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## CONTENTS

### MAY 2012

### FEATURES

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
<th>Author(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>REAL ESTATE &amp; ALTERNATIVE INVESTMENT MANAGERS ANNUAL REPORT &amp; DIRECTORY</td>
<td>Neil Lloyd</td>
</tr>
<tr>
<td>16</td>
<td>REAL ESTATE &amp; ALTERNATIVE INVESTMENT MANAGERS ANNUAL REPORT &amp; DIRECTORY RISING RISKS IN REAL ESTATE INVESTING</td>
<td>Melissa Reagan</td>
</tr>
<tr>
<td>20</td>
<td>REAL ESTATE &amp; ALTERNATIVE INVESTMENT MANAGERS ANNUAL REPORT &amp; DIRECTORY</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>INVESTMENT GIPS COMPLIANCE WORTH THE EFFORT</td>
<td>J. Michael Lowry</td>
</tr>
<tr>
<td>34</td>
<td>INVESTMENT THE BEHAVIOUR OF FINANCE</td>
<td>George Klar</td>
</tr>
<tr>
<td>36</td>
<td>BENEFITS TIME TO TAKE AT SECOND LOOK AT RETIREE BENEFITS</td>
<td>Michele Bossi</td>
</tr>
<tr>
<td>38</td>
<td>BENEFITS &amp; PENSIONS LEGAL FIRMS ANNUAL REPORT &amp; DIRECTORY CREDITOR</td>
<td>Jeffrey Sommers</td>
</tr>
<tr>
<td>39</td>
<td>BENEFITS &amp; PENSIONS LEGAL FIRMS ANNUAL REPORT &amp; DIRECTORY UNCERTAINTY CREATED</td>
<td>Ian J. McSweeney, Jonathan Marin</td>
</tr>
<tr>
<td>40</td>
<td>BENEFITS &amp; PENSIONS LEGAL FIRMS ANNUAL REPORT &amp; DIRECTORY EMPLOYEES MUST WORK TO BE COMPENSATED</td>
<td>Kathryn J. Bird</td>
</tr>
<tr>
<td>40</td>
<td>BENEFITS &amp; PENSIONS LEGAL FIRMS ANNUAL REPORT &amp; DIRECTORY SUTHERLAND AND SURPLUS</td>
<td>Janelle Bowman</td>
</tr>
<tr>
<td>41</td>
<td>BENEFITS &amp; PENSIONS LEGAL FIRMS ANNUAL REPORT &amp; DIRECTORY FUNDING POLICIES – A GOOD IDEA?</td>
<td>Randy Bauslaugh</td>
</tr>
</tbody>
</table>

### DEPARTMENTS

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>EDITORIAL</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>PEOPLE</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>NEWS</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>HEALTH MATTERS</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>CONFERENCES</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>THE BACK PAGE</td>
<td></td>
</tr>
</tbody>
</table>

### EXCLUSIVE ONLINE ARTICLES

www.bpmmagazine.com/Benefits_Pensions_Online_Exclusives.html
Marginal Changes Meaningful

By: Joe Hornyak, Executive Editor

Perhaps we need to look at success in saving for retirement the same way we look at success in baseball.

In baseball, if a batter hits .300, three hits out of every 10 at bats, he’s a superstar and earns millions. If he bats .200, two hits out of every 10 at bats, he’s a scrub and destined for a short career. In essence we are willing to accept the difference between success and failure as a marginal number.

Marginal Percentage Changes

When it comes to helping people save for retirement, those marginal percentage changes have an important place, says Don Ezra.

He is an industry icon. Currently the co-chair of global consulting for Russell Investments worldwide, he spends much of his time these days talking to groups about the importance of saving for retirement. His lineage in the industry goes back more than 30 years. His first book, ‘Understanding Pension Fund Finance and Investment’ was published in 1979.

He says part of the problem is the mindset. For example, if someone asks us the time, we look at our watch and tell them. If they ask how to save for retirement, our answer is something like instead of telling them the time, we gave them a list of the parts of a clock, tell them how to put it together, and where they can buy the parts.

What is needed, instead, he says, is if someone wants to save for retirement, we need to show them where they stand on reaching their retirement goal.

Much of what we do today in terms of educating people about investing is not only complicated, but misleading. For example, he says people get reports that say they made 8.7. “What meaning does that have,” he asks. “The only meaning is ‘I made 8.7.’ Well, that is better than someone who made 8.6 and it is worse than someone who made 8.8.” What it does not tell is if the person is on track to get 70 per cent of final pay as an income afterwards. “That is all we should be reporting,” he says.

To illustrate this, he tells a story.

“Imagine you are me and we are at the start of 2009 and you have a kid aged about 30 who is taking your advice and putting money largely into equities. They get a report saying they just lost 30 per cent of their assets. When you take away all the swearing, the fundamental question is not just ‘what happened to my money.’” While it is true they have lost 30 per cent at that moment in time, the real loss depends on where they stand in terms of saving for retirement. If it equals, for example, 10 per cent of what they need for their goal, their goal is only down three per cent.

More Relevant

Granted, this is perhaps more relevant to younger employees. For older employees, a five, 10, or 20 per cent market decline is meaningful, right?

Maybe not. If you have saved for retirement and you have increased your contributions whenever you could, the impact of that kind of market decline can be significant. However, you can weather it much better if you have $1 million put away than if you only have $50,000. Indeed, if you only have $50,000, you didn’t have enough anyway.
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Christopher Adey is vice-president of global consultant relations for AGF Investments America Inc. In this role, he will build and manage its investment consultant relationships in the U.S., Canada, Europe, and Asia. He is an industry veteran with 20 years of financial services experience including eight years of manager research experience at a global institutional consultant and 12 years of institutional sales and consultant relations experience.

Nicole Musicco is vice-president at Teachers’ Private Capital. She joined the Ontario Teachers’ Pension Plan in 2002 as an investment analyst and assumed positions of increasing responsibility before being made director of funds in 2011. She came to the plan from Citigroup (formerly Salomon Smith Barney).

Connie Chatterton is senior consultant within the group life and health department at the Williamson Group. She will be responsible for delivering client service and consulting support for a variety of group benefit clients. She brings more than 20 years of experience in both group benefit consulting and the life and health insurance industry to the position.

Kelly Battle is vice-president, relationship management, at Sionna Investment Managers. She will be responsible for sustaining and developing its focus on institutional client services. With more than 14 years of industry experience, she was most recently a vice-president at Burgundy Asset Management.

Sarah J. Beech is president of Pal Benefits Inc. She has more than 25 years of experience in the human resources field, including several years as leader of Hewitt Associates’ (now Aon Hewitt) consulting business in Canada.

Brent Chapman and Stephen Tiller are managing directors of Guardian Capital Real Estate GP Inc. Chapman, most recently, was president and CEO of GPM Investment Management and Tiller was president of BMO Nesbitt Burns Real Estate Inc. and group head of the BMO Capital Markets real estate group. The company’s initial focus will be on offering a diversified portfolio of direct Canadian real estate property which will include exposure to industrial, commercial, retail, and multi-residential properties that will provide institutional investors with a well-diversified steady income investment.

Tony Chahal is vice-president of business development at Rondeau Capital Inc. He has more than 12 years of experience in financial services, most recently with a boutique investment counsel firm in London, ON.

Scott Ball is senior vice-president, retail, at Oxford Properties. He has more than 25 years of experience in the commercial real estate industry focused on asset management, operations, leasing, and development in the retail asset class. He spent over 20 years with The Rouse Company in the United States, and also held senior roles with The Mills Corporation. Most recently, he was a senior executive at Claire’s Stores, based in Chicago, IL. Oxford Properties Group is the real estate arm of the OMERS Worldwide Group of Companies.

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Yours truly,

Robin Lacey
Vice Chair, TD Asset Management
416 944 6313
robin.lacey@tdam.com

¹Based on simulated and live returns of 21 years of Canadian equity history and 13 years of global equity history ending September 30, 2011. Actual returns may vary.

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Wellness programs encourage engagement which keeps 45 per cent of Americans on the job longer. However, there is also a link between engagement and business performance. High engagement operations provide shareholder returns which are 22 per cent higher than the total stock market index, compared to lower engagement firms where the return is 28 per cent lower.

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CIBC Mellon has been selected by Morneau Shepell Ltd to provide asset servicing solutions for Nortel Networks’ Canadian Defined Benefit pension plans. It will deliver custody services, securities lending, pension accounting, pension benefits payment and reporting, and access to information-delivery technology. Morneau Shepell was appointed by the Superintendent of Financial Services (Ontario) in October 2010 as the administrator overseeing $2.8 billion of assets on behalf of Nortel pensioners for the purposes of winding up the pension plans.

**BC Moves Forward With JEPPS**

British Columbia is moving forward with recommendations from the 2008 ‘Report of the Joint Expert Panel on Pension Standards (JEPPS),’ says a Spectrum HR Law e-Bulletin. Legislation has been introduced for first reading of Bill 38 – Pension Benefits Standards Act. The proposed legislation is a complete rewriting of the current PBSA with a principles-based regulatory approach designed to reduce administrative costs, enhance members’ rights, and provide private sector BC employers with greater pension design options so that more British Columbians will have access to pension income when they retire. JEPPS recommended fundamental reforms to pension standards legislation in BC and Alberta. It is expected that a similar Bill will be introduced in Alberta when its legislature commences its spring session.
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We talk a lot about how good it feels to ‘get a good night’s rest.’ Yet, for many, getting to sleep or staying asleep is often something that is not possible. Not being able to sleep well or not having enough sleep is not only frustrating, but has been proven to have a negative effect on both physical and mental health.

Let’s take a look at a few of the more common conditions.

**Is it Insomnia?**

Although prevalence estimates and criteria vary, most definitions of insomnia are based on the frequency with which it occurs. If someone is having trouble falling sleep or staying asleep most or all of the time, he or she is considered to have insomnia.

While insomnia can be temporary and linked to a specific cause, sufferers often struggle with this condition for many years. Identified causes include diseases that deliver chronic pain and distress such as arthritis, back problems, asthma, diabetes, and obesity.

Life stresses can cause sleep difficulty as well. The type of stress, not simply its presence, seems to make a difference according to experts. Short-term or ongoing stress related to a death of a loved one, emotional or mental difficulties, or personal and family responsibilities are associated with insomnia.

Interesting good news for employers – when the previously mentioned private variables were taken out of the picture, work stress was apparently found to be unrelated to insomnia. However, a person’s work schedule did make a difference. Individuals whose careers called for non-regular shifts or permanent shift work were at greater risk of insomnia.

Usually the result of mental or physical exertion and insufficient sleep, fatigue is generally explained as ‘being overburdened by continuously feeling very tired, weary, or sleepy.’ Triggers that can be identified are often a combination of having too much going on in one’s personal life, as well as, or combined with, a work-related cause. Of course, the personal stressors can be varied and numerous. It can be anything from excessive late-night partying to caring for an aging parent or disabled child.

Although not easily quantified, symptoms of fatigue due to lack of sleep may also include irritability, depression, and decreased immunity. Aside from increased absenteeism and higher turnover rates, effects of on-the-job fatigue could include poor judgment and decision-making.

Well-rested employees are less likely to have accidents, incur medical expenses, request sick days, take unexpected time off, or resign so let’s look at what management can do to reduce on-the-job fatigue for all employees regardless of their sleep patterns. Check to see if there is enough fresh air, if lighting is appropriate, and if temperatures are comfortable. Find ways to reduce noise levels. Ideally, tasks should vary in complexity and change throughout the shift to avoid the boredom and potential nodding off that repetitive tasks encourage. If overtime is required, consider offering on-site sleep accommodations and prepared meals.

**Shifting It Up**

Research shows it takes at least a week for a person’s circadian rhythm to adapt to a schedule change. Consider less stressful fixed shift schedules or longer rotations to allow for an individual’s internal clock to reset.

Helping employees understanding the importance of healthy sleep habits and doing your part to prevent work-related sleep loss will help your employees sleep at night as well. Not only will you be reducing the risk of accidents, but you’ll also be making a contribution to a healthy, happier, more productive workplace.
Give your employees the opportunity for the best health outcomes at the lowest cost.

More than half of Canadian benefits plan sponsors and insurance carriers surveyed cite high prescription drug costs among the top three drivers of their extended health-care plan costs.* But do costs for prescription drugs have to rise significantly every year? No. Express Scripts Canada can help put a lid on those rising health costs with its new expanded pharmacy benefit management service. Let us show you how the application of behavioural sciences to health-care decision-making can help you and your employees more effectively manage the cost of health benefits in general — and their maintenance prescription medications in particular.

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*Source: Group Health Care Cost Control in Canada: Survey Results 2010
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Alternatives In Defined Contribution Plans

By: Neil Lloyd

When the topic of alternatives in Defined Contribution plans is raised, general responses are:
- DC Plan investments need to be simple
- Plan members will never understand alternative investments
- The illiquidity of alternative investments is not appropriate for DC plans

A look at Australia could add perspective. It is a global leader in alternatives investing and is also primarily a DC market.

Liquidity Challenges
A typical Australian superannuation plan could easily have 20 per cent in alternative assets and some have more than 25 per cent. In fact, the Australian experience does highlight some concerns associated with alternatives since during the global financial crisis some Australian superannuation plans did run into liquidity challenges.

Why would DC plans consider investing in alternatives?

Ultimately, DC plans need to develop investment portfolios that are as efficient as portfolios managed under Defined Benefit plans. The reality is that investments in alternatives can improve the efficiency of portfolios; that is, generating higher returns per unit of risk. Alternatives can also provide greater diversification of return and risk drivers.

One of the greatest challenges of DC plans is the variability of outcomes that can be produced by DC accumulation investment strategies. In Chart 1, we show how by using a specific set of assumptions a sample target date or lifecycle fund may be expected to produce a replacement ratio anywhere between 34 per cent and 200 per cent of final salary. By adding broader asset classes (for example, alternatives), the range of expected replacement ratios can be narrowed.

In this example, by adding additional asset classes such as alternatives, the median outcome increases and the fifth percentile outcome (ie, a bad result) improves by almost 18 per cent and that’s when DC plan members need all the help they can get.
In our view, there is no doubt that alternative investments do present challenges to DC plans. But these are challenges that need to be considered and ideally overcome. DC plan members need the benefits that greater diversification can bring.

Strong View

What do members think about alternative investments? ING Investment Management and ING Retirement Research Institute conducted a research study published in 2012 on a survey of 540 U.S. DC participants. One of the questions was whether the participants were interested in “target date funds that incorporate many asset classes in order to take advantage of broad market exposure across these asset classes.” The responses were as set out in Chart 2. So even if members have not expressed a strong view on alternatives, at least this survey seems to support the desire to provide broad diversification in DC plans.

So are we suggesting that alternatives should be available as free-standing investment options offered to DC plan members? No. In days gone by, it was common for DC plans in Canada and the U.S. to offer very extensive line-ups of investment options and quite commonly there may have been a real estate fund. However, it is generally accepted today that providing too wide a range of investment options makes it more difficult for members to make investment decisions. Hence, we are seeing across North America more focused DC plan investment line-ups and it is far less common to see members offered investment portfolios investing directly in alternative investments.

In the UK and Australia, alternative investments have been more common in DC plans, they have very rarely been offered as free-standing member choices. There are, however, two exceptions.

In the UK, it is not uncommon for members to be offered the option of investing in a Diversified Growth Fund. In fact, it is sometimes used as the default. In the U.S., it is increasingly common to offer a Diversified Inflation Fund as an investment choice for members.

Diversified Growth Funds are essentially a less-constrained balanced fund with an absolute return focus that typically invest in core asset classes and have exposure to some ‘alternative’ investments. In general, these are liquid alternatives or even ‘pair trades’ in Exchange Traded Funds. The intention is that these funds will capture the majority of any ‘up markets,’ but capture only a small portion of ‘down markets.’ In recent times, these funds have done well and generally have been popular with members since over the last five years they have materially outperformed equities.

Diversified Inflation Funds are a close cousin to Diversified Growth Funds with the difference that they explicitly aim to have a high correlation to inflation. These funds typically invest in a broad range of REITS, inflation linked bonds (TIPS), natural resource equities, and commodities.

The reality is that across the world a significant portion of members simply invest in the DC plan’s default portfolio. The predominant default portfolio in the U.S. and the UK is a target date fund or lifecycle fund; Canada is following this trend very quickly and Australia is moving in this direction.

The great opportunity to provide better diversified portfolios for DC plan members is to include alternative assets in the plan’s default portfolios. In the UK, U.S., and Canada, with the exception of the very largest plans, this usually happens by accessing different forms of liquid alternatives. The Australian market is somewhat different with plans typically having assets in excess of $1 billion and, in many cases, the majority of the assets invested in the main balanced (or diversified) fund. Due to the size of these plans, liquidity is less of a concern and, as a result, notable investments in infrastructure, real estate, and private equity are...
not uncommon. However, as mentioned earlier, liquidity has been a concern and many of the Australian superannuation plans spend a lot of time examining their plan demographics, likely flow of new members, and expected cash flows in an effort to assess what a reasonable allocation to illiquid investments is.

Mimicking Australia

The UK is interesting in that it moved in the direction of mimicking Australia by introducing alternatives, but more recently the predominant way of introducing alternatives has been by having a material portion of the lifecycle funds invested in diversified growth funds.

In the U.S., target date funds have also looked to include alternatives. In particular, target date funds have median real estate allocations in the region of 4.7 per cent to 0.7 per cent depending on which target date fund one is looking at.

However, there is one U.S. target date fund provider whose 2050 fund has 12.2 per cent in real estate and 6.6 per cent in commodities. The same fund also has ‘tail-risk hedging’ in place, again looking at ways to reduce the extent of possible poor outcomes in DC plans.

In Canada, target date funds frequently have allocations to liquid alternatives such as commodities, real estate, and infrastructure.

So, although alternatives are not a common investment option made available to DC members, it does seem that there is increasing acceptance that alternatives are one way to improve the efficiency of portfolios being offered to DC plan members and that DC plan members do deserve more efficient portfolios.

Chart 2
Participants’ Interest In Incorporating Additional Asset Classes In Target Date Funds

![Chart showing participants' interest in incorporating additional asset classes in target date funds]

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<th>Strong Interest</th>
<th>No Interest</th>
<th>Interest</th>
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<td>57%</td>
<td>33%</td>
<td>10%</td>
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Pre-built Funds

Having said that, alternative assets are not the only way to improve the efficiency of DC plan member portfolios. Pre-built funds, such as target-date funds or lifecycle funds, may look for opportunities to use alternatives, but also to provide better diversified core asset class portfolios, by including small cap equities, real-return bonds, high-yield bonds, etc.

In Canada, we do have some unique challenges in that many of our DC plans are small by global standards. However, at the very least when considering target date funds or target risk funds, we should be looking to see how product providers are trying to include additional asset classes into these portfolios to make them more efficient for plan members.

What is clear is that currently the range of expected outcomes from DC plans is too wide and DC plan fiduciaries should look to turn over every stone possible to unearth opportunities to make DC portfolios more efficient.
Investing in global real estate markets requires first-hand knowledge

Global real estate markets present Canadian investors with new opportunities to diversify their domestic property portfolio. But gaining access to some markets and identifying the future long-term champions can be challenging.

At Aberdeen, we believe active real estate investing requires a strong local presence to truly understand the conditions on the ground. We don’t rely on others for our research. We do the job ourselves: thoroughly, professionally and on location.

With some $31 billion¹ invested in direct and multi-manager strategies, Aberdeen is among the world’s largest investors in global real estate markets². We’re also part of an independent asset management group, meaning our clients’ interests and our own remain aligned.

For guidance to the potential opportunities within international real estate markets and more information on Aberdeen’s global property expertise, please contact Renee Arnold on 416-777-5570 or visit us at www.aberdeen-asset.ca.

¹ March 31, 2012. ² The Institutional Real Estate Letter-North America, October 2011. This information is not intended as an offer, recommendation or advice with respect to the purchase or sale of any security, and is for informational purposes only. Investments in property segregated mandates and property pooled funds may carry additional risk of loss due to the nature and volatility of the underlying investments. Property segregated mandates and property pooled funds may not be available for investment by Canadian investors unless the investor meets certain regulatory requirements. There is no recognized market for property and there can be delays in realising the value of property assets.
Institutional quality Canadian real estate has been a strong performer relative to its developed country brethren, returning 11.5 per cent over the past 10 years versus 7.3 per cent for the G7 country aggregate. Yet, we see economic headwinds growing in the Canadian economy and despite the strong historical performance, it is time to consider re-positioning a domestic real estate portfolio – both within and outside of Canada. In this article, we not only present the case for adding global real estate to an existing portfolio, but we also offer some recommendations on re-positioning a domestic real estate portfolio at both the sector and metro level.

Re-positioning Domestically

Under our baseline economic assumptions, Canadian home prices will begin to stagnate with an eventual, albeit mild, price decline over the next one to two years. The home price stagnation or decline along with reduced consumer spending would come at a time when Ontario and Quebec are cutting their provincial budget deficits, further weakening overall economic growth. How would the confluence of these events affect commercial
real estate in Canada? First, much of the overpricing in housing remains contained to Toronto, Montreal, and Vancouver, particularly in the for-sale multi-unit space, but also in single-family suburban housing. Second, there are lessons that can be applied from the U.S. housing downturn because of the similarities between the U.S. in 2005 and 2006 and Canada today. Similar to U.S. households in 2005 and 2006, the Canadian household is now just as over-levered as they have taken on considerable home mortgage debt. Also, the current ratio between home prices and rents in Canada is similar to the ratio seen in the U.S. around 2004 – just when the U.S. housing boom began (see Chart 1). Rents and home prices should move in tandem for a ratio closer to one since the value of a house should be calculated from the discounted cash flow of rental rates.

When the U.S. housing market collapsed, so too did many of the retail centres located near overbuilt suburban areas and near unsold for sale condominium buildings in oversupplied markets. Retail vacancy rates are well above historic averages in U.S. cities such as Las Vegas, Orlando, Jacksonville, and Atlanta. These are the same markets where home prices remain stubbornly well below peak pricing and where home foreclosures remain very high. A recently released research paper, ‘Household Balance Sheets, Consumption, and the Economic Slump’ shows that the higher the level of household debt and the sharper the home price decline, the greater the reduction in household consumption. With this in mind, we believe retail centres located near overbuilt suburban housing and near overbuilt for-sale multi-unit space in Toronto, Montreal, and Vancouver will suffer the most and should be avoided by investors. These areas have the highest probability of large home price declines should a housing correction occur and, consequently, a large reduction in household consumption hurting retail centres.

The U.S. apartment market has done incredibly well throughout the housing correction as U.S. households chose to rent rather than buy in the face of falling home prices. The severity of the U.S. recession also created strong demand for apartments as households either feared losing their jobs or had difficulty finding a job. Since we are not expecting a recession or housing correction as deep as what was seen in the U.S., we expect the demand for Canadian apartments to be robust, but not as strong as that seen in the U.S. Canadian rentals, particularly in the hardest hit markets of Toronto and Vancouver, could benefit significantly – just as rentals in the U.S. benefited from the housing correction – as more Canadian households in these cities are forced to rent. Large upside would however, be limited by rental controls.

Going Global

In addition to re-positioning within Canada, investors should also consider adding global real estate to their domestic Canadian real estate portfolio. The key risks analyzed above – a potentially overpriced housing market and an over-leveraged consumer (largely due to home mortgage debt) – have led us to lower our total return expectations for real estate in Canada over the next five years. In our view, other developed countries offer more attractive low risk investment opportunities and the Canadian real estate market is now broadly over-priced according to Aberdeen’s long-term fundamental value. We are neither anticipating nor advocating investors to expect a doomsday scenario in Canada, but we are recommending prudent risk management. Regions such as the Nordics, United Kingdom, and Advanced Asia now have significantly higher five-year total return outlooks than Canada (see Chart 2). However, chasing higher total returns in other developed markets cannot be the only reason for adding global real estate to a domestic portfolio.

The Canadian property market comprises only about three per cent of the entire global property market and the best assets rarely trade. Buying property globally not only widens the investment opportunity set, but also helps diversify a real estate portfolio’s tenant credit risk, lease roll-over risk, building specific risk, and metro level economic risk. Of course, leverage, fees, taxes, and the correlation of Canada’s property market to those of other countries matter as well. Canada has been highly correlated with the global property market, yet on an unlevered basis the global property market offers a higher risk-adjusted return. Assuming modest levels of leverage are employed on the global portfolio excluding Canada, a combined global portfolio...
still offers lower risk than a domestic-only portfolio.

The prospect of adding non-domestic real estate to a domestic-only portfolio can be challenging even if theoretically it makes sense. Determining which countries to invest in and the investment timing can be daunting without a strong grasp of global real estate markets. For those new to global investing, we recommend a very low risk, core strategy spread among a variety of core markets such as Australia, Japan, United States, and parts of Europe. We believe long-term indicators can support tactical asset allocation across markets, based upon the prevailing level of market pricing.

Among developed countries, Australia offers the highest five-year total return forecast and is underpriced. Australia’s economy remains robust due to mining and infrastructure. Further, properties and some prime Southeast office locations in the United Kingdom could outperform over the next three to five years.

Across other parts of Europe, well-leased office assets in ‘second tier’ office markets offer much better value than ‘gateway’ markets such as London, Paris, and Stockholm. The second tier office markets have a higher income return and much lower volatility than the gateway markets. In the United States, the best current investment opportunities exist in retail, warehouses, and suburban apartments due to favorable current pricing. While urban offices and apartments appear overpriced today, should capital values fall, particularly in the major metros, these could become attractive investment opportunities over the medium term. The ‘bottom up’ research component is crucial to investing in foreign markets and is often the most time-consuming and daunting part of investing globally. One of the best ways to overcome such a challenge is to have local resources and staff on the ground in the markets an investor is targeting.

Whether re-positioning a real estate portfolio domestically or adding real estate to a global portfolio, the challenges, while different, are just as complex. The risks are growing in the Canadian economy and, in our view, this necessitates a prudent approach to managing risk.

Melissa Reagan is head of property research – Americas for Aberdeen Asset Management Inc.

1. Assumptions are based on Aberdeen’s view of economic factors like interest rates, GDP, consumer spending, and inflation.
3. Fundamental value calculations are based upon expected long-term income growth from property, discounted by using the appropriate interest rate and risk premium. Historical views on fundamental value were done using prevailing forecast views for each period. The indicator does not translate into a short-term market forecast because momentum and investor sentiment can lead to marked and prolonged periods of over- or under-pricing. Our pricing calculations only indicate how stretched prices are relative to fundamentals. Prices do not need to fall or rise for our indicator to reach a neutral position. A change in income growth expectations or in the risk free interest rate, can also lead to such adjustment, or indeed a combination of all three. We use the indicator to establish risk tolerance at a very broad level. Past performance is not a guide to the future.
4. Aberdeen considers Advanced Asia Pacific to include Australia, Japan, Hong Kong, Singapore, and New Zealand.

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**THE PROSPECT OF ADDING NON-DOMESTIC REAL ESTATE TO A DOMESTIC-ONLY PORTFOLIO CAN BE CHALLENGING EVEN IF THEORETICALLY IT MAKES SENSE.**

---

**Chart 2**

5 Year Total Return Forecast Based On Current Prices

<table>
<thead>
<tr>
<th>Country</th>
<th>Forecast (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>4%</td>
</tr>
<tr>
<td>United States</td>
<td>6%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>8%</td>
</tr>
<tr>
<td>Nordics</td>
<td>10%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12%</td>
</tr>
<tr>
<td>Advanced Asia Pacific</td>
<td>12%</td>
</tr>
<tr>
<td>Australia</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Aberdeen Asset Management, March 2012

**Note:** Advanced Asia Pacific includes Australia, Japan, Hong Kong, Singapore, and New Zealand. Forecasts are offered as opinion and are not reflective of potential performance, are not guaranteed and actual events or results may differ materially. Forecasts are based on a number of assumptions including capital and rental growth assumptions.
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Marija Finney
Head of Institutional Sales & Service, Canada
BMO Global Asset Management
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ARROW CAPITAL MANAGEMENT INC. Mark Purdy, Managing Director & CIO; 36 Toronto St., Ste. 750, Toronto, ON M5C 2C5 PH: 416-323-0477 Fax: 416-323-3199 eMail: mpurdy@arrow-capital.com Web: www.arrow-capital.com Alternative Assets: Fund of Hedge Funds, Long/ Short & Credit Mandates, Customized Portfolio Solutions, Standalone Single Manager Hedge Funds through managed account platform Ownership: Employee-owned Managed Since: 2000 Relationships: Currently invested in more than 35 hedge funds globally


AUSPICE CAPITAL ADVISORS Basil D’Souza, Director of Business Development; 744 4th Ave. S.W., Ste. 410, Calgary, AB T2P 3T4 PH: 888-792-9291 eMail: info@auspicecapital.com Web: www.auspicecapital.com Alternative Assets: Managed Futures, Commodities, Commodity Indices, Enhanced Indices Ownership: Employee-owned Managed Since: 2005 Relationships: Sub-advisor for iShares Natural Gas Commodity Index Fund, iShares Broad Commodity Index Fund, Horizons Auspice Managed Futures Index ETF


BLACKROCK Eric Leveille, Managing Director; 161 Bay St., Ste. 2500, Toronto, ON M5J 2S1 PH: 416-643-4000 Fax: 514-843-5198 eMail: eric.leveille@blackrock.com Web: www.blackrock.com Alternative Assets: Hedge Funds, Funds of Hedge Funds, Private Equity Fund of Funds, Structured Products (including CDOs, Private Debt, Equity Funds), Real Estate Products, Long-only Absolute Return Funds Assets Under Management (as of Dec. 31/11): $2.030M ($495M represents investments in Fund of Hedge Funds) Ownership: PNC Financial Servi- ces Group, Inc.: 21%; Barclays Plc: 19.7%; Institu- tional Investors, Employees, & Public: 59.3% Managed Since: 1994 Relationships: Fund of Hedge Funds focuses on creating & structuring portfolios of Hedge Funds managed by unaffiliated firms.

BMO GLOBAL ASSET MANAGEMENT Marija Finnery. Senior Vice-president, Head of Institutional Sales & Service; 77 King St. W., Ste. 4200, Toronto, ON M5K 1J5 PH: 416-359-5003 Fax: 416-359-5040 eMail: marija.finnery@bmo.com Alternative Assets: Canadian Pure Alpha Fund Ownership: BMO Financial Group Managed Since: 2010


Aberdeen Capital

Bentall Kennedy

Aurion Capital
BROOKFIELD ASSET MANAGEMENT INC.*
Eric Bonnor, Senior Vice-president, Private Funds Group; 181 Bay St., Box 762, Toronto, ON M5J 2T3
PH: 416-956-5152 Fax: 416-365-9642 eMail: eric.bonnor@brookfield.com Web: www.brookfield.com
Alternative Assets: Real Estate, Infrastructure, Private Equity, Timber, Agriculture Assets Under Management (as of Dec. 31/11): $13.6B
*Together with its affiliates, Brookfield

CI INSTITUTIONAL ASSET MANAGEMENT
Dustin Hunt, Vice-president, Institutional Business Development; 2 Queen St. E., 19th Floor, Toronto, ON M5C 3G7
PH: 416-681-6679 Fax: 416-681-8849 eMail: dhunt@ci.com Web: www.ciinstitutional.com
Alternative Assets: LDI/ALM, Real Estate, Infrastructure, Resource Assets
Under Management (as of Dec. 31/11): $73.7B
Ownership: Wholly-owned subsidiary of a financial institution Managed Since: 1965 Relationships: Three sub-advisors are wholly-owned by the firm: Signature Global Advisors,

CAI CAPITAL MANAGEMENT CO.
Curtis Johansson, Director; Ste. 2833, 595 Burrard St., Vancouver, BC V7X 1K8
PH: 604-694-2527 Fax: 604-694-2524 eMail: cjohansson@caifunds.com
Web: www.caifunds.com
Alternative Assets: Global Listed Infrastructure Securities Assets Under Management (as of Dec. 31/11): $129.9M

CALEDON CAPITAL MANAGEMENT INC.
Tori Roberts, Office Manager; 141 Adelaide St. W., Ste. 3300, Toronto, ON M5H 3L5
PH: 416-861-0700 Fax: 416-861-0770 eMail: info@caledoncapital.com
Web: www.caledoncapital.com
Alternative Assets: Private Equity, Infrastructure, Real Estate Assets Under Management (as of Dec. 31/11): $3.2B
Ownership: Private Company Managed Since: 2006

CANADIAN URBAN LIMITED
Onita Blankenfeldt, Senior Vice-president, Business Development & Marketing; 10572 105th St., Edmonton, AB T5H 2W7
PH: 780-424-7722 Fax: 780-424-7799 eMail: obblankenfeldt@canadianurban.com
Web: www.canadianurban.com
Alternative Assets: Real Estate Investments Assets Under Management (as of Dec. 31/11): $800M
Ownership: Private Managed Since: 1971 Relationships: Northern Trust Global – closed end funds

CANADIAN URBAN LIMITED
Onita Blankenfeldt, Senior Vice-president, Business Development & Marketing; 10572 105th St., Edmonton, AB T5H 2W7
PH: 780-424-7722 Fax: 780-424-7799 eMail: obblankenfeldt@canadianurban.com
Web: www.canadianurban.com
Alternative Assets: Real Estate Investments Assets Under Management (as of Dec. 31/11): $800M
Ownership: Private Managed Since: 1971 Relationships: Northern Trust Global – closed end funds

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Harbour Advisors, Cambridge Advisors; Eight sub-advisors are on contract: Altrinsic Global Advisors, Epoch Investment Partners, QV Investors Inc., Picton Mahoney Asset Management (sub-advisor to the firm’s Synergy funds), Tetrum Capital Management, Trident Investment Management, Black Creek Investment Management Inc., Greystone Managed Investments Inc.; Nexus Risk Management

CIBC GLOBAL ASSET MANAGEMENT INC. Taras Klymenko, Vice-president, Institutional Business Development; 161 Bay St., Ste. 2320, Box 500, Toronto, ON M2J 2S8 PH: 416-214-8338 Fax: 416-364-4472 eMail: taras.klymenko@cibc.ca Web: www.cibcam.com Alternative Assets: Global Tactical Asset Allocation, Currency

Assets Under Management (as of Dec. 31/11): $12,730.8M Ownership: Member of the CIBC group of companies & is wholly-owned (100%) by CIBC Managed Since: 1996


DIVERSIFIED GLOBAL ASSET MANAGEMENT CORPORATION Sa’ad Shah, Managing Director; TD Centre, Royal Trust Tower, 77 King St. W., Box 259, Ste. 4310, Toronto, ON M5K 1S5 PH: 416-644-8254 Fax: 416-644-7586 eMail: sshah@dgam.com Web: www.dgam.com Alternative Assets: Traditional & Non-traditional Fund of Hedge Funds, Customized Mandates

Assets Under Management (as of Dec. 31/11): $320M Ownership: Principals & Corporates Managed Since: 1999

DEXIA ASSET MANAGEMENT* Christophe Vandewiele, Head of Dexia Asset Management, Canadian Representative Office; 155 Wellington St. W., 6th Floor, Toronto, ON M5V 3L3 PH: 416-974-9055 Fax: 416-955-6226 eMail: christophe.vandewiele@dexia.com Web: www.dexiam.com Alternative Assets: Alternative Strategies – Opportunistic, Event Driven (includes Index Arbitrage & Risk Arbitrage), Global Macro (includes Futures-trading Fund), Relative Value (includes Long/Short Double Alpha); Alternative

Assets; Fund of Hedge Funds Ownership: Dexia Banque Internationale a Luxembourg – 51%, Dexia Bank Belgium – 49% (Both are owned by Dexia Group) Managed Since: 1996 Relationships: Other managers only used in externally-managed Funds of Hedge Funds *Canadian Representative Office

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*Part of Franklin Templeton Investments

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FIERA CAPITAL CORPORATION

FIERA PROPERTIES

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Duane Green, Head of Institutional – Canada; 200 King St. W., Ste. 1500, Toronto, ON M5H 3T4 Ph: 416-957-6165 Fax: 416-364-6643 eMail: dgreen2@franklintempleton.ca Web: www.franklintempletoninstitutional.ca Alternative Assets: Hedge Funds (managed by Franklin Templeton Alternative Strategies, Inc.),

GE Asset Management Canada

GREYSTONE MANAGED INVESTMENTS INC.

HILLSDALE INVESTMENT MANAGEMENT INC.

INTEGRATED ASSET MANAGEMENT CORP.

INVESTCO
Joe Di Massimo, Senior Vice-president; 120 Bloor St. E., Toronto, ON M4W 1B7 Ph: 416-324-7442 Fax: 416-590-7742 eMail: joedimassimo@investco.com Web: www.institutional.invesco.com Alternative Assets: Absolute Return, Private Equity, Real Estate, Bank Loans, Alternate Beta (Risk Parity), Balanced Risk Commodities, MLPs Assets Under Management (as of Dec. 31/11): $4.4BN Ownership: Publicly-owned Managed Since: 1980

GREYSTONE MANAGED INVESTMENTS INC.
Louis Martel, Managing Director & Chief Client Strategist; 300-1230 Blackfoot Dr., Regina, SK S4S 7G6 Ph: 306-779-6400 Fax: 306-585-1570 eMail: louis.martel@greystone.ca Web: www.greystone.ca Alternative Assets: Canadian Real Estate, Canadian Mortgages Assets Under Management (as of Dec. 31/11): $7,748.1M Ownership: 68% owned by Employees Managed Since: 1988

GUARDIAN CAPITAL REAL ESTATE GP INC.
Brent Chapman & Stephen Tiller, Managing Directors; 199 Bay St., Commerce Court W., Ste. 3100, Toronto, ON M5J 1E8 Ph: 416-947-4017 or 416-947-3743 Fax: 416-364-9634 eMail: bchapman@guardiancapital.com or stiller@guardiancapital.com Alternative Assets: Real Estate Ownership: Wholly-owned by Guardian Capital Group Limited

J.P. MORGAN ASSET MANAGEMENT (CANADA)

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INTEGRATED ASSET MANAGEMENT CORP.

INVESTCO
Joe Di Massimo, Senior Vice-president; 120 Bloor St. E., Toronto, ON M4W 1B7 Ph: 416-324-7442 Fax: 416-590-7742 eMail: joedimassimo@investco.com Web: www.institutional.invesco.com Alternative Assets: Absolute Return, Private Equity, Real Estate, Bank Loans, Alternate Beta (Risk Parity), Balanced Risk Commodities, MLPs Assets Under Management (as of Dec. 31/11): $4.4BN Ownership: Publicly-owned Managed Since: 1980

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Zelick Altman, International Director; 199 Bay St., Ste. 4610, Box 407, Toronto, ON M5L 1G3
PH: 416-304-6000 Fax: 416-304-6001 eMail: zelick.altman@lasalle.com
Web: www.lasalle.com
Alternative Assets: Real Estate
Assets Under Management (as of Dec. 31/11): $3,150M
Ownership: Wholly-owned but operationally independent subsidiary of Jones Lang LaSalle Incorporated Managed Since: 1980

LOUISBOURG INVESTMENTS INC.
Luc Gaudet, CEO; 770 Main St., Box 160, 10th Floor, Moncton, NB E1C 8L1
PH: 506-853-5410 Fax: 506-853-5457 eMail: luc.gaudet@louisbourg.net
Web: www.louisbourg.net

LYXOR ASSET MANAGEMENT
Tristram Lett, Co-chief Investment Officer, Integra Capital Limited; 200-2020 Winston Park Dr., Oakville, ON L6H 6X7
PH: 905-829-1131 Fax: 905-829-2726 eMail: tlett@integra.com
Web: www.integra.com
Alternative Assets: Single Manager Managed Accounts, Funds of Hedge Funds, Hedge Fund Tracker Funds

MANULIFE ASSET MANAGEMENT
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Web: www.manulifeam.com

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David Gregoire, Managing Director, Head of Distribution; 220 Bay St., 4th Floor, Toronto, ON M5J 2W4
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Web: www.leggmasoncanada.com

MADISON SQUARE INVESTORS LLC
Steve Sexeny, Managing Director – Head of Sales & Client Services; 1180 Avenue of the Americas, 22nd Floor, New York, NY 10036
PH: 212-938-8151 Fax: 212-938-8182 eMail: steve.sexeny@msinvestors.com
Web: www.msinvestors.com

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Tristram Lett, Co-chief Investment Officer, Integra Capital Limited; 200-2020 Winston Park Dr., Oakville, ON L6H 6X7
PH: 905-829-1131 Fax: 905-829-2726 eMail: tlett@integra.com
Web: www.integra.com
Alternative Assets: Single Manager Managed Accounts, Funds of Hedge Funds, Hedge Fund Tracker Funds

MORGUARD INVESTMENTS LIMITED Nancy Beavan, New Business Analyst; 55 City Centre Dr., Ste. 800, Mississauga, ON L5B 1M3 Ph: 905-281-5814 Fax: 905-281-1800 eMail: nbeavan@morguard.com Web: www.morguard.com Alternative Assets: Real Estate Assets Under Management (as of Dec. 31/11): $6.5B Ownership: Morguard Corporation Managed Since: 1975

NORTHERN TRUST – ASSET MANAGEMENT David Lester, Vice-president; 1910-145 King St. W., Toronto, ON M5H 1J8 Ph: 416-775-2215 Fax: 416-366-2033 eMail: david.lester@ntrca.com Web: www.northerntrust.com Alternative Assets: Real Estate (Closed-ended Funds), Private Equity (Fund of Funds & Custom), Hedge Funds (Fund of Funds & Custom) Ownership: Public Managed Since: 1962 Relationships: Independent Investment Firms

NORTHEAF CAPITAL PARTNERS Aarti Iyer, Associate, Investor Relations; 79 Wellington St. W., 6th Floor, Box 120, Toronto, ON M5K 1N9 Ph: 866-964-4141 Fax: 416-304-0195 eMail: investors@northeafcapital.com Web: www.northeafcapital.com Alternative Assets: Global Private Equity (Funds, Secondaries, Direct Co-investments), Secondary Private Equity (Fund Interests, Structured Transactions, Direct Secondaries, Infrastructure (Direct Investments) Assets Under Management (as of Dec. 31/11): $3.7B Ownership: Independent Managed Since: 1969


SARONA ASSET MANAGEMENT INC. Gerhard Pries, CEO; 18 – 110 Frogisher Dr., Waterloo, ON N2V 2G7 Ph: 519-883-7557 eMail: gpries@saranafund.com Web: www.saranafund.com Alternative Assets: Private Equity Fund of Funds in Emerging & Frontier Markets Ownership: Partner Owned Managed Since: 1993


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Randy Oswald, Vice-president, Business Development; 30 Adelaide St. E., Ste. 500, Toronto, ON M5C 3G6
PH: 647-775-7789 Fax: 647-775-7264 eMail: randy_oswald@ssga.com
Web: www.ssga.ca
Assets Under Management (as of Dec. 31/11): ~$70M Ownership: Division of State Street Bank & Trust Company, a wholly-owned subsidiary of State Street Corporation.
Managed Since: 1986 Relationships: SSARIS Advisors, LLC, The Tuckerman Group

STONEBRIDGE FINANCIAL CORPORATION
Louis Bélanger, Managing Director, Stonebridge Infrastructure Debt Fund; 20 Adelaide St. E., Ste. 1201, Toronto, ON M5C 2T6
PH: 416-364-3001 Fax: 416-364-1557 eMail: lbelanger@stonebridge.ca Web: www.stonebridge.ca
Alternative Assets: Private Debt in Infrastructure & Energy
Assets Under Management (as of Dec. 31/11): ~$117.5M Ownership: 100% Principals Managed Since: 2012

TD ASSET MANAGEMENT INC.
Robin Lacey, Vice-chair, 161 Bay St., 34th Floor, Toronto, ON M5J 2T2
PH: 416-982-6585 Fax: 416-944-6158 eMail: robin.lacey@tdam.com Web: www.tdaminstitutional.com
Assets Under Management (as of Dec. 31/11): ~$105.1M Ownership: Wholly-owned subsidiary of the Toronto Dominion Bank Managed Since: 2003

WELLINGTON MANAGEMENT COMPANY, LLP
Susan M. Pozer, Vice-president; 280 Congress St., Boston, MA 02210
PH: 617-951-5000 Fax: 617-263-4100 eMail: mig@wellington.com or smpozer@wellington.com Web: www.wellington.com
Alternative Assets: Hedge Funds; Real Assets, Inflation Hedges, Exposure to Private Market Themes; Downside Mitigation

VERTEX ONE ASSET MANAGEMENT INC.
David Wallin, Vice-president; 1920 - 1177 West Hastings St., Vancouver, BC V6E 2K3
PH: 604-681-5183 Fax: 604-681-5146 eMail: dave@vertexone.com Web: www.vertexone.com

VERTEX ONE ASSET MANAGEMENT INC.
David Wallin, Vice-president; 1920 - 1177 West Hastings St., Vancouver, BC V6E 2K3
PH: 604-681-5183 Fax: 604-681-5146 eMail: dave@vertexone.com
Web: www.vertexone.com
Ownership: Wholly-owned subsidiary Managed Since: 1997

UBS GLOBAL ASSET MANAGEMENT
David Coyle, Executive Director, 161 Bay St., Ste. 4000, Toronto, ON M5J 2S1
PH: 416-681-5200 Fax: 416-681-5100 eMail: david.coyle@ubs.com
Web: www.ubs.com
Alternative Assets: Infrastructure – Global Direct; Real Estate – Global
Fund of Funds, US & European Direct & Global Listed; Hedge Funds – Single Manager Multi & Single Strategy, Multi-manager Fund of Funds
Give your plan participants what they want – and more

Why do plan providers build websites for participants? According to a study by LIMRA,* it is “to enhance services to plan participants.”

Nearly one in two respondents (48%) added this was the top strategic objective for their participant website. In the study, 61% of participants had signed up for a username and password, but only 23% visit their plan provider’s website at least once a month. Are plan providers really giving participants what they want?

Our experience shows that there are six top reasons why participants visit the website. They want information about their:

- Account balance
- Fund performance
- Transfers
- Account history
- Account summary
- Contribution rate

With that in mind, Desjardins designed its website to create the best participant experience – something that’s at the heart of the your way, plain and simple® program. Key features of the participant services website include:

**ENTICE**

- To entice your employees so that they understand their company’s group retirement plan:
  - Shortcuts to the six most frequently searched topics on the landing page, which means everything is just one click away
  - Financial Summary page consolidates everything they need to know about their account on one easy-to-read page

**ENCOURAGE**

- To encourage employees to seek guidance and support through each stage of their retirement planning cycle:
  - On Target Retirement simulator that lets participants try out different scenarios and develop a plan to meet their retirement goals
  - Electronic Statements provides an 18-month paperless history

**ENGAGE**

- To engage employees so they take ownership and responsibility by reviewing and monitoring their program as they move towards retirement:
  - Rate of Return bar chart that highlights a participant’s overall personal rate of return, compares results to other periods and shows returns for individual funds
  - Education Centre with short, informative videos designed to motivate participants to take action

When it comes to retirement planning, it’s all about the participant experience. Desjardins makes it accessible, easy to understand, and creates an emotional response that can entice encourage and engage participants along the path to a more comfortable retirement.

For more information on your way, plain and simple®, contact: 1-866-565-3145.

* LIMRA 2010 Retirement Plan Provider Internet Practices
It would be great if more people asked about our compliance with GIPS.

I recently heard this from a portfolio manager whom we have verified since 1998. Our verification confirms that the client firm has complied with all the composite construction requirements on a firm-wide basis and the firm’s policies and procedures are designed to calculate and present performance results in compliance with the Global Investment Performance Standards (GIPS standards).

Our client was expressing frustration that after 15 years of effort complying with GIPS (and its predecessor, the AIMR-PPS standard), there are not enough people asking the firm if they are GIPS compliant. They are asking themselves ‘is all of this worth the effort?’

‘Wild West’

GIPS and its predecessor standard (Association for Investment Management and Research Performance Presentation Standards, or AIMR-PPS) will be celebrating their 20th anniversary soon. When I speak about ‘the standards,’ my favorite presentation slide is the one entitled ‘Life before the Standards.’ I remind the audience of the types of misleading investment performance presentations which the standards were designed to address. Back then, during a period some describe as ‘the wild west,’ some portfolio managers were:

- cherry-picking performance
- presenting selective time periods
- presenting with a ‘survivorship bias’ – dropping lost clients and their poorly performing portfolios
- using questionable comparable benchmarks

These dubious activities were designed to help a manager ‘put his best foot forward.’

The GIPS standards have been subject to ongoing revisions since their original publication. About every five years we have seen such revisions with draft releases and public consultation periods. The 2010 revisions became effective on January 1, 2011 making this the first year that firms had to comply with those revisions. In this article, I will recap some of the highlights of the 2010 revisions, present key reasons for portfolio and investment managers to become GIPS compliant, and comment on some of the trends in GIPS verification.

New Requirements

Firms must make every reasonable effort to provide a compliant presentation to all prospective clients. They also must:

- Document their policies and procedures for ensuring existence and ownership of client assets. Composites must only include actual assets under management.
- Value portfolios in accordance with the GIPS definition of fair value.
- Core to the standards is that all actual, fee-paying discretionary portfolios must be included in at least one composite and that composites must include all portfolios that meet the composite definition.
- Since the inception of the GIPS standards, compliant firms have been required to disclose a measure of dispersion of the annual returns, which is a measure of the consistency of the performance of accounts within a composite.
- The 2010 revision requires the three-year annualized ex-post standard deviation (using monthly returns) of both the composite and the benchmark.
- Composite description must be disclosed in the compliant presentation while composite definition does not need to be disclosed but must be provided upon request. (Composite descrip-
Manulife Canadian Property Portfolio

- **Core open-end income investment** – quality income-producing Canadian commercial properties in an open-end fund with daily NAV
- **Experienced real estate manager** – for nearly 70 years, Manulife Real Estate has owned and actively managed a portfolio of real estate designed to deliver stable income and long-term capital growth, while preserving capital
- **Manulife Financial commitment** – invested in the fund platform along with other institutional investors
- **Sound governance** – oversight includes a Real Estate Investment Committee, Independent Review Committee, and quarterly appraisals of all properties by an independent nationally accredited appraiser

To learn more about investing in Manulife Canadian Property Portfolio, visit [manuliferealestatefunds.com](http://manuliferealestatefunds.com), or contact Adam Neal, Canadian Head of Sales & Relationship Management: adam_neal@manulifeam.com; (416) 852-7948.

Manulife Real Estate. Manulife Asset Management.
tion is general information about the composite’s strategy, whereas composite definition is the detailed criteria that determine which portfolios are included in the composite.)

Value Added Of GIPS

A colleague of mine, Iain McAra, of J.P. Morgan Asset Management, gave a presentation entitled ‘Beyond Compliance: Maximizing Value’ at the most recent annual GIPS standards conference. He says with a GIPS compliant presentation, investors can peel back layers, like an onion. The standards offer value to investors as performance data is consistent and there is disclosure for exceptions. Investors can get a comprehensive list of strategies to determine exactly what a prospective manager does.

For intermediaries, including gatekeepers and search firms who influence the selection of investment managers, the GIPS standards offer benefits similar to those for individual investors, plus faster response to questions using GIPS data, facilitation of obtaining results that are comparable across firms and a focus on adding value beyond the performance presentation information.

Those intermediaries and search firms with strong knowledge of the standards can understand which details to investigate further.

For investment managers, the standards require transparency, strengthened internal controls and processes, ‘market data,’ a standardized approach to calculating and presenting performance, and the recognition of GIPS compliant firms as those who adhere to industry best practice.

In addition to the points raised by McAra, GIPS compliance also provides spheres of influence and other professionals who influence the selection of money managers with a basis for providing referrals – ‘I think Firm A is a great U.S. equity manager and if you don’t believe me look at the verified GIPS performance numbers.’ As well, if offers some protection from regulatory compliance problems associated with advertising historical performance.

Many regulatory investigations are triggered by false and misleading performance presentations. Certainly, it has been my experience that GIPS compliant firms can usually sail through regulatory audits. In fact, we have seen securities commissions reduce the scope and depth of their planned audit once they become aware an investment manager is GIPS compliant which has been verified.

Many of our clients complain initially about the requirement to document comprehensive policies and procedures on how the manager adheres to GIPS. As a practical matter, these policies and procedures offer value in that they:

- eliminate ‘grey areas’ to speed up processes
- provide a focus for regulatory audits as U.S. regulators will require managers to ‘prove what you say you do’ – a regulator can request a firm’s policies and procedures to quickly determine if they are making a false claim of compliance
- offer current versions that document updates and what a firm did in the past
- provide a training manual for new staff
- support regulators, internal auditors, and risk management

With all these benefits, we would hope that GIPS standards would be universally adopted. Our experience is that there was a strong take-up of AIMR-PPS in GIPS compliance in the late ’90s and early 2000s, but the degree of industry-wide acceptance is still probably below 50 per cent in Canada. There are a number of significant hold outs who do not claim GIPS compliance and have no plans to comply in the near future. Their reasons include the cost – there are internal and external costs to becoming compliant and verified; scale – some firms are already so big with such presence and significant assets under management that GIPS compliance, in their view, won’t add any cachet; and perceived redundancy – firms already have segregated and pooled funds audited and consider these useful proxies for their investment strategies without the need for setting up composites.

One serious impediment to achieving a wider degree of GIPS compliance is that not all gatekeepers and investment manager search and evaluation firms ask enough about GIPS compliance or weigh GIPS compliance as an important attribute when short-listing investment managers as suitable candidates.

If these intermediaries consistently ask direct questions about GIPS compliance and verification, then the industry’s GIPS adoption rate would probably jump substantially. When investment managers see that GIPS compliance is an essential requirement to gathering assets, then they will build GIPS compliance into their existing practices. It will be a cost of doing business.

Improving Matters?

Compliance with GIPS offers much value to investors, intermediaries, and investment managers. We hope more intermediaries – those firms that influence the selection of asset managers – will become conversant with the GIPS standards and give them greater weighting in their manager searches.

When investment firms see that GIPS compliance and verification adds to their assets under management, they will see demonstrable benefits to embracing the standards. Let’s hope this happens sooner rather than later. When more people start asking my verification client whether his firm is GIPS compliant, I believe he will be a bit less grumpy about having to update his policies and procedures.

J. Michael Lowry (CA) is a licensed public accountant and GIPS verifier. He is a member of the Canadian Investment Performance Council and has been working with the performance standards since 1997.

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The Behaviour Of Finance

By: George Klar

Imagine what it was like living 3,000 years ago and marvelling at the forces that shaped your destiny. As you squinted at the sun, gazed at the stars, and watched nature unfold around you, you might have wondered if the forces around you would ever be understood. Fast forward to today! Huge advances in our knowledge mean we now manage the world we inhabit, rather than the other way around.

These advances happened due to our intellectual curiosity and our questions. The answers fill libraries – both physical and electronic – and allow us to better control many aspects of our lives. This is very evident in the ‘hard’ sciences – such as physics, chemistry, and biology – and applied sciences such as engineering. Yet, despite spectacular advances, we have yet to master many subjects. One of these is investing.

Good Decisions

First year finance students are told that they will be taught how to make good decisions. Whether it’s personal or corporate, the ultimate goal of financial decision-making is to increase utility or well-being. Students love the theories and formulas that finance provides, but they are dismayed when those don’t work exactly as expected. They eventually learn that unanticipated outcomes occur in the capital markets with far greater frequency than expected.

Why are the predictive abilities of investment finance so weak? One reason stems from the way people interact with the marketplace. It’s due to human behaviour and our emotional composition. This is easy to observe when people face ambiguity or stressful situations. In his classic book ‘Against the Gods,’ Peter Bernstein says the evidence “reveals repeated patterns of irrationality, inconsistency, and incompetence in the ways human beings arrive at decisions and choices when faced with uncertainty.” Simply put, human cognitive errors and emotions interfere with our best judgments.

Ironically, the notion that our humanity interferes with our thought process was not even considered when modern financial theory was being formulated. Finance, as you know, was born from the field of economics. And economic theory postulates that humans are rational thinkers. This concept played an integral part in the research of a young graduate student named Harry Markowitz.

He wanted to examine how people made decisions when faced with risk. Naturally, his starting point was that people are rational. This meant people will avoid risk while still striving towards utility maximization. In his mind, these risk-averse investors were capable of processing information in an unbiased and efficient manner.

In 1952, he published this work titled ‘Portfolio Selection’ in the ‘Journal of Finance.’ One key insight was that portfolio diversification could lower, but not entirely eliminate, risk, as was previously assumed. Markowitz discovered that each security’s specific risk was unimportant. Rather, what really mattered was each security’s contribution to the overall portfolio. Using his theory, one could create an optimal portfolio using statistical measures (mean, variance, and correlation). This was dubbed Modern Portfolio Theory (MPT). Later, another graduate student, William Sharpe, refined the theory into a relative risk framework, which he called the Capital Asset Pricing Model (CAPM).

This math-centric approach to risk, finance, and investing altered the world drastically. Finance quickly evolved into a quasi-science. And in 1990, Markowitz and Sharpe were awarded the Nobel Prize in Economics for their contributions.
However, it didn’t take long for cracks to appear. The theories didn’t work exactly as predicted and critics emerged. They questioned some of the theory’s basic assumptions. Ironically, the loudest critics came not from the field of mathematics or economics, but from human psychology.

‘Loss Averse’

Two psychology professors, Daniel Kahneman and Amos Tversky, proved people don’t make their decisions based on a mathematical notion of risk. Instead, people’s decisions are always subjective and arise from artificial reference points. So instead of being risk-averse, as Markowitz had postulated, people were actually ‘loss averse.’ The discovery resulted in Kahneman being awarded the Nobel Prize in 2002.

Others assumptions about MPT were also questioned including the idea that all investors had equal views on risk and that everyone’s holding periods and return expectations were identical. Psychologists performed experiments that showed another key assumption, that people process information perfectly and instantaneously, was inaccurate.

Further, psychologists demonstrated that humans have strong biases on diverse matters such as culture, religion, and gender. These biases cloud one’s judgment.

In addition to these biases, one cannot forget our human evolution. Our species’ survival instincts evolved over many millennia by learning to make decisions based on shortcuts, which are called heuristics. So both our inherent biases and heuristics can skew decisions.

Undeterred by this growing body of research, MPT supporters countered that individual behaviour is really not important. Instead, the behaviour of large groups is what really counts. And arise from artificial reference points. So instead of being risk-averse, as Markowitz had postulated, people were actually ‘loss averse.’ The discovery resulted in Kahneman being awarded the Nobel Prize in 2002.

‘Mimic Their Actions’

To compound matters, humans are also highly social creatures who are swayed by such things as authority, scarcity, or the desire to be liked. People tend to watch how others, particularly leaders, act so as to mimic their actions. This causes herd-ing, which can lead to a host of issues.

Herb Simon, who was awarded the 1978 Nobel Prize in economics, explored how people assimilate data. He discovered that humans have relatively limited abilities in this area, especially in a fast-paced, rapidly changing and complex world. This he called ‘bounded rationality.’ To handle data load, people rely on simplified rules of thumb, or heuristics. But heuristics works best when results of small samples are representative of the larger population as a whole. Otherwise, inaccurate conclusions are drawn.

So in summary, human physiology, our accumulated biases, our learned heuristics, our social interactions, and our psychological makeup all contribute to why we do not make decisions purely mathematically. This applies even to highly trained professionals. Overall, we cannot overcome human nature or our emotions.

So it comes as no surprise that dramatic price swings can occur in capital markets with frequencies higher than the mathematics predicts. Investors, even well-informed ones, are still driven by both fear and greed. That’s why Benjamin Graham, the father of value investing and author of the perennial best selling investment book ‘Security Analysis,’ said “an investor’s chief problem, even his worst enemy, is likely to be himself.”

There is little doubt the impact of behavioural issues on investing has been underestimated. This is evident when comparing the returns on a broad equity market versus that of a typical equity mutual fund investor. The 20-year S&P500 total return ending December 31, 2010, was 9.1 per cent. Yet, according to Dalbar, the typical mutual fund investor during that same period earned just 3.8 per cent. Even if Dalbar’s methodology for arriving at these figures is exaggerated, the fact that any gap exists is what really counts.

Investing is a field where heuristics and emotions are equally important. Our genetics, physiology, temperament, experiences, and biases influence each decision. That’s probably why any investing approach that relies on mathematical formulas will exhibit both periods of great success and periods of failure. In the short term, rule driven processes simply cannot work with expected consistency.

Nonetheless, formulas and rule-of-thumb methods might still provide investors with some advantage over long periods, say 30 to 50 years. The challenge is that the horizon of most investors is far shorter.

So what does the future hold? Well, I am very excited at this point in history. We are beginning to see a blending of investing and human psychology. Considerable effort is being directed at combining both approaches to achieve better outcomes. I am forever an optimist and expect these efforts to be successful. If I am right, society will become better at investing than ever before. If I am wrong, then those who understand the power of behavioural finance will reap considerable rewards compared to those who don’t.

George Klar is President of Alternative Solution Inc., a consultancy providing institutional plans such as pensions and endowments with assistance on a wide array of asset-based decisions. He is also an Instructor in Finance at the Schulich School of Business, York University.
In this tough economy, increasing financial pressures have employers looking for ways to reduce expenses in order to improve the bottom line. Certainly, health benefit costs, which tend to increase at three to five times the CPI, are on the radar and the prime targets for reductions are the benefits offered to retirees.

Retiree health benefits have become an enormous financial burden for employers. Government offloading, increasing utilization of new and expensive therapies, health cost inflation, and longer life spans have all contributed to health benefit costs that are much higher than ever anticipated. Furthermore, when it comes to retiree benefits, not only do employers pay the ongoing cost of current benefits, but they must also value and declare in their financial statements a liability representing the present value of future benefit obligations. Because the annual inflation rates for health benefits are so high, the magnitude of that liability can be shocking.

Highly Sensitive

Retiree benefits have always been considered a highly sensitive offering. Until over a decade ago when the change in accounting rules brought these liabilities to light, few employers would even think of reducing or eliminating retiree benefits. It was widely held that benefits offered to an employee at the time of retirement became vested in the employee so that they could not be reduced or taken away. While this principle still holds today, some recent court rulings have sided with employers who have tried to reduce retiree benefits by deeming the benefits as ‘not vested,’ giving the employer the right to change them. Whether or not a retiree’s benefits are vested depends very much on how the benefit promise was communicated to the employee throughout their employment.

In many cases, employers’ hands are tied when it comes to reducing or terminating benefits for existing retirees. The language in past collective agreements, employment contracts, and even plan booklets and enrolment guides often implies that the benefits will continue for life. However, while nothing can be done to change the past, there’s a lot that can be done now to ensure that employers will have the right in the future to change the benefits being paid to their retirees. HR leaders should conduct a review of all employment contracts, benefit materials, and verbal communications to ensure that employees are getting a clear message that the company has the right to change the benefit program at any time after the employee retires. This also needs to be reinforced verbally and in writing at the time of retirement when reviewing the retirement package.

What’s possible in terms of changing retiree benefits? One trend that’s been developing over the past decade is towards reducing or eliminating benefits offered to future retirees. Unless it’s specifically promised to employees in their employment contract or other communication materials, the employer generally reserves the right to make changes to the benefit program for future retirees including reducing or eliminating benefits altogether. But you have to be cautious here. It’s critical that you give appropriate notice (typically a minimum of two years) for a change of this magnitude. Legal counsel should always be consulted to mitigate the risk of litigation.

So what should employers consider in deciding whether or not to make changes to their retiree benefit programs?
Attract And Retain

First of all, you need to assess the importance of retiree benefits to the overall compensation program. Do they contribute to the company’s ability to attract and retain employees? What would it mean to reduce or take away the benefits entirely? Are your competitors providing retiree benefits? Might the dollars spent or allocated for retiree benefits be better spent on something else? Maybe investing in the health of your employees today is a better option for both the company and employees. Answers to these questions are different for each employer, and while some companies are comfortable pursuing change, many prudently decide that their retiree benefit programs are vital to employees’ overall compensation and must be left intact, despite the liability.

It also helps to understand what benefits are available to retirees through provincial health programs. Canadian residents age 65 and over are entitled to drug benefits offered by their province of residence. Typically, the list of drugs covered by the provincial plans is smaller than that of most employer drug plans. The provincial plans cover what they deem to be the most effective drugs, both from a cost and therapeutic perspective, for the treatment of most diseases. This coverage, combined with the standard physician and in-hospital medical expense coverage provided to all Canadian residents, means that it is unlikely that a Canadian resident over age 65 without any supplementary medical coverage would incur catastrophic healthcare expenses. That’s enough to influence some employers to terminate their retiree health benefit programs altogether. But many employers still want to be able to provide some form of health benefit to retirees, just not at a level that has a detrimental impact on the balance sheet.

For those who decide to venture down the path of restructuring their retiree benefit offering, here are some tips for minimizing cost and controlling inflation:

- Terminate drug coverage at age 65. This ensures that all drug costs for seniors are paid by the public plans. Many employers take this for granted and assume that their cost burden ends when a member reaches age 65. But unless the coverage under the plan specifically terminates the drug coverage, the plan remains open to claims rejected by the provincial plans. By continuing to provide drug coverage to those under age 65, you’re ensuring that early retirees and their family members are protected until the provincial drug plan kicks in.

- If all of your employees reside in one province, have a retiree drug plan whose drug formulary matches the provincial drug plan formulary. That way, all retirees, regardless of age, are covered for the same drugs. This will help control drug cost inflation for early retirees and will make the transition from private to public plan more seamless when the retiree reaches age 65.

- Ensure that there are annual limits on items such as paramedical practitioners and dental services and consider implementing an overall annual limit on medical expenses.

- Instead of offering a typical ‘defined benefit’ program, offer one that defines the contribution instead.

Most employer health plans are defined benefit plans. As an example, a defined benefit plan may cover 80 per cent of certain designated medical expenses. The benefit is clearly defined. The employer’s contribution, however, is unknown at the time the benefit is promised. The contribution (which in most cases is 100 per cent of the benefit cost) is entirely dependent on two factors – utilization by plan members and the cost of medical expenses at the time they are incurred. This type of defined benefit plan is appropriate when providing protection from catastrophic loss. Catastrophic loss refers to events that are uncontrollable, unpredictable, and which result in major loss. It can be argued that the types of expenses covered by retiree benefit plans – such as eyeglasses, dental treatment, and services of paramedical practitioners – don’t represent catastrophic loss to a claimant. For these types of expenses, many employers are opting for a ‘defined contribution’ approach. By defining or predetermining the contribution instead of the benefit, the employer’s liability is substantially reduced because it’s sheltered from the effects of health cost inflation and utilization increases.

What does a defined contribution health plan look like? The vehicle for offering a defined contribution plan in Canada is the Health Spending Account (HSA). An HSA is an allocation of credits (or dollars) made available to plan members at the beginning of a benefit year to spend on a pre-tax basis on qualified medical or dental expenses. The Canadian Revenue Agency (CRA) requires that HSAs operate on a ‘use it or lose it’ basis and that coverage be limited to items that can be claimed under the medical expense tax credit. Some of the advantages of an HSA for retirees include a broader list of eligible items and flexibility in how the dollars are apportioned and spent among eligible family members.

We’ve seen an increase in the use of HSAs for retiree benefit plans simply because they allow employers to continue to provide health benefits and reduce their liability. We expect that this trend will continue as employer benefit liabilities keep growing. It may be only a matter of time before the typical defined benefit health plans for retirees become unaffordable for employers.

Adequate Notice

Whatever change is made to retiree benefits, it’s important to provide adequate notice and careful communication of the change to avoid many of the questions and complaints that will inevitably arise. Remember, employees typically have little idea what their healthcare needs will be in retirement and often don’t understand what benefits are available to them and who pays for what. In developing your communication strategy, anticipate the types of questions and concerns that will be raised and be proactive in answering those questions in your communication materials. Help employees understand why the company is making the change and what is available to mitigate the impact to them. Use a variety of communication channels – employee presentations, written materials, Q & As, intranet, bulletin boards – and always encourage open dialogue over any issues that come up.

It’s surprising how understanding employees can be if you help them to see the situation through your eyes.

Michele Bossi was national health and productivity practice leader for Buck Consultants, a Xerox Company, when this was written.
Defined Benefit plan administrators, sponsors, and their lenders are anxiously awaiting the appeal of the Ontario Court of Appeal decision in Indalex which is scheduled to be heard by the Supreme Court of Canada on June 5.

In the case, Indalex Limited was insolvent. At the time of seeking protection under the Companies’ Creditors Arrangement Act (CCAA), it was the sponsor and administrator of two DB pension plans, one of which was in the process of being wound up.

Certain beneficiaries of the pension plans argued that the wind-up deficiency in each plan was subject to a statutory deemed trust that ranked in priority to the super-priority charge in favor of Indalex’s debtor-in-possession lender (the DIP Charge).

In overturning a lower court’s decision, the Court of Appeal departed from earlier case law and held that the deemed trust provision in subsection 57(4) of the Pension Benefits Act (Ontario) extends to all amounts owing on the wind-up of
the plan, including the entire wind-up deficiency. The court also held that this statutory deemed trust had priority over the DIP Charge.

Further, the Court of Appeal found that there was a conflict between Indalex’s corporate duty to act in the best interests of the corporation and its duty as plan administrator to act in the best interests of the plan beneficiaries. This conflict resulted in a breach of fiduciary duty by Indalex in its capacity as plan administrator and that the appropriate remedy was to impose a constructive trust that had the effect of giving the pension plan beneficiaries priority over the DIP Charge.

For DB plan sponsors who are, or who may soon become, insolvent, the procedural issues set out in this decision should be carefully reviewed for application in any future CCAA proceedings and in negotiating any debtor-in-possession financing.

The uncertainty created by this decision as to creditor priorities has also impacted asset-based lending arrangements for solvent plan sponsors. DB plan sponsors should be prepared for greater scrutiny of their pension plans as part of negotiating future credit agreements.

By: Ian J. McSweeney & Jonathan Marin

In 2001, a class action claiming more than $2.5 billion in damages was commenced by the surviving spouses of two deceased members of pension plans established under the Public Service Superannuation Act (PSSA) and the Canadian Forces Superannuation Act (CFSA). The class action alleged that the reductions to supplementary death benefits (SDBs) under the PSSA for claimants over age 65 and the CFSA for claimants over age 60 constituted age discrimination, contrary to the Charter of Rights and Freedoms. The surviving spouses were unsuccessful in the lower courts of British Columbia. They then appealed to the Supreme Court of Canada (SCC).

Its judgment dismissing the appeal is important for pension law. In particular, the court rejected the requirement established in prior jurisprudence for a claimant to identify a “mirror comparator group” against which the treatment of the claimant’s group could be measured in order to determine if the claimant’s group was being treated in a discriminatory manner.

In Withler, the SCC stated that “a mirror comparator group analysis may fail to capture substantive inequality, may become a search for sameness, may shortcut the second stage of the substantive equality analysis, and may be difficult to apply.” Among other things, the analysis was susceptible to manipulation. While acknowledging that equality continues to be an inherently comparative concept, the court approved a two-stage test:

- Does the law create a distinction based upon an “enumerated or analogous ground” of discrimination (i.e., age or age-related)?
- If so, does that distinction create a disadvantage by perpetuating prejudice or through stereotyping?

The SCC had no trouble determining that reducing the SDBs on the basis of age created a distinction based upon an enumerated ground. However, it concluded that this distinction did not create a disadvantage by perpetuating prejudice or through stereotyping. It held that the reduction provisions must be viewed “in the context of the broader pension scheme.” A pension benefit scheme must balance competing interests and will, as a matter of “necessity,” be required to “make distinctions on general criteria, including age.” This means that in examining pension-based age discrimination claims, the courts will ask whether the distinctions made are appropriate, given the circumstances of the persons impacted and the objectives of the plan. If the distinction corresponds (even imperfectly) with the needs of the claimants, viewed in the context of the scheme as a whole, it is unlikely to be found discriminatory.

It remains to be seen whether the SCC’s attempt to clarify will generate a clear and comprehensible body of equality jurisprudence in the future. From a pensions and benefits perspective, Withler confirms that age-related distinctions in a plan will not necessarily violate the Charter and must be viewed in the context of the entire pension and benefit package.

While the Charter only directly applies to public service pension and benefit plans and legislation, many provincial human rights statutes include exemptions that permit age-based distinctions in private sector pension and benefit plans. Based on Withler, it may be more difficult to successfully challenge these exemptions under the Charter.
The decision of Arbitrator Laura Trachuk in OSSTF v. Peel District School Board re-affirms that employees on unpaid leaves from work, because of a disability, are not entitled to receive work-related compensation (absent language in the employment contract or collective agreement that modifies the rights of employees to work-related compensation).

The grievor was a full-time secondary school teacher and had been employed by the school board since 1997. From 2001 to 2007, the grievor worked part-time as she was precluded from working full-time due to a disability. Initially, she drew from her sick leave credits to maintain a full-time salary while working part-time. After those credits were exhausted, the grievor received long-term disability benefits for the periods she did not work.

During the period that the grievor worked part-time, she accrued experience credits and sick leave credits based on her part-time work schedule. In addition, she was required to provide premium payments for her group benefits.

In 2005, the grievor discovered that she was only receiving 10 sick leave credits per year. A grievance was filed asserting that the school board’s treatment of the grievor as a part-time employee was contrary to the Ontario Human Rights Code and the collective agreement.

The arbitrator extensively reviewed the collective agreement provisions and concluded that the school board was not required to compensate the grievor as a full-time employee when she worked part-time.

The arbitrator then reviewed the claim that compensating the grievor as a part-time employee was contrary to the Code. The argument was that the grievor was employed as a full-time teacher and should be compensated as such, notwithstanding that she only worked part-time.

The arbitrator affirmed that the Code did not oblige the school board to provide the grievor with work-related compensation where she was not working full-time. Relying on the Ontario Court of Appeal decision in Orillia Soldiers Memorial Hospital, the arbitrator found that it was appropriate to treat all teachers working part-time equally – regardless of whether they chose to work part-time or were required to work part-time, because of disability.

While this principle may appear to be entrenched within the case law, employees and their representatives are increasingly arguing that work-related compensation (including pension, benefits, wages etc.) should be provided to employees on disability-related absences. The arbitrator’s decision reaffirms that, absent contract language to the contrary, the Code does not oblige employers to provide work-related compensation to employees where they are not providing work to the employer.

Kathryn J. Bird is an associate lawyer at Hicks Morley.

Sutherland And Surplus

The question of surplus ownership has traditionally been a significant issue in the pension and benefits industry.

The entitlement to pension plan surplus on plan termination was news once again on September 22, 2011, when the Ontario Court of Appeal’s decision in Sutherland v. Hudson’s Bay Company, relied on traditional trust law principles regarding employees’ rights upon plan termination, rather than following what some had interpreted as a signal from the Supreme Court of Canada that it is time for a more practical approach.

After amending its frozen Defined Benefit pension plan to extend membership eligibility to certain employees on a Defined Contribution basis, Hudson’s Bay Company (HBC) used approximately $111 million of surplus assets to pay for its contributions to the DC component of the plan. As a result, some retirees launched a class action claiming that this was an improper use of trust fund surplus.

The trial judge applied traditional trust law principles to resolve conflicting provisions in the original plan documents and ruled that, among other things, the plan members were entitled to any surplus assets in the trust fund on plan termination. HBC challenged the ruling by relying on the Supreme Court of Canada (SCC) decision in Burke v. Hudson’s Bay Co.

The court held that the plan members were entitled to the surplus on plan termination because the original trust agreement contained exclusive benefit language which created an irrevocable
Funding Policies – A Good Idea?

By: Randy Bauslaugh

Lest there be any doubt, I am a fan of good management and planning. A funding policy can be a useful financial planning tool. It can help employers (or other plan sponsors) manage and plan for funding contingencies between the minimum requirements of pension standards legislation and the maximum contribution limits of income tax legislation.

So what do I find so objectionable? In short, it’s the fuzzy thinking that ties funding policies to plan administration. Clearly, this is an employer (sponsor) tool, not a fiduciary tool, and, therefore, not a plan administration tool. Accordingly, it remains very uncertain how, in practical and legal terms, a funding policy is to be developed to promote transparency of plan administration in our ‘two-hat’ environment.

The Canadian Association of Pension Supervisory Authorities (CAPSA) Guideline No. 7 – Pension Plan Funding Policy is intended to provide “guidance” on the development. Implicitly, this suggests that every plan ought to have a funding policy and, by extension, every funding policy ought to deal with the matters referred to in the guideline.

The guideline is not law. However, it is consensual prose issued by Canada’s pension regulators. As a result, if there is no funding policy, it will create what lawyers call a “rebuttable presumption.” In the risk-based world of Canadian pension supervision, a plan without a funding policy could be presumed guilty of poor management or governance practices.

Once created, the funding policy can and will be used as evidence. If an employer or administrator deviates from it, that deviation can, and probably will, be used as evidence to support claims of bad practice and bad governance. Accordingly, it is better to keep it short as the more words used, the more the document will be subject to interpretation.

However, based on the guideline it is not clear how you can keep it short or even decide whose document it is. It tries to explain the two-hat conundrum – the employer acting in its own interest on the one side and altruistically for all plan stakeholders on the other. However, it remains a bit schizophrenic and fuzzy on that issue … and a number of others as well.

For example, the guideline uses the word “sponsor” as though it had some legal meaning. The word isn’t defined in any pension legislation. What CAPSA seems to mean is “employer.” As a consequence, the guideline struggles to explain why a “sponsor” should feel compelled to develop a funding policy that ought to be shared with plan members and other stakeholders, when the sponsoring employer “is entitled to act in its own best interests.”

The whole process raises questions. Why is there any doubt about what comes first, the Statement of Investment Policies and Procedures or the Funding Policy? Why must they work together to inform each other? Shouldn’t an administrator assume contributions based on the minimum funding standard?

And why are actuaries so enthusiastic about funding policies? Do funding policies hold out the prospect of limiting actuarial judgment by reducing their discretion or responsibility for the selection of actuarial methods and assumptions? Or is it just more work for them?

Maybe the bigger question is why lawyers don’t seem to be more enthusiastic about funding policies. As governance documents – especially ones that are supposed to contribute to transparency and be consistent with other governance policies – they certainly ought to be reviewed by lawyers.
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CAVALLUZZO HAYES SHILTON MCINTYRE & CORNHISH Hugh O'Reilly, Partner, Head, Pension, Benefits & Insolvency Group; Ste. 300, 474 Bathurst St., Toronto, ON M5T 2S6 PH: 416-964-5514 Fax: 416-964-5895 eMail: horeilly@cahillbuzz.com Web: www.cavalluzzo.com Number of Lawyers in Benefits and/or Pensions Practice: 4 Key Members of Practice: Hugh O'Reilly, Freya Kristjanson, Amanda Darrach, Adam Beatty Benefits and/or Pensions Practice at Firm Since: 1983

DAVIES WARD PHILLIPS & VINEBERG
Patrick Ward, National Leader, Pension & Benefits Group; Scotia Plaza, 40 King St. W., Ste. 4400, First Canadian Place, Toronto, ON M5X 1G5 PH: 416-863-5521 Fax: 416-863-0871 eMail: pwv@dpwv.com Web: www.dpwv.com Canadian Cities with Offices: Toronto Number of Lawyers in Benefits and/or Pensions Practice: 4 Key Members of Practice: Toronto – Natasha Vanderhoven; Montreal – Janet Ferrier Benefits and/or Pensions Practice at Firm Since: 2007

DAVIS LLP
David Stratton, Partner; PH: 780-426-5330 Fax: 780-428-1066 eMail: dstratton@davis.ca Web: www.davis.ca Canadian Cities with Offices: Vancouver, Edmonton, Toronto, Calgary, Mon- treal, Yellowknife, Whitehorse Number of Lawyers in Benefits and/or Pensions Practice: 14 Key Members of Practice: Vancouver – Donald W. Cooper, Shawn Hatch; Edmonton – David Stratton; Quebec City – David Stratton; Toronto – Karen Bock Benefits and/or Pensions Practice at Firm Since: 1967

FASKEN MARTINEAU DUMOULIN LLP
Peggy McCallum, Partner; 333 Bay St., Ste. 2400, Bay Adelaide Centre, Toronto, ON M5H 2T6 PH: 416-865-4372 Fax: 416-364-7813 eMail: pmccallum@fasken.com Web: www.fasken.com Canadian Cities with Offices: Vancouver, Calgary, Montreal, Ottawa, Quebec City Number of Lawyers in Benefits and/or Pensions Practice: 10 Key Members of Practice: Toronto – Peggy McCallum, Ross Gascho, Rick Johnston; Montreal – Lyne Duhaime, Dominique Monet Benefits and/or Pensions Practice at Firm Since: 1985

FOGLER, RUBINOFF LLP
Priscilla Healy, Consultant; 95 Wellington St. W., Toronto, ON M8X 2Z6 PH: 416-864-7607 Fax: 416-941-8852 eMail: phaley@foglers.com Web: www.foglers.com Number of Lawyers in Benefits and/or Pensions Practice: 3 Key Members of Practice: Priscilla Healy, Stephen Bernofsky, Sheyl Johnson Benefits and/or Pensions Practice at Firm Since: 1989

GOODMANS LLP
Jana Steele, Partner & Head of Goodmans’ Pension, Benefits & Compensation Group; Bay Adelaide Centre, 333 Bay St., Ste. 3400, Toronto, ON M5H 2T6 PH: 416-597-6274 Fax: 416-597-1234 eMail: jsteele@goodmans.ca Web: www.goodmans.ca Canadian Cities with Offices: Vancouver Number of Lawyers in Benefits and/or Pensions Practice: 10 Key Members of Practice: Toronto – Jana Steele, Susan Rowland, Gal Rubenstein Benefits and/or Pensions Practice at Firm Since: 1985

GOWLING LAFLEUR HENDERSON LLP
Clifton Prophet, Partner; 100 King St. W., Ste. 1600, Toronto, ON M5X 1G5 PH: 416-862-3509 Fax: 416-863-3509 eMail: clifton.prophet@gowling.com Web: www.gowlings.com

HEENAN BLAICKIE LLP
Mark Newton, Partner; 333 Bay St., Ste. 2900, Toronto, ON M5J 2T4 PH: 416-643-6855 Fax: 866-299-9567 eMail: mnewton@heenan.ca Web: heenanblaike.com Canadian Cities with Offices: Ottawa, Montreal, Quebec City, Sherbrooke, Trois-Rivières, Calgary, Vancouver, Victoria Number of Lawyers in Benefits and/or Pensions Practice: 16 Key Members of Practice: Toronto – Mark Newton, John Craig; Montreal – Robert Dupont; Vancouver – Andrea Zwack Benefits and/or Pensions Practice at Firm Since: 1989

HICKS MORLEY HAMILTON STEWART STORIE LLP

BENNETT JONES LLP
Susan G. Seller, Partner; 3400 One First Canadian Place, Toronto, ON M5X 1A9 PH: 416-863-2633 Fax: 416-863-2653 eMail: sellersg@benjamin.com Web: www.bennettjones.com Canadian Cities with Offices: Calgary, Edmonton, Ottawa Number of Lawyers in Benefits and/or Pensions Practice: A Key Members of Practice: Toronto – Susan G. Seller Benefits and/or Pensions Practice at Firm Since: 2000

BLENDELADNERGERVAIS LLP
Andrew Harri- son, National Leader, Pension & Benefits Group; Scotia Plaza, 40 King St. W., Toronto, ON M5H 3Y4 PH: 416-367-6046 Fax: 416-361-2789 eMail: aharrison@big.com Web: www.big.com Canadian Cities with Offices: Calgary, Montreal, Ottawa, Vancouver, Waterloo Number of Lawyers in Benefits and/or Pensions Practice: 18 Key Members of Practice: Calgary – Duncan Manders; Montreal – François Morin; Ottawa – Pamela Cross; Toronto – Andrew Harrison, Sonia Mak; Vancouver – Steve Winder Benefits and/or Pensions Practice at Firm Since: Before 1985

BULL HOUSSER & TUPPER LLP
Margaret H. Mason, Partner; 3000 – 1055 West Georgia St., Box 11130, Vancouver, BC V6C 3R3 PH: 604-641-4905 Fax: 604-646-2662 eMail: mhm@bht.com Web: www.bht.com

CALEYWRAY LABOUR/EMPLOYMENT LAWYERS
Michele Backa, Office Manager; 1600 – 65 Queen St. W., Toronto, ON M5H 2M5 PH: 416-366-3763 Fax: 416-366-3299 eMail: backam@caleywray.com Web: www.caleywray.com Number of Lawyers in Benefits and/or Pensions Practice: 2 Key Members of Practice: Harold Caley, Jesse Kugler Benefits and/or Pensions Practice at Firm Since: 1980

DAVIES LLP
1980 Practice at Firm Since: 1989

BLAKE, CASSELLS & GRAYDON LLP
Kathryn Bush, Partner; 199 Bay St., Toronto, ON M5L 1A9 PH: 416-863-2633 Fax: 416-863-2653 eMail: kathryn.bush@blakes.com Web: www.blakes.com Canadian Cities with Offices: Calgary, Edmonton, Ottawa Number of Lawyers in Benefits and/or Pensions Practice: 21 Key Members of Practice: Toronto – Kathryn Bush, Jeromy Forgey, Montreal – Natalie Bussière, Calgary – Sean Maxwell; Vancouver – Bill MacLagan Benefits and/or Pensions Practice at Firm Since: 1984

HICKS, MORLEY
Human Resources Law and Advocacy

HEENAN BLAICKIE LLP
Mark Newton, Partner; 333 Bay St., Ste. 2900, Toronto, ON M5J 2T4 PH: 416-643-6855 Fax: 866-299-9567 eMail: mnewton@heenan.ca Web: heenanblaike.com Canadian Cities with Offices: Ottawa, Montreal, Quebec City, Sherbrooke, Trois-Rivières, Calgary, Vancouver, Victoria Number of Lawyers in Benefits and/or Pensions Practice: 16 Key Members of Practice: Toronto – Mark Newton, John Craig; Montreal – Robert Dupont; Vancouver – Andrea Zwack Benefits and/or Pensions Practice at Firm Since: 1989

HICKS MORLEY HAMILTON STEWART STORIE LLP

This content is from the May 2012 issue of Benefits & Pensions Monitor.
KOSKIE MINSKY LLP Michael Mazzuca, Partner; 20 Queen St. W., Ste. 900, Toronto, ON M5H 3R3 PH: 416-595-2101 Fax: 416-204-2881 eMail: mmazzuca@kmklaw.ca Web: www.kmklaw.ca Number of Lawyers in Benefits and/or Pensions Practice: 17 Key Members of Practice: Toronto – Mark Sigler, Murray Gold, Susan Phippton, Norman Tobias, Roberto Tomassini, Lesa MacDonald, James Hamum, Andrew J. Hatnay, Anthony Guindon, Michael Mazzuca, George Duzo, Simon Archer, Melissa Reiter, Michelle Landy-Shavlin, Andrea McKinnon, Clio Godkewitsch, Ari Kaplan Benefits and/or Pensions Practice at Firm Since: 1981

LAVERY Josée Dumoulin & François Parent, Partners; 1 Place Ville Marie, Ste. 4000, Montreal, QC H3B 4M4 PH: 514-871-1532 Fax: 514-871-8977 eMail: jdamoulin@lavery.ca or fparent@lavery.ca Web: lavery.ca Canadian Cities with Offices: Quebec City, Ottawa Number of Lawyers in Benefits and/or Pensions Practice: 6 Key Members of Practice: Montreal – Josée Dumoulin, Guy Lemay, Catherine Maheu, François Parent, Marie-Claude Peneault, Evelyne Verrier Benefits and/or Pensions Practice at Firm Since: 1975

LAWSON LUNDELL LLP Kenneth Burns, Partner, Pension & Employee Benefits Practice Group; 1600 Cathedral Place, 925 West Georgia St., Vancouver, BC V6C 3L2 PH: 604-631-9286 Fax: 604-669-1620 eMail: kburns@lawsonlundell.com Web: www.lawsonlundell.com Canadian Cities with Offices: Calgary, Yellowknife Number of Lawyers in Benefits and/or Pensions Practice: 6 Key Members of Practice: Vancouver – Kenneth Burns, Murray Campbell, Lisa Chamzuk, Megan Kaneen; Calgary – Kenneth Burns Benefits and/or Pensions Practice at Firm Since: 1990

MCCARTHY TÉTRAULT LLP Randy Baus laugh, National Practice Leader, Pension, Employee Benefits & Executive Compensation; 66 Wellington St., Ste. 5300, Toronto Dominion Bank Tower, Toronto, ON M5K 1E6 PH: 416-601-7695 Fax: 416-868-0673 eMail: rbauslaugh@mccarthy.ca Web: www.mccarthy.ca Canadian Cities with Offices: Vancouver, Calgary, Montreal, Quebec City Number of Lawyers in Benefits and/or Pensions Practice: 9 Key Members of Practice: Toronto – Lorraine Allard, Randy Bauslaugh, Neil Finkelstein, Mark Firman, Kim Ozukho, Greg Winfield; Montreal – Claire Ezzeddin, Anna Jankowska, Audrey Lévesque; Vancouver – Donovan Plomp; Benefits and/or Pensions Practice at Firm Since: 1990

MCINNES COOPER Hugh Wright, Partner; 1300-1969 Upper Water St., Halifax, NS B3J 2V1 PH: 902-425-6500 Fax: 902-425-6350 eMail: hugh.wright@mcinnescooper.com Web: www.mcinnescooper.com Canadian Cities with Offices: Charlottetown, Summerside, Fredericton, Moncton, Saint John, St. John’s, Number of Lawyers in Benefits and/or Pensions Practice: 12 Key Members of Practice: Halifax – Hugh Wright, Peter Dricoll; Fredericton – Les Smith Benefits and/or Pensions Practice at Firm Since: 1993

MCMILLAN LLP Mark Rowbotham, Partner; Ste. 4400, 181 Bay St., Toronto, ON M51 2T3 PH: 416-865-7135 Fax: 416-865-7048 eMail: mark.rowbotham@mcmillan.ca Web: www.mcmillan.ca Canadian Cities with Offices: Vancouver, Calgary, Ottawa, Montreal Number of Lawyers in Benefits and/or Pensions Practice: 8 Key Members of Practice: Toronto – Mark Rowbotham, David Wentzell Benefits and/or Pensions Practice at Firm Since: 1987

MILLER THOMSON LLP Rosanne T. Rocchi; Scotia Plaza, 40 King St. W., Ste. 5800, Toronto, ON M5H 3S1 PH: 416-595-8532 Fax: 416-595-8695 eMail: rrocchi@millerthomson.com Web: www.millerthomson.com

NORTON ROSE CANADA LLP Martin Rochette, Senior Partner; 1 Place Ville Marie, Ste. 2500, Montreal, QC H3B 1R1 PH: 514-847-4430 Fax: 514-286-5474 eMail: martin.rochette@nortonrose.com Web: www.nortonrose.com/ca Canadian Cities with Offices: Quebec City, Toronto, Ottawa, Calgary Number of Lawyers in Benefits and/or Pensions Practice: 10 Key Members of Practice: Montreal & Quebec City – Martin Rochette; Toronto – Evan Howard Benefits and/or Pensions Practice at Firm Since: 1991

OSLER, HOSKIN & HARCOURT LLP Paul Litner, Pensions & Benefits Department Chair; 1 First Canadian Place, Toronto, ON M5X 1B8; PH: 416-862-4730 Fax: 416-862-6666; eMail: plitner@osler.com Web: www.osler.com; Canadian Cities with offices: Montreal, Ottawa, Number of Legal Professionals/Consultants in Benefits and/or Pensions Practice: 22 including cross appointments Key Members of Practice: Toronto – Ian McSweeney, Paul Litner, Tony Devir, Doug Rienzo, Louise Greig, Stephanie Kaufman, James Fera, Jon Marin, Lesha Van Der Bij (Knowledge Management), Brenda Carson (Senior Document Consultant); Cross-appointed.

May 2012 | Benefits and Pensions Monitor 43
Litigation — Brett Ledger, David Stamp, Chris Naudie, Alex Cobb, Craig Lockwood, Kevin O’Brien; Tax — Dov Begun; Securities/Corporate Finance — John Black; Calgary — Cross-appointed: Labour & Employment — Damian Rigolo; Montreal — Michel Benoit, Julien Ranger-Musiol; Cross-appointed: Research — Anne-Marie Lizotte

Benefits and/or Pensions Practice at Firm Since: 1962

PINK LARKIN
Ronald A. Pink, Chief Managing Partner; 1583 Hollis St., 4 th Floor, Halifax, NS B3J 1V4 PH: 902-423-7777 Fax: 902-423-9588 eMail: rpink@pinklarkin.com Web: www.pinklarkin.com Canadian Cities with Offices: Fredericton
Number of Lawyers in Benefits and/or Pensions Practice: 6
Key Members of Practice: Halifax — Ronald Pink, Ray Larkin, Bettina Quistgaard, Gail Gatchalian, David Wallbridge, Fredericton — Joel Michaud

Benefits and/or Pensions Practice at Firm For: 50 years (combined experience)

SACK GOLDBLATT MITCHELL LLP
20 Dundas St. W., Ste. 1100, Toronto, ON M5G 2G8 PH: 416-977-6070 Fax: 416-591-7333 eMail: defaive@sgmlaw.com, dbrown@sgmlaw.com, fcampbell@sgmlaw.com Web: www.sgmlaw.com Canadian Cities with Offices: Ottawa Number of Lawyers in Benefits and/or Pensions Practice: 3
Key Members of Practice: Toronto — Doug LeFaive, Darrell Brown, Ottawa — Fiona Campbell

Benefits and/or Pensions Practice at Firm For: 25 years

STEWART MCKELVEY
Peter McLellan, Partner; Ste. 900, Purdy’s Wharf, Tower One, 1959 Upper Water St., Halifax, NS B3J 2X2 PH: 902-444-1717 Fax: 902-420-1417 eMail: pmclellan@smsc.com Web: www.stewartmckelvey.com Canadian Cities with Offices: Charlottetown, Fredericton, Moncton, Saint John, St. John’s Number of Lawyers in Benefits and/or Pensions Practice: 23
Key Members of Practice: Peter McLellan, Rosemary Scott, André G. Richard, C. Paul W. Smith, Mark Bursey, Level Y.Y. Chan

Benefits and/or Pensions Practice at Firm Since: 1988

STIKEMAN ELLIOTT LLP
Andrea Boctor, Partner; 199 Bay St., 5300 Commerce Court W., Toronto, ON M5L 1B9 PH: 416-869-5245 Fax: 416-947-0866 eMail: aboctor@stikeman.com Web: www.stikeman.com Canadian Cities with Offices: Vancouver, Calgary, Ottawa, Montreal

Number of Lawyers in Benefits and/or Pensions Practice: 3
Key Members of Practice: Toronto — Andrea Boctor, Michel Legendre

Benefits and/or Pensions Practice at Firm For: 25 years

TORYS LLP
Mitch Frazer, Head of Pension & Employment Group; 79 Wellington St. W., Toronto, ON M5K 1N2 PH: 416-865-8220 Fax: 416-865-7380 eMail: mfrazer@torys.com

Web: www.torys.com Canadian Cities with Offices: Calgary

Number of Lawyers in Benefits and/or Pensions Practice: 16
Key Members of Practice: Toronto — Mitch Frazer, Lisa Talbot, Arlen Sternberg

Benefits and/or Pensions Practice at Firm Since: 1987

BPM
CONFERENCES

CPBI Pacific Region, in partnership with the Sauder School of Business at UBC, is offering an intermediate level session of the ‘Responsible Trustee’ course. While the focus is on pension plans, the investment concepts and governance principles also apply to health and welfare trusts and endowment funds. The intermediate level course is intended for trustees who have completed the introductory level course or for those who have a sound understanding of the fundamental duties of a trustee. It takes place June 4 and 5 in Vancouver, BC. Visit: http://intranet.cpbi-icra.ca/PacificBrochures/Sauder_Intro2012.pdf

‘Developments in Equity Post-Trade Processing’ will be among the topics examined at FPL’s ‘Canadian Trading Conference.’ This session will look at how increased FIX adoption in this space could present opportunities for the industry to benefit from improved risk management, enhanced transparency, reduced costs, and heightened efficiencies. Sessions are also planned on the ‘Evolving World of OTC Derivatives,’ ‘Managing Risk,’ and ‘Upcoming Canadian Regulations and Electronic Trading.’ It takes place June 5 in Toronto, ON. Visit: http://fixprotocol.org/fplev-ents/canada_2012/

‘Addressing High Recurring Claims: An Industry Solution’ will be the topic of the final session of Connex Health’s ‘2011-12 Breakfast Club Season.’ Karen Voin, director of health issues, at the Canadian Life and Health Insurance Association, will discuss the new insurance industry agreement to address high recurring claims. Other presenters from the insurance industry will discuss the implications this will bring for plan sponsors and what will be done to protect them and their employees from high recurring claims in order to maintain the sustainability of their plans. It takes place June 7 in Burlington, ON. Visit: www.connexhc.com

The ‘Canadian Responsible Investment Conference’ will feature live reports from the ‘Earth Summit’ in Rio de Janeiro, Brazil, including, via videoconference, an interview with Wolfgang Engshuber, the chair of the Principles for Responsible Investment. The Canadian conference will feature keynotes, panel discussions, and interviews on the theme of ‘SRI+20: The Future of Investing.’ It takes place June 18 to 20 in Montreal, QC. Contact: Eugene Ellmen, executive director, Social Investment Organization, ellmen@socialinvestment.ca, 416-461-6042 x111.

For complete event information, visit www.bpmmagazine.com/benefits_events.html

Appointment Notices

Manulife Asset Management™ is pleased to welcome Mari Bandola and Les Young to our Canadian Institutional Sales Team.

Mark Bandola
Managing Director, Institutional Sales

Les Young
Managing Director, Institutional Sales

Manulife Asset Management

Appointment Notice

Greystone welcomes David Vickerman, MBA as Executive Director, Infrastructure effective May 1, 2012. In this role, David will work closely with Jeff Mudlani, MBA, P.Eng, Executive Director & Head of Infrastructure, in the design, development and management of Greystone’s Infrastructure Fund.

David Vickerman, MBA
Executive Director, Infrastructure

Based in our Toronto office, David brings with him considerable experience in the field of infrastructure and alternative asset management. He joins Greystone from Scotia Capital Ltd, where he was Managing Director, Global Infrastructure Investments. Previously, he was the Co-Founder of Man-Vector Limited in London, UK, serving as Managing Director and COO. David was also founder of Vector Asset Management in London, UK, where he was CEO and CFO.

David received an MBA in Finance from Wake Forest University and a Bachelor of Science Degree in Mathematics and Statistics from the University of Western Ontario.

May 2012 | Benefits and Pensions Monitor 45
Governments Face Their Pension Problem

By: Jim Helik

After years of governments ignoring and postponing their pension shortfalls problems, it seems as if some are addressing this, at least when it comes to their own employees and their pensions.

Stacks of useful data have been collected in the United States by the National Association of State Retirement Administrators about actual approved changes to, as they say, “restore or preserve plan sustainability” (if you want a copy of some of this data, email me).

Only Two Choices

Of course, at the broadest level there are really only two choices for any plan – collect and make more money or spend less (though you can also add in some of the less savoury tactics used by some governments around the world including inflating away promised benefits or paying them and then clawing them back through a tax system). But a quick look at the data below shows that governments don’t have to go these draconian routes to better their pension plans.

All of the following measures have been recently instituted by state governments in the United States.

If they choose to collect and make more money, they can:

▸ Raise contribution rates for current and/or future employees

▸ Making the purchase of additional service years revenue neutral (ie, no longer subsidized)

▸ Linking COLAs to exceptional or above average investment performance by the fund

▸ Eliminating COLA for all service earned after a certain date

▸ Allowing plan members to keep the current payments and forfeit their COLA or increase their current payments and maintain COLA

▸ Raising the normal retirement age for current and/or future employees

▸ Excluding overtime from final average salary calculations

▸ Increasing actuarial reduction for early retirement

▸ Extending the amortization period from 2020 to 2040 and increasing the asset smoothing period

Brainstorming Ideas

Don’t think of the above as a checklist, but rather as a source for brainstorming ideas for your plan, be it public or private.

So the next time you hear someone talking about the difficulty of instituting change to long-held pension plans, point them to this list and remind them that some governments are making hard, unpopular, but necessary changes to their plans.

Jim Helik is a contributing author to the Managing High Net Worth and the Commodities As Investments courses published by CSI Global Education. He also teaches at the School of Business, Ryerson University in Toronto, ON.
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Source: Standard Life Investments Limited, gross performance from 06/12/2006 to 12/31/2011. Portfolio performance is based on the £ institutional pooled pension portfolio. The performance of the UK pension stewarding fund may differ from that of GARS investment vehicles or separate accounts offered in Canada. The difference in performance is due to many factors, including but not limited to, the structure of the product, cash flows, and any local investment restrictions. Past performance is not a guide to future performance: the value of investments within the Fund may fall as well as rise - you may get back less than you pay in.

GARS is not guaranteed, a capital protected product or a substitute for cash. In order to achieve its investment objectives GARS will make extensive use of derivatives.

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1. Standard Life Investments Limited, 06/12/06 to 12/31/11. Fund performance based on institutional pooled pension fund, gross of fees. 2. Source: Standard Life Investments Limited, 07/01/06 to 12/31/11. Volatility of Absolute Return is the annualised standard deviation of monthly absolute returns. 3. MSCI World (G) volatility, 07/01/06 to 12/31/11 16.5%. Volatility of Benchmark Return is the annualised standard deviation of monthly MSCI World (G) returns. 4. As at 12/31/11. Source: Standard Life Investments Limited. 5. Units of the Canadian GARS Funds will be offered on a private placement basis (i.e. pursuant to exemptions from prospectus and registration requirements under applicable securities legislation) only to those persons where and to whom they may be lawfully sold and only by persons lawfully permitted to sell such units. This communication is not, and under no circumstances is to be construed as, a public offering to sell, or a solicitation of an offer to buy securities. 6. This Fund is not guaranteed, a capital protected product or a substitute for cash. In order to achieve its investment objectives GARS will make extensive use of derivatives. 7. The Fund aims to achieve 6 month LIBOR + 5% on a rolling three year basis which is a proxy 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 (5123123) at 5 George Street, Edinburgh EH2 2LL. 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. © [2012] Standard Life, images reproduced under licence.
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