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The Association of Canadian Pension Management  
L'association canadienne des administrateurs de régimes de retraite



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income system**





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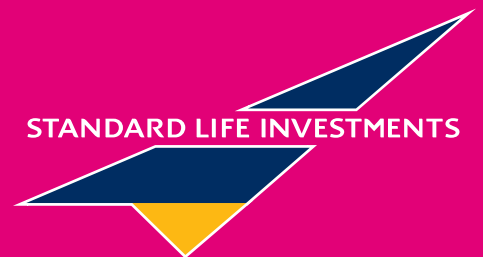
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# ACPM/ACARR

**The Association of Canadian Pension Management**  
**L'association canadienne des administrateurs de régimes de retraite**

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Published by:

**MediaEDGE**  
PUBLISHING INC.

5255 Yonge Street,  
Suite 1000  
Toronto, ON M2N 6P4  
1-866-216-0860 ext.229  
Email: robertt@mediaedge.ca

1 Wesley Ave., Suite 301  
Winnipeg, MB R3C 4C6  
1-866-201-3096  
Fax: (204) 480-4420  
www.mediaedgepublishing.com

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# PRESIDENT'S MESSAGE



**Scott Perkin**  
President, ACPM

The year was 1976. The CN Tower opened for business and the Timbit became part of Canadian 'foodlore'. Rocky cleaned up at the box office and the Oscars, while VHS and Beta engaged in battle for home video supremacy. Montreal scored big with a Stanley Cup and the Summer Olympics, and Jack Nicklaus took home what now seems like a paltry \$266,439 as the PGA tour's leading money winner. Meanwhile, the song Mamma Mia hit the top of the charts in the UK.

Pension issues, on the other hand, were not exactly making headlines. The CPP was barely 10 years old and pension matters were considered the purview of actuaries, estate lawyers and life insurance companies. Yet some had the vision to establish an association for those concerned with managing pensions . . . thus the birth of ACPM!

So what has changed in the past 30 years? The CN Tower has become known for its fundraising stair climbs, no doubt followed by coffee and Timbits. Rocky survived four sequels but VHS, having beaten Beta, has now succumbed to the DVD. The Habs took the Cup three more years in a row (and two more since), and Canada has played host to the Winter Games with another on the way. Jack has retired (quite comfortably, I imagine) while Mamma Mia (the musical) has provided a revival of ABBA hits.

And what has become of the pension industry and the ACPM?

Pension reform began in earnest in the mid 1980's, establishing new minimum standards, but unfortunately planting the seeds for what we now often refer to as a "lack of uniformity" in pension legislation across Canada.

Pension surpluses arose, fueled by high interest rates during the 80's, prompting the beginning of frequent pension litigation, an area into which the Supreme Court of Canada would ultimately venture. All of a sudden it became acceptable (even exciting!) to practice professionally in the pension area.

The federal government introduced pension tax reform in the early 90's, with the intention of leveling the retirement income playing field – unfortunately, this complicated things further.

Over time, social issues such as marriage breakdown, same-sex relationships, mandatory retirement and socially responsible investing have crept into the pension field leaving their own mark.

Pension plan governance has taken on a life of its own with the rise in corporate governance issues over the past decade.

As well, an increasing awareness of pension issues on the part of pension plan members has been fueled by changing demographics (the aging of boomers), funding issues (first surpluses, now deficits), increasing media attention and evolving member choice and responsibility in the form of DC plans and group RRSPs.

Over the past 30 years the pension issues have changed, but the ACPM's overall objective, still reflected in today's mission statement, has been to promote the growth and health of Canada's retirement income system. In the past decade alone, the ACPM has released major discussion papers on the retirement income system, a uniform pension law and DB funding, while partnering with PIAC on reports dealing with governance (together with OSFI), Capital Accumulation Plans (CAPs) and the Foreign Property Rule. Some of these initiatives have prompted similar studies by the pension regulators (CAPSA).

Over the past 30 years the pension issues have changed, but the ACPM's overall objective, still reflected in today's mission statement, has been to promote the growth and health of Canada's retirement income system.

Successful advocacy efforts in recent years (for example, abolition of the 30% Foreign Property Rule, no restrictions on pension fund investments in income trusts, and CAP Guidelines that the industry can actually implement) underscore the importance of the work of the ACPM. This is the value proposition that our members (whether Individual or Institutional) can count on - ACPM is THE national voice when it comes to advocating for the growth and health of Canada's retirement income system. These recent 'wins' prove that change, though sometimes slow in coming, CAN happen.

So what's next for the pension industry and the ACPM?

Some of the issues from the past 30 years have made their mark, while others remain unresolved (such as uniformity). At the same time, we're witnessing the decline of the DB pension plan, an aging Canadian workforce intent on retiring sooner rather than later, and a general reluctance on the part of governments to tackle difficult pension issues.

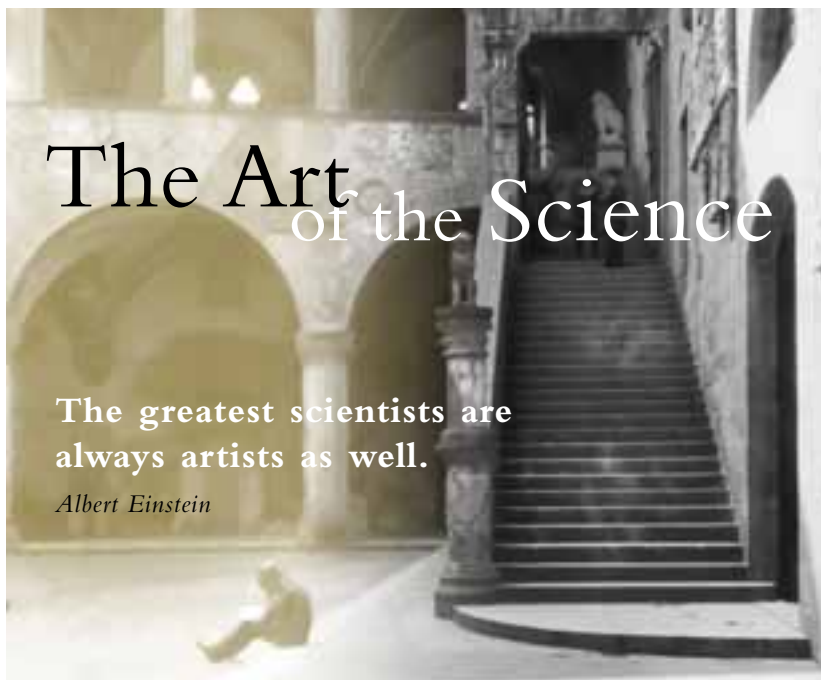
We need to convince legislators to begin dealing with issues of complexity, uniformity and funding. We need to find ways to encourage pension coverage and self-reliance. We need to better educate Canadians so they can plan for retirement. These efforts will become increasingly important in the years ahead as the ACPM continues to actively promote pension reform across Canada.

The next 30 years could be quite a journey. In the meantime, let us celebrate our achievements and this important milestone in the history of the ACPM.

**Cheers!**

**Scott Perkin**

**President, ACPM**



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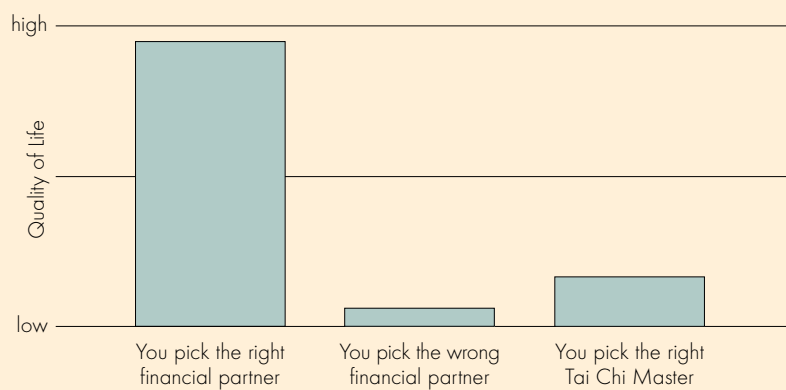
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# MESSAGE DU PRÉSIDENT



**Scott Perkin**  
Président, ACARR

C'était en 1976. La Tour du CN était inaugurée et les Timbits faisaient dorénavant partie du 'paysage alimentaire' canadien. Le film "Rocky" prenait la tête du box office et raflait les honneurs aux Oscars, tandis qu'on assistait à une lutte à finir entre les formats VHS et Bêta. Montréal remportait la Coupe Stanley et accueillait les Jeux olympiques d'été, et Jack Nicklaus empochait la modeste somme de 266 439 \$ à titre de meilleur boursier du circuit de la PGA. Au Royaume-Uni, le groupe ABBA était en tête du palmarès avec sa chanson "Mamma Mia".

D'autre part, les questions relatives aux pensions ne faisaient pas la manchette. Le Régime de pensions du Canada (RPC) avait à peine dix ans et la question des pensions était généralement considérée comme étant du ressort des actuaires, des spécialistes en droit successoral et des sociétés d'assurance vie. Or, certains avaient une vision, celle de créer une association pour les personnes soucieuses de l'administration des régimes de retraite ... l'ACARR était née!

Les choses ont-elles changé depuis 30 ans? La Tour du CN est maintenant reconnue comme site de campagnes de financement où les participants doivent gravir les escaliers, exploité sans doute suivi de quelques Timbits et de café. "Rocky" a survécu à quatre suites, le VHS, qui l'avait emporté sur le Bêta, a finalement cédé sa place au DVD. Les «Glorieux» ont poursuivi leur série de succès avec trois Coupes Stanley d'affilée (et deux autres depuis), et le Canada a été l'hôte des Jeux olympiques d'hiver et accueillera de nouveau le monde en 2010. Jack Nicklaus a pris sa retraite (j'imagine très confortable) tandis que "Mamma Mia" (la comédie musicale) a fait revivre les grands succès du groupe ABBA.

Qu'est-il advenu de l'industrie des régimes de retraite et de l'ACARR?

La réforme des régimes de retraite a véritablement commencé au milieu des années 1980 avec l'établissement de nouvelles normes, mais elle a du même coup semé les graines de ce que nous appelons maintenant un "manque d'harmonisation" en matière de lois sur les régimes de retraite au Canada.

Pendant les années 80, les régimes de retraite ont dégagé des surplus en raison des taux d'intérêt élevés, ce qui a donné lieu à de fréquents litiges liés aux régimes de retraite, un domaine dans lequel s'est finalement aventurée la Cour suprême du Canada. La pratique professionnelle dans le domaine des régimes de retraite devenait soudainement acceptable, voire même palpitante!

Le gouvernement fédéral a présenté une réforme fiscale des pensions au début des années 90, apparemment destinée à niveler le terrain, ce qui a malheureusement compliqué les choses encore davantage.

Avec le temps, divers enjeux liés au secteur des régimes de retraite ont laissé leurs marques, notamment en matière de divorces, de conjoints de même sexe, de retraite obligatoire et d'investissements éthiques.

La gouvernance dans le secteur des pensions est une réalité bien distincte. Les questions de gouvernance corporative sont en hausse depuis une dizaine d'années.

Les participants à des régimes de retraite sont mieux sensibilisés aux questions de pension, en raison des changements démographiques (vieillesse des baby boomers), des questions de financement (d'abord des surplus, maintenant des déficits), d'une attention accrue de la part des médias et de l'évolution du choix et de la responsabilité des participants à l'égard des régimes à cotisations déterminées (RCD) et des RÉER collectifs.

Au cours des 30 dernières années, les enjeux liés aux pensions ont changé, mais l'objectif global de l'ACARR, qui se reflète toujours dans son énoncé de mission, demeure de promouvoir la santé et la croissance des systèmes de revenus de retraite au Canada. Au cours des dix dernières années seulement, l'ACARR a diffusé d'importants documents de travail sur les systèmes de revenus de retraite (2), sur l'harmonisation des lois, et sur le financement des régimes à prestations déterminées et, en partenariat avec l'Association canadienne des gestionnaires de fonds de retraite (PIAC), des rapports traitant de la gouvernance (avec le BSIF), des plans d'accumulation du capital (CAP) et de la Règle sur les biens étrangers. Certaines de ces initiatives ont stimulé la préparation d'études similaires par les organismes de réglementation des pensions (ACOR).

Les efforts fructueux de défense des intérêts au cours des dernières années (par exemple l'abolition de la règle sur

les biens étrangers de 30 %, aucune restriction sur les placements de fonds de pension dans des fiducies de revenus, et les directives pour les régimes de capitalisation que l'industrie peut mettre en oeuvre) soulignent l'importance du travail de l'ACARR. Voilà la proposition de valeur sur laquelle nos membres (individuels ou institutionnels) peuvent compter – l'ACARR est LA voix nationale en matière de défense des intérêts pour la santé et la croissance des systèmes de régime de retraite au Canada. Ces gains récents prouvent que le changement, bien que parfois lent, PEUT se produire.

Que réserve l'avenir à l'industrie des pensions et à l'ACARR?

Certains enjeux des 30 dernières années ont laissé leurs marques, tandis que d'autres n'ont pas encore été résolus (notamment la question de l'harmonisation). Par ailleurs, nous sommes témoins du déclin des régimes à prestations déterminées. La main-d'œuvre canadienne vieillissante entend prendre sa

retraite plus tôt que plus tard, et l'ensemble des gouvernements hésitent à s'attaquer à la question épineuse des pensions.

Nous devons convaincre les législateurs de commencer à s'attaquer à la complexité, l'harmonisation et le financement. Nous devons trouver des moyens d'encourager la protection en matière de pensions et l'autonomie. Nous devons mieux informer la population canadienne au moment de planifier la retraite. Ces efforts seront de plus en plus importants dans les années à venir et l'ACARR continuera de promouvoir activement la réforme des pensions au Canada.

Les 30 prochaines années pourraient constituer tout un périple. D'ici là, prenons le temps de célébrer nos réalisations et cette étape importante dans l'histoire de l'ACARR.

**Cordialement,**

**Scott Perkin**  
**Président, ACARR**



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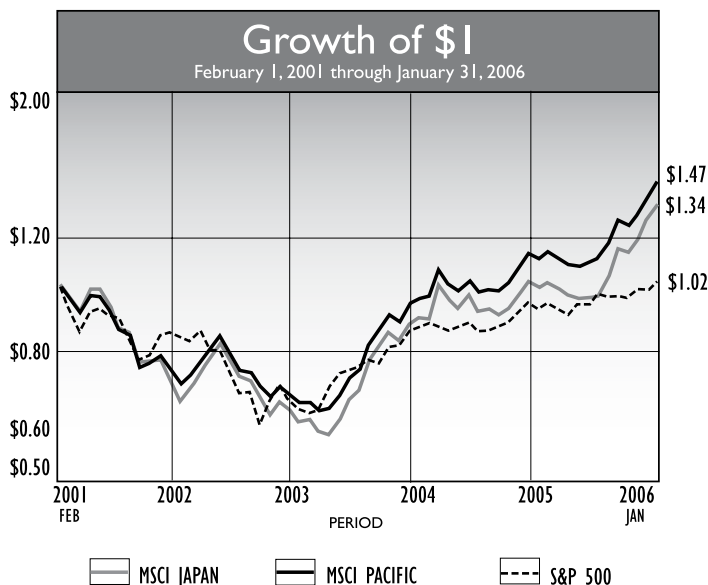
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# ACPM:

## Where We've Been and How Far We've Come

By Patrick Longhurst

### THE EARLY DAYS

For students of history, the creation of the ACPM in 1976 corresponds to a fascinating period in the development of Canada's pension system.

The original *Pension Benefits Acts*, which had mostly been introduced in the late 1960s, were starting to creak. Issues such as inflation protection, spousal benefits and employee communications were all front and centre in the public debates which were taking place.

The first public meeting of the Canadian Association of Pension Supervisory Authorities (CAPSA) had been held in Quebec City in 1975. This was a showcase for the pension industry and the Provincial Superintendents to debate the key issues of the day. Many Provincial and Federal studies were to follow in the wake of this meeting.

Looking at today's pension scene, it is difficult to imagine the passion in those discussions. I remember early ACPM meetings where speakers who advocated mandatory inflation protection were literally booed off the stage.

Plan sponsors were looking for a voice to advocate their positions on these issues. Many saw the Canadian Pension Conference (as it was then) to be dominated by pension consultants and money managers. In addition, the CPC was a forum for discussion. Sponsors were looking for more than that. The time was just right for the introduction of a new association.

In fact, when the ACPM was first formed, it was intended to be an association for plan sponsors only. Those cunning consultants got in by arguing that they also were sponsors!

My personal recollection of the creation of the ACPM was that, despite the obvious need, this was not a slam dunk. Andrea Vincent and Peter Dennis had to use their network of contacts to persuade sponsors to give this new association a chance. It was only after an initial core of major sponsors had made a commitment to join that momentum started to grow.

While Peter subsequently moved on to other endeavours, Andrea remained with the ACPM for many years, and was the chief architect of its early success. Andrea never liked to be in the limelight, but could always be found working hard behind the scenes. Organizing the annual meeting was a particular area where she could be found selecting the speakers, picking the location and generally keeping the wheels moving.

Andrea also devoted many hours to helping individuals in the pension industry who were looking for a new position or needed help in some other way. She always seemed to know who was looking for staff and who would be a good fit for a particular situation.

As we moved into the 1980s the major pension issue became the search for a consensus on pension reform. The ACPM worked with all levels of Provincial and Federal governments to identify areas for change while still encouraging the creation of new pension plans. As the new Provincial Acts were introduced in the late 1980s, the ACPM was there to help administrators and sponsors understand the implications of new concepts such as the "50% rule".

## THE 1990s

When I came on to the board of the ACPM in the early 1990s, much had changed from the early association of the 1970s. There were fresh challenges as the new tax system covering pension plans was introduced and the pension industry continued its search for a more unified system of Provincial legislation. In particular I remember that Dan Markovich had chaired a committee which had updated the mission of the association to place more emphasis on advocacy and research.

When I became Chair in 1994, I worked closely with my successor, Gretchen Van Riesen, to create a structure which would support Dan's vision. Among other things we:

- Became more aggressive in advocacy, and were lucky to have Jeff Graham agree to help us in that area.
- Established a separate research capability, under the leadership of Andrea Vincent.
- Strengthened the network of provincial chapters.
- Became more active in working with other pension and related associations.

In our strategy sessions we wrestled with many issues that the current ACPM appears to now have under control:

- How to structure a system of fees which would be fair to both the membership and the ACPM.
- How to recognize other voices in the pension debate without losing the ability to be an advocate.
- How to attract members to Annual and Regional meetings when they have so many other calls on their time.

## THE FUTURE

I am happy that, even though I have changed career directions and am focusing on the needs of the individual plan members rather than the challenges faced by the sponsors, there is still an opportunity for me to participate in ACPM activities.

I see the free-wheeling conditions which existed in 1976 being replaced by an environment controlled by:

- Legal precedents and fear of litigation
- Economic modeling
- International accounting standards.

No wonder some of the passion seems to have disappeared! But the need for the ACPM is greater than ever. Best wishes for the future!

*Patrick Longhurst is President, Patrick Longhurst Advisory Services Inc. He may be reached at 416-815-7200, or by email at [plonghurst@plasi.ca](mailto:plonghurst@plasi.ca).*

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## LATE 1800s

A number of informal pension arrangements exist to provide benefits to employees no longer able to work and to the widows of former employees.

## 1887

The federal government passes the *Pension Fund Societies Act*. This law allows employees to establish pension funds to which employers can contribute.

## 1908

The federal government passes the *Government Annuities Act*, designed to encourage Canadians to save for their retirement through the purchase of a government annuity. Few people can afford them.

## 1919

The federal government introduces tax legislation that allows employees to deduct pension contributions from their taxable income.

## 1919 - 1930s

There is rapid expansion of pension plans across Canada.

## 1924

Parliament appoints a special committee to study the question of pensions.

## 1927

Prime Minister Mackenzie King introduces the *Old Age Pensions Act*. Modest pensions are paid to British subjects age 70 who meet eligibility requirements.

## 1930s

As an alternative to government annuities, Canadian insurance companies introduce group annuity contracts for pension plans. Old Age Pensions program becomes increasingly unpopular due to strict eligibility rules and a degrading means test.

## 1942

Government demands that pension plans provide yearly actuarial reports to prove that they exist.

## 1951

The constitution is amended to allow the federal government to pass the *Old Age Security Act*.

## 1952

*Old Age Security Act* replaces the *Old Age Pensions Act*, establishing a federally funded pension for all men and women 70 years of age and over. It is the first universal pension plan for Canadians.

## Early 1960s

There is growing public and political support for a universal, employment-based pension plan that would be portable from job to job.

## 1961

Canadian insurance companies are authorized to establish segregated pension funds.

## 1965

Ontario introduces the first provincial *Pension Benefits Act*. This legislation provides for improved vesting and funding under employer-sponsored pension plans. Amendments to the *Old Age Security Act* are introduced to lower the eligible age for benefits to 65 from 70. The age is to drop one year at a time.

## 1966

The Canada Pension Plan (CPP) is established to provide all working Canadians with a retirement income, as well as financial assistance to their families in the event of death or disability.

Quebec opts out of the Canada Pension Plan and sets up the Quebec Pension Plan – a sister program.

Canadians adopt a distinctively Canadian national flag in 1965.

Prime Minister Mackenzie King as depicted on today's 50 dollar bill.

**1988**

For the first time, Aboriginal people earning an income on a reserve can contribute to the Canada Pension Plan and receive CPP benefits.

**1989**

The federal government starts to "claw back" Old Age Security benefits from individuals with higher retirement incomes.

**1980s to early 1990s**

A period of major pension reform takes place. Minimum standards for employer-sponsored plans are established, covering eligibility, vesting, spousal benefits, administration and governance.

**CONTINUE**

*next Page*

**1987**

Flexible retirement is introduced, giving Canada Pension Plan contributors the option of receiving their pension as early as age 60.

Royal Canadian Mint releases  
"Loonie" on 30 June 1987.



**1985**

The Widowed Spouse's Allowance is introduced as part of the Old Age Security system. The new benefit is paid to widowed spouses or common-law partners.

**Early 1980s**

The Business Committee Pension Policy (BCPP), a committee made up of members from different associations, is formed to assist and lobby the Federal and Provincial government with pension policy reforms.

**1979**

The federal government signs the first in a series of international social security agreements.



**1976**

ACPM is founded to provide an organized voice for pension industry administrators and professionals.



*Saturday Night Fever is released in 1977.*



**1967**

The Guaranteed Income Supplement (GIS) is introduced (as part of the Old Age Security system) as a temporary measure to further reduce poverty among seniors.

**1972**

Full annual cost-of-living indexation is introduced for Old Age Security benefits.

**1973**

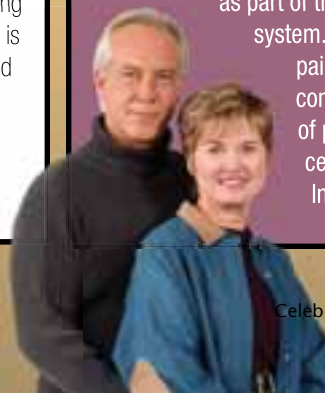
Indexation for Old Age Security benefits is improved. It is applied quarterly, rather than annually.

**1974**

Full annual cost-of-living indexation is introduced for the Canada Pension Plan.

**1975**

The Spouse's Allowance is introduced as part of the Old Age Security system. The new benefit is paid to the spouses or common-law partners of pensioners who receive the Guaranteed Income Supplement.



CONTINUE

Here

1990

ACPM teams with PIAC, taking the bold move of publishing an open letter in the *Globe and Mail* regarding the opening up of the 10% foreign investment rule for Canadian Pension Funds.

1992

The federal government introduces major changes to the *Income Tax Act*. The changes eliminate favourable tax treatment for members of employer-sponsored plans and put members of all types of retirement arrangements on a level playing field.

1992: Toronto Blue Jays win World Series in 6 games, making them the first Canadian team to win.



1996

Projections indicate that the Canada Pension Plan is paying out more than it is taking in. The impending "crisis" sparks an extensive review by federal and provincial governments.

1996: Dolly the sheep, the first mammal to be successfully cloned is born.



ACPM takes the unprecedented step of intervening in the Monsanto case.

1999

ACPM publishes "A Uniform Pension Benefits Standards Act", designed to prove that it is possible to draft a single effective pension statute based on best practices.

1998

In response to growing concerns over the future viability of the Canada Pension Plan, contributions are increased and a Canada Pension Plan Investment Board is established. ACPM releases "**Retirement Income Strategy for Canada: Creating the Best Retirement Income System in the World**". It describes what the current system, what the ideal system should be like and how to achieve it.

2000

All Old Age Security and Canada Pension Plan benefits are extended to same-sex, common-law relationships. ACPM re-releases "**Retirement Income Strategy for Canada, Dependence or Self-Reliance: Which Way for Canada's Retirement Income System**"

The Y2K Bug  
fear that critical industries and government functions would stop working at 12:00 AM, January 1, 2000, turns out to be greatly exaggerated.

ACPM, PIAC and OSFI release **Pension Plan Governance and Self-Assessment**. This report becomes the impetus for the Canadian Association of Pension Supervisory Authorities (CAPSA) Plan Governance Project, launched in 2002.

2001

ACPM and PIAC establish a joint task force to respond to draft guidelines of the Joint Forum of Financial Market Regulators. The guidelines cover the regulation of capital accumulation plans.



Based on the findings of its Funding Issues Task Force, ACPM publishes **"Back from the Brink: Securing the Future of Defined Benefit Pension Plans."**

The report outlines the steps necessary to ensure the funding and solvency of workplace pension plans.

**2005**

The federal budget announces the elimination of a ceiling for foreign investments held by Canadian pension funds and individual investors.



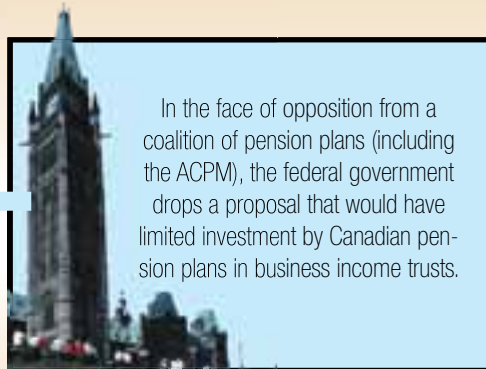
An ACPM task force submits recommendations to the Financial Services Commission of Ontario on how to deal with fallout from the Monsanto judgment.

**2006**

**FINISH**  
**But not the end!**

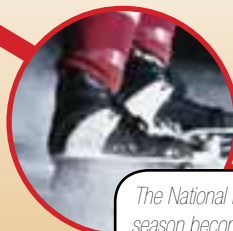


ACPM writes to federal and provincial governments urging that "the promotion of workplace pension coverage" be included in pension law.



In the face of opposition from a coalition of pension plans (including the ACPM), the federal government drops a proposal that would have limited investment by Canadian pension plans in business income trusts.

The Joint Forum of Financial Market Regulators releases guidelines for the regulation of capital accumulation plans. The new guidelines reflect input from a joint ACPM-PIAC task force.



*The National Hockey League cancels its 2004-2005 season becoming the first North American professional league to cancel a season due to a labour dispute.*



ACPM/PIAC Joint Task Force releases **"Report on Defined Contribution Plan Regulation"**, which reviews the goals and models for DC Plan disclosure and plan member education.

**2002**

ACPM and PIAC release **"The Foreign Property Rule: A Cost-Benefit Analysis."** The study recommends scrapping the 30% ceiling on foreign investments held by Canadian pension funds.

**2004**

The Supreme Court of Canada interprets existing Ontario law as requiring compulsory distribution of a pre-rata portion of any plan surplus at the time of partial wind-up.





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# ACPM:

## A Strong Guiding Force for Today's Challenges

By Matthew Bradford



Becky West,  
Client Service Executive,  
Russell Investment Group



Paul Litner,  
Partner, Osler, Hoskin & Harcourt LLP

Navigating the terrain of the Canadian pension industry is no simple task. This is why the Association of Canadian Pension Management (ACPM) plays such an important role in steering an industry of so many parties in one positive direction. Over 700 members strong, the ACPM serves as the industry's definitive national voice – advocating for reform and change so as to secure a healthy financial future for all concerned.

The Advocacy and Government Relations Committee (AGRC) is a key component of the ACPM and acts as its policy review centre. Chaired by Becky West, the AGRC has been integral in communicating and spearheading many of the ACPM's strategies. Explains West, "The AGRC's efforts are to work towards improving the health of the retirement industry in Canada. We are especially encouraged by the ongoing dialogue that takes place between the ACPM and the various regulatory bodies influencing the retirement environment in Canada. Our input is sought on a variety of retirement industry related issues."

Comprised of 27 senior professionals from across the industry, West believes that it is this meeting of the minds which accounts for much of the AGRC's strength. "These pension professionals bring their expertise to the various issues examined by the AGRC. This provides a

powerful foundation for the discussion and debate that typically takes place as the AGRC works through an issue to arrive at a position."

The AGRC's presence in the Canadian pension industry takes numerous forms – all of which focus on enhancing communication between the industry's numerous stakeholders and advocating for a clearer and unilaterally beneficial pension system. To date, West believes they have done much to meet these goals. "There are a number of ways the ACPM measures its success. Sometimes it is very obvious as with the lifting of the Foreign Property Rule in 2005 or the federal government's retraction of their proposal to restrict pension fund investment in income trusts. Often, though, it is small changes that indicate that we are making progress. For example, our advocacy efforts have resulted in more frequent dialogue between the ACPM and the regulators and other industry stakeholders."

One of these more recent successes was the release of the ACPM's 2005 report, *Back from the Brink: Securing the Future of Defined Benefit Pension Plans*. As a contributor to the report, West joined the ACPM Funding Issues Task Force (a sub-committee of the AGRC), comprised of other industry professionals and representatives in putting to paper the industry's need for more support. "By far

“...We are especially encouraged by the ongoing dialogue that takes place between the ACPM and the various regulatory bodies influencing the retirement environment in Canada. Our input is sought on a variety of retirement industry related issues.”



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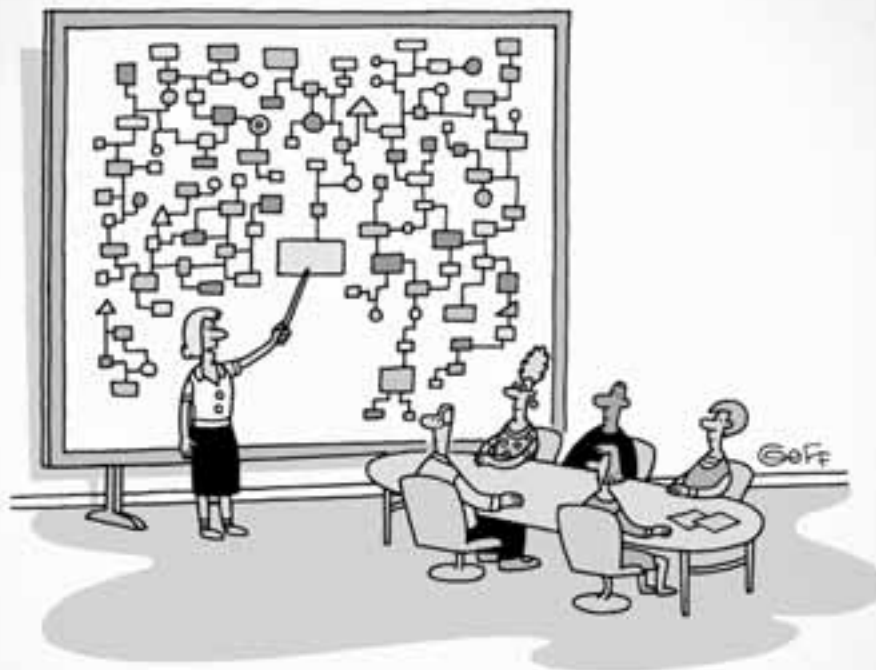
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the largest issue facing pension plans in Canada is funding. This report outlines the issues facing defined benefit plans in Canada and some of the possible solutions, both short and long term, that the ACPM feels would help alleviate this challenge faced by many pension plans.”

Another contributor to this report was Paul Litner, Chair of the Funding Issues Task Force and Partner at Osler, Hoskin and Harcourt LLP. Says Litner, while the AGRC covers a wide range of issues concerning the industry, it was a heightened concern over the health and future of Defined Benefit (DB) plans that garnered the most attention. “What became readily apparent to the Task Force is that without government intervention and legislative change, DB plan coverage will continue to decline, benefit enhancements will be fewer, and under-funded pension plans will be the norm. There are many ways in which the system can be improved, but there is no ‘one size fits all’ solution. At the time of the report, DB plans were facing enormous pressures such as solvency deficits and legal challenges to plan sponsor control over DB plan assets that threatened their viability. These issues continue to pose problems for DB plans today. DC plans are also important, and face challenges of their own, but there are some very serious disincentives for plan sponsors to create, maintain or expand DB plans. For that reason, we thought it necessary to focus on DB funding in particular.”

To date, the report has led to numerous published commentaries and gained the attention of many in the industry. This, adds Litner, is a positive indication of the report's success. “Our hope was that the paper would, at a minimum, create a policy platform from which the ACPM can respond to various developments affecting DB plan funding.



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It has clearly achieved this goal since it has helped us respond to DB funding reform proposals put forward by Quebec, Alberta and the federal government, as well as papers published by the Canadian Institute of Actuaries.”

Beyond the report, both West and Litner agree that persistence is key to ACPM’s strategy if it hopes to continue enacting change within the industry. Insists Litner, “We are continuing to initiate meetings with various organizations with an interest in DB plan funding, including the Canadian Institute of Actuaries and organized labor, to explore various solutions to DB plan funding. Our hope is that these discussions will eventually enable us to make proposals for pension reform to improve DB plan funding and the future viability of DB plans that will be broadly acceptable to different stakeholders in Canada’s retirement income system.”

With a clear vision guiding them and past successes to draw upon, it is safe to assume that the ACPM will continue to positively influence the Canadian pension industry as well as serve as a strong guiding force for the challenges and hurdles that lie ahead.

*For more information about the ACPM Advocacy and Government Relations Committee, please contact Becky West, Client Service Executive, Russell Investment Group, [bwest@russell.com](mailto:bwest@russell.com). For more information about the ACPM Funding Issues Task Force, please contact Paul Litner, Partner, Osler, Hoskin & Harcourt LLP, [plitner@osler.com](mailto:plitner@osler.com).*

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# *What Lies Ahead for Canada's Pension Industry?*

Canada's pension industry is at a crossroads. Defined benefit (DB) plans are increasingly cumbersome and expensive to operate, leading many sponsors of these plans to wonder whether they really are a viable option. The rise of defined contribution (DC) plans, meanwhile, raises questions over how prepared plan members really are to take responsibility for their retirement income security.

In the middle of it all are plan sponsors who are left worn out by growing funding liabilities in their DB plans, lack of regulatory harmonization, increased pressure to wind down their DB plans in favour of DC models, and a legislative environment that doesn't seem to take their needs into account.

Several large plan sponsors in the U.S. have recently closed their sizeable DB plans to new entrants, allowing these plans to die a slow death. It's a situation that could happen here in Canada too.

"Things don't look bright for DB plans," says Michael Beswick, retired senior vice-president of pensions with the Ontario Municipal Employees Retirement System (OMERS), one of the largest DB plans in the country, with over \$39 billion in assets under management. "Few new DB plans are being established and the DC environment is becoming more and more complex. No government seems to realize that the old adage 'cutting off one's nose to spite one's face' applies to

the pension business too. If it becomes too cumbersome and inflexible to operate pension plans, companies will stop doing it."

Regulatory complexity, solvency rules, accounting requirements, unfair and unbalanced asset ownership rules and low discount rates are just some of the reasons plan sponsors are moving away from the DB model. Governmental support is also lacking, says Malcolm Hamilton, a worldwide partner at Mercer Human Resource Consulting in Toronto.

"Above all, governments pay lip service to the need for DB plans, yet they do little to promote their establishment," he says, maintaining that with little being done to fix the Canadian retirement system, it's only natural for plan sponsors to see DC plans as the only option.

"Many plan sponsors are concluding, and they will continue to conclude, that in a hostile environment it is easier to phase out a DB pension plan than to rehabilitate it," says Hamilton. "DB pension plans will survive in the public sector and in a few other places, but the DB pension plan will play a smaller role in the future than it has in the past."

New accounting rules, meanwhile, are forcing plan sponsors to use discount rates for their DB plans that change annually as long bond yields fluctuate, meaning that pension expenses are much more volatile than they have been in the past. The result is that plan

sponsors are now seeing how costly DB plans truly are.

In the quest for higher returns to compensate for growing liabilities, alternative investments are slowly growing in popularity. But they're not a panacea, warns Gretchen Van Riesen, vice-president of global pensions and benefits at CIBC in Toronto.

"I believe that some funds may choose to pay more for the funding certainty associated with a more immunized portfolio," she says. "Most corporate plans will stick with traditional asset classes and asset mix."

With a number of high profile court cases in recent years, including the Monsanto decision which allowed that plan sponsors are responsible for any deficits in the plan but they do not have any rights over surplus, DB plans are becoming a riskier endeavour. If plan sponsors bear all of the downside risk and are not able to benefit from the upside of surplus, it's no wonder DC plans are looking more attractive as they transfer the bulk of the investment risk on to plan members.

Clearly, there is room for both DB and DC plans in the Canadian retirement landscape. Each has benefits and disadvantages for both plan sponsors and plan members. There may be an increasing role for hybrid plans, which incorporate elements of both DB and DC plans, in the future as well.



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“There may be growing interest in new forms of pension arrangements that are hybrids between DB and DC or creative design that marry the best features of both designs,” says Van Riesen. “These possibilities are just starting to emerge in Canada.”

If such plan design alternatives don't take hold here, Van Riesen fears a steady shift in the corporate sector from DB to DC and, ultimately, lower pensions for plan members.

Another concern for those in the industry is the declining number of Canadians who are covered by registered pension plans. Recent research from Statistics Canada reports that registered pension plan coverage rates have declined substantially since the early 1990s.

The percentage of paid workers covered by registered pension plans has dropped from 45 per cent in 1991 to just 39 per cent in 2003, according to *Canada's Retirement Programs: 2006 Edition*.

Peter Shena, vice-president Policy and Communications at Ontario Pension Board, and Chair of the ACPM Strategic Communications Committee, says that the decline in DB plan coverage ought to be a serious concern for employees, employers, unions, and legislators. OPB's view, he says, is that “the DB model remains the superior model for all concerned. The risks in DC and hybrid models are poorly understood and understated.” Shena agrees with ACPM's broad mandate of increasing pension coverage. He would like to see a significant effort to bring together all stakeholders and public policy makers in an attempt to reverse the movement away from DB coverage.

“As we approach the future, I would encourage the ACPM to continue its work, but with an increasing focus on coverage,” says OMERS's Beswick. “The pension system will not be healthy if it doesn't grow.”

# BENEFITS AND PENSIONS **MONITOR**

PENSION FUND INVESTMENT • EMPLOYEE BENEFITS MANAGEMENT

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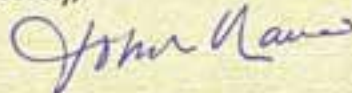
**Dear Industry Colleagues:**

The management and staff of *Benefits and Pensions Monitor* would like to offer a hearty congratulations to all those volunteers who have contributed their time and resources to *The Association of Canadian Pension Management* over the past 30 years. Their actions have resulted in a much stronger Canadian pension industry.

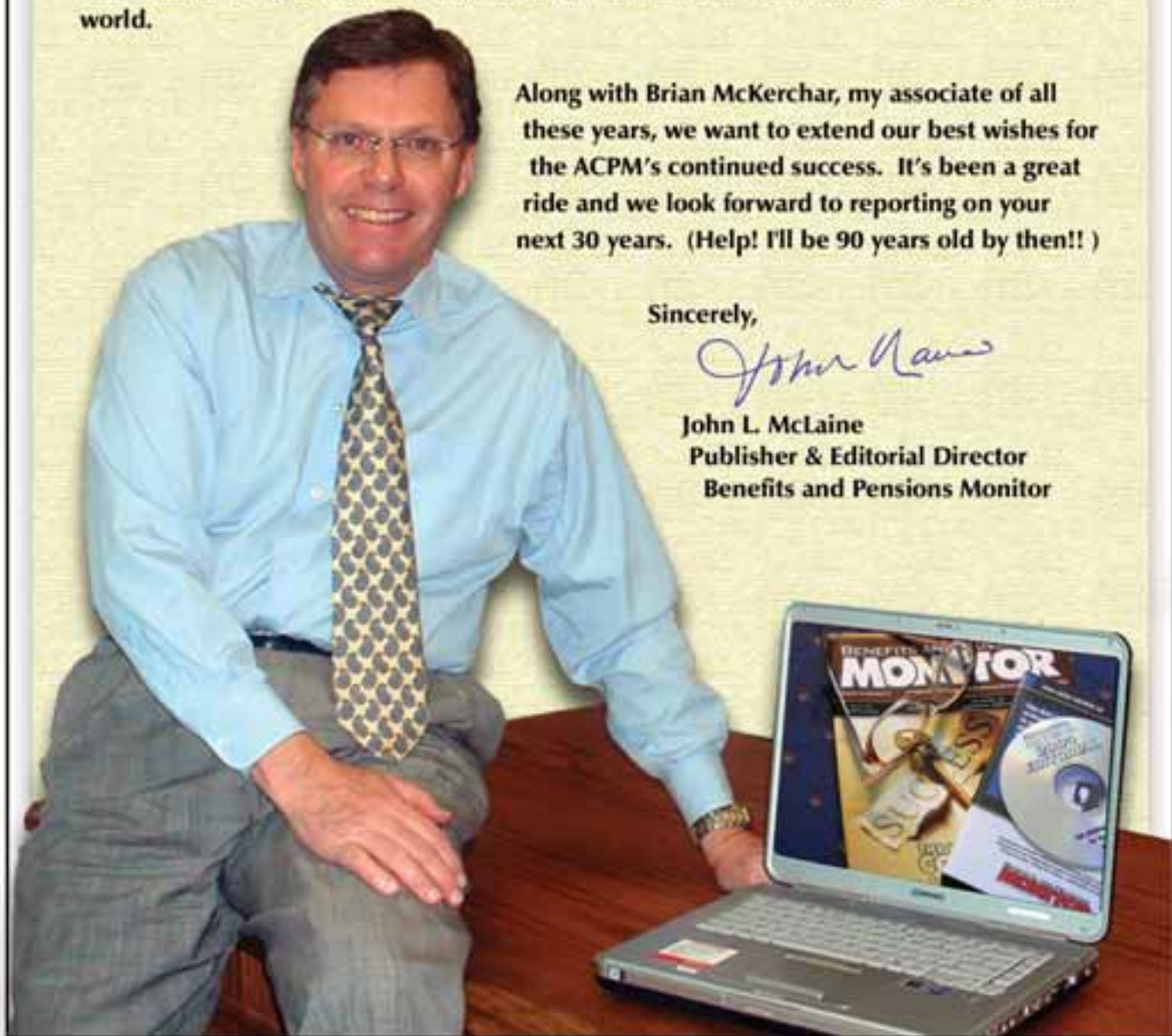
We have personally been involved with the ACPM from the beginning, and I attended my first meeting back in 1976. It continues to be a forum for talented industry participants across Canada to gather and freely exchange ideas and lobby for change in the pension world.

Along with Brian McKerchar, my associate of all these years, we want to extend our best wishes for the ACPM's continued success. It's been a great ride and we look forward to reporting on your next 30 years. (Help! I'll be 90 years old by then!!)

Sincerely,



**John L. McLaine**  
Publisher & Editorial Director  
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# ACPM/ACARR

The Association of Canadian Pension Management  
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# ACPM Questions Industry Leaders about the Past, Present and Future

By Andrea Davis

*Note: The opinions of those interviewed for this article do not necessarily reflect those of their employer or the ACPM.*

**Question: How would you describe the changes in the regulatory environment in Canada from 1976 to the present?**

**Ian Markham, director, pension innovation, with Watson Wyatt Worldwide in Toronto:** The whole system is too cumbersome for plan sponsors to manage. We have many different sets of rules across the country from jurisdiction to jurisdiction. In addition, whenever there have been court cases, judges have been prone to regarding the pension asset as a trust. And judges have often not made the decisions that plan sponsors would have anticipated that they would be making.

I suppose the one thing that's more effective is that we have such a mature system now with so many plan members. The baby boomers have many, many years of past service covered by their pension plan so I would say some of the regulators have become more effective at managing the pension risk on behalf of plan members.

Continued on page 38

# L'ACARR interroge les leaders du secteur sur le passé, le présent et l'avenir

Par Andrea Davis

*Remarque : L'opinion des personnes interviewées ne reflète pas nécessairement celle de leur employeur ni de l'ACARR.*

**Question : COMMENT DÉCRIRIEZ-VOUS LES CHANGEMENTS DE RÉGLEMENTATION AU CANADA DE 1976 À AUJOURD'HUI?**

**Ian Markham, directeur, Innovation, Watson Wyatt Worldwide, Toronto :** Le système est trop lourd à gérer pour les promoteurs de régimes. Nous devons composer avec diverses réglementations qui varient d'une compétence à l'autre. De plus, à chaque affaire portée devant le tribunal, les juges ont tendance à considérer une caisse de retraite comme une fiducie. Sans compter qu'ils prennent souvent des décisions auxquelles les promoteurs ne s'attendent pas.

À mon avis, l'un des éléments les plus intéressants est que le système est maintenant parvenu à maturité, avec un très grand nombre de participants. Les baby-boomers ont accumulé de nombreuses années de services dans leur régime de retraite, de ce fait certaines autorités de réglementation gèrent de mieux en mieux les risques au nom des participants.

Continué à la page 39

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**Keith Ambachtsheer, director, Rotman International Centre for Pension Management:** The disappointing part is that the regulatory environment hasn't kept up with the changes in what was required. Our regulators have not been proactive. They've been reactive.

**Bill Solomon, consulting actuary, in Richmond Hill, Ont.:**

It is disappointing that there has not been a uniform body of regulations, especially at the provincial level where a patchwork of legislation now exists. And part of this I attribute to the failure of the Canadian Association of Pension Supervisory Authorities (CAPSA) to bring about uniformity. It has acted as a deterrent to plan sponsors, limiting the growth of private pension plans.

**David Service, principal, with Towers Perrin in Toronto:**

The regulatory environment has become disastrously complex. National employers must deal with an incredibly complex collection of rules, particularly for employees who do not spend their entire career in one province. It's absolutely critical we get to a single regulator such as they have in most other parts of the world. The U.S., the U.K. – virtually anywhere you go – there is a set of pension standards legislation and a single pension regulator.

**John Ilkiw, vice-president, portfolio design and risk management with the Canada Pension Plan Investment Board in Toronto:**

In general, the regulatory environment is much more effective. The most valuable thrusts are one, the adoption of prudent person rule and total portfolio risk management principle for investment regulation and two, the acceptance that pensions are deferred wages resulting in earlier vesting, more interest on employee contributions, increased opportunity in member say in pension management, and focus on solvency liabilities.

▶ **What is the single largest influence on the Canadian retirement system over the past 30 years?**

**Service:** The Dominion stores case in the mid-eighties, a case that changed the perceptions of the ownership of pension plan. The courts decided that if the pension money was invested in a vehicle called a trust, then pensions should be governed by trust law. Before that, most employers assumed that they were operating under contract law. And so employers were quite willing to put in extra money to a pension plan with the view that, if it proved to be too much, they could always get it back. To me, that case was the seminal thing that happened in the last 30 years because it's shaped the whole debate around surplus and has dramatically changed employer attitudes to defined benefit pension plans and the contribution strategy.

Continued on page 40

**Keith Ambachtsheer, directeur, Rotman International Centre for Pension Management :** Ce qui est décevant, c'est que la réglementation n'arrive pas à suivre l'évolution. Les autorités de réglementation ont été trop peu enclines à prendre des initiatives.

**Bill Solomon, actuaire-conseil, Richmond Hill, Ontario :** Il est décevant de voir qu'aucun ensemble uniforme de règlements n'ait été mis sur pied, surtout à l'échelle provinciale, où existe maintenant une mosaïque de lois disparates. À mon avis, cette situation est en partie due à l'incapacité de l'Association canadienne des organismes de contrôle des régimes de retraite (ACOR) d'assurer l'uniformité. Elle a freiné les promoteurs de régimes, limitant la croissance des régimes de retraite privés.

**David Service, directeur, Towers Perrin, Toronto :** La réglementation est d'une complexité désastreuse. Les entreprises nationales doivent composer avec une quantité incroyable de règlements complexes, surtout pour les employés qui travaillent dans plus d'une province au cours de leur carrière. Il est impérieux que nous nous dotions d'une seule autorité de réglementation, comme dans la plupart des autres pays. Aux États-Unis, au Royaume-Uni – pratiquement partout – il y a un seul ensemble de normes applicables aux régimes de retraite et une seule autorité de réglementation.

**John Ilkiw, vice-président, Conception de portefeuille et Gestion du risque, Office d'investissement du régime de pensions du Canada, Toronto :** En général, le milieu de la

réglementation est beaucoup plus efficace. Les objectifs les plus importants sont, d'abord, l'adoption de la règle de la personne prudente et du principe de la gestion du risque global lié au portefeuille pour le règlement en matière de placement et, deuxièmement, l'acceptation du fait que les rentes sont des salaires différés qui entraînent l'acquisition anticipée des droits, plus d'intérêts sur les cotisations salariales, un plus grand droit de parole aux participants quant à la gestion du régime et l'accent sur le passif de solvabilité.

**QU'EST-CE QUI A LE PLUS INFLUÉ SUR LE SYSTÈME DE RETRAITE CANADIEN AU COURS DES 30 DERNIÈRES ANNÉES?**

Continué à la page 41

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**Investment Analyst**  
End of quarter

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**Markham:** The fall in long bond yields. As long bond yields fall, and they've fallen hugely since the end of the 1990s, they directly lead to higher pension liabilities. The bottom line of this major change is a vast increase in pension costs compared to what existed even five years ago.

**Ilikiw:** Without a doubt it has been the current perfect storm of low inflation, low interest rates, and lower prospect of future return. These events combined to crystallize the very high economic value of pension promises and their very high cost if the projected risk premiums assumed by actuaries in the pension valuations are not realized.

**Mary De Paoli, vice-president, Group Retirement Services, Sun Life Financial in Toronto:**

It was approximately 30 years ago that defined contribution (DC) plans took hold in Canada, which changed the dynamic

between employee and employer responsibilities relative to pension schemes. Today over 3 million Canadians are covered by DC plans, and this number keeps growing, unlike DB plan membership, which continues to decline.

With the shift in investment risk to employees came a gradual increase in knowledge. Today investors in DC plans take it upon themselves to become better informed, because they in effect have taken on some of the roles of a DB pension committee. This change in sophistication takes many forms; it's researching funds, understanding investment style, reviewing rates of return, performing transactions, and scrutinizing fees. This new understanding has also forced a change in the investment vehicles in DC plans. Thirty years ago the main and sometimes only investment option was GICs. Now you have an average of 15 funds covering lifecycle to foreign equity to company stock.

**Ambachtsheer:** There hasn't been the kind of proactive leadership that's required to change the system as conditions changed. As a result, we've ended up with two forms of pensions—defined benefit and defined contribution. Neither one of which is up to the task of what's required for a sustainable retirement system.

**Solomon:** The impact of the aging baby boomer generation, as many of these people are getting ready to retire. The impact will be on the liability structure of DB plans, as the shift from active plan members to retirees continues.

**Serge Charbonneau, partner with Morneau Sobeco in Montreal:** Plans have become a much bigger component of many organizations. They used to be a minor sideline and now they're huge for many, many businesses.

Continued on page 42

## GENUS

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**Service :** L'affaire des magasins Dominion au milieu des années 1980, qui a changé les perceptions sur la propriété du régime de retraite. Le tribunal a décidé que si la caisse de retraite est investie en fiducie, alors les rentes doivent être administrées selon la loi régissant les fiducies. Auparavant, la plupart des employeurs supposaient qu'ils les administraient en vertu du droit contractuel. C'est pourquoi ils étaient toujours prêts à verser des montants en surplus dans la caisse avec l'idée que tout excédent leur reviendrait. Cette affaire est selon moi la plus importante survenue ces 30 dernières années, car elle a façonné tout le débat sur les excédents de capitalisation et a changé de façon spectaculaire l'attitude des employeurs relativement aux régimes de retraite à prestations déterminées et à la stratégie de cotisation.

**Markham :** La chute des taux obligataires à long terme. Au fil de leur chute, considérable depuis la fin des années 1990, le passif lié aux régimes de retraite augmentait, d'où une hausse énorme du coût des régimes par rapport à il y a seulement cinq ans.

**Ikiw :** Sans aucun doute, la faiblesse de l'inflation, des taux d'intérêt et du rendement futur qui s'abat actuellement sur nous. Cette conjoncture cristallise la très haute valeur économique des prestations promises et leur coût très élevé si les primes de risque projetées par les actuaires ne se réalisent pas.

**Mary De Paoli, vice-présidente, Régimes collectifs de retraite, Financière Sun Life, Toronto :** Il y a environ 30 ans que les régimes à cotisations déterminées (CD) existent au Canada, ce qui a changé la dynamique

entre employés et employeurs quant aux responsabilités relatives aux régimes de retraite. Aujourd'hui, plus de trois millions de Canadiens participent à des régimes CD et ce nombre ne cesse d'augmenter, contrairement à la participation aux régimes à prestations déterminées (PD) qui est toujours en déclin.

Par suite du transfert du risque de placement aux employés, ceux-ci ont approfondi leurs connaissances. Aujourd'hui, les investisseurs des régimes CD se font un devoir d'être mieux informés, car ils prennent maintenant une partie des décisions qui relevaient auparavant des comités de retraite. Ce changement de mentalité prend plusieurs formes, notamment la recherche de fonds, la connaissance des styles de placement, l'étude des taux de rendement, l'exécution de transactions et l'examen minutieux des frais. Cette nouvelle conception a aussi forcé un changement des instruments de placement offerts dans le cadre des régimes CD. Il y a 30 ans, le principal et parfois le seul instrument de placement était le certificat de placement garanti (CPG). Aujourd'hui, les participants ont en moyenne le choix parmi 15 fonds, allant du cycle de vie aux actions étrangères en passant par les titres d'entreprise.

**Ambachtsheer :** Nous n'avons pas eu le leadership proactif nécessaire pour modifier le système au fur et à mesure que les conditions ont changé. Par conséquent, nous nous sommes retrouvés avec deux types de régimes de retraite – à prestations et à cotisations déterminées. Ni l'un ni l'autre ne sont à la hauteur pour un système de retraite durable.

**Solomon :** Les répercussions du

vieillessement des baby-boomers, alors qu'un grand nombre d'entre eux s'appêtent à prendre leur retraite. L'effet se fera sentir sur la structure du passif des régimes PD, tandis que le rapport de participants retraités diminue.

**Serge Charbonneau, associé, Morneau Sobeco, Montréal :** Les régimes ont pris beaucoup d'importance dans de nombreuses entreprises. Alors qu'ils étaient accessoires, ils sont maintenant très importants pour un très grand nombre d'entreprises.

### » **QUEL CHANGEMENT LE PLUS NET AVEZ-VOUS OBSERVÉ AU COURS DES 30 DERNIÈRES ANNÉES RELATIVEMENT AUX DÉFIS AUXQUELS FONT FACE LES PROMOTEURS DE RÉGIMES?**

**Markham :** Dans la conception des régimes PD et la façon dont la loi attribue les avantages et les risques, il y a une asymétrie marquée entre ceux qui bénéficient des avantages et ceux qui doivent assumer les risques. L'asymétrie, ou le déséquilibre, est plus grande que jamais, en raison de la taille actuelle des régimes de retraite. Le ratio du coût du régime divisé par les profits de l'entreprise ou celui du passif du régime divisé par le passif de l'entreprise ont tellement augmenté au cours des dernières années que le régime de retraite est devenu un élément très important de l'entreprise. En présence d'une telle asymétrie, les conseillers financiers, les actionnaires, les analystes et les agences de notation sont portés à remettre en question un tel régime.

**Service :** Sauf dans le cas des régimes à risques partagés, les déficits



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***What is the most distinct change you have seen in the past 30 years as far as the challenges plan sponsors face when it comes to the pension plan?***

**Markham:** With DB plans and the way the law allocates the rewards and risk, there is a distinct asymmetry between who gets the rewards and who has to bear the risk. The asymmetry, or imbalance, is bigger now than it ever has been before because pension plans have become so large. When you look at ratios of pension expense divided by company profits or the ratio of pension liabilities divided by total company liabilities, those ratios have shot up in recent years such that the pension plan has become a very significant component of the business. In that situation, when you have that asymmetry, it does cause the finance people, the shareholders, the analysts and the rating agencies to ask questions about why you keep this DB plan going.

**Service:** With the exception of risk-shared plans, employers own deficits but they don't necessarily control surpluses. It's led employers to take contribution holidays whenever they could and, to make the minimum possible contributions to the plan. This has resulted in much more volatility in contributions from year to year, as there is no buffer to protect against a couple of bad years in the markets.

**Ilkiw:** The acceptance in the private sector that employer-based DB plans no longer meet corporate needs and increasingly do not meet employee needs.

**Ambachtsheer:** We have seen the emergence of a number of what I would call high-quality institutions dedicated to providing retirement income. One example would be Ontario Teachers'. Teachers' would be at the top of my list as an organization that really understands

its mission and is doing a very high quality job of executing on that mission. We didn't have that 30 years ago.

**De Paoli:** The biggest challenge is evaluating where the right place is for sponsors on the continuum between paternalism and complete employee independence in managing pension assets. The total compensation expectations held by workers today are vastly different than they were 30 years ago. And it's difficult to say what the regulatory expectations will be 30 years from now, although this will be a key factor in where we fall on that continuum.

**Solomon:** Dealing with a wide variety of sometimes conflicting legislation and the challenges of adequately funding the pension promise. Punitive and regressive legislation and court rulings have made the job of the plan sponsor even more difficult.

***What is the single biggest success you've watched unfold in Canada with respect to pension plans?***

**De Paoli:** The way in which employers have handled investment education in the absence of any guidance until recently with the CAP Guidelines. It was a daunting task to move from an environment where the employee did not make investment decisions to one where they not only have to make these decisions but they're making them in a world where the products have become more sophisticated. HR and finance professionals have had to become conduits for a wide range of investment management principles and have also had to take on a greater share of risk than they had planned.

**Service:** If we compare ourselves with the U.S., Canadian plans in general are

Continued on page 44

reviennent aux employeurs, mais pas nécessairement les excédents. Cette situation a mené les employeurs à prendre des congés de cotisations aussi souvent que possible et à cotiser le minimum au régime. Les cotisations sont donc de plus en plus volatiles d'année en année, parce qu'il n'y a aucun mécanisme de protection en cas de contre-performance des marchés.

**Iikiw :** Dans le secteur privé, on est maintenant d'avis que les régimes PD financés par les employeurs ne répondent plus aux besoins de l'entreprise, ni, de plus en plus, à ceux des employés.

**Ambachtsheer :** Nous avons observé l'émergence de ce que j'appellerais des organisations de grande qualité qui procurent un revenu de retraite. Par exemple, le Régime de retraite des enseignantes et des enseignants de l'Ontario (RREO), lequel occupe le premier rang de ma liste en tant qu'organisation qui comprend vraiment sa mission et qui accomplit un travail exemplaire pour la réaliser. De telles organisations n'existaient pas il y a 30 ans.

**De Paoli :** Le plus grand défi est d'évaluer où doivent se situer les promoteurs entre une attitude paternaliste et la totale autonomie des employés qui gèrent leur avoir de retraite. Les attentes des employés d'aujourd'hui en matière de rémunération globale ont beaucoup changé par rapport à celles d'il y a 30 ans. Et il est difficile de dire quelles seront les attentes des autorités de réglementation dans 30 ans, bien qu'il s'agisse d'un facteur clé pour déterminer où nous nous situerons.

**Solomon :** Tenir compte de nombreuses lois parfois contradictoires et faire face au défi de la capitalisation des

The biggest challenge is evaluating where the right place is for sponsors on the continuum between paternalism and complete employee independence in managing pension assets.

- Mary De Paoli

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significantly better funded than U.S. plans. Second, under the Canadian retirement system, employers cannot walk away from pension plans and throw them over to the government to deal with (such as recently happened with UAL).

**Charbonneau:** Pension plans have certainly helped retirement income security. Thirty years ago, retirees had a lot more difficulty having a reasonable standard of living.

**Ilkiw:** The wide acceptance of financial derivatives as a risk management tool.

**Ambachtsheer:** The creation of organizations such as Ontario Teachers' and CPP Investment Board. Along with that, the fact that Canada was miraculously able to change the CPP, which is a joint federal-provincial responsibility, to create positive change in a relatively short period of time.

» **If the ACPM could grant you one wish as a supplier or plan sponsor, what would it be?**

**Markham:** For the government to have the courage to act in the best interest of DB plan sponsors while still ensuring adequate protection for plan members. We do have several governments

Continued on page 46

Bental  
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régimes. Les lois punitives et régressives ainsi que la jurisprudence ont rendu la tâche encore plus difficile aux promoteurs de régimes.

» **QUEL EST LE PLUS GRAND SUCCÈS QUE VOUS AYEZ OBSERVÉ AU CANADA EN MATIÈRE DE RÉGIMES DE RETRAITE?**

**De Paoli :** La façon dont les employeurs se sont occupés de la question de l'éducation en matière de placement en l'absence de tout guide, jusqu'à la publication récente des *Lignes directrices pour les régimes de capitalisation*. Ce fût un défi de taille de passer d'une situation où l'employé ne prend aucune décision en matière de placement à une situation où non seulement il doit prendre des décisions, mais où il doit les prendre dans un monde où les produits sont beaucoup plus complexes. Les professionnels des RH et des finances ont dû canaliser un vaste éventail de principes de gestion de placements et ont également dû prendre une plus grande part de risque que prévu.

**Service :** Si nous nous comparons aux États-Unis, les régimes canadiens sont en général mieux capitalisés que les régimes américains. De plus, dans l'état actuel du système de retraite canadien, les employeurs ne peuvent se débarrasser de leurs régimes et les balancer au gouvernement, comme ce fut le cas dernièrement avec UAL.

**Charbonneau :** Les régimes de retraite ont certainement contribué à la sécurité en matière de revenu de retraite. Il y a 30 ans, les retraités avaient beaucoup plus de difficulté à maintenir un niveau de vie raisonnable.

**Ilkiw :** La vaste acceptation des instruments financiers dérivés comme outil de gestion du risque.

**Ambachtsheer :** Outre la création d'organisations comme le RREO et l'Office d'investissement du régime de pensions du Canada, le fait que miraculeusement le Canada ait pu modifier le RPC, qui est administré conjointement par le fédéral et les provinces, pour créer un changement positif en relativement peu de temps.

Continué à la page 46

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GROUP PENSIONS

– the federal government, Quebec, and Alberta – looking at how to strengthen the pension system. They've all had the courage to use language in their reports that suggests they understand what it's like being a plan sponsor. But will they actually have the courage to act in the best interest of the plan sponsor so that these sponsors continue their DB plans and let new entrants into the plan? That remains to be seen.

**De Paoli:** A single, and transparent, regulatory environment would likely be the common wish of plan sponsors and suppliers alike.

**Service:** To simplify the whole system. For me that means two critical things: to simplify the regulatory system and to clarify (and balance) the issues around ownership of surplus and deficit. By fixing these two items, a major barrier to the creation of new plans would be removed. If ACPM could do that or push the initiative that causes that to happen, that would be a mammoth success.

**Solomon:** To reduce or eliminate the multiple layers of legislation and the lack of uniformity in legislation across the country.

### What do you see as the ACPM's single biggest success in the past 30 years?

**Solomon:** The role of leadership that it's taken to the regulators on governance issues. They've been in the forefront of trying to bring about oversight of pension plans and creating greater awareness.

**Service:** *Back from the Brink: Securing the Future of Defined Benefit Plans*, released by ACPM last year, is a very good piece of work. It's providing priming to help the industry change

Continued on page 49

### SI L'ACARR OFFRAIT AU FOURNISSEUR OU AU PROMOTEUR DE RÉGIME QUE VOUS ÊTES DE FAIRE UN VŒU, QUEL SERAIT-IL?

**Markham :** Que le gouvernement ait le courage d'agir dans l'intérêt des promoteurs de régimes PD, tout en protégeant adéquatement les participants. Actuellement, plusieurs gouvernements examinent le moyen d'améliorer le système, soit le gouvernement fédéral et ceux du Québec et de l'Alberta. La lecture de leurs rapports nous porte à croire qu'ils comprennent la situation des promoteurs de régimes. Mais iront-ils jusqu'à agir dans l'intérêt des promoteurs de façon que ceux-ci puissent maintenir leurs régimes PD et y accepter de nouveaux participants? Là est toute la question.

**De Paoli :** Le vœu commun aux promoteurs et fournisseurs : une

réglementation unique et transparente.


**Service :** La simplification de tout le système. Je vois deux problèmes principaux : la simplification de la réglementation et la clarification (et l'équilibre) des questions entourant la propriété de l'excédent et du déficit de capitalisation. En les réglant, on lèverait un obstacle important à la création de nouveaux régimes. Si l'ACARR arrivait à corriger ces problèmes ou à promouvoir l'approche nécessaire pour les corriger, elle nous ferait faire des pas de géants.

**Solomon :** Réduire ou abolir les multiples législations et favoriser l'uniformité des lois de par le pays.

### À VOTRE AVIS, QUELLE EST LA PRINCIPALE RÉUSSITE DE L'ACARR DES 30 DERNIÈRES ANNÉES?

**Solomon :** Son leadership auprès des autorités de réglementation en matière de

Continué à la page 49



Performance	Sionna Canadian Equity Pooled Fund*	S&P / TSX
3 months to March 2006	7.76%	7.97%
6 months to March 2006	10.70%	11.12%
Annual 2004	19.31%	14.51%
Annual 2005	28.32%	24.24%

\*Gross of fees, simple rate of return

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for the better. It's engaged labour in the discussion and it's captured the attention of regulators.

**Ilkiw:** Its push to remove the foreign property restriction.

**Charbonneau:** ACPM is very useful in getting all the interested people together to discuss the issues. If the ACPM serves that purpose – to get people to collaborate in a constructive way – I think that's fabulous.

**De Paoli:** Their collaboration has been their greatest strength. We have all witnessed the ACPM consolidate and find common ground with insurers, mutual and institutional fund companies, DB and DC plan sponsors and with provincial and federal regulators. It's not an easy task considering the diverging views, but they have managed to do it every time.

**Ambachtsheer:** It went through a transformation from the late '90s to the early part of this decade of becoming a more professionally managed organization with a better focus of defining what its mission was.

***What should ACPM be celebrating, in your opinion, as it reflects on the past 30 years as an association?***

**Markham:** As an association we should celebrate that we have a Canada Pension Plan that is the envy of all social security systems around the world. And we should also celebrate having no foreign content limitations anymore.

**Charbonneau:** Getting people together to collaborate in a constructive fashion. It's a simple thing to say but in reality it's something very difficult to achieve.

**De Paoli:** It's one of the few organizations that has the courage to

gouvernance. L'ACARR a toujours été à l'avant-garde pour sensibiliser les différentes instances et susciter les discussions sur la surveillance des régimes de retraite.

**Service :** Le document Prendre le virage : Assurer l'avenir des régimes de retraite à prestations déterminées, que l'ACARR a publié l'année dernière, est très bien fait. Il pousse le secteur des régimes de retraite à améliorer la situation. Il a suscité la discussion et retenu l'attention des autorités de réglementation.

**Ilkiw :** Ses représentations pour l'abolition de la limite de contenu étranger.

**Charbonneau :** L'ACARR est très utile quand il s'agit de réunir les intervenants en vue d'échanger sur les différents enjeux. Si l'ACARR a toujours pour objectif de favoriser la collaboration de façon constructive, elle joue à mon avis un rôle formidable.

**De Paoli :** Le point fort de l'ACARR, c'est la collaboration. Nous avons tous été témoins de situations où l'ACARR a réussi à renforcer les liens et même à trouver un terrain d'entente entre les assureurs, les sociétés de fonds communs de placement et les caisses institutionnelles, les promoteurs de régimes PD et CD et les autorités de réglementation provinciales et fédérales. Cela n'est pas chose facile étant donné les divergences de vue, mais l'ACARR y arrive toujours.

**Ambachtsheer :** L'ACARR a évolué depuis la fin des années 1990

NIA106

step forward and lobby aggressively on behalf of our business and the countless Canadians who count on their pension plan as a significant part of their future livelihood.

**Solomon:** The heightened awareness of both plan sponsors and, to a lesser extent, plan members as to the need to prepare financially for retirement.

**If you could turn back time, is there anything you would change from the past 30 years?**

**Markham:** Mandatory asset liability modeling or scenario testing for plan sponsors. Had there been some laws 30 years ago that said scenario testing for the financial health of the pension plan or asset liability modeling is mandatory, I suspect we might now have more companies with surpluses or at least smaller deficits.

**Service:** I'd like to see the grow-in rules from Ontario's *Pension Benefits Act (PBA)* removed. They were introduced because we didn't have an effective severance provision within Ontario employment standards and were introduced into the Act at the last minute (without consultation). These provisions created a very large additional benefit (and cost) that employers had not taken into account in establishing and amending their plans (especially for some of the large collectively bargained plans).

**Ilkiw:** I would have required actuaries to present and explain two types of valuations to their clients. One valuation that estimated the economic value of promised pension, which would use the twin concepts of a liability-matching portfolio and a default-free discount rate. The other would estimate the

Continued from page 49

expected cost of the promised benefit by discount projected liabilities using a risk-based discount rate. The risk-based discount rate would increase in proportion to the equity exposure in the plan's investment policy. The difference between the two valuations measures the expected gain to be earned by the plan sponsor in exchange for guaranteeing the payment of promised pensions, assuming of course, the expected reward for mismatching assets and liabilities is realized. With this information at hand and explained appropriately, sponsors of DB pension plans would have made very different risk-return decisions.

**Ambachtsheer:** Having more of a focus on positive change. Too many of us in the industry have sat back and tried to defend things that shouldn't necessarily have been defended but should have been changed.

Continued on page 52



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jusqu'au début des années 2000 pour devenir un organisme géré avec plus de professionnalisme et plus axé sur la définition de sa mission.

### QU'EST-CE QUE L'ACARR DEVRAIT CÉLÉBRER EN CE 30<sup>e</sup> ANNIVERSAIRE?

**Markham :** Nous devrions célébrer le fait que les Régimes de rentes du Québec et de pensions du Canada font l'envie de tous les organismes de sécurité sociale dans le monde. Et nous devrions souligner l'abolition de la limite de contenu étranger.

**Charbonneau :** Réunir les gens en vue d'une collaboration constructive : plus facile à dire qu'à faire!

**De Paoli :** L'ACARR est l'un des rares organismes à prendre la parole et à exercer des pressions pour le compte de notre secteur et des innombrables Canadiens qui comptent sur leur régime de retraite, élément importante de leur sécurité financière.

**Solomon :** La prise de conscience par les promoteurs et, dans une moindre mesure, par les participants, de la nécessité de préparer sa retraite sur le plan financier.

### SI VOUS POUVIEZ REMONTER DANS LE TEMPS, QUE CHANGERIEZ VOUS AU COURS DES 30 DERNIÈRES ANNÉES?

**Markham :** J'obligerais les promoteurs à se doter d'un outil de modélisation actif-passif ou à faire l'essai de scénarios. Si des lois avaient imposé de tels outils il y a 30 ans en vue de vérifier la santé financière des régimes, j'ai l'impression que le nombre d'entreprises dont la caisse afficherait aujourd'hui un excédent, ou au moins un déficit plus faible, serait plus grand.

**Service :** Je souhaiterais que les règles

sur le droit à des prestations de retraite anticipée bonifiées soient supprimées de la Loi sur les régimes de retraite de l'Ontario. Ces règles ont été instaurées à défaut de dispositions adéquates sur les programmes d'incitation au départ dans les normes d'emploi. Elles ont été ajoutées à la loi à la dernière minute, sans consultation. Elles donnent lieu à un avantage et à un coût supplémentaires très importants que les employeurs n'avaient pas prévus lors de la mise en place ou de la modification de leurs régimes de retraite (surtout certains gros régimes découlant de conventions collectives).

**Ilkiw :** J'exigerais des actuaires qu'ils présentent deux types d'évaluation actuarielle à leurs clients. La première estimerait la valeur économique des prestations promises selon les notions de portefeuille aligné sur le passif et de taux d'actualisation sans défaillance; la deuxième, le coût prévu des prestations promises en projetant le passif selon un taux d'actualisation basé sur le risque. Ce taux augmenterait proportionnellement à la part des actions prévue par la politique de placement du régime. La différence entre les deux évaluations correspond au profit que ferait le promoteur en contrepartie de la garantie de paiement des prestations promises, en supposant, évidemment, que se réalise le rendement prévu par l'alignement de l'actif sur le passif. Si les promoteurs de régimes PD avaient pu disposer d'une telle information, leurs décisions au sujet du rendement par rapport au risque auraient été très différentes.

**Ambachtsheer :** Favoriser davantage les changements constructifs. Nous sommes trop nombreux à avoir adopté une attitude défensive à l'égard de choses que nous aurions dû plutôt changer.

**Charbonneau :** Nous aurions pu éviter de nombreux problèmes juridiques si nous avions mêlé des avocats à nos discussions.

### QU'EST CE QUE LE SECTEUR DES RÉGIMES DE RETRAITE RETIENT DE SON HISTOIRE?

**Ambachtsheer :** Toujours tâcher d'être à l'avant-garde. Il faut prévoir les tendances dans 5 ans, 10 ans, et être proactifs plutôt que de se contenter de réagir aux situations. J'espère que nous allons améliorer ce point d'ici les 10 prochaines années.

**Ilkiw :** Pour que les régimes PD puissent durer, il faudrait revoir leur conception pour que le risque et le rendement soient partagés équitablement entre les groupes d'âges. Malheureusement, nous avons trop tardé.

**Service :** Pour que les Canadiens bénéficient de bons régimes de retraite sans se reposer indûment sur les gouvernements, tous les intervenants du secteur devront y travailler de concert. Il faudra donc faire des compromis qui ne seront pas idéaux mais qui seront tout de même indispensables pour que le système soit viable pour les années futures.

**Markham :** Le fait que la prime de risque liée à l'avoir du régime soit la capacité financière du régime à verser les prestations promises constitue un facteur négatif. Les primes de risque ont fait l'objet d'avances qui ont déjà été affectées aux congés de cotisation et à la bonification des prestations. Les entreprises sont maintenant aux prises avec la bonification des prestations et doivent consentir à leurs régimes de retraite des sommes beaucoup plus élevées que prévu étant donné la disparition de la prime de risque de 2000 à 2003.

**Charbonneau:** A lot of the problems we face today from a legal perspective might have been avoided back then if there'd been more lawyers involved.

### *What can the retirement industry learn from its history?*

**Ambachtsheer:** Try and be ahead of the curve. Try and think of the way the world is going to be different in five, 10 years from now and anticipate that rather than respond to it reactively. Hopefully that's what we're going to do better in the next 10 years or so.

**Ilkiw:** To be sustainable, DB pension plan design should be restructured to accommodate the principles of risk-return sharing across age cohorts. Unfortunately, this realization has come too late.

**Service:** If we are going to have a vibrant retirement system in Canada and not throw ourselves back onto the governments to look after people, all the parties in the industry are going to have to work together. This will involve compromises that may not perfectly suit any party, but are essential if the system is to be made viable for the future.

**Markham:** The downside of relying on the equity risk premium for the affordability of benefit promises. There has been an advance allowance for these equity risk premiums and that advance allowance has already been spent by virtue of contribution holidays and benefit improvements. And now those decisions have come back to haunt many organizations. They're stuck with the pension improvement and they have to put a whole lot more money into the plan now because the equity risk premium actually

disappeared on them in the first three years of this decade.

### *What do you see for the future of the retirement industry in Canada?*

**De Paoli:** We're going to see a future where investor knowledge and plan sponsor risk management will grow dramatically and in unison. In the near future, investor confidence will continue to be shaken by events of mismanagement, like Enron. Second, the Internet will continue to advance basic investor knowledge. And, as boomers get closer to retirement, their level of investment awareness grows. When you have these factors present, they're going to yield a very different skill set in this country that sponsors have to be ready for. I think what we'll be able to say 10 years from now is that the average Canadian investor is much more aware of how their money works for them.

**Markham:** A greater awareness of risk, especially with respect to DC plans. DC plan members and group registered retirement savings plan (RRSP) members bear significant risk. They have to make wise investment decisions. They have to accept that the annuity market might be terrible when it comes time for them to buy their annuity and they get a low pension. So there's a lot more awareness of risk by sponsors of DB plans and members of DC plans and group RRSPs.

**Ilkiw:** A DC-dominated private sector retirement income system with the highest representation of DB plans in the public sector, especially the union-dominated public sector.

**Charbonneau:** There's certainly a big need for the main objective of

providing income security for retirees. The baby boomers haven't saved enough and they're due for a rude awakening soon. The retirement industry has big challenges. Will it deliver? It depends on how the market evolves and if there's a big switch from DB to DC. It could be a totally different world. The challenges will be totally different. If we spend 30 years trying to improve how the DB promise is delivered and then suddenly it's a whole new ball game, is all that you've learned going to be useful for the new generation of DC plans? I'm not sure.

**Service:** Unless there is significant change, we may well see a situation similar to what has unfolded in the U.K., where DB plans have largely disappeared for future employees and in some cases, for future service for existing employees. This will be particularly true for salaried private sector employees.

**Solomon:** The first challenge is the impact of the aging boomers and the demographic shift that presents. Secondly, meeting the obligations under DB plans in an environment of very low real rates of return is another significant challenge. We're not going to be able to earn our way out of these deficits. A third challenge the industry faces is making DC plans work. One of the issues that I personally have with DC plans is that plan members are either unwilling or unable to take appropriate investment risk and make the kinds of investment decisions they need to make. Finally, making pensions more inclusive by expanding coverage to the almost 60 per cent of Canadians who currently do not participate in any pension plan is another big challenge facing the industry.

## QUEL EST L'AVENIR DU SECTEUR DES RÉGIMES DE RETRAITE AU CANADA?

**De Paoli :** Les compétences des investisseurs et la gestion du risque par les promoteurs prendront toutes deux une importance considérable. À court terme, la confiance des investisseurs sera encore mise à mal par les mauvais administrateurs, comme ceux d'Enron. Par ailleurs, Internet favorisera le perfectionnement des investisseurs. Enfin, les baby boomers étant sur le point de prendre leur retraite sont de plus en plus sensibles aux questions de placement. Cela dit, les promoteurs auront affaire à des participants beaucoup plus informés. Dans 10 ans, l'investisseur canadien moyen sera bien plus au fait de la façon de faire fructifier son argent.

**Markham :** Une meilleure connaissance du risque, notamment du risque lié aux régimes CD. Les participants aux régimes CD et aux REER collectifs assument un risque considérable. Ils doivent prendre de bonnes décisions en matière de placement. Ils doivent accepter le fait que le marché des rentes viagères sera peut-être au plus bas quand ils auront à en souscrire une qui leur laissera une petite rente. Les promoteurs de régimes PD et les participants aux régimes CD et aux REER collectifs sont donc plus sensibles au risque.

**Ilkiw :** Prédominance de régimes CD dans le secteur privé, les régimes PD étant prédominants dans le secteur public, surtout dans les milieux syndiqués.

**Charbonneau :** Il faut certainement se concentrer sur notre principal objectif : assurer la sécurité du revenu des retraités. Les baby boomers n'ayant pas mis assez d'argent de côté connaîtront

With DB plans and the way the law  
allocates the rewards and risk, there is  
a distinct asymmetry between who gets  
the rewards and who has to bear the risk.

- Ian Markham

bientôt un réveil pénible. Le secteur des régimes de retraite devra relever de grands défis. Sera-t-il à la hauteur? Tout est fonction de l'évolution des marchés et de l'importance de la conversion des régimes PD en régimes CD. La réalité sera peut-être bien différente. Et les défis aussi. Si notre secteur se transforme soudainement après que nous avons passé 30 ans à tâcher d'améliorer le rendement des régimes PD, je ne suis pas certain que les leçons tirées nous seront très utiles pour les nouveaux régimes CD.

**Service :** À moins de changements importants, nous pourrions connaître la même situation qu'au Royaume-Uni, soit la quasi disparition des régimes PD pour les futurs employés et même les services futurs des employés en poste.

Les employés salariés du secteur privé sont particulièrement concernés.

**Solomon :** Le premier défi : l'impact du vieillissement des baby boomers et les changements démographiques. Le deuxième : la satisfaction des obligations des régimes PD dans un contexte où les taux de rendement réels sont très bas. Nous ne pourrions éviter les déficits. Le troisième : faire en sorte que les régimes CD fonctionnent. À mon avis, les participants à ces régimes soit refusent, soit sont incapables d'assumer un risque de placement adéquat et de prendre les décisions qui s'imposent. Enfin, comme environ 60 % des Canadiens ne participent à aucun régime de retraite, il faut que le secteur des régimes de retraite fasse en sorte de mieux les protéger.



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# ACPM's Regional Councils:

## Engaging Members and Facilitating Advocacy

**T**he ACPM's Regional Councils have played an integral role in the growth of the organization. In the early 1990s, the ACPM board of directors launched a grassroots outreach program to gauge the priorities of its members. The results of that survey laid the foundation for a long-term strategic planning exercise.

"At that point, there were no regional councils, nor were there any committees of the board," says Dan Markovich, investment consultant with James P. Marshall, a Hewitt company, in Toronto and chair of ACPM's national board from 1991 to 1993. "It was clear to us that members wanted more local area activity."

Today, ACPM works with four regional councils – Ontario, Alberta, Quebec, and British Columbia. Their purpose is two-fold: regional councils help engage ACPM members in the work of the national association, while also facilitating advocacy efforts at the provincial level.



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1984-2005: Annual returns of key indices

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
BEST	Canadian Bonds 14.7%	Foreign Equities 65.9%	Foreign Equities 67.8%	Foreign Equities 17.7%	Emerging Market Equities 28.8%	Emerging Market Equities 60.2%	Global Fixed Income 11.4%	Emerging Market Equities 59.3%	U.S. Small Caps 30.1%	Emerging Market Equities 82.4%	Foreign Equities 14.5%	U.S. Large Caps 33.9%	Canadian Large Caps 28.4%	U.S. Large Caps 39.1%	U.S. Large Caps 38.2%	Emerging Market Equities 56.7%	Canadian Bonds 10.3%	U.S. Small Caps 8.9%	Global Fixed Income 15.3%	Canadian Small Caps 46.3%	Emerging Market Equities 16.9%	Emerging Market Equities 30.4%
	Foreign Equities 14.6%	Global Equities 50.0%	Global Equities 41.0%	Global Equities 10.0%	Foreign Equities 18.0%	U.S. Large Caps 27.8%	Canadian Bonds 7.5%	U.S. Small Caps 45.5%	Emerging Market Equities 22.4%	Canadian Small Caps 52.3%	Global Equities 11.9%	U.S. Small Caps 25.0%	Canadian Small Caps 27.5%	U.S. Small Caps 27.7%	Global Equities 34.1%	Canadian Large Caps 31.7%	Canadian Large Caps 7.4%	Canadian Bonds 8.1%	Canadian Bonds 8.7%	Emerging Market Equities 27.8%	Global Small Caps 16.3%	Canadian Large Caps 24.1%
	U.S. Large Caps 12.9%	U.S. Large Caps 39.4%	U.S. Large Caps 17.2%	U.S. Large Caps 5.9%	U.S. Small Caps 14.7%	Canadian Large Caps 21.4%	U.S. Large Caps 2.9%	U.S. Large Caps 29.9%	U.S. Large Caps 18.2%	Foreign Equities 38.7%	Global Small Caps 9.2%	Canadian Bonds 20.7%	U.S. Large Caps 23.4%	Global Equities 21.3%	Foreign Equities 29.3%	Foreign Equities 19.8%	Global Fixed Income 6.8%	Global Fixed Income 8.0%	Canadian Small Caps (2.5%)	Canadian Large Caps 26.7%	Canadian Large Caps 14.5%	Canadian Small Caps 13.7%
	Global Equities 12.3%	Canadian Small Caps 39.0%	Canadian Bonds 14.7%	Canadian Bonds 4.0%	Global Equities 13.7%	Global Equities 13.8%	Emerging Market Equities (10.4%)	Canadian Bonds 22.1%	Global Fixed Income 16.1%	Canadian Large Caps 32.8%	U.S. Large Caps 7.3%	Global Equities 18.1%	U.S. Small Caps 16.9%	Canadian Large Caps 15.0%	Global Fixed Income 22.1%	Global Small Caps 18.5%	U.S. Small Caps 0.7%	Canadian Small Caps 4.1%	Emerging Market Equities (7.0%)	Global Small Caps 25.7%	Canadian Small Caps 12.6%	Global Small Caps 13.6%
	U.S. Small Caps (1.6%)	U.S. Small Caps 38.7%	Canadian Small Caps 12.3%	U.S. Large Caps (0.9%)	Canadian Large Caps 11.1%	U.S. Small Caps 12.9%	Canadian Large Caps 20.6%	Global Small Caps 13.0%	Global Small Caps 31.6%	Global Fixed Income 6.0%	Global Fixed Income 16.3%	Global Fixed Income 14.4%	Global Fixed Income 9.6%	Canadian Bonds 9.2%	Canadian Bonds 9.2%	Global Equities 18.0%	Global Small Caps (2.8%)	Emerging Market Equities 3.8%	Global Small Caps (11.4%)	U.S. Small Caps 20.5%	Foreign Equities 12.0%	Foreign Equities 10.5%
	Canadian Small Caps (2.3%)	Canadian Large Caps 25.1%	Canadian Large Caps 9.0%	Canadian Large Caps (5.5%)	Canadian Bonds 9.8%	Canadian Bonds 12.8%	Global Small Caps (16.0%)	Canadian Small Caps 18.5%	Canadian Bonds 9.8%	Global Equities 28.4%	U.S. Small Caps 4.0%	Canadian Large Caps (0.6%)	Global Small Caps 13.4%	Global Fixed Income 8.3%	Global Small Caps 7.6%	Canadian Small Caps 16.4%	Canadian Large Caps (4.3%)	Global Small Caps 2.8%	Canadian Large Caps (12.4%)	Foreign Equities 13.8%	U.S. Small Caps 9.8%	Global Small Caps 6.6%
	Canadian Large Caps (2.4%)	Canadian Bonds 21.2%	U.S. Small Caps 4.3%	U.S. Small Caps (14.1%)	U.S. Large Caps 6.9%	Canadian Small Caps 10.7%	Global Equities (16.3%)	Global Equities 18.5%	Global Small Caps 9.3%	U.S. Small Caps 24.0%	Canadian Large Caps (0.6%)	Global Small Caps 13.4%	Canadian Bonds 12.3%	Global Small Caps 7.2%	U.S. Small Caps 4.8%	U.S. Small Caps 14.1%	U.S. Large Caps (5.6%)	U.S. Large Caps (6.4%)	Foreign Equities (16.5%)	Global Equities 9.4%	Canadian Bonds 7.1%	Canadian Bonds 6.5%
					Canadian Small Caps 5.5%	Foreign Equities 7.6%	U.S. Small Caps (19.3%)	Global Fixed Income 15.8%	Global Equities 4.7%	Canadian Bonds 18.1%	Emerging Market Equities (1.8%)	Canadian Small Caps 12.6%	Foreign Equities 6.7%	Foreign Equities 6.5%	Canadian Large Caps (1.6%)	U.S. Large Caps 13.9%	Global Equities (9.5%)	Global Equities (11.3%)	Global Equities (20.4%)	Canadian Bonds 6.7%	Global Equities 7.0%	U.S. Large Caps 1.6%
							Foreign Equities (23.0%)	Foreign Equities 12.1%	Canadian Large Caps (1.4%)	Global Fixed Income 16.1%	Canadian Bonds (4.3%)	Foreign Equities 8.6%	Emerging Market Equities (7.8%)	Global Fixed Income 5.5%	Emerging Market Equities (7.7%)	Canadian Small Caps (21.5%)	Global Fixed Income (10.4%)	Emerging Market Equities (27.9%)	Foreign Equities (16.3%)	U.S. Large Caps (23.0%)	Global Fixed Income (8.0%)	Global Fixed Income 1.3%
							Canadian Small Caps (27.3%)	Canadian Large Caps 12.0%	Foreign Equities (3.2%)	U.S. Large Caps 14.8%	Canadian Small Caps (9.2%)	Emerging Market Equities (7.8%)	Global Fixed Income 5.5%	Emerging Market Equities (7.7%)	Canadian Small Caps (21.5%)	Global Fixed Income (10.4%)	Emerging Market Equities (27.9%)	Foreign Equities (16.3%)	U.S. Large Caps (23.0%)	Global Fixed Income (8.0%)	Global Fixed Income 1.3%	Global Fixed Income (6.9%)
WORST																						

Source: Franklin Templeton Investments Performance Services

## INDICES:

- Canadian Large Caps: S&P/TSX Composite Index
- Canadian Small Caps: Nesbitt Burns Small Cap Unweighted Index
- U.S. Large Caps: S&P 500 Composite (\$CDN)
- U.S. Small Caps: Russell 2000 (\$CDN)
- Foreign Equities: MSCI EAFE (\$CDN)
- Global Equities: MSCI World (\$CDN)
- Global Small Caps: S&P/Citigroup <\$2 Billion TRI (\$CDN)
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- Canadian Bonds: SCM Universe Bond Total Return Index
- Global Fixed Income: Lehman Brothers Global Aggregate Unhedged (\$CDN)

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# BC Regional Council



The BC Regional Council was created in May 2004. Its inaugural meeting was attended by 22 participants and included discussions on significant provincial and national pension issues, policy issues which need to be addressed by the provincial government, and national issues which have an impact on BC's pension plans.

The issues identified by the BC Regional Council closely track those of the ACPM's national agenda. These include:

- Surplus issues and the application of trust law to pension plans.
- Plan funding rules such as Canada Revenue Agency rules and regulatory oversight.
- Investment restrictions such as the proposal to limit investments in business income trusts and federal investment rules.
- Pension unlocking.
- The need for harmonized or uniform pension plan legislation.

One of the BC Regional Council's priorities is building strong relationships with provincial regulators. In BC, pensions are the responsibility of the Financial Institutions Commission (FICOM). The Deputy Pension Superintendent of BC reports to Alan Clark, Superintendent of FICOM. FICOM reports to the government

through Carole Taylor, BC's Minister of Finance. The BC Regional Council had the opportunity recently to work with Michael Peters, Executive Director of Pensions, who reports directly to the Deputy Superintendent.

In view of other government priorities, pension issues have not been squarely on the BC government's radar screen, except in the context of public sector collective bargaining. The BC Regional Council intends to follow the example of other ACPM regional councils, who have had good results meeting with ministers and their advisors when governments aren't facing emergency or high-profile issues with regards to pensions. The goal of this proactive approach is to encourage regulators to approach the BC Regional Council for feedback when they are considering changes in pension legislation or regulations.

The BC Regional Council consists of a dedicated group of volunteers who are committed to playing a key role in supporting the mission and goals of the ACPM on a local level. The BC Regional Council has 12 members who provide broad representation of BC's pension industry. Half of the council's members are plan sponsors or are involved in plan administration, and the other half work in firms providing legal, investment management, or pension consulting services.

Because of the high proportion of plan sponsors on the BC Regional Council, it will be seen by politicians and regulators as representative of employers and plan beneficiaries. The advisors and service provider representation, meanwhile, is key to ensuring that the council has a good understanding of the issues and their impact on all plans in the province.

The BC Regional Council is focused on developing and promoting the ACPM's policy agenda with the British Columbia government and conveying a regional perspective on national issues to the ACPM's Board and its national policy committees.

To better understand the issues affecting and opinions of BC's pension plan community, the BC Regional Council created and circulated a survey in the fall of 2005. The council has collected and summarized the responses to the survey and will be organizing town-hall meetings to discuss the results. These meetings will help prioritize the issues for the BC Regional Council. Following those sessions, the BC Regional Council will draft a paper summarizing the key issues and present it to provincial regulators.

*For more information about the BC Regional Council, please contact Rosalind Gilbert, 604-892-5117 or [Rosalind.gilbert@aon.ca](mailto:Rosalind.gilbert@aon.ca).*

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**T**he Alberta Regional Council was launched in June 2002. Like the national ACPM, the Alberta Regional Council operates primarily as an advocacy group. Its advocacy principles include:

- Clarity in pension law and regulations.
- Good governance in pension administration.
- Balanced consideration of various stakeholder interests.

Currently, the group has 14 members and meets about 10 times a year to prioritize its advocacy work. It also meets regularly with the provincial pension regulators at Alberta Finance.

“We’ve established ourselves with the pension authorities in Alberta as a critical voice to be consulted when they’re considering changes or when they’re thinking about certain policy themes,” says Randy Colwell, regional vice-president, group retirement services with Sun Life Financial in Calgary and chair of the Alberta Regional Council.

The Alberta Regional Council establishes working groups to respond to various issues and proposed regulations and legislation. Currently, the council’s main area of focus is the province’s proposal to allow plan sponsors to use letters of credit as a substitute for cash for funding a solvency deficiency.

“We’ve been commenting on the regulations with the view toward helping to make them effective so plan sponsors who are facing solvency deficiencies and wish to avail themselves of the letter of credit option know and understand how that will work,” says Colwell. “Similarly, we want to ensure that the government of Alberta better understands the mechanics of how letters of credit might work.”

In the past, the council has also proactively made submissions on a variety of issues to provincial regulators and politicians, with the goal of educating policymakers about the issues facing the pension industry in Alberta.

The Alberta Regional Council offers two seminars a year that are attended by as many as 60 industry people. Non-

members are encouraged to attend and regulators are also invited to present their views.

“It’s an opportunity to get the regulators to talk to the broader community,” says Elaine Noel-Bentley, senior director, total compensation, with Petro-Canada in Calgary and a founding member of the Alberta Regional Council.

The Alberta Regional Council is proud of its relationship with regulators, having established itself as one of the key voices Alberta Finance wishes to hear when it comes to pension issues in the province.

“We have a really good professional community of consultation-oriented pension regulators in Alberta and they reach out and connect with us quickly and easily,” says Colwell. “We take some pride in having built those relationships over the years.”

Another significant achievement of the Alberta Regional Council is that it is well-represented by plan sponsors. Eight of the council’s 14 members are plan sponsors. “They’re some of the largest pension plan sponsors in Alberta, employing



## Alberta Regional Council Cont'd

many thousands of Albertans,” notes Colwell. “And that’s deliberate because it ensures our advocacy is the voice of the plan sponsor.”

Other key issues the council will be looking at include uniformity in pension legislation across Canada and the funding framework for defined benefit plans. “There’s good opportunity for our Alberta council to continue to provide input to the Alberta regulators for purposes of those discussions, which will hopefully then influence the legislative policymakers,” says Chris Brown, a partner in the pension and benefits practice of Osler, Hoskin & Harcourt LLP in Calgary, and a member of the Alberta Regional Council.

Going forward, the Alberta Regional Council plans to continue its advocacy role as the voice of plan sponsors and build on its relationship with regulators. “My goal is for us to continue to provide appropriate input on a proactive basis to Alberta Finance. Clearly the retirement income system in Canada is under a lot pressure and I think there’s an opportunity to support Alberta Finance in

moving that forward,” says Noel-Bentley. “Alberta is trying, in some respects, to take a lead within Canada to improve the system. ACPM and the Alberta Regional Council can support that.”

*For more information about the Alberta Regional Council, please contact Randy Colwell at (403) 232-4766 or [randy.colwell@sunlife.com](mailto:randy.colwell@sunlife.com).*



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A black and white photograph of two gymnasts in mid-air, performing a high jump over a bar. The gymnast on the left is in a pike position, while the one on the right is in a more horizontal position. The background is a dark, textured surface, possibly a gymnasium floor or wall.

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# Ontario Regional Council



**T**he ACPM's first regional council was formed in Ontario in 1996. The Ontario Regional Council (ORC) supports the broader goals of the ACPM, with a focus on regional issues.

The Ontario Regional Council's focus is to inform and seek input from local pension stakeholders about issues impacting the pension environment in the province. Following the ACPM mission of advocating for the growth and health of the Canadian retirement system, the Ontario Regional Council develops and promotes its positions using feedback from local stakeholders.

Since its inception a decade ago, the Ontario Regional Council has built and maintained strong relationships with the Ontario government and provincial regulators responsible for pensions. This respectful relationship has resulted in numerous invitations to respond to initiatives both in writing and in face-to-face discussions.

In addition to working with politicians and regulators, the Ontario Regional Council proactively identifies key areas of concern that need to be addressed to improve the viability and security of the pension environment in Ontario. It advocates change that will provide an environment where employer-sponsored pension plans can expand to cover more employees. To further this important

objective, the Ontario Regional Council hosts several events designed to educate and inform plan sponsors and other stakeholders about potential regulatory and legal changes that could impact pensions in Ontario. As well, these events raise awareness of the ACPM's important role as the voice of the Canadian pension industry. These professional events include breakfast seminars, as well as half-day sessions that attract leading industry experts. Through these sessions, and an annual golf tournament, the Ontario Regional Council provides unique and productive networking opportunities within the Ontario pension community.

Some of the key areas the Ontario Regional Council has addressed, either through formal submissions to governments and regulators or through policy forums, include:

- Pension plan governance.
- Navigating through changes in legislation, regulation, and policy.
- Understanding how to minimize risks due to changes in economic conditions and volatility in financial markets.
- The Pension Benefits Guarantee Fund.
- The impact of various court rulings on pension plan sponsors.
- The merger of the Ontario Securities Commission and the Financial Services Commission of Ontario.

- The treatment of surplus in defined benefit plans.
- Transferring pension benefits after a divestiture.
- Regulation of Capital Accumulation Plans.
- Determining benefits in multi-jurisdictional plans.
- Clarity of legislation for pension division on marriage breakdown.
- Privacy and the protection of personal information.

The Ontario Regional Council operates thanks to numerous volunteers from a variety of disciplines. Notable volunteers include past chairs of the Ontario Regional Council: Paul Lewis, Doug Andrews, Scott Perkin, Bethune Whiston and the current chair Don Webster.

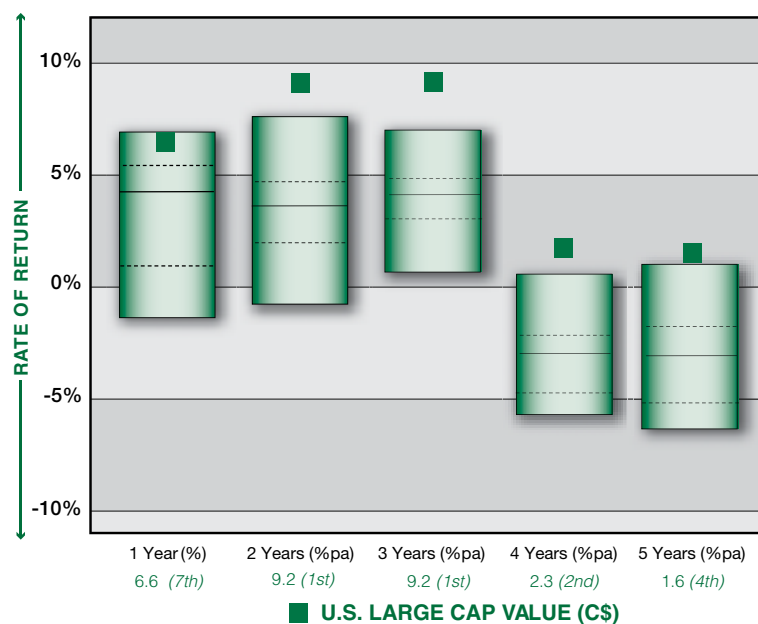
Going forward, the Ontario Regional Council will continue to play an important role in the Ontario pension community and support the broader mission and goals of the ACPM.

*For more information about the Ontario Regional Council, please contact Vanessa Wilson at (416) 964-1260, ext. 223 or [vanessa.wilson@acpm.com](mailto:vanessa.wilson@acpm.com).*

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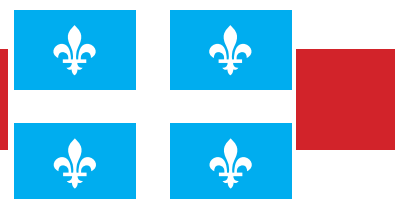
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## La création du Conseil Régional du Québec

**L**e Conseil Régional du Québec de l'Association canadienne des administrateurs de régimes de retraite voit le jour en 1996, suite à l'implication de membres de l'ACARR de la région ontarienne, et de M. Claude Reny, qui joint les rangs de l'Association en 1994. Avec la collaboration de membres de la région de Toronto, des bénévoles actifs en région montréalaise mettent en place une première activité régionale en sol québécois en avril 1995.

Après l'organisation d'une série d'activités à Montréal, le Conseil Régional du Québec est officiellement créé en novembre 1996. L'implication de nombreux bénévoles ainsi que le dévouement de MM Claude Reny et André Pelletier permettent la création du chapitre québécois de l'ACARR. Un an à peine après sa création, le Conseil Régional du Québec comptait déjà huit membres dans ses rangs.

## Proactif aux niveaux national et régional

Le Conseil du Québec évolue d'abord selon la mission générale de l'Association sur le plan national. Ainsi, le conseil vise avant tout à promouvoir les régimes de retraite en reflétant la vision de ses membres. Concrètement, l'objectif est de promouvoir un membership fort, fournir un conseil représentatif, partager les responsabilités communes au niveau national et offrir une représentation efficace auprès des gouvernements et des instances de réglementation.

Aux objectifs d'ensemble de l'Association se greffent des objectifs et rôles spécifiques à

la réalité québécoise. Ainsi, au Québec, le Conseil a un rôle de représentation et de relation avec le gouvernement et la Régie des Rentes du Québec. Depuis sa création, près d'une centaine de membres issus d'un amalgame de secteurs économiques se sont greffés à l'association, solidifiant de ce fait cet important rôle de représentation. Ce rôle est d'autant plus important, explique M. Michel Méthot, président actuel du Conseil, « puisqu'au Québec, mis à part les cabinets-conseil en actuariat, il a y peu de représentants auprès du gouvernement. ACARR en est un et il cherche à représenter tous les points de vue de ses membres concernant les régimes de retraite ».

Plus concrètement, l'ACARR, section Québec, est appelée à offrir son point de vue en commission parlementaire, lors de l'élaboration de projets de loi concernant les régimes de retraite. Le conseil agit de plus à titre de consultant pour la Régie des Rentes, et au fil des ans, il a développé un véritable partenariat avec la Régie. Un dialogue régulier incluant au moins une rencontre annuelle a été mis en place, afin de partager les préoccupations, de part et d'autres, en matière de retraite.

Le conseil a également la responsabilité d'exposer les problématiques proprement québécoises liées aux régimes de retraite à l'ensemble des membres, tant au niveau provincial que national, lors de la grande conférence annuelle qui se tient chaque année en septembre. C'est qu'aux préoccupations générales nationales se greffent des thèmes propres à la réalité québécoise, thèmes développés et présentés par le Conseil Régional du Québec.

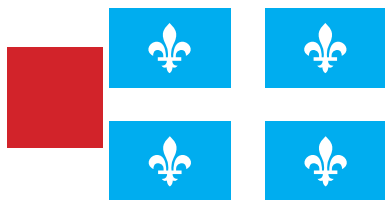
## Consolider les acquis

À moyen terme, le conseil du Québec de l'ACARR souhaite, en plus de continuer d'assurer son rôle de représentation, se concentrer sur deux principaux défis. Le Conseil vise d'abord l'augmentation globale de son membership, puis de renforcer la participation active des membres actuels et futurs. Cela implique ainsi d'intéresser de nouvelles entreprises en plus de sensibiliser les membres actuels à l'importance d'être proactifs au sein de l'association. C'est sur la poursuite de l'établissement d'un réseau de contacts efficace que le Conseil mise pour y parvenir. Concrètement, il désire accroître son membership d'une vingtaine de membres d'ici deux ans.

En somme, le Conseil souhaite continuer d'étendre la présence de l'ACARR au Québec et au Canada en misant sur un membership croissant et fort, en assumant ses responsabilités au niveau national et en continuant de représenter la vision de ses membres auprès du gouvernement et des instances réglementaires du Québec.

Michel Méthot, président actuel du conseil régional du Québec est Actuaire en chef de la compagnie Alcan et vice-président de la division Alcan-Adminco. Monsieur Méthot occupe ce poste depuis octobre 2002, à l'invitation de M. Claude Reny, initiateur et premier président du Conseil Régional du Québec.

*Plus obtenir plus d'information sur l'Association canadienne des administrateurs de régimes de retraite et connaître les modalités d'adhésion, consultez [www.acpm-acarr.com](http://www.acpm-acarr.com).*



# Quebec Regional Council

## Creation of the Quebec Regional Council

**T**he Quebec Regional Council of the Association of Canadian Pension Management was established in 1996, through the efforts of ACPM members from the Ontario region and Mr. Claude Reny, who joined the Association in 1994. With the help of members from the Toronto region, volunteers in the Montreal area organized the first regional activity in Quebec in April 1995.

Following a series of activities in Montreal, the Quebec Regional Council was officially created in November 1996. The Quebec Chapter of the ACPM is the product of the efforts of a number of volunteers as well as of the dedication of Claude Reny and André Pelletier. Barely one year later, the Quebec Regional Council already had eight members.

## Proactive at the national and regional levels

The Quebec Council works to promote the general mission of the Association at the national level. The Council promotes pension plans that reflect its members vision. Concretely, the objective is to foster a vigorous membership and a representative Council, to share common responsibilities at the national level and to ensure efficient advocacy efforts aimed at legislators and regulators.

The Quebec Council also has specific objectives and responsibilities. In Quebec, the Council plays an advocacy role to the government and the Régie des rentes. Since its creation, more than one hundred members from various industries have joined the Association, consolidating this crucial advocacy role. This function is especially important since, according to Mr. Michel Méthot, current Council President, "In Quebec, except for actuarial consulting firms, there are few organizations that play an advocacy role. The ACPM is one of them and presents the viewpoints of its members regarding pension plans."

Specifically, the Quebec section of the ACPM makes submissions to parliamentary commissions at the drafting stage of pension legislation. The Council is a consultant to the Régie des rentes and has, over the years, developed a true partnership with the Régie. A regular dialogue, including at least one annual meeting, allows both parties to share their concerns regarding pensions.

The Council is also charged with explaining questions specific to Quebec to the membership at large, both at the provincial and national levels, at the annual Conference in September. The Quebec Regional Council develops and presents issues specific to Quebec within the general framework of national concerns.

## Solidifying existing assets

In the medium term, the Quebec Chapter of the ACPM wishes to focus on two major challenges, in addition to its advocacy role. First, the Council aims to increase its membership and reinforce the active involvement of its current and future members. This requires recruiting new organizations in addition to fostering awareness among current members on the importance of playing a proactive role within the Association. This can be achieved through the establishment of an efficient network of contacts. The Council hopes to recruit some twenty new members over the next two years.

In summary, the Council wishes to increase the visibility of the ACPM in Quebec and in Canada through an increased and reinforced membership, the assumption of its responsibilities at the national level and the continued advocacy of its members' vision to the Quebec government and to provincial regulatory bodies.

Mr. Michel Méthot, current President of the Quebec Regional Council, is Chief Actuary of Alcan and Vice-President of the Alcan-Adminco division. Mr. Méthot has been President since October 2002, at the invitation of Mr. Claude Reny, founder and first President of the Quebec Regional Council.

For more information on the Association of Canadian Pension Management, as well as membership requirements, please visit [www.acpm-acarr.com](http://www.acpm-acarr.com).



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# Hello.

## If only all 30-year-olds were as retirement savvy.

Congratulations on your successes to date,  
and here's to an even brighter future.

## Happy Anniversary!

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