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Features

12 Financial Planning
A Task Force And A Budget: Hand-in-hand Down An Ill-lit Path
Saul Schwartz

18 Annual Report & Directory
Benefits & Pensions Legal Firms
Indalex: A Lesson In Pension Priorities In Corporate Insolvency
Mark Newton

20 Directory
Benefits & Pensions Legal Firms

23 Investment
Commodity Investing: Alpha, Beta, And Something In Between
Tim Pickering

28 Healthcare
Effective Absence Management Equals Comprehensive Risk Management
Rochelle Morandini

30 Benefit & Pension Consultants Annual Report & Directory
How Drug Plan Formulary Decisions Are Made
Denise Balch

33 Benefit & Pension Consultants Showcase

34 Benefit & Pension Consultants Directory

42 DC Plans
2011 Onwards – So What’s The Plan? Joan Johannson

Departments

Editorial 4
People 6
News 8-10
Health Matters 14
Market Monitor 16
Conferences 45
The Back Page 46
S
aving for retirement is kind of ‘bass-ackwards.’
We defer to Mercer’s Malcolm Hamilton
who, for some time, was pointing out that by
the time many of us can afford to start saving for retire-
ment, it is too late. When we were young and should
have been starting our lifetime retirement savings pro-
grams, we could least afford it. Instead, we were getting
married, buying our first homes, and raising families.
When we no longer had mortgage payments and
had finished paying for the kids to go to university,
our retirement saving window was down to 20 years.
For those of us without employer pension plans, we
are arriving at the party too late.

Foreign Language
And not only do we have the disposable income to
save for retirement, we suddenly start to understand
all those financial and retirement planning concepts
that we were a foreign language to us before. Employ-
ers with Defined Contribution plans find it is a lot easi-
er to get those nearing retirement to take part in the
education and communication programs they ignored
for the first 20 years of their careers.
And the reason is simple. Now, it is important, we
need to spend time on it, we need to understand it.
Yet, not only are we starting late, we are being
penalized for doing so, says James Pierlot, of Pier-
lot Pension Law. He says inequity in the tax rules
impacts those who start saving for retirement late
in their careers. The savings room is much lower
for CAPs and Registered Retirement Savings Plans
(RRSPs) than for DB plans, he says. Plus, ‘catch up’
savings are permitted to members of DB plans only.
He cites figures that show for a 35-year employee
with a salary of $75,000 at retirement, the difference
is huge. If they have a DB and an RRSP, they could
accumulate close to $1.5 million in retirement sav-
ings. If they only have a DB plan, that drops to about
$1.3 million. But the maximum career accumulation
for an RRSP is only about $675,000.
Another inequity is that tax rules say only employ-
ment income can be counted towards retirement sav-
ings. This eliminates the self-employed – plus the 64
per cent of private sector workers who are employed
at businesses with less than 500 employees who likely
do not have a workplace pension plan – from getting
the tax benefits of saving for retirement.
So his proposal for a lifetime accumulation plan
bears consideration.

All Sources
With a lifetime accumulation plan, retirement
accumulations are permitted from all sources up to
a limit. He suggests $2 million which is around the
maximum permitted under DB plans. He believes
this approach equates access to the tax assistance
now only available to members of pension plans and
RRSPs. By eliminating the link between employ-
ment and pension plan membership, a tax benefit
could go to anyone saving for retirement with funds
from any source. Since there are also no limits on

Lifetime Accumulation Plans
that annual contributions or benefits accruals until the
maximum is reached, it facilitates catch-up savings
to compensate for investment loss and accommodate
typical back-loaded saving behaviour.
This helps to solve the problem of pension cover-
age as it puts saving for retirement more in synch with
the average worker’s income and expense cycle. It
also helps them save for an adequate retirement income
which addresses concerns about shortfalls for those
who belong to Defined Contribution pension plans.

Lives For Today
It makes sense, but is it likely to happen, prob-
ably not. The problem is government lives for today,
not tomorrow. It can’t accept the idea that maybe
allowing more tax credits today will just see that tax
defferred to a future date.
Indeed, it truly is a conundrum. By not enabling
Canadians today to get the tax incentives they
need to save for retirement tomorrow, they simply
increase the likelihood that more Canadians will be
in need of social assistance in the future, at a time
when there will be fewer workers paying taxes.

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Williamson
Noel MacKay is group practice leader, group benefits consulting, at the Williamson Group. Prior to this appointment, he held the position of senior consultant, group benefits, working with clients to design their employee benefits plans.

Aon Hewitt
Daphne Woolf is a senior vice-president in the Toronto, ON, office of Aon Hewitt. She will lead the national talent and engagement team, part of its talent, rewards, and communication practice. She has 30 years of experience in management and human resource consulting and for 17 of those years was a national partner with another large international human resource consulting firm.

AGF
Chris Boyle is senior vice-president at AGF Management Limited. He will be responsible for expanding and managing the firm’s institutional business, which now represents almost half of its assets under management. Most recently, he was a senior vice-president at a Canadian investment management firm, where he oversaw the institutional sales and marketing division. Chris Jackson is chief information officer. Most recently, he was president of Canadian operations at Belzberg Technologies.

Brandes
Jeff Powers is regional director for the southern Ontario and Toronto area at Brandes Investment Partners & Co. He was most recently a regional sales manager with a Canadian investment firm.

McMillan
Mark Rowbotham is a partner in the pensions and benefits group at McMillan LLP. His areas of expertise include regulatory compliance, governance structures, investment management, outsourcing solutions, insolvencies and restructurings, and corporate transactions.

Standard Life
Jean Guay is senior vice-president, sales and marketing, and Graham Nichol is senior vice-president, customer experience, for Standard Life Financial Inc. in Canada. Guay joined the firm in 1984 and has been a member of the company’s executive team since 1997 in various capacities. From 2005 to 2010, he headed the group insurance division, overseeing all strategic planning, customer service, sales, and marketing activities. Nichol is currently customer service director in the UK.

Rogerscasey
Claude Macorin is managing director of Rogerscasey Canada. He has more than 20 years of investment-related experience, most recently as managing director, investments, at the University of Guelph’s office of investment management where he was responsible for all aspects of the university’s pension and endowment investments including investment policy, asset mix, risk management, and manager searches/due diligence.

Canadian Western Trust
Matt Colpitts is vice-president and general manager of Canadian Western Trust. He will be relocating to Vancouver, BC, from Calgary, AB. Previously, he was general manager of Valiant Trust Company.

Alliance Bernstein
Wendy Brodkin is joining Alliance Bernstein. For the last four years, she has been at T. Rowe Price (Canada) where she was vice-president and director of business development.

Mackenzie
Onno Rutten is vice-president, investment management, at Mackenzie Financial Corporation. He has more than 14 years of natural resources experience. In his most recent position, he was a precious and base metals equity research analyst and executive director at a global financial services firm.
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**Expanded CPP Exposes Risks**

Expanding the Canada Pension Plan (CPP) is a risky route to addressing Canadian concerns about low incomes in retirement, says a report by the C.D. Howe Institute. In ‘Don’t Double Down on the CPP: Expansion Advocates Understate the Plan’s Risks,’ author William B.P. Robson says advocates of an expanded CPP as a solution to retirement income worries too often promote it as a plan with guaranteed benefits that are fully funded. “The CPP is a gamble, not a guarantee: expanding the plan would raise the stakes on a bet most Canadians do not know they have made,” says Robson, who is president and CEO of the institute. The CPP looks like a Defined Benefit plan, but it is not, says Robson. Its retirement benefits are targets contingent on its financial condition. Moreover, past and upcoming revisions – including lower pensions for those taking them up before age 65 in both the CPP and its sister Quebec Pension Plan – show that governments can change the targets. Adverse economics and demographics, combined with disappointing investment returns, are now forcing the Quebec Pension Plan to trim benefits and raise contributions, he points out. Expanding the CPP would expose other Canadians to a larger risk of similar disappointments.

**Passive Cost Management Blamed**

Passive drug plan cost management is the single reason why plans have not been able to achieve goals of cost containment, says Mike Sullivan, president of Cubic Health. He told the Connext Health ‘Benefits Breakfast Club’ session ‘Why Generic Drug Pricing Legislation Is Not Enough,’ part of the problem is that sponsors are still using first generation cost containment tools which had value back in 1997. For example, he said frozen formularies are coming back, a tool that was popular in the mid-1990s. However, their use suggests there are no valuable drugs coming down the pipe and, in any event, they haven’t done anything meaningful to contain costs. Instead, sponsors should be turning to next generation cost containment tools by gaining access to the plan data to drive effective drug utilization and specialty drug management as well as optimizing chronic therapy management.

**Industry Failed Pension Plans**

The industry, not traditional asset allocation, has failed pension plans, says Bill Solomon, a consulting actuary. In a session on ‘Asset Allocation and How It Is Evolving’ at IMN’s ‘10th Annual Canada Cup of Investment Management,’ he said government, regulators, and consultants who promoted the concept of taking contribution holidays to satisfy limits on pension fund surplus are to blame. In the 1990s when funds were all in surplus position, they encouraged pension plan sponsors to take contribution holidays. However, this meant plans had nothing set aside for the economic downturns in the past decade. Robin Pond, senior investment and Defined Contribution consultant at Buck Global Investment Advisors, said there has been a lack of recognition that pension funds have lifecycles. The industry has always seen them as long-term vehicles when, in fact, as they mature they face negative cash flows and their tolerance to risk changes. He said a more flexible dynamic asset allocation that changes over time is needed. Solomon also says he believes many of the asset allocation decisions being made today are being influenced more by accounting standards than the needs of the plans. This is prompting the use of pension investment strategies as a means to reduce volatility on the corporate balance sheet. He said the sad truth is that the best de-risking strategy is to wind up Defined Benefit pension plans and move to Defined Contribution and group RRSPs.

**Case For Credit Bullish**

The case for credit is bullish, says Maryam Muesel, head of credit at BNP Paribas Investment Partners. Speaking at its ‘Be prepared! …global credit strategies for dealing with rising rates’ seminar, she said there are a number of reasons for this including the fact she believes the global recovery is sustainable because failure is not an option. Governments will do everything possible to sustain the recovery. As long as gas prices remain in check, oil prices do not exceed $150, and China manages a soft landing, “we will remain on a trajectory of growth. She said the long-term trajectory of interest rates is up due to inflationary pressure. While the curve remains flat, they expect it to steepen. Against this, one credit strategy is a safe carry that is not reliant on price appreciation for return and is combined with systemic tail projection strategies to safeguard portfolios from sudden systemic pullbacks. She said spreads are now fair compared to default expectations as corporate balances sheets are strong and corporate borrowers are well-positioned to meet their debt payments for the next several years even in the absence of growth.

**Addenda**

The following was not available for the Managers of Alternative Investments directory in the May issue of Benefits and Pensions Monitor.

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DC Needs Clear Communications

It will be very important to have clear and comprehensive communications to employees and investment options must be carefully chosen, monitored, and amended as required when it comes to Defined Contribution pension plans, says Kathryn Bush, of Blake, Cassels & Graydon LLP. She told the ‘Defined Contribution Pension Plans: Canadian and U.S. Litigation’ session at its ‘Recent Developments in Pension and Employee Benefits Law’ seminar that as administrators, part of the effort to avoid pension litigation has been complying with the CAP guidelines. What can be seen in the U.S. and Canada when it comes to legal developments is that fees charged to DC investments will be heavily scrutinized; in plan conversions, it will be important to ensure that employees understand what conversion choices mean to them and have enough information to make a prudent decision; the use of employer stock as an investment option will not be without risk; and investment advice must be carefully provided.

RBC Dexia Reappointed By CI

RBC Dexia Investor Services has been reappointed as investor services provider for CI Investments Inc. This service extension, the culmination of a comprehensive competitive bidding process, is the fourth successive five-year term that CI has engaged with RBC Dexia to service CI Investments’ $75 billion in assets under administration. Under the new agreement, RBC Dexia will provide CI with a range of investor services including custody, fund administration, securities lending, and foreign exchange.

Canadians More Committed To DB

Despite the challenges Defined Benefit pension plans have faced in Canada over the last two decades, Canadian employers that sponsor these plans seem more committed to maintaining them than organizations in the United States and the United Kingdom, says Aon Hewitt’s ‘2011 Global Pension Risk Survey.’ The third annual version of the survey found these Canadian plan sponsors are increasingly developing long-term risk management strategies. “There has certainly been a decline in the number of Canadian organizations with DB plans over the years,” says Tom Ault, a senior retirement consultant in its Vancouver, BC, office. “Nevertheless, there are more ongoing DB plans, relatively speaking, in this country than there are in other economies. In the 2011 survey, 39 per cent of Canadian respondents had closed their DB plans for existing members. That figure is close to 80 per cent in the U.S. and the UK, according to survey feedback.” Canadian sponsors say the three primary reasons for keeping their plans are that it aligns with the organization’s total rewards philosophy; union pressure; and competitive issues.
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When noted hockey commentator Pierre McGuire sees a defenceman failing to clear a puck, or a forward weak on the forecheck, he often exclaims, “that’s just not good enough!” The report from the “Task Force on Financial Literacy” and the flaccid budget pledge of $3 million per year for financial literacy initiatives are “just not good enough.” What Canadians really want is effective protection against dangerous financial industry practices.

The budget’s proposed ban on unsolicited credit card cheques is a tiny step in that direction and the need for such a ban illustrates that this is an industry that profits from financial illiteracy. Credit card cheques for example – try to trick customers into taking a high-cost cash advance from their credit card company. An industry that thinks such business practices are legitimate can only be interested in promoting financial literacy if such efforts divert us from effective oversight and regulation.

Not Many Teachers

The task force, which made the appointment of this Great Financial Literacy Leader its first recommendation, consisted primarily of financial service providers and financial education consultants – not many teachers, people from community-based organizations, or public servants – and their report reads like the soothing words of the foxes, spoken upon taking command of the chicken coop. Much of the task force report was about advertising and public awareness – a financial literacy leader, a website, a public awareness campaign – and not about concrete action.

The mandate of the Task Force was to lay out a national strategy for improving financial literacy. While no one doubts that financial literacy is important, the prospects of bringing Canadians up to the level of financial literacy required to make complex financial decisions are dim. As the task force report itself points out, international tests suggest that almost half of Canadian adults do not have the basic literacy and numeracy skills to “function well in Canadian society.” How will those Canadians become financially literate if they cannot read or calculate well to begin with?

Some blithely ignore that challenge and recommend extensive financial education, beginning in elementary school. Perhaps surprisingly, as demonstrated in my IRPP study and in a task force background study by Joanne Yoong, there is no solid evidence that financial education can, in fact, improve financial literacy. People forget what they’ve learned or are simply unable to put what they learned into action.

An alternative to promoting financial education is to accept that, despite the best efforts of educators, most people will be unable to carry out retirement planning. Better options exist.

First, provide better advice. People on low income need free and impartial advice. Everyone else would benefit from a financial advice industry that doesn’t confuse advice with sales.

Casts Doubt

Ophthalmologists are not allowed to sell eyeglasses; financial advisors should not be allowed to sell stocks and bonds. When financial advisors work on commission, as they often do, the resulting conflict of interest casts doubt on the impartiality of the advice they provide.

Second, regulate the financial services industry in a more responsible way. In my opinion, what should have been announced was the creation of a Consumer Financial Protection Bureau, like the one being set up in the U.S. Before new electrical products or new pharmaceutical products are allowed on the market, they must go through an extensive testing process. Few people would expect consumers to be ‘literate’ when it comes to exploding toasters or ineffective prescription medicines. Can we expect Canadians who are planning for retirement to be ‘literate’ when faced with reverse mortgages, detailed investment prospectuses, and complex tax laws? A regulatory agency that tries to stay abreast of the ever-changing set of financial services and to gauge their safety seems only prudent.

Saul Schwartz is the author of the study “Financial Literacy and Better Retirement Planning in Canada: Is education the answer?”, published by the Institute for Research on Public Policy. He is also a professor at the school of public policy and administration at Carleton University.
Canada’s top group pension plan statement

Desjardins Financial Security’s group pension plan statement took first place in DALBAR’S *Trends and Best Practices in Defined Contribution Pension Plan Statements* report.

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For allergy sufferers, the office space can often be a dreaded environment: shared working spaces, poor ventilation, communal eating areas, and exposure to chemicals, latex, and fragrances. Depending on the work environment, employees could also develop allergies or skin reactions with substances they have ingested, inhaled, or touched. This is especially true for many tradespeople, industrial workers, medical professionals, and various technicians.

Allergy symptoms are one of the most frequently cited reasons for employees to miss work, with some studies reporting that an average sufferer misses 32 hours of work in a week when symptoms are at their worst.

**Understanding The Concern**

Anyone can develop an allergy, but most of those affected have a genetic predisposition and are often allergic to one or more substances. As with most medical conditions, it’s likely that those who are prone to allergies will be reluctant to tell co-workers about their condition out of politeness, insecurity, or pure frustration from the perceived lack of understanding or interest.

It can also be difficult for allergy sufferers to be vocal about what triggers a reaction because they cannot control the substances brought in to work by their fellow co-workers and customers.

There are two basic types of allergic reactions:

- **Immediate hypersensitivity** is the most common allergy caused by hay fever, food allergies, and some drugs. When experiencing this reaction, individuals react within minutes of exposure.
- **Delayed hypersensitivity** is a slower reaction, often occurring after days of substance exposure that results in a peeling skin rash.

An allergic reaction can range from mild to severe and is a result of a perceived threat on the immune system from exposure to a substance. The immune system counteracts the threat by releasing an antibody called immunoglobulin E (IgE) to the cells found in the skin, tongue, nostrils, and the intestinal tract. In response to IgE, the cells will produce inflammatory chemicals that cause the itching, swelling, running nose, and watering eyes most commonly associated with allergic reactions. Depending on the severity of the allergy, some also experience a tightening of the muscles around the airways that can lead to suffocation.

The most common form of allergy is allergen rhinitis, or hay fever, and more women than men are openly admitting they are affected. The symptoms begin in the spring and summer seasons as temperatures rise, the air gets dry, and pollen, dust, and other airborne allergens are more prevalent. One of the reasons why some employees don’t acknowledge their allergies and seek treatment is because hay fever is often misread as the common cold.

The best way to avoid lost time is to encourage staff to take preventative steps, both at home and in the office to decrease symptoms. During hay fever season, it is a good idea to speak with the office manager about having the carpets and air filters cleaned to eliminate allergens, run the air conditioner to improve air circulation, and be sure that work areas throughout the building are regularly swept and dusted.

**Nothing To Sneeze At**

Encourage Open Communication

Creating awareness around the office about allergies and sensitivities to foods and fragrance is the most effective way to prevent allergic reactions at work. This can be done by posting notices about common food allergens in food serving and prep areas and signage in the bathrooms that ask people to avoid using colognes, perfumes, and fragrant soaps.

We’re told that allergies are on the rise among Canadians. It’s important to start putting practices into motion that will prevent not only the symptoms from recurring, but also possibly from developing. There are many cases where allergic reactions have been prevented with appropriate attention. Keeping everyone informed makes the workplace safe and keeps people from feeling unnecessarily ill.
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the S&P TSX Composite Index a commodities index? With approximately 60 per cent of the index represented by resource-related companies, some would say so. However, Canada’s flagship equity index is narrow, dominated in the resource sectors by a handful of very large companies and many smaller companies. For example, although Canada is rich in energy and gold, it has relatively modest production of other important materials such as iron ore and coal.

Despite the fall of foreign content limits six years ago, home market bias is still dominant. Plans that degree of contango in order to gain on the futures position. Contango acts as a headwind on investor return and can cause a loss in a futures position even if the underlying commodity has price appreciation.

Futures investors can access only the relatively limited universe of natural resources for which liquid futures contracts exist. Many important resources – including iron ore, coal, fertilizers, uranium, and rare earth metals – are not investable through futures. Active equity investors have a wider range of options and can take advantage of weaknesses in certain markets, rotating to resources where the fundamental supply and demand characteristics are more compelling.

Indexation has become a popular, but ineffective, concept for commodities. Commodity indices and CLFs are constructed based on either production of the underlying commodity or on the trading volume of the future. Therefore, they do not necessarily reflect the true economic value of the resources in question.

Owning Equities

Owning equities in companies that produce commodities has several advantages. Consider an ideal investment in commodities, all issues of practicality aside. An investor would buy commodities today, then sell them tomorrow – but only if profitable. This is what companies that develop natural resources do. Companies can also engage in strategies that increase the likelihood of success, such as:

- Hedging future production when prices are high to help ensure future profits
- Acquiring additional resources when prices appear attractive
- Adjusting production schedules based on supply and demand considerations in the markets

Equity investors have the choice of hundreds of companies, providing greater flexibility to manage assets profitably.

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<thead>
<tr>
<th>Commodity Indices</th>
<th>% In Contango</th>
<th>% In Backwardation</th>
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<tr>
<td>DJ-UBS Commodity Index</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>S&amp;P GSCI Commodity Index</td>
<td>83%</td>
<td>17%</td>
</tr>
</tbody>
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In the decision of the Ontario Court of Appeal in Indalex Limited, the interests of pension plan members superseded those of lenders who advanced funds to keep an insolvent company alive as a going concern. The decision came as a surprise to many pension and insolvency professionals, lenders, and pension plan sponsors. The court, essentially, directed that monies held in reserve by the monitor appointed under the federal Companies Creditors Arrangement Act (CCAA) should be used to pay off pension fund deficits in preference to secured creditors.

In 2009, Indalex Limited (a Canadian company) and its U.S. parent sought protection from their creditors under the CCAA and Chapter 11 of the U.S. Bankruptcy Code respectively. The court authorized a loan to Indalex under a debtor-in-possession (DIP) credit agreement and gave the lender a super-priority charge on Indalex’ property, in priority to “all other security interests, trusts, liens, charges, and encumbrances, statutory or otherwise.” The U.S. parent of Indalex guaranteed the loan.

Later that year, the court approved a sale of Indalex’ assets on a going-concern basis. Indalex and the lender rightly understood the sale proceeds would be used first to pay off the loan, given the super-priority granted to the lender. However, two groups of pension plan members argued that a portion of the proceeds should be reserved for payment of pension fund deficiencies which amounted to $6.75 million. This amount was ordered withheld from the sale proceeds, with the result that the DIP loan was not fully repaid. The U.S. parent guarantor made up the shortfall.

Indalex sponsored two pension plans, a Salaried Plan, some of whose members were represented by the United Steelworkers, and an Executive Plan. The Salaried Plan was wound up at the end of 2006, however, payments were still being made to the plan to fund its wind-up deficiency. The Executive Plan had not been wound up, but was also underfunded at the time of the CCAA proceedings.

**Statutory Deemed Trust**

Pension legislation in Ontario, and in most other Canadian jurisdictions, creates a deemed trust in favour of the pension fund, equal to employer contributions accrued to the date of a pension plan wind-up, but not yet due to be paid under the pension plan or under pension regulations. Typically, upon the wind-up of a pension plan, outstanding wind-up deficiencies must be paid over no more than five years. This was the position of the Salaried Plan. The Executive Plan had not yet been wound up.

The deemed trust provision applicable to pension plan wind-ups in the Ontario Pension Benefits Act is as follows:

> “Where a pension plan is wound up in whole or in part, an employer who is required to pay contributions to the pension fund shall be deemed to hold in trust for the beneficiaries of the pension plan an amount of money equal to employer contributions accrued to the date of the wind-up, but not yet due under the plan or regulations.”

In addition, the Ontario Personal Property Security Act creates a specific priority for deemed trusts under pension legislation over all secured creditors. The combination of provisions under Ontario pension legislation, creating a deemed trust, and the provision under the PPSA creating a priority for amounts claimed under deemed trusts, conflicted with the interests of the U.S. parent company of Indalex Limited that guaranteed the loan from the
DIP lender and made up the shortfall on the sale of the business.

For the Salaried Plan that had been wound up prior to the CCAA proceedings, the court of appeal held that the deemed trust under the Pension Benefits Act was effective as against the guarantor of the DIP loan. The court held that all amounts owing under the pension plan had accrued as of the wind-up date, even though they were not due to be paid until as much as five years beyond the wind-up date by virtue of pension regulations.

The Executive Plan, on the other hand, had not been wound up as of the date CCAA had been effective as against the lenders and the plan members, but not the guarantor of the DIP loan. On this last point, the court went out of its way to make it clear that the company would have acted as guarantor of the loan. On this last point, the court went out of its way to make it clear that the company would have acted as guarantor of the loan.

The peculiar vulnerability of pension plan beneficiaries was even greater than in the ordinary course because they were given no notice of the CCAA proceedings, had no real knowledge of what was transpiring, and had no power to ensure that their interests were even considered – much less protected – during the DIP negotiations.

The court held that Indalex put itself into a conflict of interest situation, namely between safeguarding the interests of the corporation and the interests of the pension plan members. The court repeated that Indalex could not resolve the conflict simply by ignoring its role as pension plan administrator. According to the court, it was incumbent upon Indalex to “take steps to address the conflict.” The court did not indicate what those steps should be.

Lastly, the court invoked the notion of constructive trust in favour of the pension plan members based on equitable principles and on account of Indalex’ breaches of fiduciary duties. The constructive trust would provide extra armour for the plan members in the event of an appeal under which it is decided that there is no deemed trust.

**Implications**

This decision has potentially far-reaching implications, well beyond the facts of the case. It is open to question whether the DIP lender would have advanced funds to Indalex had it imagined the result in this case. Also in question is whether the parent company would have acted as guarantor of the loan. On this last point, the court went out of its way to make it clear that the competing interests over the reserve fund were not the lenders and the plan members, but the parent company guarantor and the plan members. So there is a question whether the decision would have been the same had the loan not been guaranteed.

The decision also raises significant uncertainty as to the extent of an employer’s fiduciary obligations in its role as pension plan administrator. There is always a dynamic tension between the roles of employer plan sponsor and plan administrator. However, this decision heightens the responsibilities of plan administrators. The decision makes it pretty clear that there is a fiduciary duty to inform plan members when a loan is being negotiated in the midst of CCAA proceedings. Would this extend to situations outside of the CCAA, such as regular commercial loans or other business activities?

The court made it clear that Indalex placed itself in a conflict situation in its dual roles as a corporation and as a pension plan administrator. The court stated that Indalex was required to take steps, however, what steps? Indalex could not simply abdicate its responsibilities as pension plan administrator. It could have outsourced administrative functions to a third party. In this case, Indalex would still have been the administrator under the Ontario Pension Benefits Act and would be responsible as such.

The outsourcing of administration functions is different from outsourcing the ‘administrator’ role. Under the Ontario legislation, a pension plan is required to be administered by an administrator which is either the employer, a pension committee, or a board of trustees under a multi-employer pension plan. The ‘administrator’ is the party that has fiduciary duties toward the plan members.

Indalex could not simply throw its administrator hat to someone else. It could have possibly requested the pension regulator to act as plan administrator, however, this can be a time-consuming process in order to obtain the regulator’s approval and there would have been no obligation upon the regulator to consent. Unfortunately, in many jurisdictions in Canada, the pension regulatory regime in the event of insolvency is not clear.

We understand that an application is in process of being prepared to seek leave to appeal this decision to the Supreme Court of Canada. The pension, insolvency, and financing communities will be anxiously awaiting the outcome of the leave application and, hopefully, of the eventual decision by the Supreme Court of Canada.

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20

Go to page 3 CONTENTS
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Investors, including sophisticated investors such as pensions and endowments, are increasingly interested in investing in commodities to add diversification to their portfolios. This article examines the subject of commodity alpha and beta and also looks at a new class of commodity products that lies somewhere in between the two extremes. Before we delve deeper, we will clarify what we mean when referring to commodity alpha and beta.

Investment returns can be broken down and understood as a combination of alpha and beta, where beta is the portion of the overall return that is attributable to systematic risk factors and alpha is the portion of the return that is not attributable to systematic risk factors. In other words, the beta is the broad market return and the alpha is the value added performance of a strategy or index, over the broad market return. The returns of passive investment exposures (long only index strategy) are almost pure beta, whereas the returns of active (long/short strategy) investment strategies are a combination of beta and alpha. The more novel the approach, the larger the proportion of alpha in the returns.

**Commodity Beta**

Investors typically attempt to capture commodity beta in one of two ways – investing in resource equities (the stock of companies that produce commodities) or long only commodity investing and, most commonly, index tracking strategies.

Investing in resource equity is a weak approach to capturing commodity beta. Often, when asked about their appetite for commodity investing, portfolio managers respond that they believe wholeheartedly in the diversification benefits of commodities, only to learn that they only invest in resource equity. Unfortunately, this method provides high stock market beta (correlation) and often low commodity beta. This occurs because there are so many other factors that affect the price of the stock (equity market direction, management, capital structure, earnings expectations, etc.) that are unrelated to the price of the actual commodities they produce. This is, at best, an indirect way to get commodity beta. We also observe that many of the ‘commodity experts,’ even some that manage ‘commodity funds,’ do not have any actual commodity experience and run funds based on resource stocks, not actual commodities. This in itself has misled many investors. The challenge appears to be that investors have become very comfortable investing in equities, whereas commodities are something that they don’t fully understand.

Strategies that track long only commodity indices (first generation long only commodity indices such as the DJ-UBS, S&P GSCI) or are invested directly in commodities (physical or futures based), are extremely transparent and have very low fees. This is very attractive to investors, but the trade-off is that the commodity markets do not always deliver low correlations to equities and bonds. In fact, if we use the example of 2008, the commodity market and the traditional markets (equities and bonds) became very highly correlated right when non-correlation was needed the most. Many investors achieve beta by indexing. This is especially true in asset classes such as commodities where investment is outside the expertise of many portfolio and wealth managers.

Active long/short commodity strategies such as managed futures strategies (also referred to as commodity trading advisors or CTAs) arguably have the highest alpha component to them, but they are not pure alpha, they also include beta. The alpha is merely the icing on the cake. Most managed futures funds performed very well through periods of market turbulence, similar to 2008, largely due to their active approach to positioning (the ability to be long or short depending on the trend) and their dedication to active risk management. The trade-off is higher fees and less transparency in return for improved risk adjusted returns.
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‘Enhanced Beta’

Alpha and beta are not absolutes: it is helpful to think of them as more of a continuum, with pure alpha at one extreme and pure beta at the other. As specific alpha strategies evolve and become well understood and quantifiable on their own, they undergo a transition from being pure alpha to being more beta-like. These strategies are referred to as enhanced beta or exotic beta. To generate enhanced beta, we borrow some of the elements that generate alpha, making them transparent and replicable.

The benefits of enhanced beta are provided for a reasonable cost (index like fees not hedge fund like fees) while avoiding the volatility, deep drawdowns, and cross-market correlations that occur with pure beta strategies.

The following are some key strategies that differentiate enhanced beta strategies from pure beta strategies:

- **Active Positioning**
  
  An example of this is a simple trend following strategy. This allows for positions to be long, short, or flat, depending on the direction of the trend as determined by a simple trend indicator such as a moving average. The returns from simple trend following strategies are very well-documented and are reproducible to the point where the returns from this type of strategy can be thought of as a systematic risk factor and hence are no longer pure alpha strategies. Active positioning dramatically improves risk adjusted returns over long only strategies.

- **Position Sizing and Rebalancing**

  Another aspect of enhanced beta includes position sizing, where positions are sized and adjusted based on the changes to the underlying volatility. As a result, position sizing provides lower drawdowns and less volatility which produces better risk adjust returns.

- **Roll Optimization**

  Trading commodity futures necessitates the rolling of futures contracts which can result in a negative or positive roll yield due to backwardation (downward sloping futures curve) or contango (upward sloping futures curve). By rolling the futures contracts in a way that maximizes the roll return, returns can be improved.

This is not meant to be a complete list and, as stated previously, enhanced beta is constantly evolving so over time it is expected to change.

**Why Is It Enhanced Beta**

By using some of the publically well-documented and simple elements that generate alpha to improve the efficient frontier, we are moving closer to the alpha side of the continuum. If we are willing to offer transparency to the investing public and provide the methodology in the form of an index, the alpha becomes replicable and thus, enhanced beta. However, for pure alpha CTA funds, our strategies remain proprietary.

Enhanced beta is available to investors through exposure to so-called ‘third generation’ commodity indices. These are indices that take into consideration risk and reward and do not simply provide beta exposure. Third generation indices are the latest generation of commodity indices that incorporate elements of enhanced beta within them. This can be accomplished by:

- licensing an index from a third generation index provider
- running a managed account with a manager that specializes in enhanced beta
- investing in an ETF that tracks a third generation commodity index

Enhanced beta commodity strategies are well-suited to investors looking to add alpha-like commodity returns to their portfolios while maintaining transparency and low fees.

Tim Pickering is founder, president, and CIO of Auspice Capital Advisors (www.auspicecapital.com)
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Unplanned absence harms productivity and, ultimately, organizational effectiveness. The impact of absence goes well beyond direct sick time and disability benefit costs. Employees who require disability leave are largely the same employees that incur the highest health benefit costs. Add to that the time and money spent in managing absences – and the financial reserves required for employees on long-term leave – and it becomes clear that absence is one of the most costly challenges faced by employers.

Effective absence-risk management provides an opportunity for significant cost management and workplace productivity support. Effective risk management has three parts:

- understanding and addressing potential causes
- responding in a timely and effective manner to mitigate any adverse impact
- preventing recurrence and collecting information to continuously improve prevention and response systems

Do you have a strategy for each absence-risk management phase?

Absence-risk management starts with understanding the root causes of the absence. Immediately, individual health status comes to mind, along with health promotion and prevention programs to mitigate absence due to health conditions. But absence behaviour goes beyond just the pure ‘health’ of an employee on any given day. Other influencing factors include those from the workplace including supervisor relationships, the social and physical environment, how performance is managed, etc.

Addressing potential causes starts before you even hire an employee. Have you minimized the environmental factors that contribute to absence? Are managers trained and recognized for supportive supervisory relationships? During hiring and orientation, potential concerns can be minimized. Communication of job demands, as well as effective interviewing and selection, can assess job fit and resilience. Finally, employers need to use probationary periods to address arising issues and, if need be, sever the employment relationship before performance or other factors worsen to the point of absence.

Timely Manner

Once in the employment relationship, absence-risk management starts immediately once there is a possible health issue threatening ongoing productivity (and eventually absence). The point of impairment (POI), and possibly absence, may be readily identifiable. However, for other conditions – such as mental health, repetitive strain injury, etc. – it may be hard to identify and, depending on the employee’s level of impairment and coping ability, could continue for an extended period before causing absence. This ‘zone’ from POI to absence is a critical opportunity to identify individuals needing support to recover and to implement the right intervention, such as accommodation to minimize disruption and future absence costs.

Finally, for employees requiring time off to recover from injury or illness, ensuring they get appropriate, timely recovery support – as well as support to overcome any non-medical barriers – is paramount. Good recovery coaching through case management requires an understanding of all barriers to work and the resources and plan to address each barrier. This, along with proactive claims monitoring, will not only ensure that your employees have a good experience, but that unnecessary time off is minimized.

Continuous Improvement

Best practice health and safety strategies involve continuously reviewing data and analyzing experience and behaviours (past and ongoing) resulting in workplace accidents, including injuries, to identify risks and determine prevention opportunities to minimize future occurrences.

Managing workplace absence is a tricky, complicated business that requires a formal strategy. Without an absence-risk management strategy for each stage, you are forfeiting control over an aspect of your business that could be detrimental to your organization’s bottom line.

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How are drug plan formularies decisions made and by whom? Are there inequities in privately sponsored formularies? How can eligibility and reimbursement be managed to preserve the best health outcomes for patients, while ensuring the best value for plan sponsors?

The pressure on plan sponsors to control claims costs continues even as opportunities expand to take advantage of cost savings on generic drugs. The inflationary pressure on prescription drug coverage continues to be well above that associated with the majority of goods and services. There are several factors driving drug plan inflation including:

- an increased use of biologics resulting from the entry of new biologics
- expanded indications for existing biologics
- a workforce with generally poor lifestyle habits and high rates of obesity that drive chronic disease

Sal Cimino, manager, pharmacy and professional services, Green Shield Canada, says that drug plan formularies are simply a list of brand and generic drugs that are eligible for reimbursement under a group drug plan. In addition to the traditional ‘open’ formulary, there are several alternatives available to plan sponsors:

- Closed formularies that restrict access to new medications to those available at a point in time, for example, all drugs available prior to January 1, 2009. New medications are sometimes added to the formulary on a patient-by-patient or drug-by-drug basis as an exception.
- Managed formularies restrict access to medications based on drugs selected by the plan manager (pharmacy benefit manager or insurance carrier).
- Customized formularies restrict access to medications based on preferred criteria selected by the plan sponsor.

Eligible Drugs
Restricting the list of eligible drugs in a drug plan formulary is another option some sponsors use to control costs. Barbara Martinez, a principal at Mercer, says the majority of its clients continue to opt for traditional methods of cost containment – deductibles, coinsurance, and dispensing fee caps.

Further Restrictions
A managed formulary is implemented to add further restrictions that ensure appropriate use by reviewing the decisions physicians make in the appropriate treatment of their patients and avoids ‘off-label’ use where a drug is prescribed for a condition other than for which it is approved.

Proponents of restrictive drug plan formularies argue that the overall savings to drug plan costs just-
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Standard Life Assurance Limited
June 2011
tify the additional complexity added to the claims process for the patient, their physician, and their pharmacist. But ensuring that these types of formularies are successful comes with many challenges. The basic formulary design must be clearly communicated to employees at implementation and adjudication processes must be expedient and ensure plan restrictions do not compromise patient health or put too high an administrative burden on physicians.

Although a limited number of plan sponsors have adopted restrictive plan formularies, some ‘open’ formularies also have restricted access provisions. Most employees rely exclusively on their employer’s group drug plan to reimburse prescription drug claims for chronic or life threatening conditions. Where access is restricted or denied, particularly when that is not clearly communicated in advance, there will be significant health outcome and financial implications to patients and plan sponsors.

Those in the medical community, and those witnesses to the impact the additional processes required for access to therapies can have, argue that processes that restrict access can cause undue hardship to patients suffering with chronic conditions that are often debilitating, painful, and, in the worst cases, life threatening. The time some patients wait while navigating private and public reimbursement for access to therapies that can send their symptoms into remission can cause not only unnecessary pain and stress, but can lead to permanent and irreparable physical harm.

Stopped Early

Dr. William Bensen, a rheumatologist and clinical professor at McMaster University, confirms that the damage from rheumatoid arthritis starts immediately. If the disease is stopped early, there is no damage. Within the first 12 weeks, the damage caused by rheumatoid arthritis is reversible, but after it becomes embedded, there are significant repercussions in terms of productivity and absenteeism (Table 2). He argues for early treatment as the best and cheapest option. However, the extent of red tape associated with helping patients access medication is not only detrimental to the long-term health and productivity of patients, which also affects employers, it takes significant amounts of physician time to help patients navigate reimbursement. Dr. Bensen believes that this is preventing some of his colleagues from treating rheumatoid arthritis patients.

This leaves those who work in the private healthcare sector asking if a balance can be found between the need to ensure group drug plans remain affordable, while providing timely and appropriate access to medications. Jay Mayers, vice-president, head of Adjuvantz, believes that innovation in cost containment is important so long as patient outcomes are not compromised. Recent innovations in drug cost management and their impact on patients include:

- implementing a required period to confirm public plan coverage/denial
- making listing changes based on external studies or government reports
- reducing coverage if a manufacturer assistance program is supporting the copay
- delisting biologics

Drug plan formularies that restrict reimbursement without proper assessment of the long-term impact on the patient and the workplace, lead not only to the deterioration of patient physical and mental health, but also to a higher rate and duration of presenteeism and absenteeism, which also affects plan sponsors. Is this a case of short-term gain for long-term pain? Mayers presents a good summation:

- Formulary management and cost containment require significant consideration to more than just the bottom line.
- Shifting cost out of the drug plan and into absenteeism and disability provides no value to the employer client.
- Innovation in formulary design is welcome, but not at the cost of the end user.
- Engaging patient stakeholder groups in therapeutic area formulary decisions may help avoid land mines.

Perhaps the best course of treatment for our ailing group drug plans is to stop using a bandage approach to managing drug plan costs and developing a collaboration of stakeholders – including treating physicians, patient groups, adjudicators, and government – to develop detailed guidelines for prescribing, claims processing, and reimbursement. A successful collabora-

### Table 1

**Drug Plan Design Traditional Approaches**

<table>
<thead>
<tr>
<th>If Flat, Formulary Type</th>
<th>Prevalence</th>
</tr>
</thead>
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<td>91%</td>
</tr>
<tr>
<td>Managed</td>
<td>4%</td>
</tr>
<tr>
<td>Prescribed</td>
<td>4%</td>
</tr>
<tr>
<td>Rx By Law</td>
<td></td>
</tr>
<tr>
<td>Provincial</td>
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</tr>
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</table>

Source: Mercer Plan Design Database – Health And Benefits N=2222

### Table 2

**Course Of Rheumatoid Arthritis**

“A little fire is quickly trodden out, but being suffered, rivers cannot quench.”

– William Shakespeare, Henry IV

![Table 2 Image](image-url)

<table>
<thead>
<tr>
<th>3 mos</th>
<th>6 mos</th>
<th>1 year</th>
<th>2-5 years</th>
<th>&gt;5 years</th>
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<tr>
<td></td>
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FINANCIAL EDUCATION INSTITUTE OF CANADA, THE Graydon Watters, President; 214-8735 Yonge St., Whitby, ON L1P 1M2 PH: 905-665-6784 Fax: 905-665-5570 eMail: info@feic.ca Web: www.feic-ca.ca Client Profile - 1 to 100 Employees: 1 Professional Staff: 5 Consulting Services Offered: BC IC HC R/TPA

BOEY CONSULTANTS & ACTUARIES Annual Report & Directory

36

36 | Go to page 3 CONTENTS

BENEFIT & PENSION CONSULTANTS
Annual Report & Directory

FIRM CONSULTING INC. Jacob S. E. Clark, President & Lead Consultant; 610 – 195 Dufferin Ave., London, ON N6A 1K7 PH: 519-672-2476 Fax: 519-672-0554 eMail: jake@firmconsulting.ca Web: www.firmconsulting.ca Client Profile - 1 to 100 Employees: 90 101 to 500 Employees: 10 Professional Staff: 3 Consulting Services Offered: BC

FORETHOUGHT RISK Jonathan Jacob, Managing Director; 288 Spring Gate Blvd., Thornhill, ON L4J 3L9 PH: 647-477-3455 eMail: jj@forethoughtrisk.com Web: www.forethoughtrisk.com Client Profile - 1 to 100 Employees: 2 101 to 500 Employees: 2 Other Offices: Toronto Professional Staff: 3 Consulting Services Offered: IC & S&T

GALLIVAN & ASSOCIATES STUDENT NETWORKS John Gallivan; 206-470 Weber St. N., Waterloo, ON N2L 6J2 PH: 519-746-0200 Fax: 519-746-0215 eMail: gallivan@gallivan.ca Web: www.gallivan.ca/studentnetworks/index2.html Consulting Services Offered: BC

GEM FINANCIAL GROUP Rasa Lannoo, CEO; 42 Riddell St., Woodstock, ON N4S 6M1 PH: 519-537-2216 Fax: 519-537-8778 eMail: rasa@geminifinancialgroup.ca Web: www.geminifinancialgroup.ca Professional Staff: 6 Consulting Services Offered: BC IC HC R/TPA S&T

GLOBAL INVESTMENT SOLUTIONS Jeffrey Hand, Managing Director; 208 Wyecroft Rd., Ste. 201, Oakville, ON L6K 3T8 PH: 905-842-4242 Fax: 416-760-3365 eMail: jhand@gLOBAL-i-s.com Web: www.global-i-s.com Client Profile - 1 to 100 Employees: 15 101 to 500 Employees: 3 501 to 1,000 Employees: 4 1,000+ Employees: 10 Professional Staff: 2 Consulting Services Offered: IC & S&T

GOODEN ACTUARIAL CONSULTANTS LTD. Bill Gooden, President; Ste. 1475, 505-3rd St. S.W., Calgary, AB T2P 3E6 PH: 403-264-4872 Fax: 403-264-4872 eMail: wgooden@gooden.ca Web: www.gooden.ca Professional Staff: 1 Consulting Services Offered: BC IC R/TPA S&T


GROUPSOURCE Scott Smith, Assistant Vice-president; #400, 1550-5th St. S.W., Calgary, AB T2R 1K3 PH: 403-228-1644 Fax: 403-229-1256 eMail: ssmith@groupsorce.ca Web: www.groupsorce.ca Client Profile - 1 to 100 Employees: 945 101 to 500 Employees: 38 501 to 1,000 Employees: 7 1,000+ Employees: 3 Other Offices: Edmonton, Regina, Kelowna, Vancouver Professional Staff: 27 Consulting Services Offered: BC HC R/TPA S&T

GROUPWORKS FINANCIAL CORPORATION Andrea Kreutzer, Vice-president; Group Retirement Solutions; 240 Duncan Mill Rd., Ste. 801, Toronto, ON M3B 3S6; John Shoniker, Vice-president, Integrated Solutions; 31 – 260 Holiday Inn Dr., Cambridge, ON N3C 4E8 PH: 519-220-1440 eMail: john.shoniker@groupworkscorpor.com Web: www.groupworkscorpor.com/index.html Consulting Services Offered: BC HC R/TPA S&T

H3 CONSULTING Chris Bonnett, President; 51 Green Lanes, Toronto, ON M8Z 4V8 PH: 416-458-5468 eMail: chris@hthree.ca Web: www.hthree.ca Professional Staff: 1 Consulting Services Offered: BC & S&T

HART ACTUARIAL CONSULTING LTD. David C. Hart, Consulting Actuary; 2851 Rainbow Cres., Mississauga, ON L5J 2H7 PH: 905-820-4810 Fax: 905-820-5520 eMail: dhart@an-actual-actuary.com Web: www.an-actual-actuary.com Client Profile - 1 to 100 Employees: 90 101 to 500 Employees: 6 Professional Staff: 1 Consulting Services Offered: BC S&T

HEALTHSOURCE PLUS Jeffrey Stinchcombe & Rob Carducci, Partners; 240 Duncan Mill Rd., Ste. 801, Toronto, ON M3B 3S6; Pierre Seguin, Regional Director; 100 boul. Alexis Nihon, bur. 955, Ville St-Laurent, QC H4M 2P5 PH: 416-445-0000, 416-302-0413, or 514-826-1874 Fax: 416-445-2222 or 866-313-4247 eMail: info@healthsourceplus.com, rcarducci@healthsourceplus.com, or pseguin@healthsourceplus.com Web: www.morevaluelessmoney.ca Other Offices: St. Catharines, Winnipeg Professional Staff: 45 Consulting Services Offered: BC HC R/TPA

HUB INTERNATIONAL Tim Witchell, President, Wealth Management & Employee Benefits; 595 Bay St., Ste. 900, Toronto, ON M5G 2E3 PH: 416-597-0008 Fax: 416-597-3971 eMail: tim.witchell@hubinternational.com Web: www.hubinternational.com Client Profile - 1 to 100 Employees: 175 101 to 500 Employees: 25 501 to 1,000 Employees: 5 1,000+ Employees: 2 Other Offices: BC, AB, QC Professional Staff: 20 Consulting Services Offered: BC HC R/TPA S&T

IDEAL BENEFITS Christopher Pyce, Senior Consultant; 249 Yonge Blvd., Toronto, ON M5M 3J1 PH: 416-924-8280 Fax: 416-323-1984 eMail: chrispyce@idealbenefits.ca Web: www.idealbenefits.ca Professional Staff: 2 Consulting Services Offered: BC IC HC

INTEGRATIS GROUP THE Ian S. Brown, President – Owner; 127 Victoria St. S., Ste. 202, Kitchener, ON N2G 3R2
J.J. MCATEER & ASSOCIATES INCORPORATED
Susan Bird, President; 45 McIntosh Dr., Markham, ON L3R 8C7
905-946-8655 Fax: 905-946-2535 eMail: sbird@mcateer.ca
Web: www.mcateer.ca
Other Offices: Burnaby, Edmonton Professional Staff: 62 Consulting Services Offered: BC IC HC R/TPA S&T

JANTZI-SUSTAINABLES*
Sarah Smith, Business Development; 215 Spadina Ave., Ste. 300, Toronto, ON M5T 2C7 PH: 416-861-0403 x19 Fax: 416-861-0183 eMail: contact@sustainables.ca Web: www.sustainables.com Professional Staff: 91 Consulting Services Offered: IC
*internationally Operating as Sustainability

JARVIS & ASSOCIATES
Leslie-An Holbrown, Principal; 8 King St. E., #1100, Toronto, ON M5C 1B5 PH: 416-868-0880 Fax: 416-362-3729 eMail: jholbrown@jarvisassociates.ca Consulting Services Offered: BC HC

JOHNSON INC.
Douglas Munn, Regional Vice-president; PH: 905-764-4072 eMail: dmunn@johnson.ca Web: www.johnson.ca Professional Staff: 1-100 Consulting Services Offered: BC IC HC R/TPA S&T

JOHNSON SCHOCK LOWDEN INC.
Bev Wilbore, Office Administrator; 4550 Highway 7, Ste. 225, Vaughan, ON L4L 4Y7 PH: 905-264-2410 Fax: 905-264-2401 eMail: bev@jslinc.ca Web: www.jslinc.ca Professional Staff: 1-100 Consulting Services Offered: BC IC HC R/TPA S&T

LONGHURST & JACK INC.
Patrick Longhurst, President; Ste. 1000, 36 Toronto St., Toronto, ON M5C 2C5 PH: 416-815-7200 eMail: enquire@longhurstandjack.ca Web: www.longhurstandjack.ca Client Profile - 1 to 100 Employees: 2, 1,000+ Employees: 2 Professional Staff: 2 Consulting Services Offered: BC IC

LYNNMAR ASSOCIATES LIMITED
Marilyn Lunz, President/Owner-Manager; 1995 Royal Rd., Unit 113, Pickering, ON L1V 6V9 PH: 905-619-0380 eMail: mlynmar01@sympatico.ca Consulting Services Offered: BC

MANION, WILKINS & ASSOCIATES LTD.
Mike Neheli, President; Patrick Donnelly, Executive Vice-president; 500 – 21 Four Seasons Place, Etobicoke, ON M9B 0A5 PH: 800-263-5621 Fax: 416-234-2058 eMail: info@manionwilkins.com Web: www.manionwilkins.com Client Profile - 1 to 100 Employees: 54 101 to 500 Employees: 21 501 to 1,000 Employees: 7 1,000+ Employees: 11 Other Offices: Woodbridge Professional Staff: 18 Consulting Services Offered: BC IC HC R/TPA S&T

MATHEIS FINANCIAL GROUP
Mary-Anne Rogers, Manager, Executive Support Services; 1101 Kingston Rd., Ste. 150, Pickering, ON L1V 1B5 PH: 905-837-2600 Fax: 905-837-2599 eMail: info@matheisegroup.com Web: www.matheisegroup.com Professional Staff: 14 Consulting Services Offered: BC IC HC R/TPA S&T

MCFBEDARD GROUP INC.
Charles Bedard, President; 465 Richmond St., Ste. 200, London, ON N6A 5P4 PH: 519-690-1452 Fax: 519-690-1463 eMail: cbedard@mcfbedard.com Web: www.mcfbedard.com Consulting Services Offered: BC IC HC R/TPA S&T

MEDIT DIRECT INC.
Murray Malley, President; 215, 5403 Crowchild Trail N.W., Calgary, AB T3B 4Z1 PH: 403-537-6298 Fax: 403-539-5511 eMail: murray.malley@medidirect.ca Web: www.medidirect.ca Client Profile - 1 to 100 Employees: 870 101 to 500 Employees: 35 501 to 1,000 Employees: 3 Professional Staff: 21 Consulting Services Offered: BC HC R/TPA S&T

BENEFIT & PENSION CONSULTANTS
Annual Report & Directory

JOHNSON GROUP INC.
Jackie Olininan, Manager, Marketing Services; 582 King Edward St., Winnipeg, MB R3H 0P1 PH: 204-774-6677 Fax: 204-774-6689 eMail: info@johnstongroup.ca Web: www.johnstongroup.ca Client Profile - 1 to 100 Employees: 28 501 to 500 Employees: 62 501 to 1,000 Employees: 5 1,000+ Employees: 5 Other Offices: Toronto, Montreal Professional Staff: 175 Consulting Services Offered: BC IC HC R/TPA S&T

JONES DESLARMUIR BLEVIS INSURANCE GROUP INC.
Tanya Davber, President, Sales & Marketing; 30 Quarry Ridge Rd., Barrie, ON L4M 7G1 PH: 705-721-9890 Fax: 705-721-0352 eMail: tdavber@jdbgroup.ca Web: www.jdbgroup.ca Other Offices: Toronto Professional Staff: 35 Consulting Services Offered: BC IC HC R/TPA S&T

KATZ GROUP CANADA, REXALL
Dylan Davies, Manager, Pharmacy Business Development; 5965 Coopers Ave., Mississauga, ON L4Z 1R9 PH: 905-501-7876 eMail: ddavies@rexall.ca Web: www.rexallhealthservices.ca Consulting Services Offered: BC HC

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David Krieger, President; 43 Front St. E., Ste. 300, Toronto, ON M5E 1B3 PH: 416-363-1221 Fax: 416-363-0677 eMail: dskrieger@kriegerassociates.com Web: www.kriegerassociates.com Consulting Services Offered: 1 to 100 Employees: 1 101 to 500 Employees: 1 501 to 1,000 Employees: 17 1,000+ Employees: 9 Professional Staff: 9 Consulting Services Offered: BC IC HC R/TPA S&T

LENNOX FINANCIAL GROUP INC.
Chris Lennox, President; 665-360-2929 Fax: 888-883-8427 eMail: dlennon@lennoxfinancial.ca Web: www.lennoxfinancial.ca Consulting Services Offered: BC IC HC S&T

Leslie Group Limited, The
Rob Campbell, Vice-president, Consulting; 40 Wynford Dr., Ste. 220, Toronto, ON M3C 1S5 PH: 416-510-8966 Fax: 416-510-8966 eMail: rob@lesliegroup.com Web: www.lesliegroup.com Consulting Services Offered: 1 to 100 Employees: 245 501 to 500 Employees: 80 501 to 1,000 Employees: 17 1,000+ Employees: 7 Professional Staff: 12 Consulting Services Offered: BC IC HC

Life Benefit Solutions Inc.
May Pavagadhi, President; Unit 16-130 Marion, Winnipeg, MB R2H 0TA PH: 204-237-5433 Fax: 204-237-4693 eMail: mpavagadhi@lifeinc.ca Web: www.lifeinc.ca Consulting Services Offered: 1 to 100 Employees: 110 101 to 500 Employees: 7 Professional Staff: 12 Consulting Services Offered: BC HC

LONGHURST & JACK INC.
Patrick Longhurst, President; Ste. 1000, 36 Toronto St., Toronto, ON M5C 2C5 PH: 416-815-7200 eMail: enquire@longhurstandjack.ca Web: www.longhurstandjack.ca Client Profile - 1 to 100 Employees: 2, 1,000+ Employees: 2 Professional Staff: 2 Consulting Services Offered: BC IC

MEDI DIRECT INC.
Murray Malley, President; 215, 5403 Crowchild Trail N.W., Calgary, AB T3B 4Z1 PH: 403-537-6298 Fax: 403-539-5511 eMail: murray.malley@medidirect.ca Web: www.medidirect.ca Client Profile - 1 to 100 Employees: 870 101 to 500 Employees: 35 501 to 1,000 Employees: 3 Professional Staff: 21 Consulting Services Offered: BC HC R/TPA S&T

MEDIT DIRECT INC.
Murray Malley, President; 215, 5403 Crowchild Trail N.W., Calgary, AB T3B 4Z1 PH: 403-537-6298 Fax: 403-539-5511 eMail: murray.malley@medidirect.ca Web: www.medidirect.ca Client Profile - 1 to 100 Employees: 870 101 to 500 Employees: 35 501 to 1,000 Employees: 3 Professional Staff: 21 Consulting Services Offered: BC HC R/TPA S&T

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MOSEY & MOSEY BENEFIT PLAN CONSULTANTS Kevin Ashe, Vice-president, Corporate Development; 100 Millivern Ave., #604, Mississauga, ON L5R 4H1. PH: 905-361-2014 Fax: 905-361-2015 eMail: kashe@mosey.ca. Web: www.moseyandmosey.com. Client Profile - 1 to 100 Employees: 160 101 to 500 Employees: 12 1,000+ Employees: 5 Other Offices: Pickering Professional Staff: 15 Consulting Services Offered: BC, HC.

MORNOU SHEPELL Zahid Salman, Executive Vice-president; 895 Don Mills Rd., One Morneau Shepell Centre, Ste. 700, Toronto, ON M3C 1W3. PH: 416-445-2700 Fax: 416-445-2795 eMail: info@morneaushepell.com. Web: www.morneaushepell.com. Other Services: Client Profiles - 1 to 100 Employees: 131 101 to 500 Employees: 30 501 to 1,000 Employees: 8 1,000+ Employees: 2 Other Offices: Mississauga, Ajax Professional Staff: 47 Consulting Services Offered: BC, IC, HC, R/TPA & T.

MORNINGSTAR ASSOCIATES INC. Dale Powell, Director, Investment Consulting; 1 Toronto St., 5th Floor, Toronto, ON M5J 2S5. PH: 416-484-7818 Fax: 416-489-7066 eMail: dale.powell@morningstar.com. Web: www.morningstar.ca. Professional Staff: 9 Consulting Services Offered: BC.


MTR BENEFITS INC. Candice Woodard, President, Box 183, Bond Head, ON L0G 1B0. PH: 905-778-0560 Fax: 866-415-8826 eMail: candice@isourcebenefits.ca. Web: www.isourcebenefits.ca. Client Profile - 1 to 100 Employees: 5 101 to 500 Employees: 3 501 to 1,000 Employees: 4 1,000+ Employees: 4 Professional Staff: 2 Consulting Services Offered: BC.

MITCHELL SANDHAM FINANCIAL SERVICES Andrew Kilpatrick, Partner; 438 University Ave., Ste. 2000, Toronto, ON M5G 2X8. PH: 416-862-1750 Fax: 416-862-1975 eMail: akilpatrick@m itchellsandham.com. Web: www.mitchellsandham.com. Client Profile - 1 to 100 Employees: 131 101 to 500 Employees: 30 501 to 1,000 Employees: 8 1,000+ Employees: 2 Other Offices: Mississauga, Ajax Professional Staff: 47 Consulting Services Offered: BC, IC, HC, R/TPA & T.

MURPHY & MURPHY BENEFIT PLAN CONSULTANTS Kevin Feeny, Principal; 214-3823 Henning Dr., Burnaby, BC V5C 4X9. PH: 718-299-7361 Fax: 718-299-7362 eMail: kfeeny@pmmp.com. Web: www.pmmp.com. Client Profile - 1 to 100 Employees: 12 101 to 500 Employees: 15 1,000+ Employees: 20 Other Offices: Toronto, Guelph, Vancouver, Burnaby, Prince George, Calgary, Edmonton, Montreal, Halifax, Niagara Falls Professional Staff: 5 Consulting Services Offered: R/TPA & T.

MYSOLUTIONS INC. Liz Scott, Principal & CEO; 2186 Mountain Grove Ave., #253, Burlington, ON L7P 4X6. PH: 866-674-7656 Fax: 905-315-7945 eMail: liz@mysolutions.ca. Web: www.mysolutions.ca. Client Profile - 1 to 100 Employees: 12 101 to 500 Employees: 12 1,000+ Employees: 2 Other Offices: Toronto, Guelph, Vancouver, Burnaby, Prince George, Calgary, Edmonton, Montreal, Halifax, Niagara Falls, London Professional Staff: 5 Consulting Services Offered: BC, IC, HC, R/TPA & T.


P&L BENEFITS INC. Thomas A. James, Vice-president, Consulting Services; Mark Dowdell, Vice-president, Retirement & Investment Services; Steven Osel, Vice-president, Total Rewards; 1052 Yonge St., Toronto, ON M4W 2L1. PH: 416-969-8588 or 416-969-8588 Fax: 416-962-1711 eMail: tjames@palbenefits.com. Web: www.palbenefits.com. Consulting Services Offered: BC, IC, HC & S&T.
PROTEUS PERFORMANCE MANAGEMENT INC. Peter Henry, President, 250 Ferrand Dr., Ste. 303, Toronto, ON M3C 3G8 Ph: 416-421-3557 Fax: 416-421-1348 eMail: phery@proteusperformance.com Web: www.proteusperformance.com Other Offices: Oakville Professional Staff: 15 Consulting Services Offered: BC IC S&T

RALPH MOSS LIMITED Jeanne D. Foot, President; 102- 200 Town Centre Blvd., Markham, ON L3R 8G5 Ph: 905-513-9898 Fax: 905-513-9893 eMail: info@ralphmoss.ca Web: www.ralphmoss.ca Professional Staff: 4 Consulting Services Offered: BC IC S&T

RBC DEXIA INVESTOR SERVICES Andrew Tan, Director, Advisory Services, 155 Wellington St. W., 7th Floor, Toronto, ON MSV 3L3 Ph: 416-955-7359 Fax: 416-955-8820 eMail: andrew.tan@rbcdecia.com Web: www.rbcdecia.com Client Profile - 101 to 1,000 Employees: 360 Other Offices: Montreal, Vancouver Professional Staff: 53 (Canada) Consulting Services Offered: IC S&T

RETIREDMENT EDUCATION CENTRE INC. Av Lieberman, President; 151 Froshisher Dr., Unit 8 – 108, Waterloo, ON N2V 2C9 Ph: 800-637-6140 Fax: 519-576-5934 eMail: av@iretire.org Web: www.iretire.org Client Profile - 101 to 500 Employees: 9 501 to 1,000 Employees: 30 1,000 Employees: 10 Professional Staff: 7 Consulting Services Offered: BC IC S&T

ROBERTSON, EADIE & ASSOCIATES LTD. John Love, 481 Morden Rd., Oakville, ON L6K 3W6 Ph: 905-339-7002 Fax: 905-338-7022 eMail: jlove@rea-a.com Web: www.rea-a.com Client Profile - 1 to 100 Employees: 80 101 to 500 Employees: 20 501 to 1,000 Employees: 4 1,000 Employees: 5 Professional Services: 11 Consulting Services Offered: BC IC S&T

ROGERSCASEY CANADA. Claude Macorin, Managing Director; 65 Queen St. W., Ste. 2020, Box 31, Toronto, ON M5H 2M5 Ph: 416-642-7797 Fax: 416-304-0570 eMail: claude.macorin@rogerscasey.com Web: www.rogerscasey.com Professional Staff: 100 Consulting Services Offered: IC S&T

RUSSIN INVESTMENTS CANADA LIMITED Tom Lappalaizen, Senior Consultant; 100 King St. W., Toronto, ON M5S 1EA Ph: 416-640-2472 Fax: 416-362-4494 eMail: tlapplainen@ruslin.com Web: www.russin.com.ca Professional Staff: 370 Consulting Services Offered: BC IC

SATANOVE & FLOOD CONSULTING LTD. Harry Satarov, Principal; 849 West 83rd Ave., Vancouver, BC V5P 2H3 Ph: 604-323-9363 Fax: 604-868-8410 eMail: harry@satanoveflood.com Web: www.satanoveflood.com Client Profile - 1 to 100 Employees: 3 101 to 500 Employees: 6 501 to 1,000 Employees: 5 1,000+ Employees: 6 Professional Staff: 2 Consulting Services Offered: BC IC

SECON Jean-Guy Sauriol, President; 85 Scarsdale Rd., Ste. 309, Toronto, ON M3B 2R2 Ph: 416-640-5795 eMail: jgsauriol@secon.com Web: www.seconlogic.com Professional Staff: 8 Consulting Services Offered: BC IC S&T

SEGLAL COMPANY LTD., THE Pui-Ying Chan, Senior Vice-president; 45 St. Clair Ave. W., Ste. 802, Toronto, ON M4V 1K9 Ph: 416-969-3970 Fax: 416-961-2101 eMail: pchan@segalca.com Web: www.segalca.com Other Offices: Montreal, Calgary Professional Staff: 22 Consulting Services Offered: BC IC HC S&T

SELECTPATH BENEFITS & FINANCIAL INC. Gordon Hart, President & CEO; 310-700 Richmond St., London, ON N6A 5C7 Ph: 519-675-1177 Fax: 519-675-1331 eMail: gord@selectpath.ca Web: www.selectpath.ca Client Profile - 1 to 100 Employees: 678 101 to 500 Employees: 85 501 to 1,000 Employees: 13 1,000+ Employees: 8 Other Offices: Sarnia Professional Staff: 16 Services Offered: BC IC HC S&T

SIBSON CONSULTING Ron Olsen, Vice-president & Consulting Actuary; 45 St. Clair Ave. W., Ste. 802, Toronto, ON M4V 1K9 Ph: 416-969-3972 Fax: 416-961-2101 eMail: rolsen@sibson.ca Web: www.sibson.ca Client Profile - 1 to 500 Employees: 160 501 to 1,000 Employees: 75 1,000+ Employees: 250 Other Offices: Montreal, Calgary Professional Staff: 22 Services Offered: BC IC HC S&T

SIGURDSON MCFADDEN BENEFITS & PENSIONS Kevin McFadden, Principal; 155 Lombard Ave, Winnipeg, MB R3B 9B1 Ph: 204-953-1600 Fax: 204-542-3616 eMail: kevin@sigurdsonsris.com Web: www.sigurdsonsris.com Client Profile - 1 to 100 Employees: 150 101 to 500 Employees: 30 501 to 1,000 Employees: 20 1,000+ Employees: 2 Professional Staff: 4 Consulting Services Offered: BC IC HC S&T

SPOKDYER BENEFITS CONSULTING INC. Wayne Farrar, President; #801-80 King St., St. Catharines, ON L2R 7G1 Ph: 905-641-0028 Fax: 905-641-0056 eMail: wfarrar@synergybenefits.ca Web: www.synergybenefits.ca Other Offices: Downtown Professional Staff: 5 Consulting Services Offered: B C IC

STEVENSON & HUNT INSURANCE BROKERS LIMITED Ann Denomme, Director of Group Benefits & Pension Consulting; 400-250 York St., London, ON N6A 6K2 Ph: 519-646-5800 Fax: 519-646-5815 eMail: benefits@sthunt.ca Web: www.sthunt.com Client Profile - 101 to 500 Employees: 180 Other Offices: Cambridge, Waterloo, Vaughan, Ottawa Consulting Services Offered: BC IC S&T

STRATA Glen Middleton, President; Unit B2 – 1150 Waverley St., Winnipeg, MB R3T 0P4 Ph: 204-984-9450 Fax: 204-984-9460 eMail: info@stratabenefits.ca Web: www.stratabenefits.ca Client Profile - 1 to 100 Employees: 237 101 to 500 Employees: 28 501 to 1,000 Employees: 5 1,000+ Employees: 10 Other Offices: Saskatoon Professional Staff: 26 Consulting Services Offered: BC IC S&T

STRATEGIC BENEFITS & INSURANCE SERVICES LTD. Debra Dobin, Owner / Employee Benefits Consultant; 945 Princess St., Kingston, ON K7L 3N6 Ph: 613-507-4433 Fax: 613-507-4401 eMail: info@strategicics.ca Web: www.strategicics.ca Client Profile - 1 to 100 Employees: 100+ 101 to 500 Employees: 10+ Other Offices: Kanata Professional Staff: 4 Consulting Services Offered: BC IC S&T

STRATEGIC INCOME SECURITY SERVICES LTD. David Lee; #501 – 4445 Loughhead Highway, Burnaby, BC V5C 0E4 Ph: 604-633-2114 Fax: 604-633-2115 eMail: info@issca. Client Profile - 101 to 500 Employees: 1 1000+ Employees: 12 Consulting Services Offered: BC IC S&T

SYNERGY BENEFITS CONSULTING INC. Wayne Farrar, President; #801-80 King St., St. Catharines, ON L2R 7G1 Ph: 905-641-0028 Fax: 905-641-0056 eMail: wafrar@synergybenefits.ca Web: www.synergybenefits.ca Other Offices: Downtown Professional Staff: 5 Consulting Services Offered: B C IC

T.E. INVESTMENT COUNSEL Stephen Belchès, President; 26 Wellington St. E., #710, Toronto, ON M5E 1P2 Ph: 416-366-1451 Fax: 416-368-9801 eMail: sbelches@teic.com Web: www.teic.com Consulting Services Offered: IC S&T

T. I. HULL BENEFIT CONSULTANTS CORP. Brent R. Fraser, Senior Vice-president & Practice Leader; Brookfield Place, 181 Bay St., Ste. 4200, Toronto, ON M5J 2P8 Ph: 416-836-0051 Fax: 416-836-0896 eMail: bfraser@thehullgroup.com Web: www.thehullgroup.com
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<td>TRG Group</td>
<td>1055 W. Georgia St., Vancouver, BC V6E 3P3 PH: 604-714-4400 Fax: 604-714-4401</td>
<td>Greg Pallone, Managing Director</td>
<td>604-714-4400</td>
<td><a href="mailto:info@trggroup.com">info@trggroup.com</a></td>
<td><a href="http://www.trggroup.com">www.trggroup.com</a></td>
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<td>Trihey Associates Limited</td>
<td>2200 Yonge St., Ste. 1702, Toronto, ON M4S 2C6 PH: 416-749-3314 Fax: 416-749-3341</td>
<td>Terry Trihey, President</td>
<td>416-749-3314</td>
<td><a href="mailto:info@trihey.ca">info@trihey.ca</a></td>
<td><a href="http://www.trihey.ca">www.trihey.ca</a></td>
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<td>Vital Benefits Inc.</td>
<td>1105, 550 11th Ave. S.W., Calgary, AB T2R 1M7 PH: 403-209-3817 Fax: 403-476-0090</td>
<td>Melanie Jeannotte, Managing Partner</td>
<td>403-209-3817</td>
<td><a href="mailto:mjeannotte@vitalbenefitsinc.com">mjeannotte@vitalbenefitsinc.com</a></td>
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The last decade has been quite the economic roller coaster – starting with the tech-bubble bursting at the turn of the century, moving through unbelievably strong markets, and then into the sudden decline of 2008. During this period, there have also been many changes in the CAP (Capital Accumulation Plan) world and these have been reflected in emerging trends in plan design and management.

Likely the most influential event in the CAP industry, prior to 2008, was the introduction of the CAP Guidelines. Finally, all of Canada had a basic governance platform to help steer the design and management of group savings plans. While falling short of offering the ‘safe harbor’ protection available south of the border, the guidelines provided a good governance checklist for reference by plan sponsors, consultants, and service providers alike. This fueled some exciting trends in the development of decision support tools and communications programs. However, the focus was completely on the accumulation phases of the member’s lifecycle. Without the impetus of guidelines requirements for transitioning from programs in a governance-friendly manner, there was little focus on providing support or appropriate products for those leaving their plans.

Set-and-forget Solutions

As you can see in Chart 1, prior to 2008, there was much focus on the features of the plan, including investment options. It was during this period that target date funds were first introduced into Canada. These set-and-forget solutions helped the disengaged plan member take advantage of their group savings plans by providing a simple one-time decision. In fact, plan sponsors took this one step further and increased their use of default investment options and auto-enrolment, often using the new target date funds to provide a balanced and appropriate investment selection for those who fail to engage entirely. The concern that this approach institutionalized ‘disengagement,’ was offset with increased focus on communications and attempting to catch the interest of plan members by speaking to those concerns that were common for each age range. However, as this still largely focused on saving for retirement, the challenge of engaging the younger employee remained. Their interests were tied up with financing the needs of today – not their needs for 30 years in the future. These interests require a separate focus from a design perspective.

The heady days prior to 2008 also combined with the elimination of foreign content restrictions to allow for a great diversity of investment offerings. The argument being (and still true today) that as Canada represents only about three per cent of the global equities market, too strong a national bias for the investor precludes participating in most of this global opportunity. At this time, even hedge funds started to make inroads into CAP portfolio offerings. The fund managers were more than happy to provide an answer to the CAP Guidelines call for diversification.

In fact, the number of funds being offered in plans became a real concern as plan members were overwhelmed with choice.

Then along came the economic upheaval of 2008, together with a sudden realization amongst Baby Boomers that their desired retirement age was fast approaching.

Today, we see strong emerging trends which are very much driven by the economy and changing demographics.

The Impact Of The Economy

As illustrated in Chart 1, the need to balance the budget has grown in importance since 2008. With this comes an interest in cost sharing, such as has been already experienced for years in the health benefits industry.

This is similar to the cost sharing which has been popular in health benefits plans for many years. On the health benefits side, employees receive a ben-
benefit, but, to control costs, often its value is somewhat reduced so that the employer can continue to afford to offer a benefits plan. An increasing part of the cost is passed on to the employee either through a higher flex payment or lower coverage for the dollar.

In group savings plans, this equates to an increase in assets based fees that are Shouldered by the plan member. In fact, this trend has led to increased ‘governance’ reviews and RFPs which are heavily driven by the need for cost containment. It is true that there are some new sexy products being introduced by service providers to grab the attention of plan sponsors. However, the demand from clients and consultants has largely been concerned, not so much with physically attractive new features, but with how to manage their plans effectively and efficiently.

In investments, this is reflected in an interest in funds which command low fees, including indexed funds and the new Exchange Traded Fund (ETF) portfolios. In some cases, fund managers have combined the demand for target date solutions with ETF portfolios in order to achieve the best of both worlds. Further, the cost of monitoring a large line-up of funds, as well as concern that plan members are dazzled by too many offerings, has led to a general focus on reducing the number of funds in CAP portfolios while still providing sufficient diversification.

The Demographic Shift

Many years ago the term ‘DINKs’ was frequently used in the media to refer to baby boomers who, at the time, had Dual Incomes and No Kids. Those days are long past and today the kids are full grown and in university, or perhaps have even moved back home. The baby boomers have crossed the boundary of maturity and are now staring at their senior years. This is impacting plan design.

While still needing to engage younger employees, plan sponsors are now also looking at how to encourage plan members to leave their group savings plans. They do not want the communications costs and potential financial liability of having these ex-employees still in their programs. Additionally, the boomers have looked at their retirement needs and found that traditional accumulation products are no longer sufficient. Recent trends indicate plan sponsor interest in providing exit solutions that provide the ability to transition to an independent income stream by creating something like a personal pension plan. This can be through annuities, the long tried and true fall back, or more creative products being offered with bank or insurance company guarantees. In addition, retirement calculators and access to financial planners have increased in importance in terms of services expected to support this older demographic.

We also are faced with more complex challenges as the more senior plan members have higher asset levels and more sophisticated needs. In some cases, two tier programs are evolving which can provide the exact level of support and investment alternatives suitable for a more affluent and sophisticated senior employee while also serving the needs of the mainstream employee sector.

The advent of the Tax Free Savings Account (TFSA) has also assisted those who have sufficient income to have used up their RRSP room and yet need a further tax-advantaged vehicle for retirement savings. The TFSA is not just for the wealthy, however. This product also serves the younger employee who has interim savings objectives and wishes to grow those savings tax-free, while not incurring any tax penalties on withdrawal. Increasingly, TFSA are seen as a key element of plan design, although these are early days and actual balances are still low.

Finally, we have seen all demographic sectors increasingly adopting on-line services. Some are further motivated by a desire to save trees and are looking to eliminate paper statements and forms. Unfortunately, the law still requires a signature to designate a beneficiary, so we are not yet into a fully paper-free world.

What’s New From The Government

The Harper Government, in December 2010, proposed the introduction of the Pooled Retirement Pension Plan (PRPP). The PRPP operates similarly to a Defined Contribution plan and is intended as an alternative to increasing the Canada Pension Plan while providing a form of pension coverage for small businesses, the self-employed, and even individual employees who do not work for an employer who offers a group retirement savings plan.

The idea is an interesting one and, with the majority position recently won by the Conservatives, has the potential to become public policy fairly quickly. One of the most interesting features is that this is intended to be a public policy, but one that is privately executed. As the government does not have the expertise or existing service infrastructure to administer such plans, this would be left to the supervised financial institutions that do – one or two banks and the insurance companies who currently support group programs. With a branch network that reaches most communities coast-to-coast and sophisticated online services, a bank with a DC platform seems a natural provider and the insurance companies would likely be positioned to rely on their broker networks. However, there are many key points that need to be clarified and a dialogue is in progress between the government and the financial sector. For example, would this be a mandatory plan offered uniformly across Canada? As a serious alternative to increasing the CPP, one would think it would have to be. However, pension law is provincial and unless the Income Tax Act were somehow employed to offer this plan, jurisdictional differences between provinces could make this confusing and problematic for plan sponsors, plan members, and the service providers. Additionally, would this be driven purely by a minimum employee contribution, such as is contemplated in Quebec, or would the contributions be shared between employers and employees? Would they perhaps start at a lower level and tier upwards to make implementation relatively pain-free to the contributors? These issues, and many others, have yet to be defined.

So – What’s the Plan?

Capital Accumulation Plans continue to grow in popularity as the economic downturn further underlined the problems inherent in Defined Benefit plans. However, Capital Accumulation Plans are never static. They are constantly shifting to meet the changing economic, technological, and demographic environment in which plan sponsors operate.

It is to be hoped that the CAP Guidelines will also continue to evolve to keep pace with these changes providing guidance and a stimulus for future growth in the creation of new services and investment alternatives.

Joan Johannson is president of BMO Group Retirement Services Inc., a wholly owned subsidiary of Bank of Montreal (joan.johannson@bmo.com).
Prendre le contrôle en zone de turbulence

Hilton Lac Leamy - Gatineau

Highlighting the best strategies and technologies adopted by end-users to address market changes and keep spending to a minimum will be among the sessions at the ‘Toronto Financial Information Summit.’ Other sessions will look at trends impacting data and technology spend and assessing the cost implications of regulatory reforms. It takes place July 7 in Toronto, ON. Visit: www.financialinformationsummit.com/toronto

The ‘Certificate in Canadian Benefit Plans,’ formerly known as the ‘Concepts and Practices of Canadian Benefits,’ is now part of the International Foundation of Employee Benefit Plan’s Certificate Series program. The program is designed to provide a solid foundation in employee benefit and human resource practices in Canada. It takes August 15 to 17 in Niagara Falls, ON. Visit: www.ifebp.org

‘Global Problems … A Local Perspective’ and ‘Emerging Opportunities and Challenges of DB Plans – Beyond the Financials for the 2011’ will be among the plenary sessions at the Association of Canadian Pension Management National Conference. This year’s conference theme is ‘It Begins Here – From Reform to Action.’ It takes place September 13 to 16 in St. John’s, NL. Visit: http://www.acpm-acarr.com/national.aspx

Bill Adams, of the Boston Company, will discuss the importance of foreign content to the investment portfolio in today’s global investment market at the ‘2011 CPBI Atlantic Regional Conference.’ His talk will look at the items to take into consideration – from risk to regional conflicts to currency – when investing in emerging markets. Theme of this year’s event is ‘Recipe for Renewal.’ It takes place September 14 to 16 in Charlottetown, PE. Visit: www.cpbi-icra.ca/

‘Preventing Workplace Meltdown’ will be examined at the ‘15th Annual Health Work & Wellness Conference 2011: A Business Imperative.’ Mary Ann Baynton, program director, Great-West Life Centre for Mental Health in the Workplace, and Dr. Martin Shain, founder and principal, Neighbour at Work Centre, will describe what not to do by sharing actual legal cases that resulted in employers being held legally liable for failing to provide a psychologically safe work environment. They will offer alternative approaches and strategies that could result in fewer workplace meltdowns. It takes place October 4 to 6 in Toronto, ON. For more information, visit http://healthworkandwellness.com/

Registration is now open for the ‘2011 CPBI Ontario Regional Conference.’ A featured session will be ‘A Lifetime Retirement Savings Limit: Why you need it and how it will completely change retirement saving in Canada.’ It features James Pierlot, of Pierlot Pension Law; Malcolm Hamilton, of Mercer; and William B.P. Robson, president and chief executive officer, C.D. Howe Institute. The conference takes place October 19 to 21 in Ottawa, ON. Visit: http://www.cpbi-icra.ca/


Appointment Notice

Roger J. Beauchemin, President and Chief Executive Officer of McLean Budden, is pleased to announce the appointment of Jean-Philippe Giguère as Vice President and Portfolio Manager, and a member of the institutional Client Service Group.

Jean-Philippe brings twelve years of industry experience to McLean Budden most notably as an investment/pension consultant for nine years at a large consultancy. He also worked as an associate equity research analyst at one of Canada’s national brokerage firms. Jean-Philippe received his B.Sc. in Actuarial Science from Laval University and is a Fellow of the Society of Actuaries (FSA), Fellow of the Canadian Institute of Actuaries (FCIA) and a CFA charterholder.

Founded in 1947, McLean Budden manages over $35 billion of assets on behalf of pensions, foundations and endowments, and individuals from offices in Toronto, Montréal, Vancouver, Chicago and the United Kingdom.

www.mcleanbudden.com

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For countless years, pundits on all sides of the political arena have looked forward to the day when the widespread ownership of stocks by individuals will lead to a new world of shareholder participation and activism.

But no matter where you look in the world, the trend has gone in the opposite direction. In the United States, individuals owned more than 90 per cent of the stock market as recently as World War II. Today, that figure is under 30 per cent. In fact, there is not a single developed country where individuals own more than half of the value of their equity market directly, with the world average being around 17 per cent.

Of course, individuals do continue to own shares, just not directly. Along with the fall in direct share ownership has come the rise of indirect ownership of stocks through pension plans (both Defined Benefit and Defined Contribution), and more recently through mutual funds.

The question of why this has happened is addressed in a paper, ‘The Evolution of Aggregate Stock Ownership - A Unified Explanation,’ by Kristian Rydqvist, Joshua Spizman, and Ilya Strebulaev, published by the European Corporate Governance Institute.

Sound Reason

Basic economic theory states that there must be a sound reason for this migration from individual ownership to financial intermediaries. Some have argued that this shift has occurred because professional asset managers offer low cost diversification, as well as, potentially, higher returns from superior knowledge and information. Yet, the past decades have, if anything, been characterized by lower brokerage costs for the individual, the elimination of high bid-ask spreads, and increased disclosure requirements than now include all parties in everything from quarterly conference calls to press releases.

Others have suggested that an increasingly complex financial world leads to professional money managers who use complex risk mitigation methods and asset allocation methods that cannot be duplicated by the individual investor seeking diversification and high returns from picking stocks. An issue with this explanation is that pension fund assets began to grow just after World War II, while mutual fund assets stayed relatively small until 1980. If there was improved risk sharing to be had from accessing professional money management (as opposed to just placing assets in a bank and receiving the low interest rates of the 1950s and 1960s) one would expect mutual fund assets to be growing at roughly the same rate as did pension fund assets. And much of the shift from individual to pension fund assets took place before 1980, which was generally before trading in both simple and complex derivatives began.

So instead of these explanations, the authors turn to the tax policies of the eight countries they examine. They found that, generally speaking, personal income tax rates were relatively low before World War II, thus minimizing the tax benefits of pensions generally. Personal income taxes jumped at the end of the war and continued to increase, creating increased incentives to establish and save inside a pension plan. The institutional shift from pension funds to mutual funds also has a tax angle. Pension fund ownership of shares peaked at around 28 per cent of the stock market in 1985. Mutual funds grew substantially after this period with the introduction of funds held in DC-like plans (which run under different names in different countries).

Taxes Alone

Nobody is suggesting that taxes alone account for the rise of pension plans during the past 60 to 70 years. Growing companies with a diverse and mobile workforce created and expanded a full range of employee benefits (of which pensions were a key, but not only, part) in order to attract, motivate, and retain their employees. And yet, it is intriguing that with the long-term decrease in direct ownership of stocks has come a corresponding increase in intermediated stock ownership. The implications of tax policies have been studied far too little in general economic theory and may, in this case, account for a good proportion of the dominance of pension plans environment that we see around the world today.
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