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.
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.

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!
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 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
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 Pensioenfonds PGGM (The Netherlands)
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.

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, Pensioenfonds PGGM (The Netherlands)
- Keith Ambachtsheer, ICPM (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.

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
Philipe 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

Roman ICPM
Keith Ambachtsheer
Ann Henhoeffer

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

University of Toronto Asset Management
Felix Chee

University of Toronto, Munk Centre
Peter Warrian

Workplace and Safety Insurance Board
John Denham

York University
Valter Viola

FINLAND
Petri Kuusisto Consulting
Petri Kuusisto

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 Pensioenfonds
Eduard Ponds
Roy Hoevenaars

De Nederlandsche Bank
Dirk Broeders
Jorim Schraven

Interpolis Pensioenen
Herman Bril
Rob Heerken

Netspar
Theo Nyman
(University of Tilburg)

Pensioenfonds 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**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Partners</td>
<td>$260,000</td>
</tr>
<tr>
<td>Surplus from Previous Events</td>
<td>$70,613</td>
</tr>
<tr>
<td>Other Speaking Fees</td>
<td>$10,058</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$340,671</strong></td>
</tr>
</tbody>
</table>

**Operating Expenditures for Fiscal Year 2005/2006**

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

**Year End Results**

**$173,677**

**Excess Revenue**

**Pro Bono Work* (Allocated Value)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Members</td>
<td>$24,000</td>
</tr>
<tr>
<td>Research Projects</td>
<td>$188,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$212,800</strong></td>
</tr>
</tbody>
</table>

*This estimates the value of work donated to ICPM by its Research Partners and other academic researchers in the fiscal year 2005/2006.
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)
Please contact us to learn more about Rotman ICPM

Keith Ambachtsheer
Director, Rotman ICPM
Adjunct Professor of Finance
416.925.7525

Ann Henhoeffer
Associate Director, Operations and Planning
416.925.7525
icpm@rotman.utoronto.ca

Rotman International Centre
for Pension Management
151 Bloor Street West, Suite 702
Toronto ON Canada M5S 1S4