



Signature

PENAD'S PENSION INDUSTRY BRIEF

Michelle Spiering

Celebrating Thirty Years of Success

It really was a kind of surreal experience.

The year was 1991, and I had received an invitation to an event in Toronto put on by the British Trade Commission in Canada. As part of my hobnobbing, I would go to such events because, well, you just never know who you might meet.

On this particular occasion, which was held at the sumptuous Royal York Hotel, a strange thing happened.

At one point during the event, some music was playing and the woman sitting to my left commented, "I'll bet nobody in this room knows who is singing that song and they all think it is Elvis Presley," to which I replied, "I DO know who is singing that song, and it's Terry Stafford!"

I am a big music aficionado (and in fact have seen each of Miles Davis, John Coltrane, Bill Evans, and Dave Brubeck in small intimate clubs in Montreal), which helps to explain why I knew the artist who was playing. The fact that I knew the musician amazed the person who asked the question, and it turned out she was in my industry and was in fact the very person in charge of the pension plans for one of the largest pension funds in the country.

A couple of months later, this person contacted me and asked me if I would like to bid on providing pension administration services for this huge pension fund. She told me that Penad was way too small to get the contract but that I might learn something valuable from the experience of bidding. Always a sucker for punishment, I said, "Why not?" and submitted a bid.

To my surprise, Penad actually made the short-list and I was called in to clarify a couple of points in our proposal. However, I still realized that we had a snowball's chance of ever getting the contract ... only to find out later that afternoon that Penad, with a staff of less than six at the time, got the job!

That was one of many of the great days we have had at Penad over these past thirty years.

Over that time, there have been many highs and lows, and here we are, after all these years, continuing to thrive. And I honestly believe our best years are ahead of us!

Penad's business has transitioned to more of a software focus in the past decade, and this has opened opportunities for us in countries around the world with business dealings on five continents and over thirty countries. In fact, by my calculations, I have been in over 85 different airports in the past couple of decades ... Caracas, Lagos, Willemstad, Whitehorse, Flin Flon, Hamilton (Bermuda), Lisbon, Geneva ... the list goes on. In

fact, I'll never forget the day I did four countries in one day to make it back to a graduation event for one of my daughters!



Frank and Louise Price at Les Armures, Geneva.

Penad has developed long-standing client relationships, some of which go back over twenty-five years. Both our TPA and software clients choose their pension vendors carefully and need to commit to them for the long-haul, and it is on the strength of these relationships that we have continued to grow, to develop new technologies to solve benefit administration problems, and to open all kinds of new and unexpected opportunities.

In this issue of Signature, you will get a glimpse of what I am talking about ... from a description of our brand-new software engineering project code-named "Caravel", to a discussion of how software is used to help an entire nation manage its social security administration, to a fond look back on the lessons that were learned in building a business that could last through three decades. You will also want to see the interesting write up by Randy Bauslaugh of McCarthy Tétrault on the Carrigan vs. Carrigan Estate case and how this affects pension administration.

Participating in a business is not dissimilar to playing in a jazz band (I used to be a drummer in one). Each player and client has a widely different role to play, and yet somehow, with a little luck and a little magic, it all comes together to produce something wonderful (if, at times, a little surreal).

Enjoy this issue of Signature and join me in looking forward to see what the coming years will bring!

Frank Price, CEO



Penad Signature Issue 23

Published by Penad
Pension Services Limited

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PENAD

Penad Pension Services Limited

Cover image is a detail from a painting by Micheline St-Hilaire, a noted artist from Quebec.

Promises Kept:

What it takes to Handle Pension Data for an Entire Nation

Imagine it is the second week in October, 1982. The Dow Jones industrial average closes above 1,000 for the first time in over a year, the Polish parliament outlaws Solidarity and all other trade unions, and the US budget deficit for fiscal 1982 comes in at a record \$110.7 billion. In other news, the prime lending rate in the US is falling rapidly, closing at 12 percent, and Halley's Comet is sighted for the first time since 1911.

Meanwhile, you may have worked that week. If you did in fact work, then a record of your contribution (and your employer's) to your country's national social insurance plan would presumably have been filed and recorded, so that years later, when you reach retirement age, your benefit could be calculated and you could begin to receive your correct social security pension.

How would your benefit be calculated? Most countries have a formula they apply based on the number of contributory weeks over your lifetime of work.

Sounds simple? It's not.

As you begin to delve into the immense information management challenge that constitutes a national social insurance scheme, things start to get very complicated indeed.

For example, what happens if your employer never sent in the contribution for the second week in October, 1984, because they were a little short on cash that month or they were unsure of what to do because you were working in two jobs? Do you think you will get credited for that contribution, since the failure to submit was no fault of your own? In some countries, not only will you not be credited, but you will actually be penalized for those missing contributions, and you may not actually find out about the problem until decades after your employer failed to remit.

If your contribution was sent in, what happens to that money (both your contribution and the employer's) if you were not actually a citizen of the country where you were working? Will that money get refunded to you when you return to your home country?

What happens if you are a citizen but you were simply never registered with the social insurance plan?

What happens if, later on, you became disabled before reaching retirement age? How will your retirement/disability benefit be calculated?

What happens if you retire, begin collecting your social insurance payments, and then take a part-time job? What kind of benefit would your survivors receive if you were to die before (or after) retirement?

From the government's side of things, they have a huge challenge to keep track of what is typically forty-plus years of contributions per enrollee, multiplied by all the citizens in the country, PLUS the workers who are not citizens (employed under work visas).

It is enough of a challenge to simply ensure that each citizen has a unique social insurance number and accurately uses that number on their work records, but then start adding 52 weeks of contribution information, usually across multiple employers (many of whom overlap), multiplied by dozens of years, with data stored for decades in a variety of formats, including paper files from pre-legacy systems ...

Have you heard that Japan has some of the oldest people in the world? Well, when researchers went in to find out why, it turns out that many of the supposed centenarians had in fact died decades earlier, but their families never reported the deaths because they didn't want to stop the flow of monthly social security checks.

by Art Beauchamp

Vice President, Client Relations

Continued on Page 8 ...

New Directions

In 2012, Penad began working on a new enterprise software application, PX4000.

This will be a revolutionary product, combining almost thirty years of pension software development experience with a wealth of invaluable advice and suggestions from our broad client base, and assembling it with the latest, proven application development concepts and technologies. When complete, PX4000 will ensure Penad remains at the forefront of providers of high-quality, customizable pension software solutions.

Perhaps the most significant decision in planning the new platform was to implement PX4000 as a web application. As recently as several years ago, the decision to implement an enterprise software solution as a web application might have been questionable. Even up to the last half of the previous decade, moving an enterprise application to the web was mostly the purview of either large companies with a lot of cash-on-hand and a high risk tolerance, or small start-ups for whom risk was a necessary ingredient of potential success.

However, in the past few years, a certain critical mass was reached as more and more enterprise software providers made the move to the web. Now, any such company not at least considering the move risks not a failure of lack of user acceptance, but a failure of getting left behind by their competitors.

The benefits of moving to the web are just too compelling to ignore. From a business perspective, some of these benefits include a simplified business model, easier application deployment, easier application updates and near client-side operating system independence. From a developer perspective, benefits include the rapidly expanding body of tools and frameworks available to assist with web development.

Even the few areas where a web application might fall behind its equivalent desktop counterpart are not significant enough to outweigh the advantages. For example, web applications still cannot boast the number of user interface controls and

options available to a desktop application. And they probably never will. However, in this case, fewer options can be seen as a benefit as it tends to result in a simpler, cleaner and more consistent user experience.

Concerns could also be raised around speed and connectivity of web applications. But the ever increasing popularity of mobile devices has pushed internet providers to make continuous improvements in both areas to a point where they are now rarely an issue. And for situations where they might be, there will always be the option of installing PX4000 as a hardware or software appliance directly onto a customer's intranet.

Here at Penad, the enthusiasm for PX4000 is high. We are excited to have the opportunity to create for our customers a next-generation pension administration product that will combine everything they have been asking for in a pension administration solution into an adaptable, highly-reliable, and eminently user-focused application.

We will have much more to report on the progress of this exciting project in the coming months. Please watch this space or visit our blog (www.penad.ca) for future news.

by Wayne McEachren
Systems Architect



WHEN THE LOGIC FITS TOGETHER

BUT EVERYTHING FALLS APART

A recent case decided by the Ontario Court of Appeal called Carrigan vs. Carrigan Estate is likely to cause a seismic shift in the way pension industry professionals view mandatory spousal death benefit provisions of pension standards legislation in Ontario, and maybe other jurisdictions as well.

The facts of the Carrigan case are these. Mr. and Mrs. Carrigan were married in 1973 and separated in January 2000. They were never divorced. Mr. Carrigan started living with Ms. Quinn shortly after his separation and up until the time of his death in 2008. In 2002, after leaving Mrs. Carrigan and taking up with Ms. Quinn, Mr. Carrigan designated Mrs. Carrigan and their two daughters as beneficiaries of death benefits payable under the pension plan. When he died, both “spouses” claimed the death benefit – Ms. Quinn as the common-law spouse who was living with him on the date of his death, and Mrs. Carrigan, the undivorced prior “spouse” who hadn’t lived with him for more than 7 years, but who had been designated as a beneficiary.

Ms. Quinn claimed the pre-retirement death benefit on the basis that she was the “spouse” on the date of death. She argued that the effect of section 48(1) of Ontario’s Pension Benefits Act (“PBA”) is to grant the pre-retirement death benefit to the person who is the spouse on the date of death.

Mrs. Carrigan also claimed the death benefit. She argued that either she was a spouse, or in the alternative, she and her daughters were entitled as the designated beneficiaries. The lower court agreed with Ms. Quinn, the common-law spouse who lived with Mr. Carrigan at the time of his death. In a two-to-one decision the Court of Appeal overturned this and

granted the death benefit to the separated but still married, Mrs. Carrigan and her two daughters as designated beneficiaries.

In reaching its decision, the majority of the court focussed exclusively on the wording of the pre-retirement death benefits provisions of section 48 of the PBA. It found that both Ms. Quinn and Mrs. Carrigan were “spouses,” as that term is defined in the PBA, on the date of death. It acknowledged that section 48(1) provides for the death benefit to be paid to the person who is the spouse on the date of death in priority to any other claim. It then notes that section 48(3) says that section 48(1) does not apply if the spouse is living separate and apart from the member at the date of death. Since Mrs. Carrigan was technically still a spouse and was living separate and apart, the majority of the court concluded that section 48(1) does not apply – at all! So logically that takes one to section 48(6) which permits the designated beneficiary to receive the death benefit. Applying this tunnel-vision logic, the Court of Appeal determined that the plan administrator was therefore required to give effect to the beneficiary designation, and ignore the common-law spouse.

One might question how logical it is to conclude that because one “spouse” does not qualify for the benefit, neither “spouse” should qualify, especially when a spouse-by-spouse analysis would have logically resulted in Ms. Quinn receiving the benefit.

One might also wonder why the court wouldn’t put its logical analysis into the context of a logical policy assumption. The court did not ignore policy, it simply concluded, “...I see no particular policy rationale for interpreting the PBA

by Randy Bauslaugh
Partner, McCarthy Tétrault LLP

This case will no doubt cause plan administrators to seriously review how they administer pensions at the point of payment and upon post-retirement death as well as for pre-retirement deaths.

to provide unequivocally that in all circumstances where there is a legally married spouse and a common law spouse, the common law spouse is entitled to the member's death benefit. Given the diversity of possible relationships, it is more desirable to interpret the statute to allow pension members the freedom to order their affairs in a way that suits their particular circumstances."

It's not clear where that last sentence fits into the overall logic of this decision. Why would a pension standards statute bother at all with spousal entitlements if it was not concerned with constraining the rights of members to provide for persons who are not their spouses at the date of death? And given the unmistakable solicitude the PBA evinces for persons who are spouses of plan members who are not living separate and apart, why would it allow the mere existence of an undivorced former spouse to destroy the self-obvious priority the PBA sets up to safe-guard the interests of persons who are spouses at the date of death?

The structure and the wording of the death benefit provisions of the PBA ensure that pension members are not free to order their affairs as they see fit without first obtaining waivers from a current spouse. The statute clearly evinces a concern for the welfare of spouses, whether common law or married, as long as they are not living separate and apart.

This is not only the case for pre-retirement death benefits. It applies to the form of pension that is payable to a member at the point the pension starts to be paid. Section 44 of the PBA is structured in exactly the same way as section 48. If a plan member has a "spouse" on the date the pension starts to be paid, the benefit must be paid in the form of a joint and 60% survivor pension, i.e., a pension for the life of the member but with at least 60% continuing to the member's spouse for

the life of the spouse, if the member dies first. If the member wants to change this form of payment to any form that would pay the then current spouse less than this amount following the member's death, the member must obtain a waiver from the spouse.

This case will no doubt cause plan administrators to seriously review how they administer pensions at the point of payment and upon post-retirement death as well as for pre-retirement deaths. For starters they will want to know if the member was ever married and if so, was a divorce obtained, before automatically setting up a joint and survivor pension for a member in a common-law relationship. On the other hand, it seems plan members can avoid having to get the consent of a common-law spouse with whom they are currently living to release the mandatory joint and survivor form of pension by simply not getting divorced from a former spouse they were married to. In other words a plan member with a prior married spouse can avoid having to take a joint and survivor form of payment in order to get a higher paying single life annuity, by simply not divorcing a married spouse. That's logical, isn't it?

Clearly the policy behind mandatory surviving spouse benefit provisions in a pension standards statute is to ensure that current spouses are not left in the lurch when a plan member dies. It is not clear why the majority of the Court of Appeal simply ignored this obvious policy goal. Unfortunately, at the end of March 2013, the Supreme Court of Canada refused to hear an appeal. So it's now up to the Ontario government to fix this issue with legislation. If it doesn't, plan administrators will not only have to adjust their practices going forward, but they may find themselves on the wrong end of a barrage of lawsuits trying to defend how they administered pensions in Ontario over the past 25 years.



Randy Bauslaugh leads McCarthy Tétrault's national Pensions, Benefits & Executive Compensation practice.

Mr. Bauslaugh has been involved with many of the leading pension cases and has experience with many critical matters relating to plan governance, plan mergers, restructurings and conversions, surplus repatriation, and deficit management, including negotiation and implementation of de-risking strategies, and employee consultation, mediation and arbitration of pension and benefit changes. His clients include public and private companies, appointed administrators of wound up plans, financial institutions, joint boards of trustees, and Canadian and foreign governments.

Mr. Bauslaugh is immediate past chairperson of the International Pension and Employee Benefits Lawyers Association and a member of the editorial advisory board of Benefits and Pensions Monitor. He is a former member of the MEPP Consultation Committee of the Financial Services Commission of Ontario, and has held leadership positions in the Canadian Bar Association, Ontario Bar Association, and the Canadian Pension and Benefits Institute.

Pension News

Pension Fund Grows



The CPPIB (Canada Pension Plan Investment Board) reported that the fund grew by over \$2.5B from Nov.1 2012 to Jan.31 2013. The CPP, one of the largest pension funds on earth, now has net assets of C\$172.6 billion. Growth was reported both in public equity markets and private assets held by the fund. Obviously they weren't holding Apple stock!

Should CPP Mandate Expand?

Paul Moist, head of the Canadian Union of Public Employees, recently advocated for an expansion of the mandate of the Canada Pension Plan, as 65% of the Canadian workforce has no pension plan. By boosting contributions from all workers, the CPP could cover a larger percentage of each worker's retirement income needs than at present, helping to prevent the inevitable problems of retirees with insufficient income. The federal government does not appear to agree with this approach and has passed legislation for pooled registered pension plans (PRPPs), but Moist says these won't work because they are not mandatory.



Meanwhile, Gerry McCaughey, the CEO of CIBC, proposed that the CPP should be opened up to allow members to make voluntary contributions in order to increase their pension income. This is quite a radical concept coming from a banker, since CIBC and other banks offer voluntary pension savings vehicles such as RRSPs and TFSAs, so the CPP in effect would compete with the banks if they adopted

McCaughey's proposal. But McCaughey says that the CPP is better because it locks in the funds so that the pensioner is guaranteed that they will have the income they need when they retire.

It sounds as though both Moist and McCaughey see a role for government to protect workers from their own tendency to procrastinate saving for retirement. But it seems the Government does not want the responsibility! The Honourable Ted Menzies, Minister of Finance for the Harper Government, said that Canadians who want to save more should avail themselves of the Pooled Registered Pension Plans that are coming, as the CPP will not be opened to individual accounts.



PRPP, Where Art Thou?

In other news, final regulations for Pooled Registered Pension Plans came into force in December 2012. The legal framework is complete on the federal level, and now we all wait while the provinces and territories put their own legislation in place. Once this is done, what will happen? Nobody knows! The pooled plans will theoretically provide a low-cost vehicle for small businesses, but their voluntary nature means employees may not even bother to participate. Stay tuned!

Puerto Rico Uh-Oh

The newly elected Governor of Puerto Rico, Alejandro Garcia Padilla, is trying to come up with a plan to stave off the impending state-wide pension collapse. The public pension unfunded liability is over \$37B, which is four times the state's annual budget. An exploratory committee has been formed, but things look dire, as hundreds of thousands of active and retired workers will see their pension plans dry up within ten years if nothing is done. To make matters worse, the state is in a deep recession with unemployment over 14%, reducing government revenues and leaving the island with a projected deficit of \$1.2 billion this year.

... Continued from Page 3

This just goes to show that managing the data for the citizenry of an entire country can be a daunting task!

Penad, of course, is in the business of providing software solutions for benefit plan members. Defined benefit plan software, which Penad has been developing for nearly 30 years, has its challenges because of the difficulty in calculating a commuted value and because of the complexity of unique benefit provisions invented by plan sponsors to entice/reward various plan beneficiaries. Defined contribution software, which Penad provides to banks and insurance companies, needs to track the value of contributions which have been spread over numerous investment funds and then moved around between funds over the course of time.

But social security benefit administration software for national governments is a category unto itself, a technical and administration challenge that includes many moving parts which must all be coordinated to ensure the smooth operation of the social insurance scheme.

Consider some of the entities and stakeholders that must be properly cared for in a social security system:

CITIZENS

- entitled/required to make contributions and receive pension, if they work
- may be allowed to make additional voluntary contributions on top of contributions made by their Employers
- need to receive annual statement of account and may access account information by phone/Internet
- special rules apply if they become disabled before retirement age or take on a new job after retirement

NON-CITIZENS

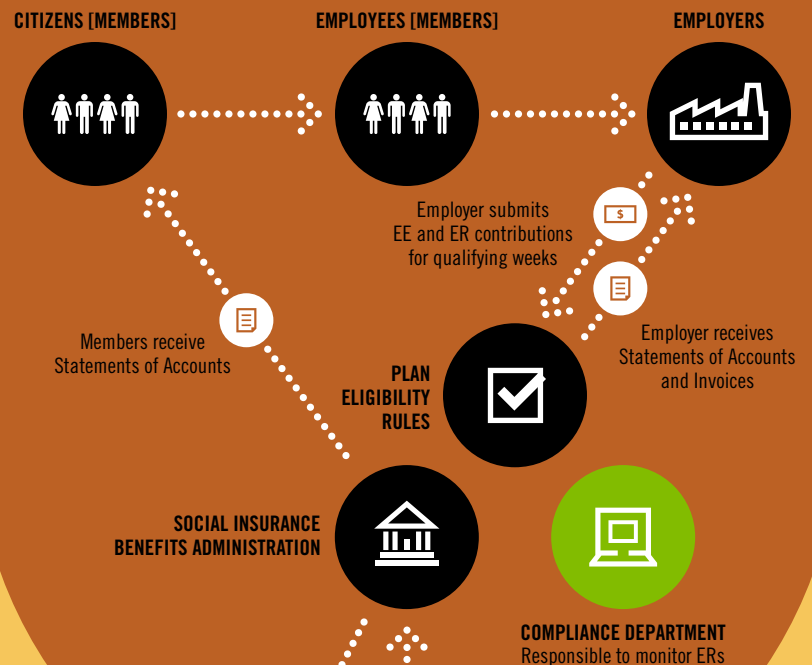
- required to make contributions (through Employer), if they work
- may be entitled to refund of contributions when they leave the country

EMPLOYERS

- required to deduct Employee and Employer contributions and remit to national government
- may or may not remit contributions on behalf of employees
- need to be policed to ensure compliance to regulations
- need to be able to contact social security administration department to ask questions, get account information, etc.
- need various options for submitting funds to government

ENTITIES AND PROCESSES FOR SOCIAL INSURANCE SYSTEM

CONTRIBUTIONS



BENEFITS

SOCIAL INSURANCE DEPARTMENT

- needs to be able to update plan eligibility rules and, if needed, apply rule changes retroactively
- needs to be able to update benefit calculation rules and, if needed, apply rule changes retroactively
- needs fingertip access to all records
- must receive all payments and contribution advice and allocate to proper accounts
- must be able to reverse entries and make adjustments
- needs facility for communicating with citizens, employees, employers, and beneficiaries
- must be able to issue refunds, handle withdrawals, and make social insurance payments

GOVERNMENT IT DEPARTMENT

- needs to ensure that accurate records are accessible to plan administrators and service department, to take care of queries and allow for updates
- needs to ensure security/firewall is in place to protect the data from hackers or inadvertent release
- needs to interface the social insurance administration system with the government payroll system for making beneficiary payments

AUDIT DEPARTMENT

- needs to ensure that all funds received and payments made are accurately allocated and properly accounted for

Even in a small country, the data management challenges can be staggering. One of Penad's clients, a nation with less than 100,000 citizens, has nearly 200 million records on file for social security contributions and related data going back to the late 1960's.

All of this data needs to be safely stored, backed up, protected from unauthorized access, and yet made accessible at a moment's notice to intended recipients.

Imagine that it is now 2013, and you are sitting on a dive boat in the South Andaman Sea off the coast of Thailand. You are retired in paradise. And you go online with your iPhone and access your social insurance account details ... and find that your most recent payment has been received by electronic funds transfer and you don't have a care in the world, except grilling some fresh catch on the bbq and maybe pulling out a beverage from the ice bucket ...

My, how times change in just thirty years!

It has been a privilege to share this journey with our clients, many of whom have invested countless hours into making sure that the retirement needs of their citizens are being looked after, so that everyone can get on with their lives, secure in the knowledge that their decades of contributions will continue to fund their retirements and promises will be kept.

Pension Conferences 2013



P&I East Coast DC Conference

Miami (10-12 March)

www.pionline.com/conferences



National Institute of Pension Administrators Annual Forum & Expo

Las Vegas (28 April - 1 May)

www.nipa.org/



CPBI Western Regional Conf.

Banff (8 May)

www.cpbi-icra.ca



IPEBLA Conference

Rome (26-29 May)

www.ipebla.org



CPBI Forum 2013

Chicago (27-29 May)

www.cpbi-icra.ca



Atlantic Connections

Miami (10-12 July)

www.atlantic.bm



ACPM 2013 National Conference

Ottawa (10-12 Sept.)

www.acpm.com



World Pension Summit 2013

Amsterdam (13-14 Nov.)

www.worldpensionsummit.com

Welcome Aboard!

Penad welcomes the following new clients and projects.



Retail Wholesale Union has been a Penad system client for their DB plan since 2000. RWU has agreed to implement a major system upgrade to Penad's PX3000 platform in order to address updates to the pension plan rules, legislative changes, and other issues regarding their Multi-Employer Pension Plan.



Pension Management Interactive, located in the British Virgin Islands, is a pension plan administrator acting as a bridge between plan sponsors, plan trustees, and plan members. Penad has implemented a full pension software system on behalf of PMI, including the full Defined Benefit and Defined Contributions modules, to act as a backbone to PMI's leading edge administration services.

The Secret of Thirty Successful Years in Business

An Interview with Frank Price, Founder and CEO of Penad Pension Services Limited

Q: *Not every company lasts thirty years. In fact, 95% of businesses fail within the first five years. Penad has outlasted companies such as WordPerfect, Arthur Anderson, Compaq. What's your secret?*

A: First, you need an idea. There must be a market, a need, the resolving of a particular issue, plus it has to be able to make money. Our new idea was to rely on the PC computer to do all the labour intensive pension administration tasks and do them faster and more accurately (humans using manual systems had a bad habit of making errors in complex benefit calculations).

DEDICATION

In those early years, I had to work tirelessly and wherever possible do everything myself. It was normal to work 16 hours a day, seven days a week. There was sacrifice. I had no income, no savings, no pension money, plus I had alimony to pay and a family to support.

But oh the feeling! After being constrained in a big bureaucratic insurance company where I had been a senior manager, it felt wonderful to go out and do what I wanted, when I wanted. Nobody on my back! No stupid committees (I was on fourteen committees at the insurance company). I absolutely loved the feeling of being on my own and creating my own destiny.

I broke up my day into two sections. During office hours, I would try to do sales calls, presentations, etc. I would go out and build the stature of the company by doing a lot of speeches in Toronto, building up the myth. Then, after 5:00 pm when normal people would go home, I would get my second wind and start my second chunk and do the administration of the plans. Then on weekends, I would do corporate work such as accounting, marketing, software development.

Selling was a tale in those days. Again, I would sell regardless of rain or snow, because if I didn't sell, I didn't eat or couldn't pay the rent. I had to lug around a full PC on a luggage cart – no laptops or even luggage in 1983. Once, the PC froze solid walking from the hotel in Winnipeg to Alberta Telephone for a demo. Another time, I drove from Fredericton to Florenceville for a demo with McCain Foods, and the hard disk froze solid in the trunk of the car.

FINANCIAL MANAGEMENT

From the beginning, one of the most important things was that

we had no capital. This forced us to keep our feet pretty firmly on the ground. I tried to get money, but everyone turned me down flat. We learned to not over-extend ourselves and make do without a lot of things we normally expect to have in a business. My desk, for example, was a cheap folding table.

In those early days, since we needed money, it was time to just get out there and sell, sell, sell, sell. Each customer represented cash flow. If I didn't do it, we couldn't pay the rent or buy food. Simple as that.

Another key was simply knowing how to track and manage our finances. I had taken some nighttime accounting courses, which gave me the basics for setting up a set of books. I cannot emphasize how important that was, the whole discipline of it all, and tracking every penny in the organization, understanding cash flow, and so on.

My advice to young entrepreneurs? Instead of chasing shareholders for two years, just go out and do the work and you'll be a lot further ahead. Independence has been hugely important. You may have a big board of directors and lots of venture capital, but you are beholden to those people and at very great risk. Your lineup of advisors and shareholders may be impressive, but you may be trapped in a maze and not able to write yourself a cheque or go in the direction you want. No freedom, no joy. It is difficult to sustain a business with no joy.

CORPORATE / LEGAL

Another key to our success was that we had a very disciplined approach to business administration and organization at the corporate level. All corporate records were up to date, all correspondence was properly filed. This saved our bacon on countless occasions over the years, when disputes or mis-



understandings arose and we could find the records to sort things out. In thirty years, we have never been sued, which I attribute in part to keeping on top of all our promises and contracts and records.

PEOPLE

I made myself a promise when I left the big insurance factories, that I would never treat people the way they treated people. As a sign of this, a number of people left Penad at various points over the years to go work with big insurance companies and came back soon after.

We believe in treating people in a professional business way but more importantly treating them the way that you want to be treated. We know that people have issues in their lives regarding things like vacation schedules, family commitments, marriage problems, health issues, etc. We like to help people who work for us.

STRESS

In the early years, it was just all out drive. As you get older, you try to balance work and pleasure more. Reduce hours, take time off, take vacations, work short weeks, go sailing! When you face a problem, working another 45 hours probably won't make it better. Taking time off is actually more important, so you can clear your head and find a better strategy.

Emotional stress is very difficult, like when losing a client, or a deal falls through, or you are struggling to meet payroll. This affects your relationship with your spouse, your kids, etc. To build a business, it is crucial that you have a spouse who is very understanding and understands your business. In my case, my wife Louise worked with me for most of the thirty years. We worked side by side all day and then came home together (we only owned one car) and then ran our house with our three kids. We were together constantly and yet had probably less than five minor disagreements in all those years.

Another key is having a bizarre sense of humour. We try to turn bad things into humour. I have seen nothing but constant laughter over the years, even amidst our greatest tears and defeats. We would say things like: "Leave it to us. One step forward, two steps back." Or "You could have seen that train coming." Or, "Oh well, we've got nothing else on the go, so let's keep going." Louise and I would say that we were like turtles, and that we would just need to tuck our heads in until things would blow over.

After three decades, we have learned that there are no shortcuts to hard work and there is no replacement for integrity. There have been challenges, but it has been worth it! I have enjoyed and continue to enjoy the sheer fun of running a very unique business.

Making a Difference

After thirty years in the benefits systems game, we asked a few of our clients what difference Penad has made for them in their business.



"As a Canadian insurance company, we had to meet several criteria in choosing a pension software system. Of course, we wanted it to be easy to use and provide flexible reporting options. It had to effectively track all employers, pension plan members, and their service history. We needed a powerful calculation engine for complex DB retirements. And we needed it to help keep us onside with the government regulations around pension plans. Penad's software does the job."

Assumption Life - Moncton, NB



"We needed a way to calculate and allocate pension contributions and group life & health premiums for plan members working at each of our 400 employers within our organization. Penad's software makes those calculations and creates monthly invoices for each employer based on the various enrollment choices for each member. The administration process of allocating payments and tracking account balances is so much easier and much more accurate and timely than before. The software also allows us to create member statements and termination options, that we previously had to outsource, thus allowing us to provide a complete scope of member services."

Evangelical Lutheran Church in Canada - Winnipeg, MB



"Retail Wholesale Union Pension Plan administers the pension records of thousands of full and part-time workers, active and inactive, in a multi-employer defined benefit pension plan. Plan members are from several large and small employers. Penad provided us with a pension administration system that has helped us track all active and inactive members for many years. Their software helps us with ongoing pension administration."

Retail Wholesale Union - Vancouver, BC

Memory



Lane

1981 - Frank has Eureka moment watching kids play on computers. Perhaps these could be used for pension administration?

1982 - Wrote first bit of code to prove that it was possible to produce a year end for a DB pension plan on a PC.

1983 - Software code is nearly ready for release. House burns down where code is being developed. Computer is destroyed, along with all backup code. Senior developer Gerry Dubois comments, "That's okay. The code wasn't all that good anyway." Gerry and Dave Dubois, who programmed the first DB admin system, get back to work!



1983 - Open for business!

1983 - Performed first TPA software presentation in Toronto for Dormer Tools. Software demo completely crashed. The president of Dormer Tools laughed and said it was the worst

sales demo they had ever seen. They then signed up as Penad's first client and were with Penad for over 25 years.

1983 - Landed numerous administration accounts for DB plans across Canada. On our way!

1985 - Louise Brosseau joins Penad as first paid employee. Later marries CEO and changes last name to Price.

1986 - Sold first contract for a software system to New Brunswick Board of Management.

1989 - Crown Life decided to get out of TPA business and turned entire book of business over to Penad (over 35 DB plans).

1989 - Vern Beattie joins as VP of Administration. Herta Neufeld joins shortly after, and then Linda Wright.

1989 - Penad moves corporate office from Mississauga to Kitchener. Rents penthouse suite at 30 Duke.

1990 - Penad gets contract to provide white-label admin for large actuarial firm. They went out of business, and most clients stayed with Penad.

1991 - Penad unexpectedly lands Maple Leaf Foods as a client, leading to major expansion.

1991 - Maddy MacDonald joins company. Trouble! As a gift to her, Penad moves into penthouse at 55 King St. in Canada Trust tower.

1992 - Prudential Assurance of London England closes Canadian office and turns their book of business over to Penad, with over 30 DB plans and 40 windups in progress.

1992 - Penad develops its first DC admin product, Penad Partner.

1995 - First offshore sale, with DC admin product to Fidelity Bank and Trust in Bahamas, to administer their entire book of business.

1998 - Open first offshore office, Penad Caribbean, in Curaçao.

1999 - Open second offshore office, in Hamilton, Bermuda.

2000 - DB admin business starts to drop in Canada, so Penad develops new PX3000 Suite for administration of DB/DC pension plans for insurance companies and banks. Penad staff expands to 35 souls.

2003 - First large PX3000 client, Equitable Life buys the DC module.

2004 - Signed large insurance company in Kingston, Jamaica. CIBC in Bahamas becomes client.

2005 - Built new Group Life and Health Administration module for PX3000.

2006 - Built new Social Security Benefit Administration module for PX3000. Signed Government of Bermuda.

2010 - Penad moves into own building in Kitchener with wood-burning fireplaces.

2012 - Work begins on next generation software system PX4000; code-name "Caravel".

2013 - Penad now operating in eight countries.

