The Wise Search

Alternative roads less travelled

EDITORIAL

"Search well and be wise," said the Greek dramatist Aeschylus. Those words speak to the current search of many pension plan sponsors for improved investment returns during a severe market downturn. Call it the quest for alpha.

The theme of searching is prominent this spring in *Canadian Investment Review*. Many plan sponsors are looking beyond traditional investments to alternative strategies in order to generate positive returns. Sponsors also are interested in investment vehicles offering returns that are not correlated to the movements of struggling capital markets. These non-traditional instruments include hedge funds, private equity and venture capital. Some sponsors have already incorporated non-traditional investments; others are still kicking the tires.

Overseas markets also present alternatives for plan sponsors searching for even more broadly diversified investment opportunities. However, last month's budget from federal Finance Minister John Manley did not offer increased opportunities to diversify. While Ottawa raised contribution limits for registered pension plans and RRSPs, it chose to hold the Foreign Property Rule (FPR) at 30 per cent. The lack of movement on the FPR was disappointing.

Shortly before budget day, Ottawa was urged to scrap the FPR by the authors of a study jointly sponsored by the Pension Investment Association of Canada and the Association of Canadian Pension Management (ACPM). The study argued that the elimination of the FPR would provide Canadians with additional diversification benefits ranging from between $1.5 billion and $3 billion annually. Manley was not swayed.

The ACPM said it believes that Manley and senior Finance officials understand the argument for eliminating the FPR and it remains "optimistic" this proposal will be adopted. So, pension plan sponsors remain limited in their choice of a desired foreign investment position.

In an environment of low real investment returns, rising liabilities and increased risk, how can sponsors of pension plans narrow the gap between their assets and liabilities? The search for ways to establish sustainable pension plan arrangements in such an environment will not be comfortable, but it is necessary. Is there another option?

Since taking over as the editor of *Canadian Investment Review*, I have been told that this is a "challenging" time to write about the pension industry. A Chinese curse—"May you live in interesting times"—keeps popping into my thoughts. Nevertheless, I welcome the opportunity to work with academics, institutional investors and practitioners to publish original ideas and insightful research during these times. The journal and its three related conferences are robust platforms for sharing perspectives on institutional investment and economic theory. I look forward to the challenge of the wise search. ■

Jim MacDonald, Editor

Canadian Investment Review

Jim MacDonald, Editor
416-769-3813
jmacdon1@rci.rogers.com

Elaine Fenech, Art Director
416-764-3849

Lori Bak, Publisher
416-764-3825
lbak@rmpublishing.com

Alexandra Hamilton, General Manager, Sales and Business Development
416-764-3830

Peter Greenhough, Account Manager
416-764-3826

Mia Williamson, Account Manager
416-764-3828

Ina MacKenzie, Production Manager
416-764-3914

Joanne Merrick, Promotions Manager
416-764-3874

Tricia Moore, Conference Manager
416-764-3866

Denise Brearley, Circulation Director
416-764-3878

Maggie Sicilia, Executive Assistant
416-764-3822

Canadian Investment Review is published by Rogers Media.

President and Chief Executive Officer
Anthony P. Viner

ROGERS PUBLISHING

Brian Segal
President and CEO

Harvey Botting
Senior Vice-President

Donna Clark
Senior Vice-President

Mitch Dent
Senior Vice-President

Michael J. Fox
Senior Vice-President

Paul Jones
Senior Vice-President

John Milne
Senior Vice-President

Immee Chee Wah
Vice-President, Business Planning

Tracey McKinley
Vice-President, Consumer Marketing

Paul Williams
Vice-President
Healthcare and Financial Publishing

ADVISORY BOARD

Chair–Paul Halpern
University of Toronto

Keith P. Ambachtsheer
KPA Advisory Services

George Athanassakos
Wilfrid Laurier University

Pierre Brodeur
Elantis Investment Management

Michael Durland
Scotia Capital

Stephen Foerster
University of Western Ontario

Michael Keenan
Bimcor Inc.

Rob Heinkel
University of British Columbia

Eric Kirzner
University of Toronto

Lawrence Kryzanowski
Concordia University

Tristram Lett
RBC Capital Markets

Harry Marmer
Franklin Templeton

Marlene Puffer
Perigee Investment Counsel

Terri Troy
Royal Bank of Canada

Canadian Investment Review is published four times a year by Rogers Media, One Mount Pleasant Rd., Toronto, Canada M4Y 2Y5
We acknowledge the financial support of the Government of Canada, through the Canada Magazine Fund, toward our editorial costs.
Telephone 416-764-2000, fax 416-764-3934

Printed in Canada.
ISSN 0840-6863

Please do not reproduce any part of this publication without prior consent from the Publisher. Copyright © 2003 Rogers Media.

To purchase single copies please call (416) 764-3858. For subscription enquiries, please call (905) 946-8420. Subscription price in Canada $69.00 per year, single copy $32.00 (please add GST), outside Canada $131.35. G.S.T.#Ri37813424

ROGERS