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**PYRAMIS GLOBAL PENSION “PULSE” POLL:  
LEADING GLOBAL PENSION PLANS BELIEVE FUTURE GROWTH TO COME  
FROM ACTIVE EQUITY MANAGEMENT**

**Funding status, risk management, volatility cited as top concerns**

TORONTO, Canada, January 14, 2010 – Institutional investors worldwide rank the current funding status of their pension plans, risk management, and continued volatility as the most significant challenges to achieving their future goals, according to a new Pyramis Global Advisors® Pulse Poll of defined benefit (DB) pension plans. One of the ways plans will meet these challenges will be through active equity management with the vast majority of pension plan sponsors believing that actively managed equity strategies will deliver returns in excess of their benchmarks in the future.

The 2009 fourth quarter Pyramis Global Pension Pulse Poll surveyed key decision makers at 427 corporate and public pension plans in 12 countries who cumulatively manage in excess of \$1 trillion USD in assets. Pension plan sponsors in the US, Canada, the UK and Northern Europe were asked a number of similar questions to reveal emerging themes in global pension management.

“The Pyramis Global Pensions Pulse Poll revealed that plans are seeking ways to return to equity markets after losses suffered in 2008 and the vast majority of institutional investors believe actively managed equity strategies, versus passive management, will deliver excess market returns in the future,” said Young D. Chin, Chief Investment Officer, Pyramis Global Advisors. “Pensions face significant challenges as to how they move forward after the sustained volatility global equity markets have experienced, and we

found a diverse set of outlooks and strategic approaches across the regions as pension plans navigate today's markets and set a course for the future."

Almost nine-in-10 of Canadian plans (88%) either strongly agreed or agreed with the statement "We believe actively managed equity strategies will deliver alpha in the foreseeable future," followed by 77% of Nordic plans, 76% of U.K. plans, and 70% of U.S. plans.

### **Seeking increased returns and managing volatility**

Many plans also are targeting increased global equity allocations, and have strong interest in emerging market equities. The strongest interest in increasing emerging market equity allocations was found in the Netherlands (50%) and the Nordic region (46%). Canada and the U.S. trailed with 30% and 25% of plans, respectively, expecting to increase these strategies.

In the U.S. and Canada, a strong interest in long-duration fixed and corporate credit strategies reflects the continued growth of liability-driven investing (LDI). Forty-three percent (43%) of both U.S. corporate plans and Canadian plans expect to increase long-bond allocations, while 22% of US corporate plans and 27% of Canadian plans expect to increase allocations to corporate bonds.

Pensions are diversifying into alternative investments after many dipped below investment policy targets for these asset classes during recent market declines. In Europe, 32% of plans are definitely or likely to manage volatility by diversifying into alternatives such as hedge funds, infrastructure or private equity. Strong interest in managing volatility through alternatives was recorded in Canada (50%) and among U.S. public DB plans (34%). Across all three regions, interest in equity market neutral strategies is increasing as a preferred hedge fund strategy. Among other preferred single-strategy hedge funds named were directional long/short, global macro, and multi-strategy.

“Across all regions, pensions face headwinds in dealing with challenging equity markets and changing economic landscapes,” said Chin. “While these headwinds might be strong, our research shows that plans are meeting these challenges head-on and are actively working to improve their future strategic position for benefit of the plan and their members.”

### **Top concerns**

In the U.S., four-in-10 public plans (43%) reported funding status was their top concern, followed by the low return environment and its impact on their future growth (29%). In contrast, U.S. corporate plans were split, ranking volatility (36%) and funding status (35%) as their top concerns. Across Europe, plans ranked risk management/solidity ratios (a measure of plan solvency or funded status) (29%) and volatility (24%) as their top concerns. In Canada, current funding status was the top concern (42%) for plans. Canadian plans were also concerned about risk management (20%) and the potential impact of upcoming accounting and regulatory changes (14%).

“Globally, plans are focusing on improving their current funding status while managing their risk exposure and choosing appropriate investment strategies to deal with continued volatility,” said Chin. “Looking forward, the majority of plans view inflation as a bigger risk than deflation to capital markets around the world in the next five years.”

Inflation concerns were highest among U.S. pension plan sponsors at 89%, followed by 85% of Nordic plans, 74% of Canadian plans and 61% of U.K. plans. Interestingly, deflation concerns were highest amongst plans in the Netherlands (40%), while 32% of Swiss plans viewed deflation as a bigger risk than inflation in the coming years.

## **About the Surveys**

Pyramis conducted surveys of institutional investors during November 2009 including 217 U.S. pension plans (142 corporate, 75 public), 50 Canadian pension plans (28 corporate, 22 public) and 160 U.K. and Northern European institutional investors (80 private pensions, 36 public pensions, 19 insurers, 25 multi-managers) in 10 countries (41 U.K., 36 Switzerland, 21 Netherlands, 13 Sweden, 12 Finland, seven Germany, seven Norway, six Austria, six Iceland, five Denmark and six others). Total assets managed in plans represented by respondents exceeded \$1 trillion USD. The surveys were executed in association with Asset International, Inc., in the U.S., Rogers Communications in Canada, and the *Financial Times* in the U.K. and Northern Europe. CEOs, COOs, CFOs, and CIOs responded to an online questionnaire or telephone inquiry. A report on the survey is available by writing to [pyramiscanada@fmr.com](mailto:pyramiscanada@fmr.com).

## **About Pyramis Global Advisors**

Pyramis Global Advisors, a unit of Fidelity Investments, is an investment management firm focused exclusively on serving institutional investors worldwide including corporate and public retirement funds, endowments, foundations, and other institutions. Pyramis offers active and risk-controlled U.S., Canadian, global and emerging market equity, fixed-income, high-yield, real estate debt and REIT strategies, as well as alternative strategies including equity market neutral and equity long/short disciplines. As of September 30, 2009, assets under management totaled approximately \$148.5 billion USD. Headquartered in Smithfield, RI, Pyramis offices are located in Boston, Toronto, Montreal, London, and Hong Kong.

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