

RBC Dexia poll shows Canadian pension plan sponsors rate the future as poor to average

Toronto, November 23, 2009 – RBC Dexia Investor Services said today that 89 per cent of defined benefit plan sponsors believe that Canada's pension system is either poorly positioned or average when it comes to Canada's future pension prospects. This is according to a survey conducted by RBC Dexia to gauge the opinions of Canada's defined benefit pension plan sponsors on key issues in the pension industry.

In October 2009, RBC Dexia Investor Services surveyed 370 Canadian pension plan sponsors from coast to coast, with pension plan assets ranging from less than CAD 100 million to over CAD 1 billion.

"Whether due to recent market volatility or a lack of a unity from Federal and Provincial regulators, it is evident that defined benefit plan sponsors are finding it difficult to be optimistic about their ability to meet future pension obligations," said Scott MacDonald, Head, Pensions, Financial Institutions and Client Service for RBC Dexia. "The respondents to our survey frequently suggested the need for all stakeholders to work more closely together to help alleviate the current strain on the pension system."

Reasonable returns key to stability

Although 41 per cent of respondents cite investment risk as the type of risk they are most concerned with, shortfall risk (the risk of pensions not generating sufficient returns to offset obligations) ranks a close second, at 36 per cent. This reflects the natural correlation between both risk factors—where negative or reduced investment returns dramatically influence plan shortfalls.

Operational risk, selected by 8 per cent of respondents as their primary risk factor, appears to be less of a concern among sponsors, relative to investment and shortfall risk. With increased focus and awareness on achieving operational efficiencies, coupled with close management of expenses and transparent governance practices, pension plans appear confident in their ability to mitigate this risk variable.

New year, same challenges

To understand what might be adding to the pessimism among plan sponsors, the survey asked respondents to identify their single biggest challenge in 2010. Almost half, 48 per cent indicated that their main focus will be on aligning future liabilities with assets, while 38 per cent said they expected low returns to continue to be a significant challenge. Seven per cent of respondents believe the introduction of a new style of pension plan accounting standards (International Financial Reporting Standards) will be their biggest challenge in 2010 while 4 per cent believe it to be understanding new instruments and alternative investments.

Canadian system still preferred

While plan sponsors were generally pessimistic about the current Canadian pension system, the survey revealed that 72 per cent of respondents rank Canada's pension system as equal to, or better than other systems globally. Only 8 per cent of respondents consider the Canadian system to be inferior to its global counterparts.

Urgent need for change

The recent financial turmoil has highlighted the urgent need for change to ensure that Canada's pension system meets the future requirements of pensioners. While there are diverging views on what needs to be done, the RBC Dexia survey reveals that open dialogue among the various stakeholders is an essential first step. Each constituent, whether it is employees, retirees or plan sponsors has a vested interest in working towards the development of a balanced and meaningful approach towards Canada's retirement needs.

About RBC Dexia Investor Services

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide, including Canadian pension funds. Our unique offshore and onshore solutions, combined with the expertise of our 5,400 professionals in 16 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management processes. Equally-owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 2.3 trillion in client assets under administration.

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