. “I’ve worked in other operations where there has been a lot more people in the default option and it seems no matter what you do, they don’t move.

Still, Jones Packaging continues to try to impress upon employees the importance of understanding their pension plan and the options that are available to them and “Standard Life has been a great help to us in terms of education the employees,” says Low.

This has made Standard Life, in Harris’ view, “a partner in our business just as our bank is a partner and our suppliers of box board are partners.” However, none of his other partners have given him direct access to the president of the company.

He calls the Executive Sponsor program “a very good thing. Not just because you can take an issue to the top, because you don’t want to do that unless it is really necessary, but I can pick up the phone and compliment him for the service we are getting. And I’m very comfortable getting on the phone now and calling Joseph because I’ve had that contact.”

“When we talk about success here at Jones Packaging, success for the people of Jones, we talk about a couple of things. We talk about opportunity and we talk about sustainability. What we want to provide for the people of Jones is a good benefit program which includes the pension plan. We want to offer the very best that we can. So, we want to deal with an organization that will do all the things we want covered off.”

For 50 years, Jones Packaging has been turning to Standard Life to do just that.

Sponsored by Standard Life

“Standard Life places great value on our business partnership with Jones Packaging and on our commitment to service excellence, client relationships, and to Canada over the past 175 years that we have been doing business in this country.”

– Joseph Iannicelli

president and chief executive officer

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For more information contact John Ackerl at 416-642-6960 or jackerl@mcleanbudden.com
Vincent Marcoux is vice-president, institutional sales and client services, Quebec and Eastern Canada, for Fortis Investment Management Canada Ltd. Prior to joining Fortis, he worked for a European bank and key institutions such as SNC-Lavalin Group and the Montreal School Board Pension Plan.

Martin Chung is key account manager, healthcare sector, for Aon Consulting Worldwide in Toronto. He has been a pharmacist for more than 15 years with experience in clinical hospital pharmacy and retail pharmacy.

Sue Fitzpatrick is chief operating officer, Best Doctors Canada Inc. Spanning a career of over 25 years, she has held senior level positions at both large multi-national and smaller growth companies in Canada. She joined Best Doctors in June of 2007 as vice-president of business relations.

Ted Carmichael is managing director, asset mix and capital market research, with the Ontario Municipal Employees Retirement System. He was formerly chief economist with JPMorgan Chase Canada.

Becky J. West is director, client servicing, with Addenda Capital Inc. (formerly Co-operators Investment). She will be responsible for serving clients in Ontario and Western Canada.

Pierre Czyzowicz is vice-president, business development institutional, at Natcan Investment Management. He joined the firm two years ago as vice-president, investor services. He will focus on business development related to new product initiatives.

Jean-Philippe Bry will cover the global financials sector for the equity research team at McLean Budden. Previously, he was with Credit Agricole Asset Management.

Craig Thompson is manager, business development, group insurance, for the Standard Life Assurance Company of Canada. He has more than 20 years of experience with leading benefit providers across Canada. Jean-Guy Gauthier is senior manager, marketing and strategy, group insurance. He will help ensure that its products and services are aligned to clients’ evolving needs.

Anthony Perlman is leader of Hewitt Associates’ sales team in Canada. His efforts will be focused on developing new relationships and opportunities for its consulting business.

Doug Chandler has moved to Watson Wyatt’s retirement practice in Western Canada. He has been with the firm for eight years, serving clients in all aspects of pension plans and long-term financing arrangements for other post-employment benefit plans.

Brian Holland is senior vice-president, head of client and consulting relationships, at Guardian Capital. Since joining the firm in 1999, he has focused on client service for institutional clients. In his new role, he will be responsible for institutional client relationships and building relationships with the consulting community.

Martin Leclair is vice-president, business development – Toronto, with SSQ Financial Group’s investment and retirement practice. He is responsible for growing its presence on the Canadian investment scene.
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Fortis Investment Management Canada Ltd.
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**Credit Card Crisis Next?**

Bad credit card debt could be the next credit crisis facing the United States, says Innovest Strategic Value Advisors. So far, credit-card ‘charge-offs’ – debts declared irrecoverable by card issuers – have been lower than in both 2001 and 2005. However, historically, after a time lag, irrecoverable credit card debt has followed mortgage charge-offs up or down and U.S. mortgage charge-offs are up eight-fold since the last quarter of 2007. It forecasts first quarter credit card charge-offs will be $18.6 billion and that the total 2009 charge-off bill will add up to $96 billion.

**Appeal Sought On Marine Atlantic**

An application for leave to appeal the Federal Court of Appeal’s Marine Atlantic decision has been filed with the Supreme Court of Canada, says a Heenan Blaikie ‘Labour & Employment in the News.’ The Marine Atlantic decision looks at whether the federal Pension Benefits Standards Act (PBSA) requires a distribution of proportionate surplus assets to pension plan members affected by a partial termination. The Federal Court of Appeal decided that the PBSA does not require such a distribution to affected members. The application for leave to appeal also includes whether the PBSA requires a plan wind-up at the same time as a plan termination and what the standard of review is for decisions made by the Office of the Superintendent of Financial Institutions.

**D’Alessandro Slams Accounting Rules**

Dominic D’Alessandro, the head of Manulife Financial Corp., plans to spend his upcoming retirement crusading to expose the fallacy of fair value accounting and reporting rules that businesses are being subjected to, says a report in the Globe and Mail. He said the rules exaggerate the tendency toward greed and short-term thinking in the financial system. Fair value, or mark-to-market, accounting rules require financial institutions to place a value on many of their holdings on the last day of each financial quarter. Those values can fluctuate and lead to write-offs and losses when markets are down, even if the companies plan to hold the securities until their value rises again. When the final story of the current financial crisis is written, much of it will focus on the “perverse” reporting and accounting practices, said D’Alessandro.

**CSA Amends Disclosure Rules**

To provide consistent and comprehensive executive compensation disclosure, the Canadian Securities Administrators (CSA) has adopted significant amendments to its executive compensation disclosure rules, says a Mercer Communiqué. As the 2009 proxy season is fast approaching, companies should begin to familiarize themselves with the new disclosure rules and begin to share with their compensation committees the new retirement benefit disclosure rules. Depending on the nature of the plans in place, committees may need several sessions to understand the impact of the new rules. Strategies for communicating pension benefits with executives should also be considered because they will want to understand their pension values disclosed in the annual proxy statement. The new disclosure requirements is effective December 31, 2008, subject to ministerial approvals.
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**Integrated Fund Earns Award**

Integrated Asset Management Corp. and its managed futures arm, Integrated Managed Futures Corp., won the ‘Best New Fund Performance Award’ at the Canadian Hedge Fund Awards 2008. Its Global Diversified Fund had a return of 36.03 per cent for the year ending July 31, 2008, and a return of 37.81 per cent from inception in February of 2007. It also finished third in the ‘Best Sharpe Ratio’ category for funds with assets under management of less than $25 million and was second in the ‘Best Overall Return Category’ for funds with assets under management of less than $25 million.

**U.S. May Go Way Of Japan**

The U.S. may now go the way of Japan in the 1990s, says Eric Sprott, of Sprott Asset Management. Speaking at the AIMA Canada luncheon ‘Under the Hood of Hedge Fund Strategies,’ he said they are treating this crisis the same as the Japanese did by throwing money at it. The major difference is that the Japanese economy was closed while U.S. banks are doing business around the world. However, while the Japanese crisis was started because money was being loaned to people who couldn’t pay it back, the situation now is worse because there is a lot of “toxic stuff” out there, he said.

**Phased Retirement Not For All**

Phased retirement will not be attractive to all employees or employers, says Conrad Ferguson, of Morneau Sobeco. Speaking at the CPBI Atlantic Region Conference, he said they are better suited for employee groups with similar functions and employers with long service, aging workforces. He also said it is attractive where an employee desires to slow down, but maintain a reasonable income. However, phased retirement alone will not solve the impending labour shortage and formal phased retirement program will not work for every employer. It is one tool in a list of potential HR initiatives.

**NHL Players Challenge Death Benefit**

The National Hockey League Players’ Association (NHLPA) has filed an action in the Ontario Superior Court of Justice over death benefits paid by the National Hockey League Players’ Pension Plan. The action relates to the calculation of the death benefit for players with service in the plan prior to July 1, 1986, and for certain NHL employees with service prior to July 1, 1994. It is the NHLPA’s position that the death benefit paid to the widows and other beneficiaries of players who passed away before electing to take their pension was less than required by the plan and by law.

**IFRS Catalyst For Move To LDI**

The upcoming conversion to International Financial Reporting Standards (IFRS) will be a catalyst for Canadian pension plans to move their focus from total asset management to a Liability Driven Investing (LDI) platform, says an RBC Capital Markets research report. It says well over 50 per cent of pension plans adopted LDI when similar accounting rules were adopted in Europe. Market, regulatory, and accounting forces have been significant (at times overarching) driving forces in the evolution of LDI globally, particularly in Europe and, more recently, in the U.S. It says Canada has been fortunate as external factors have played a comparatively mild role to date, giving plan sponsors greater flexibility and time to consider alternatives and improve the funding status of their DB pension plans. However, as Canada’s transition to IFRS sits on the horizon, plan sponsors should scrutinize their approaches to surplus risk management and map out strategies for managing surplus volatility, especially because of the potential first-mover advantages due to the tight supply of long-dated hedging instruments in Canada.
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Heart disease and stroke are two of the most prevalent causes of illness, disability, and death in Canada, exacting a high cost on individuals, our community, workplaces, and the healthcare system. The annual total cost in medical care and lost earnings in Canada for heart disease is now more than $4 billion.

Explaining Heart Disease
Cardiovascular disease is a broad term used to describe diseases of the heart (cardio) and the vessels (vascular). It is defined as an injury or disease of the heart and system of blood vessels (veins and arteries) throughout the body. The six basic forms of heart disease are:
- Heart attack
- High blood pressure
- Heart failure
- Angina
- Metabolic syndrome
- Stroke
The most common of these are heart attack and stroke.
A stroke is a ‘brain attack.’ Specifically, it’s a pattern of symptoms that arise when a blood clot or a ruptured blood vessel interrupts the flow of blood to the brain, depriving the brain cells of vital oxygen. Cells denied oxygen for as little as four minutes become damaged and begin to die, and they cannot be replaced. As a result, the part of the brain affected by stroke becomes severely diminished.

There are three types of stroke – haemorrhage, thrombosis, and embolism.
Haemorrhage causes about 20 per cent of strokes and occurs when a tear in the cerebral artery bleeds into the brain or into the area between the brain and the skull. At a whopping 45 per cent, thrombosis is the number one cause of stroke. It takes place when a blood clot forms within the cerebral or neck artery, which cuts off the blood supply to the brain, resulting in the death of brain cells. Embolism occurs when a clot forms somewhere in the body and travels to the brain, causing 25 per cent of what is called ischemic strokes.

Risky Business
The strongest predictor for stroke is a previous stroke. For many people, a stroke or heart attack will occur suddenly, without any warning. For others, education is crucial to help identify risk factors that can be managed to minimize both the onset and recurrence of stroke. These include:
- Smoking
- Physical inactivity
- High blood pressure
- Dyslipidemia (elevation of lipids in the blood)
- Obesity
- Diabetes
Experts suggest that by being aware of the medical conditions and lifestyle choices that critically influence the inception of a stroke, the number of employees at risk can be radically reduced. Sadly, the prevalence of major risk factors that can be controlled has not shown much improvement.

Super Stressed?
Research suggests that job stress can be a danger. Unfair bosses, low-level jobs, anger on the job, shift work, and overtime are all cited as contributors to heart disease. Early warning signs of stress that human resource professionals can advise managers and their staff to watch for include headaches, sleep disturbance, difficulty concentrating, job dissatisfaction, and low morale.
Smoking is a proven hazard, doubling the risk of stroke. Smoking and cardiac disease combined are even more hazardous to a company’s bottom line. Together they amplify absenteeism, loss of productivity, and insurance costs. The single, most important way to protect the heart from the risk of heart disease and stroke is to avoid tobacco smoke altogether.

As our workforce ages, heart disease and stroke will become an increasing problem. Companies willing to embrace heart health awareness programs and to work hard at educating their workforce may just be able to beat the odds and save lives.
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To get MFC GIM’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
Several factors have been leading institutional investors to explore total investment program management. Chief among these are increasingly burdensome regulations, more sophisticated investment products, complex alternative asset classes, and a lack of internal resources and expertise. Partnering with a firm that offers total investment program management presents a cost-effective solution for pension plan sponsors and foundations/endowments facing these challenges.

Total investment program management includes activities such as portfolio analysis, risk budgeting, asset allocation, manager research and monitoring, and performance reporting. In essence, a total investment program partner serves as an extension of internal staff.

Evolving Needs
Strategic partnering is nothing new. Organizations have entrusted non-core functions – including information technology, accounting, and human resources – to strategic partners for years. More and more institutions are looking for a strategic investment program management partner that can help them deal with the complex investment environment.

Handing Over The Investment Reins

In speaking with corporate officers across Canada, I find a strong desire in organizations to focus on core competencies. Many do not have investment expertise internally. With total investment program management, organizations can focus on running their business while a program manager focuses on cash flows and long-term risk as well as manager selection and reporting.

Savings And Guidance Through Partnership
Cost savings through an investment program manager can be dramatic for funds. An investment program manager will pool the assets of multiple clients, allowing them to negotiate better fees with the underlying money managers and then pass those cost savings on to the client.

In addition to seeking cost savings, institutions are increasingly transitioning to more complex investment strategies. Because of regulatory changes and market conditions, plan sponsors have moved from simply meeting a certain investment return through traditional means to strategies that seek to meet their future liabilities.

Few organizations, however, have the expertise to evaluate, implement, and monitor these new strategies. Even if a firm has talented investment professionals, they are usually required to wear many hats leaving little time to put together and monitor a professionally diversified program. For many organizations, it makes sense to look to a partner to provide that guidance and expertise through best practices.

Examine All the Angles
Selecting a total investment program manager requires serious due diligence that goes beyond simply looking at performance. There are many factors to consider and taking a holistic view of the management firm is recommended before making a decision on a total investment program manager. Do they have experience in putting together entire programs? Do they have experience in setting investment objectives and then executing a strategy to meet those objectives? Do they have the resources to perform in-depth manager research? Are they adept at monitoring programs? Do they have a sound investment process that can be repeated over time?

As pension funds and endowments continue to diversify their investments, it’s increasingly important to select a partner that can handle multiple asset classes beyond the more traditional equity and fixed income mandates.

Ongoing oversight is challenging for all organizations and risk management is paramount. Your partner should make solid investments into analytical tools – the quantitative tools used to successfully evaluate money managers, asset allocations, and program success.

Total investment program management does not relieve an organization of all of its fiduciary responsibilities. However, the program manager is able to share certain types of risks with its partner and should provide sound processes that will help an organization meet its distinct fiduciary responsibilities.

The Bottom Line
Total investment program management offers a viable way to meet investment objectives at the lowest possible cost. However, the bottom line key to success in total investment program management is working closely with your partner to make sure they are able to put together the right investment program that has the appropriate risk/return tradeoff to meet your strategic investment objectives and liabilities. Implemented correctly, a total investment program manager can become an extension of the plan sponsor’s organization, not simply a vendor.

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MARTKET MONITOR

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Canadian pension funds are looking for a money manager these days who is a superman. To combat the impact of the credit crisis, they need managers who are more powerful than the raging bear market and who can make decisions faster than a charging bull market.

Not New
What we are seeing now is not new. Japan – in the late 1980s – and Norway, Sweden, and Finland – from 1991 to 1993 – experienced credit crises. In both cases, a long period of low interest rates resulted in rampant borrowing that fuelled soaring home prices. When real estate collapsed, banks failed and credit dried up.

David Schaffner, president and CEO and head of fixed income at Leith Wheeler Investment Counsel Ltd., suggests greed is at least one major contributor to credit crises. In the current case, it prompted lenders to:
◆ make subprime loans to borrowers with poor credit history
◆ repackage or securitize these loans to investors to transfer the risk and then repackage these securitized assets as another investment opportunity

He says leverage then added fuel to the fire because “Wall Street takes a good idea and overdoes it to such an extent it becomes a bad idea.” With enough leverage, even a small drop in the markets can wipe out a firm’s capital, says Schaffner.

As losses mount at overleveraged firms they respond by trying to raise more capital. If they can’t, they need to delever by selling assets or sell or merge with other firms, says Schaffner. During the recent crisis, firms were forced to unload good assets to cover losses. And we saw mergers and sales of firms as was the case when Merrill Lynch & Co Inc. was taken over by Bank of America Corp.

Where To Seek Safety
One of the difficulties Canadian plan sponsors now face is that they’re not sure where to seek safety, says Damon Williams, head of institutional at Phillips, Hager & North Investment Management Ltd. He says the shock is being felt everywhere. “We’ve seen a dramatic widening of credit spreads, a systemic decline in confidence in the financial sector and in financial institutions in general, the reversal of a long-run commodities boom, and even turmoil in some of the places in the market that have been perceived as the safest such as money market securities in the U.S.”

Given the current environment, money managers are spending a lot of time communicating with their clients, explaining what’s going on, and trying to help them maintain a relatively long-term focus and to avoid knee-jerk reactions and selling at the bottom of a very depressed market, says Williams.

Looking ahead, Coleen Barbeau, director of equity portfolio management at Franklin Global Advisers, believes there is going to be a change in
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“At TD Asset Management we believe in an intimate knowledge of capital markets and in the continuous search for market inefficiencies. Our clients should expect sustained investment success as we combine these twin endeavours through a highly evolved focus on portfolio construction. The objective is to adapt and remain relevant, and produce repeatable results as these dynamic markets evolve.”

Robin Lacey, Managing Director, TD Asset Management Inc.
Contact Robin at 416-944-6313 robin.lacey@tdam.com

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financial markets because the crisis is not just impacting stock markets. For example, she says the investment banking industry is changing “before our eyes’ and this is going to have ramifications for the derivatives market and structured products. “In general, we are now entering a period of increased government involvement and increased regulation.”

Global World

Barbeau says since “it is a global world and you have to recognize the nuances of operating in that type of environment,” there probably has been a trend toward more in-depth research.

“Look at what’s happened to sell-side research as commission rates have declined. Trading is really what supported the research effort. Those efforts have dwindled dramatically and what you’ve seen is buy-side shops investing in research capabilities and becoming less reliant on outside sources,” she says.

Williams suspects that the events of the credit crisis may lead to some other significant changes in the money management business.

In the immediate time frame, he expects to see lower returns from strategies that have previously demonstrated an ability to generate steady returns. “These include strategies that profited from taking on liquidity risk. Liquidity has become very valuable recently.”

Longer-run consequences of the current situation may be surprising, he says. “Some of the downside risk in certain strategies – in particular, some hedge fund and private equity strategies where we’re seeing a lot of leverage involved – is magnified because leverage works both ways. The current market environment is making it clear that leverage can help on the upside, but it can hurt a lot on the downside,” he says.

Lasting Risk Aversion

Probably the biggest impact we’ll see from these events is a lasting risk aversion in many clients’ portfolios, says Williams. “What that will mean for the pension management business is that we will likely see, in the Defined Contribution environment, more demand by clients for guaranteed products that will help protect their members’ pensions from the investment risk they face.

“We may well also see, in the DB environment, more strategies geared towards risk aversion with some pension plan sponsors taking a very hard look at whether the equity risk they’re taking is appropriate.”

Joe Hornyak is executive editor of Benefits and Pensions Monitor (jhornyak@powershift.ca).
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(supplemental information, as of 6/30/08)

High information ratio means efficient use of risk by the manager.

Batting Average: 10 Years
(supplemental information, as of 6/30/08)

Outperformed the benchmark 31 out of 40 quarters.

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For more information, or to obtain copies of our 130/30 thought-leadership papers, please visit nylim.com/institutional or contact:
Steve Sexeny, Managing Director, Head of Institutional Sales at 212-938-8151 or steve_sexeny@nylim.com

Search Consultant Databases: New York Life Investment Management LLC

NYLIM LCE Total Net Returns (as of 6/30/08): One Year: -12.47%, Three Years: 5.46%, Five Years: 9.09%
S&P 500 Returns (as of 6/30/08): One Year: -13.12%, Three Years: 4.41%, Five Years: 7.58%

Past performance is no guarantee of future results, which will vary. Please keep in mind that investment objectives may not be met as the underlying investment options are subject to market risk and fluctuate in value. NYLIM is a registered U.S.-based investment management firm that provides financial services to individual and institutional investors. The firm is defined as the following divisions of NYLIM: NYLIM Equity Investors, NYLIM Fixed Income Investors, and Retail Markets. Performance records for each of these entities are included from the predecessor entities’ legal inception date or 10 years, whichever is shorter. New York Life Investment Management LLC (NYLIM) claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of NYLIM’s composites and/or a presentation that adheres to the GIPS standards, contact NYLIM Institutional Sales at institutional@nylim.com or 877-394-4800. The NYLIM Large-Cap Enhanced composite reflects all similar equity accounts that are discretionary and utilize quantitative techniques to attempt to gain an enhanced return over the Standard & Poor’s 500 Composite Index. Gross of fee returns are presented before investment management fees but after all trading commissions. Net of fee returns are presented after the deduction of investment management fees. Composite results are U.S. dollar-based. Performance includes the reinvestment of income. Leveraged and derivatives are not used in this composite.

The benchmark is the S&P 500 Index, a representative measure of the broad large-cap equity market. The index is included to provide a detailed basis of comparison, is unmanaged, and reflects past performance, which is not indicative of future results. For comparison purposes, the unmanaged index is fully invested and returns are gross of investment management fees. S&P 500 is a trademark of The McGraw-Hill Companies, Inc. Information ratio is a measure of the value added per unit of active risk by a manager over an index on a quarterly basis. Managers taking on higher levels of risk are expected to then generate higher levels of return, therefore a positive IR would indicate “efficient” use of risk by a manager. Batting Average is a measure of the frequency of success on a quarterly basis. This ratio is calculated by taking the number of periods where the manager equals or outperforms the selected benchmark, divided by the total number of periods. This measure indicates a manager’s frequency of success, without regard to degree of outperformance. Source: eVestment Alliance using their Enhanced S&P 500 Index Equity Universe, as of June 30, 2008.

The benchmark is the S&P 500 Index, a representative measure of the broad large-cap equity market. The index is included to provide a detailed basis of comparison, is unmanaged, and reflects past performance, which is not indicative of future results. For comparison purposes, the unmanaged index is fully invested and returns are gross of investment management fees. S&P 500 is a trademark of The McGraw-Hill Companies, Inc. Information ratio is a measure of the value added per unit of active risk by a manager over an index on a quarterly basis. Managers taking on higher levels of risk are expected to then generate higher levels of return, therefore a positive IR would indicate “efficient” use of risk by a manager. Batting Average is a measure of the frequency of success on a quarterly basis. This ratio is calculated by taking the number of periods where the manager equals or outperforms the selected benchmark, divided by the total number of periods. This measure indicates a manager’s frequency of success, without regard to degree of outperformance. Source: eVestment Alliance using their Enhanced S&P 500 Index Equity Universe, as of June 30, 2008.

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ACM ADVISORS LTD. Audrey Howe, President; 210-1140 Homer St., Vancouver, BC V6B 2X6 PH: 604-661-0651 Fax: 604-682-3265 eMail: ahowe@acma.ca Web: www.acma.ca Ownership: Principals Established: 1992


ADDENDA CAPITAL INC. Joe DiMassimo, Senior Vice-president, Client Service & Sales; 36 Toronto St., Ste. 1150, Toronto, ON M5C 2S5 PH: 416-943-1010 Fax: 416-855-0188 eMail: j.dimassimo@addenda-capital.com Web: www.addenda-capital.com Ownership: Principals: 7.2% (Senior Managers), Third Party: 92.8% (The Co-operators Group: 71.4%, QL Solidarity Fund: 21.4%) Established: 1985 - Co-operators Investment Counselling Limited was incorporated in 1985. In April 2008, Co-operators Investment Counselling Limited combined its activities with Addenda Capital and now operates under the Addenda Capital name.


AGF ASSET MANAGEMENT GROUP LIMITED Gary Wing, Senior Vice-president; 66 Wellington St. W., 33rd Floor, Toronto, ON M5K 1E9 PH: 416-865-4288 Fax: 416-865-4247 eMail: gary.wing@agf.com Web: www.agf.com Ownership: Principals: Class A - 100%, Class B - 17% (at February 28, 2008), Publicly-held: 83% (at February 28, 2008) Established: 1957

ALLIANCEBERNSTEIN L.P. Sandra Nattali, Director of Client Relations & President of AllianceBernstein Canada, Inc.; BCE Place, 161 Bay St., 27th Floor, Toronto, ON M5S 2Z1 PH: 416-601-1262 eMail: sandra.nattali@alliancebernstein.com Web: www.alliancebernstein.com/Ownership: Principals: 63% (AXA Financial, Inc.); Publicly-held: 32.7%; Third Party: 4.3% (Directors, Officers, and Employees) Established: 1971

AMERICAN CENTURY INVESTMENTS Ellen DeNicola, Vice-president & Director of Consultant Relations; 4500 Main St., Kansas City, MO 64111 PH: 800-880-1726 Fax: 816-340-3931 eMail: institutional@americancentury.com Web: http://institutional.americancentury.com Ownership: Principals: 59% (includes the Stowers Family [company founder], their Affiliates, and current and former Employees); Third Party: 41% (JP Morgan Chase) Established: 1958

AMI PARTNERS INC. Craig Lobbett, Vice-president, Marketing; 26 Wellington St. E., Ste. 800, Toronto, ON M5E 1S2 PH: 416-865-0731 Fax: 416-865-9241 eMail: cobbett@amipartners.com Web: www.amipartners.com Ownership: Principals: 70%, T.D. Bank: 30% Established: 1959

ARK ASSET MANAGEMENT CO., INC. Robert W. Norton, Managing Director; 125 Broad St., 12th & 13th Floors, New York, NY 10004 PH: 212-487-5000 Fax: 212-601-5482 Web: www.the-ark.com


ARROW HEDGE PARTNERS INC. Mark Purdy, Managing Director & CIO; 36 Toronto St., Ste. 750, Toronto, ON M5C 2S5 PH: 416-323-0777 Fax: 416-323-3199 eMail: mpurdy@arrowhedge.com Web: www.arrowhedge.com Ownership: Principals Established: 2000

ARROW/STREET CAPITAL, L.P. Michael Stanton, Manager; Business Development; 20 Clarendon St., 30th Floor, Boston, MA 02116 PH: 617-919-0000 Fax: 617-919-0001 eMail: info@arrowstreetcapital.com Web: www.arrowstreetcapital.com Ownership: Principals Established: 1999

ARTIO GLOBAL MANAGEMENT LLC Jeff Horbal, Director of Institutional Investments; Brookfield Place, 161 Bay St., Ste. 2600, Toronto, ON M5S 2Z1 PH: 416-862-2337 Fax: 416-862-2600 eMail: jeff.horbal@artio-global.com Web: www.artio-global.com Ownership: Principals: 30% (Richard Pelli and Rudolph-Riad Younes), Third Party: 70% - Firm is majority owned by Artio Global Investors Inc., which is wholly-owned by Julius Baer Holdings Ltd. Established: 1983

AURION CAPITAL MANAGEMENT INC. James C.L. Clark, Vice-president, Business Development; 120 Adelaide St. W., Ste. 2205, Toronto, ON M5H 1T1 PH: 416-866-2422 Fax: 416-363-6206 eMail: clark@aurion.ca Web: www.aurion.ca Ownership: Principals: 40%, DundeeWealth Inc.: 60% Established: 1996

AXIOM INTERNATIONAL INVESTORS, LLC Shane McMahon, Vice-president - Marketing; 55 Railroad Ave., Greenwich, CT 06830 PH: 203-422-8036 Fax: 203-422-8050 eMail: smcmahon@axiomm.com Ownership: Principals: 100% Employee-owned Established: 1998

BAILLIE GIFFORD OVERSEAS LIMITED Bill Pacula, Director of Marketing, Bailie Gifford International LLC; 757 Third Ave., 17th Floor, New York, NY 10017-2013 PH: 212-319-4637 Fax: 212-319-4639 eMail: william.pacula@bailiegifford.com Web: www.bailiegifford.com Ownership: Principals Established: 1983 (parent company Bailie Gifford & Co.: 1908)


BARCLAYS GLOBAL INVESTORS CANADA LIMITED Eric Leveille, Head of Canadian Institutional Business; Brookfield Place, 161 Bay St., Ste. 2500, Toronto, ON M5S 2Z1 PH: 416-643-4000 Fax: 416-643-4049 eMail: eric.leveille@barclaysglobal.com Web: www.barclaysglobal.com Ownership: Principals: 20%, Third Party: 80% - The firm is an indirect subsidiary of Barclays PLC Established: 1922


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2008 Directory Of

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BENTALL Malcolm Leitch, Chief Operating Officer; 1055 Dunsmuir St., Ste. 1800, Vancouver, BC V6X 1C4; 604-646-2812 Fax: 604-646-2805 eMail: mleitch@bentall.com Web: www.bentall.com Ownership: Principals: 33.3% (Members of Senior Management), Third Party: 66.7% (bcmC: 33%, S1Q: 33%) Established: 1911


BROOKFIELD ASSET MANAGEMENT Katherine Vyse, Senior Vice-president, Global Marketing & Client Communications; 181 Bay St., Bay Wellington Tower, Ste. 300, Toronto, ON M5J 2T3 PH: 416-369-8246 Fax: 416-363-2856 eMail: kyvse@bentall.com Web: www. bentall.com Ownership: Principals: 17%, Publicly-held: 83% Established: 1899


BLACKROCK Tom Goodrum, Managing Director; 40 East 52nd St., New York, NY 10022 PH: 212-810-3729 Fax: 212-935-1370 eMail: tom.goodrum@blackrock.com or amg-rfps@blackrock.com Web: www.blackrock.com Ownership: Publicly-held: 17% (Employees and Public), Third Party: 83% (Merrill Lynch: 49%, PNC Financial Services Group: 34%) - It is expected that Bank of America will assume Merrill’s ownership stake in BlackRock.) Established: 1988

Canadian Urban Limited

Canadian Urban Limited Onita Blankenfield, Vice-president, Marketing & Client Relations; 10572 - 105 St. N.W., Edmonton, AB T5H 2W7 PH: 780-424-7722 Fax: 780-424-7799 eMail: oblankenfield@canadianurban.com Web: www.canadianurban.com Ownership: Principals - The firm’s four Senior Executive Members participate in the equity ownership of the company. Established: 1971


CAPITAL GUARDIAN TRUST COMPANY Michelle Savoy, Senior Vice-president; Brookfield Place, 181 Bay St., Ste. 3730, Toronto, ON M5J 2T3 PH: 416-369-0660 Fax: 416-815-2070 eMail: mss@capgroup.com Web: www. capgroup.com Ownership: Principals - 100% Privately-owned Established: CGTC: 1968, CRMC: 1931

CBG GLOBAL ASSET MANAGEMENT INC. Michel Jaibert, Vice-president, Head of Institutional Business Development & Marketing; 1000 de La Gauchetiere W., Ste. 3200, Montreal, QC H3B 4W5 PH: 514-875-7040 x3647 Fax: 514-875-9364 eMail: michel. jaibert@cibc.ca Web: www.cblcam.com Ownership: CBG Established: 1972

CLAY FINLAY LLC Nancy McNally, Principal; 12 East 49th St., 32nd Floor, New York, NY 10017 PH: 212-692-8000 Fax: 212-980-0345 eMail: nmcnally@clayfinlay.com Web: www.clayfinlay.com Ownership: Third Party - Wholly-owned subsidiary of Old Mutual US Holdings; to facilitate future partial ownership by key employees, on May 1, 2008, Clay Finlay Inc. merged with a newly formed Clay Finlay LLC. The LLC corporate structure permits the division of ownership of Clay Finlay LLC between Old Mutual U.S. Holdings and Clay Finlay employees. Established: 1982

CLUSTER ASSET MANAGEMENT INC. Peter de Auer, President & CEO; 130 Bloor St. W., Ste. 600, Toronto, ON M5S 1N5 PH: 416-413-3802 Fax: 416-929-9437 Web: deaucapitalmanagement.com


DB ADVISORS® Geoffrey Moore, Managing Director; 1250 Rene-Levesque Blvd. W., Ste. 4540, Montreal, QC H3B 4W8 PH: 514-875-5163 Fax: 514-875-6896 eMail: geoffrey.moore@db.com Web: www.dbadvisors.com Ownership: Publicly-held Established: 1870

DEXIA ASSET MANAGEMENT* Christophe Vandewiele, Head of Dexia Asset Management, Canadian Representative Office; 77 King St. W., 35th Floor, Toronto, ON M5W 1P9 PH: 416-974-9055 Fax: 416-955-6226 eMail: christophe.vandewiele@dexia.com Web: www. dexia-am.com Ownership: Principals Established: 10 years

*Canadian Representative Office

DI TOMASSO GROUP INC. John Di Tomasso, President; 956 Shadywood Dr., Victoria, BC V8X 4C3 PH: 250-744-1650 Fax: 250-361-4415 eMail: info@dittomassogroup.com Web: www.dittomassogroup.com Ownership: Principals Established: 1994

BNY MELLON ASSET MANAGEMENT CANADA Rich Terres, Senior Vice-president & Director of Marketing; 320 Bay St., Toronto, ON M5H 4A6 PH: 416-643-6354 Fax: 416-643-5786 eMail: richard.terres@bny Mellon.com Web: www.bnymellon.com Ownership: Publicly-held Established: 1869

BONAVISTA ASSET MANAGEMENT LIMITED Chris Brisebois, President; Ste. 2320, 1 Adelaide St. E., Box 207, Toronto, ON M5C 2V9 PH: 416-342-2191 Fax: 416-342-2195 eMail: chrisebois@ bonavista.ca Web: www.bonavista.ca Ownership: Phillips, Hager & North (a subsidiary of RBC) Established: 1994

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FORTIS INVESTMENT MANAGEMENT CANADA LTD. Christine Girvan, CEO or Simon Segall, Vice-president, Institutional Sales & Client Service; 78 Wellington St. W., 15th Floor, Box 114, TD Centre, Toronto, ON M5C 2V9 PH: 416-362-4725 Fax: 416-364-9634 eMail: cmcleod@fotson.com Web: www.fotson.com Ownership: Fortis Bank Established: 1933


GENUS CAPITAL MANAGEMENT Christina McAloed, Portfolio Manager; Box 2, Ste. 1690, 999 West Hastings St., Vancouver, BC V6C 2W2 PH: 604-605-4620 Fax: 604-683-7294 eMail: cmcaleod@genuscap.com Web: www.genuscap.com Ownership: Principals Established: 1989

GOODMAN & COMPANY, INVESTMENT COUNSEL LTD. Yvette P. Bland, Senior Vice-president; Dundee Place, 1 Adelaide St. E., 29th Floor, Toronto, ON M5C 2V9 PH: 416-365-2546 Fax: 416-365-6470 eMail: ybland@goodmanfunds.com Web: www.dynamic.ca or www.dundeewealth.com Ownership: Publicly-held Established: 1985

GREYSTONE MANAGED INVESTMENTS INC. Louis Martel, Managing Director & Chief Client Strategist; 300-1230 Blackfoot Dr., Regina, SK S4S 7G4 PH: 306-779-6400 Fax: 306-584-0552 eMail: louis-martel@greystone.ca Web: www.greystone.ca Ownership: Principals: 68%, Three Pension Investment Funds: 32% Established: 1988


GUARDIAN CAPITAL LP Nadi Naderi, Vice-president, Investment Services; Commerce Court West, Ste. 3100, Box 201, Toronto, ON M5L 1E8 PH: 416-947-4029 Fax: 416-364-9634 eMail: nnaderi@guardiancapital.com Web: www.guardiancapital.com Ownership: Wholly-owned by Guardian Capital Group Limited Established: 1962

GUARDIAN ETHICAL MANAGEMENT INC. John M. Clancy, Managing Director; 3100-199 Bay St., Box 201, Commerce Court W., Toronto, ON M5L 1E8 PH: 416-350-6880 Fax: 416-947-8003 eMail: jclancy@gemportfolios.com Web: gemportfolios.com Ownership: The Ethical Funds Company: 50%, Guardian Capital LP: 50% Established: 2005

GWL INVESTMENT MANAGEMENT LTD. Patrick J. Clarke, Vice-president, Investment Counselling; 100 Osborne St. N., Winnipeg, MB R3C 3A5 PH: 204-946-8701 Fax: 204-946-8818 eMail: sara.mosher@gwlinc.ca Web: www.gwlinc.ca Ownership: Publicly-held Established: 1981

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Perry Teperson, Portfolio Manager; 1500-400 Burrard St.,
Vancouver, BC V6C 3A6 PH: 604-683-3391 Fax: 604-683-
0323 eMail: perry@leithwheeler.com Web: www.leith-
wheelerc.com Ownership: Principals Established: 1982

LETKO BROSSEAU AND ASSOCIATES
Pierre Camu, Vice-president, Client Services; 1800 McGill Col-
lege, Ste. 2510, Montreal, QC H3A 3J6 PH: 514-499-
1200 Fax: 514-499-0361

LINCLUDEN INVESTMENT MANAGEMENT
Wayne Wilson, President; 1275 North Service Rd.
W., Ste. 607, Oakville, ON L6M 3G4 PH: 905-825-9000
Fax: 905-825-9525 eMail: wayne.wilson@lincluden.
et Web: www.lincluden.com Ownership: Old Mutual Asset Management Established: 1982

LOMBARD ODIER DARIER HENTSC (GES-
tion) CANADA INC.
Michel Di Grégorio, President; 1000 Sherbrooke St. W.,
Ste. 2200, Montreal, QC H3A 3R7 PH: 514-847-7748 Fax:
514-847-7796 eMail: michel.digrigorio@lodh.com Web:
www.lodh.com Ownership: Principals Established: 1796

LONDON CAPITAL MANAGEMENT LTD.
Nancy Harris, Senior Vice-president, Marketing; 255 Dufferin Ave.,
London, ON N6A 4K1 PH: 519-435-4128 Fax: 519-435-
7501 eMail: nancy.harris@londoncapital.com Web:
www.londonlife.com/londoncapital Ownership: Wholly-
owned by London Life Insurance Company Established:
Parent company London Life: 1874; GWL acquired London
Life in November 1997; London Life Investment Manage-
ment was formed in 1998; name changed to London Cap-
tal Management in August 2007

LOOMIS, SAYLES & COMPANY, L.P.
Jamison Gagnier, Vice-president, Institutional Sales; One Financial
Center, Boston, MA 02111 PH: 617-748-1779 Fax: 617-
443-0074 eMail: jgagnier@loomissayles.com Web:

MAN INVESTMENTS CANADA
Bernice Miedzinski, Executive Vice-president, Institutional Relationship Management; 70 York St., Ste. 1202, Toronto, ON M5J
159 PH: 416-775-3655 Fax: 416-775-3601 eMail: bmiedzinski@maninvestments.com Web: www.man-
investments.com Ownership: Publicly-held Established:
Man Group: 1783

MANNING & NAPIER ADVISORS, INC.
Kristin Castner, Managing Director, Marketing; 290 Woodcliff
Dr., Fairport, NY 14450 PH: 585-325-6880 Fax: 585-
325-5617 eMail: service@manning-napier.com Web:
www.manningnapiernapier.com Ownership: Princi-
pals Established: 1970

MARATHON – LONDON
Wilson Phillips, Client Service Director; Orion House, 5 Upper St. Martin’s Lane, London, WC2H 9EA PH: 44 207 447 4530 Fax: 44 207 497 3399
eMail: wphillips@marathon.co.uk Web: www.marathon-
london.com Ownership: Principals Established: 1986

MARTIN CURRIE INC.
Dave Rochman, Vice-president, North American Sales; 1350 Avenue of the Americas, Ste.
3010, New York, NY 10019 PH: 212-258-1900 Fax:
212-258-1919 eMail: productcentre@martincurrie.com Web:
www.martincurrie.com Ownership: Principals: 75.1%, Third Party: 24.9% (Crestview Partners: 17.4%, Interests Associated with Lord (Jacob) Rothschild: 7.5%) Established: 1978 (parent company founded in 1881)

Mervin & Palmer Associates, Inc.
Darryl Mervin, President & CEO; 724-954-6657 eMail:
mawer@marvinandpalmer.com Web: www.mavinandpalmer.com Ownership: Principals: 95%, Individual Investors: 5% Established: 1990

MICKINLEY CAPITAL MANAGEMENT
P. Shawn Mckinley, Director of Marketing & Sales; Ste. 900, 603
7th Ave. S.W., Calgary, AB T2P 2T5
eMail: staylor@mckinleycapital.com Web: www.mckinleycapital.com Ownership: Principals Established: 1990

MCLEAN BUDDEN LTD.
Alan Daxner, Executive Vice-president; 145 King St. W., Ste. 2525, Toronto,
ON M5H 1J8 PH: 416-862-9800 Fax: 416-862-0167 eMail:
adaener@mcleanbudden.com Web: www.
mcleanbudden.com Ownership: Principals: 40%, Sun Life Financial: 60% Established: 1947

MERITAS FINANCIAL
Gary Hawton, Chief Executive Officer; Ste. #5 - 410 Hespeler Rd., Cambridge, ON N1R 6E6 PH: 519-624-6762 Fax: 519-624-5225 eMail: ghawton@me-
itas.ca Web: www.meritasc.ca Ownership: Third Party - Mennonite Savings and Credit Union, Mennonite Founda-
tion of Canada, Mennonite Mutual Aid Established: 2000

MFC GLOBAL INVESTMENT MANAGEMENT
Stuart Graham, Vice-president & Managing Director, Institu-
tional Sales; NT6 - 200 Bloor St. E., Toronto, ON M4W 1E5
PH: 416-926-3000 Fax: 416-926-5700 eMail: service@ mfcglobal.com Web: www.mfcglobal.com Ownership:
Manulife Financial Corporation Established: 1887

MFS INVESTMENT MANAGEMENT, INC.
Sarah Donahue, Sales & Consultant Relations, Canada; 500 Boylston St., Boston, MA 02116 PH: 617-954-7496 Fax:
617-954-6657 Web: www.mfs.com

MONTRUSCO BOLTON INC.
Richard Guay, Senior Vice-president, Head of Marketing & Product Develop-
ment; 1250 René-Lévesque Blvd. W., Montreal, QC H3P 5J5
PH: 514-842-6464 Fax: 514-282-2516 eMail: guayr@montruscobolton.com Web: www.montruscobolton.com Ownership: Principals: 35%, Affiliated Man-
gers Group Inc. of Boston: 65% Established: 1946

MORGUARD INVESTMENTS LIMITED
Steve Taylor, President & CEO; 800 - 55 City Centre Dr., Mis-
sissauga, ON L5B 1M3 PH: 905-281-3800 Fax: 905-
281-1800 eMail: staylor@morguard.com Web: www.
morguard.com Ownership: The Firm is a wholly-owned subsidiary of Morguard Corporation, a publicly traded real estate company. Established: 1975

MORRISON WILLIAMS INVESTMENT MAN-
AGEMENT LP
Joseph R. Vickers, Senior Vice-president; 281-1800, Suite 200,
One Toronto St., Toronto, ON M5C 2V6 PH: 416-777-2922 Fax: 416-
777-0954 eMail: jvick-
ers@rogers.com Ownership: Principals: 20%, Publicly-
held: 80% Established: 1992

NEW STAR CANADA INC.
Bruce Shefelsh, Head of Institutional Sales, Connor, Clark & Lunn Financial Group; 181 University Ave., Ste. 300, Toronto, ON M5H 3M7 PH:
416-862-2020 Fax: 416-363-2089 eMail: bshefelshi@ cgroup.com Web: www.newstar.com or www.new-
starim.com Ownership: Joint venture between Connor,
Clark & Lunn Financial Group and New Star Asset Man-
gement Ltd. Established: 1987

NEW STAR CANADA INC.
Bruce Shefelsh, Head of Institutional Sales, Connor, Clark & Lunn Financial Group; 181 University Ave., Ste. 300, Toronto, ON M5H 3M7 PH:
416-862-2020 Fax: 416-363-2089 eMail: bshefelshi@ cgroup.com Web: www.newstar.com or www.new-
starim.com Ownership: Joint venture between Connor,
Clark & Lunn Financial Group and New Star Asset Man-
gement Ltd. Established: 1987
At Desjardins Financial Security, we're proud to have a dynamic team of dedicated specialists committed to assisting plan sponsors from a wide variety of organizations across the country. Our team excels at developing creative, tailor-made solutions to help plan sponsors implement successful retirement plans that meet participants' needs.

For a head start on successful group retirement solutions, give us a call. We've got the team.

Desjardins & Co.

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

1-866-565-3145
desjardinsfinancialsecurity.com/team

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At Desjardins Financial Security, we’re proud to have a dynamic team of dedicated specialists committed to assisting plan sponsors from a wide variety of organizations across the country. Our team excels at developing creative, tailor-made solutions to help plan sponsors implement successful retirement plans that meet participants’ needs.

For a head start on successful group retirement solutions, give us a call. We’ve got the team.
2008 Directory Of

NEW YORK LIFE INVESTMENT MANAGEMENT LLC

NOMURA ASSET MANAGEMENT U.S.A., INC.
Matthew Butterfield, Regional Director & Relationship Manager; 2 World Financial Center, Building 8, 18th Floor, New York, NY 10281-1712 PH: 212-667-2109 Fax: 212-667-1431 eMail: mbutterfield@nomura-asset.com Web: www.nomura.com/nam-usa Ownership: Nomura Holdings, Inc. Established: 1959

NORTHWATER CAPITAL MANAGEMENT INC.
Stephen Foote, Vice-president & Global Head of Marketing; 181 Bay St., Ste. 4700, Toronto, ON M5J 2T3 PH: 416-360-5203 Fax: 416-360-0671 eMail: sfoote@northwatercapital.com Web: www.northwatercapital.com Ownership: Principals - 100% Employee-owned Established: 1989

NT GLOBAL ADVISORS, Inc.

OPPENHEIMER CAPITAL
Mary Ann Schreiber, Managing Director, Director of Client Services; 134 Avenue of the Americas, New York, NY 10105 PH: 212-739-3300 Fax: 212-739-3925 Web: www.opcap.com

PANAGORA ASSET MANAGEMENT, INC.
Robert Job, Head of Business Development; 470 Atlantic Ave., 8th Floor, Boston, MA 02210 PH: 617-439-6359 Fax: 617-235-6212 eMail: rjob@panagora.com Web: www.panagora.com Ownership: Principals: 80% (Power Financial Corporation through its affiliates Great-West Lifeco Inc. and minority key employees) - Wholly-owned by the Royal Bank of Canada Established: 1964

PANAGORA REALTY CORPORATION

PHILLIPS, HAGER & NORTH INVESTMENT MAN AGEMENT LTD.

PICTET ASSET MANAGEMENT LTD.
John Maratta, Senior Vice-president; 1000 de la Gauchetière W., Ste. 3100, Montreal, QC H3B 4WS PH: 514-350-6236 Fax: 514-288-5473 eMail: jarieatta@pictet.com Web: www.pictet.com Ownership: Principals: 100% (parent in 1805)

PIMCO CANADA CORP.

PRESIMA INC.

PUTNAM INVESTMENTS
Jessica Hazzard, Managing Director, Director of Client Service & New Business; One Putnam Place, 1 Putnam Place, Framingham, MA 01701 PH: 508-872-1688 Fax: 508-872-1690 eMail: jhazzard@putnam.com Web: www.putnam.com Ownership: On August 3, 2007, Great-West Life Inc., a subsidiary of the Canadian-based holding company, Power Financial Corporation, became Putnam’s owner. At present, the firm is majority owned by Great-West Life Inc. and minority owned by a substantial number of Senior Managers and Key Investment Personnel. Established: 1937

PYRAMIS GLOBAL ADVISORS*

* A Fidelity Investments Company

RBC ASSET MANAGEMENT INC.
Denise Costa, National Sales Manager; Group Financial Services; 20 King St. W., Toronto, ON M5H 1CA PH: 416-955-6052 Fax: 416-955-5196 eMail: denise.costa@rbc.com Web: www.rbc.com/gfs Ownership: 100% subsidiary of RBC Established: 1933


ROSSEAU ASSET MANAGEMENT LTD.

Russell Investments

34 Benefits and Pensions Monitor – October 2008
2008 Directory Of
MONEY MANAGERS

www.russell.com/ca
Ownership: Principals: 20%, Northwestern Mutual Life: 80% (as of June 2008) - As of July 2008, Northwestern Mutual Life sold 5% of their 80% to Nippon Life Insurance Company of Japan. Established: 1936

SCEPTRE INVESTMENT COUNSEL LIMITED
David Pennycook, Managing Director; 26 Wellington St. E., Ste. 1200, Toronto, ON M5E 1W4 PH: 416-866-2479 Fax: 416-367-8716 eMail: dpennycook@sceptre.ca Web: www.sceptre.ca
Ownership: Principals: 30%, Publicly-held: 70% Established: 1971

SCHEER, ROWLETT & ASSOCIATES INVESTMENT MANAGEMENT LTD. William Mullett, Vice-president, Client Service; 181 University Ave., Ste. 300, Toronto, ON M5H 3M7 PH: 416-202-6688 Fax: 416-363-2089 eMail: wmullett@cclgroup.com Web: www.scheerrowlett.com

SCHRODER INVESTMENT MANAGEMENT NORTH AMERICA, INC. Ross Servick, Head of Consultant & Research Relations; 875 Third Ave., New York, NY 10022 PH: 212-641-3905 Fax: 212-641-3906 eMail: ross.servick@us.schroders.com Web: www.schroders.com/us
Ownership: Principals: 54.8% (Schroder Family: 47.8%, Employees: 7%), Publicly-held: 36.5%, Third Party: 8.8% (Harris Associates L.P.: 5.7%, Legal & General Group plc: 3%) Established: 1804

SEAMARK ASSET MANAGEMENT LTD. Darren Kosack, Senior Vice-president, Client Service & Marketing; 1801 Hollis St., Halifax, NS B3J 3N4 PH: 416-569-8498 Fax: 902-423-1518 eMail: dkosack@seamark.ca Web: www.seamark.ca
Ownership: Principals: 15%, Publicly-held: 55%, Manulife Financial: 30% Established: 1982

SEI David Lester, Director, National Accounts; 70 York St., Ste. 1600, Toronto, ON M5J 1P9 PH: 416-777-9700 Fax: 416-777-9030 eMail: d Lester@sei.com Web: www.sei.com
Ownership: Publicly-held (40% employee-owned) Established: 1968

SPRUCEGROVE INVESTMENT MANAGEMENT LTD. Marcel Leroux, Vice-President, Marketing; 181 University Ave., Ste. 1300, Toronto, ON M5H 3M7 PH: 416-363-5854 x235 Fax: 416-363-6803 eMail: mleroux@sprucegrove.ca
Ownership: Principals: Established: 1993

SSQ FINANCIAL GROUP Martin Leclair, Vice-president, Business Development; 5160 Yonge St., Ste. 730, Toronto, ON M2N 6L9 PH: 416-580-9916 Fax: 877-669-1881 eMail: martin.leclair@ssq.ca Web: www.ssq.ca
Ownership: Principals: Established: 1946

SSQ INVESTMENT & RETIREMENT We thrive on mutual trust

STATE STREET GLOBAL ADVISORS, LTD. Robert Weston, Managing Director - Marketing & Client Relations; 161 Bay St., TD Canada Trust Tower, Ste. 4530, Toronto, ON M5J 2S1 PH: 416-956-2465 Fax: 416-956-2464 eMail: robert_weston@ssga.com Web: www.ssga.ca
Ownership: Principals: <5%, Publicly-held: >95% Established: State Street Corporation: 1792, State Street Global Advisors (investment arm of State Street Corporation): 1978

TD ASSET MANAGEMENT INC.* Robin Lacey, Head of Relationship Management; 161 Bay St., 34th Floor, Toronto, ON M5J 2T2 PH: 416-982-6585 Fax: 416-944-6158 eMail: robin.lacey@tdam.ca Web: www.tdasassetmanagement.com
Ownership: Third Party - Wholly-owned subsidiary of the Toronto-Dominion Bank Established: 1987

TD AMERICA INVESTMENTS INC. Jay Waters, Vice-president, Central Canada; 121 King St. W., Ste. 840, Toronto, ON M5H 3T9 PH: 416-367-2049 eMail: jay.waters@standardlife.ca Web: www.sli.ca
Ownership: Standard Life Investments Limited (UK) Established: 1973

TETREM CAPITAL MANAGEMENT LTD. Robert Veloso, Manager, Consulting Services (Twenty-First Century Investments); 1450-201 Portage Ave., Winnipeg, MB R3E 3K8 PH: 416-364-9993 Fax: 416-364-1218 eMail: veloso@invest21.com Web: www.tetrem.com
Ownership: Principals Established: 2004

TREMONT CAPITAL MANAGEMENT, CORP. Brian Kremer, Vice-president/National Sales Manager; 175 Bloor St. E., Ste. 807, South Tower, Toronto, ON M4W 3R8 PH: 416-360-3422 eMail: bkremer@tremont.com Web: www.tremont.com
Ownership: Principals Established: 1984

UBS GLOBAL ASSET MANAGEMENT (CANADA) CO. Angela Vidakovich, Executive Director; 161 Bay St., Ste. 3900, Toronto, ON M5J 2P1 PH: 416-681-5200 Fax: 416-681-5100 eMail: angela.vidakovich@ubs.com Web: www.ubs.com
Ownership: Publicly-held Established: 1986 (Canada)

VAN ARBOR ASSET MANAGEMENT LTD. Steve Hanson, Managing Director; Ste. 301, 1120 Hamilton St., Vancouver, BC V6K 2L7 PH: 604-895-7126 Fax: 604-895-7131 Web: www.vanarbor.com

VAN BERKOM AND ASSOCIATES J. Sebastian van Berkom, President & Chief Executive Officer; 1130 Sherbrooke St. W., Ste. 1005, Montreal, QC H3A 2M8 PH: 514-985-5759 Fax: 514-985-2430 eMail: contact@vbassociates.com Web: www.vbassociates.com
Ownership: Principals Established: 1991

VICTORY CAPITAL MANAGEMENT INC. Paul Pasczynski, Managing Director, Corporate Segment Leader; 127 Public Square, Cleveland, OH 44114 PH: 216-689-0956 Fax: 216-689-8315 eMail: paul_g_pasczynski@victoryconnect.com Web: www.victoryconnect.com
Ownership: Publicly-held Established: 1984

WELLINGTON MANAGEMENT COMPANY, LLP Kim Plummer, Vice-president, Consultant Relations Manager; 227 West Monroe St., Ste. 5040, Chicago, IL 60606 PH: 312-845-1402 Fax: 312-845-1406 eMail: kdplummer@wellington.com or migl@wellington.com Web: www.wellington.com
Ownership: Principals Established: 1928

WISE CAPITAL MANAGEMENT Sam Wiseman, CIO; 1305-2200 Yonge St., Toronto, ON M4S 2C6 PH: 416-483-1900 Fax: 416-483-1930 eMail: sjwiseman@wisecapitalmanagement.com Web: www.wisecapitalmanagement.com
Ownership: Principals Established: 2000

*Wholly-owned subsidiary of the Toronto-Dominion Bank
## 2008 Statistical Listings

### MONEY MANAGERS

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<td>$1,397.7M $6,401.3M $7,126.7M $26.3M $227.1M $1,091.8M $17,702.2M</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Value, Growth, GARP, Core</td>
<td>Value, Growth, GARP, Core</td>
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<tr>
<td>CONNOR, CLARK &amp; LUNN INVESTMENT MANAGEMENT</td>
<td>83</td>
<td>$1,163.8M $4,144.5M $4,454.9M $29M $81.5M $11,236.9M</td>
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<tr>
<td>CORDIANT</td>
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<tr>
<td>DB ADVISORS / DEUTSCHE ASSET MANAGEMENT</td>
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<td>Value, GARP, Core</td>
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<td></td>
<td>Value, Core</td>
<td>Value</td>
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</table>

In C$millions as of June 30, 2008

Clients: DB, DC

Accounts: Balanced Accounts, Equities, Canadian, Income, Fixed, US, Global, EAFE

Assets: Management, Style, Asset Management, Pooled, Bond, Duration, Yield Curve, Value, GARP, Core
<table>
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<tr>
<th>Company</th>
<th>Assets</th>
<th>Management Style</th>
<th>Minimum Investment Pooled</th>
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<td>168 $1,397.7M</td>
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<tr>
<td>CONNOR, CLARK &amp; LUNN FINANCIAL</td>
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<td>Value, Growth, GARP, Core Active</td>
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<td></td>
<td>$17,702.1M</td>
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<tr>
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<tr>
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<td>DB Defined Contribution Pension Plans</td>
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<td>DB Pooled Investment Accounts</td>
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**Defined Contribution Pension Plans**

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<tr>
<th>DC Plan</th>
<th>Group RRSP Assets</th>
<th>Group DPSP Assets</th>
<th>Other DC Assets</th>
<th>Total DC Assets</th>
<th>Total Pension Assets</th>
<th>Total Assets Under Management</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

**Clients**

- Defined Benefit Pension Plans
- Defined Contribution Pension Plans
- Accounts
  - Balanced
  - Equities
    - Canadian
    - US
    - Global
  - Income
  - Fixed
    - Canadian
    - US

**Assets**

- Management Active
- Management Passive

**Style**

- Yield Curve: 10%
- Duration & Yield Curve: 15%

**Sector Allocation & Issue Selection**

- 85%, Duration & Yield Curve Management: 15%

**Minimum annual fee**

- Determined on a case by case basis
- $5M
- $20M
- $10M
- $1M
- $2M

**Yield Curve**

- 10%
- 85%

**Benefits and Pensions Monitor – October 2008**
## 2008 Statistical Listings

### Money Managers

**Defined Benefit Pension Plans**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Defined Benefit Pension Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>In C$millions as of June 30, 2008</td>
<td></td>
</tr>
<tr>
<td><strong>DIVERSIFIED GLOBAL ASSET MANAGEMENT</strong></td>
<td>10 US$1,287M</td>
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<tr>
<td>EIM MANAGEMENT (USA)</td>
<td>1 $50.5M</td>
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<tr>
<td>FIERA CAPITAL</td>
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<tr>
<td>FRANKLIN TEMPLETON INSTITUTIONAL</td>
<td>79 $1,263.9M $403.6M $1,713.7M $3,968.8M Value, Growth, Core</td>
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<tr>
<td>GE ASSET MANAGEMENT CANADA</td>
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</tr>
<tr>
<td>FOPEN MANAGEMENT (USA)</td>
<td>1 $50.5M</td>
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<tr>
<td>LEGO MASON CANADA</td>
<td>50 $873.2M $24.7M $312.5M $977.4M $15.8M $3,871.8M Value, Growth, Core</td>
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<tr>
<td>LAKETON INVESTMENT MANAGEMENT</td>
<td>7 $598M $54M $272M $924M Growth, Core</td>
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<tr>
<td>KENSINGTON CAPITAL PARTNERS</td>
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<tr>
<td>KBSH CAPITAL MANAGEMENT</td>
<td>37 $913.3M $287.3M $378.4M $180.9M $0.9M $1,779.5M Growth, Core</td>
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<td>HXAVEST</td>
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<td>JAROSLOWSKY FRASER</td>
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<td>J.C. CLARK</td>
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<td>KBSH CAPITAL MANAGEMENT</td>
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### Defined Contribution Pension Plans

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<th>Fixed Income Management Style</th>
<th>Bond Management Style</th>
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<th>Total DB Assets</th>
<th>DC Plan Clients</th>
<th>Group RRSP Assets</th>
<th>Group DPSP Assets</th>
<th>Other DC Assets</th>
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## 2008 Statistical Listings

### Defined Benefit Pension Plans

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---

**Benefits and Pensions Monitor – October 2008**
### Defined Contribution Pension Plans

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Remember the 1990s? Interest rates were higher, equity returns were double-digit, and pension plan sponsors enjoyed the luxury of large surpluses. Contribution holidays abounded.

Remote Memory
Those good times are a remote memory after the perfect storm of lower market returns, falling interest rates, and a jeopardized funding status for many Defined Benefit plans. Instead, we hear the pension industry debating ‘economic values of liabilities versus traditional value of liabilities,’ ‘the true cost of benefits versus the plan’s funding target,’ and ‘the need for a clear and manageable funding policy.’ These are complex issues and unfamiliar territory for many sponsors.

This article concentrates on funding policy since it’s a critical part of the risk management tool kit that works hand-in-hand with your fund’s investment policy. Indeed, governance expert Keith Ambachtsheer says sponsors of DB schemes should be required to file a ‘statement of funding policy and goals’ alongside the ‘statement of investment policy and goals.’ Why is a funding policy important?

A funding policy is a clearly articulated statement of rules and processes by which a pension fund accumulates sufficient assets to pay the benefits accrued by plan participants. It provides your funding objectives and indicates the plan’s philosophy of operations.

DB pension plans already use many of the same principles, but most are informal and based on past experience. Putting them in writing ensures common understanding for participants and sponsors alike.

Legislation does not require a written funding policy, but we may be headed that way. Among the catalysts are volatile equity markets, low interest rates, longer life expectancies, a maturing DB sector, and new accounting standards for pension plan disclosure – almost a perfect recipe for regulatory action.

Likewise, there is ‘Principle 7, Risk Management, of the Canadian Association of Pension Supervisory Authorities’ Pension Plan Governance Principles.’ It says “The plan administrator should provide for the establishment of an internal control framework, commensurate with the plan’s circumstances, that addresses the pension plan’s risks.”

Clearly, the industry is concluding that a written funding policy is a governance duty and a crucial tool in managing funding risk in a disciplined and objective manner.

Big Picture
How do we go about developing a written funding policy? We can only discuss the big picture here since a funding policy needs to consider each plan’s unique design, membership, and funding requirements. However, we can identify six main subjects a funding policy should cover:

- Plan design
- Governance structure
- Funding objective
- Financial assessment and management
- Risk management
- Regular monitoring and review

When it comes to plan design, remember that not all readers will have full knowledge of the fund and its history. Therefore, your policy should quickly review the plan, its financial status, funding formulas, and other provisions that have the greatest impact on liabilities – for example, early retirement provisions and indexation of benefits.

Similarly, the policy could discuss whether plan membership is stable, contracting, or growing. An aging membership or a high proportion of inactive members could mean challenges on the funding side. Finally, the plan design section should outline the plan’s future. Is there a possibility it will be wound up or closed to new members? Either event would have a tremendous influence on funding.

Governance Model
While the funding policy needn’t describe your entire governance model, it should cover the main responsibilities as they relate to the funding policy and identify who is accountable for each. Areas covered include:
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The actuary also incorporates explicit margins, called Provisions for Adverse Deviations (PFADs), to cover future events. PFADs usually increase the best-estimate liabilities. For example, the best-estimate return on a plan’s assets may be six per cent, but the plan actuary may use a 0.5 per cent PFAD and lower the return to 5.5 per cent when valuing liabilities. This could increase pension liabilities by 10 per cent to 15 per cent.

Plan sponsors need to understand the impact of assumptions and margins used in the funding objective and consider stating them explicitly within the funding policy.

What are the qualitative and quantitative elements?

A funding objective can have both hard and soft sides. Quantitative elements can be simple (assets are at least 100 per cent of the liabilities, calculated using a traditional approach) or elaborate (a minimum funding target equal to a minimum of 90 per cent of liabilities valued on the financial economic approach or 110 per cent of liabilities calculated on a best-estimate basis). Quantitative elements can, and should be, monitored regularly.

As for qualitative goals, plan sponsors could stress such factors as security of benefits, stability of contributions, or intergenerational equity. Each qualitative aspect can influence plan liabilities. For example, if we stress security of benefits, valuation assumptions should be selected so that the plan is more likely to develop a surplus.

Sensitivity Analysis

The financial assessment and management section of the policy describes how valuation assumptions and calculation methods are determined and reviewed. The best-estimate assumptions and provisions for adverse deviations (PFAD) should be identified explicitly. A sensitivity analysis on the major assumptions should be conducted regularly as a monitoring tool to identify the impact on the fund of a permanent change in any assumption.

This section should also address how surpluses and deficits are managed. For example, surpluses could be used to build contingency reserves, meet future contributions requirements, fund additional benefits, or be withdrawn from the fund.

Similarly, do we reduce pension benefits, accrued benefits, or future service accruals if there is a deficit? Or, if additional funds are needed, who is responsible for providing them?

The risk management section typically identifies risks unique to the fund such as:

- Asset management
- Plan benefit administration
- Plan demographic characteristics
- Economy in general, state of sponsor’s business/industry
- Funding valuation basis

Once the risks are identified and categorized, the policy needs to consider how to assess and manage them. For example, the policy may require a sensitivity analysis on the economic assumptions every three years or a 10-year liability projection every five years to address the mismatch risk of the current asset mix to plan liabilities.

Finally, the policy may require an occasional review of the actuarial valuation process by another actuary as part of ongoing due diligence.

Regularly Reviewed

Like all policies, your plan’s funding policy needs to be regularly reviewed. Some sponsors opt for annual reviews, while others review the policy once every three years in conjunction with the plan’s formal valuation report.

The review looks at major events and environmental changes. Does the policy adhere to the suggested principles of the Canadian Institute of Actuaries Report on Public Policy Principles in Pension Plan Funding? What’s happened in the economy or in investment markets? Has the sponsor’s business expanded or faltered? How about the sponsor’s industry? What has changed in pension or other legislation? Are member demographics changing as anticipated? How do any of these changes affect the funding policy and, if so, what changes are needed?

Most pension plans weathered the first perfect storm in 2000/2002, but their funding situation is still weak many years later.

A detailed, written funding policy that provides a specific funding objective and an understanding of the risks facing the plan could have helped navigate that storm.

Seen in that light, a formal funding policy – with clear quantitative and qualitative elements – is an important part of a plan trustee’s fiduciary responsibility to identify and manage risks.

It’s never too late to get started. But that’s also no excuse to procrastinate. Solid plans help organizations deal with an uncertain future – and we never know when a second perfect storm may hit.

Louis Martel is managing director and chief client strategist for Greystone Managed Investments, where he leads the firm’s business development and client service program.

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Monitor
The announcement of the Tax Free Savings Account in the last federal budget was widely welcomed. Many commentators saw it as a useful complement to well-established tax-favoured savings vehicles such as the RRSP and RESP.

Reaction from employers has also been positive with many planning to introduce payroll deduction group TFSAs when the rules are formalized in the New Year.

But what do you tell your employees about the TFSA? How do you prevent the TFSA from becoming a source of confusion – just one more program they don’t understand and resolutely ignore?

First, let’s look at the ground rules for TFSAs. Beginning in 2009, Canadian residents aged 18 or older can contribute up to $5,000 annually to a TFSA. Contributions are not tax-deductible, however, all capital gains, investment income, and capital withdrawals will be tax-free. Withdrawals can be made at any time and monies withdrawn will be added to the plan-holder’s contribution room for the following year. Re-contributions can be made at any time and unused contributions can be carried forward indefinitely.

**Individual Circumstances**

The good news about the TFSA is the way it can work for so many individuals of different ages and at stages of life. It is very adaptable to the individual circumstances of all your staff and has the potential to be a highly appreciated component of your total benefits strategy. Do some of your people feel they pay too much tax? Do you have employees who are uncertain about the future and want to keep all of their financial options open? Have some of your highly paid workers maxed out on the traditional tax favoured plans? If yes, the TFSA might be what you need to attract their attention to the company benefits – and hold it there long enough for them to appreciate the helping hand you’re offering them.

Of course, that appreciation is linked to understanding, so any employer wishing to sponsor a group TFSA needs to launch it with clarity and relevance. Here are some case studies to help you on your way. We’ll look at real-life situations where the TFSA can be used constructively.

Karol, 26, is a new hire with no knowledge of money matters and little appreciation of the company’s RPP (doesn’t even know if it’s Defined Benefit or Defined Contribution). His most important financial considerations are:

- what kind of car to purchase
- which vacation destination to take next
- what IT gadgets he wants to acquire
- perhaps getting on the real estate ladder within a few years

Karol has substantial upside salary potential and will find himself paying increasingly higher taxes in future years than he pays today. In his situation, maximizing RRSP contributions may not be his best strategy. A better alternative would be to save with a TFSA and, perhaps, generate a good portion of the down payment he will need for his home purchase in a few years. This strategy provides Karol with the opportunity to re-contribute the funds removed from the TFSA at a later date without affecting his other available contribution room.

**RRSP Deduction**

An alternative strategy would be for Karol to utilize the TFSA (which is more tax-efficient for employees with income below the YMPE) during the early years of his employment and then move the accumulated money into his RRSP later in his career when he is faced with higher tax brackets and the RRSP deduction is worth more to him.

Angie, 55, has 28 years of service and earns 10 per cent less than YMPE. She plans to retire in five to seven years. She anticipates she will be entitled to GIS supplements based on her projected retirement income. Angie has not made any RRSP contributions for several years because withdrawals from

**What To Tell Your Employees About TFSAs**

**Chart 1: Quantum Leap Your Returns With ‘Double Duty Dollars’**

Imagine combining your RRSP with the TFSA to accelerate your plans for an early retirement. Example — Sam Giordano, age 40 currently earns $97,300 which entitles him to a contribution of about $17,500, but he can only manage about $12,500 each year. Look how Sam turns $12,500 capital into $17,500.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>RRSP</th>
<th>TFSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>RRSP Contribution</td>
<td>$12,500</td>
<td>Transfer the tax savings of $5,000 into a TFSA</td>
</tr>
<tr>
<td>Less income tax rate @ 40%</td>
<td>-$5,000</td>
<td></td>
</tr>
<tr>
<td>After-tax cost of RRSP</td>
<td>$7,500</td>
<td></td>
</tr>
<tr>
<td>Capital Available for Investment</td>
<td>$12,500</td>
<td>$5,000</td>
</tr>
<tr>
<td>Assume 6% real rate of return for 20 years</td>
<td>$527,498</td>
<td>$210,999</td>
</tr>
<tr>
<td>If Sam retires at age 60 and he maintains the 6% real rate of return his income from these two resources will be</td>
<td>$31,650 Taxable</td>
<td>$12,660 Non-taxable</td>
</tr>
</tbody>
</table>

**Notes:**
- Chart 1 illustrates the use of RRSP and TFSA together to achieve a higher return on investment.
- Sam Giordano’s current earnings of $97,300 allow him to contribute $17,500 to his RRSP, but he can only manage $12,500 each year.
- By transferring the tax savings of $5,000 from his RRSP to his TFSA, Sam can effectively double his contribution to the TFSA, allowing him to save a total of $17,500 over a period of 20 years.
- This strategic approach enables Sam to maximize his retirement savings and minimize his tax liability.
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RRSPs in retirement are penalized by taxes combined with exorbitant clawbacks of government benefits – a real disincentive for lower income Canadians to save.

The TFSA is the ideal solution for Angie to put money away for retirement because withdrawals are tax-free and are not included in the eligibility for income-tested benefits such as the GIS. It is estimated that many millions of Canadians are like Angie, with little or no pension savings. They will be incentivized to use TFSAs knowing they can protect their basic federal benefits including the GIS.

Romeo, 67, is a long service employee who hopes to work until age 71 when he will no longer be able to contribute to his Group RRSP. The TFSA is a great alternative for him to create non-taxable investment income as he plans to live off his company pension, RRSPs, and investment income while continuing to contribute to his TFSA to earn tax-free income which can be withdrawn later to help pay some of his retirement living expenses.

Retirement Income
Andrea, 52, is a mid-career executive in the 40 per cent tax bracket. She is married to Tyler, a homemaker spouse who has no company pension plan and minimal savings. Andrea expects to have retirement income in excess of $90,000 from government and company pensions and other non-registered investments at retirement. She has topped out her tax-sheltered retirement savings and is looking for strategies that will save tax and avoid the OAS clawback. Can she do it? Yes, because the TFSA allows her to contribute to her spouse’s TFSA without facing the attribution rules that normally restrict one spouse from giving investment money to the other. The TFSA, along with the new pension income-splitting rules, will enable Andrea to reduce her marginal tax rate and avoid the OAS clawback.

Saul, 46, is a middle income employee with 12 years of service who has taken advantage of all of the benefits his employer offers. He’s worried about his mortgage down the line. If we apply some basic financial planning principles and look at possible future scenarios, we can see how the TFSA can work for Saul. Assume it is now 2012 and Saul has accumulated $19,000 in his TFSA (averaging a return of six per cent per year). Assume inflation has reared its ugly head, interest rates have risen substantially, and Saul’s five-year mortgage at 4.75 per cent has come due with current renewal rates offered around 8.25 per cent.

Most Difficult
Under those conditions, Saul feels it would be most difficult to earn an investment return greater than the 8.25 per cent interest rate on the mortgage. Accordingly, he wisely decides to pay down the principal on his mortgage using the $19,000 in his TFSA. If, and when, mortgage rates decline to a rate of six per cent or less, Saul plans to re-contribute the $19,000 back into his TFSA. Saul is no longer worried.

Sylvia, 59, is in a 33 per cent marginal tax bracket and plans to semi-retire next year and take a well-deserved vacation for six weeks. Upon her return, she plans to complete a few projects and some other meaningful activities that she has been putting off for years. Sylvia plans to begin a second career as a consultant and has discussed the potential opportunity of working for her former employer on a contractual basis to supplement her retirement income.

Sylvia plans to start her CPP at age 60 instead of the normal commencement date at age 65. She will be entitled to 70 per cent of her full CPP which amounts to $619 per month and she plans to invest $5,000 annually, or $417 on a monthly basis, into a TFSA. How much will she have if she invests from age 60 to 65 at a return of 6.5 per cent? Using the shelter of a TFSA her total contributions of $25,000 over the five years will grow to $30,207.

Simple Tax Planning
Teresa, 57, a member of the sales team for 15 years, has a fluctuating income and wants to flatten the peaks by directing money to the company-sponsored TFSA each year. In peak earning years when she is paying the highest rate of tax, she plans to lower her tax burden by contributing to her RRSP with funds accumulated in her TFSA. The key principle Teresa is using here is simple tax planning. It is conventional wisdom to make RRSP contributions in high tax bracket years and plan on withdrawing retirement income at a time when the investor is enjoying a lower tax bracket. The TFSA allows this principle to be put to use during Teresa’s working years.

Of course, the TFSA is merely another example of how the financial world is constantly changing. Markets go up and down; interest rates rise and fall; and inflation recedes and then reappears. As the examples above amply demonstrate, your employees’ needs continually evolve as their careers unfold, their pay changes, they marry and raise families, and the children leave — and nowadays often return! As they close in on their retirement years, it is essential to equip them to cope with these predictable — and sometimes unpredictable — life events. To do so means engaging them in an ongoing process of education. Effective education is holistic, treating the students as whole human beings and sharing with them the wisdom of life experience as well as the technical details of the latest new thing in the financial world.

As the introduction of the new TFSA draws near, it’s not too early to prepare a comprehensive education strategy to help your employees understand how they can use the TFSA to achieve their personal financial goals. The better they understand this new vehicle, the better they will appreciate all you do for their financial security.

Graydon G. Watters is president of The Financial Education Institute of Canada (gwatters@feic-icef.ca).
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For organizations that offer retirement savings coverage to their employees through some form of Capital Accumulation Plan (CAP) rather than other types of retirement plan design, the value proposition for employees typically includes:

- enhanced understanding of the employer’s plan
- greater appreciation of the plan’s economic value
- the opportunity for employees to have more choice and control over their retirement savings

For many employees who participate in a CAP, choice and control are viewed positively and CAP members make the effort to exercise effective control over their retirement savings. Some CAP members, however, fail to make decisions about their retirement savings – leading to administrative challenges for the employer, and risks for both the employer and the employee.

What should employers do when employees can’t – or won’t – make decisions about their CAP retirement savings?

Many CAP members don’t do as good a job as they might to contribute into, invest, and withdraw their CAP savings – potentially resulting in much lower levels of retirement income and financial security than they may otherwise have had.

Employee behaviours that may lead to insufficient retirement income from an employer-sponsored CAP include:

- failing to enroll – or enrolling late – in the CAP
- failing to maximize the potential matching contribution offered by the employer
- failing to make active selections from the investment options available in the CAP – either setting with the default option, or picking too many investment choices
- not reviewing the asset mix, rebalancing the asset mix if it has drifted from the desired mix, or shifting the asset mix as time horizons and risk tolerance change
- having unrealistic expectations for investment returns – not understanding the linkage between asset mix, potential return, and volatility of returns
- choosing low-volatility investments (such as money market funds and daily interest accounts) in the belief they are taking on less risk, while the real benefit of investing in such holdings – short-term liquidity – is of little relevance

Several of these negative employee behaviours can be exacerbated by features of the CAP design itself – in particular, if too much choice is offered. Research into how consumers choose products and services shows that people find an extensive array of choices initially appealing and stimulating – but then find it difficult to make a decision if confronted by too many choices.

‘Choice overload’ can apply to investment options in a CAP – often causing individuals to defer decisions, or choose not to make any decisions at all. And U.S. CAP research suggests that too much choice can actually result in lower overall participation rates in voluntary plans.

**CAP Participation**

To help address problems associated with non-participation in CAPs, several avenues are open to employers.

For new hires, participation in the CAP can be made mandatory as a condition of employment. If CAP participation is optional, automatic enrollment can be the default, unless employees specifically elect to opt out.

However these solutions, while seemingly obvious, carry some caveats. If participation in the CAP is not required as a term of employment, employment standards legislation in most provinces prohibits payroll deductions without the employee’s express consent. And, for existing employees, adding mandatory CAP participation as a new additional term of employment may require, at a minimum, a reasonable period of advance notice.
Having said that, automatic enrollment can have a significant impact on CAP participation. A 2007 study by the Vanguard Center for Retirement Research revealed an 86 per cent enrollment rate for newly-hired employees in U.S. CAPs with automatic enrollment and opt-out provisions, compared to a 45 per cent enrollment rate for CAPs with voluntary enrollment.

Another approach available to employers is to make CAP participation mandatory, with a basic level of employer contribution that does not require any employee contribution. For example, all employees could be provided an automatic employer contribution of three per cent of pay, with an additional dollar-for-dollar employer matching contribution on the first four per cent of pay that employees elect to contribute. Although the three per cent automatic employer contribution, on its own, would almost certainly be insufficient to deliver an adequate level of income replacement at retirement, it would at least ensure that some basic savings are being set aside in the CAP for every employee.

It is also worth observing that employees know more than their employer does about their other sources of retirement income and capital – and some employees, therefore, might not need as high a savings level in the employer-sponsored CAP. While in general it may seem reasonable and well-intentioned for an employer to try to ensure all employees reach a certain contribution level in its CAP, there may be individual exceptions where this is neither necessary nor appropriate.

**Default Investment Options**

The ‘Guidelines for Capital Accumulation Plans’ issued in 2004 by the Joint Forum of Financial Market Regulators suggest that a CAP sponsor should:

◆ provide information to members on the members’ responsibility for making investment decisions

◆ tell members that those investment decisions will affect the amount of money accumulated in the plan

◆ establish a policy outlining what happens if a member does not make an investment choice

◆ inform the member of this policy before taking any action under the policy

The guidelines contemplate setting a default investment option for members who fail to make an investment choice within a defined period of time – and, if so, recommend providing information in advance to plan members on the default option.

Typical practice in the past has been to identify a low volatility/low return fund as the default investment option – a daily interest account, money market fund, or GIC. The reasoning underlying this approach is an expectation that plan members will select an investment strategy appropriate to their objectives and risk tolerance within a short period of time. If this expectation is borne out, then parking the money temporarily in a liquid, low volatility vehicle is arguably a reasonable approach.

However, if an employer finds that a significant proportion of its CAP members are ending up in the default investment option – and are not moving to other actively chosen investment options within a reasonable time – a low volatility/low return fund may not be the most appropriate default.

Increasingly, we are, therefore, seeing some CAP sponsors select a well-diversified portfolio as the default investment option, with the expectation that ‘defaulted’ plan members may never select an appropriate investment strategy. A bal-
anced fund, or a pre-mixed approach such as target retirement date funds, could be considered. This is gaining some popularity in the U.S. and U.K. In Canada, a recent Towers Perrin survey revealed approximately 15 per cent of CAP sponsors have adopted this approach.

The challenge for employers is to identify an appropriate default – since employees may fail to elect investment options for a variety of reasons and may have widely differing risk profiles.

Other best practices for employers to consider include:

- monitoring how many CAP members are covered by the default investment option – and for how long
- diligently providing regular reminders to individuals covered by the default investment option – although caution must be exercised to deliver the message correctly (it is better simply to remind employees that they have not yet made any decision about how to invest their money, than to use wording that might imply that the default investment option is an inappropriate choice)
- considering not enrolling employees, or not making contributions on behalf of employees if they have not provided investment instructions as part of the enrollment process (although caution must be exercised if the CAP is a registered pension plan since legislation in most provinces stipulates strict time-frames for remittance of contributions to the pension fund)
- ensuring that the management fees charged by the default investment option are reasonable and defendable
- assessing how the CAP’s contribution level, in concert with the default investment option, compares with the plan design’s target income replacement objective

**Default Payout Approaches**

On termination of employment, some CAP members leave their money in the former employer’s CAP. This can create potential problems for the CAP sponsor – such as communicating with the former employee (for example, if changes to the investment fund line-up are made), and administering the former employee’s entitlements within the plan (with the associated effort and related costs).

For terminating employees who fail to make a decision on transferring their account balances out of the employer’s CAP, the ideal default payout approach would be for the CAP sponsor to be able to transfer the account balance into a personal retirement savings vehicle (with locking-in provisions, if required). This could be arranged through the existing CAP custodian/recordkeeper, with no change to the investment options previously chosen by the plan member (although a higher management fee is typically charged to the plan member than through the employer-sponsored group arrangement). CAP sponsors need to be careful, however, to ensure that a forced transfer is permitted. In some jurisdictions, the legislation applicable to registered pension plans is not completely clear on this point.

**Stop-gap Solution**

Ultimately, default options – while necessary – are only a stop-gap solution to a broader challenge. If a significant number of employees can’t – or won’t – make decisions about enrolling in their employer’s CAP, contributing, actively choosing appropriate investments, and implementing a sound strategy for account balance payouts, this likely indicates a broader plan design and communication challenge for the employer to address to ensure the employee value proposition underlying the CAP is achieved.

C. Ian Genno is a principal with Towers Perrin (ian.genno@towersperrin.com).
In a bid to secure lifetime retiree health coverage for retirees and their dependents, the U.S. automaker’s union – the United Auto Workers (UAW) – has agreed to the creation of trust funds that would allow each of the Big Three U.S. automakers (Chrysler, Ford, and GM) to shift their retiree healthcare benefit obligations to a UAW trust fund for less than 70 cents on the dollar.

The trust fund is known in the U.S. as a ‘voluntary employees’ beneficiary association’ or a VEBA. This move effectively lowers the Big Three’s retiree healthcare benefit liabilities from roughly $89 billion to $56 billion. Some have questioned why the UAW agreed to this. The answer likely is that the UAW is looking to secure funding for the retiree healthcare benefits owed its members in the event one or more of the Big Three goes bankrupt. Simply put: “something is better than nothing.”

A VEBA is a special tax-free trust that is established to pay for future health and welfare benefits subject to the Employee Retirement Income Security Act (ERISA) such as retiree healthcare benefits. Contributions to a VEBA may be made by an employer and employees on a tax-free basis and remain tax-free when used to purchase benefits. A VEBA trust is often established in conjunction with a collective bargaining agreement (CBA) entered into between a U.S. employer and a union. The VEBA ensures that the necessary funding for health and welfare benefits agreed to under a CBA is safe from negative financial events (bankruptcy, for example) that could force a company to reduce or terminate such benefits if they were paid from a company’s general assets.

Ideally, a VEBA begins fully-funded with cash upon its effective date. This UAW VEBA is significant in two ways. First, the UAW has permitted the Big Three to shift responsibility for retiree healthcare benefits to another entity at a significantly reduced amount. The guarantee of lifetime retiree healthcare benefits for UAW members and their beneficiaries is a central component of the UAW’s raison d’être. For years, the UAW fought the Big Three against any reduction or elimination of these benefits. However, the rising cost of healthcare in the U.S. has made the provision of promised retiree healthcare benefits an overwhelming burden to an industry that routinely teeters on the brink of bankruptcy under acute financial stress.

The Big Three – citing rising costs and impact on the corporate bottom line – pushed back hard during 2007 negotiations. Their position was the provision of retiree healthcare benefits must be reduced or eliminated altogether regardless of whether or not they were guaranteed under previous collectively bargained contracts. The UAW could have litigated this point in Federal Court, but the reality of protracted litigation combined with the spectre of bankruptcy (and the risk of a total loss of benefits) made that option untenable.

Instead, it chose to create the VEBA trusts, thereby removing liability for the benefits from each of the Big Three and effectively putting the UAW itself in the business of healthcare benefit administration.

Second, as stated above, the agreement permits the Big Three to shift their retiree healthcare benefit liabilities to the VEBA. Collectively, the Big Three are liable for approximately $89 billion in retiree healthcare benefits. However, when the UAW agreed to accept about 70 cents on the dollar for that liability, the Big Three saved themselves $32.2 billion. Theoretically, that savings will allow the Big Three to enjoy increased cash flow, earn a better credit rating thereby helping to decrease debt, increase their ability to become more efficient and competitive in the marketplace and, most importantly to the UAW, to remain solvent.

### Could VEBAs Work in Canada?

The UAW VEBA

While establishment and funding of the VEBA began in early 2008, the VEBA will not be effective until 2010. Until that time, the Big Three agreed to continue paying for the provision of retiree healthcare benefits as promised under previous contracts. As stated above, the VEBA will not be fully funded upon its effective date. The Big Three will contribute through a combination of upfront lump sum cash payments, annual cash payments, a convertible note that may be converted to company stock, and a ‘pension pass through’ where the corporations will receive a special additional pension benefit that will be contributed to the VEBA.

The Big Three’s total contribution to the UAW VEBA will be $56.5 billion, approximately 64 per cent of the automaker’s total retiree healthcare benefit liabilities. UAW employees will make up the difference in funding by contributing directly to the VEBA in various forms including the diversion of wage and cost-of-living increases from active UAW employees. While the UAW has assured current retirees that lifetime retiree healthcare benefits are guaranteed, the fact that the VEBA is not fully-funded raises legitimate questions about whether such ben-
benefits will be available to any future retirees. There is certainly precedent for these types of VEBAs to come up short. After all, in the recent case of Caterpillar, the Veba ran out of funds after only six years.

In order for this Veba to be established, the UAW must establish the Veba trust, gain approval from federal courts and the U.S. Securities and Exchange Commission (SEC), and appoint a board of trustees to oversee the trust. Because the Veba trust has not been fully funded, the board will be tasked with managing the investments in such a way that they grow faster than the current rate of inflation while providing retiree healthcare benefits at levels that were promised. If the board cannot successfully manage the investments and the Veba funds fall short, it could conceivably trigger a decrease in the level of retiree healthcare benefits through higher premiums and cost sharing mechanisms (co-pays and co-insurance), higher contributions from current UAW employees, or even the termination of promised retiree healthcare benefits to future retirees. This is precisely the situation the UAW sought to avoid in the first place.

As of August 30, 2008, the Big Three have received approval of the Veba agreements from Federal Courts. SEC approval is pending and the Big Three continue to work out the details of actual funding of the Veba. For its part, GM has deferred $1.7 billion of its promised Veba payments citing liquidity issues. No doubt liquidity will continue to be an issue for the Big Three, perhaps making Veba payments a low priority. Notwithstanding Wall Street concerns, the UAW remains committed to providing its members with what they had come to rely upon - affordable healthcare for life. It remains to be seen whether the UAW Veba will be able to generate the funds necessary to sustain the Veba in light of the rising cost of healthcare in the U.S. and fulfill the promises made to UAW retirees and dependents.

While VEBAs, like the UAW Veba, may serve a purpose with respect to large U.S. corporations with union employees and retiree healthcare benefits, it is unlikely that corporations without collectively bargained agreements will establish VEBAs to fund retiree healthcare benefits. This is because in the absence of a CBA, a U.S. employer generally may unilaterally reduce or terminate retiree health benefits. This is a trend that has taken place over the last 20 years and there is no reason, given the current volatility of U.S. markets, to believe it will not continue.

Implications For Canada

The auto workers in Canada are represented by the Canadian Auto Workers (CAW), which is separate from the UAW. While the CAW certainly pays attention to the bargaining in the U.S. between the UAW and the Big Three, CAW settlements are in no way patterned after those in the U.S. In fact, the CAW has not expressed much interest in VEBAs, even if they were available in Canada. Furthermore, while there could be the same financial incentives for the automakers in Canada to establish 'Canadian VEBAs,' there are some regulatory constraints.

The closest trust vehicle in use in Canada for the funding of benefit plans for unionized employees and retirees is a 'Health and Welfare Trust' (HWT). HWTs are used extensively in both single employer and multi-employer unionized contexts. However, there are certain restrictions placed on HWTs, under administrative guidelines of the Canada Revenue Agency (CRA).

Under CRA's Interpretation Bulletin IT-85R2, all monies contributed to HWTs must be used exclusively to provide health and welfare benefits and only for the employees (and retirees) of the employer(s) for whom it was established. No assets may revert to the employer. More importantly, however, are the following:

- CRA does not generally recognize or permit funding of HWTs beyond providing for current obligations. Additional contributions to provide for a large contingency reserve, as in the U.S. VEBAs, would not be tax deductible. (This may not be an issue for employers in a tax-loss position.)
- HWTs are not tax-exempt vehicles. Investment earnings in HWTs each year are taxable, after netting out benefits paid from the trust and expenses incurred to earn the income. VEBAs, on the other hand, are tax-exempt trusts, just like pension funds. Investment income in a Veba is not subject to tax, making them much more cost-effective than taxable trusts.

If the experience in the U.S. among the Big Three with VEBAs is positive from both the automakers' and the retirees' perspectives, there may be sufficient impetus in Canada to adopt a 'Made-in-Canada Veba.' This could be a very constructive step the federal government could take to provide an economic stimulus to the auto industry and other industries in the union sector with retiree benefits.

If VEBAs are not successful in the U.S., they will undoubtedly remain south of the border.

Steven J. Friedman is a shareholder and chair and Andrea Jackson is an employee benefits consultant with Littler Mendelson’s employee benefits and executive compensation practice group. Mark Newton (mnewton@heenan.ca) is a partner in the Toronto office of Heenan Blaikie LLP and is chair of its national pensions and benefits practice.
Many companies use the same external auditor for their corporate financial statements and their pension fund statements. This arrangement may seem convenient, but it can be a challenge for a single audit team to balance the competing demands of auditing the corporate statements and the pension fund statements in a timely and efficient manner.

Indeed, while many pension fund clients are pleased with the audit of their corporate financial statements, they feel their external auditors do not provide the same level of service regarding the pension fund audit.

As well, many companies delegate responsibility for the pension fund audit to their human resources department. While human resources professionals are knowledgeable about the pension plan and benefits provided to employees, they are often less comfortable with the pension fund accounting and audit process. Unfamiliarity with the audit process or requirements can lead to frustration and inefficiencies if the audit team is not experienced with pension fund audits.

Employees may find themselves spending significant time explaining the fund to their auditors and grappling with the auditor’s requirements. Employees may also get caught acting as the go-between for the auditor and other third parties in trying to gather information required for the audit. When your employees are managing the auditor, they are distracted from work that contributes to your company’s bottom line.

**Required Knowledge**

To increase the efficiency of your pension fund audit and decrease the reliance on your employees, the solution may be to use an auditor experienced with pension fund financial statements.

If you choose to have a separate auditor look after your pension fund audit, it is important that they meet certain criteria:

- Relevant experience
- Focused approach
- Seamless facilitation
- Keeping informed
- Staff continuity

Auditing the financial statements of a pension fund requires a different skill-set and knowledge base than a typical company audit. Your auditor should have relevant experience and should be knowledgeable about how to account for financial assets found in pension funds such as interest rate swaps and foreign exchange contracts.

Additionally, considering the accounting complexities unique to the various types of pension funds, it is essential for auditors to have access to a professional standards group to support their work.

An experienced pension fund financial statement auditor will also understand the operations of the fund, including the contribution funding policy and the benefit payment formula. To further add value to the audit process, the audit team should work closely with experienced tax professionals to identify opportunities for your company to recover GST and PST.

Conducting two audits concurrently for the same company is a challenge for many auditors. Using a different auditor with a focused approach for your pension fund can increase efficiency because each team can direct their complete attention to their own audit.

**Increase Efficiency**

Pension fund auditors require specific documentation and often there are questions that need to be addressed in the course of the audit. To increase efficiency, an experienced team can provide seamless facilitation by co-ordinating and overseeing the collection and consolidation of information from various parties involved. This team can also act as the facilitator between the actuary, administrator, custodian, and the sponsor. This reduces the burden on your company’s employees and increases the efficiency of the audit as the team can go directly to the source to obtain required information while keeping your employees informed.

Regulations change periodically and it is important that your auditors have a pension fund focus and a process to keep informed on changes that relate...
to your pension plan. Memberships in pension plan industry associations and contacts within the industry are good indicators that your pension fund auditor is actively committed to keeping on top of developments in the pension fund industry.

Staff Continuity

In the first year of an audit, the audit team spends considerable time learning about the client’s business and systems. This learning time can be significantly reduced by using a team that is dedicated to, and experienced with, pension fund audits. If the same team performs the audit year after year, time and expense is further reduced as familiarity and experience increases. For this reason, it is beneficial to engage a dedicated team which can provide staff continuity year over year. This ensures a more efficient audit and less disruption for your employees.

An experienced pension fund audit team can reduce the burden on your personnel, increase the efficiency of your audit, and allow your business to continue with minimal disruption during the audit process.

As well, in today’s environment of increased attention on pension plan governance, having an independent team audit a company pension plan may well be a wise course of action in satisfying governance requirements.

Aaron Chousky is a principal at RSM Richter LLP and head of the pension fund audit department.

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A debate on the merits of unlocking retirement savings and the real story behind phased retirement will be among the featured sessions at impACT 2008. Theme of the ACPM event is ‘Emerging Pension Issues: Four Easy Pieces.’ It takes place November 4 in Toronto, ON. Visit: http://www.acpm-acarr.com/

Authors David Delong (Lost Knowledge: Confronting the Threat of an Aging Workforce) and Barbara Jaworski (KAA-Boom: How to Engage the Fifty-Plus Worker and Beat the Workforce Crisis) will be among the featured speakers at this year’s ‘Summit on the Mature Workforce.’ Set for November 4 to 6 in Calgary, AB, content will focus on the theme ‘The Age-Free Workplace: A Cultural Evolution.’ Visit: www.workplaceinstitute.org/

Michael ‘Pinball’ Clemons, Toronto Argonauts CEO, will be the keynote speaker at the ‘Group Benefits And Retirement Services Fall Section Meeting’ set for November 12 to 14 in Niagara-on-the-Lake, ON. Contact: LOMA Canada, (416) 234-5661, lomacanada@lomacanada.org, or visit www.lomacanada.ca/en/education/groupadmin_nov2008.html

‘Pensions and Employee Benefits in Mergers and Acquisitions’ will be presented by the Canadian Bar Association’s National Pensions and Benefits Law Section and the Continuing Legal Education Committee November 21 and 22 in Toronto, ON. It will deal exclusively with pensions and benefits in the context of mergers, acquisitions, and corporate reorganizations. Visit: www.cba.org/CBA/CLE/main/pensions_benefits_08.aspx

Equity research and valuation techniques are the focus of a CFA Institute conference

Addenda

The following was not available for the 2008 Directory of Pension & Benefits Consultants in the June issue of Benefits and Pensions Monitor:

Conte Financial Services Inc. (CFS)
Tony Conte, President; 101 – 6 Gurdwara Rd., Ottawa, ON K2E 8A3 Fax: 613-667-3667 eMail: tconte@cfservices.ca Web: www.cfservices.ca
Number of Professional Staff: 4 Group Benefits Services: Group Benefit Plans, DC Pension Plans, Administration Outsourcing, DB Pension Plans, Special Risk (Inpatriates, Expatriates) Recordkeeping & Third-party Administration Services: Administrative Support, Claims Advocacy Employee Assistance, Premium Billing & Collection December 2 and 3 in Toronto, ON. The conference focuses on skills equity investors need to maintain an edge in the global investment environment. This year’s speakers will examine issues critical to the valuation process and provide tools that investors can use in their daily work as analysts or portfolio managers. Visit: www.cfa institute.org/memresources/conferences/081202_2/index.html

‘The Evolution of Investment Sales’ is the theme of AIMSE’s ‘16th Annual Canadian Conference.’ January 13 and 14 in Toronto, ON. The event provides a forum to network with peers as well as plan sponsors and consultants, in addition to a variety of educational sessions. Visit: www.aimse.org

Registration for the HRPA’s ‘2009 Annual Conference & Trade Show’ is now open. This year’s event will feature six world-class keynote speakers and more than 120 professional development sessions. It takes place January 28 to 30, 2009, in Toronto, ON. Visit: www.HRPA.ca/Conf09

Pension & Benefits Practice Group

Fogler, Rubinoff’s pension group advises as to pension and employee benefits law relating to employer-sponsored registered and non-registered pension plans, Group RRSPs, deferred profit sharing plans, retirement compensation arrangements and other savings arrangements, including advising as to restructurings, pension surplus issues, mergers and acquisitions, compliance, plan governance, and plan administration.

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If you check the news portion of our website (www.bpmagazine.com), you will frequently come across surveys that try to gauge the financial literacy of Canadians. Without fail, each one shows that the average person on the street doesn’t know what a Tax Free Savings Account (TFSA) is (the most recent survey I could find on our site), is generally unfamiliar with most elements of an RRSP, and couldn’t distinguish between a stock and a bond.

Further Proof
As further proof that I’m not overstating this, let me quote from a Wharton School of Business study. It asked the question “Let’s say you have $200 in a savings account. The account earns 10 per cent interest per year. How much would you have in the account at the end of two years?” Only 18 per cent of the respondents got this calculation right (a further 43 per cent made a simple interest calculation instead, while the remaining 39 per cent presumably ran out of the testing room).

Similarly, behavioural finance work shows us that people, left to their own devices, make ‘naïve’ (the academic term for dumb) financial and retirement planning choices.

If you are in charge of a Defined Contribution pension plan, then, your job is clear. According to almost every speaker I have heard at any pension forum, we must ‘engage’ our plan members and educate them.

About What Exactly?
But, educate them about what exactly? I started making a list of the types of questions a DC plan member could be asking, and was struck by the fact that the plan sponsor really can’t answer any of these questions. Try it yourself and see if you can answer a plan member when they ask you the following:
◆ If I sign up for your DC plan, what will this all be worth when I retire?
◆ What will this lump sum pay me on a monthly basis when I cash it in at age 65?
◆ Will this plan of yours be enough for me to live on in retirement?
◆ Should I put money in your plan, or in my RRSP?
◆ Shouldn’t I pay off my mortgage first before doing any of this?
◆ You are giving me all of these investment choices. Which one is the best?
◆ How much should I put into each of the funds?
◆ My spouse is going to get a pension, do I need one too?
◆ Can’t my brother-in-law’s sister, who is a financial planner, get me a better retirement deal?

To all of the above, the answers from the plan sponsor are either ‘I can’t say,’ ‘I can’t really say, since it depends on a whole range of factors,’ or ‘I can’t say since I would then be making the choices for you which exposes me to potential legal liabilities.’

Education is a motherhood phrase, just as engagement is. I have no problem with educating plan members about general investment topics (let’s say by teaching them how to make the simple or compound interest calculation mentioned previously). However, with the vast difference between the average plan member’s current knowledge, and the asset allocation/investment/economic/and actuarial knowledge they need to make wise choices, let’s not hold out some false hope that a series of lunchtime seminars will produce a new crop of financially literate plan members.

We Don’t Need No Education

If you are giving me all of these investment choices. Which one is the best? How much should I put into each of the funds? My spouse is going to get a pension, do I need one too? Can’t my brother-in-law’s sister, who is a financial planner, get me a better retirement deal?

To all of the above, the answers from the plan sponsor are either ‘I can’t say,’ ‘I can’t really say, since it depends on a whole range of factors,’ or ‘I can’t say since I would then be making the choices for you which exposes me to potential legal liabilities.’

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We Don’t Need No Education

Finally, note that this cry for educating the masses isn’t anything new. In a recent reprint of the Peter Bernstein classic book ‘Economist on Wall Street,’ he quotes the president of the New York Stock Exchange in 1955 as saying “The need for public education to protect the public against emotional and uninformed actions is even greater than we thought.” His point was that too many people were rushing out of holding cash and investing in the stock market. This was when the S&P Industrial average was 38. To get to today’s numbers you would have to double this number ... and add a zero at the end of it ... and almost double it again. (Pity the poor uninformed investor who was educated by the president of the NYSE and kept his savings in cash and missed out on decades of growth in the stock market.)

So when we enter this world of education, remember that there are going to be many good questions asked of us, that we really can’t answer, or at least answer correctly. Maybe we should either leave people free to make their own choices or else give them a good old paternalistic Defined Benefit plan.
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