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Interesting, the shifts in Defined Contribution pension plans over the past 15 years.

Once upon a time they were sold as a turn-key operation. That was the message delivered when they were first being marketed – with a DC plan all you have to do is make your contribution and collect employee contributions and we’ll look after the rest.

Helping the matter along was that financial markets were booming at that time and everyone was making money. The thought was that plan members were missing out on a good thing. There were, in fact, conversions to DC plans which were driven by employees and their unions as everyone wanted their piece of the golden goose.

And, while they did provide employers with fixed costs, slowly other obligations arose. Legal advisors to employers with DC plans started warning that there was a requirement to provide education to plan members.

Surely sponsors need to put more emphasis on getting plan members to understand this is just a single part of the entire exercise to save for retirement.

Member Failure

Concerns about member failure to enrol in the first place and increase their contributions resulted in auto features which did this for them. Gradually, the shift has been from members being responsible for themselves to members having to do nothing.

Most recently, the belief that DC members must be interested in their plans was completely blown out of the water during the market decline of 2008. The plan members who saw their accounts recover the fastest were those who did nothing.

It is probably why we are now seeing a shift in semantics. More and more within the industry, DC plans are being termed retirement savings plans, not pension plans. Now this is important because it shifts the focus from a pension plan to a savings plan, effectively changing the message. This comes out clearly in the BMO Group Retirement Savings roundtable feature on page 18 – ‘DC Plans In An Uncertain Environment’ – where the panellists suggest sponsors need to put more emphasis on getting members to understand this is just a single part of the entire exercise to save for retirement.

That is the bottom line. Sponsors need to make their members aware that they need to save if they want to have additional income in retirement and here is a vehicle to do so. Here is where my responsibility as a sponsor ends, and the plan member’s begins. It’s not about financial literacy, it’s about reality.
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PEOPLE

Submit your People items for consideration for publication in Benefits and Pensions Monitor to admin@powershift.ca

Manulife

Jacqui Allard is president of Manulife Asset Management’s Canadian business. She will also continue as global chief operating officer. She joined the company in 2008 after a number of years at State Street Corp. Jean-Francois Tessier is managing director, institutional sales. He will be responsible for institutional sales and relationship management in Quebec and Eastern Canada. Previously, he was at Natcan Investment Management where he was vice-president for institutional services.

Pyramis

Gary Chateram is vice-president, institutional sales, at Pyramis Global Advisors. Located in Montreal, QC, he will focus on the Defined Benefit, foundation, and endowment marketplace in Eastern Canada.

Standard Life Investments

Philippe Capelle is vice-president, equities, at Standard Life Investments Inc. He has more than 20 years of experience in the financial services industry, including 15 years of investment experience as an equity portfolio manager.

Mawer

Michele Horne will handle institutional and private client portfolio management from the Calgary, AB, office of Mawer Investment Management. She was formerly president of Bissett Investment Management.

CI

Paul Buligan is vice-president responsible for institutional business development within the pension, endowment, and foundation markets in Ontario and western Canada for CI Institutional Asset Management. Most recently, he was an investment consultant at an independently owned actuarial consulting firm working primarily with corporate and multi-employer pension plan sponsors. Prior to that, he worked at Invesco Canada Ltd. in a business development role partnering with investment professionals throughout Ontario.

Sun Life

Pat Leo is director, institutional business development, for Sun Life Global Investments. In this role, he will promote its products to both group retirement savings and client services. Previously, he was with Sun Life Financial’s group retirement services where he was an investment solutions executive.

Aon Hewitt

Vincenzo Ciampi is a vice-president and the new national lead for communication, part of the Canadian talent, rewards, and communication practice at Aon Hewitt. Previously, he worked at a large national insurance company where he held various positions in corporate strategy, external communications/branding and national relationships. Michael Kennedy is a vice-president and the new national lead for health strategies and solutions, part of the Canadian health and benefits practice. Based in Calgary, AB, he will work with clients across Canada to diagnose current issues and opportunities related to employee and organizational health and to design and implement health programs aligned with business priorities.

SSgA

Vincent Marcoux is vice-president of institutional sales for State Street Global Advisors (SSgA) in Montreal, QC. He is responsible for business development and consultant relations within a team dedicated to the Canadian market. Previously, he was a vice-president at a global investment firm where he was responsible for business development and relationship management.

Guardian

Rocco Vessio and Spyro Carayannis are vice-presidents on the institutional sales and marketing team at Guardian Capital LP. Vessio was with RBC Dexia Investor Services where he served as a senior consultant within its risk and investment analytics group. Carayannis was with Mercer’s investment consulting practice where he served as principal and head of its Canadian analytics, research, and tools.
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The next evolution in pension fund management

With you in mind, we at McLean Budden are always driven to provide you innovative investment solutions so we have developed Dynamic De-risking (DDR), an asset allocation strategy that adjusts the asset mix of the pension plan as the funded status changes. We have developed this approach in response to three common themes we've heard from the pension industry.

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   > DDR provides a framework to begin the de-risking process by taking advantage of daily market movements in interest rates and equity markets. DDR de-risks the pension plan when the plan can afford it.

2. “Over the past decade we have contributed large sums of money to the pension plan and we are continually disappointed with the funded status of our pension plan.”
   > DDR develops a tailored long-term plan to achieve the financial objectives for your organization’s pension plan.

3. “It takes us too long to make a change to our asset mix”
   > Through the use of technology and in combination with the long-term funding objective, DDR eliminates the 9 to 18 month time period it typically takes organizations to make an asset mix change.

To learn more about McLean Budden’s DDR solutions and how it can benefit your pension plan, give us a call: Soami Kohly, 416 361 2260.
Morneau Shepell Acquires Quebec Provider

Morneau Shepell Inc. has acquired one of the largest EAP services providers in Quebec – Jacques Lamarre & Associates and Parcours d’enfant. Through this acquisition, Morneau Shepell will serve more than 900 clients and 1.4 million employees and their families in Quebec. The EAP solution portfolio provided by Jacques Lamarre & Associates includes a full range of support services to address the health, well-being, and productivity needs of individuals and organizations. Parcours d’enfant offers a unique, multi-disciplinary approach to identifying, assessing, and assisting children and adolescents as they grow and develop.

Sun Life Buys McLean Budden Minority Shares

Sun Life Financial Inc. will purchase the minority shares in its McLean Budden investment management subsidiary and transfer the business to its MFS Investment Management (MFS) unit. McLean Budden will become a wholly-owned subsidiary of MFS and continue to be based in Toronto, ON. The transaction will broaden the scope of investment solutions available to McLean Budden’s clients by enabling the new company to offer MFS investment strategies. Martin E. Beaulieu, vice-chairman and head of global distribution at MFS, will become chairman and chief executive officer of the new subsidiary. Roger J. Beauchemin, currently president and CEO of McLean Budden, will continue in his role until closing and work with Beaulieu on the integration. The transfer is expected to occur in April 2012, subject to regulatory approvals.

Diversified Pension System Would Work Best

Increased longevity will continue to put pressure on the financing of pension plans, says Jean-Claude Ménard, OSFI’s chief actuary. Speaking at the ‘Pension, Benefits and Social Security Colloquium’ on ‘Getting the balance of state and private provisions right,’ he said the current uncertain times are forcing countries to re-examine existing pension systems and to search for new solutions. Pension reviews, debates, and reforms are occurring around the world. However, he said “very often proposed solutions are not politically easy to implement.” He suggested “taking the long view, a diversified pension system – mixing public and private provision, and pay-as-you-go and pre-funding as sources of finances – is not only the most realistic prospect, but the best policy.”

Royal Shifts New Hires To DC

The Royal Bank of Canada is shifting to a Defined Contribution pension plan for new hires as of January. An enhanced plan will also be open to existing workers who want to switch. It will include investment choices that enable employees to have a diversified portfolio in keeping with their risk tolerance. New options include ‘Target Date Funds’ that automatically adjust their asset mix to reflect their changing investment horizon. The move is an attempt to ensure predictable long-term pension costs.

Canadian Firm Joins Global Alliance

Filion Wakely Thorup Angeletti LLP, a Canadian labour and employment law firm, has joined L&E Global, an international alliance of firms providing counsel to employers on employment, labour, workplace privacy, employee benefits, and immigration law. Based in Toronto, ON, Filion Wakely Thorup Angeletti joins nine employment law specialty firms from Europe, the United States, and the Asia-Pacific region that have formed an alliance to provide attentive, efficient, and cost-effective legal counsel to clients operating in what has increasingly become a multi-jurisdictional legal arena.

Funds Take On More Risk

Pension funds and other institutional investors are likely to take on more risk as global interest rates stay low, despite heightened risk awareness, says an International Monetary Fund report. The semi-annual ‘IMF Global Financial Stability Report’ says pension funds and their money managers pulled away from risky, illiquid assets during the 2008/2009 global financial crisis, accepting lower returns rather than taking on more risk. However, with the likely prospects of continued low interest rates, they will be under increasing pressure to take on more investment risk. It found, for example, institutional investments in emerging markets have accelerated since the financial crisis, especially in countries with stronger prospects for domestic economic growth and lower perceived country risk.

Opportunities Exist In Sub-Sahara

Sub-Saharan Africa’s political liberalization and regulatory reform are creating investment opportunities, says Daniel Altman, a professor of economics at NYU’s Stern School of Business and originator of 3D Economics. Speaking on ‘What in the World: Emerging Markets + Geopolitical Impact’ at the ‘World Alternative Investment Summit Canada,’ he said in the medium term there will be infrastructure opportunities. However, multi-nationals are establishing beach heads. In fact, the activities of home-grown multi-nationals can be a good indicator of where to invest in this region. While there is, of course, investment risks, investors must be aware of other challenges. These include, he said, making sure you can get your money out after you’ve earned it.
“I think there are smart investment opportunities in today’s uncertain markets; I just need to know how to capture them.

That’s why I’m working with BNY Mellon Asset Management. Global expertise. Local market knowledge and resources. It’s like an extension of our own team.”

Investment opportunities are rarely confined by geography, and most benefit from multiple perspectives. That’s why BNY Mellon Asset Management’s investment business—formed of autonomous specialist investment firms—is building a reputation for meeting the needs of institutional investors. Using the global perspective and multiple asset capabilities of our investment boutiques, we work closely with clients and their advisers to deliver relevant and sustainable solutions. We manage over US$1.2 trillion in assets globally for government agencies, corporate pension funds, endowments and foundations. Working together, we can help you reach your goals.

For more information, please contact:
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Who’s helping you?

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Industrial Alliance Improves ATTITUDE

Industrial Alliance is giving group pension plan members access to an enhanced turnkey option with its improved ATTITUDE portfolios, an investment solution that combines life cycle and investor profile. Improvements to the portfolios include a wider choice of portfolios with more precise target retirement years, quarterly evolution and rebalancing (to the target) of asset allocation, the integration of the portfolio concept after retirement has begun, and reviews of underlying funds and target composition by asset class. The portfolios are designed to optimize the investment strategy, aim to maximize the growth potential of investments when a member is in the labour market, and automatically reduce the risk gradually as the member approaches retirement in order to preserve capital.

Teachers’ Signs PRI

The Ontario Teachers’ Pension Plan (Teachers’) is a signatory to the United Nations-backed Principles for Responsible Investment Initiative (PRI). PRI is a set of six principles that reflect the view that environmental, social, and corporate governance issues need to be appropriately considered in the investment process as they can affect portfolio performance. The principles provide a voluntary framework by which investors can incorporate ESG issues into their decision-making and ownership practices. Approximately 900 investment institutions and service providers, with assets under management of approximately US$25 trillion, have become signatories.

Birth Rate Created Labour Shortages

The current recession would need to last 31 years before it would offset the labour market shortages caused by Canada’s declining birth rate since 1969, says Dr. Linda Duxbury of Carlton University. Speaking at a ‘2011 CPBI Atlantic Regional Conference’ forum on ‘Managing the Tsunami of Demographic Change,’ she said, as a result, employers need to start working on attraction and retention of skilled employees now. She emphasized the retention part as losing a skilled employee after two or three years is an expensive proposition for employers. As well, the real labour shortage concern is a shortage of skilled workers, she said, as we are moving into a period where 60 per cent of all new jobs will require job skills that only 20 per cent of the labour force have. And she dismissed immigration as a solution to labour shortage problems because most of the developed world is also facing labour shortages and in countries where there is lots of labour, most of the population has an average education level of about grade three.

Addenda

The following was not available for the Socially Responsible Investment directory in the September issue of Benefits and Pensions Monitor.

SOCIAL INVESTMENT ORGANIZATION Eugene Ellmen, Executive Director; 2nd Floor, 184 Pearl St., Toronto, ON M5H 3T9 PH: 416-461-6042 x111 PH: 416-461-2481 eMail: ellmen@socialinvestment.ca Web: www.socialinvestment.ca Products/Services: National association for SRI in Canada, providing networking, conference, information, research, and policy services.
If we were in maintenance, the lights in the foyer would never burn out.

To be successful in any business, attention to detail is crucial. And this is especially true when it comes to providing retirement services for your employees. At Great-West Life we are completely committed to the highest principles of accountability and providing superior, reliable group retirement services. If you want your group retirement plan to run as smoothly as you wish everything else did, give us a call at 1-800-452-0025 or visit www.grsaccess.com
Retaining Talent Through Incentives

50 per cent of full-time hours. They would receive benefits of part-time employees, just not be able to accrue any additional pension. Most of our staff has known about this feature for a long time. When I go to retirement dinners with our retirees, for example, I am always struck by how many people actually planned to retire, go on the pension, and then come back and work casual or part-time hours.

This allows us to not immediately lose good talent at the end of their career. It is a huge way of retaining alumni and retaining knowledge as opposed to losing it outright. That works especially in areas where we have a flexible workforce, for example in nursing, that would allow us to manage to some peak demand without having to hire a new, inexperienced nurse, especially in a specialty area such as pediatrics. If you are not able to find that talent in-house, you either have to hire and train it or you have to recruit it from outside the region. Certainly it is a great advantage to us and when our managers are watching their succession risks, they will actually identify where they know they have people who are retiring, but want to come back and they’ll actually build that into their succession plan.

Q: What have been the benefits of this incentive?

The pro for us is knowledge retention, which is especially important where we have specialty nurses. Because we are the main paediatric care centre for three Maritime provinces, being able to maintain or retain that knowledge and that skill set is really important. I am starting to find that people who are returning because they want to return are actually, typically, quite highly-engaged because they are picking and choosing their shifts as opposed to having to fulfill a regular schedule.

Q: What must you be cautious of?

There are times when relying too much on that strategy can cause you to pay not as much attention to recruiting your next generation of employees. Because we have a very low attrition rate, our recruitment of new grads sometimes can be impacted by the number of positions we have available for them. Worse-case scenario is you may be holding off on recruiting and training and developing your next generation of specialty healthcare workers in some of those areas. It may also be there are people within your organization who want to move into that area, but they cannot because there are no vacancies, so it can have a blocking affect which needs to be balanced.

Another potential retention risk can be employees staying on because they ‘have to’ versus because they want to. That has an impact on people’s engagement levels and the culture of the organization.

Q: How can other industries adopt this incentive?

I think other organizations, depending on the circumstances, could look at this as an option. We have had a fairly healthy demographic mix in our organization, but there are definitely other organizations where they can see the wave of retirees coming up as the baby boomers get closer and closer to retirement and, in many cases, do not have as many people ready to fill those roles.

In that case, it could be an extremely beneficial feature to have in your pension plan. In some areas, you absolutely do not want to lose your long-term employees who have an enormous amount of skill and experience. Then, there are some industries where the skill sets are changing so rapidly that it may be an advantage to focus your energy on new recruits with new training versus people who came into the industry 20 or 30 years ago.

As baby boomer employees continue to retire in higher numbers each year, industries across Canada are bracing for a significant loss of some of their longest-serving and most skilled professionals. The health sector, for example, is bracing for the loss of many of their management and experienced specialists as employees reach retirement age.

Organizations such as the IWK Health Centre in Nova Scotia are taking steps to retain the knowledge and expertise of their workforce who are approaching the end of their careers. Part of the NSAHO Pension Plan’s group of health sector employers, the IWK has 3,000 employees and affiliates.

Steve Ashton, vice-president, people and organization development at IWK, says while retention incentives can be beneficial in ensuring crucial industry knowledge can be passed on to new recruits, employers must also be aware of the potential downsides associated with keeping employees past retirement age.

Q: What steps has IWK taken to retain talent?

Once a plan member retires, they have the ability to return part-time and continue to receive their pension provided they take a position with less than half their regular schedule. This allows us to not immediately lose good talent at the end of their career. It is a huge way of retaining alumni and retaining knowledge as opposed to losing it outright. That works especially in areas where we have a flexible workforce, for example in nursing, that would allow us to manage to some peak demand without having to hire a new, inexperienced nurse, especially in a specialty area such as pediatrics. If you are not able to find that talent in-house, you either have to hire and train it or you have to recruit it from outside the region. Certainly it is a great advantage to us and when our managers are watching their succession risks, they will actually identify where they know they have people who are retiring, but want to come back and they’ll actually build that into their succession plan.
It’s more than a group of employees…

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Desjardins & Co.

Paul works as a lab technician for a national pharmaceutical company. He didn’t know much about retirement planning until he discovered Desjardins Financial Security’s your way, plain and simple® program. It gave him all the tools and information he needed to actively plan his retirement strategy and measure its progress every step of the way.

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Life, health, retirement
**Health Matters**

By: Caroline Tapp-McDougall

Caroline Tapp-McDougall is the publisher of Solutions: Canada’s Family Guide to Home Health Care and Wellness and the author of The Complete Canadian Eldercare Guide (solutions@bcsigroup.com).

### When Fear Becomes a Concern

Imagine having to say a few words in public, a simple status update in front of a few colleagues. For someone afflicted with a real fear or phobia of speaking in front of a crowd, the mere thought of it can be debilitating. It can result in a number of adverse physical reactions including nausea or fainting and even culminate in an embarrassing refusal or total avoidance of the situation that could jeopardize a career.

Driving this sort of behaviour is a mental illness referred to as ‘anxiety disorder.’ Anxiety disorders are a number of conditions including phobia, panic disorder, and obsessive-compulsive disorder (OCD).

#### Phobia

Perhaps the most recognized of all anxiety disorders, phobias are considered to be disorders only if a person is prevented from living a normal life. They are divided into two categories: social and specific.

Having a social phobia means that social situations or instances in which one must perform in front of others almost always trigger intense anxiety. Examples include the fear of being stared at (ophthalmophobia), the fear of making decisions (decidophobia), and the fear of public speaking (glossophobia).

Wherever possible, employers should attempt to reduce or eliminate the source of the employee’s fear. For example, alternative travel arrangements (over land or water) may relieve flying anxiety. Similarly, ask those who are terrified of public speaking to submit a PowerPoint or written document instead of making a presentation. This should encourage worry-free input without the risk.

#### Panic Disorder

The characteristic feature of panic disorder is the panic attack, a distinct period of extreme fear or anxiety accompanied by physical symptoms such as trembling, numbness, chills or hot flashes, and stomach discomfort. What begins as a bout of unexpected single attacks is often followed by at least one month of intense concern about having others. While some people experience panic attacks under specific circumstances and are able, at times, to anticipate them, the largely unpredictable nature of the attack is what terrifies most individuals.

As with phobias, identifying and removing any environmental triggers is the most appropriate means of assistance. However, if an employee is unable to predict the onset of their panic attacks, there are a number of steps one can take to deal with them should they occur such as allowing the employee to take a break and compose themselves.

#### Obsessive-compulsive Disorder (OCD)

OCD causes uncontrollable obsessions and/or compul-
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Traditional value investors buy cheap stocks across a range of sectors to remain well diversified and to minimize risk.

But, what if a value investor wants to invest in Canada? Does a value approach that works in the U.S. work in Canada? It does, but with a lot more volatility of returns. With almost 75 per cent of Canada’s index concentrated in the materials, energy and financial sectors, it can be difficult to remain diversified given deep value managers often exclude cyclical sectors when they are expensive.

**Pragmatic Approach**

However, value investing can be done in this country if a very pragmatic approach to gaining diversification and downside protection in Canada’s skewed market is used. It starts with aiming for exposure to most sectors by using traditional value approaches for non-cyclical stocks, and relative value for selecting cyclical stocks in sectors such as materials, energy, and financials. Relative value means the relatively better value stocks in the sector are selected with the aim to have access in all sectors.

The approach Sionna has developed is a relative value style, which enables us to participate in the pricier sectors. Whereas deep value managers tend to avoid cyclical stocks, having no exposure to them can result in lengthy periods of significant under-performance. By shifting to a relative value approach, the investor can participate on the upside while remaining diversified and protecting on the downside. We believe that this shift offers a more steady approach for investors.

Since the stock market reflects human emotions as much as it reflects fundamental value, this can lead individual stocks (and markets in general) to euphoric highs and depressed lows. Taking advantage of this human emotion requires a well-defined and consistent investment process.

**Intrinsic Value**

In order to analyze the market, extensive quantitative and qualitative analysis should be applied to calculate a prospective stock’s intrinsic value and its portfolio suitability. An Intrinsic Value Model (IVM) and Questionnaire Template can be used to estimate a stock’s true long-term value by focusing on historical book value, normalized earnings, and relative price to earnings multiple. This helps ensure that analysts research a company from all angles and prompts investigation into key issues. These factors along with an appropriate market multiple are used to determine an intrinsic value or long-term true net worth for each company examined.

Stock selection includes finding stocks that are selling for less than they are worth and have attractive long-term valuations, low financial risks, and sound management. As those stocks reach their true value or show deterioration in financial strength or earnings capability, they are sold. This is a simple process, but one that requires dedication and discipline if the objective is to deliver long-term above-average returns with low volatility in the idiosyncratic Canadian equity universe.
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Brigitte Gascon
1-877-499-9555 ext. 7086

Central region
Christine van Staden
1-800-827-5747 ext. 3305

Western region
Ken Kukkonen
1-800-663-1784 ext. 6
The Plan Sponsor’s Role During Volatile Times

The last three years have been challenging for participants in financial markets. And perhaps the greatest challenge is that faced by plan sponsors of Defined Contribution pension plans. Not only are they responsible for managing the employer plans, but they need to manage and guide employee expectations and behaviours.

During the most recent downturn, there were reports about inertia by plan participants. What sort of actions can a sponsor, their consultant, and provider take to overcome this inertia? What should a plan sponsor expect of their recordkeeper and provider as stock prices start falling in terms of communications, services, etc? Is there a need for special measures, or are most plans well-constructed to support members during difficult times? What other measures can sponsors look at to crisis-proof member plans? Where does governance fit into the conversation? Does the financial environment create a greater requirement for good governance or are well-governed plans already prepared for these unexpected events?

To examine ‘DC Plans In An Uncertain Environment,’ Joan Johannson, president of BMO Group Retirement Services Inc. and Serge Pepin, head of investments for BMO Investments, Inc., hosted a roundtable discussion. The panelists are:

• Andrew Harrison, partner and head of the national pension group at Borden, Ladner, Gervais
• Paul Webber, senior manager, pension and benefits, at PricewaterhouseCoopers
• Diane Tamburro – vice-president at Aon Hewitt
• Mary McLaughlin – manager, pension and benefits administration, at George Weston

The moderator is Joe Hornyak, executive editor of Benefits and Pensions Monitor.

Moderator: How are DC plan sponsors responding to the volatility we are seeing in markets today?

Joan Johannson: We’ve seen more governance checks and price checks in terms of searches in the marketplace to see if sponsors have appropriate pricing for their plan members and their plans. This is always part of good governance, but in volatile times, people are very, very interested in how they can conserve a dollar, while ensuring that they have an appropriate plan.

Diane Tamburro: Plan sponsors, who are generally satisfied with their providers, are responding to the marketplace by conducting ongoing monitoring of their providers, as they should. Part of that is fee checks and making sure that fees are as competitive as possible.

Mary McLaughlin: Yes, plan sponsors may check for pricing at this time, but they don’t tend to change providers when the markets are down because this, generally, does not go down very well with their plan members. They just do not want more change at this time. Moves

Johannson: That’s true, the governance focus has been greatly driven by fees in the current economic climate.
between service providers seem much more likely to happen when times are good – or there is a feeling of recovery – unless there are concerns with the provider in terms of service, support, price or the provider is withdrawing from the market.

Moderator: Are we seeing plan members and sponsors looking for more support during difficult times?

Pepin: What we’re seeing currently, in terms of the general retail population, is talk of not enough savings, retiring poor, and outliving your money. The older demographic is demanding information and more support to reach their goals. An advantage of being a group plan member is this is the sort of support that the service provider offers. But, it’s interesting also from a demographic perspective, as this time around the younger generation is seeing what’s happening with the older generation. Not wanting to be in that same sort of situation when they are older, they’re becoming more aware and attuned to the need to save.

Johannson: That’s an interesting point, Serge. This could be an opportunity time for a communications program to remind employees of their good fortune as they are part of the lucky few with a workplace savings program to assist them with meeting their retirement goals. It is also a good time to remind them of their role in ensuring that they meet their goals. Whether in a Defined Benefit or a Defined Contribution plan, your goals are personal and you have to conduct your own planning to ensure that they are met. No plan is a promise that your personal goals will be met.

Andrew Harrison: Additionally, while plan sponsors may not be changing providers, they are looking more closely at what they already have. They are re-examining investment options where they are perceived not to have performed well. They are also focusing on communications and how they need to adapt their communication strategies to members in light of the volatility that’s taking place.

Paul Webber: Market volatility puts pressure on plan sponsors from a risk management perspective. We need a clear understanding from our consultants and investment managers on how they are reacting to the volatile markets. We want to know what they are learning as well as where they are able to support us. Challenging markets also give us a great opportunity to better differentiate between the service providers.

We’re also reinforcing with our people to continue to take a long-term view. We’re trying to bring them back to the ongoing process of making the appropriate choices and planning for retirement.

Pepin: The service provider has a responsibility in providing that service and providing that education. However, the plan sponsor has to bear some responsibility. They have to make sure that they’re respecting the CAP Guidelines in terms of engaging the plan members in education and so on. The plan sponsor must be very in tune with their demographics and make sure they engage them in knowing what’s happening and how to get through this type of volatility.

Moderator: It almost sounds like they’re taking the CAP Guidelines seriously?

Harrison: Yes, I think they are. In volatile times, it is in everyone’s interests to take their fiduciary responsibilities seriously. The CAP Guidelines were written partly for markets like these, not just markets which are buoyant for consecutive years.

Moderator: What sort of response are we seeing from plan members in reaction to the stock market ups and downs?

Tamburro: In some ways, members are becoming numb to the volatility, at least that’s my perception. In the ‘08 crisis, plan sponsors regularly reached out. They were saying ‘these are the concerns of my members, what do you recommend that I tell them to do?’ My phone hasn’t even rung this time around so either members are becoming numb to the volatility or plan sponsors know exactly what they should be telling their plan members.

Johannson: Part of what the industry has been trying to achieve over the years is to provide people with the tools to make their own decisions, to include things such as self-profiling for their personal level of risk and to
Webber: Part of our role, as an industry, is to make sure we have the programs, the governance, and the education in place to give comfort to our people. We need to say, ‘okay, you don’t have to worry. As long as you’re doing your retirement and investment profiles so that you’re making the appropriate decisions and contributions, you can rest assured that we’ll take care of the governance side. We will provide quality programs and ensure quality providers are in place. Then you can focus your attention on the other aspects of your life. We need to be a stabilizing factor.

Moderator: So do we need to see a shift from a DB mentality to a DC one

Johannson: If we’re shifting from a DB mentality to a DC mentality, plan sponsors should begin to tell their members that their employer plan is just part of the retirement pie. However, there’s a disconnect between what they think the employer’s piece of that pie is versus what the employer believes it is. Plan members need to be reminded that they cannot rely solely on their employer. They should use their planning tools to determine how much more they should save to achieve their goals, so there is less chance of confusion when the member is reaching retirement.

Tamburro: That’s an interesting idea. With DC plans, the basic premise is that the employee is responsible for their own retirement planning. The plan sponsor is not making a specific promise as to the benefit. I agree with the point Joan made previously. Even with DB plans, there was never a promise that the benefit would be adequate for you to live the lifestyle that you want. In DC, the promise is that your employer, the plan sponsor, is following fiduciary guidelines while trying to help you plan and save for your retirement. And, they’re not only doing that, they’re providing money towards your retirement so that you will have an income stream when you no longer work for them. Indeed, the media has had a whole discussion of adequacy around DC plans. I see that as possibly transporting a DB create their own long-term plan which will help them to stay the course in volatile markets. If you look at historical trends, the economy has recovered every time so far and that meant those who stayed the course had the advantage of dollar cost averaging and buying low. Communications can emphasize this.

However, from a plan sponsor perspective, this is a good time to revisit the CAP Guidelines and criteria around investment selection. Do you have a good portfolio of funds offering diversification and quality at a reasonable price? Is this a time to consider target date funds as they are designed to ’set and forget,’ providing a diversified portfolio to see members through ups and downs while growing more conservative as they grow older? The increasing use of these funds may also have allowed people to be a little bit more comfortable. Of course, you still need to know the quality of the fund management and the overall cost.

Webber: I see communication as key. The previous credit crisis was a test for organizations of how well they understand their employees and the communication programs they had in place.

We continued to communicate to them, giving them updates as to what we were doing. We were trying to show some leadership by demonstrating ourselves that it’s not a time to panic; stay the course, focus on process and governance. However, we can’t think of communications during challenging times solely from a pension perspective because that’s not how our employees are viewing it. We need to be able to put the benefits and the health and well-being of the entire family unit in context. Retirement savings are only part of this picture.

Johannson: That’s true. From a plan member’s perspective, we should be a bit more holistic in our thinking in terms of where the plan member is as they’re progressing through their life stages and as they retire. We need to be looking at both sides of the balance sheet and that really gets us to planning financially for all costs, for lifestyle costs, health costs, and responsible debt management for a financially healthy retirement.

This is not to say that I expect plan sponsors to be taking this all on, but it can be part of the support provided by service providers. For a plan member, a dollar is a dollar, whether it is saved for a post-retirement trip or for helping to support your kids when they move back into the house. Everyone’s life is different and these are all factors to be balanced at any stage in life as well as into retirement.

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how have they been performing over time against the benchmarks, are there new offerings to consider?

I mentioned target date funds already—these really are fairly new in Canada having taken hold over the past five years. Recently, we have seen Exchange Traded Funds introduced. They’re at a lower price point and they provide exposure to a variety of markets. They are passive products, like index funds, but with advantages that can benefit the efficiency of the fund. These could be the focus for further inquiry.

Then there is the quality of management. Has this changed over time? There are many factors that plan sponsors need to consider and usually this will involve working with their consultant so as not to trade off quality for a lower price.

Tamburro: Yes, it has to be both—quality and price. An example from an investment perspective of a low cost option is passive funds. They are a great option. They provide exposure to markets and are relatively inexpensive from a member’s perspective, but they simply do what the market does. If the market goes down, the member’s balance goes down.

On the other hand, managed funds will provide the oversight and active involvement of the fund manager. Will they improve on the market performance? Will they reduce volatility? They may...
provide a form of comfort or safe haven that makes preservation of capital possible by moving to sectors that are more defensive or increase the cash allocation. So you may need to have a balance and a blend of both in investment selections without overwhelming plan members.

Plan sponsors shouldn’t just offer the lowest cost provider. You need a provider that will give you the tools and services that are fair for that cost.

McLaughlin: In terms of investments, maybe this is where target date funds come in, especially as the default option. Many of our members are in the default option. If they do not tick off anything on the investment selection form, they default to the target date funds. We chose these funds as the best alternative for people who do not want to get involved in making investment decisions. They have a diversified portfolio at a risk level that is driven by an expected retirement date.

Moderator: Are target date funds now the standard default?

Johannson: In Canada, it appears that a lot of employers are based out of the United States and in the U.S. there is great interest in target date funds. In the U.S., there are provisions for a safe harbour for approved default options. These options include balanced and target date funds, but not money market funds. A safe harbour basically provides protection from litigation for prudent plan sponsors who have followed government legislation. As target date funds form part of a good governance platform in the U.S., it is reasonable that firms headquartered there but operating in Canada would wish to have a common governance model and extend those best practices here. I believe this is the foundation for much of the growth in popularity for target dates as a default option in Canada.

Tamburro: Aon Hewitt conducts an annual retirement fund survey and the most recent one in 2010 showed while target date funds have only been around for six years at most, 32 per cent of those plan sponsors polled have already, even in that short a timeframe, adopted these funds. Based on my own experience, more than 90 per cent of those that offer them use them as their primary default investment option. The survey also showed that 51 per cent of plans offer target risk funds which are the predecessor to target date funds.

Moderator: Are these target date funds designed for the Canadian market or just U.S. products transplanted into Canada?

Tamburro: There are still providers that just try and transport their U.S. product here with no Canadian data. We tell them ‘you’re not ready for the Canadian marketplace.’ The difference between the U.S. and Canadian products is ours are generally more conservative than the products that were launched in the U.S. In the U.S., the majority of the products have 50 to 60 per cent equities near retirement while Canadian products have about 30 to 35 per cent.

Moderator: Why would U.S. funds have a higher exposure to equities than Canadian plans?

Tamburro: Generally, the U.S. tends to be a little more aggressive and Canadians, by nature, are more conservative. That was built into the models by the managers that created the Canadian products. However, the U.S. managers learned from the ‘08 crisis and, subsequently, have ratcheted down their equity exposure quite a bit. Perhaps they looked at some Canadian products and saw how they weathered the storm much better.

Pepin: We have also noticed that target date funds generally have a very strong home bias. As investors, we’re comfortable with the Canadian market and we know these Canadian companies. So, in Canada, we will usually be more heavily weighted in Canadian stocks and securities. This would be a similar situation in the U.S. with a bias to their own domestic opportunities.

Harrison: From an administrator’s point of view, you have to keep on top of what the market has to offer in the way of new products. You can’t be complacent and say, ‘well, we’ve only typically offered traditional funds; we’re not going to look at these because they’re new and it requires too much effort.’ On the other hand, you have to do your due diligence. If it’s a structured product, you’d better make sure that you understand how it works and that you can explain it to the members. You also have to make sure that it works for your plan.

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Webber: To add a wrinkle to the target date discussion, from a governance perspective at the plan sponsor level, you have established a portfolio of funds and fund managers. If you run into any bumps and you need to make a change, for example, in Canadian equities, it's fairly easy to switch from fund manager A to B and communicate this to people.

When you get into target date funds, are you going to be able to find a complementary manager with the same principles, glide paths, and focus so that you can seamlessly transfer to an equivalent set of funds the same way you could with a single fund manager?

Tamburro: That is interesting because the whole criteria around governance and selection of these funds was one of the issues when they were first coming out. There was no history at that point in time and they all could be managed somewhat differently. Although that’s been crystallizing a bit more over time, you still need to determine your criteria as to whether this fund family is really what you want. Do you want a managed product or a passive one?

Johannson: In Canada, under securities law, we have National Instrument 81-102 which deals with a number of concerns surrounding investment management including leveraging and possible offsetting strategies to mitigate risk. This may be indicative of a more conservative approach in Canada. However, we have found that some of the U.S. originating target date funds offered in Canada did not comply with NI 81-102. They do not have this conservative bias. That was a really interesting learning. From my perspective, once our securities regulators are comfortable with these strategies for the individual investor, I will be too. Yet few people are aware of these cautionary restrictions.

Moderator: Does the communication program for members invested in target date funds differ from your basic communication program?

McLaughlin: We don’t have separate mailings for holders of target date funds. This would be difficult as some members have target date and other funds in their portfolios.

Moderator: With the growing popularity of target date funds as the default, do sponsors want to get members into the default or do they want their members making a choice?

Johannson: Plan sponsors generally prefer that members make their own personal investment choice. However, a default can be an excellent temporary parking lot, especially if you’re moving between providers with new offerings or have some other sort of fundamental change on the go.

However, different industries have different degrees of involvement and some find that offering target dates as a default is the most likely way to have a large segment of their population appropriately invested.

Tamburro: That’s right. The preference is for plan members to make the decision, but this is not always practical. Engagement can be a challenge.

Moderator: So what can you do to encourage this engagement?

McLaughlin: We encourage plan members to go online, to review their investments, and to make use of the tools that have been designed to support them.

Tamburro: One client we have has found an approach that is very successful for them. They treat their retirement programs much as they do their benefit program with annual re-enrolment or re-confirmation. Employees are forced to reflect each year, as to whether they have selected the right contribution level. The plan sponsor encourages a review of members’ risk tolerance levels by providing links to the provider’s tools. It’s my poster child, from a platform perspective, of being the most successful at establishing engagement levels with employees. It is very similar to their benefits program. And why not? Once a year, check your retirement balances, your investments, and your contribution levels all together.

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Pepin: The danger in most plans is that in the very beginning, members may be very well engaged. They set their profile, they look at their investments on a periodic basis.

However, after a while the level of interest just sort of wanes.

We have a responsibility as providers to make sure that we remind plan members of certain obligations and at least
an accumulation of decisions made over a plan member’s lifetime, you’re trying to make sure that they receive proper communications and information throughout their career. That way, when they come to the end, people are not looking back and saying, ‘well, I’m now in a position that I didn’t want to be in.’ There’s clearly an obligation to communicate. You can’t simply say, ‘well, anything I say is going to be held against me so I’m not going to say anything.’ You have to behave prudently, provide communications, and take corrective steps if appropriate.

Webber: Good governance puts a premium on your communication strategy. If you have the processes in place in how you communicate to your people, then it’s simply a matter of continuing to follow the process when you come upon these more volatile times. You can seamlessly include it as a topic in your ongoing communication.

When the last credit crisis hit, we were cautious with respect to our communication because we didn’t want to do anything that was out of character from what we’d done in the past. This served us well.

Tamburro: What I’ve seen a lot of plan sponsors do is similar to what they have done on the investment side. They already have an investment policy statement. Now some are going the route of an education/communication policy so that if there are bumps along the road, it’s easy. They go back to their policy. They’re not forced to be reactive. It’s a part of their plan and it seems to be working.

Moderator: What are your final thoughts?

McLaughlin: It definitely is true that this has much greater appeal with the younger generation. I am sure we have all noticed that the younger population are often attached to some sort of electronic device. That’s a clear message that this is the way to reach out to the younger people.

Webber: As a plan sponsor, there is an untapped opportunity for us to reach out to our people, especially for organizations like ours where at any given point in time many of our people are working at client sites. There’s a huge opportunity to tie-in new technology from a communication perspective. However, can we leverage this new technology to develop new educational and decision-making tools, and get people to use it?

Moderator: Are sponsors responding to these market fluctuations with increased communication to their members?

McLaughlin: We haven’t sent out any additional communications.

Johansson: We constantly have streams of communications going out, such as newsletters and online information. However, we focus more on how to manage in the longer term rather than trying to reposition during difficult markets. Chasing markets one way or the other has historically been a recipe for lost opportunity. Perhaps with recent market experiences, people are seeing that buy and hold, dollar cost averaging, and following your own investor profile are the best strategies just as they have been coached over the years.

Harrison: I agree. With DC plans being an accumulation of decisions made over a plan member’s lifetime, you’re trying to make sure that they receive proper communications and information throughout their career. That way, when they come to the end, people are not looking back and saying, ‘well, I’m now in a position that I didn’t want to be in.’ There’s clearly an obligation to communicate. You can’t simply say, ‘well, anything I say is going to be held against me so I’m not going to say anything.’ You have to behave prudently, provide communications, and take corrective steps if appropriate.

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Harrison: I agree. With DC plans being
low-cost options, diversification, and low correlation.

Another very big factor is that people aren’t saving enough and plan sponsors need to be creative to encourage higher levels of savings. Studies show that 10 to 15 per cent of your salary is that right number to save for retirement and people are significantly below that.

McLaughlin: Plan sponsors have a responsibility to make sure their communications are user friendly. If not, they run the risk that their employees will tune out and not even join the plan. This may mean working with the vendor and doing some editing. Our vendor was quite receptive to this, even though they had never been approached before. Plan sponsors know their members best and the communications needed to reach the intended audience. It doesn’t make sense to address an executive group in the same way as employees just starting their careers.

Pepin: We all have a responsibility in volatile times – from the service provider to the plan sponsor to the consultant – to assist the plan members.

We also need to remember that these market movements seem to happen every decade. What we’re living through today, we have lived through before and learned from. More than likely sometime before 2020, we’ll be living through something similar again. The learning that we have acquired each time allows us to plan, act, and communicate more effectively.

Harrison: I believe we need to look at the next big issue as well and that – in the short to medium-term – is going to be the decumulation phase when employees transition into retirement. Options to provide for the longevity risk and the ability to convert that DC account balance into something that is going to provide a meaningful income right through to death, that’s going to be the next challenge. There’s going to be a huge mass of people getting to that retirement age and, frankly, we haven’t spent enough time thinking and designing for that payout phase. The focus up until now has been very much on accumulation which is natural in an employment environment. It is also natural to focus on what to do in the short term when markets are volatile. However, that decumulation phase is going to be key as plan members move into the retirement income phase.

Webber: We simply need to re-emphasize the importance of good governance around our programs, especially during volatile times. Good governance touches on all aspects of the program, whether it’s the investments, design, or communications. It forms the foundation. If you have good processes and programs in place, it’s what’s going to get you through the good times and the bad times.

Johannson: I agree, volatile times provide a backdrop against which we can revisit the governance of our plans. While we will naturally look at the cost of the plans and the cost of the investments, it is equally important to review this in light of the quality and purpose of each component.

Plus, as an industry as a whole, I believe we need to look at our CAP Guidelines and provide some safety for the plan sponsors who offer these plans. This may mean reconsidering the provision of a ‘safe harbour.’

And, as Andrew has stated, we also need to look at the transition from accumulation to the decumulation phase. The CAP Guidelines are totally silent on that point.

Volatile times may be with us for awhile, but the underlying principles of our plans and good governance continue on regardless. We simply have to revisit them, periodically, in the light of changing demographics and the development of new tools and processes to ensure that we keep our guidelines and programs current with the needs of the market.

For further information please contact:
Joan Johannson, President,
BMO Group Retirement Services Inc.,
Telephone: 416-594-5075
Email: joan.johannson@bmo.com
Imagine a world where zero growth is the norm?

Bruce Stout, a senior investment manager in the global equities team at Aberdeen Asset Management, doesn’t see it as the end of the world because it is actually very difficult to maintain a standard of living or contribute anything to overall wealth.

“The problem with consumer societies, such as the UK, is they are totally dependent on shopping. That is all it is, shopping,” he says. So when 100 retailers, including large chains such as furniture giant Habitat, fail in the UK as they have in the last six months, business is saying there are too many of them. And, given that 70 per cent of the economy in the developed world is based on consumer spending, any contraction will be painful.

Making matters worse is that recent efforts to end these crises have revolved around creating inflation which has an impact on consumption.

In order to understand where we are today, we need to look at what triggered the 2008 crisis, says Timothy Schuler, senior vice-president, investment strategist, and portfolio manager with Permal Asset Management Inc. For that, he told the Legg Mason Global Asset Management ‘Global Investment Forum: Absolute Return Strategies for Uncertain Markets,’ you need to look back at the crisis in 2008. It was predominately a problem of credit being extended to people that did not deserve it nor warrant it and who did not have the ability to pay it back. The de-leveraging of that credit bubble continues today, except it is no longer an individual problem. In fact, it is a continuation of the sub-prime crisis in 2007. Sub-prime and the rest of the mortgage market eventually became a banking problem and then a sovereign problem because the banks could not meet their obligations and, therefore, passed it on to the governments.

That is why Greece can disrupt the banking system of the world. “Chaos theory says that if a butterfly flaps its wings in Brazil, it can cause a hurricane in Texas,” he says. In other words, small idiosyncratic events can actually have knock-on effects. Plans to bail out Greece have little to do with saving Greece, it is all about making sure that European banks which hold Greek debt do not fail.

Except, the situation is compounded by globalization which is making traditional methods of dealing with these crises ineffective. Schuler says there are three ways you can deal with debt – pay it off, default on it, or inflate away the problem. The approach taken by most governments has been to inject “tremendous amounts into the economy” hoping that this would create some inflationary pressures so the debt can be paid back with cheaper currency than it was borrowed at. That too is the plan for Greece, that it can hold on long enough for inflation to take hold.

However, there are 11 million people in Greece and they owe – $400 billion. “Do the math. It is never going to happen. It is not going to get paid off,” he says.

The reason inflation is not taking hold is that injecting money into an economy worked when borders were closed. Put enough money in and it had to go somewhere. Now, in the global world where money can be transferred in a nano-second to wherever there is opportunity, this no longer works, says Schuler. It usually finds its way into speculative investment and then into emerging markets where inflationary pressures are more robust, but since they have less money for discretionary spending, they end up having to spend more on food and fuel.

No Policy Objectives Left

For Stout, the issue is there are no policy objectives left, no fiscal policy initiatives, there are no monetary policy initiatives, there is nothing anybody can do at all other than “tightening your belt and trying to get through it.”

“We have seen this before with Japan. Japan went through exactly the same thing. It was downgraded 10 years ago in February 2001 from AAA to AA-. Long
bonds rallied strongly. People focused on growth, not supply or quality. What happens is it completely wipes out your banking system, your retail, your discretionary spending, and you have zero per cent growth for 10 years. Again, there is no surprise in this.”

And, that is probably what we are looking at in the United States and the UK for the next 10 years, he says. The bond market thinks this is what is happening and that is why yields are at 60- to 70-year lows.

For managers to cope in this environment, it means moving into a more tactical approach, using macro managers, managers that are agnostic to market direction and who can be a little more nimble as, says Schuler, they “are not dedicated to one view or another.”

And, says Stout, during the period from 2007 to 2010, “we had wild financial dislocation in markets for private sector reasons of indebtedness. How much impact did that have on the sales of soap and detergent in Indonesia? None. How much impact did it have on cigarette sales in Brazil? Absolutely none. How much impact did it have on toilet roll sales in Mexico? None.”

While it had a huge impact on stock prices because the correlations were still there, it was business as usual for those companies supplying those developing markets.

“But the ignorance and the prejudice is still there. So when the United States goes down, apparently that is the end of Brazil. That may have been the case 20 years ago when Brazil was totally dependent on capital from America, but now Brazil can do what it likes,” he says.

And, in the last 10 years companies in the developed world have moved more of their businesses to the developing worlds. “Why? Because that is the way business is?”, says Stout. “Companies are in the business to make money. If the domestic market is saturated or matured, you just go somewhere else because the world is a small place now. Businesses have no problems doing business in Africa or wherever” which are feeling no impact from the current downturn.

Nothing New

“What is happening now is nothing new, nothing at all. In the last five years, since the credit crisis of 2007/2008, anybody who has anything to do with financial markets has known that the level of fiscal indebtedness in the developed world is unsustainable. There can be no surprise in that, not in Europe, not in the United Kingdom, and certainly not in the United States, because the numbers are huge,” says Stout.

And Schuler warns the headlines are going to drive market behaviour clearly and those headlines are going to be, in many ways, efforts to kick the can rather than deal with the problem. “Can kicking probably means that growth is going to be subdued, certainly in the developed world, for a considerable period of time.”

Joe Hornyak is executive editor of Benefits and Pensions Monitor (jhornyak@powershift.ca).
18 ASSET MANAGEMENT INC. Jeff Brown, President & CEO; 284 Dundas St., Ste. 218, London, ON N6B 1T6 PH: 519-433-0018 eMail: jeffbrown@18assetmanagement.com Web: www.18assetmanagement.com Investment Professionals: 3 Established: 2010 Style- Bias: All Cap; Active

ACERBON MANAGEMENT INC. Renee Arnold, Head of Business Development, Canada; 161 Bay St., 44th Floor, TD Canada Trust Tower, Toronto, ON M5J 2X6 PH: 416-777-5571 Fax: 866-290-9322 eMail: reneean Arnold@aberdeen-asset.com Web: www.aberdeen-asset.com Investment Professionals: 581 Established: 1983 Style- Bias: Large Cap; Core; Active

AGF MANAGEMENT LIMITED Michael Peck, Senior Vice-president - Institutional, Acuity Investment Management Inc.* 66 Wellington St. W., Ste. 3100, Toronto, ON M5J 1A9 PH: 416-867-2559 Fax: 416-366-2568 eMail: michael_peck@acuityfunds.com Web: www.agf.com Investment Professionals: 64 Established: 1957 Style- Bias: Small/Mid/Large/All Cap; Value, Growth; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve * Wholly-owned subsidiary of AGF Management Limited

ALTERNATIVE ASSET MANAGEMENT LLC Ross A. Dowd, Senior Vice-president, Head of Global Marketing; One Post Office Square, Boston, MA 02109 PH: 617-850-3500 Fax: 617-850-3501 Web: www.acadian-asset.com Investment Professionals: 51 Established: 1986 Style- Bias: Small/Mid/Large/All Cap; Value; Manages a number of strategies across various asset classes, Alternatives; Active Fixed Income: Active

ACM ADVISORS LTD. Audrey Howe, President; 210 - 1140 Homer St., Vancouver, BC V6B 2X6 PH: 604-682-4865 Fax: 604-682-3265 eMail: ahowe@acma.ca Web: www.acma.ca Investment Professionals: 8 Established: 1992


AEGON CAPITAL MANAGEMENT INC. R. Gregory Ross, President & Chief Executive Officer; 8th Floor - 5000 Yonge St., Toronto, ON M2N 7J8 PH: 416-883-5801 Fax: 416-883-5790 eMail: gregory_ross@aegoncapital.ca Web: www.aegoncapital.ca Investment Professionals: 11 Established: 2001 Style- Bias: All Cap; Growth, Asset Allocation; Active Fixed Income: Active Bonds: Credit DC Products/Services: Quarterly Asset Management Reviews, Periodic Review of Fund Composition within Portfolios

AGF MANAGEMENT LIMITED Michael Peck, Senior Vice-president - Institutional, Acuity Investment Management Inc.* 66 Wellington St. W., Ste. 3100, Toronto, ON M5J 1A9 PH: 416-867-2559 Fax: 416-366-2568 eMail: michael_peck@acuityfunds.com Web: www.agf.com Investment Professionals: 64 Established: 1957 Style- Bias: Small/Mid/Large/All Cap; Value, Growth; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve * Wholly-owned subsidiary of AGF Management Limited

ALLIANCEBERNSTEIN L.P. Wendy Brodkin, Managing Director; BCE Place, 161 Bay St. - 27th Floor, Toronto, ON M5J 2S1 PH: 416-572-2534 Fax: 416-323-0477 eMail: wendy.brodkin@alliancebernstein.com Web: www.alliancebernstein.com/institutional Investment Professionals: 516 Established: 1971 Style- Bias: All Cap; Value, Growth, Core; Active, Passive Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve

ALTRINSIC GLOBAL ADVISORS, LLC. David McBain, New Business Development/Client Service; 2 Queen St. E., 18th Floor, Toronto, ON M5C 3G7 PH: 416-681-6568 Fax: 416-681-7680 eMail: dmcbain@altrinsic.com Web: www.altrinsic.com Investment Professionals: 10 Established: 2000 Style- Bias: All Cap; Value, Active DC Products/Services: For separate accounts provides Investment Management, Reporting, and Client Service


AMI PARTNERS INC. Craig Labbit, Partner; 26 Wellington St. E., Ste. 800, Toronto, ON M5E 1Z2 PH: 416-865-0731 Fax: 416-865-9241 eMail: clabbit@amipartners.com Web: www.amipartners.com Investment Professionals: 13 Established: 1959 Style- Bias: Large Cap; Core; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Investment Management, Customized Reporting, Member Meetings

AMUNDI CANADA INC. Louis R. Fortin, President & Managing Director, 2000 McGill College Ave., Ste. 1920, Montreal, QC H3A 3H3 PH: 514-982-2910 Fax: 514-982-2915 eMail: louis.fortin@amundi.com Web: www.amundi.com Established: 2007 Style- Bias: Small/Mid/Large/All Cap; Value, Growth, GARP, Core; Active, Passive Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve


ARROW CAPITAL MANAGEMENT INC. Mark Purdy, Managing Director & CIO; 36 Toronto St., Ste. 750, Toronto, ON M5C 2S5 PH: 416-323-0477 Fax: 416-323-3199 eMail: mpurdy@arrow-capital.com Web: www.arrow-capital.com Investment Professionals: 10 Established: 2000 Style- Bias: All Cap; Value, Growth, Active Fixed Income: Active

ARTIO GLOBAL MANAGEMENT LLC Jeff Horbal, Director, Institutional Investments; Brookfield Place, 161 Bay St., Ste. 2600, Toronto, ON M5J 2S1 PH: 416-862-2237 Fax: 416-862-2600 eMail: jeff.horbal@artiglobal.com Web: www.artiglobal.com Investment Professionals: 41 Established: 1983 Style- Bias: Small/Mid/Large/All Cap; Core; Active Fixed Income: Active Bonds: Credit - Macro/Top-Down Analysis DC Products/Services: Investment Management Services
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BENTALL KENNEDY (CANADA) LP Malcolm Leitch, Chief Operating Officer; #1800 - 1055 Dunsmuir St., Vancouver, BC V7X 1B1 PH: 604-646-2812 Fax: 604-646-2805 eMail: mlleitch@bentallkennedy.com Web: www.bentallkennedy.com Investment Professionals: 44 Established: 1911 Style - Active


BLACKROCK Eric Levelle, Managing Director; 161 Bay St., Ste. 2500, Toronto, ON M5J 2S1 PH: 416-643-4040 Fax: 514-359-5198 eMail: eric.levelle@blackrock.com Web: www.blackrock.com Investment Professionals: 1,670 Established: 1988 Style- Active, Passive Fixed Income: Active, Passive Bonds: Fundamental, Active Model-based, Index DC Products/Services: Passively managed Target Date Funds, Canadian Equity, Index Equity, Balanced Index

BMO ASSET MANAGEMENT INC. Marija Finney, Senior Vice-president, Head of Institutional Sales & Service; 77 King Street W., Ste. 4200, Toronto, ON M5K 1J5 PH: 416-359-5003 Fax: 416-359-5040 eMail: marija.finney@bmo.com Investment Professionals: 33 Established: 1982 Style- Bias: Large Cap; GARP; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Investment Management Services only

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BΝΥ MELLON ASSET MANAGEMENT Richard Terres, Managing Director; 320 Bay St., Toronto, ON M5H 4A6 PH: 416-643-6354 Fax: 416-643-6786 eMail: richard.terres@bny Mellon.com Web: www.bnymellon.com Investment Professionals: Established: 1869 Style- Bias: Small/Mid/Large/All Cap; Value, Growth, GARP, Core; Active, Passive Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve

BRANDES INVESTMENT PARTNERS Tom Reimer, National Director, Institutional Services; 20 Bay St., Ste. 400, Toronto, ON M5J 2N8 PH: 416-306-5700 Fax: 416-306-5750 eMail: thomas.reimer@brandes.com Web: www.brandesinvestments.ca Investment Professionals: 80 Established: 1974 Style- Bias: All Cap; Value; Active Fixed Income: Active

BROOKFIELD INVESTMENT MANAGEMENT INC. Angela Vidakovich, Director, Marketing & Client Service; Brookfield Place, Ste. 300, 181 Bay St., Toronto, ON M5J 2T3 PH: 416-956-5259 Fax: 416-365-9842 eMail: angela.vidakovich@brookfield.com Web: www.brookfield.com Investment Professionals: 84 Established: 1989 Style- Bias: All Cap; Value, Growth; Active Fixed Income: Active Bonds: Credit

BURGUNDY ASSET MANAGEMENT LTD. Shihab Zubair, Vice-president; Bay Wellington Tower, Brookfield Place, 181 Bay St., Ste. 4510, Toronto, ON M5J 2T3 PH: 416-869-3222 Fax: 416-869-9036 eMail: szubair@burgundyasset.com Web: www.burgundyasset.com Investment Professionals: 21 Established: 1991 Style- Bias: Small/Mid/Large/All Cap; Value; Active Fixed Income: Active Bonds: Duration - 10% Credit - 80% Yield Curve - 10% DC Products/Services: Investment Management Services only

CAI CAPITAL MANAGEMENT Adam Jezewski, Director; 200 Bay St., Toronto, ON M5J 2T1 PH: 416-306-9810 Fax: 416-306-9816 Web: www.caifunds.com Investment Professionals: 15 Established: 1990
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EAGLE ASSET MANAGEMENT INC.  Nancy Clark, Senior Vice-president, Institutional Marketing; 880 Carillon Parkway, St. Petersburg, FL 33716 PH: 800-237-3101 eMail: nancy.clark@eagleasset.com Web: www.eagleasset.com Investment Professionals: 48 Established: 1984 Style- Bias: Small/Mid Cap; Core; Active Fixed Income: Active Bonds: Duration, Credit

FENGATE CAPITAL MANAGEMENT  Lou Serafini Jr., President; 5000 Yonge St., Ste. 1805, Toronto, ON M2N 7E9 PH: 416-488-4184 Fax: 514-954-3359 eMail: info@fengatecapital.com Web: www.fengatecapital.com Investment Professionals: 43 Established: 1974 Style- Bias: All Cap; Value, Growth; Active, Passive Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve

FIERA SCEPTRE INC.  David Pennycook, Vice-chairman & Executive Vice-president, Institutional Markets; 1501 McGill College Ave., Ste. 800, Montreal, QC H3A 3M8 PH: 514-954-3300 Fax: 514-954-3359 eMail: dpennycook@fierasceptre.ca Web: www.fierasceptre.ca Investment Professionals: >60 Established: 2003 Style- Bias: Small/Mid/Large/All Cap; Value, Growth; Active, Passive Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve

FOYSTON, GORDON & PAYNE INC.  David Adkins, Senior Vice-president; 1 Adelaide St. E., Ste. 2600, Toronto, ON M5C 2V9 PH: 416-362-4725 Fax: 416-367-1183 eMail: mciafardoni@foyston.com Web: www.foyston.com Investment Professionals: 19 Established: 1980 Style- Bias: Small/Mid/All Cap; Value; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve

FRANKLIN TEMPLETON INSTITUTIONAL  Duane Green, Senior Vice-president, Institutional Investment Services; 200 King St. W., Ste. 1400, Toronto, ON M5H 3T4 PH: 416-957-6165 Fax: 416-364-6643 eMail: dgreen2@franklintempleton.ca Web: www.franklintempletoninstitutional.ca Investment Professionals: 560 Established: 1940 Style- Bias: Small/Mid/Large/All Cap; Value, Growth, GARP Core; Active Fixed Income: Active Bonds: Credit, Yield Curve
GE ASSET MANAGEMENT CANADA Keith G. Smith, President, GE Asset Management Canada; 2300 Meadowvale Blvd., Mississauga, ON L5N 5P6 PH: 905-858-6683 Fax: 905-858-5218 eMail: keith.smith@corporate.ge.com Web: www.geam.com/can/index.html Investment Professionals: 166 Established: 1988 Style- Bias: Mid/Large Cap; Value, Growth, GARP; Core; Active
DC Products/Services: Investment Management

GENUS CAPITAL MANAGEMENT Christy McLeod, Portfolio Manager; 6th Floor - 900 West Hastings St., Vancouver, BC V6C 3A5 PH: 204-946-1988 Fax: 204-948-8818 eMail: susan.hault@glc-amgroup.com Web: www.glc-amgroup.com Investment Professionals: 26 Established: 2011 Style- Bias: Mid/Large/All Cap; Growth, Core, Passive Fixed Income: Duration, Credit Curve

GLC ASSET MANAGEMENT GROUP LTD. Mark Pomechuk, Associate, Manager, Marketing; 100 Osborne St. N., Winnipeg, MB R3C 3A5 PH: 204-406-7988 Fax: 204-406-7234 eMail: cmcleod@genuscap.com Web: www.genuscap.com Investment Professionals: 13 Established: 1989 Style- Bias: Mid/Large Cap; Core Bonds: Sub-advised by Addenda Capital

HORIZONS EXCHANGE TRADED FUNDS INC. Chris Sheridan, Vice-president, Institutional Sales; 26 Wellington St. E., Ste. 700, Toronto, ON M5E 1P2 PH: 416-601-2496 eMail: csheridan@horizonsetfs.com Web: www.horizonsetfs.com Established: 2005

HSBC GLOBAL ASSET MANAGEMENT (CANADA) LIMITED Francis Charlet, Head of Institutional Investments; Ste. 300 - 2001 McGill College, Montreal, QC H3A 1G1 PH: 514-286-4559 eMail: francis.charletier@hsbc.ca Web: www.assetmanagement.hsbc.com Investment Professionals: 561 (globally) Established: 1973 (globally) Style - Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve

INDUSTRIAL ALLIANCE Renee Lafamme, Vice-president, Group Savings & Retirement; 1080 Grande Allee W., Quebec City, QC G1K 7M5 PH: 418-684-5252 Fax: 418-684-5187 eMail: renee.lafamme@inalco.com Web: www.inalco.com Investment Professionals: 17 Established: 1892 Style- Bias: Mid/Large Cap Value, Growth; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Recordkeeping and Investment Management, Assistance with Enrollment, Enrolment Kit, Online Transactions, Automated IVR System, Investor Profile Questionnaire, Call Centre Services

INTACT INVESTMENT MANAGEMENT INC. Marc Provost, Senior Vice-president, Managing Director & Chief Investment Officer; 2000 McGill College, Ste. 920, Montreal, QC H3H 3H3 PH: 514-350-4900 Fax: 514-350-8550 eMail: manon.guindon@intact.net Web: www.intact.com Investment Professionals: 13 Established: 1978 Style- Bias: Small/Large Cap; GARP; Active Fixed Income: Active Bonds: Credit, Yield Curve

INTECH INVESTMENT MANAGEMENT LLC James McCugh, Senior Vice-president, Portfolio Management Group; 525 Okeechobee Blvd., Ste. 1800, West Palm Beach, FL 33401 PH: 561-714-0256 Fax: 561-775-1152 eMail: jmccugh@intetchianus.com Web: www.intetchianus.com Investment Professionals: 26 Established: 1987 Style- Bias: Large Cap; Value, Growth, Core, Mathematical; Active

INTEGRA CAPITAL LIMITED Charles Swanepoel, Co-chief Investment Officer & Portfolio Manager; 2020 Winston Park Dr., Oakville, ON L6H 6X7 PH: 905-829-1131 Fax: 905-829-2726 eMail: contactus@integra.com Web: www.integra.com Investment Professionals: 8 members; 10 sub-advisors Established: 2002 Style- Bias: All Cap; Value; Growth, Core; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Investment Management Services
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MAWER INVESTMENT MANAGEMENT LTD. Jamie Hyndman, Director of Marketing; Ste. 900, 603 7th Ave. S.W., Calgary, AB T2P 1E5 PH: 403-267-1961 Fax: eMail: jhyndman@mawer.com Web: www.mawer.com Investment Professionals: 29 Established: 1974 Style- Bias: All Cap; GARP; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Plan Member Communication Meetings, Website, Quarterly Investment Newsletter

MCLEAN BUDDEN LTD. Alan Daxner, Executive Vice-president; 145 King St. W., Ste. 2525, Toronto, ON M5H 1J8 PH: 416-862-9800 Fax: 416-862-0167 eMail: adaxner@mcleanbudden.com Web: www.mcleanbudden.com Investment Professionals: 63 Established: 1947

MFP INVESTMENT MANAGEMENT Sarah Donahue, Director, Relationship Management, Canada; 161 Bay St., 27th Floor, Toronto, ON M5S 2J1 PH: 416-572-2711 Fax: 617-210-8869 eMail: cgirvan@mfs.com Web: www.mfs.com Investment Professionals: 191 Established: 1924 Style- Bias: Small/Mid/Large/All Cap; Value, Growth, GARP, Core; Active Fixed Income: Active Bonds: Credit, Yield Curve DC Products/Services: Investment Management

MONTRUSCO BOLTON INVESTMENTS INC. Richard Guay, Senior Vice-president; 1501 McGill College Ave., Ste. 1200, Montreal, QC H3A 3M8 PH: 514-842-6484 Fax: 514-282-2550 eMail: guayr@montruscobolton.com Web: www.montruscobolton.com Investment Professionals: 17 Established: 1946 Style- Bias: Small/Mid/Large/All Cap; GARP; Active Fixed Income: Active Bonds: Credit, Yield Curve DC Products/Services: Investment Management

MORGUARD INVESTMENTS LIMITED Luigi Luppi, Director, New Business & Client Services; 55 City Centre Dr., Ste. 800, Mississauga, ON L5B 1M3 PH: 905-281-1800 Fax: 905-281-5385 eMail: lluppi@morguard.com Web: www.morguard.com Investment Professionals: 880 Established: 1975 Style- Bias: Value, Growth, Core; Active

MORRISON WILLIAMS INVESTMENT MANAGEMENT Barry Morrison, CEO; 1 Toronto St., Ste. 305, Box 21, Toronto, ON M5C 2V6 PH: 416-777-2022 Fax: 416-777-0954 eMail: michael.mcnabb@morrison-williams.com Investment Professionals: 5 Established: 1992 Style- Bias: Large Cap; GARP; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Portfolio Management

MOTORCITY INVESTMENTS INC. David Lester, President & COO; 650 4th Ave. S.W., Calgary, AB T2P 1E5 PH: 403-871-7671 Fax: 403-871-7531 eMail: dluster@motorcity.com Web: www.motorcity.com Investment Professionals: 5 Established: 1995 Style- Bias: Small/Large/All Cap; Value, Growth, GARP, Core; Passive


NORTHERN TRUST GLOBAL INVESTMENTS David Lester, Vice-president; 1100 University St., Ste. 400, Montreal, QC H3B 2G7 PH: 514-871-7671 Fax: 514-871-7531 eMail: david.lester@intrs.com Web: www.nort herntrust.com Established: 1889 Style- Active, Passive

O’SCHAUGHNESSY ASSET MANAGEMENT, LLC Chris Loveless, President & CEO; Six Suburban Ave., Stamford, CT 06901 PH: 203-975-3304 Fax: 203-975-3368 eMail: christ.loveless@oasam.com Web: www.oasam.com Investment Professionals: 10 Established: 2007 Style- Bias: All Cap; Core, Active

OPTIMUM ASSET MANAGEMENT Patrick LaMontagne, Senior Vice-president, Development; 425 De Maisonneuve Blvd. W., Ste. 1740, Montreal, QC H3A 3G5 PH: 514-288-7545 Fax: 514-288-4280 eMail: plamontagne@optimumasset.com Web: www.optimumasset.com Investment Professionals: 13 Established: 1985 Style- Bias: Small Cap; Value; Active Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve


NATCAN INVESTMENT MANAGEMENT INC. Michael Quigley, Senior Vice-president, Distribution; 1100 University St., Ste. 400, Montreal, QC H3B 2G7 PH: 514-871-7671 Fax: 514-871-7531 eMail: mquigley@natcan.com Web: www.natcan.com Investment Professionals: 45 Established: 1990 M Style- Bias: Small/Large/All Cap; Value, Growth, GARP, Core, Active, Passive (Index mandates) Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve

O’SCHAUGHNESSY ASSET MANAGEMENT, LLC Chris Loveless, President & CEO; Six Suburban Ave., Stamford, CT 06901 PH: 203-975-3304 Fax: 203-975-3368 eMail: christ.loveless@oasam.com Web: www.oasam.com Investment Professionals: 10 Established: 2007 Style- Bias: All Cap; Core, Active

OPTIMUM ASSET MANAGEMENT Patrick LaMontagne, Senior Vice-president, Development; 425 De Maisonneuve Blvd. W., Ste. 1740, Montreal, QC H3A 3G5 PH: 514-288-7545 Fax: 514-288-4280 eMail: plamontagne@optimumasset.com Web: www.optimumasset.com Investment Professionals: 13 Established: 1985 Style- Bias: Small Cap; Value; Active Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve


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Web: www.panagora.com Investment Professionals: 28 Established: 1985 Style-Bias: Small/Mid/Large/All Cap; Value, Growth, Core; Active, Passive Fixed Income: Active, Passive Bonds: Duration, Yield Curve, Credit
* If all stock and options exercised

PAYDEN & RYGEL Brian W. Matthews, Managing Principal; 333 S. Grand Ave., Los Angeles, CA 90071 PH: 213-625-1900 Fax: 213-617-0152 eMail: rfgroup@payden.com Web: www.payden.com Investment Professionals: 77 Established: 1983 Style-Bias: Large Cap; Core; Active, Passive Fixed Income: Active, Passive Bonds: Duration, Credit, Yield Curve

PHILLIPS, HAGER & NORTH Investment Management Ltd. John Skeans, Vice-President; 20th Floor, 200 Burrard St., Vancouver, BC V6C 3N5 PH: 604-408-6000 Fax: 604-685-5712 eMail: jskeans@phn.com Web: www.phn.com Investment Professionals: 193 Established: 1964 Style-Bias: Large Cap; GARP, Quality Growth for Canadian Equities; Active Fixed Income: Active, Multiple Risk Controlling Strategies Bonds: Duration, Credit, Yield Curve DC Products/Services: Meetings, Seminars, Publications
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PIMCO CANADA CORP. Andrew Forsyth, Vice-president; 120 Adelaide St. W., Ste. 1901, Toronto, ON M5H 1T1 PH: 416-368-3349 Fax: 416-368-3576 eMail: andrew.forsyth@pimco.com Web: www.pimco.com Investment Professionals: 517 Established: PIMCO Canada - 2004, PIMCO (parent company) - 1971 Style - Fixed Income: Active DC Products/Services: Sub-advisory Investment Management services to a Fund of Funds DC Provider, Investment Management services to a DC Provider within Pooled Fund Trust

PRESIMA Andrew Kavouras, Head of Clients & Business Development; 1000 Jean-Paul-Riopelle Place, Ste. E-400, Montreal, QC H22 296 PH: 514-673-1375 Fax: 514-673-1378 eMail: ajkavouras@presima.com Web: www.presima.com Investment Professionals: 11 Established: 2004 Style-Bias: Mid/Large Cap; GARP, Active

PYRAMIDS GLOBAL ADVISORS* Kevin Barber, Senior Vice-president, Business Manager, Institutional Sales & Service; 483 Bay St., Toronto, ON M5H 2N7 PH: 416-307-5300 Fax: 416-307-5511 eMail: kevin.barber@pyramids.com Web: www.pyramids.ca Investment Professionals: 862 Established: Fidelity Investments Canada ULC - 1987 Pyramids Global Advisors - 2005 Style-Bias: All Cap GARP, Active Fixed Income: Active Bonds: Credit, Yield Curve DC Products/Services: Investment Only
* A Fidelity Investments Company

PYRAMIS GLOBAL ADVISORS* Christian Pachtner, Head of Client Relations & International Business Development; 555 Mission St., San Francisco, CA 94105 PH: 415-954-8210 Fax: 415-236-5155 eMail: christian.pachtner@rcm.com Web: www.rcm.com Investment Professionals: 237 Established: 1970 Style-Bias: Small/Mid/Large Cap; Growth, Core; Active

RCM Christian Pachtner, Head of Client Relations & International Business Development; 555 Mission St., San Francisco, CA 94105 PH: 415-954-8210 Fax: 415-236-5155 eMail: christian.pachtner@rcm.com Web: www.rcm.com Investment Professionals: 237 Established: 1970 Style-Bias: Small/Mid/Large Cap; Growth, Core; Active


RUSSELL INVESTMENTS CANADA Brian Goguen, Associate Director, Institutional Investment Services; 100 King St. W., Ste. 5900, Toronto, ON M5X 1E4 PH: 416-640-6898 eMail: bgoguen@russell.com Web: www.russell.com/ca Investment Professionals: 162 Established: 1936 Style - Multi-asset, Multi-style, Multi-manager; Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Suite of Life Cycle Funds


SCOTIA ASSET MANAGEMENT L.P. Ron Smith, Vice-president & Head, Institutional Sales; 40 King St. E., Ste. 5200, Toronto, ON M5H 1H1 PH: 416-933-0685 Fax: 416-933-7481 eMail: ron.smith@scotiabank.com Web: www.scotiaassetsmanagement.com Investment Professionals: 10 Established: 1982 Style-Bias: Large Cap; GARP, Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Investment Management Services and Educational Services

SEAMARK ASSET MANAGEMENT LTD. Andrea Perry, Vice-president & Portfolio Manager; 1801 Hollis St., Ste. 310, Halifax, NS B3J 3N4 PH: 902-423-1518 eMail: aperry@seamark.ca Web: www.seamark.ca Investment Professionals: 10 Established: 1982 Style-Bias: Large Cap; GARP, Active Fixed Income: Active Bonds: Duration, Credit, Yield Curve DC Products/Services: Investment Management Services and Educational Services

SEI INVESTMENTS Michael E. Chwalka, Head of Institutional Sales; 70 York St., Ste. 1600, Toronto, ON M5J 1P9 PH: 416-847-6270 Fax: 416-777-9093 eMail: mchwalka@seic.com Web: www.seic.com Investment Professionals: 53 Established: 1968 Style-Bias: Style Neutral Manager of Manager Investment Programs DC Products/Services: Manager of Managers Investment Process, Manager Research and Selection, Manager Monitoring and Replacement, Target Date Funds, Diversified Asset Allocation Funds, Behavioural Finance for Member Education and Communication, Retirement Planning and Investment Selection Tools, CARF Guideline Compliance

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### MONEY MANAGERS

#### As of June 30, 2011

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<th>COMPANY</th>
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#### Notes:
- **DB** column includes defined benefit pension plans.
- **DC** column includes defined contribution plans.
- **Other** includes managed accounts.
- **Currency** indicates the currency in which the fund is managed.
- **Other** includes managed accounts.
- **Managed** indicates the total amount managed.
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**DB Clients**

- As of June 30, 2011
- Defined Benefit Fund of Funds
- Multi-strategy Fund of Funds
- Canadian Long Bond Core Plus
- Regional Equity (China)
- Money Market - $700M
- US Equity
- Global Equity
- EAFE
- Cash
- Private Equity
- Non-Canadian Fixed Income
- Real Estate
- Infra-structures
- High Yield Bonds
- Hedge Funds
- Currency Overlay
- Other Assets
- Defined Pension
- Defined Contribution
- Managed Assets
- Other Assets Managed

**talent**

- Multi-strategy Fund of Funds
- Canadian Long Bond Core Plus
- Hedge Funds
- Infra-structures
- High Yield Bonds
- Currency Overlay
- Other Assets
- Defined Pension
- Defined Contribution
- Managed Assets
- Other Assets Managed

**talent**

- Multi-strategy Fund of Funds
- Canadian Long Bond Core Plus
- Hedge Funds
- Infra-structures
- High Yield Bonds
- Currency Overlay
- Other Assets
- Defined Pension
- Defined Contribution
- Managed Assets
- Other Assets Managed
### As of June 30, 2011

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#### Other Assets Managed

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#### Additional Information

- **Defined Benefit**
  - **DEdified Benefit**
  - **Defined Contribution**
  - **Other Assets Managed**

- **Customers**
  - **Balanced**
  - **Canadian Equity**
  - **Canadian Fixed Income**
  - **US Equity**
  - **Global Equity**
  - **Private Equity**
  - **Non-Canadian Fixed Income**
  - **Real Estate**
  - **Infrastructure**
  - **High Yield Bonds**
  - **Hedge Funds**
  - **Currency Overview**
  - **Other Assets**
  - **Total DB Assets**
  - **Total DC Assets**
  - **Managed Assets**

- **STATE STREET**
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  - **Total**

- **STONEBRIDGE**
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  - **Total**

- **STYLUS**
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  - **Total**

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  - **Total**

- **TD ASSET MANAGEMENT**
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- **WELLINGTON**
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- **WISE**
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  - **Total**
The Search For Yield Outside Canada

Canadian institutional investors are searching for yield right now. However, when it comes to fixed income, their home bias is almost complete as there is virtually nothing invested outside of their home country.

To find out why, Gene Morrison, institutional portfolio manager, fixed income, Pyramis Global Advisors; invited Adam Bomers, director, investment research and solutions, Aurion Capital Management Inc.; Carlo DiLalla, a principal at Mercer Consulting; and Farouk Ratansi, director, employee benefits and retirement services, Central 1 Credit Union; to a discussion on the opportunities and challenges of fixed income investing globally.

What follows is their roundtable discussion.

Joe Hornyak, executive editor, Benefits and Pensions Monitor, is the moderator.

Moderator: Describe the fixed income investment environment in 2011?

Gene Morrison: Right now, markets are highly volatile causing uncertainty among investors. With interest rates at historically low levels, the ongoing debt crisis in the eurozone, and the recent downgrade of U.S. debt by S&P, many investors are trying to figure out where they can safely put their money and earn a reasonable yield. Despite all of the factors just mentioned, fears of a double dip recession and risk aversion have driven fixed income returns higher. Meanwhile, equity returns have been pushed into negative territory for the year.

Adam Bomers: Basically, it’s a tale of two halves and the second half hasn’t played out quite yet. If you look at the first half of the year in terms of returns, it was fairly normal with corporates and high yields outperforming governments. That’s completely reversed in the second half. That’s probably the best way to characterize 2011 so far.

Moderator: Has the low interest rate environment over the last decade resulted in significant changes in how Canadians are investing in fixed income?

Carlo DiLalla: For the last 10 years, we have seen a drift from universe fixed income mandates to long fixed income mandates. As well, within a core universe portfolio, we’ve seen credit allocations increase, even though the benchmark allocation has not moved very much.

We did a survey recently and, in 2006, the median core fixed income mandate had a 30 per cent weight to credit. Now, that’s up to 40 per cent. So, there has definitely been a search for yield over the last 10 years.

Moderator: Farouk, how has your plan responded to the environment of the past 10 years?

Farouk Ratansi: What happened in the early 2000s was a wake-up call for us in terms of how we looked at our investment policy. We realized our fixed income assets could play a more strategic role to mitigate the interest rate risk we were exposed to with respect to our solvency liabilities.

Throughout the 1990s, many pension plans, including ours, built up significant surpluses. The surpluses, however, quickly vanished with the downturn in the equity markets in 2001 and 2002. At the same time, declining bond yields were increasing actuarial liabilities. Even though the markets rebounded in 2003, since interest rates were continuing to fall, our liabilities were increasing more rapidly. We have a fairly young plan and the duration of our liabilities is about 18 years. So, as a proxy, a one per cent drop in the rates results in an estimated 18 per cent increase in our liabilities.

Between 2004 and 2005, we started to pay more attention to the mismatch between our assets and liabilities and decided that we couldn’t look at them in isolation. We needed to create a link to our liabilities by moving away from a universe bond portfolio (which had an average duration of four to six years) and into long bonds which were more in line with the duration of our liabilities.

Back then, we had a 32 per cent weight in universe bonds that we transitioned into long bonds. In order to reduce the market timing risk from interest rate changes, we made the transition gradually over a period of 18 months. By the end of 2007, we had fully migrated our fixed income portfolio into long bonds. Our plan was to adopt a long-term asset mix policy where 50 per cent of the assets would be liability matching and 50 per cent would be return enhancing. From here on, as our funded position improves, we will continue to increase our long bond weight until we get to our target 50 per cent risk budget.

Although this 50/50 strategy will reduce the volatility in our funding status, we realize we will be sacrificing returns by shifting from equities to bonds. To lessen the impact on the total plan’s returns, we’ve used a portion of our fixed income portfolio to invest in long-term corporate bonds to obtain a higher alpha potential and enhance the overall long bond returns.

Moderator: How have asset managers changed their philosophies to accommodate this environment?

Bomers: Fixed income managers are looking at the globe as an opportunity set more so than they did in the past. In the Canadian market, you need to go outside of the country to get diversification since corporates are dominated by financials.

We’re starting to see this. Some sponsors have allocated to core plus-like strategies where the manager is really able to drive alpha through the use of security selection in other countries.
Morrison: The core plus trend is slowly re-emerging in the U.S. and just beginning to emerge in Canada. It became a very popular strategy in the U.S. from 2002 to 2007 and then the global financial crisis hit.

Some investors not familiar with core plus see it as risky. However, the evidence shows that with the benefits of diversification, the volatility of a core plus is very similar to that of a core portfolio. In addition, historical returns have been higher in core plus which has led to better risk adjusted returns. Interestingly, we saw many pension plans go from core to core plus earlier in the decade and then after 2008, some said ’this isn’t for me. I’m going back to core.’

Bomers: Or passive.

Morrison: Exactly. However, 2009 and 2010 helped people appreciate the opportunity in active management, that it can really help plan sponsors get more yield, particularly as yields have fallen. There is a search for yield and there's only so many ways to get it without taking outsized risks.

One thing that has hindered plan sponsors is that returns in many Canadian sectors have been better than what could be achieved in places such as the U.S. for instance. A good example is corporate bonds in Canada compared to U.S. corporate bonds. Canadian corporate bonds have historically had higher returns and lower standard deviations than their U.S. counterparts making the switch to U.S. corporate bonds more challenging.

That said, there are opportunities for managers to take advantage of market dislocations.

For example, we’ve developed a corporate bond product that tactically allocates between U.S. and Canadian corporate bonds. When the U.S. sells off, you can allocate more to U.S. corporate bonds. In addition, you can buy Canadian names that are issuing in dollars with more attractive yields and then hedge out the currency and interest rate risk.

Moderator: Are there other products out there where sponsors can find returns despite interest rates?

Bomers: It depends on the type of fixed income product you’re looking at. If you’re looking at government bonds, then, yes, there would be a higher correlation between interest rates and fixed income returns. Keep in mind, you have to differentiate short-term interest rates from long-term interest rates. Short-term is more focused upon inflation in the near term, whereas if you look at a 10-year or 30-year bond, the growth outlook of the country is more impactful. If you’re looking at a high yield product, you’re not going to have the same amount of interest rate sensitivity as you do with government bonds.

Moderator: What is going to take us out of this interest rate environment?

DiLalla: Rates are very low and you only need to look at 10-year treasuries to get an idea of how low rates are.

But, an interest rate is made up of a real yield plus an inflation expectation. If you look at the 10-year treasury right now, it’s yielding the equivalent to what the inflation expectations are. That’s implying it is zero real yield.

Going forward, is that sustainable? There’s an argument to be made that real yields should be higher. Having said that, if you look at inflation expectations, capacity utilization is pretty low. If you look at the whole economy, it is de-leveraging, so that too weighs on inflation.

Maybe you won’t get much in terms of inflation increases in the near term, but all this monetary stimulus over the long-term should create more inflation. So, there’s a case to be made that rates are too low right now, as we speak in late September. While I don’t expect them to go materially higher in the near term, they could in the long term.

Moderator: Do the central banks in Canada and the U.S. need to recognize there is some inflation in the system that needs to be released and this can only happen if interest rates are allowed to rise?

Morrison: They could, but, at the current time, they’re doing exactly the opposite. True, the Bank of Canada hiked rates three times last year. But if the Bank of Canada gets too far away from the U.S. Fed and Canadian interest rates trend higher, that’s going to bring in capital and increase the value of the Canadian dollar which hurts manufacturers and lowers exports. It has a negative knock-on effect.

The next step for rates or monetary policy, in general, is for easing; not tightening. And, while things have occurred over the past several months such as the U.S. being downgraded by Standard & Poor’s which should have made interest rates go up, the opposite has happened, rates have fallen sharply.

Another major force keeping rates low is that the U.S. federal government is buying up government securities to depress yields pushing investors toward riskier assets.

Moderator: What are some of the risks Canadian pension funds face when investing in global fixed income?

Ratansi: In terms of looking at the whole Eurozone, you have sovereign debt issues, the possibility of default, and liquidity concerns. As a plan sponsor, I’m not sure we would be comfortable with those risks without an adequate risk premium.

In developing countries, there might be political and governance risks. But, it depends on how it is infused in the portfolio. We look at fixed income in terms of anchoring our liabilities. If we were to look at the other side of the equation, return enhancement, it might be worth considering if the risk premium is adequate.

DiLalla: Sovereign credit analysis hasn’t been looked at as well as it should have. If I go back a few years, when I would meet a fixed income investor who had exposure to sovereign bonds, they didn’t always have a due diligence process in place to analyze the credit risk of the sovereigns. It was just assumed that they were risk-free investments.

Today, we’ve seen a move on the investment management side to better analyze these risks and that’s a positive development, given the risks associated with some global fixed income markets.
Moderator: What drove that move?

DiLalla: Obviously, it’s the markets going in the wrong direction. Greece having its problems, and the downgrade of U.S. Treasuries. There are several reasons to start questioning the risk-free nature of sovereign debt.

Moderator: Should we just let Greece default and move on?

Bomers: Absolutely. Policymakers in Europe are trying to protect everybody. In doing so, they’re losing sight of what really needs to happen. Greece is a zombie state. It can maybe keep up on its interest payments and that’s about it.

What will happen if Greece defaults? There needs to be some restructuring and the governments need to ensure that it’s going to be an orderly default. There are a lot of banks that hold Greek debt. Those banks are going to need capital. If they don’t get capital, then there will be a run on the banks and that’s probably the worst thing that can happen in Europe.

Morrison: The European Union needs to distinguish between a solvency and liquidity crisis. Greece appears insolvent. Others – Italy or Spain and potentially Portugal and Ireland – are facing huge liquidity issues.

Investors need to understand that there are two tiers of sovereigns in the Eurozone, the insolvent and illiquid. Investors implicitly know this, but it should be made explicit by the European Union and European Central Bank (ECB). This game of kicking the can down the road is not fooling anyone. The ECB needs to step in with confidence and say, ‘these sovereigns are solvent and this other one is not, so let’s get on with a cure.’ Then, it must put its full backing behind the solvent countries so there’s no re-occurrence of these liquidity episodes that keep happening over and over creating global uncertainty.

DiLalla: That was a bit of the theory behind Lehman and that caused a further panic. It’s very important that, whatever they do with Greece, they don’t repeat what happened with Lehman Brothers and cause more fear about ‘which one is next.’

Moderator: In equity circles, emerging markets are being hailed as the future. Do we see any movement towards that in fixed income?

Morrison: There’s been movement toward emerging market debt over the past two decades. Emerging markets have come a long way by putting together strong monetary and fiscal policies, making their central banks more independent, and building their foreign currency reserves. They have been doing all the right things to warrant higher quality ratings. During this period, Canadian, U.S., and global investors capitalized on what were very attractive yield premiums.

While there are still, in a lot of these emerging markets, liquidity, inflation, and political risks that need to have significant premiums attached to them, many others are, in some respects, more stable investments than several developed countries.

Historically, if you analyzed emerging market countries, the two key questions were focused on their ability and willingness to pay. In developed markets, neither was frequently questioned. Now, when you think about those questions given what’s gone on both in the Eurozone and the U.S., things have flipped on their head. Emerging markets have debt-to-GDP ratios that are half of those in the developed world and the growth prospects are two to three times what they are in the developed world. Therefore, emerging market debt is certainly something plans should consider as an allocation in their portfolios.

DiLalla: At Mercer, we’ve seen a lot of demand for emerging market debt, but it’s not from Canada. But, I understand it. It’s due, in part, to the way they look at portfolios. Consultants and clients see a matching portfolio in terms of the liabilities and then they see a growth portfolio. Where does it fit?

On the matching side, the duration of emerging market debts isn’t as high as in Canada. At the same time, the correlation is not as aligned. So, there is no great case on the matching side.

On the growth side, there’s competition with other asset classes. But, again, it hasn’t made its way on that side much either.

Given the current environment, there’s a case where you can have a growth portfolio with maybe lower volatility. Perhaps, emerging market debt makes a better case in this environment versus other growth asset classes.

Moderator: What other emerging market fixed income products should be considered?

Bomers: There is a whole suite of products.

Traditionally, you’ve seen debt issued by emerging market countries in U.S. dollars. Local debt is now being issued by countries in their own currencies and it’s a great development in that it shows emerging markets are creating their own capital markets.

Morrison: Many emerging markets have already emerged – Brazil, Mexico, India, China.

So the next evolution of emerging markets is literally the next frontier or frontier markets. Some smaller African countries are just starting to issue debt. Certainly, you’re taking more risk, but if you are being adequately compensated for that risk, and you can get a strong understanding of their ability and willingness to pay, then you may find compelling value there.

Moderator: What fixed income products are being under-utilized in the developed world despite its current economic woes?

Bomers: In Canada, high yield is not really part of most institutional investors’ allocations to fixed income. If you look at the U.S., there is probably a higher adoption rate.

Yet, corporations are very healthy right now with lots of cash on their balance sheets and, obviously, central banks are willing to provide liquidity. So, high yield is a great asset class that can be used both strategically and tactically to augment returns.

In the U.S., corporate credit is more diversified than in Canada where 50 per cent of the corporate issuance is really financials. And, although Canada is very conservative, those financials, if you look at them, are fairly expensive to buy versus bank paper in the U.S. So, from a diversification perspective, looking at corporate credit in the United States is something you really need to do.
Moderator: Where does inflation fit into this conversation?

Ratansi: I’m not thinking about it too much. We’re not a hundred percent immunized in long bonds and we still have an equity play. If inflation rises, equity prices should rise as well.

DiLalla: Obviously, inflation would be negative for fixed income instruments. However, there are areas where you can diversify some of that away.

Globally, there has been a bit of a move towards absolute return fixed income strategies. Here is a strategy not benchmarked against the typical benchmarks and you get this LIBOR-plus kind of return. You’re not tied to any interest rate environment and can perform in whatever interest rate environment you’re in.

Morrison: There is an opportunity for plan sponsors right now to insure against inflation with real return bonds. And they can do so while inflation expectations are moderate given the weak economic environment. After all, you don’t want to buy fire insurance until your house is on fire; right?

People are not seeing inflation or they are discounting inflation right now, so maybe now is the time to get that insurance, especially for pension funds that have, for example, a cost-of-living adjustment.

DiLalla: However, these real return bonds are quite scarce in Canada. This means it’s not always that easy to implement a real return bond strategy.

Bomers: You can look to the U.S. where you have the TIPS market which is essentially the Canadian real return bond market. If you think Canada and the U.S. are tied economically, it may be a good proxy to buy TIPS instead of real return bonds in Canada. You are getting the same thing and you wouldn’t expect Canadian and U.S. inflation to really be that different.

Moderator: Is LDI off the table right now for most sponsors?

Morrison: I don’t think so. It’s true that many sponsors think interest rates are just too low and we agree with them. The challenge, of course, is that no one really knows when rates will rise and by how much.

However, the bigger point is if interest rates rise and you have an LDI strategy in place, your funded status will likely rise since most plans have a dollar duration of liabilities far greater than their assets. Since liabilities are discounted using bond yields, a rise in yields means the present value of the liability will fall. And while your entire liability will fall, only the portion of your portfolio invested in fixed income will fall; typically this is less than 50 per cent for most plans.

Fixed income LDI says ‘if you’re in longer duration, then that portfolio’s value should fall more than if you’re invested in intermediate duration in a rising rate environment.’

However, the yield curve is steep right now and, therefore, that effect may be less pronounced. In other words, if the yield curve flattens over the next few years, then intermediate yields may rise far more than long rates. In addition, demand for LDI grows as long rates start to go up.

A final point on the yield curve is that because that yield curve is steep and could remain steep for a while, you’re getting a significant yield advantage by being longer duration than intermediate duration.

Moderator: So how do plans prepare themselves to move to LDI when their funding ratio improves?

Bomers: Plans probably need to have a path because, as we all know, pension plans aren’t really known to be that nimble. However, if they can’t stomach the low rate environment and locking in when they felt the pain on the way down, if they have a plan in place, when rates do rise, they’ll be able to lock those in. The decisions are made ahead of time.

Moderator: So, why aren’t Canadians investing in global fixed income?

DiLalla: The currency variations in global fixed income are a key impediment. The mismatch between liabilities and assets is another one. A core plus solution is a way around some of these issues and can work in terms of getting global exposure while keeping the Canadian beta in the right place. We are seeing some clients implement it.

Morrison: When you look at it from a historic perspective, it has been a learning experience. In 1998, there was the Russian debt crisis. Emerging market debt investors learned a lesson. In 2002, corporate bond investors and corporations learned a painful lesson. In 2007, with the subprime crisis, investors were taught another lesson. Investors and financial institutions issuing debt have learned valuable lessons from the banking crisis in 2008.

In 2011, countries in the Eurozone are learning a lesson. How this ends up, we shall soon find out.

The implications are going to be huge. Right now, investors need to remain highly diversified if they are venturing into the Eurozone.

With emerging market debt, the next 12 to 18 months will determine the fate of how Canadian investors will react to investing in the next decade. Since Canadian plan sponsors haven’t heavily invested in emerging market debt to begin with, what happens over the next 18 months is going to determine if we start to see those allocations grow, just be maintained, or even be reduced.

Bomers: Another factor preventing Canadians from diving into global fixed income is past history. When the foreign content rules were eliminated, everybody rushed to invest globally. And, if you look at the past 10 years, the divergence, from a return perspective, of Canadian equities versus global equities is pretty big. So people are saying, ‘we did this in equities and we suffered a lot of pain.’ Taking the same view with fixed income, they’re saying, ‘do we really want to move outside of Canada where we’ve got a pretty good thing going.’

If the returns from global fixed income were more attractive than what was coming out of Canada, we’d probably start to see movement because and, I hate to say it, to a certain extent it’s based on numbers. Sometimes, the easiest thing is to pick up a report, check the numbers, and make decisions based on that.
Liability-driven investment (LDI) is now an established concept globally and in Canada, having gained wide acceptance over the past few years. LDI is a framework for decision-making, as opposed to a product or an asset class, as it takes into account both liabilities and assets. Since the ‘90s, the strategies that underpin LDI have evolved and become more sophisticated. Recently, more and more investors are coming on board for various reasons.

But there are still things to iron out such as the massive impact of the ‘exit strategies’ for closed and matured plans in the future.

Getting Sophisticated

Before discussing specific elements of LDI, let’s take a step back to ensure we are all on the same page. A good analogy I sometimes use for understanding LDI is one that resonates with many homeowners. If the value of your house increases by 10 per cent due to your recent renovations financed with your mortgage results in a debt increase of 15 per cent, overall, your net worth has actually deteriorated even if your ‘return on asset’ was 10 per cent. The opposite also holds true. This is why pension asset management encompasses both sides of the equation – assets and liabilities.

In a simplistic way, the assets that make up the investment portfolio can be segregated in three categories – bonds, equities, and alternative assets. In an LDI framework, these different classes of assets can serve the needs required to achieve success in both the hedging and the return-generating portfolio (see Table 1).

Hedging Portfolio

The strategy at the core of the hedging portfolio should replicate liabilities as closely as possible by eliminating uncompensated risk. Going into the long bond DEX universe (see Table 2) or simply cash flow matching is usually not enough in this case, as it is not incorporating actuarial valuation aspects linked to discount rate methodologies (as liabilities are long-term in nature, this has a significant impact on the hedging strategies).

In other words, the use of oversimplified solutions in an environment requiring precise actuarial estimates may lead to a false sentiment of hedging. This opens the door to another interesting question: are interest rates bound to go up? It’s hard to tell. Many believe, me included, that interest rates are perhaps exactly where they should be. Nonetheless, this is tactical in nature and should be reflected in the return generating portfolio, not the hedging one. In addition, past experience has painfully shown that basing an asset management strategy on a single variable is quite risky and clearly not part of a good hedging decision.

Return-generating Portfolio

On the other hand, the return-generating portfolio should focus on efficient use of the risk budget, which is the proper way to manage market exposure. Here, any asset invested away from the hedging portfolio needs to provide return above the liabilities (with the best proxy being the return on the hedging portfolio). The traditional approach has been to diversify by asset class such as Canadian and global equities (see Table 1), but this strategy only works in ‘normal market conditions.’ However, you need diversification when markets collapse, not when everything is ‘normal.’ Diversification also needs to be built in a qualitative way, not just based on mathematical correlation. For instance, one could think that emerging market exposure will provide diversification; but you could also expect your commodity-based Canadian equity exposure to fall if the emerging market is to collapse.

Market globalization, combined with the speed at which information is moving, means that it’s time to look beyond equities and bonds to manage risk properly. In other words, it is time to focus on a global approach that can incorporate the micro-economic and macro-economic aspects of any strategy.

Many investors globally are now moving away from traditional equity markets. They recognize that, even with the best active managers, their exposure to equity has been far too volatile. Some quantitative ‘low volatility’ solutions are now offered, but the fact...
remains that collapsing in the equity market will still provide painful negative returns. Other investment managers are now promoting ‘risk-based investing,’ solutions that basically diversify risk factors (such as inflation, credit, GDP growth, commodity growth, etc.) as opposed to asset classes.

Many products are now easily accessible to Canadian investors. One such approach is Global Absolute Return Strategies (GARS). These focus on strategies that not only aim to meet the return expectations, but also to provide a true diversification of risk. Its objective is to provide a return of five per cent over cash (comparable to an equity risk premium), but with a third to half of the volatility while maintaining daily liquidity and full transparency.

To explain the risk-based investment approach in simple terms, assume, for example, that you have a view that the price of oil will increase. Before implementing this investment idea, you need first to know what the drivers (or factors) are that motivate this increase. Then, you need to analyze what exposure you currently have to these factors in your portfolio to avoid making the same investment, but in a different way. Once the diversification benefit is assessed, you need to implement your investment idea in the most efficient way. The approach could capture the return by buying oil company equities, the oil-based market such as the TSX, currencies such as the Canadian dollar, or any other oil-related instruments.

To avoid ‘market timing,’ these strategies are designed to succeed with a time horizon of approximately two to five years. You also need a fair number of strategies for proper diversification. The challenge is to choose strategies that do not neutralize each other.

Real Estate
This brings me to another asset class that is truly worth mentioning: real estate. This asset class suits pension asset management very well in a liability context. The long-term, income oriented, growth potential of real estate meets many criteria of return-seeking assets in an LDI context. Keep in mind that many products are available to reduce the constraints of real estate investing such as complexity, liquidity, and diversification. Open pooled funds are available with daily market values. Solutions using low leverage (low debt), are an attractive low risk option as they provide stable returns. In addition, real estate is less subject to fluctuations in market values (again, if leverage is low) due to interest rate increases, making it a nice substitute to traditional fixed income in these low rate environments.

The Who And How Of LDI
LDI is attracting a broader range of investors who are coming on board for a variety of reasons. First, as Defined Benefits pension plans are now closing, the need to de-risk is more present than ever; this also holds true in the case of bankruptcies. Second, corporate governance is stricter than ever and chief financial officers of corporations are becoming more and more reluctant to take on pension risk. In fact, with the adoption of new international accounting standards (IFRS) that require the presentation of pension deficits on the balance sheet, there is a shift in decision-making from the human resources department to the finance department. This trend is clearly here to stay, as some of the biggest pension plans are implementing LDI. It is also interesting to note that some public plans are joining, for instance, municipalities.

And what about the small pension plans, one might ask? The answer is simple: easy to use pooled vehicles are now available to plans of all sizes. Another factor supporting the LDI momentum is linked to the fact that finan

Table 1
Evolution From To The Traditional Approach To The LDI Framework

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<th>Traditional Approach</th>
<th>LDI Framework</th>
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Source: Standard Life Investments Inc.

Table 2
Universe Bonds Are Not Aligned With Most Client Liabilities

Typical Liability Versus
DEX Universe Index

Typical Liability Versus
Long Term Index

Source: Standard Life Investments Inc.
cial experts, committee members, and consultants are becoming more aware and comfortable with LDI strategies which will help ensure they gain wider acceptance.

Where's The Exit?
One topic that is not talked much about, but that is likely to attract more interest in the future, relates to what I refer to as the exit strategy. Many pension plans are implementing de-risking strategies with the ultimate goal of reaching fully funded status. What if it works? What comes next once the deficit is closed? In other words, what is the strategy in place with respect to the withdrawal phase? The question becomes: will sponsors succeed in buying annuities at this point? The insurance industry may not be ready to absorb a high level of demand. A striking example here is the case of the Nortel pension plan. This constraint may require sponsors to hedge liabilities very carefully, just like an insurance company would do, until annuities can be bought.

I’m convinced that LDI is the new reality and that we are done with the ‘education phase.’ LDI solutions are now being designed to meet the needs of a wide range of investors who operate in a world that is becoming more and more complex every day. Properly managing risk has become essential, both in terms of strict corporate governance and sound business practices. Expertise, in terms of available strategies and understanding the actuarial valuations aspects, is also key to ensuring successful LDI implementation, continuance, and exit. It really comes as no surprise that many sponsors are now getting closer to their investment managers who they now see as ‘risk managers.’

Emmanuel Matte is a vice-president at Standard Life Investments (emmanuel.matte@standardlife.ca).
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Over the summer the federal government initiated a lot of activity in relation to pooled registered pension plans. Minister of State Ted Menzies has toured the country to meet with provincial finance ministers to discuss PRPPs and consultation papers have been distributed to solicit input from the financial services industry.

The intention of government to have the financial services industry administer PRPPs is largely due to the efforts of the insurance industry, which has a track record of highly effective lobbying. Canadian life insurers hold more than 90 per cent of the assets under administration in the group retirement services market and clearly have the most to gain, or lose, from PRPPs. Insurers, like other stakeholders, are making strong representations to policymakers for PRPP legislation to include mandatory requirements for employers to offer PRPPs along with auto-enrolment requirements.

However, before governments hand the keys over to the PRPP house, they would be well advised to scrutinize some of the current unregulated products and activities of insurers to make sure PRPP rules provide adequate protections to safeguard the interests of individual Canadian consumers who will rely on PRPPs for their retirement income security.

Unregulated Group RRSPs

One of the most lucrative products for insurers in recent years is the ‘rollover’ group RRSP, a group insurance arrangement the insurer issues to itself or to a wholly-owned subsidiary. Individuals are moved to these plans, sometimes with little notice, when their membership in an employer sponsored group RRSP, pension plan, or deferred profit sharing plan terminates. Insurers charge much higher fees, buried in deductions from the investment returns or guaranteed interest rate spreads of these rollover plans, in the range of 1.5 to two per cent per annum. For some investors, the fees may be more than double the amount previously deducted from the individual’s investment returns while in an employer sponsored plan.

There are basically four methods of handling assets when a person leaves an employer plan.

- away from the service provider to the individual’s personal plan (very common)
- to a group contract issued to the employer for purposes of holding registered retirement savings plan accounts of former employees (very rare)
- to a contract issued to the employer for registered retirement income fund/life income fund accounts for retirees (rare, but somewhat more common)
- to a rollover group insurance contract.

Rollover group RRSP plans exist in a regulatory twilight zone. There is not a single piece of legislation in Canada that governs group RRSPs. Other than references to group RRSPs in an administrative policy of the Canada Revenue Agency, where they are defined as a collection of individual RRSPs for a group of employees or members of an association, and in the Capital Accumulation Plan Guidelines, there is no regulatory framework for group RRSPs. Mutual fund investments held in RRSPs are subject to securities rules which include stringent investor protection and disclosure requirements (‘know your client’ (KYC) rules and prospectus requirements), but this framework does not extend to investment products held under insurance contracts.

Segregated funds held under individual insurance contracts have ‘information folder’ disclosure requirements, similar to a prospectus, that are self-imposed by the insurance industry itself (not any government) as set out in guidelines issued by the Canadian Life & Health Insurers Association. How

Will PRPPs Exist In Group RRSP Regulatory Twilight Zone?
ever, these self-imposed insurance industry
guidelines do not extend to group insurance
contracts, including rollover group RRSP
arrangements.

Accordingly, rollover group RRSPs are
very lucrative arrangements for insurers as
a result of the higher fees coupled with an
absence of regulation (and thus the compli-
ance costs) usually associated with retail
investment products.

Participants Not A Group

Participants in these rollover contracts
cannot reasonably be characterized as con-
stituting a group. Their only commonality is
that, while covered under an employer-spon-
sored plan, the accounts of these individuals
were administered by the same insurer.

Rollover group insurance contracts also
may not meet statutory definitions for group
insurance. For example, under the BC Insur-
ance Act, group insurance is defined as:

“Group insurance, other than creditor’s
insurance and family insurance, by
which the lives of a number of persons are
insured severally under a single contract
between an insurer and an employer or
other person.”

A group insurance contract for rollovers
issued to a wholly owned subsidiary might
qualify under this definition. Most cer-
tainly, a group insurance contract issued
by the insurer to itself would not qualify,
unless the participants are employees of the
insurer.

As a result, on the face of it, the partici-
pants in these arrangements are dealing di-
crectly, as individuals, with the insurer as the
RRSP or RRIF/LIF issuer.

There is no evidence that any govern-
ment authorities have specifically addressed
rollover group RRSP arrangements. Group
plans based on a specimen registered plan
do not individually receive regulatory scru-
iny from the Canada Revenue Agency.
Furthermore, insurance regulators do not
examine group contracts. In fact, group
insurance practices in general receive very
little in the way of regulatory scrutiny.

It is interesting to note that in the mid-
1990s, the Canadian Life and Health Insur-
ance Association voluntarily ended the
established industry practice of issuing
group RRSP contracts to insurance brokers,
as a response to regulatory concerns relat-
ing to the lack of disclosure available under
group products being utilized to accom-
modate individual investors. These new
rollover group RRSP contracts are little dif-
ferent from those arrangements, save that
investors often do not even have the oppor-
tunity for a broker to negotiate lower fees
on the contract on their behalf.

Nonetheless, insurers have aggressively
promoted group rollover products to plan
sponsors as a default option for members
exiting the sponsors’ plans. Their motivation
is based on retention of assets and the lurca-
tive nature of rollover group products.

In relation to individual investment
products, rollover group insurance con-
tracts do have fees that are modestly bet-
ter than retail arrangements. The lower fee
structures are based on cost savings avail-
able because disclosure and KYC require-
ments associated with variable annuity
and investment contracts sold to individ-
uals are not factored in. Otherwise, pricing
is far higher than would typically be negoti-
tiaded by a bona fide group plan sponsor
for a pool of assets of a similar size.

One of the primary regulatory goals of
disclosure and KYC requirements is to help
investors receive the right investment prod-
ucts and advice necessary for good invest-
ment outcomes.

Regulators have exempted group plans
from these requirements on the assumption
that the plan sponsor is a ‘sophisticated per-
son’ who takes on responsibilities toward
the goal of good investment outcomes for
plan members. The Capital Accumulation
Plan Guidelines were published by regu-
lators to outline their expectations of plan
sponsors’ responsibilities toward this goal.

Rollover group insurance contracts,
however, frustrate disclosure and KYC
objectives. Their absence, and the absence
of plan sponsor oversight in the alterna-
tive, exposes investors to risks that may far
exceed the value of the related cost savings.

Framework Required

Rollover group RRSPs are operated by
most of Canada’s life insurance compan-
ies and, particularly, by those that domi-
nate the group retirement services market.
Their existence reflects an almost complete
absence of government supervision over the
sales practices of insurers in the group
retirement services market.

Interestingly, the problems associated
with rollover group RRSPs do not extend to group
RRSP arrangements maintained by banks,
trust companies, mutual fund companies,
and other providers that are subject to securities,
rather than insurance, regulations.

The aggressive default transfer practi-
ces of insurers and high fees charged under
rollover group RRSP arrangements demon-
strate that a better supervisory framework
is required to implement and preserve prin-
ciples of integrity for all investments sold
and held under group retirement products.
This would include PRPPs, group RRSPs,
DPSPs, and other group savings and invest-
ment vehicles offered and maintained by
insurers. The implementation of PRPPs
offers a unique opportunity for federal and
provincial governments to establish such
a framework in a manner that will be tar-
ged to the nature and needs of a group
where assets are commonly pooled, that
is sufficient to ensure appropriately low
costs and uniformly applied to all invest-
ments available under such
arrangements.

Greg Hurst is founder of
Greg Hurst & Associates Ltd.
(ghurst@greghurst.ca).
Statistics confirm that rates of absenteeism in Canadian workplaces have increased steadily in recent years. Since 2000, both the incidence and the number of days lost for personal reasons (illness or disability, and personal or family responsibilities) have risen. For example, in an average week in 1999, six per cent of all full-time employees were absent from work for all or part of the week for personal reasons. By 2009, this figure had risen to 8.2 per cent.

To be sure, absenteeism rates are a more significant concern in some industries and workplaces than others. In 2009, the highest annual absenteeism rates were reported in healthcare and social assistance (14.1 days), transportation and warehousing (13 days), and public administration (12.5 days). This compared to the lowest averages by full-time workers in primary industries (6.5 days) and in professional, scientific, and technical services (6.7 days). Whether full-time or part-time, women’s overall absence rates were higher than men’s and had increased from 1999 to 2009.

Regardless of the workplace, and the demographics of the workforce at issue, managing absenteeism is usually a necessary but difficult issue that can be fraught with complex legal implications.

### Managing Absenteeism

#### The Legal Framework

An employer is entitled to expect reasonable attendance and productivity from its employees as a term of employment. However, this right is subject to the terms and conditions of employment that have been agreed upon by the employee and employer, or, in a unionized workplace, as bargained between the employer and union. Employers are also restricted by human rights legislation and statutory leave provisions which grant protected status to some employees.

In light of those considerations, it must be understood that an employer’s approach to any attendance problem will be dictated, in large part, by the reason given for the employee’s absence. An ill or disabled employee will almost always be entitled to accommodation by the employer to the point of undue hardship. Human rights legislation, which defines ‘disability’ broadly (as including physical and mental disabilities, impairments, and disorders), prohibits discrimination on that ground, requiring employers to accommodate to the point of undue hardship, rather than discipline ill employees. Accommodation is required when absenteeism is due, in whole or in part, to a disability. And thus, an understanding of the reasons for employee attendance problems is a key starting point to effectively managing attendance. The employer should clearly document absences and reasons for absences. And, in turn, an employee is expected at law to provide a minimum of information to his/her employer to allow the employer to understand that a disability exists and to consider options to accommodate.

Once implemented however, an employer’s actions will be subject to review on the grounds of reasonableness and good faith. A ‘one size fits all’ approach will not suffice. Rather, legal principles require an individualized approach to managing absenteeism, and so it is critical that Attendance Management Programs (AMPs) build in discretion and flexibility in each step.

#### Attendance Management Programs

AMPs set out benchmarks identifying a threshold level of absenteeism which draws employees into the program, along with a procedure for counselling or discipline (depending upon the nature of the attendance problem) and measures that can be taken to improve an employee’s attendance. Usually, an AMP establishes a series of steps, reflecting the escalating seriousness of the problem, and which may result in warnings that the employee’s job is in jeopardy if he or she fails to improve. The final step of dismissal should not be taken without notice and, in the case of non-culpable absenteeism, accommodation to the point of undue hardship.

In order to be effective and to comply with applicable human rights and other statutory requirements, AMPs are required to have two approaches to absenteeism. First, culpable absences (those that are within the control of the employee) should result in a disciplinary response, which will increase in severity if the behaviour is repeated. Second, non-culpable absences should result in a non-disciplinary response such as counselling and other supportive measures. In summary, AMPs for non-culpable absenteeism should:

- Set out benchmarks for identifying a threshold level of absenteeism which draws employees into
Set out a procedure for counselling employees and measures that can be taken to improve attendance which is supportive.

Establish a series of escalating steps (such as meetings with higher levels of management).

Put the employee on notice that dismissal may result from continued unacceptable rates of absenteeism, but only after accommodation to the point of undue hardship.

AMPs for non-culpable absences should be positive in tone, supportive, and non-disciplinary. As discussed further below, such programs should also be reasonable and discretionary in their application and, of course, compliant with human rights laws and any collective agreement applicable to the workplace.

Defining An Acceptable AMP

In Scarborough (City) and Scarborough Firefighters’ Association, Local 626, Arbitrator Mitchnick summarized the terms of a variety of attendance management policies that were upheld as being reasonable. From that, he distilled a number of principles applicable to defensible AMPs.

- If the policy purports to rely on purely objective or numerical criteria (for example, incidents of absence), it must not mix culpable and non-culpable absences.
- Such objective criteria cannot be arbitrary and must be a reasonable indicator of a problem with an employee’s level of attendance.
- The various steps of a monitoring or counselling program must not be applied mechanically, without due consideration of the employee’s explanation for absenteeism.
- The employer’s right to invoke the final step of dismissal remains subject to the duty to accommodate a recognized disability to the point of undue hardship.

Employers must ensure that thresholds for entry into an AMP are not arbitrary. In CUPE, Local 101 and City of London, Arbitrator Raynor found that the threshold applied by the employer was unreasonable. In particular, this AMP comprised of six steps and was initiated when an employee’s sick leave absences exceeded the threshold of 48 hours in a six-month monitoring period. The monitoring periods ran from January to June and July to December. The threshold was higher than the annual mean of hours the employer had calculated were being lost due to sick leave absences.

Arbitrator Raynor concluded that entry into the program could affect different employees in vastly different ways depending on when their absences occurred in relation to the monitoring periods. For example, if one employee had 40 hours of absence in one reporting period and nine hours in the next reporting period, she would not enter the AMP. However, if another employee had the same 49 hours within one reporting period, she would enter the AMP, thereby resulting in employees with the same amount of absenteeism being treated differently.

Company-wide Averages

In Coast Mountain Bus Co. v. CAW, Local 111, the employer implemented an AMP to control high rates of absenteeism. The AMP was designed to apply company-wide averages on attendance as the standard for entry into the program. When applied, the AMP identified certain employees with unacceptable levels of attendance and provided them with notice that, without improvement, the employer would consider termination for excessive absenteeism.
The AMP included a series of escalating steps. At level I, an employee would be provided with a formal letter outlining the attendance issue. If there continued to be insufficient improvement, the employee was immediately advanced to level II, at which stage managers could ask for medical assessments from the employee’s physician. After considering medical information, the company could proceed to level III interview during which the employee was provided with a formal letter requiring compliance with prescribed attendance targets. Failure to meet those targets would result in a review which might lead to termination.

The British Columbia Court of Appeal upheld the Human Right Tribunals’ decision (which had been overturned at the judicial review) on the basis that employees with disabilities received adverse treatment when placed at level III of the AMP. This arose because employees were advised that if their absenteeism level exceeded the average absenteeism rate for the transit operators in either of the following two years, then their employment was in jeopardy. Any absences due to disability were considered in the decision to place the employee at level III. Furthermore, disabled employees received additional adverse treatment when average absenteeism rates were used to establish the attendance parameters without regard to their disability.

These decisions underscore that non-culpable absences due to disabilities warrant accommodation, not correction. Absences due to disability should not trigger admission to, or progression, through AMPs. Steps must not be applied mechanically. Rather, management discretion to consider an employee’s explanation for an absence and to invoke the appropriate response is a cornerstone to any defensible AMP.

Jennifer Fantini is a partner at Borden Ladner Gervais LLP.

1. Statistics Canada - Catalogue no. 75-001X, June 2010
2. The test for undue hardship is not necessarily total unfitness for work in the foreseeable future. If the characteristics of an illness are such that the proper operation of the business is hampered excessively or if an employee with such an illness remains unable to work for the reasonably foreseeable future even though the employer has tried to accommodate him or her, the employer will have satisfied the test. Hydro-Quebec v. Syndicat des employe-e-s de techniques professionnelles et de bureau d’Hydro-Quebec, section locale 2000, [2008] 2 S.C.R. 561
3. Unreported, June 2, 1995
4. [2009] OLAA No 425 (Raynor)
5. Additional issues with the AMP were also identified, including that the program appeared to require that progression through its six steps would likely lead to discharge – this overall tone resulted in a finding that the AMP was intimidating.
6. [2004] EBCAAA No 325
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New pharmacy legislation is driving up the cost of your group benefit plan – unless you do something about it now – and the answer could be found by looking at what Fortune 500 companies do.

There are certain tools which Fortune 500 companies use to slash the cost of their benefit plans. In this article, we’ll outline some of these methodologies that even a 20-person shop can employ.

It’s critical to do so more than ever because in July 2010, the government of Ontario passed the Ontario Drug Benefit Act and the Drug Interchangeability and Dispensing Fee Act. This changes a few things:

- Drug manufacturers can no longer pay ‘professional allowances’ or subsidies to pharmacists who stock a large volume of their generic drugs.
- The amount that manufacturers can charge pharmacies for generic drugs is restricted. By 2013, they can only charge 25 per cent of the cost of the original brand name drug.
- The amount that pharmacists can mark-up brand name drugs is limited to eight per cent when the government is the consumer through the Ontario Drug Benefit Plan (ODBP). However, there is no mark-up restriction when private plans are the purchasers.
- The maximum dispensing fee which a pharmacist can charge ODBP is $8. However, there is no cap on dispensing fees for private consumers.

Consultants have predicted that by 2013, employer sponsored benefit plans will experience higher costs for their prescription drugs. Dispensing fees could increase to $20 per script (the current average is $10). Brand name drugs could be marked up significantly higher. According to Cubic Health, there is only a 47 per cent uptake rate of generic drugs within private plans.

Health insurance premiums are priced based on the previous years’ cost of claims. Therefore, costs will increase – unless you mitigate it in advance.

Myth: All Pharmacies Are Created Equal

Pharmacies are for-profit entities looking to maximize revenues. What most people don’t realize is that not all pharmacies charge the same price for the same drug. It is a fact that pharmacists mark up the ‘ingredient cost’ of drugs differently which can result in a difference of 10 to 40 per cent in price between pharmacies. So it’s always a good idea to educate employees on this reality and encourage them to shop around. As well, you should:

- Identify where you’re spending: Ask your insurance broker to give you a list of the top 10 drugs in your plan by dollars spent.
- Identify the lowest cost pharmacies in your area: Don’t stop at recording their dispensing fee, ask the pharmacist what they charge for the top 10 drugs in your plan and use that as a measuring stick to compare.

Negotiate: See if you can make an agreement with those pharmacies such as discounting if you encourage your employees to shop there.

Add carrots and sticks to your plan design: If you’re brave, tier your plan so that you provide more coverage for ‘preferred’ pharmacies.

Communicate from the top-down: Send a strong letter of endorsement from the highest level of the company and hold face-to-face sessions to educate employees on your findings. Most folks don’t know that the employer pays every penny of the cost, many believe it’s the insurance company footing the bill. So you also need to educate your employees. Mike Sullivan, a pharmacist and the president of Cubic Health, advises that ‘you need to sit down with employees, with your claims data, and ask everyone to address ‘our’ problems that ‘we’ face.”

It also helps to suggest that cost savings will be shared with employees.

It’s not enough to simply rely on the ‘mandatory generic substitution’ clause in your policy. Jerry Organ, CEO of Alliance Pharmacy Group, says that employing “therapeutic alternatives” is a little-known way to save a significant amount on drugs, over and above generic substitution.

Therapeutic Alternative

What is a therapeutic alternative? Think Atenolol or Atorva

benefits

By: Yafa Sakkejha

Saving On Prescription Insurance Like A Fortune 500 Company

mark-up restriction when private plans are the purchasers.
- The maximum dispensing fee which a pharmacist can charge ODBP is $8. However, there is no cap on dispensing fees for private consumers.
statin as an alternative to Crestor. Crestor is a brand name drug which still has patent protection and, therefore, does not have a generic equivalent. Lipitor, which is comparable to Crestor, does have a generic equivalent, Atorvastatin. If Lipitor is prescribed, the mandatory generic substitution provision in most plans will result in Atorvastatin being dispensed.

It’s not likely that a pharmacist will do this on their own accord, so educate your employees to ask both their doctor and pharmacist about therapeutic alternatives that have generic equivalents.

Plan Design
Incenting or dis-incenting employees to use preferred pharmacies has been a long-standing practice in the U.S., but is extremely under-utilized in Canada.

Sullivan recommends that a delta of more than 20 per cent within the co-insurance provision is required in order to see a switch in behaviour. For example, an employee would enjoy 100 per cent co-insurance if they purchase drugs from a preferred pharmacy provider, but only 70 per cent co-insurance provision elsewhere.

You should also look at your drug formulary.

Every health benefit plan comes with a drug formulary which is simply a list of drugs covered on your plan. When you select your plan design, you also have the opportunity to choose how generous a formulary you would like to offer.

Drug Cap
Drug caps could also be considered when designing a plan. Health benefit plans which do not have a drug cap could be setting themselves up for an expensive, and possibly tricky legal situation in the future. If an employee or dependent falls ill and incurs a drug bill of $50,000 per year, your company is left to absorb that experience, if your plan does not have a drug cap.

Even if your plan has a ‘stop-loss’ or ‘pooling level’ (reinsurance to protect against this situation), you now have less bargaining power when your insurance company decides to hike their stop-loss rates. For example, they could double in that year because of the ill employee.

To add insult to injury, you lose your negotiating power because if you choose to shop the market to get better rates, no other company will insure you as no one wants to insure a house that is already on fire.

And the time to act is now because it is extremely difficult to add a drug cap after the employee is already ill.

Yet, there is a solution, the Ontario Trillium Drug Program.

Few people are aware that the Ontario government will pay for any prescription drugs which are not covered by employer plans. For example, if your plan has a $10,000 drug cap and an employee suddenly is diagnosed with Cancer with a drug bill of $50,000, the government will take care of the top $40,000. There is no upper limit. However, employees do need to pay a deductible of four per cent of family income.

With this approach you are, in effect, making the government your stop-loss for drugs.

Buying Group
One challenge faced by small employers is that national pharmacies will be reluctant to work with you in a serious manner. Joining a buying group can help. There has been a rising trend of small and medium companies joining buying groups for insurance in general and group benefits in particular.

There are ways to obtain the same deals that a Fortune 500 company enjoys. Educating your employees, using therapeutic alternatives, changing your plan design and formulary, taking advantage of the Trillium Program, and joining buying groups can help drive down your costs.

Yafa Sakkejha is a benefits consultant for the Beneplan Cooperative (yafa@beneplan.net).
What if your furnace breaks down in the middle of the night in February? Imagine dealing with a broken washing machine, worrying about the repair costs as the laundry piles up, or scrambling to save a freezer full of perishable food while searching the listings for a reputable fridge repair service. Each of these unpredictable emergencies can place a great strain on a budget and peace of mind.

Or does it? Soon, programs to cover emergencies like these could be part of a company’s benefits package.

**Emergency Response**

While most basic benefit packages cover potentially expensive costs such as medical care or travel insurance, they could also be extended to include the cost of emergency response and repair service to your furnace or other household systems and appliances.

The most expensive costs many employees face are usually centered on their health and homes. While most benefit packages cover the health side of the equation, there have not been any options that cover employee homes against unexpected repair costs.

Home assurance plans fill this gap and have been available for some time, but some providers are now looking to benefit packages as the next logical step for these programs as employers are looking to offer their employees the most comprehensive packages they can find, and benefit providers are looking for new offerings that will make their programs stand out. The addition of a home assurance plan as one of the options of a flex care spending account meets both of these demands.

A contributing factor is the rise of self-directed benefits where the employee has an amount of discretionary ‘flex care dollars’ they can choose to spend on additional benefit offerings or even take as cash at the end of the year. Many healthcare spending accounts include options such as RSP and pension contributions, expanded dental care, increased long-term disability care, and gym memberships.

Now comprehensive home protection programs can be added to the list. Under the program, employees could direct some of their flex dollars to a program that will cover the cost of in-home emergency service and repairs associated with their heating and cooling systems, plumbing and electrical, and kitchen and laundry appliances.

**Practical Use**

While the more traditional benefit offerings will be enough for many, a home protection plan will appeal to many employees who want a practical use for their spare flex care dollars. They want a program that protects them from unpredictable and unexpected home emergency costs and this is more appealing than a cash payment or RSP contribution at the end of the year.

Research shows that in Canada an average single repair cost for homeowners is estimated at $600 per episode. With monthly premiums ranging from $10 to $42, plan holders can access options that cover the entire spectrum of home systems including heating, cooling, plumbing, electrical, and appliances such as fridges, stoves, dishwashers, and washer and dryers. Plans can be tailored to meet the individual needs of homeowners.

The advantage of a home protection program is simple. They are designed to protect against the unnecessary delays and significant costs associated with emergency repairs and service in the home. With one phone call, a homeowner can access a credentialed network of contractor trades, ready to help fix whatever emergency is happening.

Most importantly, all parts and labour repair costs are covered by the plan, so there are no unexpected or hidden fees for the family members to worry about. As part of a benefits program, a home assurance program is a seamless and cost effective way to protect against the unexpected costs associated with emergency home repairs.

Alex Kroon is president of Europ Assistance Canada
CVCA – Canada’s Venture Capital & Private Equity Association is pleased to announce Summerhill Venture Partners, Brightspark Ventures & BDC Venture Capital are the recipients of the CVCA 2011 “Deal of the Year” for the Venture Capital category for their joint investment in Radian6 Technologies Inc. Their investment yielded the investors 22.8 times invested capital and 142% IRR. The “Deal of the Year Award” competition is to promote, highlight and celebrate the achievements of CVCA members investment successes.

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FORUM is the CPBI annual national conference that brings together professionals from the pension, employee benefits and institutional investment industry. FORUM 2012 will take place in Montreal, QC at the Centre Sheraton Montreal from May 16th to the 18th.

FOR UPDATES ON THE PROGRAM | WWW.CPBI-ICRA.CA

Private healthcare benefits fraud is the focus of an ISCEBS Toronto Area Chapter program. Daniel Tourangeau, chair of the Canadian HealthCare Anti-Fraud Association, will discuss the direct and significant impact of healthcare fraud on employees and employers. It takes place October 27 in Toronto, ON. Visit: www.iscebs.org/Local/Locations/Documents/PDF/chapters/2011/111027_tor.pdf

‘Duty to Accommodate: Alcohol and Drug Issues’ will be the topic at an Employee Assistance Program Association of Toronto (EAPAT) event. Barb Butler, president of Barbara Butler & Associates Inc., will lead an interactive session on the need for a responsible approach to address workplace substance use and abuse. She has been advising companies throughout North America since 1989 on the development and implementation of workplace alcohol and drug policies and programs. It takes place October 27 in Toronto, ON. Visit: www.eapat.org

A unique view from the bench via a judges’ panel will be one of the features of the ‘HR Law Update Changing Laws Conference.’ Presenters include Justice Todd Archibald and Justice Susan Himel, both of the Ontario Superior Court. It also features discussions of issues around executive employment, immigration and hiring foreign workers, disability, privacy, and the use of social media. It takes place October 27 in Toronto, ON. Visit: www.hrpa.ca/lawconf

Efficiency in pension administration and creating and maintaining a sustainable pension system will be among the areas covered at the ‘WorldPensionSummit 2011.’ It takes place November 2 to 4 in Amsterdam, The Netherlands. Visit: www.worldpensionsummit.com

Bryan Ferguson, vice-president with Applied Management Consultants, will explore the challenges to our public and private health-care systems, why he believes there will be more collaboration in the future, and how that might look at the next BBC session. Focus of the event is ‘The Evolving Roles of Provincial and Private Coverage.’ It takes place October 27 in Kitchener, ON. For more information, visit www.connexhc.com

At the International Foundation of Employee Benefit Plans’ ‘Canadian Investment Institute,’ attendees will learn from leading-edge investment thinkers and have the opportunity to ask questions on their fund’s specific issues. It takes place November 20 to 23 in Miami Beach, FL. Visit: www.ifebp.org/canadainvest

Josef Lakonishok, founding partner and chief executive officer and chief investment officer at LSV Asset Management, will discuss long run investment strategies at a Toronto CFA Society event. It takes place November 21 in Toronto. ON. Visit: www.torontocfa.ca

Appointment Notice

Philippe Capelle, CA, CFA
Vice-President, Equities
Standard Life Investments Inc.

Standard Life Investments Inc. is pleased to announce the appointment of Mr. Philippe Capelle to the position of Vice-President, Equities. He is responsible for portfolio management as well as investment research.

Philippe has over 20 years of experience in the financial services industry, including 15 years of investment experience as an equity portfolio manager.

Standard Life Investments Inc. has been providing investment management services in Canada since 1973 and manages approximately $31.5 billion of assets. standardlifeinvestments.ca

Standard Life Investments Inc. is a subsidiary of Edinburgh-based Standard Life Investments Limited, a leading asset management company with approximately CDN$243.3 billion of assets under management.
Nobody likes short sellers. During good times, companies being shorted hate the idea that some investors don’t share the same rosy future for their company. In other cases, some pension plans ban, or severely limit, short selling in their statement of investment policy and procedures (SIP&P). And when times are bad, regulators focus on short sellers as the culprits, claiming they act irrationally, base their actions on rumours, and drive down stock prices despite any particular stock’s underlying fundamentals.

An examination of recent short selling bans has been undertaken by Alessandro Beber, of the University of Amsterdam, in a paper titled ‘Short-Selling Bans Around the World: Evidence from the 2007-2009 Crisis’ (this paper and the following two can be found at www.dataexplorers.com). While these restrictions were hurriedly placed and varied in terms of stocks covered and the period that the limitations were in force, they were all offered as ways to slow the price decline of stocks and as a way to restore an orderly market. In the examination of 30 countries, it was found that short-selling bans were associated with a significant increase in bid-ask spreads and that this, and other measures of market liquidity, was felt most strongly by small cap stocks, those with high volatility, and those with no listed options (which were often the same stock).

Further analysis shows that short sellers are making decisions based on fundamentals and on data that is publicly available (as compared to the image held by at least some policy makers that short sellers are working with non-public information). This comes from a paper from Joseph Engelberg, at the Kenan-Flagler Business School, University of North Carolina, titled ‘How Are Shorts Informed? Short Sellers, News and Information Processing.’ By combining a database of public news events with a database of all short sale trades, the paper addresses the issue of timing around the release of information. Contrary to what some might believe, there was no evidence of short selling before any important news event. In other words, there was no anticipation of such news, which may be an indication of access to non-public information. Rather, the trading happens either at the time of a news event or even after the news event. Thus, short seller trades appear to be in response to newly released public news. And, like the paper noted above, abnormal levels of short selling do lead to lower future returns in those stocks being shorted.

Irrational Herd

So, far from being an irrational herd of traders, short sellers appear to be good processors of information with the kinds of fundamental data that stock analysts traditionally use. Thus, it is not surprising that bans on their activity do not magically result in lessening the fall of stock prices since there appears to be fundamentally sound reasons, based on public information, that guide short-seller activity. Those who are looking for perpetrators behind the declines in world stock markets will have to look elsewhere.
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1. Standard Life Investments Limited, utilized for eligibility. Fund performance based on institutional portfolio pension fund, gross of fees. 2. Source: Standard Life Investments Limited, 01/01/06 to 30/06/10. Volatility of Absolute Return is the annualized standard deviation of monthly returns in £. 3. MSCI World (G) volatility is the annualized standard deviation of monthly MSCI World (G) returns, 1/01/06 to 30/06/10. Source: Standard Life Investments Limited, a subset of the Canadian GARS Fund, will be offered to a private placement basis only, pursuant to exemptions from registration and prospectus requirements applicable to securities legislation only to those persons who are or to whom they may be lawfully sold and only to persons lawfully permitted to sell such units. This communication is for information purposes and should not be construed as a public offering to sell, or a solicitation of an offer to buy securities. 4. The Fund is not guaranteed, a capital protected product or a substitute for cash. In order to achieve its investment objectives the Fund will make extensive use of derivatives. 5. The Fund aims to achieve 6-month LIBOR + 1% on a rolling three year basis which is grossing for equity like returns. Standard Life Investments Inc., with offices in Calgary, Montreal and Toronto, is a wholly owned subsidiary of Standard Life Investments Limited. Standard Life Investments Limited is registered in Scotland (SC28356) at 2 George Street, Edinburgh EH2 2PQ. Standard Life Investments Limited is authorized and regulated in the UK by the Financial Services Authority. Calls may be monitored and/or recorded to protect both you and us and help with our training.
After a hard day analyzing medical claims data, we like to unwind for a few hours and focus on dental claims.