

Post-Retirement Risks: Expectations and Approaches

Inflation	Cannot cut back on health care expenses Retirees constant review needs vs. resources Factor in unexpected events
Interest Rate	Long-term bonds / mortgage investment protect against low interest rate (reduce income)
Stock Market	N/A
Business	ER bankrupt (Insurance only up to a limit)
Loss of spouse	Few expect financial suffering
Marital status	A change often affect financial status
Public policy	Tax increase / Reduction in Social Security

Key Findings & Issues: Understanding and Managing the Risks of Retirement
Post-Retirement Risks Chart

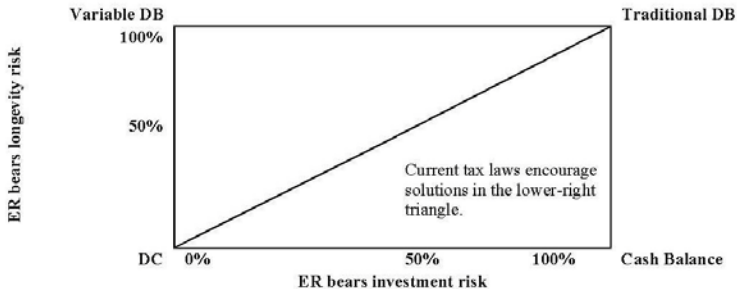
**Development of Funding Policy
Retirement Financial Management Approach**

1. Develop strategic financial objectives
 - a. Confirm current and future corporate objectives
 - b. Long / short term cash flow under different scenarios
2. Align all related policies (Funding, Investment, Accounting Benefits policies) with corporate goals
3. Develop preliminary policy taking into account
 - a. ERISA minimum funding may be > policy contributions
 - b. Policy contribution may be > limits on tax deductibility.
4. Stress testing with past economic and potential future scenarios
5. Refine preliminary policy into a written, formal funding policy
 - a. Flexible to adjust for short-term tactical considerations
6. Implement and monitor

R-C116-07 Financing the future: How Fit is your Pension Funding Policy?

21st Century Plan Design Mindset

Decoupling investment risks, and longevity risks



Retirement Plan Designs for the 21st Century & Comments ...

RRSP

Advantages over individual RRSPs

1. Convenient payroll deduction savings
2. Recognize tax-deductibility when withholding taxes
3. Lower administration and fund management costs (ER may cover the expense)
4. Wide variety of investment funds

Problems to Employer

1. ER contributions immediately vested
2. Difficult to ensure funds is used to provide retirement income
 - a. Use non-withdrawal clauses when setting up arrangement
 - b. Suspend matching ER cont'ns for some time (1 to 5 years) if withdrawals made during employment

Handbook of Canadian Pension and Benefit Plans (14th edition)
Chapter 12: Other Retirement Income, Savings & Deferred Compensation
Arrangements

Future of Canadian GAAP

Future of Canadian GAAP (Move towards IFRS)

Financial instruments at fair value

Fair value method mandated	Historical cost still allowed
Debt securities not held till maturity	Trade receivables / payables
Equity security in an active quotable market	Loans
Any financial assets / liabilities held for trading purpose	Certain financial liabilities, such as long-term debt
Free standing derivative instruments	
Derivative instruments embedded in terms of other financial asset / liabilities	

R-C124-07 Recent Issues in Corporate Financial Reporting