

MIND

THE gap

Managing the asset-liability mismatch was the central issue at Canadian Investment Review's 2003 Risk Management Conference.

2003
RISK
MANAGEMENT
CONFERENCE

The gap between pension fund liabilities and their assets has ballooned in the past few years, and this points to the increasing importance of the role of risk management in sponsoring pension funds in Canada today. That was the message at the 2003 Risk Management Conference, held in Montebello, Quebec, from August 20 to 22. The conference was sponsored by *Canadian Investment Review*, in partnership with the Bonham Centre for Finance, Rotman School of Management at the University of Toronto.

The funding situation for Canadian pension plans has changed dramatically over the past few years, according to figures cited by one presenter. In 1999, just 24% of plans were running a funding deficit—the remaining three-quarters enjoyed surpluses. Three years later, in 2002, the situation was reversed, with 73% of plans experiencing shortfalls. Presenters at the conference urged plan sponsors to explore new and creative ways to manage the risks of their plans while looking for strategies to generate higher returns.

Although major stock markets have recovered somewhat in 2003, many pension plan sponsors remain leery of traditional asset strategies, such as long-only equity positions. Couple that with real interest rates hovering around 2%, and it's no surprise many have increased their allocations to alternative investments and other strategies: hedge funds, credit derivatives and income trusts were all subjects of presentations this year. Yet, this underlines the need for innovative risk management within pension funds.

Conference presenters (from both academic and practitioner perspectives) offered insights and ideas about the risks associated with issues including governance, currencies, hedge funds, credit instruments and risk reporting. Also, delegates discussed the risk factors to be found within time horizons, portfolio transitions and investor behaviour.

This special report contains summaries of all the presentations from the 2003 Risk Management Conference, to provide readers of *Canadian Investment Review* with highlights of the conference agenda. And, we've changed the look of our conference coverage to make it stand out more from the rest of the issue.

—James Lewis, associate editor of *Canadian Investment Review*