7th Annual Risk Management Conference

"Recognizing—and Responding to—Risk"
August 24-26, 2005
La Malbaie, Québec

- Dress for conference sessions is business casual.
- Dress for Thursday evening dinner is business attire.
- All sessions to take place in Malbaie A
- Breakfast will be served in the St-Laurent Dining Room.
- Lunch will be served in the Bistro Le Bellerive.
- Dinner will be served in the Richelieu Ballroom B.

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Wednesday, August 24 - Golf Day

From 12:00 p.m. **Golf at Fairmont Le Manoir Richelieu Golf Club**

5:00 - 6:00 p.m. **Speaker Presentation rehearsals in Malbaie A**
(for speakers only)

6:00 - 8:30 p.m. **Opening Reception on the Garden Terrace**
Please join us for an informal reception.

Thursday, August 25 - Day One

7:00 - 8:00 a.m. **Breakfast** – St-Laurent Dining Room

8:00 - 8:15 am. **Opening Remarks**

8:15 - 9:00 a.m **Session One - Keynote Speech**

Derivatives—Sizzle or Sorrow?
Investment leverage is a double-edged sword: used properly, it can offer pension funds a chance to enhance returns or synthesize cash flows at a relatively low cost. Used to excess, it can wreak havoc on a plan's funding gap, inviting litigation and regulatory problems. A pension plan may already be using derivatives indirectly by investing in asset-backed securities or hedge funds that employ futures, options, and swaps. This session will address "must know" issues for every investment fiduciary.
Susan Mangiero, Managing Member, BVA LLC and Founder, Pension Governance LLC

9:00 - 9:45 a.m. **Session Two – Transition Management**

Innovations in Risk-Based Research for Transition Management
This session will examine the ways in which transition management partnerships can enhance and preserve value. It will pay particular attention to strategies for navigating global markets and techniques for calculating risk-adjusted implementation shortfall.
Sebastién Page, State Street Associates

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Assessing credit risk in derivatives
Risk management and risk capital allocation requires accurate risk measurement. Many fund managers gain exposure to asset classes and leverage through total return swaps. This talk will focus on these products and how to measure the credit risk implict in these bilateral contracts. We will review both how to calculate the "deemed risk" or loan equivalent exposure for a TRS, and the effective rating / expected loss in secured and unsecured transactions. As a particular case, we will review total return swaps linked to portfolios of bonds and loans, as well as total return swaps linked to portfolios of hedge funds.
Daniel Moore, Scotia Capital

9:45 - 10:15 a.m. **Speaker photos and coffee break**

10:15 - 12:00 p.m. **Session Three – The Least-Risk Portfolio**

Risk allocation within the asset structure
Pension plans have an increasingly large impact on the financial well-being of plan sponsors, as external stakeholders become increasingly focussed on the pension iceberg. Sponsors struggle to find an appropriate balance between the need to simultaneously generate returns and control financial risk. This session will outline a framework for appropriately allocating financial risk across the different investments of the pension fund.
David Service, Towers Perrin

Liability-based investing strategies
Liability-driven investment has become a hot topic in recent years with investment banks, managers and consultants all pitching in with holistic investment solutions for pension funds. This session discusses the key aspects of these solutions and the factors behind the increasing interest in this area.
Mike Brooks, Baillie Gifford

12:00 - 1:00 p.m. **Lunch** – Bistro Le Bellerive

1:00 - 2:15 p.m. **Session Four – Risk-Aware Practices and Procedures, Part 1**

Risk Adjusted Returns and Securities Lending
Plan sponsors can now use risk adjusted returns to more accurately assess the performance of their securities lending program thanks to improvements in risk methodologies, investments in technology and regulatory initiatives like Basel II. This presentation will describe how advances in performance measurement and risk assessment can be applied to your program.
James Slater, senior vice-president, capital markets, CIBC Mellon

Risk and Seasonal Effects
SAD is an extensively documented medical condition whereby the shortness of the days in fall and winter leads to depression for many people. Experimental research in psychology and economics indicates that depression, in turn, causes heightened risk aversion. Building on these links between the length of day, depression, and risk aversion, we provide international evidence that stock market returns vary seasonally with the length of the day, a result we call the SAD effect.
Mark Kamstra, York University

2:15 - 3:30 p.m. **Session Five – Aware Practices and Procedures, Part 2**

Managing Hedge Fund Risk – The Quest for Institutional Quality
While allocations to hedge funds by institutional investors have been on the rise, the impact of hedge funds on overall portfolio risk and return has not been well understood. This presentation explains why measuring the potential contribution of hedge fund exposures is only possible with "institutional quality" hedge funds and how institutional quality hedge funds can be incorporated into the portfolio.
Fred Dopfel, Barclays Global Investors

Living on a Risk Budget
This presentation offers some perspective on the high cost of retirement, and offers insight as to how to effectively manage risk and improve our budget consciousness in order to ensure pension plans can deliver on their retirement promise.
Leo de Bever, MFC Global Investment Management

3:30 - 3:45 p.m. **Break**

2:15 - 3:30 p.m. **Session Six – The FPR and Risk**

Managing Risk Across Borders
This presentation will review the different types of risks in cross-border portfolios-stock specific risk versus sector risk versus country (currency) risk-to incorporate emerging market portfolios, where macro risk seems to be greater than in developed market portfolios.
Patrick Ryan, Lazard Asset Management

4:30 - 4:45 p.m. **Day One Closing Remarks**

6:00 - 7:00 p.m. **Cocktails** – Garden Terrace

7:00 p.m. **Dinner** – Richelieu Ballroom B

<u>Friday, August 26 - Day Two</u>

7:30 - 8:15 a.m. **Breakfast** – St-Laurent Dining Room

8:15 - 8:30 a.m. **Opening Remarks**

8:30 - 9:45 a.m. **Session Seven – The Future of DB Plans**

Funding of Defined Benefit Pension Plans – Time for Change
If defined benefit (DB) pension plans are to continue to play an important role in Canada's retirement income system, significant change is needed to improve the financial management and health of these plans. Recognizing this need for change, the ACPM's Advocacy and Government Relations Committee commissioned a report to look specifically at the challenges around funding of DB plans. This presentation will examine the key issues facing DB plans and review the recommendations put forward in the report.
Scott Perkin, President, Association of Canadian Pension Management (ACPM)

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Fund Dynamics

This session will explore some of the dynamics a pension fund faces as a result of investment return uncertainty. We have created a simulation to model the behavior and management of a typical fund. The primary simplification in the simulation is to remove all uncertainty except the uncertainty about investment returns. These simplifications may seem to all the interesting elements of running a pension plan and yet we will find out that there are interesting things to be learned from studying the impact of our single source of uncertainty. The main conclusion is that it appears that defined benefit pension plans probably cannot succeed.

Alan White, University of Toronto

9:45 - 10:00 a.m. **Break**

10:00 - 11:15 a.m. **Session Eight – Downsides and Diversification**

Downside Risk

Economists have long recognized that investors care differently about downside losses versus upside gains. Agents who place greater weight on the downside risk than they attach to upside movements demand additional compensation for holding assets with high sensitivity to downside market movements. We show that the cross-section of stock returns reflects a premium for downside risk and estimate that the downside risk premium is approximately 6% per annum.

Andrew Ang, Columbia University

Improving Portfolio Risk and Return with International Small Cap Equities

International small cap equities have emerged as an independent asset class over the last decade. We review the potential for using a strategic international small cap equity allocation to increase portfolio return opportunities and maintain risk diversification against a backdrop of increased globalization among larger cap equities.

Rob Feldman, Fidelity Investments

11:15 - 1:15 p.m. **Session Nine – Interactive Session and Working Lunch**

Securities Regulators Concerned with Risk Management Reform

Best practices in Risk Management will be submitted before a mock panel of securities regulatory bodies about best practices in risk management.

1:15 p.m. - 1:30 p.m. **Closing Remarks and Feedback Forms**

1:30 p.m. **Closing Reception** – Tea Room