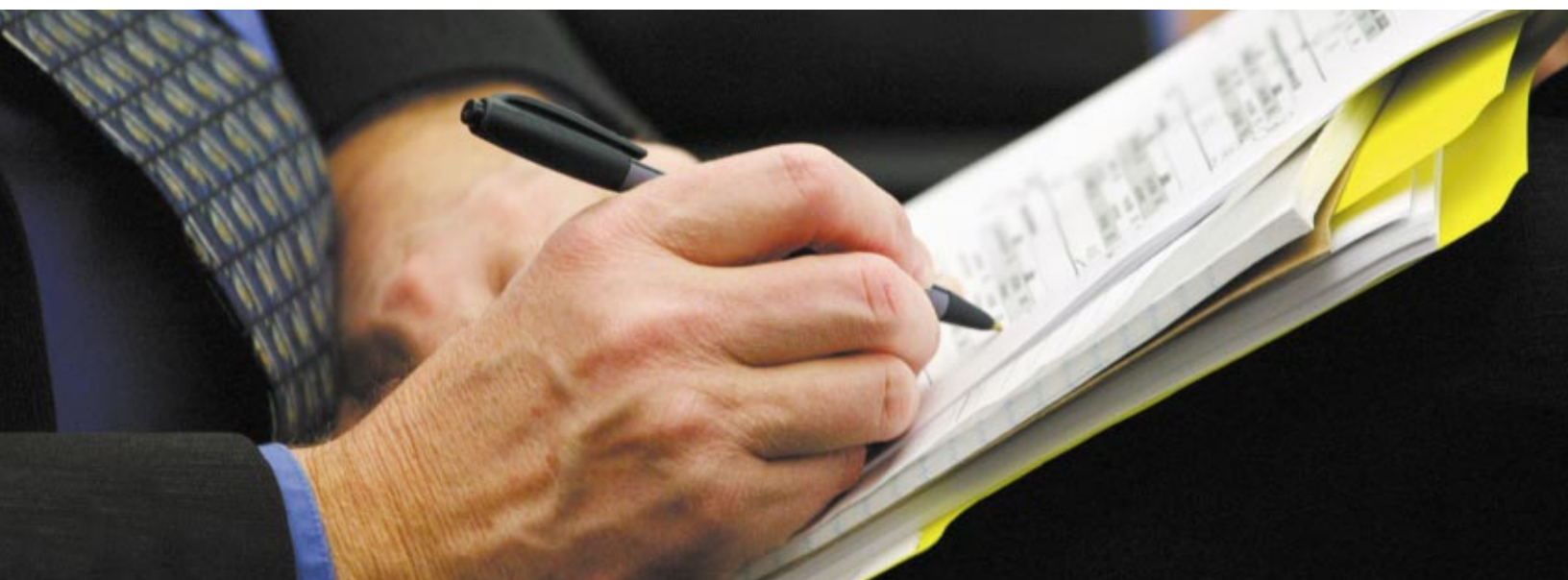




International Centre for
Pension Management

2005/2006 ANNUAL REPORT



Joseph L. Rotman School of Management
University of Toronto

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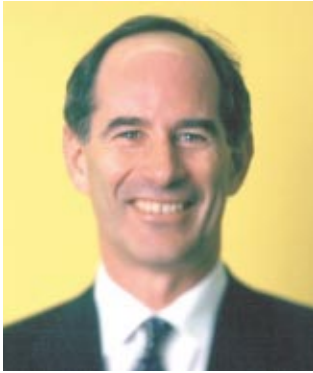
OUR VISION

The Rotman International Centre for Pension Management (ICPM) strives to become a global catalyst for improving pension management.

To this end, the Centre sponsors research and fosters dialogue that focuses on building better pension 'deals', better pension fund organizations, and better pension legislation and regulation.

Through these activities, we also create opportunities to raise pensions-related content in regular and executive courses at the Rotman School of Management and other education-oriented forums.

DEAN'S MESSAGE



ROGER MARTIN

Dean and Professor of Strategic Management
Joseph L. Rotman School of Management

Since its launch just last year, the Rotman International Centre for Pension Management (**ICPM**) has already significantly raised the Rotman School's profile in the global pension fund community. Its focus on good pension fund governance and organization design, articulating defensible investment beliefs, and designing and managing sustainable pension deals draws on the Rotman School's growing expertise in Integrative Thinking™ and Business Design™.

By aiming to become a leading exchange of best practices in global pension management and a source of thought leadership in pension fund legislation and regulation, the Centre mirrors the School's global aspirations for excellence. Perhaps most importantly, the Centre is creating opportunities to raise pension-related content in the Rotman curriculum, helping us to better train tomorrow's leaders to employ integrative thinking to shape their world for the better.

DIRECTOR'S MESSAGE



KEITH AMBACHTSHEER

Director
Rotman International Centre for Pension Management

ICPM had a great first year of accomplishments. It started right off the bat, with 13 thought-leading pension organizations signing up last spring to become **ICPM** Research Partners. The June 2005 Workshop and the October 2005 Colloquium were both exciting, highly interactive, 'sold out' events. Work commenced almost immediately on important research projects on agency costs, pension fund governance, and performance benchmarking protocols. These projects are now well underway, with research findings expected later in 2006.

Looking ahead, **ICPM** has begun to actively solicit new research proposals of interest to its Research Partners. The first **ICPM** case study was written last year, with a second on the drawing board for this year. Plans to expand the faculty at Rotman specializing in financial institutions and pensions are being implemented. A great new year of accomplishments lies ahead!



*Foreground:
Donald Raymond, Canada Pension
Plan Investment Board (Canada)
Background:
Malcolm Hamilton, Mercer Human
Resource Consulting (Canada)*

OUR RESEARCH PROGRAM

While **ICPM** needs to do a number of things well to be successful, most important among them is to foster an outstanding research program that helps build better pension 'deals', better pension fund organizations, and better pension legislation and regulation.

To achieve this goal, **ICPM** will sponsor research projects in the following six areas:

- Financial characteristics and viability of various forms of pension arrangements
- Identification and management of agency issues in the pensions field
- Effective governance and organization design of pension funds
- Formation and revision of defensible investment beliefs
- Relevant definitions, measurement, and management of pension stakeholder risk exposures
- Design of optimal implementation strategies

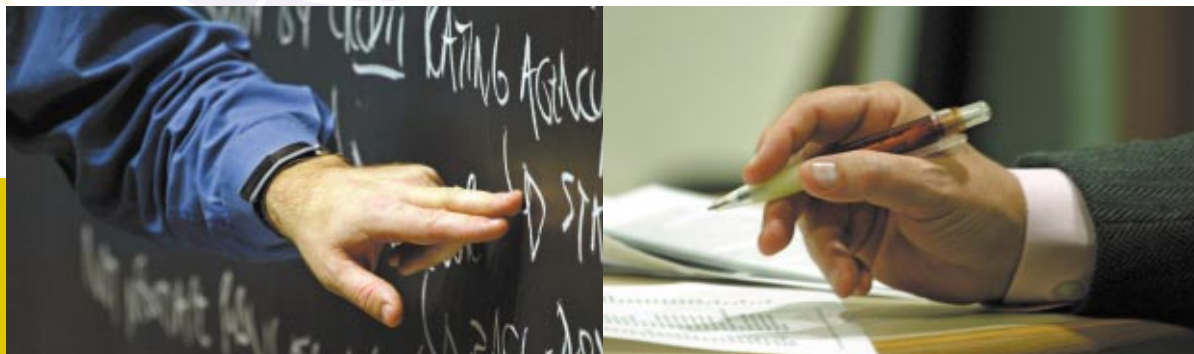
www.rotman.utoronto.ca/icpm

OUR RESEARCH PARTNERS

Our Research Partners play a vital role in establishing **ICPM** research priorities and identifying top research talent. They have preferred access to **ICPM**-sponsored research findings, opportunities for knowledge-sharing and network-building, and receive preferred invitations to **ICPM** workshops, colloquia, and other events.

Through these activities, our Research Partners have the satisfaction of participating in building a leading Centre that converts integrative research into effective pension fund management. This will benefit their stakeholders directly, and at the same time improve the quality of retirement income systems around the world.

In 2005/2006, 13 thought-leading organizations each made a financial commitment of C\$20,000. These commitments are renewed annually at the option of each organization. The goal at **ICPM** is to work with 15-20 international Research Partners on a long-term basis.



2005/2006 RESEARCH PARTNER ORGANIZATIONS

Canada

- Alberta Local Authorities Pension Plan Corp
- Canada Pension Plan Investment Board
- Caisse de dépôt et placement du Québec
- Ontario Municipal Employees Retirement System
- Ontario Teachers' Pension Plan

USA

- Missouri State Employee Retirement System
- Washington State Investment Board

Australia/New Zealand

- New Zealand Superannuation Fund

The Netherlands

- ABP Investments
- De Nederlandsche Bank
- Interpolis Pensioenen Vermogensbeheer
- Pensioenfonds PGGM

Norway

- Norges Bank

RESEARCH IN PROGRESS – 2005/2006



Centre Back (moving clockwise): Rob Bauer, ABP Investments (The Netherlands); Sandra Matheson, State of Washington (USA); Kendra Strauss, Oxford University (UK); Herman Bril, Interpolis Pensioenen (The Netherlands); Catherine Lussier, Caisse de dépôt et placement du Québec (Canada)

AGENCY COSTS STUDY – *anticipate completion October 2006*

Only net returns are available to help pay pensions. So investment costs matter. The focus of this study is the role principal-agent issues play in determining investment costs and net returns in pension and mutual funds.

- Project Lead – Rob Bauer, ABP and University of Maastricht (The Netherlands).
- Team Members – Roger Otten and Rik Frehens of the University of Maastricht (The Netherlands), Hubert Lum of CEM Benchmarking (Canada), and Keith Ambachtsheer of **ICPM** (Canada)

PENSION FUND GOVERNANCE STUDY – *anticipate completion October 2006*

While there is now a large body of research on corporate governance issues, this is not the case with pension fund governance. The focus of this study is to gauge the effectiveness of current pension fund governance, and how it can be improved.

- Project Lead – Keith Ambachtsheer, **ICPM** (Canada)
- Team Members – Ronald Capelle, Capelle Associates (Canada), and Hubert Lum of CEM Benchmarking (Canada)

PENSION FUND MANAGEMENT CASE STUDY #1 – *completed in September 2005*

Changing old habits is difficult. This is the challenge facing 'pension fund CEO Alyson Green', the subject of the **ICPM** Case Study. It means presenting the pension balance sheet in a new light. It means persuading a reluctant board of trustees to take action. Visit our website and discover what advice she received from attendees to the October 2005 Colloquium.

- Project Lead – Keith Ambachtsheer, **ICPM** (Canada)
- Team Members – Alexander Dyck, Rotman School of Management (Canada), and Niels Kortleve and Hein Leenders of Pensioenfond PGGM (The Netherlands)



Far Right (moving clockwise): Niels Kortleve, Pensioenfond PGGM (The Netherlands); Tony Wohlforth, Ontario Pension Board (Canada); Bjorn-Geir From, The Ministry of Finance / Government Pension Fund (Norway)

BENCHMARKING PROTOCOL FOR PENSION FUND PERFORMANCE

This project is still in process of being defined. No project lead has been assigned as yet.

PENSION FUND MANAGEMENT CASE STUDY #2 – *anticipate completion in October 2006*

The second case study sponsored by **ICPM** will be written during the summer of 2006 and discussed at the October 2006 Colloquium. The study will focus on the optimal design of the pension fund investment function.



Keith Ambachtsheer, Director, Rotman ICPM (Canada)

www.rotman.utoronto.ca/icpm

RESEARCH CALL FOR PAPERS

A budget allocation has been made to fund a number of additional research projects in one or more of the six areas of interest to the **ICPM** Research Partners listed on page 4. A solicitation strategy for reaching the best researchers in the pensions field in the world has been devised, and is currently being implemented.

Each **ICPM** Research Partner will be represented in the **ICPM** Research Council, which will provide valuable feedback during the selection process in order to identify projects which meet various criteria. Through this mechanism, all Research Partners will be involved in shaping the **ICPM** Research Program.

A smaller Research Committee has been appointed by the **ICPM** Board of Directors and it will be responsible for overseeing the review process. Final decision on funding amounts and project approval will lie with the Research Committee.

- Paul Halpern, Chair, Rotman School of Management (Canada)
- John Ilkiw, Canada Pension Plan Investment Board (Canada)
- Niels Kortleve, Pensioenfondsgroep PGGM (The Netherlands)
- Keith Ambachtsheer, **ICPM** (Canada)

DISCUSSION FORUMS



Paul Halpern, ICPM Research Committee Chair, Rotman School of Management (Canada)



Tony Wohlfarth, Ontario Pension Board; Dennis Gartner, Alberta Finance; Ron Liteplo and Leslie Young, Alberta Local Authorities Pension Plan Corp. (all Canada)

ICPM sponsors two events annually. Workshops have a narrower, in-depth focus, geared towards 50 invited participants and typically occur in the spring. Colloquiums are broader, more integrative, multi-disciplinary events for 60-80 invited participants and typically occur in the fall.

*Presentations and academic working papers that are presented during our Discussion Forums are publicly available at no charge on the **ICPM** website.*

These events provide access to **ICPM**-sponsored research findings as well as opportunities for knowledge-sharing and network-building for our Research Partners, international industry leaders and regulators interested in furthering pension fund management.

Our June 2005 Workshop focused on **Pension Plan Design, Risk and Sustainability**. This workshop brought together top researchers from around the world to debate the optimal design of pension plans. The risks embedded in traditional DB plans with large retiree populations were shown to be material, making their sustainability problematic. On the other hand, traditional DC arrangements were shown to produce very erratic pension patterns. Workshop participants discussed a number of measures and strategies to mitigate these problems.

Our October 2005 Colloquium focused on **Investment Beliefs, Risk, and Pension Fund Governance**. The highlight of the colloquium was an animated 3-hour discussion of a case study which focused on the measurement and interpretation of the balance sheet of the *Public Employees Retirement System*. Did *PERS* have a serious underfunding problem? Or not? What, if anything, should be done about it? The other major colloquium topic was 'investment beliefs'. Static or adaptively dynamic? How are investment beliefs best integrated into pension fund decision-making? Discussion and debate on these questions produced important new perspectives and insights.

DISCUSSION FORUM PARTICIPANTS – 2005

AUSTRALIA

GMO and SunSuper
Jack Gray

UniSuper Management
Stephen Milbourn-Pyle

CANADA

Alberta Finance
Dennis Gartner

**Alberta Local Authorities
Pension Plan**
Ron Liteplo
Leslie Young

Bank of Canada
Jim Armstrong
Philippe Muller
Chris Reid
Jack Selody

**Caisse de dépôt et
placement du Québec**
Richard Guay
Jean-François L'Her
Catherine Lussier

Canadian Auto Workers
Jim Stanford

Capelle Associates Inc.
Ronald Capelle

CEM Benchmarking Inc.
Michael Heale
Hubert Lum

**Canada Pension Plan
Investment Board**
William Ding
John Ilkiw
Graham Pugh
Donald Raymond

Department of Finance
Wayne Foster

Eckler and Co.
David Brown

Gordon Hall and Associates
Gordon Hall

**Greystone Capital
Management**
Donald Black

**Hospitals of Ontario
Pension Plan**
Josephine Marks

**Mercer Human Resource
Consulting**
Malcolm Hamilton

**Office of the Superintendent
of Financial Institutions**
Patty Evanoff

**Ontario Municipal Employees
Retirement System**
Jennifer Brown
Paul Pugh
Roger Robineau

Ontario Pension Board
Tony Wohlfarth

**Ontario Teachers'
Pension Plan**
Robert Bertram
Claude Lamoureux
James Leech
Robin Korthals

**Public Services
Pension Investments**
Pierre Malo

Rotman ICPM
Keith Ambachtsheer
Ann Henhoeffter

**Rotman School of
Management**
Laurence Booth
Brendan Calder
Alexander Dyck
Paul Halpern
John Hull
Fred Peters
Alan White

**University of Toronto
Asset Management**
Felix Chee

**University of Toronto,
Munk Centre**
Peter Warran

**Workplace and Safety
Insurance Board**
John Denham

York University
Valter Viola

FINLAND

Petri Kuusisto Consulting
Petri Kuusisto

NORWAY

Norges Bank
Sigbjorn Atle Berg

**The Ministry of Finance /
Government Pension Fund**
Bjorn-Geir From

THE NETHERLANDS

ABP Investments
Rob Bauer
(University of Maastricht)
Tom Steenkamp
(Vrije University Amsterdam)

ABP Pensioenfond
Eduard Ponds
Roy Hoevenaars

De Nederlandsche Bank
Dirk Broeders
Jorim Schraven

Interpolis Pensioenen
Herman Brill
Rob Heerkens

Netspar
Theo Nyman
(University of Tilburg)

Pensioenfond PGGM
Hein Leenders
Niels Kortleve
Rikkert Scholten

UNITED KINGDOM

Oxford University
Gordon Clark
Kendra Strauss
Morag Torrance

UNITED STATES

**California Public Employees'
Retirement System**
Richard Roth

Jeremy Gold Pensions
Jeremy Gold
*(Wharton School, University
of Pennsylvania)*

**MIT Sloan School
of Management**
Andrew Lo

State of Washington
Sandra Matheson

TIAA-CREF
Douglas Fore

**United Food and
Commercial Workers**
David Blitzstein

**Washington State
Investment Board**
Joseph Dear
Theresa Whitmarsh

FINANCIAL STATEMENT

OPERATING REVENUE FOR FISCAL YEAR 2005/2006

Research Partners	\$ 260,000
Surplus from Previous Events	70,613
Other Speaking Fees	10,058
	<hr/>
	\$ 340,671

OPERATING EXPENDITURES FOR FISCAL YEAR 2005/2006

Executive Director	\$ 68,548
Planning and Operations Support	33,248
Rent and Utilities	14,323
Events:	
June 2005 Workshop	17,131
October 2005 Colloquium	19,120
Board Meetings	921
Research	4,338
PR/Marketing/Website	1,645
Office Supplies and Services	8,361
	<hr/>
	\$ 166,994

Year End Results

\$ 173,677
Excess Revenue

PRO BONO WORK* (allocated value)

Board Members	\$ 24,000
Research Projects	188,800
	<hr/>
	\$ 212,800

* This estimates the value of work donated to **ICPM** by its Research Partners and other academic researchers in the fiscal year 2005/2006.

BOARD OF DIRECTORS

The Rotman **ICPM** Board of Directors approves and oversees the implementation of the Centre's strategic and operating plans. The **ICPM** Board is comprised of both Rotman faculty and recognized international industry leaders involved in furthering the Research Program that is currently underway.

The Board holds quarterly board meetings and also attends the Workshop and Colloquium each year.

- *Brendan Calder, (ICPM Chair), Rotman School of Management (Canada)*
- *Rob Bauer, ABP and University of Maastricht (The Netherlands)*
- *Robert Bertram, Ontario Teachers' Pension Plan (Canada)*
- *Laurence Booth, Rotman School of Management (Canada)*
- *Richard Guay, Caisse de dépôt et placement du Québec (Canada)*
- *Donald Raymond, Canada Pension Plan Investment Board (Canada)*



Alexander Dyck of the Rotman School of Management led the highly interactive Pension Fund Management Case Study during the ICPM October 2005 Colloquium to an international audience of pension fund professionals.



International Centre for
Pension Management

Please contact us to learn more about Rotman ICPM

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