

Business & Careers

Historic \$150 million pension deal signed

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The Canadian Wheat Board and Sun Life Assurance Company of Canada have signed a \$150 million pension agreement that makes history in this country—in at least three ways.

"We believe this is a game changer," said Brent Simmons, senior managing director, defined-benefit solutions with Sun Life Financial in Toronto.

The multi-million dollar agreement—the largest of its kind in the country—is an annuity buy-in that transfers investment and continuing risk from the plan holders to an insurance company, without any impact on pension payments.

"It increases long-term pension security to members," said Scott Sweatman, a partner with Dentons Canada in Vancouver who was one of the advisors to the wheat board during the deal.

Pension security has proven elusive in today's market, he noted. "What's scary about [defined-benefit] pension plans in Canada is that solvency liability. The

voltatility is all over the place. People are looking for stability."

The deal, signed in June, provides stability in one unique way: it is tied to inflation. "There is uncertainty about what future inflation will do," said Simmons. "You need to find assets that will move the same way as inflation. That's tricky, but we were able to come up with a portfolio to absorb the risk," he said.

On the surface, it would appear that the deal favours the Canadian Wheat Board, whose plan members are guaranteed to receive their promised pensions, linked to inflation. The risk falls to Sun Life Assurance, a subsidiary of insurer Sun Life Financial Inc., to make sure this happens—and to absorb the financial fallout if it doesn't.

That is business as usual for the financial firm, said Hugh Kerr, Sun Life Financial's vice-president and associate general counsel. "Insurance companies have the experience and the infrastructure to address the issues as they arise. This is our core business."

Companies like Sun Life "have seen the writing on the wall," said Sweatman. "They

Canada's retirement crisis

Canada is in the midst of a pension plan crisis, according to a survey conducted in June by Morneau Shepell, a Toronto-based consulting company. More than 70 per cent of the pension plan sponsors who responded to the 60-second survey believe there is a retirement crisis in Canada. Even among those who feel there is currently no crisis, most believe there is one waiting around the corner. There is no agreement, however, on how to address the situation. Slightly more than half of the sponsors surveyed want governments to take decisive action, and soon. The most popular option for action is the adoption of a national pension strategy. The remaining respondents are looking to employers and individuals to solve the problem.

see that risk transference is very big in Canada. Companies want to get out of pension management, and they can do this by buying [an annuity] product."

The scope of the deal—the largest single-day purchase of inflation-linked annuities in the country—is also a reflection of the strength of Canada's regulatory market. "We have a strong reputation in this country to prevent our financial organizations from going under," said Sweatman.

Annuity buy-ins like this one have received the green light from the Office of the Superintendent of Financial Institutions, which commented publicly last year on their acceptability as a potential investment option for pension plans. According to the OSFI, "we would have no objections in principle to a federally regulated pension plan investing in a buy-in annuity issued by a life insurance company for pensions in pay."

That official approval is likely reassuring to companies looking to get out of the business of managing their defined-benefit pension plans in an era of low interest rates, a stock market roller-coaster, and longer-living members. "Some companies find their pension plans are so large they are swamping the core business," said Simmons.

In response, companies are becoming more open to de-risking deals like the one signed between Sun Life and the Canadian Wheat Board. While this isn't the first such deal in the country, it is the first that has been made public. In its wake, other companies are starting to explore



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similar options for their plans. "We are now working on a number of different quotes that are worth more than \$1 billion," said Simmons.

Interest in annuity buy-ins was sparked last year U.S. companies Verizon Communications Inc. and General Motors Co. signed annuity buy-in agreements with Prudential Financial Inc. to transfer part of their pension fund responsibilities—U.S.\$7.5 billion and U.S.\$29 billion, respectively—to the American insurer.

"That led to interest from Canadian employers," noted Simmons. "Now we've gotten even more interest."

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The Children's Aid Society of the Districts of Sudbury and Manitoulin



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CONTROLLER

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We are currently seeking a Controller to manage all accounting and financial operations for the firm and work closely with the partners on budget and financial planning matters. The successful candidate will supervise a staff of 3 and will play an integral role in the growth of the firm.

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- Ensure accurate and timely month end, quarterly and year end closes
- Prepare consolidated financial statements
- Be responsible all entries, adjusting entries and reconciliations
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- Experience preparing consolidated financial statements
- Aptitude to work with large amounts of data and to manage it effectively
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