ABSTRACT
Canadian pension plans contemplating investments in certain offshore vehicles should be aware that, in some circumstances, such investments may subject them to Canadian tax liability. This article serves to point out the importance of efforts to have Canadian pension plans exempted from the application of the non-resident trust rules in the Income Tax Act (Canada), and to caution PIAC members that until the rules are amended, they must conduct careful due diligence when investing in offshore funds.

The purpose of this article is to highlight the application of proposed amendments to the Income Tax Act (Canada) (the “ITA”) contained in Bill C-33 relating to investments made by registered pension plans in “foreign investment entities” (“FIEs”) and “non-resident trusts” (“NRTs”). References to sections are to provisions of the ITA as it is to be amended by Bill C-33.

Bill C-33 is the most recent version of legislation to enact tax proposals first announced in the 1999 federal budget. The thrust of the proposals is to address concerns of the Department of Finance (“Finance”) relating to tax avoidance through the use of offshore vehicles.

One may ask why these proposals should be of concern to a registered pension plan which is exempt from tax under Part I of the ITA in any case. The authors believe that registered pension plans should be exempt from these rules but Finance does not share that view, at least in relation to NRTs. The effects of Finance’s position are that (i) a Canadian pension plan may incur a Canadian tax liability as a result of an investment in a foreign trust where the trust does not qualify as an “exempt foreign trust”, and (ii) as a result, Canadian pension plans may be prevented from diversifying their portfolios in certain foreign asset classes where a pooled investment arrangement may be the only, or the optimal, vehicle to obtain that investment exposure.

FIE RULES
Generally speaking, any non-resident entity is an FIE unless the “carrying value” of all of its “investment property” is not greater than 50% of the “carrying value” of all of its property or its principal undertaking is the carrying on of a business that is not an “investment business”. The proposed rules applicable to FIEs may require a Canadian taxpayer to include amounts in income in relation to an investment in a non-resident entity that is a FIE. However, there is a specific exemption for “exempt taxpayers”. The definition of “exempt taxpayer” includes a person whose taxable income is exempt from tax by reason of certain specified provisions, including paragraph 149(1)(o), which refers to a trust governed by a registered pension plan, and paragraph 149(1)(o.4), which refers to an “elected” master trust. The definition of “exempt taxpayer” also includes certain trusts that meet a number of conditions, including that all of the beneficiaries are exempt from tax. This may include, for example, certain trusts referred to colloquially as “non-elected” master trusts.

NRT RULES
In the case of the NRT rules, however, there is no general exemption for tax-exempt investors. Moreover, the consequences of investing in a NRT to which the rules apply are draconian. The rules are extremely complex and contain numerous definitions and deeming rules. In brief, the rules will generally apply to a non-resident trust if, immediately before the end of the trust’s taxation year, the trust is not an “exempt foreign trust” and, at that time, there is a “resident contributor” to the trust or a “resident beneficiary”.

continued on page 3
MESSAGE FROM THE CHAIR

Hello all. I hope you are enjoying the beautiful summer weather.

A few brief updates:

PIAC will be meeting with the Ontario Expert Commission in October 2007 to present PIAC’s views on changing the Ontario pension legislation for defined benefit pension plans. The Government Relations Committee is forming a task force to work on this very important submission and has requested all interested parties to contact the PIAC office.

The Corporate Governance Committee has written an excellent submission to the Canadian Securities Administrators (CSA) on Executive Compensation Proposals. You can access the submission at www.piacweb.org, under Submissions to Government.

The Investment Practices Committee has added two research reports to the Investment Topics Library on the PIAC web site: “Private Equity - Understanding the J-Curve” and “Demystifying the Newest Equity Long-Short Strategies”, under Investment Products & Tools and Risk Management, respectively. A summary of the latter article can be found on page 7 of this newsletter. The IPC is also working on a submission to the Government of Canada to help minimize negative tax impacts related to Non Resident Trusts – see page 1 for an article about this issue.

Roger Robineau, Vice-Chair of PIAC gave a presentation to a group of Brazilian pension plans who were meeting with various Canadian pension experts. Roger’s presentation is available at www.piacweb.org.

Have a terrific summer. I hope to see all of you at the Fall Conference in Edmonton, September 26-28.

Investment Management Agreement Template

PIAC’s Investment Practices Committee is pleased to provide you with a template for a standard Investment Management Agreement. This project was a joint effort by the Investment Council Association of Canada (ICAC) and PIAC. However, this version contains comments and wording that the Investment Practices Committee felt was important for PIAC members who will use the template. The template is intended to be used as a starting point and/or reference. PIAC members should ensure that the terms of the template are carefully assessed by each plan sponsor and their legal counsel, prior to the start of any negotiations with external providers. Special thanks go to IPC members Kevin Fahey and Mary Spurr for their work on this project.

To view the template, please visit the member’s area of the PIAC web site, under Investment Topics Library/Managers.

RECENT SUBMISSIONS

DEPARTMENT OF FINANCE - A NEW GST/HST REBATE FOR PENSION PLAN TRUSTS.

On April 27, 2007 PIAC responded to the Department of Finance on the proposed amendments to the Excise Tax Act, outlined in News Release 2007-006. PIAC responded that the proposed amendments needed to be qualified more strongly, including the rationale for choosing rebate amounts and why pension plans are not treated equally.

CANADIAN SECURITIES ADMINISTRATORS (CSA) – STATEMENT OF EXECUTIVE COMPENSATION

On June 28, 2007 PIAC submitted a reply to the Canadian Securities Administrators (CSA), on the proposed repeal and substitution of Form 51-102F6 Statement of Executive Compensation.

While PIAC commended the CSA’s proposal, it also made recommendations on compensation discussion and analysis (CD&A), the summary compensation table, retirement plan benefits and termination and change of control benefits. To view both submissions in full, please visit www.piacweb.org, under Submissions to Government.
In the case of a non-resident open-end investment trust, for example, a Canadian resident unitholder, including a registered pension plan, will be a “resident contributor” if it purchased units from the trust. The issue will then be whether the trust is an “exempt foreign trust”.

Finance has attempted, in paragraph (h) of the definition of “exempt foreign trust”, to define what it considers to be a bona fide commercial trust (i.e., one that is not used for estate freezing or other tax avoidance). However, the definition is narrow with many interpretative difficulties. Numerous representations were made to Finance regarding this provision. While Finance responded by making a number of changes, practical difficulties remain.

Paragraph (h) of the definition of “exempt foreign trust” contemplates two categories of trusts: (i) those trusts with more than 150 investors holding units with a value of at least $500 that meet certain conditions, and (ii) those with fewer than 150 investors where more onerous conditions must be met. The 150 investor threshold is similar to one of the requirements that a Canadian unit trust must satisfy in order to be a “mutual fund trust”. It is not obvious why the 150 investor threshold was selected for domestic purposes and less so why it was extended to the foreign context. In particular, readers may be aware, for example, that 100 investors is a relevant threshold for certain U.S. purposes and less so why it was extended to the foreign context. In particular, readers may be aware, for example, that 100 investors is a relevant threshold for certain U.S. investments funds. If a U.S. fund has fewer than 100 investors, it is understood that it may rely on certain exemptions in order not to comply with certain provisions of the Investment Company Act of 1940. Since many U.S. investment trusts will restrict the maximum number of investors in order to comply with this U.S. restriction, such a fund can only be an exempt foreign trust if it can meet the more onerous conditions required of a trust with less than 150 investors. Among other requirements, this branch of the exempt foreign trust definition requires that the trust may not hold at any time “restricted property”.

While an explanation of the definition of “restricted property”, which is intended to address offshore estate freeze transactions, is beyond the scope of this note, it is sufficient to say that it is quite possible for a typical fund to acquire “restricted property”. It is unrealistic to expect that a foreign fund manager would manage the trust so as to avoid the acquisition of restricted property, the net effect being that a single Canadian pension plan investing in such a trust can trigger adverse consequences to the trust and the investor.

What are the consequences if the NRT rules apply to a trust? In brief, the trust is deemed to be a resident of Canada for certain provisions of the ITA and is liable for Canadian tax on its worldwide income computed in accordance with the ITA. As the trust is not, in fact, resident in Canada, the Canada Revenue Agency would have a serious practical difficulty in enforcing the rules.

The solution adopted by Finance is to make each “resident contributor” (which can include a Canadian tax exempt entity) jointly and severally liable with the trust in respect of its obligations to file a tax return and pay tax. In certain circumstances, that liability may be capped. In computing its income, the trust would generally be entitled to deduct an amount in respect of its income payable to beneficiaries. It is unreasonable, however, to expect that the trust document governing the trust would require such amounts computed in accordance with the ITA to be payable so it is likely that the trust would, in many cases, have a Canadian tax liability for which Canadian pension plan investors could be liable.

CONCLUSIONS

1. The NRT rules must be amended to add an exemption for Canadian pension plans and other tax exempt investors. Submissions have been made to Finance for such an exemption but to date have been unsuccessful. PIAC intends to join the Investment Council of Canada in a joint submission to Finance; PIAC members should consider making their own submissions.

2. In the meantime, pension plans must conduct careful due diligence when investing in offshore funds. For example, when investing in various foreign collective investment vehicles (such as Luxembourg FCPs, German funds etc) a very basic question arises, namely, should the vehicle be treated as a “trust” for Canadian tax purposes when the concept of a trust does not exist under the local law. Where the vehicle is a trust, consideration must be given to obtaining appropriate representations, warranties and covenants from the fund and/or its manager relating to exempt foreign trust status which they will not want to give.

3. The NRT rules have to be considered in relation to investments in foreign business entities that are structured as trusts as well as collective investment vehicles. One of the authors recently reviewed a proposed offering of units of a business trust and concluded that the trust would be caught by the NRT rules even though it was operating a global active business. In particular, it could not qualify under either branch of the definition of “exempt foreign trust” because the proposed structure contemplated the issuance of common units and subordinated units of the trust.

In a subsequent article, the authors will describe other adverse income tax issues relevant to pension plans investing in pooled funds including those relating to the difficulty in obtaining “mutual fund trust” status and the consequences of losing such status and the slow pace of Finance in “prescribing” foreign stock exchanges for the purposes of the ITA.
TRADING COST ANALYSIS – TAKE TWO*

By John A. Halligan, President, Global Trading Analytics, LLC

*Editor’s Note: A 2003 Transaction Cost Analysis paper is available on the PIAC website, under Investment Topics Library/Trading Practices.

Thanks to recent innovations, Trading Cost Analysis (TCA) can now provide better accessibility to more meaningful results through a transparent and apples-to-apples analysis, and therefore more value for the user. In addition, TCA can now be applied to asset classes beyond equities. TCA is now available for foreign exchange and U.S. and Canadian fixed income.

Understanding the context within which trading and trading costs occur is an important aspect of a more meaningful, comprehensive TCA process. Trading costs are not just about the VWAP, or any benchmark for that matter. In fact, I would argue that the benchmark is simply the means to the end, nothing more. Understanding trading costs is about understanding the context within which trading occurred. There are three components to the context of trading: (1) the users net cost or benefit calculated using a relevant benchmark, (2) the user’s Universe net cost or benefit calculated using the same benchmark, and (3) statistical information about the market conditions encountered when trading occurred. Within this context the user now has a clear understanding of not only how their trade execution quality ranks among their peers but also what market conditions were encountered when trading occurred.

An objective of TCA is to gain transparency into the trading process. What I have discussed so far, the context used to evaluate trade execution quality, along with web-based reporting, add to the level of transparency available in TCA. Greater transparency leads to not only a better understanding of TCA results, but also to a better understanding of the TCA process. When a user has a better understanding of the TCA process, they gain clarity, which leads to a greater comfort level with the process. With this increased comfort level with the process the user is better able to make accurate assessments about their trading effectiveness. In other words, having a correct understanding of not only how their trade execution quality ranks among their peers but also what market conditions were encountered when trading occurred.

TCA must also assess the overall trading process, not just the “trading” part of the process. This is an important distinction to make. From the pension plan perspective, this means that the manager is responsible for all facets of trading, from the timing of the portfolio manager placing the trade with the desk, to the desk managing the trade from that point forward. If an analysis only represents the time that the broker had the trade, this is too narrow an assessment, and only reflects one part of the process. In many cases the broker may execute the trade effectively during the time that they are actively executing the trade. A broader analysis however may indicate that a portfolio manager or desk was slow in getting the trade to the broker, and the most advantageous time to trade was missed. It is not possible to assess overall trading effectiveness when taking too narrow a focus on just the “trading” part of the process. The entire process must be scrutinized in order to ensure that trading effectiveness is being maximized.

A broader reporting time frame is also an important aspect of effective TCA. One quarter of trading analysis is simply too short a time span to make an accurate assessment of trading quality. TCA must take a broader time frame into perspective to maximize reporting effectiveness. I advocate four individual quarters of analysis, and then a rolling four-quarter synopsis in each report. From this perspective the user has a statistically significant amount of trading data being analyzed. In addition, idiosyncratic aspects of trading, an unusual and extreme price movement in a stock for example, may throw off a one-quarter analysis, but will be smoothed out in a four-quarter analysis. Under a broader TCA assessment, the user will get a more accurate assessment of trading effectiveness.

Web-based reporting is an important aspect of a more efficient TCA process. One of the problems that the TCA user has had to contend with is paper reporting. Trading costs tend to reside in pockets, regardless of the asset class. A pocket is comprised of the relatively small group of managers, brokers and trades that make up most of a pension’s trading costs. Therefore, much of the essential, core information that a TCA user needs to access is buried somewhere in the reporting. Paper reporting makes access to this information difficult, cumbersome and in some instances, not possible. Web-based reporting on the other hand allows the user quick, streamlined access to all their most important information and direct access to the source(s) of their trading costs. In addition, through a report printing function, web-based reporting allows the user to easily print off a concise report of a few pages, instead of contending with a report sometimes as large as a phone book.

To facilitate access to the user’s TCA results, web-based reporting also contributes the ability to intuitively “drill-down” through the analysis. This important feature gives the user the ability to start from the macro perspective, evaluate the last four quarters of trade data at one time, locate a “pocket of cost” and have the ability to drill-down continued on page 5
New AIMA Committee Provides Institutional Investor Focus

The Canadian chapter of the Alternative Investment Management Association (AIMA) has formed a new committee with a focus on pension fund and other institutional investor issues. AIMA Canada is a chapter of AIMA, an association which includes institutional members on a worldwide basis. The Institutional Committee will provide a forum for plan sponsors to address common issues that arise when considering investing in alternatives. The committee plans to increase awareness of such issues and related opportunities, promote a sound framework for due diligence and risk management, and provide educational opportunities in alternative investments. Several members of PIAC are on the new committee, including Michael Campbell, who noted that “the committee is unique within AIMA in that its membership is drawn only from the institutional investor community”. Additional information can be obtained through the AIMA Canada website (www.aima-canada.org).

Trading Cost Analysis – Take Two*

CONTINUED FROM PAGE 4

inside that pocket to determine exactly what is driving trading costs. This feature also allows the user a level of flexibility they could never attain with paper reporting. From the pension plan’s perspective, the feature allows the user to easily identify a high cost manager, identify that manager’s highest cost brokers and find those brokers’ highest cost trades. The ability to drill down saves time, adds accuracy and brings a great degree of focus to the process.

The advances I have outlined have transformed the TCA process into one that is much easier to use, more time-efficient, more accurate and with results that are easier to convey to interested parties. In addition, in many cases, TCA had been like fitting a square user into a round reporting structure. Now, TCA reporting can accurately reflect each individual user’s trading process, thereby making each analysis a “custom fit” analysis that represents a true measure of the effectiveness of each user’s trading.

Spring 2007 Conference Montreal

PIAC Chair Terri Troy (second from left) congratulates the Conference Committee (from left) Algis Janusauskas, Michelle Peshko and Louise Charrette.

The conference attracted a capacity crowd who gave top marks to the speakers and the new Cirque du Soleil show. The conference presentations are all available on the PIAC web site.

The Immediate Past Chair of the Board, Pierre Drolet, was warmly recognized for his leadership in 2005-2006 as Chair and for his ongoing contribution to PIAC.
Changes to Canadian accounting standards are expected to have a significant impact on the net equity reported in the financial statements of some plan sponsors. Updated standards will impact accounting and disclosure by public, private and not-for-profit-organizations of their funded and unfunded pension plans, and other retiree benefits such as medical and life insurance plans. In light of the changes, some sponsors may want to change their benefit or investments policies.

On March 27, 2007, the Canadian Institute of Chartered Accountants (CICA) issued an exposure draft outlining amendments to CICA 3461 to follow suit with changes made to US accounting standard FAS 158. The CICA has set some implementation landmarks along the way, but by the end of 2008, all elements of the new rules must be adopted.

Sponsors will be required to record a benefit plan deficit as a liability and a plan surplus as an asset directly in their financial statements. A plan’s funded status calculated for accounting purposes is different from that which is calculated in going concern funding or solvency valuations. Under the previous rules, an organization could report a pension plan asset in its financial statements for a plan that in fact had a large deficit. This situation results from funding experience losses and plan improvements over a shorter period of time than which they are expensed, and obscures the financial position of plans. To determine the funded status of an organization’s pension plan, those viewing the financial statements had to search through the detailed footnotes to the statements. This will no longer be the case under the new rules.

Low interest rates and poor investment returns eroded the financial position of many pension plans in recent years. With significantly increased pension and other benefit plan obligations, many organizations have significant balances of unrecognized experience losses and will see large reductions in net equity with the application of the new rules. In extreme cases, as has already been seen with some high profile manufacturing companies in the US who have applied these rules for the first time in 2006, accounting for pension and benefit plans will result in negative net equity being reported. Organizations can expect significant volatility of reported net equity as future pension plan experience and plan improvement costs will now flow directly into net equity.

The other major change is the elimination of the early measurement date. Organizations will no longer be able to prepare accounting results up to three months ahead of their year end. This change is being phased in and will be a requirement for all organizations by the end of 2008. Plan sponsors who have been using an early measurement will soon be looking for trust fund asset values immediately following their year end.

Going forward, annual expense will be no different under the new rules than it would have been in the absence of the changes. Experience gains and losses and plan improvement costs that have been recorded as a charge to net equity will be amortized from equity into annual expense as they were under the old rules. The calculation of the CICA 3461 valuation allowance, that limits the pension surplus that can be recorded to its realizable amount, has been modified to ensure it remains expense neutral.

What should plan sponsors do?

- Evaluate investment policies. Immunization strategies may be desirable to limit the volatility in net equity; however, such strategies will lock in current deficits and may result in higher expenses in future years.
- Don’t assume that fully funding the plan will eliminate the reduction in net equity. Funding is simply a reallocation of an organization’s assets and liabilities. The equity charge will only be reduced by positive plan experience; or, the reduction or elimination of benefits.
- Plan for the elimination of the early measurement date. Custodians, investment managers, actuaries and other providers will need to be notified of tighter timelines. In some cases, estimates of asset positions or obligations will be required to meet reporting deadlines.
- Review agreements that use equity as a measure of performance (e.g. debt to equity covenants in loan agreements, incentive plans based on return on equity, etc.) and determine if they need to be renegotiated.
- Consider the impact on net equity before granting benefit improvements.
- Commence redrafting footnote disclosures to conform to changes required by the new rules.

Stay tuned, further accounting changes are coming. By 2011, Canadian public companies will be required to switch to International Accounting Standards. Additionally, US and International standard setters are embarking on a project that may see a fundamental redesign of the pension and benefit reporting model. These changes may cause employers to change benefit provisions and/or investment policies.
New equity strategies – called 130/30 strategies – are attracting growing interest among investors. These new strategies offer full exposure to the equity market with a moderate amount of leverage. Specifically, 130/30 strategies short a small number of stocks and use the proceeds of the shorts, along with the original investment in the portfolio, to purchase stocks. For each $100 invested, the portfolio holds $130 of stock long and $30 of stock short. Although leveraged, each portfolio’s net market exposure – the value of the longs less the value of the shorts – closely approximates the initial investment.

Relaxing the no-shorting constraint has the potential to improve significantly a portfolio’s expected performance. Why? Because any active equity portfolio – whether long-only, market-neutral, or 130/30 – generates expected excess returns, or alpha, by overweighting attractive stocks, and underweighting unattractive stocks, relative to its benchmark. In a long-only portfolio, the most a manager can underweight a stock is its weight in the benchmark. For example, if a stock’s benchmark weight is 10 bps (0.10 percent), the manager can underweight the stock by up to 10 bps (by excluding the stock from the portfolio). But for a stock expected to lag the benchmark significantly, 10 bps is a rather small underweight. To see why, suppose the stock underperforms the benchmark by a significant amount, say 20 percent. Then the stock’s contribution to a long-only portfolio’s active return is at most 2 bps (−0.0010 × −0.20 = +0.0002). The no-shorting constraint can substantially limit a portfolio’s return potential because a large number of stocks have a very small benchmark weight. Over 40 percent of the stocks in the TSX Index and more than 85 percent of the stocks in the MSCI World Index have a benchmark weight of less than 10 bps.

By relaxing the no-shorting constraint and holding a limited number of short positions, 130/30 portfolios can take larger active weights – underweights and overweightss – relative to their benchmarks. This allows managers to more fully capture their negative views, and to better hedge their positive views, compared with a long-only portfolio. As a result, managers can target higher excess returns without encountering the usual decline in predicted information ratio that occurs for long-only portfolios.

Some investors may wonder whether 130/30 strategies, because they involve shorting, are a type of hedge fund. In fact, 130/30 strategies take a more conservative approach than most hedge funds. Many hedge funds trade derivatives, use much more leverage, and have wide latitude on how much stock they sell short. More important, hedge funds may have considerable discretion to vary their target risk, the types of assets they hold, and their market exposure.

In contrast, 130/30 strategies generally maintain specific risk and return targets relative to well-defined equity benchmarks. As a result, they have much in common with more conventional long-only portfolios that also provide full exposure to the equity market and target a beta of 1.0 to their benchmarks. And while 130/30 strategies allow short positions, the amount of shorting is modest compared to typical hedge funds. That’s because, for any given level of risk, the benefits of relaxing the no-shorting constraint decline as the amount of shorting goes up. For typical levels of risk, a moderate amount of shorting leads to a significant improvement in a portfolio’s expected information ratio, and additional levels of shorting provide few additional benefits.

Even so, many potential investors might be concerned that shorting could lead to unlimited (or very large) losses. Because shorting involves the sale of borrowed shares, a short position could generate a large loss if the stock outperforms the benchmark between the date it is sold short and the date the short is covered. Because there is no limit, in theory, to how high a stock’s price can rise, the potential loss on a short position is unbounded.

One of the best ways to protect against unfavorable price movements is diversification. Managers of 130/30 strategies can spread their bets, both positive and negative, over many stocks. By creating a diversified portfolio, managers greatly reduce the possibility that any single position will cause a large loss for the portfolio. For this reason, 130/30 strategies contrast favourably with concentrated (and hence poorly diversified) portfolios offered by more traditional long-only active managers.

Managers of 130/30 strategies can further mitigate the risks of shorting by excluding hard-to-borrow stocks from the universe of potential shorts. Stocks that are hard to borrow are often illiquid, which means they are more likely to be targets of a short squeeze. A short squeeze can occur if demand by short sellers attempting to cover their short positions causes a temporary run-up in a stock’s price.

130/30 strategies are ideal for investors who want a well-diversified, high-alpha portfolio that can be used as part of their conventional equity allocation. Because 130/30 strategies target a beta of 1.0 to their benchmarks, the strategies are appropriate for investors who want full exposure to the broad equity market. And by relaxing the no-shorting constraint, the strategies are suitable for investors who want a well-diversified portfolio that offers the potential to outperform the market.

To view the full paper, “Demystifying the Newest Equity Long-Short Strategies: Making the Unconventional Conventional”, please visit the member’s area of the PIAC website, under Investment Topics Library/Risk Management.
Revised PIAC Corporate Governance Principles and Guidelines

By the Corporate Governance Committee

The Corporate Governance Committee is pleased to announce that the PIAC Corporate Governance Principles and Guidelines (the "Guidelines") have been revised. PIAC has long been a leader in this field having published one of the earliest documents on this topic in September 1993. Since then, there has been increasing attention paid to the quality of companies’ corporate governance policies and practices and what institutional investors, including pension plans, can do to enhance the quality of corporate governance in those public companies in which they invest.

Securities regulators and stock exchanges have enacted corporate governance legislation, and the Canadian Coalition for Good Governance (“CCGG”) was formed in 2002 with the mission to represent Canadian institutional shareholders in the promotion of corporate governance practices that best align the interests of boards and management with those of the shareholder. In addition, Canadian, U.S. and international organizations such as the CCGG, the Council of Institutional Investors (CII) and the International Corporate Governance Network (ICGN), and most large pension plans have each developed policies and guidelines to assist institutional investors in promoting effective corporate governance practices of boards and management.

The Guidelines are intended to: 1) remind institutional investors, and pension plans in particular, that they have a fiduciary obligation to exercise their proxies, as the proxy is viewed as an extension of property that is held on behalf of the beneficiaries of the plan, and; 2) serve as a high-level overview of what PIAC believes are the best governance practices.

The Guidelines address four general areas of concern for shareholders:
1. Shareholders rights
2. Board of Directors
3. Executive Compensation; and
4. Takeover Protection

PIAC expects that the application of these Corporate Governance Principles and Guidelines by PIAC members to the issuers in which they invest will assist in improving corporate governance, thereby enhancing long-term shareholder value and increasing confidence in capital markets.

To read the updated Corporate Governance Principles and Guidelines, please visit the public side of the PIAC website, under Publications.

MAYRAND APPOINTED TO AMF

PIAC Member Andrée Mayrand was recently appointed to the Advisory Board of Autorité des marchés financiers (AMF). The primary mandate of the Advisory Board is to advise the AMF and the Minister of Finance on an overall perspective. The AMF is the body mandated by the Quebec Government to regulate the province's financial market (insurance and deposit institutions, securities, distribution of financial products and services) and provide assistance to consumers of financial services; it does not regulate pension plans.

People on the Move

NEW MEMBERS

Debra Alves      CBC Pension Fund
Doug Crawford    Canadian Automobile Association (South Central Ontario)
Enrique Cuyegkeng  Canada Post Corporation
John P. Ferren   CIBC
Marc Gauthier    Concordia University
David Hayter     HOOPP
Kathleen Kelly   Treasury Board of Canada, Secretariat
Stephanie Lachance  Public Sector Pension Investment Board
Fangyi Liu       WSIB
Mei Yee Leung    York University
Thomas McCulloch  Canada Post Corporation
Jean-Pascal Plamondon  Abitibi-Consolidated Inc.
Michel Tremblay  Xstrata Canada

PENSION FUND MOVE

Frederick Castonguay  From Abitibi Consolidated Inc. to Alcan Adminco Inc.
Stephen Cotsman      Retired Member: Formerly of CBC Pension Fund
Gayle McDade         From City of Regina to Alberta Investment Management
Graham Pugh          From CPP Investment Board to OMERS

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