

Legislative News Release

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Employee Pension Plans

The aim of these news releases is to keep you up to date on the most recent legislative changes governing pension plans and various aspects of the way in which your plan works. This initiative is part of Assumption Life's information and communications program for employers, pension committee members, and employees participating in your pension plan. This particular news release shares with you some current issues involving pension plans and investments.

We encourage you to send copies of this news release to your employees.

Canada Pension Plan Assets Up

The assets of the Canada Pension Plan fund were up \$11.1 billion in the first quarter. The fund ended the first quarter of fiscal 2010 on June 30 at \$116.6 billion compared with \$105.5 billion at fiscal year end on March 31, 2009. Investment income made up \$7.6 billion of the gain, with the remainder consisting of \$3.5 billion in CPP contributions not needed to pay current benefits. The investment gains represent a 7.1 per cent increase.

DC Members Do Nothing

Many Defined Contribution pension plan participants did nothing at all during the worst of the 2008 market turmoil, says a research report from the Vanguard Center for Retirement Research. 'Inertia and retirement savings: Participant behavior in 2008' shows during 2008, 16 per cent of participants in Vanguard-recordkept plans traded in their accounts while 84 per cent did not. The fact that DC participant activity during the height of economic disturbance was comparatively low proves that inertia continues to be the dominant decision-making approach in retirement savings. The report says "In response to exceptional

market circumstances, most participants chose the path of least resistance and did nothing in 2008."

Canadians Optimistic Recession End Near

Forty-one per cent of the large companies and financial institutions participating in a Greenwich 'Market Pulse' expect the global recession to come to an end in the next 12 months, but almost 55 per cent expect the downturn to last for at least another year. Canadian companies and institutions are the most optimistic, with nearly half expecting a global recovery within the year. Fourteen per cent of Canadian respondents think the global recession is already over. The least optimistic are UK respondents where only 20 per cent expect global recovery in the next year; 56 per cent think the global recession will last another one to two years, and 16 per cent expect it to continue for three years or longer.

Signals Indicate End of Recession

A prediction that economic growth in Canada would resume in the second half of this year and pick up in 2010 signals the end of the recession. Mark Carney, governor of the Bank of Canada, says "we now expect the Canadian economy will contract by 2.3 per cent this year and then grow by three per cent in 2010 and 3.5 per cent in 2011". Stimulative monetary and fiscal policies, improved financial conditions, firmer commodity prices, and a rebound in business and consumer confidence are spurring domestic demand growth. However, he warned "this recovery is nascent. To sustain global growth, effective and resolute policy implementation remains critical".

Employee Pension Plans

CPP To Pay More Benefits for a Longer Period

According to a study recently released by the Chief Actuary of Canada, more Canadians are expected to receive pension benefits for a longer period of time, as a result of Canadians living longer. The CPP Mortality Study produced by the Office of the Chief Actuary concluded that by 2050, male beneficiaries are expected to receive their retirement benefit for an additional 3.3 years and female beneficiaries for an additional 2.3 years, compared to the same study in 2005. The increase in life expectancy is anticipated to grow to a total of four additional years for both genders by 2075.

The study's results also showed that the higher the CPP retirement, the higher the beneficiary's life expectancy. At age 60, male CPP beneficiaries with a maximum pension tend to live three years longer than male beneficiaries with a lower pension. A two-year gain was observed for female beneficiaries.

‘This information is very valuable as it helps us plan and anticipate both real and potential shifts in the strength of the CPP’, says Jean-Claude Ménard, Chief Actuary. ‘The study's findings, coupled with our other actuarial research, leaves us satisfied that the CPP will remain viable for the next 75 years as projected in our 23rd Actuarial Report.’

Reminder: Mandatory Retirement Comes to an End in Nova Scotia

Mandatory retirement came to an end in Nova Scotia on July 1st, 2009.

An Act Respecting the Elimination of Mandatory Retirement, S.N.S. 2007, c. 11, which was proclaimed effective as of July 1st, 2009, prohibits mandatory retirement in most cases by: (1) repealing the provisions of the *Human Rights* that listed a *bona fide* mandatory retirement program as a permissible exception to the prohibition to discriminate on the basis of age; and (2) amending the *Labour Standards Code* so that it no longer permits employers to automatically terminate employees upon reaching a mandatory retirement age according to established business practices.

However, mandatory retirement policies continue to be permitted if they are established by the employer on the basis of a *bona fide* occupational requirement for the position in which that person is employed. The legislation also permits age-based distinctions to continue in relation to *bona fide* insurance and pension plans.

PIAC Backs Pension Reform

The Pension Investment Association of Canada (PIAC) is pleased that federal and provincial finance ministers have held preliminary meetings to discuss pension reform. However, it urges governments to strive for harmonization of pension rules across Canada to resolve the legislative and administrative barriers that are hampering the existing pension system. It has also called on the various governments to eliminate the quantitative investment rules and more to the prudent person standard, which is in line with the approach taken by most other developed countries.