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News Archives - December 2007 / January 2008

Thursday, January 31, 2008

Pension Assets Up Last Year
Institutional pension assets in 11 major markets globally grew nine per cent to $25 trillion in 2007, says Watson Wyatt Worldwide's annual global pension assets study. However, based on their average 56 per cent allocation to equities, 28 per cent allocation to bonds, and 16 per cent allocation to alternative investments and cash, the study shows between $1 trillion and $1.5 trillion could have been lost so far this year. The nine per cent asset gain in 2007 was slightly below the 12 per cent rate in 2006.

Benefits Not Critical To Attraction Strategies
Pension and benefits are important elements when it comes to retaining Canadian employees, says Steven Osiel, vice-president, total rewards, for Pal Benefits. However, unlike in the U.S., they are not an important factor when it comes to attracting employees. Speaking on applying total rewards strategies to small- and mid-sized companies at the 2008 HRPAO Annual Conference & Trade Show, he said while they are a good idea, they can be at or below the market when it comes to attracting employees. However, employers who do not offer pension and benefit programs which are competitive may have a harder time retaining employees.

Index Beats Active Managers
Only 41 per cent of large cap Canadian equity investment managers beat the S&P/TSX Composite Index in the fourth quarter of 2007, the lowest number in three years, says the Russell Active Manager Report. The median large cap active manager's 9.6 per cent return lagged the S&P/TSX Composite return of 9.8 per cent. The last year the median manager lagged the benchmark was in 2005.

CCHRA Lead By Brinton
Merrill Brinton is president of the Canadian Council of Human Resources Associations (CCHRA). In addition, he is appointed to the board of the North American Human Resources Management Association (NAHRMA). He is the human resource practice leader for Meyers Norris Penny's Saskatchewan region. His term will run until October 2009.

FTSE Launches Shariah Indices
FTSE Group (FTSE), the global index company, and Yasaar Research have launched the FTSE Shariah Global Equity Index Series. It features 96 Shariah compliant indices, including the FTSE Shariah Developed Index Series and the FTSE Shariah Emerging Index Series. The Shariah series uses asset-based debt screening, a more conservative approach to Shariah compliance. This ensures that companies do not pass the screening criteria due to market place fluctuation, allowing the methodology to be less speculative and more in keeping with Shariah principles.

Buschau Review Continues
The judicial review of OSFI's decision allowing Rogers Communications Inc. to reopen the pension plan that was at issue in Rogers Communications Inc. v. Buschau is continuing. Robert D. Gibbens, of Laxton Gibbens & Company which is counsel for the Buschau plan members, says a hearing is set for March 11 and 12 in Vancouver, BC, before the Federal Court Trial Division. Earlier this week it was reported that the action had been discontinued. Members are seeking a review of a Supreme Court of Canada ruling that found the decision on whether the pension plan could be reopened rested with OSFI. Following that decision, OSFI allowed Rogers' request to re-open the plan to new members and denied the members' contention that the closed plan should be terminated and any surplus distributed to them.

Wednesday, January 30, 2008

Freshfields' Two Coming
A follow-up to 2005's Freshfields legal opinion on responsible investment is being developed. Originally produced by the UK law firm Freshfields for the United Nations Environment Programme Finance Initiative (UNEPFI), it challenged the belief that pension funds

could not include environmental, social, and governance factors in investment. The report is expected to broaden the UK scope of the original report to look at the legal situation regarding responsible investment in Europe. It should take about a year to complete.

Couture Moves To Natcan
Donald Couture has joined Natcan Investment Management as vice-president, national sales, institutional business development (Eastern Canada). Most recently, he was vice-president, institutional investment services, at Franklin Templeton Investments.

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

Managing Disability Session Set
Managing absence and disability will be the focus of the HRPAO Professional Development Program 'Managing Absence and Disability 101.' The course serves as a how-to guide on properly managing employee absences due to illness or injury. It takes place April 14 and April 15 in Toronto, ON. For more information, visit http://www.hrpao.org/

Tuesday, January 29, 2008

OECP Releases Policy Papers
The policy papers commissioned by the Ontario Expert Commission on Pensions (OECP) as part of its research program have now been released and can be found at http://blakes.com/english/practiceareas. The OECP commissioned 17 research projects in total, many of which provide cross-jurisdictional analysis on topics ranging from the funding, taxation, and governance of pension plans to comparative models of risk-based industries and guarantee funds.

Rio Algom Appeal Dismissed
The Ontario Divisional Court has dismissed an appeal related to a lower court decision which refused to strike out the claim of former plan members of the Rio Algom pension seeking an order from the court directing the plan sponsor to partially wind up the plan, says Ian McSweeney, of Osler, Hoskin & Harcourt LLP. The appeal related to a lower court decision which refused to strike out the claim of former plan members seeking an order from the court directing the plan sponsor to partially wind up the pension plan as an alternative to the court directly ordering a wind up based on the principles of Saunders v. Vautier, a remedy denied by the Supreme Court of Canada in the Buschau. The case still has to be heard on the merits of whether such an indirect order will ultimately be granted.

CPPIB Acquires Stake In Edmonton Office Tower
The CPP Investment Board (CPPIB) has acquired a 40 per cent interest in Scotia Place, a 600,000-square-foot Class A office tower located in downtown Edmonton. Morguard Real Estate Investment Trust, which previously held a 100 per cent stake in the building, will retain a 20 per cent stake and an investment manager will acquire the remaining 40 per cent interest. The acquisition of Scotia Place reflects the board's strategy of owning core properties in strong real estate markets. Currently, it has interests in six Class A office properties in downtown Edmonton.

Carroll Speaks At LOMA
Jim Carroll is the keynote speaker at the LOMA Canada Annual Conference. An international futurist and trends and innovation expert, he will address whether or not the Canadian life and health insurance industry is keeping pace, how likely future Canadian healthcare system changes are going to affect the way it does business, and how the Canadian industry can remain competitive in today's global environment. Sessions are also planned on group benefits and retirement services. It takes place June 12 in Toronto, ON. For more information, visit http://www.lomacanada.ca/

Northern Trust Partners With youDevise
Northern Trust has an exclusive, worldwide partnership with financial applications company youDevise to offer funds of hedge funds daily portfolio management data. Typically, funds of hedge funds can only get this type of information from their administrators on a monthly basis. Northern Trust becomes the first global asset servicer to adopt youDevise's Hedge Information Provider 2.0.

Benefits 101 Set
With benefit plans playing a vitally important role in employee attraction, retention, and satisfaction, HRPAO Professional Development Programs is offering 'Benefits 101.' Seminar topics include short- and long-term disability, health and dental benefits, income protection benefits, death benefits, post-retirement benefits, and flexible cafeteria-style plans. It takes place April 10 in Toronto, ON. For more information, visit www.hrpao.org

ARS Strategies Examined
Mindpath's 2nd Annual Alternative Investments and Absolute Return Strategies for Institutional Investors takes place March 4 in Toronto, ON. Pierre Saint-Laurent, president of Asset Counsel, one of Canada's leading alternative and traditional investment

consultants, will explain how institutional investors can make optimum use of their pension fund consultants. Again this year, institutional investors will have the opportunity to meet with senior investment managers during the afternoon Meet-the-Manager roundtable discussion forums. For more information, contact Dan Jerred at 416-929-MIND (6463) (Toll Free: 1.877.929.6463) or jerred@Mindpath.ca

Monday, January 28, 2008

Responsible Investment Catching On
A growing number of market participants worldwide are now considering the benefits of responsible investment (RI), says Jane Ambachtsheer, head of responsible investment for Mercer. Speaking at a CPBI Fundamentals seminar, she said environmental, social, and corporate governance (ESG) factors have been proven to significantly impact investment earnings and fiduciaries should, therefore, work to manage the related risks and opportunities. Historically, RI was seen as a barrier to fiduciary responsibility. Now, with factors such as climate change and greener consumer demands taking form, ESG issues are real and evidence suggests they can affect shareholder value in both the short and long term.

Swanepoel Named Managing Director
Charles Swanepoel has been appointed managing director, institutional sales, at IntegraCapital Management. He joined the firm in 2000 as senior vice-president specializing in global and international investments.

Selecting Managers Examined
Sessions on selecting a manager and comparing hedge fund with traditional investment managers will be part of the Fund Manager Selection and Oversight seminar February 18 to 20 in Toronto, ON. Other sessions will examine selecting fund managers for pursuing alpha strategies and best practices in fund manager termination. For more information, visit http://www.federatedpress.com/

Electronic Trading Conference Returns
How companies are profiting from electronic trading will be a focus of the 4th annual FPL Canadian Electronic Trading Conference. It takes place May 5 and 6 in Toronto, ON. For more information, visit eTradingCanada.ca

FEI Canada Looks At Competitiveness
'Canadian Competitiveness – The Innovation Imperative and the Role of the CFO' will be the topic of FEI Canada National Breakfast Seminars in Toronto and Mississauga, ON. William B.P. Robson, president and chief executive officer of the C.D. Howe Institute, and John Fursey, partner, strategy and change consulting, IBM Global Business Services, will be the featured speakers. The sessions take place February 28 in Toronto and February 29 in Mississauga. For more information, visit http://www.feicanada.org/

Friday, January 25, 2008

Coverage Costs More, Stays Level
Even though U.S. employers are spending more for health coverage, availability for workers has stayed mostly level in recent years, says data from the Employee Benefit Research Institute (EBRI). It also shows that the number of employers providing retiree health benefits has suffered a big decline. EBRI says 12.7 per cent of private sector employers covered retirees in their policies in 2007, down from the 21.6 per cent in 1997.

Emerging Market Companies Offer Some Sustainability
A study of emerging market companies indicates nearly nine out of 10 firms (87 per cent) now offer at least some sustainability disclosure. The Social Investment Research Analyst Network study found that South Africa emerged as the overall leader in sustainability reporting, with six companies meeting all five criteria, accounting for 75 per cent of the country sample. Sustainability reporting is designed to provide information on an entity's environmental, social, and governance performance and impacts and their initiatives for improving their performance in these areas. China was the laggard on sustainability reporting with three companies meeting none of the five criteria, and only 25 per cent of Chinese companies surveyed meeting all criteria.

Forum Examines Measuring Success
Why, what, when, and how workplace health and wellness initiatives can measured will be the focus of Connex Health's 'Employer Forum 2008: Measuring for Success.' Researchers and practitioners will explore how benefit costs can be addressed through workplace health and plan design. It takes place April 30 to May 2 in Niagara on the Lake, ON. For more information, visit http://www.connexhc.com/

Thursday, January 24, 2008

Pension Plans Using Infrastructure
While it is still a relatively new asset class, pension funds around the world are making infrastructure part of their asset mix, says Rheal Ranger, chief financial officer for Borealis Infrastructure at OMERS'. Speaking at the Private Equity Symposium sponsored by Financial Executives International (FEI) Canada, the Canadian Institute of Chartered Business Valuators, the Toronto CFA Society, and Canada's Venture Capital & Private Equity Association, he said it is attractive to any investors looking for assets which match long-term liabilities. However, it noted it is now attracting interest from sovereign wealth funds as well.

Cost Containment Top Concern
Cost containment has emerged as the top concern of plan sponsors of non-union salaried Defined Benefit pension plans, says the ACS Buck Consultants' 2007 Canadian Pension Survey of Defined Benefit Plans. Marc-Andre Vinson, a senior consultant in its retirement practice, says the result is not surprising given the "hostile climate" that has reigned over DB plans in recent years. He says plans have recently started to take aggressive action to contain these costs. Most are keeping their DB plans in tact for existing plans, but "basically ate their young" by introducing Defined Contribution plans for their new employees.

GRS Earns Awards
Sun Life Financial Canada Group Retirement Services (GRS) business ended 2007 with two honours, recognizing its commitment to understanding and responding to plan members' needs. The Service Quality Measurement Inc. recognized its customer care centre with world class status, as part of its 9th Annual Most Prestigious North American Call Centre Service Quality Award of Excellence. It also won Best in Show from the Insurance and Financial Communicators Association for its retirement planner. The online tool enables plan members to take a more active role in managing their investments, helping plan sponsors provide rich, engaging education programs for their members.

Behaviour Changed Abruptly
European fixed income markets were undergoing a transformation in the run-up to the global credit crunch, says research from Greenwich Associates. While many of the changes experienced in the 12 months prior to the summer of 2007 came to an abrupt halt with the outbreak of the ongoing global liquidity crisis, it remains an open question as to which products, practices, and trends will recover and re-emerge as permanent market features, and which are gone for good. "On a very broad basis, our research shows that the tremendous liquidity that existed in the system prior to the July/August period was changing the behaviour of Europe's institutional investors in a variety of ways," says Greenwich Associates consultant Peter D'Amario. "Quite suddenly, however, investors' attention was brought back to the basics of the fixed income market."

Carrier Joins CPPIB
Alain Carrier is managing director (Europe), private investments, for the Canada Pension Plan Investment Board (CPPIB). With more than 15 years of financial industry experience, he was most recently managing director at Goldman Sachs & Co. in its investment banking division in London.

Royan Moves To Teachers'
Bill Royan has joined the Ontario Teachers' Pension Plan (Teachers') as vice-president, relationship investing, public equities. He was with Lehman Brothers in New York, where he held senior roles in its mergers group and its equity strategies unit.

Wednesday, January 23, 2008

Mental Health Depletes Human Capital
Mental health conditions are depleting the human capital of Canadian companies, says a research review by Dr. Mark Attridge, a leading writer/researcher in the area of mental health and its impact on the workplace, commissioned by Wilson Banwell PROACT Human Solutions. 'The Quiet Crisis: The Business Case for Managing Employee Mental Health' shows that mental health conditions – depression, bipolar mood disorder, social anxiety and phobias, panic disorder, schizophrenia, and suicide – affect one in five employees. Employees with undiagnosed or under-treated mental health conditions often struggle valiantly to stay on the job. Despite their best efforts, many of them experience lapses in productivity, unscheduled days absent, physical illnesses, and alcohol and/or drug addiction.

Best Practices Set For Hedge Funds
The UK-based Hedge Fund Working Group has set out best practice standards for hedge fund managers. The voluntary standards includes recommendations for managers to adopt an independent process for valuing portfolios, to establish robust fund governance, and to mitigate conflicts of interest between managers and investors. It also recommends enhanced disclosure to investors and that managers should have a comprehensive framework to manage risk.

Executive Pay Reporting Needs Improvement
Many Canadian companies still need to improve the way they report executive pay, says the Canadian Coalition for Good Governance. Its annual score card on executive compensation shows 29 companies scored well, exhibiting reasonably thorough and complete compensation disclosure practices, up from 23 companies last year. On the other end of the scale, 169 companies still had substantial work to do. The coalition has determined four areas where companies can immediately improve their performance. They are hiring approved compensation consultants, providing a 'one-figure' number that summarizes CEO pay, abandoning options that

vest over time with no performance hurdles, and clearly explaining how compensation packages are linked to performance in both the short- and long-term.

Integra Names Coulter Managing Director

Barbara Coulter has been appointed managing director of institutional client services for Integra Capital. During her 20-year career with the firm, she has been instrumental in developing, directing, and growing its record-keeping services, administration systems, and plan member services.

130/30 Requires Caution

Watson Wyatt in the UK is cautioning pension funds against quantitative managers following the 'strong tailwind' the sector has experienced over the past five years. In a circular to its clients, it says there has been an explosion in hedge funds within the quantitative management space, including the 130/30-type flexible products. But it warned returns from some quant managers have been weaker recently, with some poor performing funds forced to de-risk and de-leverage. Although many quant managers are claiming the fall as a one-off 'technical' event, the firm has suggested other issues such as the narrowing of the valuation spreads between traditional value and growth stocks could make it harder for quantitative funds to repeat their past performance.

Number Of U.S. Plans Drops

The total number of pension plans in the U.S. fell for the fifth consecutive year in 2005, says the Department of Labor's Employee Benefits Security Administration bulletin. The Private Pension Plan Bulletin: Abstract of 2005 Form 5500 Annual Reports found while the number of Defined Benefit plans actually increased by 0.2 per cent, the number of Defined Contribution plans fell by 0.6 per cent. The decline in DC plans was led by a 20 per cent decrease in the number of money purchase plans. However, the number of active participants in DB plans decreased to 20.3 million, while the number of active participants in DC plans increased to 62.4 million.

Dollar Reduces Fund Returns

The rise of the loony during the year, particularly compared to the U.S. dollar, had a significant impact on the performance of pension funds in 2007, says Morneau Sobeco's Performance Universe of Pension Managers' Pooled Funds for the fourth quarter of 2007. In fact, during the year, returns on U.S. equities were about 16 per cent lower when calculated in Canadian dollars. Diversified pooled fund managers posted a median return of -0.6 per cent, before management fees, in the fourth quarter of 2007. For the year as a whole, pension funds obtained a median return of 2.1 per cent.

Tuesday, January 22, 2008

More Fixed Income Products Possible

Investment managers are considering expanding the range of fixed income-related products they offer plan sponsors, says the 27th Annual Watson Wyatt Survey of Economic Expectations. Overall, about one-third of the new investment categories being evaluated have a direct connection to bonds. A number of investment managers are also exploring products related to absolute return strategies and portable alpha, with long-standing contemplation in these areas perhaps now starting to give way to adoption and implementation. "With expectations of a flat yield curve, financial market volatility, and single digit equity returns, pension plan sponsors will be looking for ways to improve performance," says Janet Rabovsky, investment consulting leader.

CAP Guidelines Reviewed

The Joint Forum of Financial Market Regulators has launched a voluntary survey to assess the extent to which its 2004 Guidelines for Capital Accumulation Plans have been successful in achieving their original objectives. CAPs include Defined Contribution registered pension plans, Group RRSPs, Group RESPs, and deferred profit sharing plans. The survey could help determine if any of the guidelines need to be modified. The survey can be found at https://www.surveymonkey.com/

Generic Products Removed

Ontario Drug Benefit has stopped paying for more than 30 antibiotic generic products, says Green Shield Canada. In response to significant price increases, the ODB Program changed the benefit status of some highly utilized, first line antibiotic generic products from 'General Benefit' to 'Not-a-Benefit.' One generic drug product for each strength and dosage form, from each affected class of antibiotics, remains listed as a 'General Benefit' and is covered by ODB. Green Shield says since the introduction of Ontario's Transparent Drug System for Patients Act, 2006, the landscape continues to change, creating a two-tier system between the private and public sector. Increases in the prices of generics, combined with off-loading expenses to private payors and plan members, are increasing the costs to Canadian employers and their employees.

SciVest Alternative Strategies Become Ark

Ark Fund Management, a company focused on delivering high quality mutual funds and hedge funds with flexible investment mandates to Canadian investors, has now been formed. It is a result of the purchase of SciVest Alternative Strategies, a Canadian hedge fund distribution company that built its reputation offering market neutral equity funds to Canadians. Ark has retained Dr. John Schmitz and SciVest Capital Management to advise the existing lineup of SciVest funds.

Monday, January 21, 2008

Pensions Post Meagre Gains

Canadian pension plans suffered reverses in the final two quarters of 2007, as the spreading global credit crunch hurt stock market performance, says a survey by RBC Dexia Investor Services. Canadian pension funds lost 0.5 per cent in the quarter ended December 31, returning a paltry 1.5 per cent for the year. However the soaring loonie and spiking energy prices, against a backdrop of tightening global credit and recessionary pressures in the U.S." meant, after four consecutive years of double-digit annual returns, some weakening was in the cards," says Don McDougall, director, advisory services.

Johannson Now President

Joan Johannson has been appointed president and managing director of Integra Group Retirement Services. She joined Integra in 2004 as managing director, group retirement services, and has more than 20 years experience in the financial industry.

Policy Changes Made For Working Parents

Raising a family while working can be a challenge for most parents, but it seems many businesses are lending a helping hand. An OfficeTeam survey says close to two-thirds of companies have made policy changes to better accommodate working parents. "Programs that support work-life balance are attractive to professionals, especially members of the 'sandwich generation' – those caring for both children and elderly parents," says Diane Domeyer, executive director.

Citigroup Drops U.S. Master Trust Business

Citigroup has advised its U.S. pension fund clients that it is getting out of the master trust business. The firm, which has $13 trillion in global assets under custody, has less than $65 billion in U.S. pension fund assets.

Friday, January 18, 2008

Bill Accommodates Phased Retirement

The federal government has tabled a bill to amend the Pension Benefits Standards Act (Canada) (PBSA) to accommodate phased retirement changes to the Income Tax Regulations, says a Mercer Communiqué. Under the proposed PBSA changes, employers may offer, but are not required to provide for, phased retirement. Where phased retirement is provided, members of Defined Benefit pension plans would be able to receive a partial pension or a stand-alone bridge benefit while, at the same time, accruing pension plan benefits. The phased retirement benefit is intended to be an additional benefit payable under the plan, with no adjustment allowed to the normal pension because of the phased retirement benefit. OSFI views the phased retirement benefits as a partial payment of the pension that the member would otherwise receive. As a result, the cost of phased retirement benefits would be borne by pension plans and pension plan sponsors.

More Men Get Pensions

Men were more likely than women to receive annuity and/or pension income and receive more income from them, says an Employee Benefit Research Institute study. In 2006, 44.6 per cent of men age 65 or older received income, with a mean amount of $17,200, compared with 28.4 per cent of women the same ages with a mean of $11,142. That gap might be shrinking, however, as younger women are spending more time in the work force than older women did, says the study.

Flexible Schedules Keep Employees Happy

When it comes to keeping employees happy and productive, nothing tops flexible work arrangements, says a new poll by LifeCare, Inc., provider of specialty care services in the work/life industry. Nearly half (49 per cent) of all workers responding to the online poll said that flex arrangements/part-time work are most critical to working happily and productively for their current employer. The next closest response was health and wellness programs (15 per cent). Other reasons cited include access to fitness facilities and gym memberships, college tuition assistance, retiree benefits, relocation assistance, and incentive programs.

Call Goes Out For Pioneer Nominations

Nominations are now being accepted for the Canadian Workplace Wellness Pioneer Award. The award, to be presented at the 12th Annual Health Work & Wellness Conference 2008, October 15 to 18 in Calgary, AB, recognizes an individual who has risen above the normal expectations and has made an outstanding contribution to the field of organizational health. In 2007 the winner was Nora Spinks, president, chief executive officer, and founder of Work-Life Harmony Enterprises, and a frequent contributor to Benefits and Pensions Monitor. For more information, visit http://www.healthworkandwellness.com/

Catastrophic Coverage Examined

Affordable drug plans and catastrophic coverage will be addressed at a Connex Health session February 28 in Burlington, ON. A panel will explore how the number of high cost treatments and the market for them is expected to grow as well as reimbursement options for individuals who require them. It will also explore current coverage solutions for high cost treatments and the impact on benefit plans for the small, mid sized, and large employers who fund them. For more information, visit www.connexhc.com

Group RRSPs On Agenda

The future of employer participation in retirement savings and the employer roles and responsibilities with Group RRSPs will be among the topics covered at a Fasken Martineau Employment, Labour, Human Rights, Pensions & Benefits Conference. It takes place February 15 in Toronto, ON. For more information, contact Heidi Balke at hbalke@fasken.com

Nixon Guest At Rotman Session

Gord Nixon, president and chief executive officer of RBC Financial Group, is the featured speaker at the next Live @ Rotman. Nixon was Canada's Outstanding CEO of the Year for 2007. The event is sponsored by the Rotman School of Management's AIC Institute for Corporate Citizenship and its Martin Prosperity Institute. It takes place February 13 at 5 p.m. in Toronto, ON. For more information, visit http://www.rotman.utoronto.ca/events/

Thursday, January 17, 2008

Risk Of Canadian Recession Low

While fund managers are starting to face the possibility of global recession, the risks of a recession in Canada are low. A Merrill Lynch survey of institutional investors shows nearly one in five respondents now believe that a global recession is either 'likely' or 'very likely' over the next 12 months. It says that investors increasingly believe that business cycle risk poses the biggest threat to global financial market stability – now on a par with credit risk and significantly more than counter-party risk. Meanwhile, Morgan Stanley is predicting that the Canadian economy will weaken this year, but a recession is unlikely. The anticipated recession in the U.S. is likely to be the main drag to growth, while domestic demand should moderate somewhat. During the last five years, the links between the U.S. and Canada have weakened somewhat and growth in Canada could be less dependent on exports than during the previous recession. It expects that growth should slide to just one per cent in the first half, rebounding to two per cent in the second half of the year.

Sponsor Focus Changes

Pension plan sponsors must now focus on financial risk management, instead of financial returns, says Scott Clausen, a principal and actuary in Mercer's retirement business. Speaking at its annual Pension Outlook and Fearless Forecast, he said that historically plans added value through the mismatch of assets and liabilities. Today, they need to find ways to reduce short-term volatility and long-term costs.

Auto Enrollment Improves Participation

While automatic enrollment for new hires can improve initial participation rates, it is no guarantee that these employees will have enough money in retirement, says a Vanguard Center for Retirement Research study. It shows that plans which have adopted automatic enrollment have almost twice the participation rate by new hires as plans with voluntary enrollment. However, new hires at plans with voluntary enrollment often opt for a higher contribution rate. Those who are automatically enrolled tend to select low-default rates which may not provide adequate income for retirement.

CPPIB Adds Carlton

Colin Carlton is vice-president, investment research, at the CPP Investment Board (CPPIB). His previous positions include global practice leader, asset consulting, at Towers Perrin; chief investment officer at both RBC Private Investment Counsel and CT Investment Management Group; and, most recently, vice-president and investment counsel at Perimeter Capital Management. He will be responsible for leading the research functions supporting portfolio design and risk management strategies for the board's investment programs.

Northwater Earns AIMA Award

Northwater Capital Management has earned the Alternative Investment Management Association (AIMA) Canada research award for 2007 for its paper 'A Review of Hedge Fund Replication.' Stephen Foote, vice-president of marketing and client service, says the paper came out of an inquiry by a client about the robustness of hedge fund replication techniques.

Wednesday, January 16, 2008

Asset Allocation Changing

Traditional asset allocation is changing, says Rodger Smith, managing director, Greenwich Associates. Speaking at the CPBI Ontario Region's 3rd Annual Pension Investment Forecast, he said allocations to domestic equities and fixed income continue to decline. Instead, institutional investors are moving to non-domestic equities, real estate, and private equity. Pension funds moved from 27 per cent of their assets in domestic equities in 2002 to 21 per cent in 2007. Meanwhile, allocations to non-domestic equities rose to 30 per cent from 23 per cent during the same period.

Caisse And OMERS Buy Into CIBC

The Caisse de dépôt et placement du Québec and OMERS Administration Corp. will pick up a part of the $1.5-billion private placement being offered by the Canadian Imperial Bank of Commerce as a cash infusion to cover losses resulting from the meltdown in the U.S. subprime mortgage market. The Caisse will acquire $450 million and OMERS $200 million in CIBC shares. CIBC is one of a number of global financial institutions that are selling off stakes in themselves as a result of their subprime mortgage exposure.

Potential Lawsuits Threaten DC
With pension-related litigation on the rise, employers who offer Defined Contribution plans and group RRSPs require safe harbours, or legal protection, for good faith actions to foster smart employee choices. Without such protection, the continued availability of these plans to employees is at risk, says an analysis by the C.D. Howe Institute. In the study, 'Safe Harbours: Providing Protection for Canada's Money-Purchase Plan Sponsors,' William B. P. Robson, president and CEO of the institute, says employers who would like to encourage their employees to save, invest and withdraw more wisely in DC pension plans may nevertheless pull back for fear of lawsuits. Safe harbours for such employers could improve the outlook for Canadians who will do most of their retirement saving in such plans.

Laurentian Joins CanDeal Platform
Laurentian Bank Securities has joined CanDeal's Canadian Money Market (CAMM) market as a contributing dealer. In 2006, Laurentian Bank Securities joined CanDeal, the online marketplace for Canadian dollar debt securities, as a liquidity provider for government of Canada bonds, Canada Housing Trust – CMBs, and actively traded provincial bonds. Joining the money market allows Laurentian to meet the needs of new and existing clients by whatever manner they find most effective.

Tuesday, January 15, 2008

CIBC Completes Sale
CIBC has completed the sale of its U.S. domestic investment banking, equities, leveraged finance, and related debt capital markets businesses to Oppenheimer Holdings Inc. The deal also includes CIBC's Israeli investment banking and equities business and certain parts of its' U.S. capital markets-related businesses in the UK and Asia. CIBC is retaining its other U.S. wholesale businesses which include real estate finance, equity and commodity structured products, merchant banking and oil and gas advisory, as well as the balance of its U.S. debt capital markets, Asia, and U.K businesses. It will also maintain its corporate lending capability and its ability to distribute Canadian equities and fixed income products in the U.S. and international markets on behalf of its Canadian clients.

Plans Suffer Losses In 2007
Canadian pension plans ended 2007 no better funded than at the start of the year, unless plan sponsors made additional contributions to top them up, says the Mercer Pension Health Index. "Poor equity performance in the fourth quarter took its toll on plans' funded status," says Peter Muldowney, business leader for Mercer's investment consulting business in Canada. "A significant contributing factor on investment returns over the year was the impact of the strengthening of the Canadian dollar on foreign equity returns." Long-term interest rates also fell back to beginning of year levels, which together with disappointing equity returns led to the index giving back all of the improvements seen in the first half of the year. Decreases in the second half of the year resulted in a net loss for the year of two per cent.

Senior Consultant Appointed
John Abbott has joined the compensation practice at Watson Wyatt Worldwide as a senior consultant. Based out of its Calgary office, he will serve clients in Western Canada. Previously, he led the development of compensation strategies in a number of large corporations in Western Canada. He has consulted in many industries including mining, oil and gas, high-tech, engineering, oilfield services, and agriculture.

Monday, January 14, 2008

Baby Boomer Retirements Top Concern
Baby boomer retirements will have the greatest impact on the workforce over the next decade, says a survey of senior executives by Robert Half International. It found 60 per cent of executives identified this as having the greatest impact. Global business interactions was a distant second at 15 per cent. "Fortunately, many baby boomers are considering working past the traditional retirement age to stay active and continue earning," says Max Messmer, chairman and CEO of Robert Half International.

Plan Resources Under-utilized
Employees of U.S. non-profit organizations are not taking full advantage of their workplace retirement plan resources, says research from Fidelity Investments. It found that 57 per cent of tax-exempt sector workers surveyed interacted with their Defined Contribution plan provider in the past year, mostly to conduct a regular plan review with a representative or to reallocate funds. Workers were asked to classify themselves as investors, savers, or spenders. While nine per cent identified themselves as investors, while the rest split between savers or spenders, 77 per cent of investors interacted with their DC plan provider compared to half the savers and spenders.

Sponsors Look At Global Workplace
Developing and implementing a pension and benefits program for the global workplace will be the topic of a plan sponsor roundtable at the CPBI Forum 2008. Sponsors on the roundtable are Étienne Brodeur, senior director, compensation, pension and benefits, Bombardier Inc.; Sylvie Charest, vice-president, global pension and benefits, Manulife Financial; Connie Colangelo, global head,

human resources, RBC Dexia Investor Services Trust; and Robert Landry, chief counsel, labour relations and human resources governance, Magna International. The forum runs May 12 to 13 in Toronto, ON. For more information, visit http://www.cpbi-icra.ca/

Friday, January 11, 2008

Funded Ratios Post Net Improvement
Despite the recent pull back in equity markets, pension plan funded ratios posted a significant net improvement in 2007, says analysis by Watson Wyatt Worldwide. The funded ratio (the ratio of plan assets to plan liabilities) of the typical pension plan climbed to 106 per cent at the end of December 2007, up from 96 per cent at the end of December 2006. This modest cushion will enable sponsors to consider the attractiveness of investment strategies that better align the movement of plan assets and liabilities to lower the volatility of both funded status and costs in an environment that may punish uncertainty, says Carl Hess, director of Watson Wyatt's investment consulting in North America.

SWFs Need Transparency
Sovereign Wealth Funds need the same kind of transparency, mission statement, and arms-length legal structure and governance as regional and national pension plans such as the CPPIB, says Keith Ambachtsheer, adjunct professor and director of the Rotman International Centre for Pension Management. In a roundtable co-sponsored by the centre and the Institute for International Business @ Rotman entitled 'Sovereign Wealth Funds: What in the world are they?, he said since many were created almost by accident as a way to use funds generated by national trade imbalances, they lack a purpose, unlike pension funds which are there to provide income in retirement. Like pension funds, they should also be required to provide full disclosure of their investment holdings so these funds can be properly evaluated.

Mercer Adds To RI Team
Jordan Berger is head of Responsible Investment (RI) for Mercer in Canada. He has spent the last 10 years working with the Ontario Public Service Employees Union (OPSEU) as supervisor of strategic planning, policy development, and benefits. Kelly Gauthier is an associate in Toronto. She spent four years as a management consultant and worked for CARE Enterprise Partners in social venture capital.

Thursday, January 10, 2008

Complexity Poses Problems
Complexity makes financial markets prime for another crisis, says Richard Bookstaber, author of the Wall Street tell-all book 'A Demon of Our Own Design.' Speaking at an AIMA Canada luncheon, he said while risk in economic markets is lessening, the risk in financial markets is increasing and resulting in more crises. Complexity is added as new products are created and new regulations put in place. Unfortunately, regulations are often only established after a problem has occurred. Not only do they then add to the complexity, but there are always individuals looking for ways to get around the new regulations adding to the complexity.

Pension Wealth Decreases In U.S.
The change in the retirement landscape from predominately Defined Benefit plans to mostly Defined Contribution plan coverage has decreased both household pension wealth and retiree income replacement rates, says research from the Center for Retirement Research at Boston College (CRR). During the period 1992 to 2004, the increase in DC plan participation and plan balances as DB plan coverage declined was not enough to maintain average household benefits and income replace-ment rates. The typical household with a head who was 51 to 56 years old had about $114,000 in pension wealth in 2004, about 11 per cent less than in 1992.

Asian Bond Markets Booming
Domestic bond markets are booming across Asia as private banks, asset managers, hedge funds, and other investors empowered by the spread of wealth across the region inject never-before-seen levels of liquidity into local markets. Greenwich Associates' 2007 Asian Fixed Income Investors Study reveals that, excluding the business of Central Banks, products denominated in local currencies accounted for half of all fixed income trading volume across Asia for the first time last year. Leading the way in this growth are China, Australia/New Zealand, Indonesia, Malaysia, India, and Thailand – each of which saw domestic-currency trading volumes increase at least 135 per cent from 2006-2007.

E*Trade Ends Institutional Services
E*Trade Financial Corp. is ending its institutional trading services as part of the online broker's efforts to improve its balance sheet following sub-prime and asset-backed financial losses. E*Trade closed its international institutional business last September.

Benefit Ball Tickets On Sale
Inspired by the warmth and essence of Hawaii, the theme of the 4th annual CPBI Benefit Ball will be Aloha Luau. Attendees will enjoy the sights, sounds, and tastes of Hawaii while raising money for the Crohn's and Colitis Foundation of Canada (CCFC). For more information, visit http://www.cpbi-icra.ca/

Wednesday, January 9, 2008

Modest Returns For Equities
Investment managers predict modest equity returns for 2008, says Mercer's 2008 Fearless Forecast survey. With double-digit annualized returns on the TSX generated over the past five years, the managers are predicting that the Canadian equity market will earn six per cent in 2008. Better returns are forecast to come from international and emerging markets, with median forecasts of eight per cent and 8.4 per cent, respectively. There is little consensus around these forecasts, however, with a wide range of predictions, and some managers actually forecasting double-digit declines.

HRPAO Conference Nears
To gain a competitive advantage, organizations, individuals and the HR profession must continue to evolve and innovate. HRPAO's Annual Conference & Trade Show will examine what is taking place to deal with the pressing business issues of today such as skills shortage, retiring boomers, and globalization. It takes place January 30 to February 1 in Toronto, ON. For more information, visit http://www.hrpao.org/conf2008

Tuesday, January 8, 2008

Votes On Pay Unnecessary
Mandatory shareholder votes on executive pay packages are not necessary at this time, says the Canadian Coalition for Good Governance (CCGG). Representing Canadian institutional investors whose assets total more than $1-trillion, it has concluded that Canadian companies appear to be taking positive steps to improve their executive compensation practices.

Nesbitt Leaves TSX
Richard Nesbitt will be the chief executive officer of CIBC World Markets as of February 29. He has served as CEO of the TSX Group since 2004.

Teachers' Buys NuVista Units
Ontario Teachers' Pension Plan Board (Teachers') has agreed to subscribe for six million units of NuVista Energy Ltd. by way of a private placement. Each unit is to comprise one common share in the capital of NuVista and one-half of one common share purchase warrant with each full warrant entitling Teachers' to purchase, within 365 days from the closing of the investment, one common share of NuVista. The investment is to be made in connection with, and conditional upon, the strategic merger of NuVista and Rider Resources Ltd.

Marriage Breakdown Issues Studied
Wendela M. Napier, managing lawyer, CAW Legal Services Plan, will examine the need for pension reform at Osgoode Professional Development's 'Pension & Benefit Entitlements Upon Marriage Breakdown' seminar. She is a member of the Ontario government's working group for legislative and policy reform on the division of the pension asset upon marriage breakdown. It takes place Tuesday, January 15, in Toronto, ON. For more information, visit http://www.osgoodepd.ca/

Monday, January 7, 2008

Fewer UK Plans Close
Fewer UK corporate Defined Benefit pension plans stayed open last year, says a National Association of Pension Funds' annual survey. It found in 2007 that 31 per cent of private sector DB plans remained open, a slight decline from 33 per cent in 2006. However, 62 per cent of those plans expect to keep them open for the next five years, while only one per cent expect to close their plans.

IMFC Adds Trading Programs
Integrated Managed Futures Corp. has added two new trading programs, the IMFC FxVol Program and the IMFC Multi Strategy Program. The IMFC Multi Strategy Program will comprise 90 per cent of the existing IMFC Global Investment Program and 10 per cent of the Multi Strategy Program's capital allocated to the maximum capital at risk requirement of the FxVol Program. The IMFC FxVol program aims to produce risk adjusted returns on capital by investing in a balanced portfolio of both long and short 'volatility' trades in the OTC FX options markets. The investment returns from the IMFC FxVol program are expected to exhibit low correlations to traditional stock and bond investments, traditional currency funds, and trend following managed futures funds.

Friday, January 4, 2008

MacKinnon One To Watch
The Ontario Court of Appeal decision in MacKinnon v. Ontario Municipal Employees Retirement Board made some comments regarding the scope of duties of service providers to a pension plan which make this proceeding one to watch, says the Pension

Group at Borden Ladner Gervais LLP. The court found that it is not "plain and obvious" that a real estate management corporation was not an agent of a pension plan and it is possible for a party to be subject to fiduciary standards under the Ontario Pensions Benefit Act, but not under the common law or the related party provisions of the Federal Investment Regulations. However, this decision means only that the issues are headed to trial as the court was ruling on a summary judgment motion where it must assume all the facts as stated by the plaintiffs are true.

Infrastructure Group Spun Off
Brookfield Asset Management Inc. will spin off a group which will hold interests in electricity transmission and timber operations in Canada, the United States, Chile, and Brazil. Brookfield Infrastructure Partners will focus on high-quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and tend to appreciate in value over time. The infrastructure partnership will hold interests in Ontario's Great Lakes Power; Transelec Chile S.A.; Transmissions Brasilerias De Energica; the Island Timberlands Limited Partnership in Canada; and Longview Timber Holdings Corp. in the United States.

Klar Joins Schulich School
George Klar is now a finance instructor at the Schulich School of Business at York University. Most recently, he was a vice-president and executive director at MFC Global. He has also held senior positions at Legg Mason and Beutel Goodman.

State Street Sets Up Legal Reserve
State Street Corporation will record a net charge of $279 million to establish a reserve to address legal exposure and other costs associated with the underperformance of certain active fixed income strategies managed by State Street Global Advisors. It currently faces a number of lawsuits which allege the execution of these strategies was not consistent with the customers' investment intent. As a consequence of the unprecedented events in the credit markets over the past six months, these strategies were adversely impacted by exposure to, and the lack of liquidity in, sub-prime mortgage markets. In aggregate, the reserve will be $618 million.

'Let's Call It Retirement'
Canada's boomer population may be redefining what retirement means, but they don't mind calling life after work exactly what it is. A new Investors Group survey found 91 per cent do not object to the use of the word 'retirement.' Likewise, three-quarters couldn't identify another word they prefer. While retirement may be widely recognized as the best word to describe life after work, opinions about being called a 'retiree' vary widely with age. Retired Canadians, for example, are quite receptive (92 per cent) to being called 'retirees.' On the other hand, Canadians, who are nearing traditional retirement years are less comfortable with the notion of being identified in this way. Less than half (45 per cent) of those aged 55+ want to be called a 'retiree.'

Thursday, January 3, 2008

Cost Containment Top Trend For 2007
Cost containment was the major trend among Eckler group clients in 2007. Whether it meant introducing higher plan deductibles, lowering reimbursement, increasing member contributions, or undertaking a wholesale plan redesign (including flex), plan sponsors continued to be concerned about getting a handle on rising benefit plan costs. Redesigning post retirement benefits has also been a continuing priority for many organizations seeking to manage the accounting impact of offering benefits to employees beyond active duty.

Plans Close To Funding Legacy Costs
In addition to significant contributions from plan sponsors, strong asset performance helped to improve the funded status of Canadian retirement programs in 2006, says Mercer's 'How does your retirement program stack up? A Canadian Perspective for 2007' report. With interest rates picking up between 25 and 50 basis points midway through 2007, plan sponsors may soon reach the point where legacy costs are fully funded. This will allow them to focus on design policies that provide sustainable long-term operational costs, and investment policies that mitigate the risk associated with legacy costs.

Credit Crunch Discussed
Michael Gregory, managing director and senior economist at BMO Capital Markets, will examine the impact of the Canadian dollar, U.S. housing, and the global credit crunch on the Canadian economy at the TMAC Montreal Chapter's Winter Education Forum. In addition, Colin Kilgour, president, Connor, Clark & Lunn Wholesale Finance, will discuss the Canadian ABCP market and Tom Connell, managing director, Standard & Poor's Credit Market Services, will provide an outlook for the Canadian credit market. It starts at noon, January 31, in Montreal, QC. For more information, visit http://www.tmac.ca/

Coping With Eldercare
Gillian Joseph will discuss effective coping strategies for those dealing with work and eldercare at the next EAPAT breakfast session. A research associate with the Centre for Families, Work and Well-being – a dedicated research unit at the University of Guelph, she will offer advice to help these employees avoid the high levels of stress which can ultimately lead to 'caregiver burnout.' It takes place January 24 at 7:30 a.m. in Toronto, ON. For more information, visit http://www.eapat.org/

Wednesday, January 2, 2008

OSFI Revises Guideline

Revisions are now in place to OSFI's Minimum Continuing Capital and Surplus Requirements (MCCSR) guideline for life insurance companies and fraternal benefit societies. The guideline for synthetically replicated assets and derivatives has been re-written to provide detailed instructions on how to calculate the capital requirement for derivatives that expose a company to the same C-1 risk as a spot position in an underlying asset. It also contains new guidance for the treatment of option positions including options embedded within equity-linked notes and convertible bonds. The guideline for measuring retained earnings for fraternal benefit societies now specifies the amount that a fraternal benefit society reports as retained earnings for MCCSR purposes as the lower of the insurance fund surplus or the total current year surplus.

Bears Now Dominate

Bullishness towards Canadian broad market equities has dropped from 42 per cent of managers to just 28 per cent, says the Russell Investment Manager Outlook. As a result, bears now dominate opinion for the first time in several quarters. Even with the increase in bearishness, 77 per cent of investment managers still expect Canadian equities to post flat to positive returns in 2008. "It seems that many managers are cautiously waiting to see how the sub-prime credit crunch and rumours of a U.S. recession will unfold, while at the same time betting that the Canadian market will be in a position to move ahead over the next 12 months," says Timothy Hicks, chief investment officer, Russell Investments Canada.

Ownership Position In BOX Increased

The Montreal Exchange (MX) has increased its ownership position in the Boston Options Exchange (BOX) from 31.4 per cent to 53.2 per cent. With the completion of the transaction, the BOX partners will be MX, Citadel, Citigroup, Credit Suisse First Boston, IB Exchange Corporation, JP Morgan, Morgan Stanley, and UBS. MX became a founding partner and technical operator of BOX in 2002. BOX launched operations in February 2004 with a fully automated trading platform and is recognized as one of the most technically advanced equity options exchanges competing in the U.S. market

February Monthly Update Of Pension Plan Commuted Value Interest Rate Assumptions

The interest assumptions required to calculate commuted values for an event which occurs in any month up to and including February 2008 are now available at www.an-actual-actuary.com. An Excel spreadsheet on the website contains six worksheets

- Commuted Values - 2005 Basis
- Commuted Values - 1993 Basis
- Marital Breakdown - CSOP 4300 - March 2003
- Marital Breakdown - CSOP 4300 - March 2003 - ALTERNATE
- Annuity Proxy for Solvency Calculations for Non-Indexed Pensions
- Minimum Interest on Employee Required Contributions (including the 12 month average rates)

Friday, December 21, 2007

Security Holder Approval Needs Changes

The TSX needs to amend its security holder approval requirements, says the Pension Investment Association of Canada (PIAC). In response to a TSX request for comment on its security holder approval requirements for acquisitions, PIAC notes that the New York Stock Exchange, American Stock Exchange, and NASDAQ National Market, on which many TSX-listed issuers are interlisted, require security holder approval for stock issuances exceeding 20 per cent of an issuer's outstanding shares and do not provide exemptions for acquisitions of public companies. The TSX threshold is 25 per cent. To view PIAC's submission, visit http://www.piacweb.org/

New York Mellon Acquires Full Ownership Of ABN AMRO Mellon

The Bank of New York Mellon Corporation has completed its acquisition of ABN AMRO Mellon Global Securities Services B.V. ABN AMRO Mellon was established in 2003 by Mellon Bank N.A. and ABN AMRO to provide global custody and related services to institutions outside North America. It will now be known as BNY Mellon Asset Servicing B.V. and becomes a part of the asset servicing division of The Bank of New York Mellon.

Dates Set For FPL Conference

The 4th Annual FPL Canadian Electronic Trading Conference will take place May 5 and 6 in Toronto, ON. Now in its fourth year, the conference addresses the ever-changing challenges – and opportunities – facing participants in the electronic trading marketplace. For more information, visit eTradingCanada.ca

Assurances Wanted That Wellness Works

Employees will seek, and employers will continue to offer, wellness initiatives through programs and vendors to provide an outlet for employee self-management of stress-inducing forces, says the Group & Health Care practice of Watson Wyatt. However, due to the tightening economy and the cost management or cost reduction focus of Corporate Canada, companies will want greater assurances that their efforts have positive and measurable impact on their financial agenda. To manage disability related costs efficiently, organizations will look more closely at disability management processes and audit their carriers to ensure proper monitoring of disabled employees and compliance with their financial agreement.

CSA Reviews ABCP
The Canadian Securities Administrators (CSA) says current information shows that fewer than 100 public companies in Canadian markets hold significant amounts of non-bank sponsored ABCP. It is reviewing Canadian reporting issuer disclosure, the potential impact on investment funds, and its involvement in international action plans. The reviews are focusing on the reasonableness of assessments of the fair value of ABCP holdings as well as disclosure and presentation in financial statements and management's discussion and analysis. Areas of importance include how issuers are accounting for these investments and whether or not issuers have taken valuation write-downs when required.

Caisse Acquires More Duvernay
The Caisse de dépôt et placement du Québec now holds 10.05 per cent of the shares of Duvernay Oil Corp. It has acquired an additional 0.77 per cent of shares to add to its existing holding of 9.28 per cent of shares. The transaction was made for investment purposes.

Thursday, December 20, 2007

CPPIB Buying ABCP
The Canada Pension Plan Investment Board (CPPIB) believes that confusion in the marketplace has made asset-backed commercial paper (ABCP) an attractive opportunity. As a result, it has bought $6 billion of ABCP. The market has been troubled since last August when ABCP created by non-bank institutions was linked to U.S. sub-prime mortgages, prompting investors to stop buying. The CPPIB is purchasing ABCP which is bank-backed. It says this is a safe, transparent investment which is offering a higher yield. However, investors are confusing it with non-bank paper.

Pressure On To Enhance Financial Management Systems
Life insurance companies will be under growing pressure to enhance their financial management system capabilities as they face changing financial reporting requirements and more extensive risk management challenges in 2008, says Watson Wyatt Worldwide. The financial reporting environment in the life insurance industry is in the midst of significant change, driven by movements toward an international reporting standard and toward principles-based approaches to setting reserves and capital in the United States. In addition, companies are experiencing a wide range of information-related demands from regulators, rating agencies, and shareholders, it says.

Using Time Wisely Discussed
Learning how to use your time wisely when interacting with prospects, clients, and consultants will be examined at AIMSE’s 15th Annual Canadian Conference. Sally Stalcup, who provides strategic consulting services to financial services companies, will lead the session. It takes place January 17 and 18 in Toronto, ON. For more information, visit www.aimse.org

Wednesday, December 19, 2007

Non-resident Trusts Would Be Taxed
Proposed income tax legislation relating to non-resident trusts will treat them as a resident of Canada for Canadian income tax purposes, says a Blakes Pension & Employee Benefits Bulletin. Bill C-10 is expected to be enacted early in the new year. The proposed legislation applies where a Canadian resident (an individual, a corporation, or trust – including a pension trust) contributes or invests in a trust that is not resident in Canada. The application of the proposed legislation to tax exempt investors such as pension funds has been the subject of extensive discussion with the Department of Finance and it is possible that the proposed legislation could be modified to provide some form of exception or exclusion for the investment by a Canadian tax exempt pension fund in a non-resident trust.

RBC Dexia Launches Performance Measurement Service
RBC Dexia Investor Services has introduced security level attribution, the first in a series of enhanced investment analytics services for institutional investors. Security level attribution provides institutional investors with customized analytics that can mirror the holdings structures of a wide variety of mandates, ensuring accurate monitoring of the manager's overall investment strategy. Institutional investors can choose to customize performance and attribution measurement through a wide range of options.

Investor Confidence Dips In December
Global investor confidence fell by 9.9 points to a level of 65.9 from last month’s reading of 75.8, says the State Street Investor Confidence Index. North American investors were once again the key drivers of this decline, as their confidence fell over 10 points from 75.4 to reach an all-time low of 65.3. Elsewhere, European investor appetite improved from 83.9 to 85, while the confidence of Asian investors fell from 86.6 to 85.8.

Marriage Breakdown Issues Examined
The critical issues and how to address them in practice will be the focus of Osgoode Professional Development's 'Pension & Benefit Entitlements Upon Marriage Breakdown' seminar. Topics include steps to take to get your pension division right the first time and pension valuation methodology and cautions. It takes place Tuesday, January 15, in Toronto, ON. For more information, visit http://www.osgoodepd.ca/

Tuesday, December 18, 2007

Sun Administers MD Health Insurance Plan
The Ontario Medical Association (OMA) has selected Sun Life Financial Canada as the insurer for its optional health plan for physicians. The plan will be available to more than 20,000 physicians currently practicing in Ontario. Features include a health spending account, extended healthcare, and critical illness insurance that will be made available to members in a variety of combinations.

Sub-prime Uncertainty To Persist
Sub-prime-related uncertainty is likely to persist in the early part of the year, but Ernie Ankrim, chief investment strategist for Russell Investments, sees positive movement in markets later in the year as the outlook for the economy brightens. Continued uncertainty and sub-prime write offs early in 2008 will likely give way to more transparency and finally liquidity for structured investments. He also expects oil and other commodities to stay high and foresees continued declines in U.S. house prices, although home builder stocks valuations could improve before the year end.

Liquidity Risk Requires Management
Recent turmoil in the global financial markets has provided new evidence for the importance of liquidity risk management as a sound business practice, says an Algorithmics' white paper. It says what started out as a relatively confined, credit related problem in the U.S. sub-prime real estate market, has caused a global credit crunch and a systemic liquidity shortage. In terms of liquidity risk management, the research highlights two types of liquidity risk. More commonly discussed is market liquidity risk – the risk that a firm cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption. This can be addressed through sound capital measures, Often neglected is funding liquidity risk – the risk that the firm will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs, without affecting daily operations or the financial condition of the firm. Best practice in managing funding liquidity risk is for financial institutions to apply probabilistic analysis to liquidity risk in the same way as market and credit risk and increase analytical accuracy by incorporating dynamic stochastic methodologies.

Monday, December 17, 2007

Commission Invites Submissions
The Alberta/British Columbia Joint Expert Panel on Pension Standards is inviting written submissions on how best to ensure pension plans continue to benefit workers, employers, and investors in the two provinces. The panel is charged with conducting a full review of private sector pension standards in Alberta and British Columbia and will present its findings and recommendations by September 30, 2008. Key issues that will be examined in the review include the role of pensions in attracting and retaining the workforce and encouraging the establishment and maintenance of employee pension plans in the two jurisdictions, including removing barriers to their creation and continuation. Deadline for submissions is February 29, 2008.

Mental Health Affects Business Results
Despite their profound impact on workplace productivity and business performance, mental health issues and increasing stress levels are not being addressed by Canadian employers, says research by Watson Wyatt. The 2007 Staying@Work Canada report found that mental health issues are the leading cause of both long- and short-term disability claims (72 per cent and 82 per cent respectively). Despite the prevalence of these claims, only 15 per cent of responding companies conduct mental health risk assessments and less than 20 per cent say that addressing the stigma associated with mental illness is a priority. "Lost productivity at work due to health-related matters can cost an average Canadian organization up to $10 million each year," says Joseph Ricciuti, Canadian healthcare practice leader at Watson Wyatt.

Friday, December 14, 2007

PIAC Wants Tax Avoidance Bill Amended
The Pension Investment Association of Canada (PIAC) wants a bill intended to address tax avoidance by Canadians using foreign investment trusts amended. Bill C-10, which is now before the Senate Banking, Trade and Commerce Committee, would allow the government to tax these vehicles and Canadians who invest in them. Many pension plans invest in offshore trusts to help improve returns and reduce risk. These investments include foreign real estate, foreign public and private equity, and foreign bonds.

However, Canadian pension funds have no reason to avoid Canadian income tax by using offshore trust vehicles because pension plans are already exempt from paying income tax in Canada. PIAC wants the bill amended so that it would not apply to registered pension funds. To view PIAC's submission, visit www.piacweb.org

Sun Sells U.S. Business
Sun Life Financial Inc. has agreed to sell its U.S. retirement plan administration business to Hartford Financial Services. Sun Life Retirement Services (U.S.) Inc. administers 401(k) Defined Contribution retirement plans, serving about 6,000 plan sponsors and 465,000 participants in the United States. The sale enables it to focus on parts of the U.S. retirement and wealth market where it can achieve competitive advantage, scale, and a market leadership position.

CPPIB Airport Bid Official
The Canada Pension Plan Investment Board's bid for a stake in New Zealand's largest airport is now official. Documents have been mailed out to investors. Last month, Auckland International's board of directors turned down an offer from the CPPIB, concerned about its possible impact on the company's future growth and CPPIB's level of expertise in the airline industry. As a result, CPPIB decided to sidestep the board and bring a bid directly before investors.

Fewer Employers Face Pension Risk
With pension funds making significant gains, fewer large employers face high degrees of financial risk because of pension liabilities, says a Watson Wyatt analysis of FORTUNE 1000 companies that sponsored Defined Benefit pension plans in 2006. Despite recent market volatility in asset values and discount rates, pension funds are expected to again fare well when final 2007 numbers are known. The analysis found that pension plan liabilities posed relatively high financial risk for only eight per cent of FORTUNE 1000 companies with pension plans in 2006, down from 17 per cent in 2003.

Funds Falter With SRI Strategies
While pension funds muse over socially-responsible investing (SRI), they often falter in implementing solid strategies, says a report by the Dutch organization of investors for durable development (VBDO). Its report finds pension funds have "a long way to go in terms of implementation, transparency, and communication" of an SRI policy. Only 40 per cent of the respondents engage in a dialogue with companies, and only 20 per cent said social responsibility affects their voting behaviour during shareholder meetings. As well, only one in 10 screen their equity selection following SRI criteria and, if there is a screening method, it usually only screens one category, for example, producers of controversial weapons.

Teachers' Now Owns Atlus
The Ontario Teachers' Pension Plan Board (Teachers') has acquired ownership and control of the Altus Group Income Fund by way of a private placement. It now owns 17.6 per cent of the outstanding units. It has acquired the units for investment purposes only.

Thursday, December 13, 2007

Commissioner Slow To Act
The Standing Committee on Public Accounts says former RCMP commissioner Giuliano Zaccardelli should have acted more swiftly over the mishandling of the Mounties' pension fund. Its report on the outsourcing of the administration of the RCMP's pension and insurance plans 31 recommendations including tightening the rules for contracting.

Retirement Savings Increasing
The value of the retirement savings of 4.6 million Canadian workers with employer-sponsored pension plans continued to increase in the second quarter of 2007, says Statistics Canada. The market value of trusteed pension fund assets grew to $950.3 billion, up 1.5 per cent from the first quarter and the fourth consecutive quarterly improvement. At the end of June, pension fund assets held in stocks and equity funds accounted for 41.3 per cent of the total; bonds and bond funds, 31.4 per cent; real estate, 6.3 per cent; short-term investments, 3.2 per cent; and mortgages, 1.4 per cent. Other assets, which include foreign-pooled funds, accounted for 16.4 per cent. Pension fund assets in foreign holdings have increased 6.4 per cent in the last two years. Investments in foreign holdings accounted for 30.6 per cent of pension fund assets in the second quarter of 2007.

Manulife Launches Medical Portal
With Canadians feeling they lack reliable healthcare data and looking for a tool to help them understand the services available, Manulife Financial has created a product to fulfill that need. In conjunction with AccelMD, it has launched Health Service Navigator, a medical resource portal for members of its group benefits plans. The product gives members telephone and Internet access to information and resources that ease navigation through the Canadian healthcare system. As well, top professionals are on hand to provide second opinions on a number of serious health conditions.

Industrial Alliance Offers Retirement Tracker
Industrial Alliance Insurance and Financial Services Inc. is now offering a new financial planning tool for members of its group retirement savings plans. Your Retirement Tracker tool gives members a simple and clear analysis of their financial situation for the amounts accumulated in their group retirement plan and for the savings accumulated outside of the plan, including public pension plans. It also is useful for plan administrators because it helps them meet their fiduciary responsibilities.

401(k) Fees Must Be Disclosed
Disclosure in writing of all services being furnished to 401(k) plans and all compensation, both direct and indirect, would be required under proposed U.S. Labor Department regulations. The regulations would also require the disclosure of possible conflicts that could affect the provision of services to the plan. A new class exemption would protect plan fiduciaries from liability in cases where service providers failed to fully disclose the detailed information required by the proposed rule.

NFL Updates Disability Plan For Retired Players
The National Football League and its players association are updating their disability plan for retired players. It includes a medical director to advise the claims committee; medical panels in metropolitan areas; specialists who can help players apply for benefits by phone; and a prescription drug card for all retired players vested in the pension plan.

Wednesday, December 12, 2007

Standard Life Launches Retirement Checkup
The Standard Life Assurance Company of Canada has launched Retirement checkup, a retirement projection tool designed to engage group plan members in taking action in their retirement plans. Members get an annual snapshot, included in their annual statements, of their projected retirement income to assist them in determining whether their savings are in line with their retirement goals. Members can get a more accurate picture of their total retirement income by adding in their estimated retirement income from other sources such as government benefits, other registered accounts, or previous employer plans.

Nova Scotia Reviews Legislation
Nova Scotia plans to establish an advisory panel to review pension benefits legislation, says a Mercer Communiqué. The mandate for this review is to ensure Nova Scotia is following 'best practices' in protecting pension plan members. The panel will be comprised of pension experts who will consult broadly with stakeholders before providing recommendations to the government in the fall of 2008. The Nova Scotia pension review is commencing at the same time as Ontario, Alberta, and British Columbia are involved in similar processes. However, unlike these other jurisdictions, notably missing from the initial description of the purpose of the process in Nova Scotia is a focus on the challenges and interests of plan sponsors.

Bank Of Ireland Purchases Algorithmics' Solution
Bank of Ireland's Global Markets division has purchased Algorithmics' Algo Market Analytics, which covers more than 20 global markets and 400 financial products, spanning fixed income, foreign exchange, equity, credit, energy, commodity, and derivatives instruments. "We plan to roll this system out to the middle office as soon as possible. With over 80,000 positions on our books, we need a system that can run best-practice, technologically advanced, intra-day market risk analytics quickly and efficiently, and in a manner that is consistent with Basel II requirements," says Catherine Keane, head of credit and market risk at Bank of Ireland Global Markets.

Tuesday, December 11, 2007

Canadian Exchanges Merge
Montréal Exchange Inc. (MX) and TSX will combine their organizations to create TMX Group Inc. (TMX Group), an integrated exchange group. TMX Group will list, trade, clear, and offer market data for both cash and derivatives markets across multiple asset classes. The head office of TMX Group will be located in Toronto. The head office of MX and the derivatives trading and related product operations will remain in Montréal.

CIBC Mellon Services Morguard Assets
Morguard Financial Corporation has appointed CIBC Mellon Global Securities Services Company to provide fund administration, unitholder recordkeeping, global custody, and foreign exchange services for its new pooled funds. In CIBC Mellon, Morguard says it has found a provider that could facilitate an efficient fund launch with minimum risk

CPP Fund Celebrates 10th
"The CPP reforms of the mid-1990s stand as a bold and visionary achievement that has become a model for pension reform around the world," said David Dennison, CPP Investment Board president and CEO, at a C.D. Howe Institute conference in Toronto, ON, to mark the 10th anniversary of the CPP reforms. Denison also spoke about how nations around the globe have examined Canada's pension model in search of solutions to their own challenges: "These countries have different starting points for pension reform, different needs and different appetites for change. But they all acknowledge the thoroughness of the Canadian approach, the integrity of the Canadian model, and the success of the CPP reforms."

Private Equity Symposium Returns
FEI Canada's third annual Private Equity Symposium will take place January 23 in Toronto, ON. A collaborative event with Financial Executives International (FEI) Canada, CICBV – Canadian Institute of Chartered Business Valuators, Toronto CFA Society, and CVCA – Canada's Venture Capital & Private Equity Association, it will provide a view of the current trends in private equity including

investing, market volatility, mergers and acquisitions exits, and identifying and structuring investments. Speakers include Jim Leech, president and CEO, Ontario Teachers' Pension Plan; and Michael Rolland, president, Borealis Infrastructure, OMERS. For more information, visit http://www.feicanada.org/events.cfm

Monday, December 10, 2007

Plans Offer Too Many Options
Seven out of 10 contract-based occupational Defined Contribution pension plans in the UK still give their members 20 or more funds to invest in, says research by Watson Wyatt. Only six per cent of trust-based schemes, on the other hand, give their members that many choices and more than 60 per cent offer 10 funds or fewer. Many consultants now believe that too much choice may be dissuading plan members from selecting the most suitable investments to their needs. The research shows that contract-based plans have more than 80 per cent of their membership in the 'default' option of their investments.

Funded Status Drops For U.S. Plans
The funded status of the typical U.S. pension plan fell seven per cent in November, says BNY Mellon Asset Management. For the year, the funded status for the typical plan has declined 2.7 per cent.

Friday, December 7, 2007

Caisse Invests In Innergex
The Caisse de dépôt et placement du Québec has acquired approximately 10.8 per cent of Innergex Renewable Energy Inc.'s shares. Innergex is an independent developer and operator of renewable power generating facilities with a focus on hydroelectric and wind projects. Its management team has been active in the renewable power industry since 1990.

Japanese Funding Ratios Healthy
Japanese plan sponsors have largely restored their pension funding ratios to healthy levels, says a Greenwich Associates research report. The funding change of 103 per cent is up from 62 per cent four years ago. Nearly two-thirds of Japanese funds now have a 90 per cent funded status. In terms of plan design, 21 per cent of corporate sponsors report that they have closed their Defined Benefit plans to new employees, up from 12 per cent two years ago, but only three per cent anticipate closing their plans in the next two or three years. Unlike their counterparts in the United States, Japanese employers are not turning to Defined Contribution plans as the standard retirement benefit for the next generation of workers. It is considered an interesting concept, but not something that will work for retirement in that country.

Asset Allocation Focus Of Summit
Creating a strategic asset allocation policy and implementing a liability-driven investment framework will be among the topics covered at the Federated Press Asset Allocation Summit. Sessions will also examine portable alpha and active overlays and finding the best alpha sources. It takes place February 4 to 6 in Toronto, ON. For more information, visit http://www.federatedpress.com/FPWeb

Thursday, December 6, 2007

Bill 30 Adds Costs
While he cannot tell you if pension plans are better off with mandatory pension committees, Michel St. Germain, of Mercer, does know they do add costs. Speaking at ACPM's impACT session on Quebec's Bill 30, he said the provision to make pension committees mandatory has had no impact on how well plans are run. However, he does say while Bill 30 encourages Defined Benefit plans in the public sector, it does nothing to provide incentives to keep them in the private sector. He also urged the Ontario Expert Commission on Pensions to not follow Quebec's example and, instead, to "do the right thing."

Pension Plan Merger Upheld
The Rockwell decision is good news for employers, says a Mercer Communiqué. In Lennon v. Superintendent of Financial Services and Rockwell Automation Canada Inc., the Ontario Divisional Court approved the merger of two pension plans and the related use of surplus to fund benefits under the merged plan. The decision also confirms that employers are required to fund liabilities and not actuarial surpluses and that pension plan members are not entitled to the comfort of a maintained surplus.

Sovereign Wealth Funds Examined
Keith Ambachtsheer, adjunct professor and director of the Rotman International Centre for Pension Management, will lead a discussion entitled 'Sovereign Wealth Funds: What in the world are they?' January 10 at 4 p.m. at the Rotman School of Management in Toronto, ON. Less than a year ago, Sovereign Wealth Fund was an unfamiliar term. Today, there is a torrent of public discussion about them. Ambachtsheer will provide a global perspective on these funds and their differing forms of ownership,

management, and investment strategies. To register, email your name, job title, and organization name to iibroundtable@rotman.utoronto.ca

Wednesday, December 5, 2007

CPPIB Not Sovereign Wealth Fund

The CPP Fund is not a Sovereign Wealth Fund and should not be caught up in the fear surrounding these entities, says Gail Cook-Bennett, chair of the Canada Pension Plan Investment Board (CPPIB). Speaking at the Organization for Economic Co-operation and Development conference in Paris, Cook Bennett said on occasion, it has been incorrectly categorized as a Sovereign Wealth Fund. “While we do have the word ‘Canada’ in our name, the CPP Fund, managed by the Canada Pension Plan Investment Board, is neither a sovereign entity nor a sovereign fund,” she said. It is not a sovereign fund for a number of reasons including the fact its assets are not government assets. Rather they are contributed directly by employees and employers. “Based on those characteristics, some observers would not even classify us as a public pension reserve fund.”

Bank Drops Rate

The Bank of Canada has cut its key interest rate by a quarter point to 4.25 per cent. The move, which comes just months after it suggested it might start hiking rates, was prompted by fears the Canadian economy is about to impacted by the slowing U.S. economy and tighter credit conditions caused by financial market turmoil.

More Canadians Using RRSPs

Most Canadians own a retirement account, and plan to contribute the same – or more – to that account next year, says the sixth annual RRSP Investment Intentions poll from Investors Group. The report shows that 75 per cent of Canadians own a Registered Retirement Savings Plan, or RRSP, and RRSP ownership has increased from 64 per cent last year, the second consecutive year this number has grown by 10 points or more. Among Canadians who already have RRSPs, three-quarters plan to contribute the same or more to their RRSP portfolios in the 2007 tax year than they did in 2006.

Bank Act Changes Needed

The Bank of Canada’s actions during the sub-prime lending crisis underline the need for an updating of the Bank of Canada Act, says a C.D. Howe Institute e-brief. When trouble erupted last summer in credit markets around the world, several central banks, including the Bank of Canada, took special steps to ensure short-term financing was available to financial institutions. For the Bank of Canada, these steps included extending the list of securities it would accept as collateral when providing financing. However, the bank’s actions in August may have exceeded its statutory authority. If Parliament believes the bank should have the scope in law to act as it did, accepting some commercial financial securities as collateral – without requiring the governor to declare a financial market emergency – legislative changes are needed.

Tuesday, December 4, 2007

Allocations To Alternatives Rising

Institutional investors worldwide plan to increase portfolio allocations to alternative investments, as they expect private equity returns to increase, with hedge fund and real estate returns remaining steady, says a Russell Investments survey. Pension funds, endowments, and foundations predict that their strategic allocations to hedge funds will increase by 2009, with the biggest jump expected in North America, where allocations to hedge funds are forecast to rise from 7.5 per cent to 8.9 per cent over the next two years. Strategic allocations to private equity by respondents increased in Europe, Australia, and Japan and fell slightly in North America. However, all geographic areas forecast allocation increases through 2009. The utilization of real estate as an investment strategy climbed worldwide over the past two years, particularly in Japan where utilization rose from only one in five respondents in 2005 to almost 40 per cent this year.

Commercial Paper No Threat To Caisse Rating

The Caisse de dépôt et placement du Québec's $13.2 billion exposure to third-party commercial paper is not a risk to its credit profile, says DBRS. The Caisse says of its $13.2 billion exposure, less than $1 billion is in U.S. subprime mortgages. The remaining consists of high-quality assets. The DBRS says the Caisse's ABCP holdings will hamper returns, but the holdings remain manageable.

AIMSE Celebrates 15th Annual

AIMSE’s 15th Annual Canadian Conference takes place January 17 and 18 in Toronto, ON. Featured speakers include Bob Gray, of Memory Edge, who will offer practical techniques to prevent memory lapses. For more information, visit www.aimse.org

Wellness Conference Sets Date

The 12th Annual Health Work & Wellness Conference 2008 will be held October 15 to 18 in Calgary, AB. The theme is ‘Moving Forward ... Giving Back’ and it will examine what it takes to be a truly sustainable organization. For more information, visit http://conferences.healthworkandwellness.com

Monday, December 3, 2007

Manulife Selects AccelMD

Manulife Financial Corp.'s group benefits business has selected AccelMD, a supplier of healthcare services and solutions, to provide plan member healthcare services to its group benefits clients. AccelMD will leverage its existing partnerships with two healthcare organizations, Novus Health and Worldcare Inc., to help develop programs and services that will provide its group benefits plan members with direct access to specialized medical information and care. Services include current topical health and chronic condition information, consolidated resources, and supporting tools as well as the ability to facilitate second medical opinions from leading medical research institutions.

Plans Use Investment Managers

Almost all, 94 per cent, of Defined Benefit pension plan respondents use outside investment managers to invest plan assets, says Investment Management Services, an International Foundation of Employee Benefit Plans survey that looks at organizations' relationship with, and use of, investment service providers. It also found nearly two-thirds of responding DB plan sponsors review investment manager performance quarterly. About one-third of DB respondents meet with their investment managers once a year and a quarter do so only as necessary.

Thomas Murray Advising World Bank Treasury

Thomas Murray, the custodian risk rating and advisory service, has been appointed by The World Bank Treasury to provide advisory services during the custodian selection process for its asset management business and advisory services for the planning, implementation, and transition of custody and custody related services.

January Update Of Pension Plan Commuted Value Interest Rate Assumptions

The interest assumptions required to calculate commuted values for an event which occurs in any month up to and including January 2008 are now available atwww.an-actual-actuary.com. An Excel spreadsheet on the website contains six worksheets:

- Commuted Values - 2005 Basis
- Commuted Values - 1993 Basis
- Marital Breakdown - CSOP 4300 - March 2003
- Marital Breakdown - CSOP 4300 - March 2003 - ALTERNATE
- Annuity Proxy for Solvency Calculations for Non-Indexed Pensions
- Minimum Interest on Employee Required Contributions (including the 12-month average rates)
