



shortfalls rattles some of the pillars and assumptions of retirement planning.

The ideal scenario is a robust stock market, a reasonable return on bonds, and a growing economic climate. However, while we wait for that combination, it is best that the affected companies remain profitable for as long as possible.

There are only so many precious corporate earning dollars. Funding pension shortfalls will require some. Patient shareholders want some too.

The public can help by giving more thought to spending patterns when they make consumer choices. As an example, buying the widget made domestically ultimately supports that company's pension plan. Buying the imported widget helps the offshore pension plan.

At the same time, companies have to ensure that consumers favour their homegrown products and services over other solutions. That message has to reach all companies and consumers.

The resourceful companies that pay

special attention to this dilemma will be more successful. The resulting improvements in corporate profitability will make it easier to deal with their pension commitments.

Pension plans continue to be an integral part of many retirement plans. Some people rely on their pension plan to provide a significant portion of their retirement income.

As a matter of course, I discuss pension ramifications with each of my clients. I ask what would happen to their retirement plan if the expected

Find the bank you want with an RFP

As spending by businesses and other organizations on non-credit banking services has risen to more than US\$13 billion annually, lack of competition and rising prices within the banking industry have motivated treasurers and CFOs to change the way they choose banks. Many have adopted a technique from the public sector – the request for proposal (RFP) process. In a 2004 survey by Treasury Information Services, about 75% of respondents had conducted an RFP for financial services in the previous three years.

The benefits of RFPs are greater objectivity in comparing services and better control over costs. Because all the banks or other service providers respond to the same questions, a customer can evaluate them against each other more easily.

In *RFP Questionnaires for Financial*

Services, authors Kenneth L. Parkinson and Raymond P. Ruzek provide 70 questionnaires covering a wide range of financial services plus advice on preparing RFPs and evaluating pricing estimates, all in an electronic format. New chapters in the current fourth edition cover the remote capture of checks, cash forecasting support, custody services, short-term lines of credit, commercial letters of credit, and pay cards. The book includes questionnaires about Sarbanes-Oxley support and information integration, including ERP systems.

RFP Questionnaires for Financial Services, 4th edition US\$119 via electronic delivery or US\$124 for CD-ROM, through December 2005. Contact Treasury Information Services at 1-888-TIS-BOOKS or www.tisbooks.com

pension receipt was reduced by 25% to 50%. A disturbing thought indeed, but one that all pension-plan members need to consider.

In fact, every member of a pension plan should become more informed about its funding issues. They should also ask themselves what can be done to improve their plan's future prospects.

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Listen to this

Pension education can be an employee benefit.

by Ron Robins

THE CANADIAN LABOUR CONGRESS RELEASED A POLL IN AUGUST 2004 showing that the percentage of those "worried about not having enough money to live after retirement" had risen in two years to 73% from 54%. Yet many employees fail to put much thought into planning their pensions. This is where companies have the opportunity to step in: Why not offer pension education as an employee benefit?

One possibility in this area, and a unique way to motivate employees, is to apply personal values (social, environ-

mental, etc.) to investments. Since I'm involved in the business, my opinion is obviously biased, but there is plenty of

research that shows this is an area of growing interest and importance. For example, a survey released in February 2004 by GlobeScan found that 84% of Canadian shareholders believe that the "financial community should pay more attention to social and environmental performance when valuing companies." In addition, 80% of shareholders are interested (23% very interested and 57% somewhat interested) in learning more about the corporate social responsibility (CSR) performance of companies in their investment portfolios.

Even major business publications are lending support to this idea. Report on Business magazine ran a feature story in its March 2004 issue on "socially responsible investing." It introduced the story on a blank, white, front cover with a line that read, "the

When I'm 65½

As Ontario pushes ahead with legislation banning mandatory retirement at 65, employers need to prepare themselves. Bill 211, introduced last spring, would extend protection against age discrimination for people working past age 65. But it raises some concerns for employees and employers alike, such as:

- Should unproductive staff approaching 65 be coaxed into retirement now, heading off potential problems if they decide to keep working under the new law?
- Can employers get away with paying benefits to workers under 65 but not over 65, as the new law would allow? The Ontario Human Rights Commission has already indicated this may be discriminatory.
- Should workers and companies take on the financial risk of on-the-job injuries with no workers'-compensation insurance coverage beyond age 65?

When the bill was introduced in June, then-labour minister Chris Bentley said it

did not force workers' compensation or benefit coverage past age 65 to avoid putting additional costs on employers and to protect coverage employees now enjoy.

About 100,000 Ontarians turn 65 every year and, given the experience in other provinces such as Manitoba and Quebec that have scrapped mandatory retirement, about 4,000 will likely stay in their jobs.

That's not a huge number, and it shouldn't generate any additional costs for benefits or insurance to cripple employers.

As the legislation now stands, the decision on whether to offer benefits past 65 is up to employers on their own or in consultations with unions representing their workers.

Source: *Toronto Star*

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most important issue of the century... so far."

Adding to the importance of getting employees engaged in their pension planning is the shift from defined-benefit to capital-accumulation plans (CAPS), which include defined contribution plans, group RRSPs, RESPs and deferred profit-sharing plans. According to an April 2004 Hewitt Associates survey, the number of defined-benefit plans offered by surveyed companies will drop to 39% from 49% between 2000 and 2006, while defined-contribution plans will increase to 53% from 43% in the same period. CAPS also necessitate greater employee engagement because of the multitude of choices available to employees.

Hewitt also found wide differences between employees' and management's perceived benefits of their company pension. Barely half of employees thought their pension would provide them with retirement security. In contrast, over 80% of employers thought their pension plans provided retirement security to their employees. When the study asked retirees what they would have done differently given the opportunity, the number-one answer was "to have started contributing to an RRSP sooner." The Hewitt survey also noted: "One of the most fre-

quent anecdotal comments provided by those [retirees] who completed the survey was the need for more information,

"Generally there is room for employees and employers to get more engaged in pensions and retirement planning. I believe this has started."

guidance and advice about starting early to save for retirement."

Evidence from two other significant studies in 2004 also supports the view that employees should have RRSPs, etc., in addition to their employer- or union-sponsored plans, as some of these may not be available for them upon their retirement. In February, the C.D. Howe Institute said that Canadian workplace

pension plans were underfunded by \$180 billion. In June, the Certified General Accountants Association of Canada said that "59% of all defined-benefit pension plans in Canada are now running deficits that will require \$160 billion to cover the total shortfall."

Regardless of the exact figures involved, the result of defined-benefit pension-plan failures could be ugly. Even with CAPS, there is still the potential for significant problems, legal and otherwise. One way to reduce these potential problems and employee dissatisfaction is to actively promote and offer pension investor education programs.

Deborah Lomow, senior vice-president, corporate pensions, at Scotiabank, says, "I think that, generally, there is room for employees and employers to get more engaged in pensions and retirement planning. I believe that this has started, and that the momentum will only build."

But more comprehensive employer-sponsored, pension-plan education for employees is needed. Incorporating an educational component that shows employees how to include their personal values-not just material ones-in their investment choices, could be used as a way to engage them in their pension planning. Further, companies

offering such educational programs make an important positive statement about their values to their employees and stakeholders.

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