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Forced Savings May Be Only Option

By: Joe Hornyak, Executive Editor

The alarmist news from the Canadian Federation of Independent Business (CFIB) is that increasing Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) benefits would hurt the Canadian economy and result in significant job losses.

Its ‘Forced Savings’ report suggests that a proposal that would phase in CPP/QPP increases over 10 years would cost employers and employees up to $1,100 more per year in CPP/QPP premiums and lead to 700,000 person years of lost work.

Contribution Rates

However, consider the source. This is an organization dedicated to protecting the interests of independent businesspeople.

And history suggests the impact is minimal. When a program was launched in 1997 to increase the total combined employee and employer CPP contribution rates to an annual rate of 9.9 per cent by 2003, up from the 1.8 per cent rate since the plan’s inception in 1967, there was little or no fall-out economic or otherwise. In fact, Canadians, including independent businesses, seemed to weather this quite nicely.

And regardless of its concerns for employees, the real issue for the CFIB is the impact on its independent business members. However, we don’t see it stepping forward to acknowledge their part in the pension crisis now taking place in Canada. If even half of these companies provided a retirement savings program for their employees, we would not be talking about a pension coverage crisis. Pension coverage would soar.

So without employers stepping up to the plate and with employees not even getting into the game, the only real option is to force savings and that is what the enhanced CPP debate is all about. We can fiddle around with PRPPs but they will have about as much success as RRSPs did in getting people to save for retirement. And we’ll concede there are a lot of employers who would like to help their members save for retirement.

However, all the government rigmarole makes offering a retirement savings plan an onerous chore.

And then there is Quebec. Its Expert Committee on the Future of the Quebec Retirement System has come up with an interesting way to enhance the QPP. Its longevity pension proposal supposedly addresses the risk of retirees exhausting their Defined Contribution pension plan or RRSP savings by age 75. It would see Quebec employers and employees contribute 1.65 per cent of their earnings, into a fund from ages 18 to 74. This additional benefit would kick in at age 75. While the idea is to deal with longevity risk, an underlying concept is that it could encourage workers to stay on the job until that age. As long as they work, they can contribute and they can collect.

Pension Debate

However, we are at point in this pension debate where we have to decide. Do we do something to force Canadians to save more for retirement? Or do we cut bait and run, leaving those who didn’t prepare to fend for themselves when they can no longer work.

And, whether the CFIB likes it or not, the financial ramifications of having a whole generation of older Canadians with little or no purchasing power will have a far greater impact on its members and the Canadian economy than increasing their costs for retirement savings for their workers.
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Mackenzie
John Black is senior vice-president, U.S. business development, at Mackenzie Institutional. He draws on more than 22 years of institutional experience with an extensive background in business development and relationship management. Most recently, he served as vice-president, business development, with a major global institutional manager.

Invesco
Christine Tessier is assistant vice-president, institutional product management and development, at Invesco Canada. In this role, she will drive the identification and development of new institutional investment strategies and vehicles to meet the evolving needs of institutional investors in Canada. Previously, she was a principal at Mercer Investments.

SLI
William Secnik is a fund manager with Standard Life Investments (Real Estate) Inc. (SLIRE). Secnik has more than 17 years of progressive experience focused on national real estate investments. Emmanuel Matte is senior vice-president, investment solutions, at Standard Life Investments. He has several years of experience in the financial industry in Canada and the United States as an asset consultant and investment manager. He joined Standard Life Investments in 2009.

AllianceBernstein
Bradlee Berk has joined the Canadian team of AllianceBernstein to work with institutional clients including pension funds, foundations, and endowments. She has been with AllianceBernstein since early 2010. Prior to this, she worked in the equity derivatives group of Societe General Corporate and Investment Banking.

Aviva
Jean-François Milette is managing director, institutional sales, for Aviva Investors. Based in Toronto, ON, he will be responsible for its business development activities in Canada. Previously, he was an associate partner with Aon Hewitt.

Towers Watson
Michel Tougas is managing director for Towers Watson Canada. He has 25 years of experience working with finance and human resource executives from Canada’s largest employers. He will be responsible for providing strategic direction for its Canadian offices.

INTEGRIS
Gavin Graham is chief strategy officer at INTEGRIS Pension Management Corp. He brings more than 30 years of investment experience to the position including a 10-year tenure as chief investment officer of the Guardian Group of Funds and as director of investments at BMO Asset Management.

Mercer
Alan Kyte is principal and pharmacy specialist for the health and benefits business in central Canada at Mercer. A licensed pharmacist, he has worked in healthcare for more than 25 years. Most recently, he was employed by a Canadian healthcare benefits provider as director, communications and stakeholder initiatives. Jaqui Parchment is investments business leader for Canada. She returns to the firm after a stint as sales executive and executive director – consultant relations at UBS Global Asset Management.

Shepell•fgi
Cynthia Kinsella is vice-president of employee support solutions (ESS), western region, for Shepell•fgi. In this position, she is responsible for overall sales and account management of the ESS organization in western Canada and the Northwest Territories. She was most recently vice-president and general manager of EAP and well-being services at PPC Worldwide Canada, a division of OptumHealth.

Manulife
Toms Lokmanis (CFA, CAIA) is managing director on the institutional sales team at Manulife Asset Management. Based in Toronto, ON, he will be responsible for covering the Canadian small- to mid-sized institutional plan market. Most recently, he served as an investment specialist with Industrial Alliance, promoting investment solutions to corporate pension plans, consultants, and brokers.

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Budget Promises Carrigan Review
The Ontario budget will review the recent Ontario Court of Appeal decision in Carrigan v. Carrigan Estate, says an Eckler ‘Special Notice.’ Its 2013 budget promises legislative amendments to address the impact of this decision on spousal benefits. Ontario has also softened its opposition to pooled registered pension plans (PRPPs). The government will consult with interested parties to determine how PRPPs should be implemented as a retirement savings option.

Low Returns Continuing For Medium Term
Investors can expect low, single digit returns over the medium term on government bonds, says Les Grober, managing director at TD Asset Management. Speaking at its ‘Sharing of Knowledge Learning Series,’ he said the current thesis about interest rates is they will be ‘lower for longer.’ This applies to both economic growth and interest rates. In terms of economic growth recovery, 3½ years into this recovery and the economy has yet to return to its previous levels of growth. He also said future returns for government bonds will be lower and, on a real basis, may be negative. However, yields on government bonds have been trending down since 1980 when record highs were reached.

Option Designed For Small, Mid-sized Employers
Manulife Financial’s new deferred profit sharing plan (DPSP) option, FutureStep, offers small and mid-sized Canadian businesses more choice and flexibility in helping employees save for retirement. The option combines with FutureStep’s group RRSP to offer investments, education, and online services in a cost-effective retirement savings plan typically only available to large employers. “Currently, more than 7.6 million Canadians employed by small to mid-sized businesses do not have access to a workplace retirement savings program,” says Sue Reibel, senior vice-president of group benefits and retirement solutions. This option gives employers who want to help their employees save for retirement a program without the administrative burden of a large, complex pension plan.

Screening Programs Can Save Lives
Employers need to implement workplace screening and intervention programs now for diseases such as cancer, heart disease, stroke, and diabetes, says Alain Sotto, chief physician, wellness division, Ontario Power Generation and TTC occupational medical assistant. He told the ‘Educate, Engage, Enable, Empower: Addressing the Health Needs of an Aging Workforce’ session at the Conference Board of Canada’s ‘Aging Workforce Forum: Pensions, Performance, and the New Retirement’ that the return on investment of these programs can be a human life. Employers are facing a workplace where employees are aging and developing the chronic diseases that come with this. Chronic diseases such as stroke and diabetes cause 89 per cent of all deaths, he said, and one-third of Canadians report having one chronic disease. Screening programs can identify chronic diseases early which makes their treatment easier and more successful, he said.

Equities, Fixed Income Play Critical Role
Equities and fixed income will continue to play a critical role in investment portfolios, says research by Russell Investments Canada. ‘The Move to Multi-Asset’ says, however, because of continued political and economic ambiguity, going forward investors will be forced to actively manage the risk in their portfolios if they wish to achieve their investment objectives. The research suggests that broader diversification comes in three ways – improving the global macro focus by adding exposure to global and emerging markets equities; fixed income exposure should become considerably more global with the inclusion of emerging markets debt and global high yield bonds; and ‘real assets’ – global infrastructure, global real estate, and commodities – should be used to provide additional sources.

Mandatory Generics Program Offered
Equitable Life of Canada is enabling clients to capitalize on the unprecedented number of generic drugs available and generic drug pricing reform by implementing mandatory generics across all group drug plans. Under the program, when a pharmacy submits a claim for an interchangeable brand drug, they will be notified that reimbursement is limited to the lowest cost interchangeable drug. If the patient prefers the brand drug over the interchangeable generic drug, they will be responsible to pay the difference in cost. Even if the physician indicates ‘no substitution,’ Equitable Life will only pay the cost of the interchangeable generic drug. Plan sponsors who choose to use the program may see a reduction applied to their health rate at the time of renewal.

AMI Combines With Toron
AMI Partners Inc. and Toron Investment Management have combined forces to create Toron Asset Management International, a privately-owned, Canadian-based global investment management firm. Ron Patton, president and chief executive officer, at AMI, says they “will be a larger more diversified firm with more mandates, wider distribution, and more depth in terms of investment personnel and resources.” AMI, founded more than 50 years ago, specializes in Canadian equity, fixed income, balanced, and specialty mandates for institutional clients. Toron began operating 25 years ago as a risk management consultancy and has focused on global investment management for the past 15 years. Combined the two have $3.5 billion in assets under management.
Private Equity Industry Launches Data Standard

Several major private equity firms have formed a new global industry alliance called the AltExchange Alliance. The AltExchange Alliance now has the private equity industry’s first comprehensive standard for data formats. The common format defined by this new standard will transform the way general partners, limited partners, fund of funds, and fund administrators share, aggregate, and analyze data.

Supporting Growth
No Excuse For Low Returns

While it is clearly desirable that pension funds should help support economic growth in Ireland, the objective should not be used as an excuse to impose low returns on pension fund members, says an OECD review of the Irish pension system. One of the recent proposals touted by different stakeholders is to promote pension fund investment in domestic infrastructure projects, says the report. While such investments could well contribute to spurring economic development in Ireland if they are well chosen, they pose serious challenges. The size of infrastructure projects and the policy and revenue risks involved, and the technical skills required in managing infrastructure project investments make them particularly challenging for pension funds, particularly small and medium-sized ones. The report calls for a clear framework to facilitate domestic investment in infrastructure projects.

Teachers’ Works On ESG Framework

Teachers’ Private Capital is part of a group of major international private equity investors that recently established a framework to guide disclosure of environmental, social, and governance (ESG) factors between funds and clients. The framework is consistent with Teachers’ approach to responsible investing and is intended to support meaningful dialogue by assisting private equity funds (general partners) in understanding the ESG information needs of investor clients (limited partners). The framework identifies eight objectives common to investors.

Addenda

The following was not available for the ‘Benefits & Pensions Legal Firms’ directory in the April issue of Benefits and Pensions Monitor:

Langlois Kronström Desjardins, LLP
Tina Hobday, Partner and Practice Group Leader, Pension Law Group; 1002 Sherbrooke St. W., 28th Floor, Montreal, QC H3A 3L6 PH: 514 282-7816 Fax: 514 845-6573 eMail: tina.hobday@lkd.ca Web: www.lkd.ca Benefits and/or Pensions Practice at Firm Since: 1991
Maintaining personal hygiene seems pretty simple doesn’t it? After all, we’ve all been trained since we were young to wash our hands after going to the toilet, not to touch railings and surfaces in public areas, and to refrain from touching our faces with our hands.

But what about the importance of staying clean and germ free in the workplace? Common wisdom tells us that keeping things clean and sanitary helps reduce the spread of coughs and cold viruses as well as more serious infectious diseases. It also helps mitigate the development of allergies, dermatological conditions, and sensitivities caused by exposure to contaminants. Plus, people who work in clean, healthy environments have been shown to be happier and more productive.

A program for personal safety and hygiene training, complete with educational booklets and videos on proper hand washing. Posting flyers in washroom facilities is also an excellent way to remind employees about the importance of hygiene. After all, health education encourages correct hygiene behaviours. Having one-time-use travel-sized products – such as deodorant, sanitizer, toothpaste, and toothbrushes – available for your employees can also encourage employees to stay fresh and hygienic.

Hygiene doesn’t stop at personal care. Studies have shown that an unclean work area, such as a dirty desk, can harbour even more harmful bacteria than on the dreaded toilet seat. In fact, desks have been found to be 400 times dirtier than toilets. The reason why comes down to the high levels of bacteria that come from the human skin and mucus membranes. Think back to the classroom when you were a child. Remember everyone got the measles or the flu from playing with the same toys. In workplaces, it’s colds and flus that seem to spread like wildfire, especially in the areas where you or someone who has been using your desk has put their hands or eaten their lunch.

Cleaning Up

Reviewing the procedures followed by professional cleaning services that your company is using is key. Sometimes saving money is false economy if appropriate products and time are not being spent to get the workplace as clean and safe as it needs to be. Eliminating dirt, dust, and waste in a timely manner is just good business when it comes to workplace health.

Most workplaces have communal lunchrooms, which usually harbour more than their fair share of germs. Take a look at communal mugs and cutlery. How old are they, are there cracks and stains. How are they cleaned after each use? Use a dishwasher or disposable cloths to wash dishes with hot, soapy water rather than using a sponge, which will likely be harbouring more than 50 million micro-organisms.

Even if it seems like the lunchroom is a germ magnet, it’s still better to have one than having employees eat in their work areas. But, be sure to keep it clean.

Your employees spend the majority of their time at work. Stopping the spread of germs and eliminating illness will keep both them and their families much healthier and happier.

A Touchy Subject

Bringing up the subject and discussing hygiene can be both awkward and sensitive depending on the situation. Who really wants to embarrass someone by asking them to shower more often, launder their clothes, or wash their hands after going to the bathroom?

However, proper hand washing can kill irritants, chemicals, and germs. It can also stop the risk of cross-contamination of such toxins. Workers should wash their hands frequently during the day, especially after shaking hands, going to the bathroom, removing gloves, smoking, eating, sneezing, or coughing as well as after they come in contact with someone who is sick. And a quick rinse under the faucet isn’t good enough.

Employers should also consider creating an orientation program for personal safety and hygiene training, complete with educational booklets and videos on proper hand washing. Posting flyers in washroom facilities is also an excellent way to remind employees about the importance of hygiene. After all, health education encourages correct hygiene behaviours. Having one-time-use travel-sized products – such as deodorant, sanitizer, toothpaste, and toothbrushes – available for your employees can also encourage employees to stay fresh and hygienic.

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Caroline Tapp-McDougall is the publisher of Solutions: Canada’s Family Guide to Home Health Care and Wellness and the author of The Complete Canadian Eldercare Guide.
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Alternatives: 
Time For Consideration In DC Plans?

By: Jeff Gray

There is no shortage of evidence that a high percentage of DC plan members have embraced the ‘selection simplicity’ of target date type funds. Likewise, plan sponsors have widely adopted the dynamic balanced fund concept over past asset allocation models and this has helped streamline the investment line-up for many plans. Despite the apparent simplification of the investment selection process, the underlying investment components of some target date series or custom target date solutions are not very simple and can include asset classes which were previously only considered for larger defined benefit plans. For example, these ‘less traditional’ asset components can include real estate, commodities, absolute return, and infrastructure options.

The inclusion of alternatives in target date funds introduces the thought that if they are there to add value and diversify risk, why shouldn’t they be available as a stand-alone option for defined contribution plans? Likewise, pension committees that oversee DB plan investment options may well have implemented or investigated alternative options and might wonder about extension of these options to DC plans that are part of the committee oversight process.

Investment Desires
While target date fund selection by members can be upwards of 80 per cent, the fact remains that a portion of members will have a level of investment sophistication that could create demand for investment options including alternatives. Is the plan sponsor or pension committee required to address the investment desires of more sophisticated investors? Clearly, plan sponsors have been reluctant to offer investment options that are considered new, less conventional, or have high individual volatility characteristics. Where plan members have requested such options to date, the response has been that such options are available to members through their own self-directed accounts, but not within the corporate pension framework.

Corporate pension plans often form the cornerstone of retirement plan assets and these plans are often linked to corporate sponsored voluntary savings plans such as a Group RRSP, TFSA, or non-registered savings plan. These voluntary savings plans almost universally have the same investment options as the core DC plan to aide in investment monitoring and reporting for the pension committee. Employees who have a higher interest and understanding of the investment selection process might logically prefer to have their pension and voluntary savings under one umbrella that is more cost effective from an investment perspective.

DEFINDED CONTRIBUTION OPTIONS

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For complete directory information, visit www.bpmmagazine.com/benefits_directories.html
management fee perspective and that can include alternatives for asset diversification. It is also logical to assume that these employees have higher contribution rates and higher average account balances which again fuels a higher consideration for investment option diversity.

One possibility is to offer a subset of alternatives for the voluntary savings program with specific disclosures regarding the nature of the funds, but this would be counter to the usual and logical desire of one investment platform for all corporate capital accumulation plans.

The discussion of the appropriate number and range of investment options is not a new one. Plan investment option evolution over the last couple of decades started with a limited number of funds and expanded to include multiple funds for domestic and non-domestic equities on the basis of manager style off-sets or capitalization focus (often this expansion was far too much with plans offering 30 or more funds in some cases with clear duplication). Human behaviour studies have proven that too much choice is counterproductive and can easily paralyse the member investment selection process. Offering another basket of options can risk investment option overload.

While one can certainly question the ability to forecast returns, the vast majority of forward looking investment projections are very tempered and cite a prolonged period of modest returns from fixed income along with personal and public debt levels which could hamper corporate growth. This has driven many DB programs to seek additional returns and volatility controls through diversification into alternatives.

So if it’s appropriate for the large plan investor, wouldn’t an individual investor feel this should also be good for their long-term investment plan?

**Obvious Challenges**

There are a few obvious challenges of opening up the investment pool to alternatives – the most notable one relates to employee communication. Many plan members struggle to understand the basics of investment selection as it applies to their own circumstances. Introducing something that is not clearly in the equity or bond space can result in a disproportionate amount of communication effort for an asset that might be suitable for less than 10 per cent of their portfolio. Investment options are open to all plan members and there is no pre-qualification in terms of investment sophistication to select an alternative class of fund.

While some programs could use pre-set limits for the investment allocation of a fund, this does not stop the potential of a plan member getting into a fund after it has exhibited short-term growth only to be dropped by the member when the fund fails to meet the returns of another fund in the investment line-up.

This brings us back to the fiduciary’s original question of the need to address the real or perceived desire by a significant number of plan members for more than a dynamic balanced fund approach in addition to a small number of basic asset class funds. The practical reality may also be linked to the size of the plan membership or absolute size in terms of plan assets. If we consider that perhaps 15 to 20 per cent of the typical population of employees may hold a reasonably sophisticated level of investment knowledge, then a plan with 2,000 employees may have 300 to 400 employees who may consider more sophisticated investment options for portfolio construction.

Likewise, a plan that has both a large number of employees and a high average account balance would feel more inclined to address asset class diversity consideration than a plan where the average account balance is only several thousand dollars (new plan, high turnover, lower wage group). As the plan sponsor is charged with investment selection and monitoring, the inclusion of additional investment options adds incremental work and knowledge requirements for the pension committee. This additional effort may not be practical or feasible for some plan sponsors where the expected utilization of additional funds is limited.

DC pension plans are long-term vehicles and investment options are virtually always selected with a strategic view for applicability for the foreseeable future. There is no inclination to consider inclusion of investment options which have a shorter term tactical play.

However, despite the long-term focus of investment options for consideration, the reality is that many plan members will not be long-term plan participants. Various studies show that the typical worker could have eight or perhaps even more employers in a lifetime. This translates into fragmented plan membership from a service perspective. Pension committees may feel less inclined to offer a specific investment option that offers appeal to a small portion of the plan membership if, in fact, plan member turnover results in only short-term utilization of a specific fund. Conversely, if the plan has a high number of members coming from other plans that have adopted one or more alternative investments, this could fuel member demands for investment option diversity.

**New Options**

Clearly, we are at a point in time for some DC pension committees to include the discussion of alternatives. Those pension committees that will be considering this first will likely have larger plans with a higher average account balances than the average DC plan. This may well be a discussion just to document the consideration of new options even if no further action is taken. The plan sponsor review of alternative investment options which may be applicable for a small portion of plan members will no doubt continue to be weighed against the communication complexities. For the vast majority of plans that have a couple of hundred members (or less) and an average account balance in the $30,000 range, the practical consideration of alternatives by the pension committee is not likely going to lead to additional funds, but the dialogue will no doubt be interesting and could trigger other areas of thought for the existing fund choices.

Times will continue to change and to this there is no alternative.
Pooling Helps With Catastrophic Claims

The Canadian Drug Insurance Pooling Corporation has been designed to address the changing drug landscape which is starting to undermine the sustainability of group drug insurance plans, says Shirley Leong, executive director of the corporation. “What we have seen is that the growth of prescription drug costs has exceeded the general level of inflation,” she said. There has been some slowdown in the last year or two because there are not as many blockbuster drugs in the pipeline and many blockbusters have come off patent so there are more generics available. However, at the end of the day, there are still some estimates out there that private drug plan costs could double by 2019.

“One of the things that we have noticed in the business is that incidents of single claimants exceeding $25,000 a year in total drug claims is increasing by approximately 20 per cent a year,” she says. This means the rarity of these claims, termed catastrophic, is diminishing and they are becoming more common. “We have seen that high cost medications are being prescribed with increasing frequency and they are not the same kind of situations as we saw in the past. These are maintenance drugs that people may be on for the rest of their lives. As well, biologics are entering the market and “we do not know yet what the true impact of these will be.”

The good news, she says, is a lot of these drugs are extremely efficacious. “The not-so good news is they are expensive, although they are only being used on a small number of patients.”

With the advent of the Canadian Drug Insurance Pooling Corporation (CDIPC) and the EP3 products being offered by insurers, advisors need to understand what each insurance company is doing in terms of their pre-existing claim exclusions and what the EP3 pool points are for each insurer.

As well, they are going to continue to work as they did before with the sponsor and insurer, and the advisor will monitor the financial experience as always.

However, says Shirley Leong, executive director of CDIPC, they will need to maintain a general awareness of EP3 (the Extended Healthcare Policy Protection Plan which provides pooling protection for plans with fully insured drug programs), monitor that financial experience, and understand the differences between pre-existing claim exclusions.

“If you are an advisor, it is important to understand what each insurance company is doing in terms of their pre-existing claim exclusions and where the pool points are. Are they on the certificate or individual level,” she says. “Look at the differences in the product offerings on the EP3. If you are a plan sponsor or an advisor, that is really all you need to understand.”

Each plan sponsor will get an EP3 statement from their carrier so they will know what the pooling point is and whether or not it is set at individual or certificate level. The EP3 statement will also notify the plan sponsor of the existence of pre-existing claim exclusions.

“If you are an advisor, that is the end of the story. I know people are going to say that cannot be the end of the story because I have heard a lot of other things about this,” she says. And, “the story does continue, but it really only continues if you are a carrier. If you are not a carrier, this is all behind the scenes and will not impact anything directly that is happening in the marketplace.”

Carriers will review their paid claims annually to see if any certificates should be reported to the industry pool. CDIPC will manage the industry pool and report to the CDIPC member companies.
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Short Duration

Historically, the mechanisms used to manage these were based on a drug claim that was going to be of a high dollar value, but probably of short duration. Some of the traditional methods of mitigating risk in the past and today included pooling and formulary management. Newer benefit management tools include prior authorization, step therapy, and mandatory generic plans. However, she says, these were not necessarily designed to deal with the kind of high cost, long duration maintenance drug situation seen today.

As well, sponsors were increasingly concerned that if they tried to change carriers, the carrier was going to take into account all of the claims experience, including these high cost drugs, that may have been pooled under the existing plan.

To deal with this situation, insurers in Canada banded together to come up with a solution. The result was the Canadian Drug Insurance Pooling Corporation, an entity that exists to oversee the pooling mechanisms themselves. All insurers have signed an agreement to create a framework which they are going to operate within in the specific marketplace.

Leong calls the framework “a box containing the kinds of plans and principles that carriers have agreed to abide by.” However, the agreement is not prescriptive. It does not set out how they need to respond to certain situations.

“There is a lot of leeway within that agreement to allow carriers to do different things,” she says.

Also as a principles based agreement, it does not have a “recipe” as to exactly how the insurance company or carrier will do things, but is an agreement on how they are going to operate. It is designed to insulate eligible groups from the full financial impact of some of these large occurring claims and it allows groups to shop for a competitive price if they do have a high claim.

Key principles in this agreement are:

- It has to be available to all insured groups in Canada.
- It should be affordable.
- It should be transferable.
- The pool has to remain viable and have some mechanisms in place to ensure its viability.
- It has to be participative.

Under the agreement, all fully insured groups have to participate in the Extended Healthcare Policy Protection Plan (EP3) program of their insurance company. EP3 is an arrangement between a plan sponsor and an insurer to provide pooling protection for drugs for qualified fully insured drug programs. Insurers have created various EP3 pools into which they will fit all of their fully insured drug plans.

No Opt Out

As well, there is no opt out provision, she says. “Participating insurers have agreed that they are going to place all their large drug claims from all of their fully insured business into a self-administered pool.”

There is a second pool as well – an industry pool – and, Leong says, “you could almost draw a line between those two” because the second pool is really behind the scenes. “It is not physical to the plan sponsor or the advisors and, in a lot of cases, it is not even visible to the people within each carrier. It really is a behind-the-scenes mechanism for trying to manage the risk of some of these high claims.”

To ensure the market remains competitive, this pool is open to every organization in Canada that is eligible to join the Canadian Life and Health Insurance Association. “I would like to stress this because I think there is concern that whenever the carriers get together, there are issues about competition. The agreement is there to maintain the fact that there is still going to be a competitive marketplace in the country,” she says.

Competitiveness Maintained

This competitiveness is going to be maintained by allowing individual insurers to set their own pooling points. They can set premiums based on the experience of those pools or based on anything else that is not client specific.

They can also determine whether or not they want to pool on their EP3 block business at the individual level or at the certificate level. They can still have co-pays and deductibles subject to the cap of $1,100 per person or $2,200 per family. They could still have whatever formulary design they want. They can also have multiple EP3 solutions for different market segments.

Groups in the EP3 program are those that were fully insured on June 7, 2011. Fully insured plans do not include plans that are ASO, refund accounting, or ASO with stop loss. Fully insured groups were selected because they already understood that they needed some kind of insured product and understood that they could not take the full financial risk of the drug plans.

For benefits plan sponsors, there is now a consistent approach to the marketplace in terms of these large amount claims and the pooling for them. Carriers cannot move groups from a good pool to a bad pool. They have to create their EP3 pools on something other than experience. They cannot experience rate based on the number and value of the pool claims that a plan sponsor might have.

This means, says Leong, for the sponsor, there is not too much difference. They will continue to have an insured plan. They are going to continue to work as they did before with their advisor and insurer and the advisor will monitor the financial experience as always.

Insurers will continue to adjudicate drug claims the way they do today. There is nothing in the agreement that says they have to change their adjudication practices. Paid claims are the key metric for determining pooling. At the point in time when companies are looking at what claims are in or out of their EP3 pool, they have already been adjudicated and paid.

This article is based on remarks made in the speech ‘The New High-Cost Drug Pooling Mechanism’ by Shirley Leong, executive director of the Canadian Drug Insurance Pooling Corporation, at the 2013 CPBI Saskatchewan Regional Conference.
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PH: 204-775-0151 Fax: 204-774-1761 eMail: andreww.yorke@mb.bluecross.ca Web: www.mb.bluecross.ca Net Premiums - Group Health: $90.9M ASO: $179.7M Client Profile (By # of Employees) 1 to 100: 928 101 to 500: 213 501 to 1,000: 43 1,000+: 74

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PH: 506-867-4691 Fax: 506-867-4651 eMail: laurier.fecteau@medavie.bluecross.ca Web: www.medavie.bluecross.ca Net Premiums - Group Health: $330.7M ASO: $697.7M Products/Services: Hospital, Travel, Extended Health, Pay Direct Drugs & Dental, Reimbursement Drugs & Dental, Health Spending Accounts, Health Risk Assessment, Employee & Family Assistance Program, Attendance Support Program, Enhanced Wellness Benefit Modules, Flex Benefits Plans, Web/Online Reporting, Provider Claim Submissions Over the Web, Cost Plus, Group Assured Access, Second Opinion Client Profile (By # of Employees) 1 to 100: 3,317 101 to 500: 198 501 to 1,000: 43 1,000+: 60

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PH: 604-419-2005 Fax: 604-419-2014 eMail: mnord@pac.bluecross.ca Web: www.pac.bluecross.ca Net Premiums - Group Life: $45,492M Group Health: $193,021M ASO: $828,763M Products/Services: Hospital, Travel, Extended Health, Pay Direct Drugs, Dental, Health Spending Accounts, Health & Wellness Programs, On-line Claims Submission, Mobile App for Claims Submission, Life, Disability, Voluntary Benefits, EFAP, Pharmacy Compass, Second Medical Opinion Client Profile (By # of Employees) 1 to 100: 2,375 101 to 500: 225 501 to 1,000: 62 1,000+: 86

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PH: 306-667-5425 Fax: 306-664-1945 eMail: tpeterson@sk.bluecross.ca Web: www.sk.bluecross.ca Net Premiums - Group Health: $46M ASO: $14.8M Products/Services: Health, Dental, Drugs, Travel, Drug Card, EFAP, Medical Second Opinion, HSA, Vision Care, ASO, Health Assessment Client Profile (By # of Employees) 1 to 100: 1,116 101 to 500: 62 501 to 1,000: 3 1,000+: 6

CIGNA LIFE INSURANCE COMPANY OF CANADA Anna Liu, Controller; 55 Town Centre Court, Ste. 606, Scarborough, ON M1P 4X4 PH: 416-290-0732 Fax: 416-290-0732 eMail: anna.liu@cigna.com Net Premiums - Group Life: $2.1M Group Health: $44.5M ASO: $200,000 Products/Services: Expatriates Benefits, Life, Medical, Dental, Long-term Disability, Short-term Disability, Travel Accident, AD&D, Personal Accident

CO-OPERATORS, THE Conor Quinn, Vice-president, Group Benefits Insurance; 1920 College Ave., Regina, SK S4P 1C4
PH: 306-761-7928 eMail: conor.quinn@cooperators.ca Web: www.cooperators.ca Net Premiums - Group Health: $33.2M Group Life: $169M ASO: $51.3M Products/Services: Dental Coverage/Online Dental Claims, Drug Coverage/Drug Cards, Extended Healthcare, Supplementary Hospital, Long-term Disability, Disability Management Consulting (PosAction Plus, Early Intervention), Short-term Disability, AD&D, Flexible Benefits Plans, Employee Assistance Program, Wellness Program, Critical Illness, Health Spending Account, Employees Booklets & Reference Materials, Rehabilitation Services, Staff with Medical Expertise, Small Group Business Products, ContinYou, Prenatal Benefit, Second Opinion Consult, Vision Care, Life, Living Benefits Client Profile (By # of Employees) 1 to 100: 3,109 101 to 500: 181 501 to 1,000: 29 1,000+: 30

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PH: 877-828-7800, ext. 4904 or 418-838-7800, ext. 4904 Fax: 418-838-7581 eMail: jfchalifoux@difs.ca Web: www.desjardinslifeinsurance.com Net Premiums - Group Life: $228.4M Group Health: $1,787.7M ASO: $136.5M Client Profile (By # of Employees) 1 to 100: 2,527 101 to 500: 635 501 to 1,000: 90 1,000+: 134

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equitable.ca Net Premiums - Group Life: $21.7M Group Health: $189.9M ASO: $44.2M Products/Services: Life, AD&D, Short-term Disability, Long-term Disability, Extended Healthcare, Dental, Healthcare Spending Account; Health Connector Services – EAP, Feeling Better Now, CAREpath, World Care (Second Medical Opinion), Health Risk Assessment, Critical Illness Client Profile (By # of Employees) 1 to 100: 1,622 101 to 500: 285 501 to 1,000: 28 1,000+: 6

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INDUSTRIAL ALLIANCE, INSURANCE AND FINANCIAL SERVICES INC. Scott Heard, Vice-president, Sales & Marketing, Group Insurance; 522 University Ave., Ste. 400, Toronto, ON M5G 1Y7 PH: 416-585-8911 Fax: 416-598-5131 eMail: scott.heard@inalco.com Web: www.inalco.com Net Premiums - Group Life: $89.8M Group Health: $776.2M ASO: $87.5M Products/Services: AD&D, Critical Illness, Dental Care, Early Intervention Program, Employee Assistance Program, Extended Healthcare, Flexible Benefits Plans, Health Spending Accounts, Living Benefits, Long-term Disability, Medical Navigation System, Out-of-country, Disability Payment, Trip Cancellation, Wellness Programs Client Profile (By # of Employees) 1 to 100: 27,740 101 to 500: 1,603 501 to 1,000: 230 1,000+: 352

LA CAPITAле ASSURANCES ET GESTION DU PATRIMOINE INC. Dean Bergeron, Director, Marketing & Workplace Attendance Management; 625, rue Saint-Amable, Quebec City, QC G1R 2G5 PH: 418-266-8194 Fax: 418-644-4352 eMail: dean.bergeron@lacapitale.com Web: www.lacapitale.com Net Premiums - Group Life: $42.8M Group Health: $420.8M ASO: $13M Products/Services: Dental only, Drug only, Extended Health, Supplementary Hospital, Long-term Disability, Weekly Indemnity, Flexible Benefits Plans, Employee Assistance Program, Critical Illness, Health Saving Accounts, Communication Material, Eligibility Data Submitted Electronically to Adjudicator, Legal Assistance Insurance, Work Attendance Management Programs, Rehabilitation Services, Travel Insurance, AD&D, Drug Cards Client Profile (By # of Employees) 1 to 100: 3,873 101 to 500: 206 501 to 1,000: 18 1,000+: 28

MANULIFE FINANCIAL Sue Reibel, Senior Vice-president, Group Business Development; 600 Webster St. N., Waterloo, ON N2V 1K4 PH: 519-747-7000 x237980 Fax: 519-744-9407 eMail: sue.reibel@manulife.com Web: www.manulife.com/groupbenefits Net Premiums - Group Life: $623.5M Group Health: $3,297.6M ASO: $2,815.5M Products/Services: Extended Healthcare & Dental, Pay Direct Drugs, EDI Dental, Supplementary Hospital, Vision Care, Emergency Travel Assistance & Out-of-country, Health Service Navigation & Second Opinion Services, Flexible Benefits, Healthcare Spending Accounts, Employee & Family Assistance Plans, Direct Deposit & eOB, Wellness, Absence Management, Short- & Long-term Disability, Rehabilitation Services, Occupational & Health Management Services, Group & Optional Life Insurance, AD&D, Member-paid Personal Benefits, Critical Illness, Optional Benefits, Custom Communications Materials, Online Claims Submission, Secure Plan Member & Administrator Websites, Toll-free Customer Service Centre with IVR & Email Access, Preferred Provider Networks, Pharmacy Benefit Management Options, Administration Services for Flexible Benefit & Traditional Plans Client Profile (By # of Employees) 1 to 100: 16,602 101 to 500: 1,039 501 to 1,000: 226 1,000+: 416

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SSQ FINANCIAL GROUP Carl Lafamme, Senior Vice-president, Group Insurance; 2525 Laurier Blvd., Box 10500, Quebec City, QC G1V 4H6 PH: 418-650-3457 x6598 Fax: 418-652-2737 eMail: carl.lafamme@ssq.ca Web: ssq.ca Net Pre-
mums - Group Life: $110.3M
Group Health: $993.9M
ASO: $27.7M
Products/Services: Dental, Drug, Extended Health, LTD & STD, Life Insurance, AD&D, Flexible Benefits Plan, Critical Illness Insurance, Co-ordination of Benefits, Communication Material, Drugs & Dental Cards, Rehabilitation Services, Health & Wellness Program, Income Insurance Early Intervention Program, Direct Deposit, In-house Medical Expertise
Client Profile (By # of Employees) 1 to 100: 18,235
101 to 500: 1,329
501 to 1,000: 280
1,000+: 402

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Web: www.standardlife.ca

Net Premiums - Group Life: $74.7M
Group Health: $528.7M
ASO: $128.9M (ASO Premium Equivalent)
Products/Services: Weekly Indemnity, Long-term Disability, Health Spending Accounts, Extended Healthcare, Electronic Drug Cards, Electronic Dental Claims, Adjudication, Employee Assistance Program, Health & Wellness Programs, Rehabilitation Services, Disability Consulting Services & Travel Assistance, Employee Communication Material, Toll-free Member Interactive Voice Response, Internet Administration
Client Profile (By # of Employees) 1 to 100: 18,235
101 to 500: 1,329
501 to 1,000: 280
1,000+: 402

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Net Premiums - Group Life: $609M
Group Health: $2,912M
ASO: $3,882M
Products/Services: Extended Health, Dental, Drug, Travel Benefits, Vision, Drug Intervention Programs, Pay-direct

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ANNUAL DIRECTORY
In the first part of ‘Psychological Health And Safety in the Workplace,’ Karen Treml, staff writer at Benefits and Pensions Monitor, provided an overview of the new CSA Standard, ‘Psychological health and safety in the workplace – Prevention, promotion, and guidance to staged implementation.’ The overview looked at the history of this standard as well as what it includes, its intent, the business case, and an outline of the obligations and liability as a result of the standard.

Psychological health and safety in the workplace – Prevention, promotion, and guidance to staged implementation’ is a voluntary standard that “is trying to protect mental health and to promote mental health and it does it in that order,” says Dr. Martin Shain, a member of the technical committee on psychological health and safety in the workplace and founder and principal of the Neighbour at Work Centre, a consulting agency in the area of workplace mental health and safety.

Craig Thompson, CEO at Homewood Human Solutions, says “the work that has been done in defining the standard is incredibly important both for workplaces in Canada and also for the trickle down effect it is going to have on individuals, couples, and families in the Canadian context.”

Duty And Diligence
At the same time that the standard is recognized as voluntary, it does, however, also reflect case law and represents a guideline for the courts to use in determining the outcome of cases involving psychological health in the workplace. Therefore, although voluntary, it nevertheless places respon-
sibility on the employer to exercise due duty and due diligence and to develop policies and procedures that promote and maintain both a psychologically safe and psychologically healthy workplace.

Over the last 12 years or so, the bar has been lowered. While there are well-known sources of psychological injury – including the obvious candidates of harassment, bullying, and discrimination – legal liability has grown to include things such as careless or negligent behaviour. The courts are putting liability onto the employer to recognize whether or not an employee is potentially having a psychological issue and to take proper steps to help that employee. Seventy-five per cent of the cases that come to court have to do with some sort of failure to engage in appropriate conversations with employees suffering psychological issues, says Shain.

As a result of the changing legal landscape, one of the implications of the standard is to recognize the importance of recruiting, selecting, hiring, promoting, and evaluating, particularly, people in managerial or supervisory positions for the added skill set of interpersonal competence or emotional attachment – basically a floor level of skills to address issues. “It is not like we have to be hypersensitive counselors or anything like that,” says Shain. Mary Ann Baynton, of Great West Life and chair of the technical committee on psychological health and safety in the workplace, agrees. “We want to address the myth that the standard is about the mental health assessment of employees. It is not. The issues that are addressed are organizational processes, policies, strategies, and practices. It is not about assessing individual employee health.”

Shain says his ‘anti-standard’ outlines the workplace behaviour that the standard is really trying to eliminate. “I call it the ‘Ten Steps To A Psychologically Unsafe Workplace.’ These things seem extreme, but they are actually things that the law deals with all the time and, therefore, the standard is directed toward them. The anti-standard is really the building block of that 25 to 33 per cent of claims that stem from psychological injury. The list includes:

- show that you really do not care
- make fun of anyone who is struggling
- make fun of anyone who is different
- shut down discussion
- expect too much
- give nothing in return
- be arbitrary, unpredictable, and inconsistent
- ignore signs of conflict

If you do all those things, you are in good shape for ending up in court.”

No Fear

While the standard does indeed reflect case law and, therefore, becomes a guideline for the courts, its intent is, and it is designed to be, a framework to serve as a guideline to employers who wish to develop or build upon a positive culture that includes a psychologically safe and supportive workplace. Baynton hopes that employers are motivated by things other than fear of legal liability or grievances. “I think businesses need to consider those things. Being unemployed is really bad for mental health and staying sustainable and productive and profitable is something that all of us should share with the employer. Unions should know that; employers should know that; and employees should know that. That is why I say it is not an either/or. It is both and I hope that they do not do it just out of fear. I hope they do it because there will be a benefit and that really is our next step, to support those that are already doing it to share their experiences with the public so that other organizations can see, practically speaking, how it was done, what the challenges were, what the successes were, and what the outcomes were. We hope to encourage people to do it because it is in their own best interest and the best interest of business, not because they are afraid of fallout.”

Understanding The Standard

Understanding that ‘Psychological health and safety in the workplace – Prevention, promotion, and guidance to staged implementation’ is a framework and a guideline will help employers understand its significance to them. “It provides an opportunity for any employer in Canada, and it does not have to be a large national employer, who is committed to building a healthy and safe workplace to augment what they have done to date or to maybe even have this as a focus,” says Thompson. “There are things that can be done that do not cost a lot of money and are not onerous for an organization to undertake. There are some very simple and practical things that can be done — whether you start with some policy development and language around what it means to promote a psychologically healthy workplace or incorporate some specific training for the leaders in your organization. There are groups, like us, that can provide that type of training and it is not expensive. We are not talking weeks of training, we are talking a day-long training event for leaders to become attuned to what the context of mental health and mental illness is within a workplace.”

Sue Brown, principal, health and productivity at Mercer Investment Consulting, says training is targeted at leaders because the standard is really about implementing a psychological health and safety system in the workplace. It has to be strategic. It needs to be at the executive or leadership level where decisions can be made. Brown says training and understanding is very important. “A lot of times we find people talking about mental illness and how to manage employees with mental illness. That is not what the standard is all about. The standard is about developing a healthy workplace culture that can avoid mental injury. If an employer does not understand this then they start trying to develop solutions to help mentally ill employees and they are missing the whole essence of the standard. Training also helps employers understand their due duty and due diligence and the consequences.”

Brown says employers should be embracing the standard because it is there to help them. They can learn to address the various areas so that the risk to them in the workplace is decreased.

The Future

It is early days for the standard and really too early yet to assess its effect. Short term, Brown says everyone is just curious about what this means for them and what their obligations are towards the standard. “We have a lot of questions from our clients in regard to whether it is truly voluntary or legislated and whether

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they have to do it. We advise them that it does not matter. The fact that the standard is there and is referenced and referred to in law, in essence makes it the law. The fact that it is identified and recognized as a best practice is what matters. “Long term, I think as more and more organizations embrace it and develop a system within their own organization to meet the standard, and we have some good examples and testimonials as to what is accomplished and how it has impacted them, then more and more organizations will implement the system,” she says.

Thompson agrees and says that initially the groups who are most sensitive or alert to the need to act will take the steps to incorporate the standard into their policies and cultural fabric. “Those being early adopters, they will show some evidence that this is not only just a good thing to do as an employer, but it actually translates into more effective outcomes from the business point of view. Whatever the key performance metrics might be, whether they are financial or non-financial, quantitative or non-quantitative, hopefully they will provide wide-spread awareness to other organizations that will take note and do the same.” Thompson also says that some follow up and review of the standard at the federal or provincial level to provide enhancements to the guidelines may prove beneficial.
Bell Canada’s ‘Let’s Talk’ Mental Health Initiative

Bell Canada’s ‘Let’s Talk’ mental health initiative focuses, in part, on workplace mental health. It is a five-year, $50 million program to move mental health forward in Canada. It consists of four pillars, one of them being workplace. The other three are anti-stigma, care and access, and research.

Mary Deacon, chair of Bell’s mental health initiative, says “when we launched the initiative in 2010, we determined that it was essential for us to lead by example in terms of our own practices.”

“We embarked on a journey to understand what best practices in workplace mental health looked like and where we could find the best authoritative information for implementing it. We discovered there was no agreed upon best or promising practices guidebook or handbook on workplace mental health practices. That led us to work and partner with the Mental Health Commission of Canada and the two standards organizations, BNQ and CSA, to fund the creation of what is now the standard for psychological health and safety in the workplace.

“While the work on the standard was being done, we, as an organization, did not want to wait. So we began our own effort to look at and consider areas that we thought we could begin to make progress on in terms of workplace mental health practices. When the standard came out, I think it would be fair to say that a number of the things that we had put in place and had started to work on were absolutely consistent with, and aligned with, the elements as described in the standard. We were implementing the standard as a natural extension of the work that we had already done as part of our Let’s Talk initiative.

“Validation

“We have been able to get some strong validation from the standard on the activities that we had started, but it is also useful in providing us with some ideas and guidance in areas that we could do more in. It is a helpful tool – a document that helps identify gaps in our systems and processes. It also provides information and resources to help fill those gaps. The standard asks for a framework in management system for continuous improvement, which is really important because it is more of a journey than a destination. The standard as it is currently written is a really good step in the direction of eventually having that ‘how-to’ best practices guide in workplace mental health.

“Mandatory Training

“We have very good support both at the leadership level and all through our organization for our mental health initiative and it has had a profoundly positive impact in the organization. The leadership that we have shown in mental health, broadly speaking, has been very positive for Bell in terms of its employee pride and engagement in the company, real recognition that this is something that needed leadership, and real pride that we have stepped up and tackled an issue that really had not received a tremendous amount of leadership from corporate Canada. Certainly, there was a very strong commitment and understanding of the necessity and importance of leading by example in our own workplace. The HR community at Bell, our managers, and our employees are all seeing the benefit of our efforts in this area.

“Looking Ahead

“The approach that we are taking here at Bell is that we are integrating the mental health standard into our occupational health and safety framework and I think the time will come when it will become part of the way companies do business. When that happens, and it is no longer something new or nice to do, then companies will also see the benefits. If I was to look forward 10 years from now, the standard will just become the way we do business. At Bell, we are certainly committed to implementing the standard and really encourage other Canadian corporations. Mental health is a business issue and the standard is an important way forward for addressing that business issue.”

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Real Assets Emerge As Compelling Option

By: Kim G. Redding

The current low growth, low rate environment is leading to heightened demand for yield-oriented investments and income-producing asset classes. Real assets have emerged as a particularly compelling option, offering a unique combination of yield, stability, and growth, as well as a hedge against inflation. Within the universe of real asset opportunities, demand for infrastructure has accelerated in recent years, as investors have recognized the attractive characteristics and growth potential of the asset class. Amid the constraints of the current market environment, infrastructure investment offers an appealing path to enhance existing portfolios and strengthen future performance.

Backbone Of The Global Economy

Infrastructure is often described as the backbone of the global economy. Broadly defined, it encompasses long-lived physical assets that provide essential products and services to the world’s population. These include toll roads, airports, sea ports, oil and gas pipelines, electricity transmission/distribution lines, timber, communication towers, and water distribution.

In recent years, the potential for private sector involvement in the infrastructure asset class has expanded meaningfully. Global population growth has created demand for new infrastructure at a time when existing assets are in need of refurbishment or replacement. Additionally, rapid population and economic growth in emerging markets has created the need for new infrastructure development. A recent analysis conducted by the Organization for Economic Cooperation and Development (OECD) projected the level of infrastructure investment required to meet these growing demands in developed and emerging markets as equal to 3.5 per cent of world GDP through the year 2030, or approximately $70 trillion. As economic distress has depleted government resources to fund these expenditures, the opportunity for private investment has grown significantly.

Generally Captive Demand

In addition to this meaningful growth potential, the infrastructure asset class also offers compelling investment attributes within the current market environment. As infrastructure tends to provide basic, irreplaceable public services, utilization is largely need-based rather than discretionary. Moreover, infrastructure assets frequently benefit from a monopolistic position in the marketplace.
with high barriers to entry due to regulatory requirements, significant initial capital costs, irreplaceable locations, or essential economies of scale. As a result, demand is generally captive and relatively stable.

Infrastructure assets also tend to produce steady cash flow streams, with a strong yield component. Regulatory contracts or concessions underlying these assets commonly last 30 to 99 years, with pricing provisions that often provide a predictable return over time. Furthermore, revenues from infrastructure assets are typically linked to inflation. In certain instances, revenue growth tied to inflation is embedded in concession agreements or regulatory frameworks. In other cases, owners of infrastructure assets are able to pass inflationary price increases through to consumers, due to the essential nature of the assets and inelastic demand for their use. Accordingly, infrastructure assets may generate consistent, stable cash flow streams with lower volatility than produced in other asset classes.

Depending on investor needs surrounding liquidity, investment horizon, and capacity, there are a number of avenues for accessing the infrastructure asset class including direct ownership of an asset or private company, direct investment through private funds, investment in publicly listed infrastructure securities, investment in listed infrastructure indexes or ETFs, or investment in asset-level debt. The most common forms of equity investment are either through private funds or through listed securities.

Private funds generally target control investments in infrastructure assets or companies. Importantly, this control facilitates the ability to enhance investment value through operational improvements, expansion of existing operations, acquisitions, or debt refinancing. Private funds are also able to manage and influence the strategy of controlled entities, realizing synergies and efficiencies as well as optimizing investment returns. As interest in the infrastructure asset class has accelerated in recent years, demand for private funds has risen with more than $200 billion of equity invested in such vehicles since 2005, says the ‘2013 Prequin Global Infrastructure Report.’

Compelling Current Yield

Listed infrastructure securities offer investment in the same cash flows and assets as direct infrastructure opportunities. The liquidity of the public markets provides the added benefits of real-time transparency on pricing and value of an investment and immediate execution of portfolio rebalancing activity. Additionally, listed infrastructure securities allow investors to diversify portfolio holdings across asset type, geography, and currency in an efficient and cost-effective manner. With a current market capitalization of more than $1.5 trillion, listed infrastructure securities offer a potentially powerful combination of compelling current yield, stable bond-like cash flow, and equity market upside.

Regardless of the vehicle employed to access the asset class, infrastructure represents an exceptional global investment opportunity. As investors seek to navigate prevailing market conditions, infrastructure offers attractive current income, relatively stable cash flow streams, a natural hedge against inflation, and growth potential.
price tags in the hundreds of millions. That is not an option for smaller funds. However, smaller funds who desire the same characteristics and advantages of owning direct equity real estate can do so with pooled funds. It is important to note in this context that REITs are not a substitute for direct equity real estate, they can be regarded as the first derivative of direct real estate, are equity securities, and more closely correlated to equity than real estate (especially under stress).

Pooled funds provide an effective and operationally efficient way for long-term investing to capture the inherent advantages and benefits of real estate.

The pooled fund solution can be assessed across four dimensions: structure, size, strategy, and sector.

The two principal structures are open-end and closed-end. Open-end funds are perpetual, with periodic offerings, often as frequently as quarterly, for new purchases and redemptions. Closed-end funds are just that, closed to purchases or withdrawals for a fixed period of time, typically 10 years following an initial investment period.

The two options both have advantages and disadvantages. The open-end fund obviously affords liquidity not available in a closed-end fund. Managing the liquidity means that a portion of the fund is normally in cash, with a corresponding impact on the total return. As well, open-end funds tend to be more diversified with sector allocation across office, retail, industrial, and multi-family residential to reflect the composition of the market. Closed-end funds are often more specialized with the associated potential for higher returns, along with higher risk.

In Canada, the open-end funds tend to be much larger. Open-end funds managed by the large life insurance companies and a few independent managers range from just over $1 billion to almost $8 billion. The closed-end funds are usually much smaller, with many in the $100 million to $200 million range.

**Four Types**

Investment strategy in real estate generally fits into one of four types. In increasing order of risk and potential return, they are core, core plus, value-add, and opportunistic.

The core strategy focuses on existing buildings, well-leased with quality tenants and mostly located in primary markets. Portfolios are well-diversified by property and sector. Use of leverage is limited, sometimes up to 40 per cent, but more commonly in the 30 per cent range.

Opportunistic is the other extreme. These are often niche strategies with high concentration and may include one or more of raw land, distressed properties, development, and special use properties. Leverage is usually higher, often 60 per cent or more. Leverage is, of course, a two-edged sword, amplifying both gains and losses.

Large, open-end funds are generally core, with a portion allocated to core plus. Value-add and opportunity strategies are most commonly found in smaller funds and often in closed-end funds.

Investors seeking to build out a comprehensive real estate portfolio will be well served by a mix and match of open and closed funds. The logical place to start is with an open-end fund with a core strategy. As the portfolio grows, it can be diversified with the addition of smaller, closed-end funds, picking up potential incremental return, an element of higher risk, and some specialization.

**Fee Structures**

A complicating factor in assessing the various funds is fees. Unlike other asset classes, there is very little uniformity in fee structures. Generally in long-only equity, for example, there is one asset management fee, based on the market value of the portfolio. Real estate funds usually have asset management fees and property acquisition fees and may have disposition fees and other operating costs unique to real estate as well. It means that things aren’t always what they seem. For example, a fund with an attractively low headline investment management fee and a market-standard acquisition fee schedule, but with a disposition fee, can wind up costing just as much or more as a fund with an apparently much higher investment management fee. In selecting real estate funds, as with any other investment, careful analysis is rewarded.

In summary, real estate is an ideal investment for any long-term, balanced portfolio. The wide variety of pooled funds available makes it really accessible to every investor.

### Table 1

Comparative Returns By Asset Class
(Time-weighted returns to December 31, 2012)

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
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<tbody>
<tr>
<td>Realpac/IPD Canada Annual Property Index</td>
<td>14.1</td>
<td>13.6</td>
<td>8.7</td>
<td>11.7</td>
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<tr>
<td>S&amp;P TSX Composite</td>
<td>7.2</td>
<td>4.8</td>
<td>0.8</td>
<td>9.2</td>
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<tr>
<td>Dex Universe</td>
<td>3.6</td>
<td>6.6</td>
<td>6.4</td>
<td>6.0</td>
</tr>
<tr>
<td>S&amp;P 500 (CAD)</td>
<td>13.4</td>
<td>9.0</td>
<td>1.8</td>
<td>2.3</td>
</tr>
<tr>
<td>MSCI World (CAD)</td>
<td>13.3</td>
<td>5.1</td>
<td>-1.0</td>
<td>2.7</td>
</tr>
</tbody>
</table>

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at Integrated Asset Management

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Rick Zagrodnny
President of GPM Investment Management

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During the past decade, global agricultural production has transitioned from an industry characterized by chronic over supply and deflationary pressure to one of systemic supply shortages and rising commodity prices. The causes of this transition are well-documented:

- rising global demand from increasing population
- greater demand for protein from changing diets in emerging economies
- new demand driven by biofuel mandates
- supply disruptions from water shortages
- changing climates in many of the world’s largest producing countries.

These secular trends have driven agriculture commodity stockpiles to near record lows and placed significant strain on the global production system. Both the supply and demand for agricultural commodities are highly inelastic. So regional supply shocks from events such as drought in the U.S. or floods in South America can lead to high volatility and higher prices for agriculture commodities. These secular supply and demand trends form the foundation of the agricultural investment thesis.

Compelling Opportunity

Canadian farmland offers a compelling opportunity for risk-averse investors with long-term investment horizons. On balance, the asset class has produced attractive risk-adjusted returns over the past 60 years, produced greater real returns during periods of high inflation, and has shown very little correlation to financial assets. Investments in farm real estate also allow an investor the flexibility to use leverage, or take commodity exposure through crop-share leases, to suit their appetite for risk.

Still In Infancy

Institutional investment in Canadian farmland is still in its infancy and so farmers, not investors, set prices for farmland in this country. Studies show that for more than 60 years, Canadian farmland prices have been driven primarily by three factors: rising farm revenues, increasing farm productivity, and farm consolidation. Looking forward, the outlook for all three of these determining factors is positive and so the investment thesis for Canadian farmland appears solid.

Canadian farmland also holds enviable advantages for investors over farmland in many other major agricultural regions:

- ease of access to high growth international markets
- technologically sophisticated farmers
- well-developed transport infrastructure
- rule of law
- transparency
- solid property rights.

All of these favour Canada over many other potential regions. But even more significant are Canada’s natural competitive advantages:

- plentiful supplies of water for agricultural use
- fertile soils that are less degraded than most other nations
- an agricultural sector that, on balance, is expected to be a net beneficiary of a changing climate

These advantages will become even more evident over the coming decades. For example, on a global basis, the UN...
estimates agriculture consumes more than 70 per cent of renewable fresh water resources annually (a figure that is closer to 90 per cent in the more populous developing nations), while more than 25 per cent of the world’s productive land base has been severely degraded. By comparison in Canada, one of the most water rich nations on earth, agriculture uses just 12 per cent of renewable water resource and has experienced significant degradation on only about two per cent of its land base. Moreover estimates of climate change indicate that, unlike most other agricultural regions, Canadian agriculture is expected to be a net beneficiary of anticipated warming and precipitation effects. (See Figure 1)

Natural Advantages

Despite Canada’s substantial natural advantages, there is a large and growing need for capital in the agricultural sector. Undercapitalization and, particularly, capital flexibility have traditionally been, and remain, the limiting factors to growth in Canadian agriculture. There is also a large generational transition that is already well underway and that provides further opportunity for investment capital.

In 2011, half of Canadian farmers were over the age of 55. The emerging generation of young farmers is fewer in number, but is driving a trend of rapid farm consolidation, operating much larger farms more profitably.

But they need access to new and larger sources of capital to continue this trend. Profitable production is primarily a function of scale since scale is needed to achieve efficient capacity utilization and drive down the average cost of production. Given the capacity of modern farming equipment and processing infrastructure, an efficient cash crop farm can require in excess of 3,000 acres in eastern Canada and more than 10,000 acres in western Canada, depending on the location and production system. The value of the real estate in these operations can easily exceed $20 million per farm, so it is little surprise that land and real estate form more than 80 per cent of the assets of the farm sector’s balance sheet indicating the tremendous need for third-party financing to facilitate farm succession, consolidation, and growth.

Compelling Attributes

Despite the compelling attributes of Canadian farmland, investors make up only a tiny fraction of the market. Despite an estimated total farmland value of $300 billion, of which between approximately $9 billion and $15 billion change hands in a given year, only a few hundred million dollars of private capital has been devoted to Canadian farmland to date. On a global basis, institutional participation in farmland markets has increased at a tremendous pace, but Canada lags this trend. Since 2008, Canadian institutions have invested in excess of $1 billion in international farmland, but have avoided the domestic opportunity to date. Challenges include a fragmented political and regulatory framework for agriculture and few experienced investment managers with expertise in the space.

But, given the investment merits of Canadian farmland, this situation is changing rapidly and investor capital is beginning to flow into Canadian agriculture in new and innovative ways.

Is the Abyss Staring Back?

Distressed investing is a process-oriented, event-driven investment discipline that spans all asset classes. Although pockets of distress exist at all times either through individual deals with idiosyncratic issues or asset classes suffering under the weight of systemic shifts or cyclical pressures, distressed investing in any single asset class or strategy is not evergreen. Tactical deployment drives returns in distressed investing. As such, distressed investors are always looking to where the next pocket of distress is forming.

“Distrust and caution are the parents of security.”

– Benjamin Franklin
Investing in global real estate markets requires first-hand knowledge.

That’s why we like to keep our feet on the ground.

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 $30 billion\(^1\) invested in direct and multi-manager strategies, Aberdeen is among the world’s largest investors in global real estate markets\(^2\). 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:

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renee.arnold@aberdeen-asset.com

\(^1\) December 31, 2012. \(^2\) The Institutional Real Estate Letter—North America, October 2012. 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.
Recent central bank actions have inflated asset prices and provided stability to the capital markets. The directed actions have reverberated to other asset classes and, intended or not, have impacted corporate balance sheets. For example, the quantitative easing actions by the Federal Reserve have driven interest rates in the U.S. to historically low levels. In response, these actions have driven yields and spreads in risky assets to extremes.

**Perception Of Risk**

In fact, at the beginning of 2012, the spread between leveraged loans and high yield in the U.S. was approximately 143 basis points, according to JP Morgan High Yield Research. After a year that included the risk of Greece leaving the European Union, contagion spreading to Spain and Italy, and highly contentious elections in Greece and the U.S., the spread between these asset classes was 27 basis points on December 31, 2012. The perception of risk was mitigated by central bank actions including the Long Term Refinancing Operation, the European Financial Stability Facility, the European Stability Mechanism, and the expansion of Operation Twist in the U.S.

Today, an asset bubble appears to be forming in the high yield market. In the quest for yield, investors have migrated across asset classes and risk categories into high yield. According to AMG Data Services, high yield funds attracted $30 billion of net capital in 2012, the third largest annual inflow in a decade. Not to be outdone, the CLO market resurgence of 2012 brought $55 billion of demand for loan product.

“Study the past, if you would divine the future.”

– Confucius

As a result of the increased inflows of capital into high yield and leveraged loans, riskier U.S. issuers have had unprecedented access to capital. According to JP Morgan Chase Research and S&P LCD data, leveraged market borrowers issued a combined record $670 billion of loans and bonds in 2012. As shown in Exhibit 1, the recent trend in issuance mirrors prior cyclical peaks.

In addition, total leverage, defined as net debt (total debt less cash) divided by EBITDA (earnings before interest, taxes, depreciation, and amortization), has been increasing in the new issuance market, as shown in Exhibit 2. Despite the significant component of issuance dedicated to refinancing, dividends and other general corporate purpose activity, including acquisitions, have increased as a portion of usage.

Finally, U.S. issuers have been able to dictate more favorable terms on the newer issued loans and bonds. Maturities have extended with high yield deals reaching up to 10 years and...
covenant protections have been weaker than historically normal levels.

**Default Activity**

Historically, the leveraged credit markets have experienced an increase in default activity following a peak in issuance. In combination with the aforementioned leverage levels and the characterization of the more recent deal activity, the likelihood for another increase in default activity exists. Further impacting the potential for default activity is the growth in lower rated issuance (single-B and below or unrated), which has accounted for more than 50 per cent of issuance since 2010, according to JP Morgan Chase Research. The annual New York University Salomon Center Leonard N. Stern School of Business ‘Special Report on Defaults and Returns in the High Yield Bond and Distressed Debt Market,’ written by Edward Altman and Brenda Kuehne, analyzes default activity since 1971 and produces a mortality curve by rating. According to this report, within five years of issuance, single-B and CCC rated bonds have a 28.7 per cent and a 47.9 per cent probability of defaulting, respectively.

“Those who cannot remember the past are condemned to repeat it.”

– George Santayana

Today, the lessons of the Global Financial Crisis appear to be forgotten by the leveraged capital markets in the U.S. Demand for yield has stripped the rational investor of rational thought. Portfolio risk planning exercises are being ignored in lieu of short-term gains. The impact of government intervention is being felt in the inflation of asset prices to levels previously experienced only in the period preceding the tech and telecom bubbles of the late 1990s and the liquidity bubble of 2007 and 2008. Regulators have recently cautioned markets on loose lending standards and investors on the mispricing of risk. However, until the central banks of the U.S. and Europe decrease market participation, markets will likely remain irrational. But, once this artificial demand subsides, is history condemned to repeat itself?

**REAL ESTATE & ALTERNATIVE INVESTMENT MANAGERS**

**ANNUAL REPORT & DIRECTORY**

**Smooter Sailing Through Treacherous Water With LRES**

**By: Bernice Miedzinski & Clive Morgan**

First, the good news. The Towers Watson Pension Index, based on a 60 per cent equity/40 per cent bond portfolio, increased from 57 to 59.4 in the first quarter of 2013, primarily due to positive investment returns. Now, the bad news. The second quarter was barely underway when the double whammy hit – equity prices tumbled and bond prices (and liabilities) rose.

**The 60/40 Problem**

Canadian pension plans with a 60 per cent equity/40 per cent bond portfolio typically have a funded ratio with a relatively high volatility of around 10 per cent. Assuming a normal distribution, this funded ratio would fall by 10 per cent about a third of the time. In 2013, plan sponsors are facing challenging sailing conditions through treacherous waters. While they hope the funded ratio issue will be ‘solved’ by rising interest rates, worrisome questions remain:

- When, by how much, and how quickly will interest rates rise?
- Will rates rise across the yield curve, or only in the short end?
- How will rising rates affect equities, real estate, and other risky assets?

The reality is that at a 60 per cent funded ratio, plan sponsors cannot tolerate the downside risk of 20 per cent equity volatility, which is MSCI World’s average volatility for the past five years. Hence, we propose a practical solution to help reduce funded ratio volatility—substitute part of the equity with liquid alternative investment strategies to reduce the high equity risk and use long bonds, instead of universe bonds, to reduce part of the interest rate risk.

Plan sponsors should build an ‘all weather’ portfolio that includes long-only equity and liquid return-enhancing strategies (LRES). The three LRE strategies are long-short equity, managed futures, and global macro (see sidebar for definitions). Together, they capture directional opportunities – long and short – across a broad range of asset classes including stocks, fixed income, commodities, and currencies.

James G. Gereghty (CFA) is a managing director at Siguler Guff & Company, LP (jgereghty@sigulerguff.com). BNY Mellon Asset Management owns a 20 per cent non-voting, equity interest in Siguler Guff.
Figure 1 highlights that the portfolio in black (50 per cent equities/50 per cent LRES), which includes a broad range of return drivers (or risk factors) across all liquid asset classes, can provide real diversification and is more robust than 100 per cent equities (in blue). The 100 per cent LRES red line enables smoother sailing in all market conditions.

To sum up, Table 1 shows the portfolio and funded ratio effects of substituting LRES for equities. The result is smoother sailing with better returns, lower volatility, and significantly lower drawdowns than equities, as well as significantly lower funded ratio volatility.

Table 1

<table>
<thead>
<tr>
<th>Portfolio and Funded Ratio Effects of Substituting Equities for LRES (Hedged CAD; January 1994-December 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Return-Enhancing Allocations</strong> (See Figure 1 for allocation details)</td>
</tr>
<tr>
<td>Annualized Return</td>
</tr>
<tr>
<td>Annualized Volatility</td>
</tr>
<tr>
<td>Maximum Drawdown</td>
</tr>
<tr>
<td>Total Portfolio’s Annualized Volatility</td>
</tr>
<tr>
<td>Funded Ratio Volatility</td>
</tr>
</tbody>
</table>

What Are Liquid Return-Enhancing Strategies (LRES)?

Liquid strategies are easy to implement and have become mainstream in many institutional portfolios, especially post-2008:

- Long-short equity takes long and short positions in stocks based on fundamental and/or quantitative analysis. Long-short equity funds typically have a net long bias and have variable net exposures as they manage both gross and net exposures as well as the ratio of long positions to short positions.

- Managed futures uses quantitative, systematic (rules-based) trading programs, which take directional positions (long or short) in commodity futures (agricultural, energy) and/or in financial futures (currencies, fixed income securities, stock indices) to profit from trend-following asset prices.

- Global macro uses fundamental (discretionary) and/or quantitative trading programs, which take directional and/or relative value positions in global equity, fixed income, currency, and commodity markets.

While both managed futures and global macro strategies exploit similar trends in asset classes, they often differ in their approach, their trading style (e.g., entry and exit points), how they manage risk, and their role in a portfolio.
The power of thinking small.

The funny thing about small companies is that they don’t all stay small forever. And that can make them the growth engine for a well-diversified portfolio.

In a field of more than 40,000 small companies, sorting the best from the rest takes hard work.

With a dedicated team of small-cap experts continuously scouring the world for the best investments, Invesco offers two distinct global small-cap strategies that can provide effective portfolio diversification and attractive opportunities for growth on an all-country basis.

Get our global small-cap experts working for you. We can help you determine which solution best meets your plan’s needs.

Invesco Global Small Cap Equity strategy
Trimark Global Small Companies strategy
ABERDEEN ASSET MANAGEMENT INC. Renee Arnold, Head of Business Development – Canada; 161 Bay St., Ste. 2500, Toronto, ON M5J 2X6 PH: 416-634-4040 Fax: 514-843-5198 eMail: renee.arnold@aberdeen-asset.com Web: www.aberdeen-asset.com Alternative Assets: Direct Property - European Balanced Property Fund, Nordic Core Property Fund, UK Balanced Property Fund; Indirect Property – Asia Property Fund of Funds III, UK Property Fund of Funds Strategy, Global ex-Canada Core Property Holdings Strategy, Capital Return Strategy, Global Opportunities Strategy

ACM ADVISORS LTD. Chad Mallow, President; 210 – 1140 Homer St., Vancouver, BC V6B 2X6 PH: 604-682-4865 Fax: 604-682-3265 eMail: cmallow@acma.ca Web: www.acma.ca Alternative Assets: Canadian Commercial Mortgages Assets Under Management (as of Dec. 31/12): $1,236M

ACORN GLOBAL INVESTMENTS INC. Jeff Crich, Chief Operating Officer; 1267 Cornwall Rd., Ste. 201, Oakville, ON L6J 7T5 PH: 905-257-0773 x106 Fax: 888-582-7863 eMail: jeff.crich@acorn.ca Web: www.acorn.ca Alternative Assets: Systematic Global Macro, Diversified Managed Futures, Assets Under Management (as of March 31/13): $53M

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 principally though managed account platform

AURION CAPITAL MANAGEMENT INC. Christopher D.C. Wright, Vice-president, Business Development; 120 Adelaide St. W., Ste. 2205, Toronto, ON M5H 1T1 PH: 416-866-2420 Fax: 416-363-6206 eMail: cwright@aurion.ca Web: www.aurion.ca Alternative Assets: Real Estate Portfolio Management, Active Currency Assets Under Management (as of Dec. 31/12): Real Estate - $351M Currency - $424M

AUSPICE CAPITAL ADVISORS Basil D’Souza, Director of Business Development; 615 3rd Ave. S.W., Ste. 301, Calgary, AB T2P 0G6 PH: 416-792-9291 eMail: info@auspicecapital.com Web: www.auspicecapital.com Alternative Assets: Managed Futures, Commodities, Commodity Indices, Enhanced Indices

AXIOM INTERNATIONAL INVESTORS, LLC Shane McMahon, Vice-president, Marketing & Client Service; 33 Benedict Place, Greenwich, CT 06830 PH: 203-422-8036 Fax: 203-422-8090 eMail: smcmahon@axinvest.com Web: www.axinvest.com Alternative Assets: International All Cap Long/Short – Directional (Onshore & Offshore), International Micro Cap Long/Short – Directional (Onshore), Global Micro Cap Long/Short – Directional (Onshore) Assets Under Management (as of Dec. 31/12): $160.5M

AXIOM INVESTMENT MANAGEMENT CORPORATION Christopher D.C. Wright, Chief Operating Officer, 1267 Cornwall Rd., Ste. 201, Oakville, ON L6J 7T5 PH: 905-257-0773 Fax: 888-582-7863 eMail: jeff.crich@acorn.ca Web: www.acorn.ca Alternative Assets: Systematic Global Macro, Diversified Managed Futures, Assets Under Management (as of March 31/13): $53M

BENTALL KENNEDY (CANADA) LP Malcolm Leitch, Chief Operating Officer; #1800 – 1055 Dunsmuir St., Vancouver, BC V7X 1CA PH: 604-646-2812 Fax: 604-646-2805 eMail: mleitch@bentallkennedy.com Web: www.bentallkennedy.com Alternative Assets: Real Estate Assets Under Management (as of Dec. 31/12): $12,296M

BLACKROCK Eric Leveille, Managing Director; 161 Bay St., Ste. 2500, Toronto, ON M5J 2X6 PH: 416-643-4040 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. 31/12): $2,185M* * $70.5M represents investments in Fund of Hedge Funds

BMO GLOBAL ASSET MANAGEMENT Marija Finney, 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.finney@bmo.com Web: www.bmoglobalassetsmanagement.com Alternative Assets: Canadian Pure Alpha Fund

BNP PARIBAS INVESTMENT PARTNERS CANADA LTD. Rosanna Carusone, Head of Marketing Operations, North America; 155 Wellington St. W., Ste. 3110, RBC Centre, Box 149, Toronto, ON M5V 3H1 PH: 416-365-3985 Fax: 416-365-3987 eMail: rosanna.carusone@bnpparibas.com Web: www.bnpparibas-ip.com Alternative Assets: THEAM * Stock Select, Indexing & ETFs; THEAM * Active Systematic – Equity, Commodities, Hidden Assets, Multi-assets; THEAM * Guaranteed & Protected; THEAM * Alternative Investments – Absolute Return, Multi-management; Private Equity; Private Real Estate – Non-listed Real Estate; FFTW Absolute Return Fund Income; Global Real Estate Fund Assets Under Management (as of Dec. 31/12): $377.9M

* Joint effort of Harewood Asset Management & the SIGMA division of BNP Paribas Asset Management

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BNY MELLON ASSET MANAGEMENT
Rich Terres, Managing Director; 320 Bay St., Toronto, ON M5H 4A6 PH: 416-643-6354 Fax: 416-643-5786 eMail: richard.terres@bnymellon.com Web: www.bnymellon.com
Alternative Assets: Currency, Hedged Funds, Hedge Fund of Funds, Real Estate, Private Equity Assets Under Management (as of Dec. 31/12): $5,159M

BONNEFIELD FINANCIAL INC.
Marcus Mitchell, Associate; 141 Adelaide St. W., Ste. 500, Toronto, ON M5H 3L5 PH: 613-230-3854 Fax: 613-225-3898 eMail: mmitchell@bonnefield.com Web: www.bonnefield.com
Alternative Assets: Farm, Land, Agriculture, Private Equity Assets Under Management (as of Dec. 31/12): $1,407.3M

BNY MELLON ASSET MANAGEMENT
David Rogers, Partner; 1180 Avenue of the Americas, 22nd Floor, New York, NY 10036 PH: 212-938-6500 Fax: 212-938-8182 eMail: steve.sexeny@cornerstonecapital.com Web: www.cornerstonecapital.com
Alternative Assets: Emerging Market Private Debt, Emerging Market Private Equity Assets Under Management (as of Dec. 31/12): $203.6M

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Tracey McVicar, Managing Partner; Ste. 2833, 595 Burrard St., Vancouver, BC V7X 1K8 PH: 604-637-3411 Fax: 604-694-2524 eMail: tmcvicar@caifunds.com Web: www.caifunds.com
Alternative Assets: Private Equity (mid-market buyout) Assets Under Management (as of Dec. 31/12): $300M

CALEDON CAPITAL MANAGEMENT INC.
David Rogers, Partner; 141 Adelaide St. W., Ste. 330, 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. 31/12): $3.2B

CALEDON CAPITAL MANAGEMENT INC.
Dustin Hunt, Head of Institutional; 7 Queen St. E., 19th Floor, Toronto, ON M5C 3G7 PH: 416-681-6679 Fax: 416-681-8849 eMail: dhunt@cibc.com Web: www.cibcam.com
Alternative Assets: US Equity Market Neutral

Canadian Urban Limited
Onita Blankenfield, Senior Vice-President, Business Development & Marketing; 10572 105th St., Edmonton, AB T5H 2W7 PH: 780-424-7722 Fax: 780-424-7799 eMail: hfunke@canadianurban.com Web: www.canadianurban.com
Alternative Assets: Real Estate Investments Assets Under Management (as of Dec. 31/12): $839M

CIBC GLOBAL ASSET MANAGEMENT INC.
Taras Klymenko, Vice-president, Institutional Business Development; 161 Bay St., Ste. 2320, Toronto, ON M2J 2P8 PH: 416-214-8338 Fax: 416-364-4472 eMail: taras.klymenko@cibc.ca Web: www.cibcm.com
Alternative Assets: Global Tactical Asset Allocation, Currency Assets Under Management (as of Dec. 31/12): $13,667.9M

CONNOR, CLARK & LUNN FINANCIAL GROUP
Brent Wilkins, Head of Institutional Sales (Canada); 181 University Ave., Ste. 300, Toronto, ON M5H 3M7 PH: 416-364-5396 eMail: bwilkins@ccgcam.com Web: www.cclgroup.com
Alternative Assets: Private Equity, Hedge Funds, Infrastructure, Commercial Real Estate Assets Under Management (as of Dec. 31/12): $1,407.3M

* Each affiliate is a partnership between the investment professionals and CClL Financial Group.

CORDIANT CAPITAL INC.
David G. Creighton, President & CEO; Ste. 2400 – 1010 Sherbrooke St. W., Montreal, QC H3A 2R7 PH: 514-286-1142 Fax: 514-286-4203 eMail: info@cordiantcap.com Web: www.cordiantcap.com
Alternative Assets: Emerging Market Private Debt, Emerging Market Private Equity Assets Under Management (as of Dec. 31/12): $203.6M

Cornerstone Capital Management Holdings LLC
Steve Sexeny, Senior Vice-President, Head of Business Development & Client Relations; 1180 Avenue of the Americas, 22nd Floor, New York, NY 10036 PH: 212-938-6500 Fax: 212-938-8182 eMail: steve.sexeny@cornerstonecapital.com Web: www.cornerstonecapital.com
Alternative Assets: US Equity Market Neutral

Diversified Global Asset Management Corporation
Sa’ad Shah, Managing Director; TD Centre, TD North Tower, 77 King St. W., Box 259, Ste. 4310, Toronto, ON M5K 1J5 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. 31/12): US$575M

Real Estate & Alternative Investment Managers
Annual Directory

Coming In June 2013
Pensions & Benefits Consultants
Annual Report and Directory
eMail John L. McLaine
jmclaine@powershift.ca

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FENGATE CAPITAL MANAGEMENT
Lou Serafini Jr., President & CEO; 5000 Yonge St., Ste. 1805, Toronto, ON M2N 7E9 Ph: 416-488-4184 Fax: 416-488-3359 eMail: info@fengatecapital.com Web: www.fengatecapital.com Alternative Assets: Infrastructure, Real Estate, Seniors Housing Assets Under Management (as of Dec. 31/12): $1.3B

GEASSET MANAGEMENT INCORPORATED
Jason Szczepkowski, Senior Relationship Manager; 1250 Rene Levesque Blvd., Ste. 1100, Montreal, QC H3B 4W8 Ph: 514-394-3215 Fax: 877-874-3477 eMail: jason.szczepkowski@ge.com Web: www.geam.com Alternative Assets: International Private Equity, Real Estate Assets Under Management (as of Dec. 31/12): $114.2M

GOLDMAN SACHS ASSET MANAGEMENT, LP
Craig Russell, Managing Director, Head of the Americas Institutional Business; 200 West St., New York, NY 10282 Ph: 212-902-1000 Fax: 212-902-9500 Web: www.gs.com Alternative Assets: Hedge Fund of Funds, Direct Hedge Funds, Private Equity, Currency, Commodities Assets Under Management (as of Dec. 31/12): $1,430.2M

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. 31/12): $7,448.5M

GUARDIAN CAPITAL REAL ESTATE LP
Brent Chapman & Stephen Tiller, Managing Directors; 199 Bay St., Commerce Court W., Ste. 3100, Toronto, ON M5J 2M4 Ph: 416-947-4017 or 416-947-3743 Fax: 416-364-9634 eMail: bchapman@guardiancapital.com or stiller@guardiancapital.com Alternative Assets: Real Estate

HILLSDALE INVESTMENT MANAGEMENT INC.
Allan Hutton, Vice-president, Institutional Investment Services; 100 Wellington St. W., Ste. 2100, Toronto, ON M5K 1J3 Ph: 416-913-3946 Fax: 416-913-3901 eMail: ahutton@hillsdaleinv.com Web: www.hillsdaleinv.com Alternative Assets: Canadian Long/Short, Global Long/Short, Enhanced Income

INTEGRA CAPITAL LIMITED
Tristram Lett, Co-chief Investment Officer, Integra Capital Limited; 200-2020 Winston Park Dr., Oakville, ON L6H 6X7 Ph: 905-829-7335 Fax: 905-829-2726 eMail: tlett@integra.com Web: www.integra.com Alternative Assets: Hedge Funds, Infrastructure Debt, Infrastructure Equity, Real Estate, Mortgages, Real Assets, Currency, Managed CTAs, Bridge Financing, Real Estate Investment Trusts & Operating Companies Assets Under Management (as of Dec. 31/12): $29.4M

INTEGRATED ASSET MANAGEMENT CORP.
David Mather, Executive Vice-president; 70 University Ave., Ste. 1200, Toronto, ON M5J 2M4 Ph: 416-933-8274 Fax: 416-360-7446 eMail: dmather@iamgroup.ca Web: www.iamgroup.ca Alternative Assets: Private Corporate Debt, Real Estate, Managed Futures, Hedge Funds Assets Under Management (as of Dec. 31/12): $1.3B

INVERCO CANADA LTD.
Joe Di Massimo, Senior Vice-president, Institutional Investments; 120 Bloor St. E., Toronto, ON M4W 1B7 Ph: 416-324-7442 Fax: 416-590-7742 eMail: joe.dimassimo@invesco.com Web: www.institutional.invesco.com Alternative Assets: Market Neutral, 130/30, Overlay, Alternative Beta, Private Equity, Distressed Debt, PE Hedge Funds of Funds, Real Estate Securities, Direct Real Estate Assets Under Management (as of Dec. 31/12): $429.7M

J.P. MORGAN ASSET MANAGEMENT (CANADA)
Mark Doyle, Executive Director, Client Advisor; 200 Bay St., Ste. 1800, Toronto, ON M5J 2J2 Ph: 416-981-9109 eMail: mark.x.doyle@jpmorgan.com Web: www.jpmorgan.com/canada Alternative Assets: Hedge Funds, Hedge Fund of Funds, Infrastructure (Global, Regional), Private Equity, Private Equity Fund of Funds, Real Estate (US, Global, Regional), Commodities, Global Shipping, REITs Assets Under Management (as of Dec. 31/12): $909M

KENSINGTON CAPITAL PARTNERS LIMITED
REAL ESTATE & ALTERNATIVE INVESTMENT MANAGERS

ANNUAL DIRECTORY

LASALLE INVESTMENT MANAGEMENT
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. 31/12): $2,830M

LAWRENCE PARK CAPITAL PARTNERS LTD.
David Fry, Chief Executive Officer; 2 Berkeley St., Ste. 304, Toronto, ON M5J 2V4 PH: 416-594-2979 Fax: 416-860-0628 eMail: david.fry@lpccapitalpartners.com Web: www.lpccapitalpartners.com Alternative Assets: Credit Hedge

LEGG MASON CANADA INC.
David Gregoire, Director; 79 Wellington St. W., 6th Floor, Box 120, Toronto, ON M5K 1N9 PH: 866-964-2141 Fax: 416-304-0195 eMail: investors@northealfacapital.com Web: www.northealfacapital.com Alternative Assets: Hedge Fund, Equity, Real Estate, Global Multi-Asset

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@louisbourge.com Web: www.louisbourge.com Alternative Assets: Hedge Fund, Private Equity

MANULIFE ASSET MANAGEMENT
Adam Neal, Senior Managing Director, Canadian Head of Sales & Relationship Management; NT6, 200 Bloor St. E., Toronto, ON M4W 1E5 PH: 416-926-3000 Fax: 416-926-5700 eMail: adam.neal@manulifeam.com Web: www.manulifeam.com Alternative Assets: Agriculture, Oil & Gas, Timber, Real Estate, Infrastructure, Structured Products Assets Under Management (as of Dec. 31/12): $962M

MONTRUSCO BOLTON INVESTMENTS INC.
Richard Guay, Senior Vice-president; 1501 McGill College Ave., Ste. 1200, Montreal, QC H3A 3M8 PH: 514-842-6464 Fax: 514-282-2550 eMail: guayar@montruscobolton.com Web: www.montruscobolton.com Alternative Assets: Hedge Fund Assets Under Management (as of Dec. 31/12): $47.8M

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. 31/12): $962M

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.ledster@ntr.com Web: www.northerntrust.com Alternative Assets: Real Estate (Closed-ended Funds), Private Equity (Fund of Funds & Custom), Hedge Funds (Fund of Funds & Custom)

NORTHELF CAPITAL PARTNERS
Stephen Foote, Director; 79 Wellington St. W., 6th Floor, Box 120, Toronto, ON M5K 1N9 PH: 866-964-2141 Fax: 416-304-0195 eMail: investors@northealfacapital.com Web: www.northealfacapital.com Alternative Assets: Global Private Equity (Funds, Secondaries, Direct Co-investments), Private Equity Secondaries (Fund Interests, Structured Transactions, Direct Secondaries), Infrastructure (Direct Investments) Assets Under Management (as of Dec. 31/12): $2,599M

ONE FINANCIAL
Paul McKenna, Vice-president, Institutional Investment; 200 King St. W., Ste. 1600, Toronto, ON M5H 3T4 PH: 416-360-8720 eMail: pmckenna@onefinancial.com Web: www.onefinancial.com Alternative Assets: Hedge Fund, Managed Futures, Global Long/Short, Global Macro

PERENNIAL ASSET MANAGEMENT CORP.

PHILLIPS, HAGER & NORTH INVESTMENT MANAGEMENT*
*Part of RBC Global Asset Management
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PIMCO CANADA CORP.

PRESIMA INC.
Andrew Kavouras, Head of Clients & Business Development; 1000 Jean-Paul-Riopelle, Montreal, QC H2Z 2B6 PH: 514-673-1375 Fax: 514-673-1378 eMail: akavouras@presima.com Web: www.presima.com Alternative Assets: Global Real Estate Securities – REITs, REOCs Assets Under Management (as of Dec. 31/12): $529.1M

PYRAMIS GLOBAL ADVISORS (CANADA)*
Michael Barnett, Executive Vice-president, Institutional Distribution; 483 Bay St., Toronto, ON M5G 2N7 PH: 416-217-7773 Fax: 416-307-5349 eMail: michael.barnett.pyry@pyramis.ca Web: www.pyramis.ca Alternative Assets: Market Neutral, Global Real Estate, Global Healthcare Assets Under Management (as of Dec. 31/12): $30.4M
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RDA CAPITAL INC.

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ROSSEAU ASSET MANAGEMENT LTD. Jow Lee, CFO; 181 Bay St., Ste. 2920, Toronto, ON M5J 2T3 PH: 416-777-0712 Fax: 416-777-0718 eMail: jwlee@rossreau.com Web: www.rossseau.com Alternative Assets: Event-driven / Special Situations

RP INVESTMENT ADVISORS Ann Glazier Rothwell, Director of Business Development; 148 Yorkville Ave., 2nd Floor, Toronto, ON M5R 1C2 PH: 647-776-0652 eMail: ann.glazier@rpia.ca Web: www.rpia.ca Alternative Assets: Fixed Income – Investment Grade Credit Under Management (as of Dec. 31/12): $700M

SILVERCOVE FUND MANAGEMENT (as of Dec. 31/12):
Futures Index Fund
Assets Under Management (as of Dec. 31/12): $201.5M

STANDARD LIFE INVESTMENTS INC. Jay Waters, Vice-president, Central Canada; 121 King St. W., Ste. 810, Toronto, ON M5H 3T9 PH: 416-367-2049 eMail: jay.waters@standardlife.ca Web: www.standardlife.ca Alternative Assets: Canadian Real Estate, Mortgages, Private Equity, Global Real Estate, GARS Assets Under Management (as of Dec. 31/12): $2.6B

STATE STREET GLOBAL ADVISORS, LTD. Randy Oswald, Vice-president, Business Development, 30 Adelaide St. E., Ste. 500, Toronto, ON M5C 2G6 PH: 647-775-7789 Fax: 647-775-7264 eMail: randy.oswald@ssga.com Web: www.ssga.com Alternative Assets: Absolute Return Strategies, Global Commodity Strategies, Real Estate Securities

STONEBRIX FINANCIAL CORPORATION Louis Bélanger, Managing Director, Stonebridge Infrastructure Debt Fund; 20 Adelaide St. E., Ste. 1201, Toronto, ON M5C 2T6 PH: 416-364-3001 x242 Fax: 416-364-1557 eMail: lbelanger@stonebridge.ca Web: www.stonebridge.ca Alternative Assets: Private Infrastructure Debt Assets Under Management (as of Dec. 31/12): $201.5M

TRIOVEST REALTY ADVISORS INC. Vince Brown, Senior Vice-president, Portfolio Management; 40 University Ave., Ste. 1200, Toronto, ON M5J 1T1 PH: 416-362-0045 Fax: 416-362-9646 eMail: vbrown@triovest.com Web: www.triovest.com Alternative Assets: Real Estate Assets Under Management (as of Dec. 31/12): $9.8B


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 Assets Under Management (as of Dec. 31/12): $402M

WESTCOURT CAPITAL CORPORATION William Chyz, Associate; 175 Bloor St. E., Toronto, ON M4W 3R8 PH: 647-426-1783 eMail: wjc@westcourtcapital.com Web: www.westcourtcapital.com Alternative Assets: Real Estate, Credit Hedge, Market Neutral Hedge, Long/Short Hedge, Managed Futures, Private Equity, Infrastructure Assets Under Management (as of Dec. 31/12): $700M

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email John L. McLaine
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*As of December 31, 2012*  
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You tend to notice when a U.S. think-tank praises the pension fund you work for and suggests you may offer a model for U.S. pension funds to study. That was the verdict of a March 2013 report by the Washington, DC-based Center for American Progress. This is one more sign of how Canada’s large pension plans and pension fund investment managers – such as CPPIB, the Caisse de Depot, bcIMC, and OMERS – are coming into their own and gaining global recognition.

Like our banks, which have thrived in the face of the 2008 recession, large Canadian pension funds are gaining worldwide stature as investors and as models of prudent governance and administrative efficiency. As always, the first priority for pension funds remains securing the pension promise to its members. To accomplish this, we aim to earn reasonable returns that will exceed our funding requirements.

As hospitable as the environment in Canada has been for the success of our large public pension funds, the regulatory regime has not kept pace with changing times. At the forefront of the regulatory barriers that pension funds face are quantitative investment rules. The source of these rules is federal regulations, but the regulations are incorporated by reference into provincial pension legislation. The key takeaway is that, in their current form, the rules prevent the pension sector from realizing its full potential as a locomotive for active investment.

Rules Once Served Purpose

Are Ottawa and the various provinces enforcing these rules because they are attempting to deliberately punish the sector or hold it back? Not at all. As a matter of fact, there was a period
when the rules served a purpose, but this was once upon a time, when the pension sector was less professionalized, when fiduciary responsibilities were less well-defined, and when governance standards were not as robust. The rules also reflect a period in time when pension funds were generally passive investors who were reliant on third-party managers, rather than active, direct managers of their own investments.

In addition to the duties to which corporate directors are subject, pension plan administrators are subject to certain duties. For example, Ontario’s Pension Benefits Act requires that in the administration of a pension plan and investment of a pension fund, the administrator must use all relevant knowledge and skill that the administrator possesses or ought to possess.

Regulations also require pension plan administrators to establish written statements of investment policies and procedures (SIP&Ps as they are known). This promotes a due regard for risk. Additionally, there are regulations prohibiting self-dealing, transactions with related parties, and other conflict-of-interest-type situations.

These are just some of the protections and standards helping to ensure pension plan directors focus their attention on prudent management of their respective investment portfolios in the best interest of their respective plans. Overlaying these protections and standards are necessarily powerful regulators, such as the Financial Services Commission of Ontario (FSCO) and the Office of the Superintendent of Financial Institutions (OSFI).

30 Per Cent Rule

Admittedly, few people are aware of these quantitative ‘federal investment rules,’ as they are known. One of these rules — the ‘30 per cent rule’ — denies pension funds the ability to have full voting rights as shareholders of public and private companies. As such, pension funds are limited to no more than 30 per cent of a company’s voting shares in electing corporate boards. As a recent Wall Street Journal article by Ben Dummett on the 30 per cent rule put it, “A Canadian pension fund may own most — or all — of the equity in a company, but can only vote in board elections as if they own 30 per cent.”

Speaking from my professional experience, the 30 per cent rule has been for some time a serious obstacle to execution of any sophisticated investment strategy. In order to comply with the rule, while also pursuing active private market investment strategies, pension funds have no choice but to use highly-complex holding structures. This is done in order to keep the voting and economic interests in corporations separate.

In OMERS case, for example, compliance with the 30 per cent rule for its internal management companies is unduly burdensome. It certainly provides no net benefit to OMERS members and it is hard to imagine a rationale for imposing the 30 per cent rule in this circumstance.

Commercial Disadvantage

There is another cost to the 30 per cent rule. It places Canadian pension funds at a commercial disadvantage with foreign pension plans or private sector investors (both foreign and domestic). This is because sophisticated investors will, to protect their interests in a particular investment, routinely seek more foreign takeovers in the Canadian oil and gas sector (as signaled following the acquisitions by overseas interests of Canadian energy firms Nexen and Progress last December). The federal government may need to look at how large Canadian investment pools (including pension funds) can help take up those investments. After all, Canadian pension funds have already collectively invested hundreds of billions of dollars in our economy.

The necessary evolution will come, I have no doubt. This could take several forms. The federal and/or provincial governments could formally suspend the application of the 30 per cent rule to foreign investments for two years, as (to quote Dummett again) Canadian pension funds, venturing abroad “face competition from many big [overseas] funds.”

The federal and/or provincial governments could simultaneously study the implications of phasing out the 30 per cent rule for domestic private companies.

Cumbersome Measures

Federal and provincial governments have already demonstrated a keen interest in modernizing Canada’s pension sector and removal of these outdated, cumbersome measures fits well with these efforts.

In Chapter 3.2 of Budget 2013, Ottawa announced plans to consult provincial governments about “permitting a limited number of qualified persons who are not resident in Canada to serve on the board of directors” of the Canada Pension Plan Investment Board. This is a clear acknowledgment that as the CPPIB invests abroad, its “board of directors might benefit from having access to the international talent pool.” In other words, the world is changing and the CPPIB cannot be held back by rules that no longer make sense in this era.

I support this change wholeheartedly and it gives me some hope that Ottawa may look at revising other rules which are holding the pension sector back from reaching its full potential.

Michael Nobrega is president and CEO of OMERS Administration Corporation.

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Remembering Art Phillips

September 12, 1930 – March 29, 2013

In 1964, Art Phillips, together with Bob Hager and Rudy North, founded an investment firm that redefined how investment services would be delivered to clients and put British Columbia on the map of Canadian investment management.

His vision was to build a firm that always placed the interests of clients above all else, as he believed exemplary service to clients would translate into trust, loyalty, and repeat business. His sense of fairness, transparency, and collegiality remain core cultural attributes of Phillips, Hager & North Investment Management and speak to his vision of a firm that operates “for the people, by the people.”

“We owe so much to Art. He was a true visionary who left an incredible and lasting legacy to those who worked with him and knew him, and by extension our clients and community,” says John Montalbano, CEO of RBC Global Asset Management, which acquired PH&N in 2008. “What separates visionaries from dreamers is that a visionary is willing to risk it all to turn a vision into a reality. And while the dreamers dream and others seemingly ask ‘why,’ how rare is a person such as Art, who dreamt of things that never were and asked, ‘why not?’”

At the time PH&N was founded in 1964, he wasn’t even 30 years old; however, he had already started to make his mark in Canadian investment management.

“The leadership and vision that he provided went well beyond the immediately evident elements of great financial acumen and entrepreneurial élan; for those of us who were fortunate to have worked with him, it was also reflected daily through the generosity of spirit with which he treated and nurtured younger professionals within our firm,” says Marina Matei, institutional portfolio manager at PH&N. “In his own gentle and subtle way, Art was a very effective and influential mentor who taught us invaluable and lasting lessons about dedication, teamwork, discipline, excellence and, most importantly, humility. We will forever be indebted to Art for his uncompromising adherence to the core values which not only made PH&N successful, but created within it a unique corporate culture which we strive to honour and preserve to this day.”

Richard Durrans, institutional portfolio manager at PH&N, remembers him as “a very personable and warm person with a wonderful sense of humour. These very human qualities combined with a clarity of purpose and an unwavering attachment to core values were instrumental in creating the culture of PH&N. It is rare to find this combination of qualities in one person and those who knew Art were incredibly fortunate to have been guided by him.”

Over the years, he held a number of roles within the firm including president and chief executive officer.

He also held several roles in the community, including serving on Vancouver city council, and was instrumental in founding a centrist municipal-level political party, The Electors’ Action Movement (TEAM). By the time he was elected mayor of Vancouver in 1973, he was well on his way to helping the city become a more livable one.

He was elected to Parliament in 1979 as a member of the Liberal Party of Canada. He returned to private life after his tenure in federal politics and continued his commitment to PH&N and its clients.
With the complexity of international benefits challenging multi-national companies, the International Foundation of Employee Benefit Plans will offer a ‘Certificate in Global Benefits Management’ program. Session topics will include developing a global benefits and total reward strategy and benefit issues relating to international assignments. It runs June 3 to 7 in Chicago, IL. For information, visit www.ifebp.org

‘Where the Rubber Meets the Road – Understanding the Worry About the Long Term Sustainability of Canada’s Defined Benefit Pension Plans’ will be examined at an ISCEBS Toronto Chapter ‘Pension Panel Discussion.’ Experts from some of Canada’s largest public sector pension plans will debate DB pension plans and how conventional funding and investment approaches may not be enough to sustain and deliver on the pension promise in the long run. It takes place June 6 in Toronto, ON. For information, contact Audrey Forbes at (647) 290-8113 or aforbes@optrust.com or Brenda Lock at (416) 224-3535, Ext. 3459 or brenda.lock@standardlife.ca

‘Psychologically Healthy Workplaces: Strategic Initiatives & Risk Mitigation’ will be examined at an Employee Assistance Program Association of Toronto (EAPAT) session. Krista Hiddema, a co-founder of e2r Solutions, will discuss the tremendous costs, both from a monetary and productivity perspective, which can result from failing to provide a psychologically healthy workplace. It takes place June 11 in Toronto, ON. For more information, call (416) 410-8913 or email pres@eapat.org

‘Engaging for Change’ is the theme of the Social Investment Organization’s ‘Canadian Responsible Investment Conference.’ It takes place June 17 to 19 in Vancouver, BC. For information, visit www.socialinvestment.ca

The Association Of Canadian Pension Management (ACPM) 2013 national conference will feature leading national and international pension experts. Sessions and keynotes will focus on the latest developments and solutions for the Canadian retirement income system. It takes place September 10 to 12 in Ottawa, ON. For information, visit www.acpm-acarr.com
Is The Lump Of Labour Theory True?

By: Jim Helik

While there were many factors that lead to the establishment of pension plans, one of them was the theory that forced retirement would ‘free up’ jobs for younger employees.

This was first noted in a book published in 1851. In ‘London Labour and the London Poor,’ the author argued that cutting the number of hours employees worked and eventually failing to employ them when they got too old would reduce overall unemployment. There was never any proof offered for this idea. In fact, it seemed somewhat self-evident. You push people out the retirement door at one end so that you can welcome new employees in the door at the other end. This is what came to be known as the ‘lump of labour’ theory.

Create Jobs

While over the intervening years many, including the famous economist Paul Samuelson, noted that over the long-run economies could adjust to create jobs for willing workers, and that either jobs would come to workers or workers would move to jobs, the long-run might just be too long for people in the real world. So the question remained, could the ‘lump of labour’ hold in the short term or in periods of extreme economic upheaval, such as the recent world-wide recession?

A report from the Pew Charitable Trusts, ‘When Baby Boomers Delay Retirement, Do Younger Workers Suffer?’, notes this is not just a testing of economic theory. In fact, understanding labour market dynamics is important for policymakers who wish to support both youth and Baby Boomer employment.

The study pays particular attention to the current recession as the many years of economic uncertainty could result in older workers delaying their retirement with a resulting decrease in the employment prospects of younger workers.

However, while younger workers have been greatly affected by the recession, there was no evidence that this was caused by Baby Boomer employment. In fact, an increase in Boomer employment was associated with a small positive increase in youth (those aged 20 to 24) hourly wage rates. There was no significant impact on youth employment rates, unemployment rates, or hours worked.

More detailed analysis comes from a working paper by Alicia Munnell and April Wu, at the Centre for Retirement Research at Boston College. ‘Will Delayed Retirement by the Baby Boomers Lead to Higher Unemployment Among Younger Workers?’ looked at the period between 1977 to 2011 and found no evidence of a crowding out on either labour force participation or hours worked. The evidence was consistent for both males and females. Instead, the authors found evidence that both state poverty levels and the movement of housing prices significantly impacted the labour market behaviours of both youth and prime aged (those aged 25 to 54) workers.

The authors also examined if any crowding out affected wage rates since, if this were the case, younger workers would face reduced earnings due to an increased supply of labour provided by older workers. Again, broken down by state and by sex, there was no evidence that the employment of the old reduces the wages of the young.

Weak Relationship

The weak relationship between labour-force participation of older and younger workers holds across many countries, including Canada. A working paper by Jonathan Gruber and David Wise, which later became a book, ‘Social Security Programs and Retirement Around The World,’ showed that increasing the labour-force participation of older people does not reduce job opportunities for younger people. And as Munnell and Wu conclude in their detailed study, “Employers already have reservations about older workers, so adding the false argument that retaining older workers hurts younger ones could impede the ability of older workers to remain in the labor force.”

Clearly, the evidence is the economy is not a fixed pie, with only a certain number of jobs to distribute to people. Instead it is a constantly changing and mostly growing pie that does not favour one group at the expense of another.
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