

# PENSION UPDATE

August 2009

## Time for a new “status quo”?

By Jeff Gray, Vice President

Does a year of near historic economic upset and market volatility warrant a new perspective in terms of investing funds for individuals, endowments & foundations, or oversight responsibilities for pension committees?

With the changes we have seen in the last year we can pretty much conclude that most people had an emotional and perhaps even a financial heart-attack with so much change.

First, let's look at pension committees. Are they ready for a change and should they adopt change?

Pension committees are considerably more open to change than individuals. This is fueled by the standard of care required by a fiduciary which under the Pension Benefits Act requires care, diligence, and skill in dealing with the property of another person.

The greatest area for pension committee improvement is additional external resources dedicated to meet their plan oversight objectives. This brings outside perspective to the committee as well as specialized resources that are not available or not practical in terms of use by plan sponsors. Evaluation of investment funds goes well beyond a historic look at performance and established benchmarks set by the fund manager. The specialized tools and databases that provide modeling, attribution, and performance characteristics are not used by plan sponsors as they require significant investment and operational knowledge. In addition the outputs of multiple database sources require interpretation of results. The demands and expectations of fiduciaries to use specialized and expert knowledge to meet their responsibility is sometimes conflicted with concern about resource costs. This cost concern is less of an issue for more established and informed pension committees who view these costs much like a business investing in its own future.

What about plan members. Are they ready for a change—do they need one?

Our bet is that plan members will follow human nature and resist change. This resistance to change will ironically be the savior for most as those who cashed out when the days looked darkest are already regretting their decision to cash out while markets recover – even if it is a rocky road. In short, status quo for plan members if they have already adopted appropriate investment direction is likely just fine provided they continue to make an effort to better understand the investment aspects of planning for retirement.

## Pension Matters

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## Index Performance to June 30, 2009

Index	YTD	1 Year	2 Year
DEX Bond Universe	2.8	7.0	6.9
S&P/TSX Composite	17.6	-25.7	-10.9
S&P 500 (C\$)	-2.1	-15.8	-16.3
MSCI EAFE (C\$)	2.0	-21.0	-17.7
MSCI World (C\$)	0.5	-18.7	-16.6

## How do your funds compare?

## Median Performance to June 30, 2009\*

Asset Class	YTD	1 Year	2 Year
Cdn Bond	4.0	6.9	6.8
Cdn Equity	17.5	-24.0	-10.7
U.S. Equity	-1.7	-16.3	-16.4
Int'l Equity	1.8	-21.2	-18.0
Glbl Equity	0.7	-17.3	-16.0

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\* Median returns are calculated gross of fees using data provided by third parties. Proteus cannot guarantee their accuracy.