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Life on a DC pension

*A look at one of Canada's oldest plans through the eyes of a 100-year-old retiree **p16***

PLUS!!!!

How can Carrot Rewards support wellness programs? **p10**

The debate over DC contribution levels **p26**

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FOR SPONSORSHIP OPPORTUNITIES:

Francesca Allman | francesca.allman@tc.tc

FOR AGENDA INFO:

Sara Ametrano | sara.ametrano@tc.tc



Group Publisher, Pension & Benefits Alison Webb

416-847-8578 | alison.webb@tc.tc

Editor Glenn Kauth

416-847-8557 | glenn.kauth@tc.tc

Art Director Elaine Borg | elaine.borg@tc.tc

Managing Editor Jennifer Paterson | jennifer.paterson@tc.tc

Associate Editor Jann Lee | jann.lee@tc.tc

Associate Editor Martha Porado | martha.porado@tc.tc

Senior National Account Manager Francesca Allman

416-847-8142 | francesca.allman@tc.tc

Senior National Account Manager Robert Martins

416-847-5142 | robert.martins@tc.tc

Account Manager Rita Caci

514-392-4229 | rita.caci@tc.tc

Editor, Conferences Lauren Harris

416-847-8558 | lauren.harris@tc.tc

Editor, Conferences Sara Ametrano

416-847-8148 | sara.ametrano@tc.tc

General Manager, Database & Web Audience Development John Son

416-847-8166 | john.son@tc.tc

Customer Content Manager Andrea Martin | andream.martin@tc.tc

Custom Content Manager Lisa Rampersad | lisa.rampersad@tc.tc

Chief Financial and Development Officer Nelson Gentiletti

Senior Vice-president, Business and Education Pierre Marcoux

Vice-president, Business Solutions, and Publisher, Les Affaires Group, Sylvain Bédard

HOW TO REACH US

Editorial 416-847-5100 ext. 8653, Advertising 416-847-8578

Subscriptions and Single Copy Sales: benefitscanada.com/microsite/subscribe or call 1-844-246-3190

For a list of our advisory board members, please go to benefitscanada.com/advisory-board

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Navigating the marijuana minefield

The headlines this summer emphasized the negative: Almost half of employers aren't ready for the legalization of recreational marijuana when it takes effect next year.

That's hardly a surprise. What is somewhat surprising is the fact that, according to a survey conducted by the Human Resources Professionals Association, 54 per cent of the members who responded believe their organization's existing policy adequately addresses any new workplace issues that may arise with the legalization. With all of the discussion about how governments are scrambling to get even the basic elements of the new law into place, the fact that so many employers are feeling confident is positive news.

That said, the HRPAs report noted the issue is still daunting for many employers. How will they handle the expected rise in the use of marijuana and the potential impact on work performance, absenteeism and impairment on the job? On that last issue, the report noted how difficult it is to determine impairment in the first place. And what about employers' duties to accommodate those who may have an addiction to marijuana or who use the drug for medical purposes? With so many questions, the challenges are significant.

It's unfortunate that employers are in a difficult position with time running short, but it appears the government is going to push ahead with legalization by next summer. Fortunately, the fact that 54 per cent of those who took part in the HRPAs survey do believe their organizations already have adequate policies in place is helpful. For those who aren't so lucky, it's time to share best practices around the issue. What

do the policies of all of those organizations that are ahead of the game look like? Let's hear about what they're doing.

Also reducing some of the pressure is the fact that many of the issues identified by the HRPAs aren't new. Yes, the coming legalization may increase marijuana use and thus amplify some of the challenges, but employers have been grappling with issues around drug testing and impairment for some time.

That's not quite the case for the question of covering medical marijuana under benefits plans. That issue has also been on the table in the past few years, but legal guidance on the issue has been more recent. It's certainly true that employers face a number of questions around coverage, particularly when it comes to ensuring they're paying for the drug only for those with legitimate medical issues. But while the last thing plan sponsors need is another cost pressure, the HRPAs report pointed out that the absence of Health Canada approval for the drug doesn't have to be a barrier to covering medical marijuana. And as *Benefits Canada* has noted, there may be cost savings in some cases as medical marijuana can be cheaper than the conventional medications it replaces. In the meantime, the Canadian Life and Health Insurance Association has

helpfully urged governments to avoid actions that would push the price of recreational marijuana too high in order to prevent users from seeking coverage under their benefits plans instead.

So while the issues are significant, they don't have to be daunting. It's unlikely employers can resolve all of them by next July, but they do have options to get ahead of the issue. 



By **Glenn Kauth**
glenn.kauth@tc.tc

Watch for . . .

TARGET-BENEFIT UPDATE

One year after the federal government detailed its proposal for target-benefit plans, what's the status of the legislation? Find out in the **October issue** of *Benefits Canada*.

DC INVESTMENT FORUM

Benefits Canada's 2017 Defined Contribution Investment Forum will take place in Toronto on Oct. 5-6. Contact Lauren Harris at lauren.harris@tc.tc for more details.

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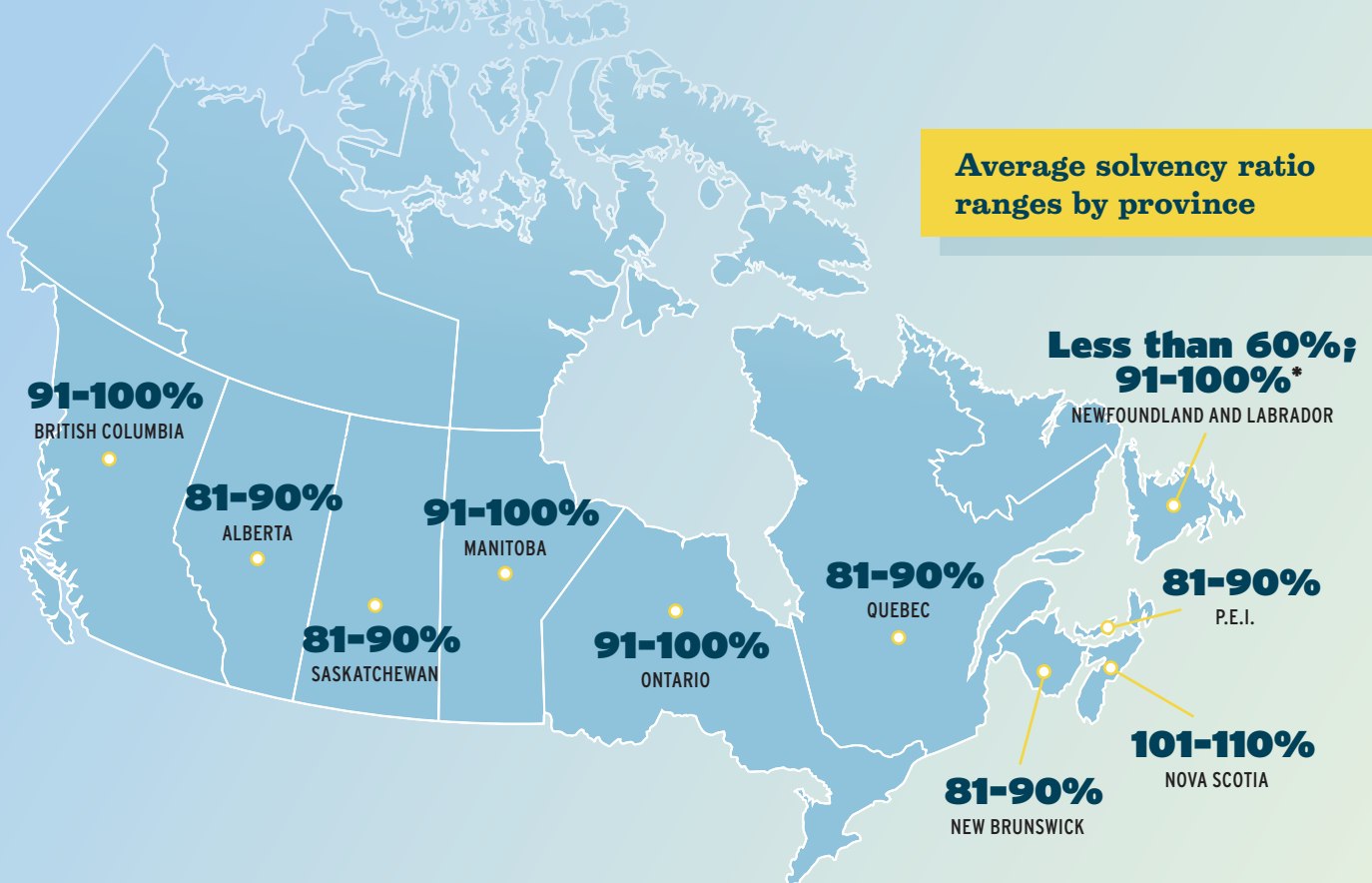
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¹ As at December 31, 2016.

Which Canadian provinces have the highest pension solvency ratios?

Compiled by *Jennifer Paterson*



Funded status for select public sector pension plans across Canada:

B.C. MUNICIPAL PENSION PLAN:
105%

ALBERTA TEACHERS' PENSION PLAN:
86%

SASKATCHEWAN HEALTH-CARE EMPLOYEES' PENSION PLAN:
91%

MANITOBA CIVIL SERVICE SUPERANNUATION BOARD:
88%

COLLEGES OF APPLIED ARTS AND TECHNOLOGY PENSION PLAN:
113%

QUEBEC GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN:
99%

NEW BRUNSWICK TEACHERS' PENSION PLAN:
93%

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PENSION PLAN:
104%

NEWFOUNDLAND AND LABRADOR TEACHERS' PENSION PLAN:
98%

Source: Figures for select public pension plans taken from their most recently published numbers for their funded status. Dates may vary. Pension solvency ranges provided by the Canadian Institutional Investment Network and cover plans, both public and private, that participate in the database and report their funded status.

*There are two frequently reported ranges for Newfoundland and Labrador because, out of the five plans reporting in the province, two were less than 60 per cent and another two were in the range of 91 to 100 per cent. A fifth plan reported in the range of 61 to 70 per cent.

MARS' CANINE INVASION



By *Jann Lee*

The well-known food company has made a point of being a pet-friendly workplace. Employees get paid time off to care for their pets, and the company welcomes dogs at work. What are the considerations for employers thinking about allowing dogs in the workplace?

At Mars Inc., every day is a take-your-dog-to-work day. The food manufacturer allows employees to regularly bring their dogs into its three office locations in Canada and provides several benefits to pet owners. The company's headquarters in Bolton, Ont., have a courtyard where dogs can run and play, and employees can take eight hours of paid time off a year to care for new pets or go to veterinary appointments.

Employees appreciate the benefits because many of them consider their pets as family members, says Chris Hamilton, president of Mars Canada. And the company, he adds, reaps the benefits of lower turnover. "Productivity goes up the longer our associates stay, because we're not constantly trying to train new Mars associates with how we do business and how they do their jobs because they've been here for a long time."

Benefits of a pet-friendly workplace

Employees who bring their dogs to work tend to report fewer absences because they have a healthy work-life balance, says Hamilton. "People need to be focused at work to get their job done. If we can give them one more opportunity to help them manage their work and life integration by bringing their four-legged friends to work so they don't have to worry about that piece

◀ From left, Deborah Villeneuve, Aidan Daniels and Sarah Woods at the Mars office in Bolton, Ont. Accompanying them are some of the dogs visiting the office: Milla, Henry, Coco and, strutting across the table, Maggie.

of their life, then we find they are happier and more productive at work because they're not worried about what's going on [with their pet] without their supervision."

The general atmosphere at work is also more positive when dogs are present, says Hamilton. "We find animals in the workplace actually lower the stress level within the office in general. People are happier coming to work. They are active and more collaborative."

While there's little information on how many Canadian employers allow animals in the workplace, it is becoming more common for people to bring pets, specifically dogs, to work, says Barbara Bowes, president at Legacy Bowes Group, a human resources consulting firm in Winnipeg. She suggests the trend is likely due to research that shows pet-friendly workplaces reduce stress and improve teamwork and co-operation.

Issues to consider

As a producer of pet products, Mars has an obvious incentive to be more open to employees' pet-related needs. But for other employers considering a change, they should pause and consider the potential issues that could arise at a pet-friendly workplace, says Thomas Gorsky, an employment lawyer at Sherrard Kuzz LLP in Toronto. Among the concerns is the need to investigate whether any employee is allergic to or scared of dogs.

Companies with employees who have a phobia could ask them if they're comfortable with trying to adapt to having dogs in the workplace, says Gorsky.

"But I wouldn't do anything beyond that to pressure that person to agree. If the person reports they're phobic to the animal, it raises human rights considerations as a phobia. That could be regarded as a disability, and if you were to disregard that disability and insist on bringing the animal into the premises, you'd be running the risk of a human rights violation."

Some companies with certain types of work environments may also find it impractical to allow pets on their premises, says Gorsky. That includes workplaces with heavy machinery and restaurants and facilities involved in food preparation and packaging. Gorsky notes some landlords may also prohibit pets

in their lease agreements, so employers should ensure there's no such clause before introducing a pet-friendly policy.

Since Mars prizes its pet-friendly policies, it makes an effort to ensure there's no ban on dogs at its offices, says Hamilton. "We work hard with management companies to alter the policy because we do believe having pets in the office space is just better for our associates. . . . We try very hard to get exceptions and make it a part of our lease agreement."

Employers that decide to adopt a pet-friendly workplace should also ensure they have a strong formal policy in place before introducing the change, says Bowes. "You need to have a policy on how you're going to manage a complaint. How are you going to manage the damages if the dog pees or poos on a couch or rug? How are you going to handle those kinds of things?"

At Mars, employees must abide by certain rules before they can bring their dogs to work, says Hamilton. They include signing up in advance for the privilege; making sure their pet has its vaccines; displaying a sign on their desk so people are aware that a dog is present; and ensuring the animal is on a leash and is well-behaved. "Lots of our associates set up little dog pens around their work stations, so they have a little off-leash area by their desk . . . but the animals are contained in them," says Hamilton.

According to Hamilton, the company hasn't run into any major issues since it became a pet-friendly workplace. Still, management does make a point to speak to owners if their dog gets a bit too excited. "We haven't had any instances where we've had to be extreme in our discipline," says Hamilton. "But people know, if the animal is disturbing the work environment, then they're probably better left at doggy daycare or at home with another relative because we do have a workplace to run as well."

Having an open courtyard where dogs can work off their energy also helps the owners manage rowdy behaviour, says Hamilton.

Trying it out

As for employers that would like to adopt a pet-friendly workplace but are still hesitant to make the change, Bowes suggests they

CANADA'S CANINE POPULATION

7.6 million

Number of dogs in Canada in 2016,
up from **6.4 million** in 2014

41%

Percentage of Canadian households
with at least one dog

Source: Canadian Animal Health Institute

DOGS ON MARS

1,300

Number of full-time
employees at Mars Canada

25

Number of Mars employees who bring
their pets to the office on a regular basis

2

Number of employees who have used
Mars' pet-related leave program since the
company introduced it a few months ago

could try a pilot project and evaluate the policy after a few months to see if it's working. "Overall, people like well-behaved pets, but you have to make sure your workplace is one of those workplaces and not just assume everyone should welcome the pet regardless of their feelings."

Employers that already have pet-friendly policies in place should also inform potential job candidates, says Hamilton. At Mars, people who apply for a job with the company learn about its unique policy during the interview process.

"A lot of times, we want them to experience our environment," says Hamilton.

"So we bring them to the Bolton campus so they can see what it looks like."

So far, according to Hamilton, Mars' policy has been successful in attracting candidates with many specifically applying for jobs because of the benefit. "It's amazing how unique and positive the bring-your-pet-to-work policy is and how appealing that is for the right employee." 🐾

Jann Lee is an associate editor at Benefits Canada: jann.lee@tc.tc.

PLANTING THE DIGITAL SEEDS FOR BETTER EMPLOYEE HEALTH

Canadian governments are touting the potential of a points-powered app called Carrot Rewards. How can the app help employers boost their own workplace wellness programs?

By Sara Tatelman



Hey Dan, wanna walk down to the boardwalk again?"

It's a muggy June night in New Liskeard, Ont., where my boyfriend is working for the summer, and we're on a final stroll before my overnight bus ride back to Toronto. I still haven't packed or eaten dinner but I'm desperate to keep walking. According to my new app, I've completed 94 per cent of my recommended 12,100 steps per day. If I can walk another 800, I'll get four Scene points.

"Sure," Daniel shrugs, and we turn back towards the Wabi River. "So how much are you getting for this?"

I do some quick math. A free movie costs 1,000 points through the Scene rewards program offered by Cineplex Entertainment. So the cash value of a successful 12,100-step day, based on a \$13 admission price, is about five cents.

Daniel stops in his tracks. "Are you serious? So if we find a nickel on the ground right now, we'll be making more money than if we keep walking? And if we drop a dime, then we'll be losing money?"

"That's not the point," I say defensively.

Nobody is claiming that Carrot Rewards, an app funded by the Public Health Agency of Canada, will make people rich. Instead, proponents say it'll trigger people's inner competitiveness and desire for external validation, provide positive feedback and get them hooked on walking.

To start the app, which is currently available in British Columbia, Ontario and Newfoundland and Labrador, users sync it to the built-in pedometer in their smartphone or to an external device like a Fitbit. For two weeks, it simply tracks daily steps. After that, it comes up with a customized goal for each user. For each day users reach that goal, they receive loyalty points.

"There's a little bit of a gaming component when we interact with points," says Andreas Souvaliotis, founder and chief executive officer of Carrot Insights Inc. "They have a unique power to make us do things that we otherwise may not have done for a few extra pennies." He adds that while marketers have long taken advantage of that power, Carrot aims to channel that mindset into better health.

In the past, the Public Health Agency of Canada would tend to advertise through traditional media. During the H1N1 flu outbreak in 2009, for example, it aired a 30-second TV ad during which the chief public health officer encouraged Canadians to get the flu shot. More recently, the organization has upped its social media game, and in 2015, it started working with Carrot to engage with Canadians even more, according to Gerry Gallagher, an executive director at the federal agency.

"What's new about [Carrot] is that it helps to tailor more specifically our messaging," she says,

PEDAL POWER

Since it relies on pedometers contained in smartphones and wearable devices, Carrot can't measure non-ambulatory exercise. "Because we partnered with government, it was really important that we focus on the things that most people can do . . .," says Sarah Richard, chief marketing officer at Carrot.

"And so walking is so important for your health and so many people are able to do it and incorporate it into their daily lives. . . . When we're talking about the government and public health, they really care about the people who aren't actually walking 10,000 steps a day. They care about the people who are walking 2,500, and getting them to walk 5,000 is heroic."

That's fair enough, but what about those who don't get their points because they've cycled to and from work but haven't walked very much? A potential answer is Biko, an app that translates each kilometre cycled, walked or run into a point. Participants can then exchange the points for discounts and freebies at local shops (currently limited to Vancouver and Toronto). As with Carrot, the general public can use the app, but there are enhanced options for workplace groups.

Oxford Properties Group in Vancouver, for example, ran a Biko campaign from May to September, says Molly Millar, the app's general manager for Canada. Each month, Oxford's employees and tenants competed against each other to amass the most points that they could then use to bid on prizes only available to the community. The top prize each month was a new bicycle. The prizes also included restaurant gift cards and movie tickets.

"I think everyone is pretty excited about it," says Millar, adding that the prizes were delivered to the winners at their desks, along with balloons. "The people who weren't paying attention to the contest will start paying attention. And that way, we see momentum grow over the length of the campaign."

adding it has been very successful so far. Active users complete 60 to 70 per cent of the healthy living quizzes, and 245,000 Canadians have signed up for the step program so far. The agency expects data on how many steps users take to meet their daily goals in a few months. Last month, the Ontario government boosted its involvement with the app by announcing \$1.5 million for a pilot project with Carrot. The move followed earlier funding announcements of \$5 million through the Public Health Agency of Canada and \$2.5 million from the B.C. government.

Souvaliotis notes the four types of points Carrot users can earn are diverse and aim to appeal to different demographics: free movies with Scene points for younger, urban users; free airfare with Aeroplan miles for older users; free gas with Petro-Points for men, as well as rural and suburban users; and free groceries and gadgets with More Rewards points for suburban users in western Canada.

Nevertheless, 68 per cent of Carrot users thus far are women aged 25 to 44, says Gallagher. The app is



“Human beings are driven by two things: motivation and comparison with their peers.”

seeing use from both rural and urban communities and across a broad range of income levels, so the agency is looking into ways it can reach men.

Apps at the office

Carrot has the potential to merge with workplace activities since it includes the three necessary phases of wellness programs, according to Marie-Josée Le Blanc, a partner at Mercer.

The first stage is knowledge. “Most people know it’s better to walk your dog, rather than watching a TV show and drinking a beer,” says Le Blanc, noting the app helps create awareness by pushing out fun facts and giving extra points for taking healthy quizzes.

But knowledge isn’t sufficient, she adds. “The challenge is to get them to the next stage: ‘I believe.’ So you need to raise awareness. You need to put in

the face of the employees . . . what their health risks are and ideally having shocking statistics related to that. Like, as a result of you being inactive, you have so many more chances of developing cardiovascular problems before age 50.”

The final stage, she adds, is action. “Human beings are driven by two things: motivation and comparison with their peers. So that’s why a good wellness program would also incorporate incentives to get people going, to get them to act. . . . It doesn’t take long after that for employees to transform the external motivation to an intrinsic motivation. And when you’ve reached that stage, you really know your people are good to go.”

Not a replacement

Sun Life Assurance Co. of Canada recently tested Carrot with its own B.C. employees, two other employer clients and people who had purchased individual health coverage. Plan members received extra points if they entered a promotion code allowing the insurer to track their usage habits, says Marilee Mark, vice-president of product development and integrated health solutions at Sun Life.

Engagement rates for the pilot groups ranged from 72 per cent to 86 per cent, which is higher than the results for Carrot users in the general population.

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"It's hard to know exactly why that is but it might be related to how does this align with what an employer's doing already and that they see it as an endorsement from an employer and therefore there's a higher level of engagement," says Mark.

"We don't have enough different employers to test with to know if that would be consistent."

The University of British Columbia, a participating employer in Sun Life's pilot project, found the app complemented but couldn't replace its wellness program.

"It wasn't our entire programming or the breadth and depth of what we offer," says Miranda Massie, a health promotion specialist at the university. "We just saw it as a really nice add-in piece, and it was something that was already created by the experts."

Massie notes the app encourages friendly competition, which Le Blanc says is key to wellness programs. "The app itself only tracks your own [data], but I know of colleagues who were comparing their apps every day. . .," says Massie.

The points, of course, were the biggest motivator.

In a survey of participants in the pilot project, Sun Life found 50 per cent would be unlikely to continue with the app if it didn't offer points. "We do know that the loyalty points were one of the drivers, which is OK," says Mark, noting the large number of

participants who said they had made a healthy lifestyle change as a result of using the app. And that, she says, is key, "because you want to know, is it making a difference, aside from people getting their points?"

Organizations also have the opportunity to customize the app for their workforces. "Imagine if an employer happens to have special activity days or they happen to have special vaccination days or they happen to have whatever . . .," says Souvaliotis. "Those activities could now be linked to Carrot. . . . Or, maybe to a certain employer, the fact that you walked 10,000 steps today matters quite a bit, so maybe the steps rewards can be enhanced inside an employer environment."

For her part, Massie is eager to move forward with Carrot, now that the Sun Life pilot project is over. "How we could embed some additional promotions or maybe an additional campaign, so it's not just the pilot and now everyone forgets about the app?" she says. "Would there be a way for us to go back to these folks who participated initially a few months from now and see how many of them are still using it? That's what we still need to figure out — the next steps from here." 

Sara Tatelman is a former associate editor at *Benefits Canada*.

CARROT'S REWARDS FOR MEETING DAILY STEP GOALS

2

Aeroplan miles

4

Scene points

5

More Rewards points

40

Petro-Points

What is the current impact of PCSK9i drugs on private drug plans two years after launch?

Almost two years after the Canadian launch of the first PCSK9i, actual claims experience shows that the overall impact of this drug class on the private payer market has in reality been minimal.

This can be attributed to both appropriate and responsible prescribing by clinicians as well as the effective claims management by insurers. In essence, the right patients are truly receiving these products.

Appropriate Prescribing and Claims Management Keep Private Drug Plans in Check

A review of the current impact of PCSK9i drugs on private drug plans two years after launch

In 2014 and early 2015, the private payer community expressed concern about the impact on private benefit plan costs of a new class of biologic drugs called PCSK9i (proprotein convertase subtilisin/kexin type 9 inhibitors) (commonly called PCSK9i) for the treatment of high cholesterol, specifically low-density lipoprotein cholesterol (LDL-C), commonly known as "bad cholesterol."

Now, almost two years after the Canadian launch of the first PCSK9i, actual claims experience shows that the overall impact of this drug class on the private payer market has in reality been minimal. As of April 2017, PCSK9i claims represented 1.3% of the total private payer cholesterol claims costs and 0.03% of the total number of claims (see Figure 2). This can be attributed to both appropriate and responsible prescribing by clinicians as well as the effective claims management by insurers. In essence, the right patients are truly receiving these products.

A certain amount of cholesterol is present in the bloodstream. When the levels of bad cholesterol or LDL-C get too high, plaque can form on the artery walls and grow over years. The growth of these plaques can start to block blood flow, or even rupture and cause blood clots, which can lead to events such as heart attacks or strokes. Cardiovascular disease (CVD) generally refers to conditions that involve narrowed or blocked blood vessels, which can

then lead to a heart attack, chest pain (angina) or stroke.

There are a number of different types of treatments used to lower high LDL-C. Statins, such as atorvastatin (Lipitor®) and rosuvastatin (Crestor®), are most commonly used as a first-line therapy and are generally very effective.

However, if patients are...
1. managing their diet AND
2. taking the highest dose statin
They can manage AND
3. have disease-related heart or blood vessel problems or inherited high cholesterol AND
4. try life drugs to lower their LDL-C to the Canadian target...
...then PCSK9i therapy is an option for them.

PCSK9i drugs are not intended to be used for all patients with elevated LDL-C, but rather for those patients who really need it. PCSK9i drugs are

recommended ONLY for two groups of patients:

1. Patients with clinical atherosclerotic cardiovascular disease (ASCVD) who are not at LDL-C goal despite maximally tolerated dose of statins.

ASCVD develops because of a buildup of cholesterol and plaque. Over time, this plaque can harden and narrow the arteries. Heart attacks and strokes are usually caused by ASCVD.

Patients diagnosed with ASCVD have already suffered events such as a heart attack, angina or stroke, or have undergone coronary artery bypass surgery. These patients are at high risk of having another event or even several more events.

When statins or other treatments don't help ASCVD patients reach their LDL-C target, patients are left vulnerable to having more events.

PCSK9i therapy could be recommended to help them lower their LDL-C levels and reduce the risk of further events. i.e., secondary prevention, which means preventing further heart or stroke events after the first event has occurred.

Canadian costs

• The most commonly used cholesterol treatments, statins and ezetimibe, are approximately \$130-\$170 per patient per year.
• The annual cost of a PCSK9i is \$17,263 per patient per year.

Appropriate Prescribing and Claims Management Keep Private Drug Plans in Check

Sponsored Feature

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EMERGING MARKETS ARE SEEING STRONG GROWTH, CHEAP CURRENCIES, VALUATIONS AT A DISCOUNT, RETURN ON EQUITY RISING AND EARNINGS MOVING UP. A LOT OF THAT HAS BEEN GROWTH IN THE TECHNOLOGY SECTOR — NOW THE LARGEST SECTOR IN EMERGING MARKETS.



KURT REIMAN

*Chief Investment Strategist,
BlackRock Canada*



From global elections and trade barriers to domestic debt and interest rates, there are a lot of moving parts for plan sponsors to track and interpret. We asked BlackRock's Kurt Reiman to share his perspective on some of the forces currently shaping Canadian stock and bond markets.

What global trends are having a positive impact on Canadian equities?

This year's synchronized global expansion has been a positive force. Unfortunately, Canadian stocks started the year on the expensive side, and have been under pressure because of concerns about protectionism and oil prices. Now we have to contend with the Bank of

Canada raising rates sooner than expected. So there have been a number of hurdles, but the situation would have been worse without a sustained and synchronized recovery in the global economy.

Does the high level of debt in Canada concern you?

It's something we've been focused on for awhile. High levels of debt in China and the United States capture investors' attention more than debt in quiet, well-behaved, peaceful, socially liberal countries like Canada. But the debt level in Canada is red-hot, and it's not just Canadian households that have an alarmingly high level of debt,

it's also companies. It doesn't mean that a financial crisis is imminent, but it does make it hard to grow – especially if there is a recession or a sharper than expected rise in interest rates.

How will the U.S. administration's approach to trade affect Canadian equities?

About one in four Canadian revenue dollars is the result of a sale in the U.S., and one in five Canadian GDP dollars is because of an export to the U.S. Countries like China and the U.S. rely less on exports and more on consumption and domestic investment. Canada relies heavily on trade. And now, on top of renegotiating the North American

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KURT REIMAN

Chief Investment Strategist, BlackRock Canada

Free Trade Agreement, the U.S. is deregulating its energy sector and pulling out of the Paris climate accord. That sets up a very different competitive landscape for Canada's important energy sector. On the other hand, approving the Keystone XL Pipeline is helpful to Canadian energy producers. And, in the midst of an economic expansion, we think it's unlikely the U.S. administration would cause harm through raising barriers and implementing protectionist measures. I think NAFTA will be updated for the 21st century and its rules of origin may be tightened, but I don't think it will be tossed out.

Where can institutional investors turn for opportunities?

Because of recent strength in U.S. equity markets, many Canadian investors are overexposed to U.S. equities and underexposed to opportunities in other global markets. We're positive on emerging markets, Japan and Europe. That doesn't mean we don't see the potential for markets in North America to move higher this year. It's just that we think investors will get better risk-adjusted returns outside North America.

Emerging markets are seeing strong growth, cheap currencies, valuations at a discount, return on equity rising and earnings moving up. A lot of that has been growth in the technology sector – now the largest sector in emerging markets. Emerging markets used to have bank-heavy and natural resources-heavy equity markets with a similar sector composition to Canada's. That's no longer the case.

We often think about Japan as an export powerhouse, but despite

a decline in the working age and overall population, Japan has experienced strong improvement in its domestic economy. Yet that's not reflected in valuations; Japan is the cheapest market in the developed world. In addition, Japanese equity markets offer operational leverage, with high fixed costs relative to variable costs, so an upturn in economic growth tends to have a disproportionate effect on profitability.

In Europe, we were pretty resolute that centrist candidates would win key elections, and that's still the case regarding upcoming elections. Meanwhile, economic activity has surprised everybody, but that hasn't been reflected in financial markets because of investors' political concerns. Populism and economic nationalism may be an issue for another day for Europe. Right now, I think investors are too persistently negative in the face of improving economic data.

What disruptors have the potential to affect the investing landscape?

First and foremost, there are the changes central banks are making after several years of ultra-loose and accommodative monetary policy. That's a risk to bond markets to the extent it's not already priced in. It's also a risk to bond proxies in the stock market. When investors play defence, they have to know what they're playing defence against. In contrast to traditional defensives, which help protect against recession, cyclical and deep value stocks may perform better in an environment of rising interest rates.



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Back-to-back client meetings in which clients share their biggest challenges so I have an opportunity to provide context to help them along their path.



HOW HAVE MENTORS HELPED YOU IN YOUR CAREER?

They've asked me, repeatedly, what are you planning to do next in your life? It's not that they have a prescription, but just that they remind me to grow and not get too comfortable.



WHAT WOULD YOU BE DOING IF YOU WEREN'T AN INVESTMENT STRATEGIST?

My two favourite pastimes are playing piano and cooking, so I suppose I'd be recording my compositions in a studio and making meals!



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BENEFITS CANADA AT 40:

A look at one of Canada's oldest DC plans through the eyes of a 100-year-old retiree

While defined contribution plans were a small piece of the pension market when *Benefits Canada* first rolled off the presses in 1977, the Co-operative Superannuation Society had already been operating for almost 40 years by that point.

Founded in 1939 in Saskatoon, the society's pension plan is one of the country's oldest and largest defined contribution plans. Today, its assets total \$4.3 billion, and it serves more than 350 employers and 46,000 current and past co-operative and credit union employees across the country.

Harold Chapman, who turned 100 in April, began contributing to the plan in 1955. He was director of the Co-operative Institute, an organization established to teach co-operative principles that later became the Western Co-operative College. In 1956, he contributed \$300 to the plan, an amount matched by his employer. Over the years, the amounts escalated, and by 1981, Chapman's annual contribution was \$2,600, while his employer put in \$2,400 for a five per cent match.

In those days, members of the plan had limited investment choices, with just a single balanced fund available. The plan introduced a money-market fund

in 2005 and then a bond and equity fund in 2010.

Martin McInnis, executive director of the plan, says the addition of new funds was a natural evolution after members asked for more risk than the balanced fund was offering. "People wanted to manage their own portfolios, rather than just have that one default position," he says, noting about 90 per cent of the plan's money is currently in the balanced fund.

Despite the lack of investment choice, Chapman says he has sufficient information about the intricacies of his pension. "When I was at the Co-operative College, each time the managers came in, we had a speaker from the pension plan explaining it."

Indeed, the plan's member services manager, Dave Kapeluck, and his team conduct 12 workshops each year for members and their spouses. "It's a few hours, and the team runs through what the retirement income options are," says McInnis.

The sessions, he adds, include "a lot of the things they need to consider in terms of figuring out if they want to go annuity or [variable benefit] or a mix."

At retirement

Before Chapman retired from his role as member relations director for Federated Co-operatives Ltd. in April 1982, he attended a workshop put on by the

By Jennifer Paterson

TIMELINE OF THE CO-OPERATIVE SUPERANNUATION SOCIETY'S DC PENSION PLAN

1939

Saskatchewan
Co-operative
Superannuation
Fund established at
the Consumers'
Co-operative
Refinery in Regina

1943

Co-operative
Superannuation
Society incorporated
when the original
fund merges with
another savings plan
developed by the
Saskatchewan
Co-operative
Wholesale Society

1947

Plan registered as a
pension plan under
the Income Tax Act;
its membership grows
beyond Saskatchewan

1950

Plan includes 25
employers and 557
employees with
\$469,000 in assets

1976

Employee membership
reaches almost
1,000 as assets
hit \$62 million

Today

Plan has \$4.3 billion
in assets on behalf
of about 46,000
members and ranks
No. 2 on *Benefits
Canada's* 2017 list of
the top 50 DC plans

CHOOSING A VARIABLE BENEFIT:

Ron Gartner

Ron Gartner worked for the same company for his entire 39-year career and began contributing to the pension plan when he was a 21-year-old clerk at a hardware store in a Saskatoon suburb. "The first dollar I gave our superannuation society, I said: 'You guys look after my money and you can look after it until I'm dead,'" he says.

In the first year, Gartner contributed four per cent of his annual salary, or \$140, which was matched by his employer. In his last year, he was contributing six per cent of his salary, or about \$3,000, which was matched by his employer. Over the years, he moved to a manager role in the lumber and agriculture unit and, in March 2007, he retired at age 60. He took his pension as a variable benefit, he says, because it ensured that "if something happened to me, the estate would get the rest of my money."

He has been collecting payments from his variable-benefit account for 10 years and his original balance, which was nearly \$800,000, has only decreased by about 13 per cent. Each month, he receives about \$4,000 in retirement income.

Gartner also took an unrestricted amount –

about \$62,000 – from his pension at retirement, an option that's available to all members, depending on their contributions and their employer. "I took my unrestricted stuff out when I retired and invested it with another company, so I could do some comparisons," he says.

"Of course, superannuation wins out by a long shot. I shouldn't have done it."

Nevertheless, Gartner feels retirement is treating him well. "As a businessman, I've always said, 'We know what we want to spend a month and this is what we've got.' And that's the way we've done it. We've taken trips, we've done whatever we wanted to do since I retired."

society about his decumulation options, including purchasing an annuity from the pension plan or an insurance provider; a variable benefit; a combination of the two; or taking his money out of the plan.

Pension funds can no longer offer in-house annuities due to pension legislation, says McInnis. "There's a few things we're able to do because we were grandfathered," he notes.

About 25 to 30 per cent of the plan's members opt to buy an annuity, according to its own research, which has found that, in general, members with lower accumulated balances tend to buy an annuity while those with higher amounts take the option of a variable benefit. Some retirees choose to combine the annuity and the variable benefit, says Kapeluck, "to give them some guaranteed fixed income each month for the rest of their life that's

not subject to the ups and downs of the markets and also the variable-benefit option to give them some flexibility and control."

By 1982, Chapman had saved \$130,000 in his pension. Of that amount, \$20,000 was unrestricted additional voluntary contributions, so he withdrew them to buy a motorhome. He used \$110,000 to buy an annuity, which pays him nearly \$1,500 a month before taxes. "I'm still getting a pension now every month on the remainder of the money," he says. "Looking back on it, I think I should have used some other method of financing a motorhome."

But since an annuity is essentially a guaranteed income for life, Chapman has gotten a lot from his annuity purchase. He has now been retired for 35 years, which is longer than he contributed to the plan. "What Harold converted to the monthly



LAUREN WINTERS PHOTOGRAPHY

“Looking back on it, I think I should have used some other method of financing a motorhome.”

pension or the annuity in May of '82 was just a little over \$110,000,” says Kapeluck. “And to date, his total payments are just a little over \$600,000.”

Besides his regrets about the motorhome purchase, Chapman says he's receiving enough money every month to give him a comfortable living. He notes he still feels connected to the plan as a retiree. “If I felt like saying something, I would feel that I had a say in letting them know any suggestions I have or any feelings I've got about the plan, because I'm a member of the co-operative.”

The opportunity for members to stay connected in retirement is one the plan works hard to maintain, says McInnis.

“What we typically see in a DC plan is you accumulate to a certain point, you retire and then you need to do something with your money — which in a lot of cases means you're going to another provider for the retirement funds. It's something we really appreciate, that we've built trust with the members over a 30- or 40-year career and we're able to continue to serve them post-retirement.” **PC**

Jennifer Paterson is the managing editor of Benefits Canada: jennifer.paterson@tc.tc.

ARE CHAPMAN AND GARTNER'S EXPERIENCES TYPICAL?

As Chapman and Gartner sit comfortably in retirement, could today's defined contribution plan members expect a similar outcome from their pension pots? Greg Hurst, a pension consultant in Vancouver, says they could, but with some reservations.

First, he notes that while today's defined contribution plans offer more flexibility, that also means more opportunities for poor choices. “If you make the wrong investment choices, if you don't follow the investment program in the way that it's intended, your retirement portfolio could be a lot less,” he says. However, if pension members stay in a balanced portfolio, as Chapman did, it's likely to produce good returns over the long term, according to Hurst.

Another issue is how members draw down their retirement savings. “When you annuitize, you lock in a long-term return under the annuity,” he says. “The problem is, in today's context with interest rates being so low, your annuity doesn't buy as much as it did when [Chapman] retired in 1982.”

Hurst also believes Gartner's very healthy retirement account balance of \$800,000 is possible for today's plan members. “The outcomes are variable in DC, whereas they're fixed in DB. . . . So you can have a much larger pool of money in a DC plan than you might have otherwise had in a DB plan over a career.”

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INDIA

a hot destination for pension fund dollars

Telecommunications, distressed debt and real estate are among the recent investment moves by Canadian plans

By Jann Lee

Four years ago, some investors were hesitant to invest in India due to poor economic fundamentals, currency depreciation and government bureaucracy. But while many hit pause on making investments, long-term institutional investors like the Canada Pension Plan Investment Board ignored the pessimism and started putting plans in motion for future ventures.

"Before [Prime Minister Narendra] Modi was elected in 2014, people were really very pessimistic about the Indian market," says Suyi Kim, managing director and head of Asia-Pacific at the CPPIB. She recalls making numerous visits to India at the time with other leaders of the CPPIB's infrastructure and real estate investment team. "People didn't want to invest, but we actually started discussions with all these large promoters and families in India and we've been able to strike deals over time."

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In 2013, the CPPIB entered into a partnership with the Shapoorji Pallonji Group, an established conglomerate in India, to acquire office buildings in major cities across the country. The CPPIB then announced subsequent investments in infrastructure and private debt and, in 2015, it cemented its presence in India by opening an office in Mumbai.

Today, market sentiment has changed as several large Canadian institutional investors have announced a flurry of investments in India that include mobile towers, distressed debt, real estate and infrastructure.

In March, the CPPIB acquired a 3.3 per cent direct interest in Bharti Infratel Ltd., a large owner of telecommunications tower infrastructure, for about \$400 million as part of a purchase agreement involving funds advised by U.S. private equity firm Kohlberg Kravis Roberts & Co.

While India currently has lower smartphone usage compared to the United States and China, the CPPIB foresees a rise in consumer demand for mobile data, says Kim. “As the Indian people get wealthier and richer, they’ll try to get their phone upgraded and use more data, and our cellphone infrastructure investment is really betting on the data consumption growth of the Indian people.”

The Caisse de dépôt et placement du Québec is also betting on India’s economic growth. The Caisse acquired a 21 per cent interest in Azure Power Global Ltd., one of India’s largest producers of solar power, in 2016, according to its fiscal report.

“As the demand for manufacturing services grows, the need for electricity will become very high,

and right now, there’s a significant supply gap,” says Anita George, managing director for south Asia at the Caisse.

“What that means is that India will need to be able to generate more electricity,” she adds, noting India’s recommitment to the Paris agreement on climate change in early 2017 was a “big plus” for the Caisse’s investment in Azure Power because it signalled government support for the clean energy sector.

What’s propelling the interest?

But beyond some of the specific investment opportunities available, why is India becoming more popular among emerging market countries?

Julian Mayo, senior vice-president at Charlemagne Capital Ltd., says investors started taking a closer look at India in 2016 when the performance of emerging markets rebounded after a five-year slump. India stands out for two reasons, he says. “First, it’s got a structurally high growth rate, partly because it’s starting from a lower base, and second, because of the ongoing reforms under prime minister Modi.”

India’s gross domestic product continues to rise quickly, with projected growth ranging from six to eight per cent, says Louis Lau, director of the investments group at Brandes Investment Partners Ltd. “I think it’s one of the few markets that has a clear path of growth,” he says, citing predictions that India’s population will surpass China’s at some point.

As well, government reforms aimed at tackling corruption and formalizing the economy have boosted investors’ confidence, says Lau. He cites the government’s new digital system, Aadhaar, which assigns Indian citizens a unique identification number, as an example. The system, he notes, helps keep track of information related to taxes, employment status and social security benefits. It also makes it easier for people to engage in banking and online financial transactions.

The government also introduced a harmonized goods and services sales tax last July that will bring cohesion to the country’s fragmented tax system, says Mayo. Economic theory, he notes, has shown people are more willing to pay taxes under a simplified system. “It actually increases tax revenue rather than reduce it . . .,” says Mayo, noting the revenue will help boost India’s budget and allow it to invest in areas such as infrastructure projects.

Some of the recent reforms have been positive for investments the Caisse has made in India, says George. She notes the new harmonized sales tax supports the Caisse’s investment in TVS Logistics Services Ltd. because it will allow the company to do business across borders more efficiently. “It’s a huge boost to third-party logistics companies and an opportunity to gain new customers in the Indian market,” says George.

“I think it’s one of the few markets that has a clear path of growth.”

HOW CAN SMALL PLAYERS ACCESS THE INDIAN MARKET?

While many institutional investors are looking at non-Canadian equities at the moment, smaller pension plans that want to take advantage of the upswing in emerging markets likely wouldn’t make a country-specific allocation, says Ryan Kuruliak, senior vice-president at Proteus Performance Management. Instead, their investment committees would appoint an emerging market or global asset manager to oversee an emerging market portfolio and handle the allocations.

But pension plans that have a specific interest in India have two options, says Kuruliak. He notes those interested in long-term investments can hire an India-focused investment manager who can provide a portfolio that suits their needs, while those looking at the short term can invest in an exchange-traded fund focused on India.



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RECENT CANADIAN PENSION FUND INVESTMENTS IN INDIA

- In May 2017, the Canada Pension Plan Investment Board committed \$682 million to a joint venture with India-based developer IndoSpace to acquire and develop logistics facilities in the country.
- In April 2017, the CPPIB teamed up with mall developer Phoenix Mills Ltd. to develop, own and operate retail properties in India with an initial investment of \$149 million for a 30 per cent stake in development platform Island Star Mall Developers Pvt. Ltd. In August, the pension fund invested \$32 million through Island Star to acquire land in Pune, one of India's largest cities.
- In February 2017, Ivanhoé Cambridge, the real estate subsidiary of the Caisse de dépôt et placement du Québec, partnered with Piramal Enterprises Ltd. to invest in urban residential property developers across India's major cities. It committed about \$330 million in capital.
- In January 2017, the Ontario Municipal Employees Retirement System increased its shares of Fairfax India Holdings Corp., which has made significant investments in India, including a stake in a Bangalore airport.

The risks

While the fundamentals are good, India isn't immune to problems, says Ashok Kotwal, an economics professor at the University of British Columbia. He offers the example of the controversial reform enacted by the government in 2016 to demonetize 500- and 1,000-rupee notes in order to reduce corruption and encourage digitization.

The move caused a lot of stress for the many Indians who work in the informal economy, says Kotwal. "To launch a country, which is mostly dealing in cash, all of a sudden into a digital future without having the proper banking network and financial infrastructure was a totally unrealistic goal."

And while the policy won't be negative for the economy in the long term, Kotwal says it will likely reduce economic growth in 2017/18 by about a percentage point or so.

As well, there are a lot of non-performing assets in India's banking system, especially when it comes to the public banks, says Kotwal. "They've made a lot of bad loans, and it's not clear how the central bank is going to chart its way through this. What are they going to do with these non-performing assets? Because unless the banking sector is strong and stable, many of these moves like digital economy are just going to remain as goals and are not going to be really fulfilled, and that's something investors should worry about."

But as Kim points out, investors are aware that India isn't immune to risk. "We have to do extra work in these emerging markets. Information is not as readily available, and we need to make sure the people we're speaking with, we understand their background and their authenticity. . . . So that requires a lot more due diligence in the market."

As for the Caisse, it prioritizes solid partnerships with Indian institutions that have good corporate

governance, says George, pointing to its recent alliance with Mumbai-based Edelweiss Financial Services Ltd.

Last October, the Caisse announced it was helping the company invest in stressed assets and private debt opportunities in India. "It's a great partnership, because la Caisse has the capital resources and the company has knowledge of the market," says George.

The founders of the company anticipated the growing demand for structured debt in India, says George, noting that while certain creditors may default, Edelweiss engages in a solid process of due diligence. "The company has the best credit review system globally. So that provides us with comfort in that they have a very systematic way of assessing [credit] risk," she says.

Another potential risk is the Indian government's poor track record of completing large-scale infrastructure projects, says Sudhir Roc-Sennett, a senior portfolio advisor at Vontobel Asset Management Inc. "Historically, it has been difficult for businesses to get big infrastructure projects done due a number of problems, including the number of permits required, tough environmental laws, difficulty in obtaining land, endless court cases and limited long-term funding," he says.

Many investors, therefore, have been skeptical about funding certain infrastructure projects because they question whether they'll happen within the anticipated time frame, says Roc-Sennett. He notes, however, that Modi's government has largely curtailed investors' doubts by cutting bureaucracy and signalling the country's interest in supporting foreign investments.

But perhaps the biggest risk right now stems from the optimism about India's economy, says Lau. Many public companies, he says, are trading at "very astronomical valuations."

Still, the Caisse will continue to pursue companies with high valuations if it believes in their fundamentals, says George, adding that it recently bought a small stake in Kotak Mahindra Bank Ltd., despite its high price, because it saw potential for growth in the financial sector. George notes that besides having a strong management team, the bank is looking to double its customer base in three years.

While the Caisse's current share in Kotak Mahindra Bank is small at just over one per cent, it will be looking for opportunities to boost its stake in the future when valuations are cheaper, says George.

The Caisse has the luxury of being able to wait until the market is down before it makes certain investments, she notes. "We're very selective. We can afford to be, if an opportunity knocks on our door, because we've created a brand as a long-term value investor." 

Jann Lee is an associate editor at *Benefits Canada*: jann.lee@tc.tc.



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WHAT'S THE MAGIC NUMBER FOR DC CONTRIBUTIONS?

It's clear that many employees need to save more, but while increasing contributions is an efficient way of boosting retirement accounts, experts say it's not always the right answer.

By Sonya Felix



Back in the 1990s, senior management at the Co-operators Group Ltd. decided to be more generous with its defined contribution pension plan. While most Canadian companies with defined contribution offerings match employee contributions — often up to five per cent of salary — the Co-operators upped its plan on both sides of the equation by putting in even more than the members.

As Michael Dodd, director of pensions, treasury and shareholder services for the Guelph, Ont.-based company, explains, employees can choose to contribute six per cent and receive a 7.5 per cent match for a total of 13.5 per cent. They can also choose a five per cent contribution with a 6.5 per cent match for a total of 11.5 per cent. “From conversations with my peers, I believe this is quite generous,” he says.

“Most of our employees select the first option and, although some younger employees complain that it is expensive, they adjust to the money coming off their pay and appreciate the result of higher contributions over time.”

The plan is mandatory after five years, but Dodd says most employees sign up right away, partly because of word of mouth when long-term staff encourage new hires to get in early. More than 20 years after raising contribution rates, senior management remains committed and internal company surveys show members view the plan positively.

The Co-operators’ contribution strategy is old news at that company, but with a greater emphasis on retirement income adequacy, there’s a lot of talk in the pension industry these days about how to get employees to save more. And that brings up a number of questions: Should everyone contribute more to their plan? How high should rates go? Is there a magic number for contributions?

The case for increasing contributions

Multiple factors support increasing contribution rates to improve retirement incomes. Greater awareness of the importance of workplace savings is one driver, says Matthew Williams, head of institutional and client service at Franklin Templeton Investments Corp. “Employers also recognize that to attract and retain employees, they need a more compelling compensation package.”

Others in the industry note that higher contributions could help make up for the low market returns during the past decade. Janice Holman, who leads the defined contribution consulting group at Eckler Ltd., says data shows the same plan (in a balanced fund) would deliver significantly higher replacement income for someone who retired in 2006, versus someone who left the workforce today.

“This is due to lower interest rates today, increased longevity of Canadians and the market returns someone would have experienced over the past 25 years compared to the 25-year period ending in 2006,” says Holman. “It is just harder to produce retirement income today than it was in the past. Employers are concerned that the workforce won’t be able to successfully transition to retirement and are therefore trying to get employees to save more.”

There’s also some concern among employers about who may shoulder the blame if plan savings don’t provide enough retirement income. “A large proportion of corporate plan sponsors feel exposed to the risk of liability, especially since there are no robust regulations here in Canada,” says Brad Hicks, managing director of Canada at MFS Investment Management Canada Ltd. “When you look at the three pillars of an individual’s retirement income — government, workplace and personal savings — talk these days puts the workplace portion front and centre.”

Getting to the magic number

Globally, defined contribution pension plans are already moving towards higher contributions, according to Rob Bauer, professor of finance at Maastricht University in the Netherlands and executive director of the Toronto-based International Centre for Pension Management. “Most people are not saving enough for retirement, so it is important not to make a mistake on contribution rates. Saving 10 per cent a year is not adequate for a 60 to 70 per cent replacement ratio, and I believe DC contribution rates should be similar to a [defined benefit] plan with 18 to 20 per cent a year going into the plan.”

Not everyone takes such a hard line, but there’s anecdotal evidence that Canadian employers are moving contribution rates higher than the standard plan of equal contributions of three per cent, says Williams. “We are typically seeing a higher percentage in public sector plans where there is an element of forced participation. For example, one provincial DC arrangement has a mandatory nine per cent contribution and nine per cent match. That drives some large balances for individuals with longer tenure in absolute-dollar amounts.”

TOP 50 DEFINED CO

THE PUBLIC EMPLOYEES PENSION PLAN (SASKATCHEWAN) 1 Rank 2015: 1 ▲6.1% 2016 PA: \$8,967.4 2015 PA: \$8,451.0	IBM CANADA LTD. 6 Rank 2015: 4 ▲1.1% 2016 PA: \$1,222.0 2015 PA: \$1,209.0	UNIVERSITY OF SASKATCHEWAN 11 Rank 2015: 12 ▲6.8% 2016 PA: \$776.9 2015 PA: \$727.2	MANITOBA SCHOOL BOARDS ASSOCIATION 16 Rank 2015: 18 ▲10.1% 2016 PA: \$540.2 2015 PA: \$490.6	SASKATCHEWAN PENSION PLAN 21 Rank 2015: 25 ▲9.8% 2016 PA: \$371.0 2015 PA: \$337.9
CO-OPERATIVE SUPERANNUATION SOCIETY PENSION PLAN 2 Rank 2015: 2 ▲7.2% 2016 PA: \$3,577.3 2015 PA: \$3,336.8	MANULIFE FINANCIAL 7 Rank 2015: 7 ▲9.3% 2016 PA: \$1,175.0 2015 PA: \$1,075.0	BOMBARDIER TRUST (CANADA) 12 Rank 2015: 13 ▲5.9% 2016 PA: \$716.5 2015 PA: \$676.6	HUDSON'S BAY CO. 17 Rank 2015: 17 ▲1.5% 2016 PA: \$517.5 2015 PA: \$510.0	POTASH CORP. OF SASKATCHEWAN INC. 22 Rank 2015: 20 ▼-5.0% 2016 PA: \$368.5 2015 PA: \$387.7
UNIVERSITY OF BRITISH COLUMBIA FACULTY PENSION PLAN 3 Rank 2015: 3 ▲6.5% 2016 PA: \$2,139.0 2015 PA: \$2,009.2	WESTERN UNIVERSITY 8 Rank 2015: 6 ▲0.7% 2016 PA: \$1,114.3 2015 PA: \$1,106.2	CLAC RETIREMENT PLANS 13 Rank 2015: 14 ▲12.3% 2016 PA: \$669.0 2015 PA: \$595.9	TECK RESOURCES LTD.² 18 Rank 2015: 19 ▲6.6% 2016 PA: \$486.1 2015 PA: \$456.1	CASCADES INC. 23 Rank 2015: 22 ▲4.3% 2016 PA: \$365.0 2015 PA: \$350.0
COSTCO WHOLESALE CANADA INC. 4 Rank 2015: 5 ▲19.2% 2016 PA: \$1,384.2 2015 PA: \$1,161.0	THE CO-OPERATORS GROUP LTD. 9 Rank 2015: 9 ▲7.9% 2016 PA: \$1,004.3 2015 PA: \$931.1	ACTRA FRATERNAL BENEFIT SOCIETY* 14 Rank 2015: 15 ▲7.6% 2016 PA: \$623.3 2015 PA: \$579.4	FINNING INTERNATIONAL INC. 19 Rank 2015: 21 ▲13.0% 2016 PA: \$422.7 2015 PA: \$374.0	GOVERNMENT OF NEWFOUNDLAND AND LABRADOR 24 Rank 2015: 24 ▲5.1% 2016 PA: \$356.5 2015 PA: \$339.1
SOBEYS INC.¹ 5 Rank 2015: 8 ▲25.7% 2016 PA: \$1,296.6 2015 PA: \$1,031.6	ROYAL BANK OF CANADA 10 Rank 2015: 11 ▲8.5% 2016 PA: \$965.7 2015 PA: \$889.8	QUEBECOR MEDIA INC. 15 Rank 2015: 16 ▲0.5% 2016 PA: \$559.4 2015 PA: \$556.6	ATCO PENSION FUNDS³ 20 Rank 2015: 23 ▲13.8% 2016 PA: \$390.8 2015 PA: \$343.5	SUN LIFE ASSURANCE CO. OF CANADA 25 Rank 2015: 27 ▲16.0% 2016 PA: \$345.9 2015 PA: \$298.2

Notes: * 2015 figure has been restated.

^ Both pension funds were not included last year. Shaw Communications declined to participate and Aviva Canada didn't complete the survey in time.

1. Following Sobeys' 2013 acquisition of Canada Safeway stores, \$185 million in defined contribution assets were added to the Sobeys fund in 2016.

2. Cominco Pension Fund Co-ordinating Society, ranked No. 19 last year, was incorporated into Teck Resources Ltd.

3. Canadian Utilities Ltd. pension plan, ranked No. 23 last year, and ATCO Structures and Logistics have been consolidated as ATCO pension funds.

4. Enbridge acquired Spectra Energy in 2017. Consolidated figures for 2015 and 2016 account for the large movement in the year-over-year ranking.

Figures in this report are based on responses provided by the survey participants. *Benefits Canada* assumes no responsibility for the accuracy of the data provided. All totals are subject to +/- variance due to rounding.

CONTRIBUTION PLANS

AGRIUM INC. 26 Rank 2015: 26 ▲ 6.6% 2016 PA: \$343.2 2015 PA: \$322.0	KPMG LLP* 31 Rank 2015: 32 ▲ 7.1% 2016 PA: \$272.8 2015 PA: \$254.8	PCL CONSTRUCTION GROUP INC. 36 Rank 2015: 36 ▲ 7.9% 2016 PA: \$243.4 2015 PA: \$225.5	CANADIAN BAPTIST MINISTRIES 41 Rank 2015: 40 ▲ 6.1% 2016 PA: \$230.2 2015 PA: \$217.0	GOLDER ASSOCIATES LTD. 46 Rank 2015: 45 ▲ 2.0% 2016 PA: \$196.8 2015 PA: \$193.0
CANADIAN YMCA RETIREMENT FUND 27 Rank 2015: 29 ▲ 7.3% 2016 PA: \$311.1 2015 PA: \$290.0	HSBC BANK CANADA* 32 Rank 2015: 45 ▲ 13.8% 2016 PA: \$267.4 2015 PA: \$235.0	NIAGARA CASINOS 37 Rank 2015: 38 ▲ 10.8% 2016 PA: \$243.0 2015 PA: \$219.4	ENBRIDGE INC.⁴ 42 Rank 2015: 116 ▲ 3.1% 2016 PA: \$226.2 2015 PA: \$219.3	ENCANA CORP. 47 Rank 2015: 44 ▼ 5.5% 2016 PA: \$185.6 2015 PA: \$196.5
CAMECO CORP. 28 Rank 2015: 28 ▲ 4.6% 2016 PA: \$307.2 2015 PA: \$293.7	TOROMONT INDUSTRIES LTD. 33 Rank 2015: 34 ▲ 12.9% 2016 PA: \$260.8 2015 PA: \$231.0	GLENCORE CANADA 38 Rank 2015: 39 ▲ 10.4% 2016 PA: \$241.7 2015 PA: \$219.0	AVIVA CANADA INC. PENSION PLAN⁴ 43 Rank 2015: N/A ▲ 9.3% 2016 PA: \$221.5 2015 PA: \$202.6	BÂTIRENTE 48 Rank 2015: 50 ▲ 11.1% 2016 PA: \$181.7 2015 PA: \$163.5
SHAW COMMUNICATIONS INC.⁴ 29 Rank 2015: N/A ▲ 0.7% 2016 PA: \$296.0 2015 PA: \$294.0	APOTEX INC. 34 Rank 2015: 33 ▲ 5.9% 2016 PA: \$260.6 2015 PA: \$246.1	TRANSALTA CORP. 39 Rank 2015: 37 ▲ 6.2% 2016 PA: \$238.7 2015 PA: \$224.7	ARCHDIOCESE OF VANCOUVER 44 Rank 2015: 43 ▲ 8.0% 2016 PA: \$216.0 2015 PA: \$200.0	CITI CANADA 49 Rank 2015: 48 ▼ 3.2% 2016 PA: \$173.7 2015 PA: \$179.5
LA COOP FÉDÉRÉE 30 Rank 2015: 31 ▲ 9.2% 2016 PA: \$291.0 2015 PA: \$266.6	HUSKY INJECTION MOLDING SYSTEMS LTD. 35 Rank 2015: 34 ▲ 11.7% 2016 PA: \$258.0 2015 PA: \$231.0	GEORGE WESTON LTD. 40 Rank 2015: 42 ▲ 14.8% 2016 PA: \$233.7 2015 PA: \$203.6	RESOLUTE FP CANADA INC. 45 Rank 2015: 47 ▲ 9.8% 2016 PA: \$201.0 2015 PA: \$183.0	AON CANADA INC. 50 Rank 2015: 53 ▲ 12.9% 2016 PA: \$168.8 2015 PA: \$149.5

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Allan Shapira, FSA, FCIA
Managing Director, Aon Hewitt



Another trend is for employers to offer what he calls a stretch match to encourage employee savings. Williams describes a plan that recently went from a 100 per cent match to a design that encouraged even greater contributions by employees. The plan has a base employer contribution of three per cent and previously, if the employee contributed that amount as well, the company put in three per cent more for a total of nine per cent. Recently, the design changed so that if the employee contributes six per cent (on top of the three per cent base), the employer puts in an additional three per cent for a total of 12 per cent.

But higher contribution rates aren't necessarily a good idea for all plan members. As Williams points out, income levels are a key driver of contribution rates and government programs such as the Canada Pension Plan, old-age security and the guaranteed income supplement can be much more significant in retirement for those earning less. "If you are making \$30,000 a year, you can ill afford to contribute since money goes to pay the bills, and CPP, OAS and GIS are going to provide a pretty good replacement rate. If lower-income individuals have more money, they may be better to put their savings in a [tax-free savings account]."

Michelle Loder, a partner in the defined contribution solutions business at Morneau Shepell Ltd., agrees that higher contributions aren't for everyone. "My first inclination is that we don't need to increase contributions," she says. "There is a general feeling that employees are not taking advantage of the match, so they leave money on the table. But if you only make \$25,000, you don't have money to contribute. If you make \$150,000 and up, you are more likely to contribute. My concern is there may be pressure to increase contributions without thinking of the context."

Any so-called magic number for contribution

rates depends on a number of personal variables: current disposable income; expected lifestyle in retirement; health status; other sources of earnings; inflation; longevity; understanding of government benefits; whether someone is planning to work in retirement; and taxes and fees on investments today and in retirement.

"It's the employer's role to help people determine how much to save to get the retirement income they need," says Loder. "For example, eight per cent going into a plan is considered minimum, but that eight per cent may not be enough for someone making \$150,000, while it could be too much for those making less than \$40,000."

Holman agrees that contributions are an individual question. "As we move away from unproven, generic rules of thumb, such as the 70 per cent gross replacement rate, to focus on individual needs, plans with some form of base benefit that allow the employee to tailor the plan to meet their savings needs are gaining popularity," she says.

"They can also be more efficient and less costly for employers, as those with less savings needs won't be forced to save at a higher rate and attract the maximum matching. Yet those that need additional savings can achieve that with the sponsor's help."

Other levers available

All of that isn't to say that plan contributions shouldn't go up, at least for some members. "The balance someone accumulates on retirement is based on contributions and investment gains, minus withdrawals," says Hicks, adding that research shows raising contributions works well. "The challenge, however, is getting members engaged in the plan and escalating contribution rates over time."

DC PLAN ELIGIBILITY FOR EMPLOYERS WITH AT LEAST 500 EMPLOYEES

47%

Immediately

11%

3 months

3%

6 months

19%

12 months

4%

24 months

13%

Other

2%

No deadline

Source: Canadian Institutional Investment Network's 2016 CAP Benchmark Report

TOP 10 | HYBRID PLANS

2016 PENSION ASSETS (MILLIONS) ARE AS OF DEC. 31, 2016; 2015 PENSION ASSETS (MILLIONS) ARE AS OF DEC. 31, 2015

	2016 Pension Assets	2015 Pension Assets	Variance
1 Quebec Construction Industry*	\$20,688.5	\$19,401.4	▲ 6.6%
2 Suncor Energy Inc.	\$4,271.5	\$4,064.6	▲ 5.1%
3 York University	\$2,316.8	\$2,165.0	▲ 7.0%
4 ArcelorMittal Dofasco	\$2,190.0	\$2,048.9	▲ 6.9%
5 United Food and Commercial Workers Union pension plan	\$2,122.4	\$2,061.0	▲ 3.0%
6 Queen's University	\$1,935.1	\$1,800.0	▲ 7.5%
7 McGill University pension plan	\$1,471.7	\$1,444.9	▲ 1.9%
8 George Weston Ltd.	\$1,335.3	\$1,336.3	▼ -0.1%
9 University of Manitoba	\$1,156.5	\$1,099.4	▲ 5.2%
10 University of Victoria	\$1,096.6	\$1,046.8	▲ 4.8%
Top 10 Total	\$38,584.4	\$36,468.3	▲ 5.8%

Note: * 2015 figure has been restated.

Source: Companies participating in the 2017 Canadian Institutional Investment Network's pension fund survey or annual reports.



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The upcoming increase in CPP contributions could compound the difficulty of getting people to save more in their company plan. Although the aim of higher CPP contributions is to help provide better retirement incomes, the additional premiums will further reduce employees' net pay. For low-income workers, even going up a notch may be too much if their disposable income is barely enough to get by.

And even if employees want to contribute more, employers may balk at providing a match since it would push up the cost of funding the plan. "Increased company pension contributions could cause unintended consequences elsewhere in the total rewards framework, such as reductions to other benefit costs," says Loder. "And it might not achieve the optimal retirement outcome for members."

Instead of raising contribution levels, plan sponsors could be doing more to make sure employees get the information they need about appropriate contribution rates to meet their goals for retirement income, she adds. "Many more employers are upping the game in terms of what they offer members as part of retirement planning by expanding beyond traditional retirement education into debt management and financial literacy."

Plan design could also have a more positive impact on retirement outcomes by discouraging withdrawals and ensuring decumulation options are in place to support payout in retirement with

the same services and fees, says Loder.

Making enrolment in the plan mandatory gets employees to join early and start saving for retirement. And automatic escalation of contributions, particularly when tied to a salary raise, can make it easier for employees to save more. "But that's driven more by the employer than the employee," says Williams. "And matches don't always increase."

Rather than automatic escalation, which tends to "raise all ships" when not all employees need to save the maximum amount, Holman stresses that the industry needs to do a better job of helping employees understand how much they need to save when they enrol in a plan and how that may change over time. "This is where it is crucial to provide customized support, to get people on the right path from the beginning," she says.

While raising contributions is one of the levers available to promote better retirement outcomes, employers can't do it blindly, says Loder. "The emphasis needs to switch to more dialogue about retirement income needs and how much to save to meet that expectation. Before raising contributions, you need to know why that strategy is necessary and what you are saving for. It's important to understand that higher rates aren't for everybody."

Sonya Felix is a Vancouver Island-based freelance writer.



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Appropriate Prescribing and Claims Management Keep Private Drug Plans in Check

A review of the current impact of PCSK9i drugs on private drug plans two years after launch

In 2014 and early 2015, the private payer community expressed concern about the impact on private benefit plan costs of a new class of biologic drugs called PCSK9 (*proprotein convertase subtilisin/kexin type 9*) inhibitors (commonly called PCSK9i) for the treatment of high cholesterol, specifically low-density lipoprotein cholesterol (LDL-C), commonly known as “bad cholesterol.”

Now, almost two years after the Canadian launch of the first PCSK9i, actual claims experience shows that the overall impact of this drug class on the private payer market has in reality been minimal. As of April 2017, PCSK9i claims represent 1.3% of the total private payer cholesterol claims costs and 0.03% of the total number of claims (*see Figure 1*). This can be attributed to both appropriate and responsible prescribing by clinicians as well as the effective claims management by insurers. In essence, the right patients are truly receiving these products.

A certain amount of cholesterol is present in the bloodstream. When the levels of bad cholesterol or LDL-C get too high plaques can form on the artery walls and grow over years. The growth of these plaques can start to block blood flow, or even rupture and cause blood clots, which can lead to events such as heart attacks or strokes. Cardiovascular disease (CVD) generally refers to conditions that involve narrowed or blocked blood vessels, which can



then lead to a heart attack, chest pain (angina) or stroke.

There are a number of different types of treatments used to lower high LDL-C. Statins, such as atorvastatin (Lipitor®) and rosuvastatin (Crestor®), are most commonly used as a first line therapy and are generally very effective.

However, if patients are...

1. managing their diet AND
 2. taking the highest dose statin they can manage AND
 3. have plaque-related heart or blood vessel problems or inherited high cholesterol AND
 4. they still struggle to lower their LDL-C to the Canadian target,
- ...then PCSK9i therapy is an option for them.

PCSK9i drugs are not intended to be used for all patients with elevated LDL-C but rather for those patients who really need it. PCSK9i drugs are

recommended ONLY for two groups of patients:

1. Patients with clinical atherosclerotic cardiovascular disease (ASCVD) who are not at LDL-C goal despite maximally tolerated dose of statins.

- ASCVD develops because of a buildup of cholesterol-rich plaque. Over time, this plaque can harden and narrow the arteries. Heart attacks and strokes are usually caused by ASCVD
- Patients diagnosed with ASCVD have already suffered events such as a heart attack, angina or stroke, or have undergone coronary artery bypass surgery
- These patients are at high risk of having another event or even several more events
- When statins or other treatments don't help ASCVD patients reach their LDL-C target, patients are left vulnerable to having more events
- PCSK9i therapy could be recommended to help them lower their LDL-C levels and reduce the risk of further events, i.e., secondary prevention, which means preventing further heart or stroke events after the first event has occurred



Canadian costs

- The most commonly used cholesterol treatments, statins and ezetimibe, are approximately \$130-170 per patient per year
- The annual cost of a PCSK9i is \$7,263 per patient per year

2. Patients with familial hypercholesterolemia (FH).

- Familial hypercholesterolemia (FH) is an inherited disorder that leads to very high levels of LDL-C and premature cardiovascular disease that requires aggressive treatment
- In FH patients, genetic mutations make the liver incapable of removing excess LDL-C from the blood
- FH is a serious condition that goes beyond high cholesterol resulting from poor diet and lifestyle choices and requires aggressive treatment
- If left untreated, people with FH have up to 20 times the risk of developing early aggressive heart disease

Optimal prescribing is key

The use of PCSK9i therapies has been reviewed in the new Canadian Cardiovascular Society Guidelines published in 2016 and the uptake of the class is a function of responsible and thoughtful prescribing for a subgroup of high-risk patients.

When treating patients with cardiovascular disease, cardiologists agree that lifestyle changes will always be the first choice. When lifestyle changes alone are insufficient,

High-risk patients

These patients have a 20% or greater chance of having a cardiovascular event, such as a stroke or heart attack, within a 10-year period. This risk is assessed using a formula that includes factors such as hypertension, LDL-C, age, diabetes, etc. Patients with atherosclerotic cardiovascular disease (ASCVD) or familial hypercholesterolemia (FH), for example, fall into this “high-risk” category.

statins are proven, effective and inexpensive treatments for the majority of patients. It is only when lifestyle changes together with maximum tolerated doses of a statin don't work that they turn to other treatments.

According to cardiologist Dr. Milan Gupta, associate clinical professor, Department of Medicine, McMaster University, “40-45% of high-risk patients don't get to their LDL-C targets despite the appropriate use of statin drugs. Many of these patients who are at high risk for heart attack or stroke may benefit from PCSK9i treatment.”

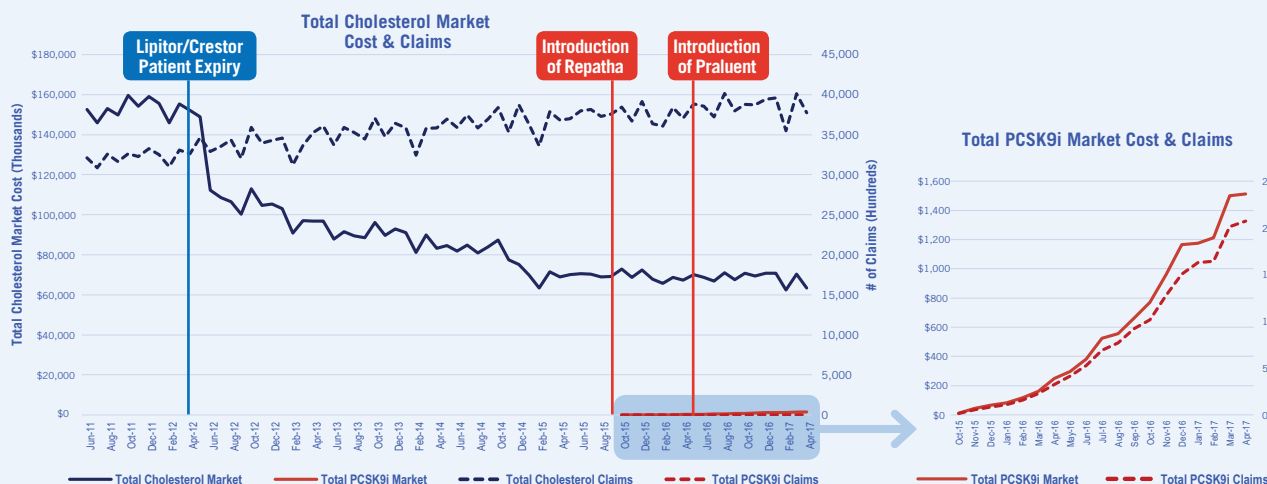
Gupta explains, “Statins can lower LDL-C by 40-50%, which often gets many patients to target. However, some patients start with LDL-C levels so high that statins can't get them to the target level. Clinical evidence and real-world experience have both demonstrated that adding treatment with PCSK9i can lower LDL-C by a further 60%.”

Cardiologist Dr. Jean C. Gregoire, associate professor, University of Montreal and interventional cardiologist at the Montreal Heart Institute sees these new treatments as a breakthrough: “Before the introduction of PCSK9i, doctors would try combination treatments—such as ezetimibe in addition to statins—however, the clinical efficacy was quite mild, and would decrease LDL-C by only 15-20%. For some patients, for example, an FH patient whose LDL-C is at 8 mmol/L, this is not sufficient to lower their risk of another cardiovascular event.”

Effective claims management controls impact

Effective claims management has also ensured that PCSK9i treatments are used only where appropriate, in high-risk patients who are unable to achieve LDL-C targets with

FIGURE 1: Total Cholesterol Private Payer Market and Cost



Source: Quintiles IMSB – Pharmastat Claims (PDP & RAMQ Projected) – April 2017 data month

conventional treatments. The result has limited the impact of PCSK9i treatments on plan costs, while ensuring that coverage is available to plan members and their families who truly need this treatment.

According to Anne Marie Smith, practice lead, drug plan solutions, Medavie Blue Cross developed special authorization criteria to manage the impact of PCSK9i claims, and vetted it with specialists before implementing. “Our protocol utilizes an automated adherence tool to ensure adherence to prior treatments, such as statins, the inclusion of nutritional counselling in treatment plans, treatment by a cardiologist and diagnosis of either of CVD or FH. For these patients, we coordinate access to disease management supports including those of our own Cardiovascular Chronic Disease Management program and of the Repatha Ready Heart Health Management Support program.”

By sharing their criteria with specialists in their region and the PCSK9i manufacturer’s patient support programs, Smith explains, “We have found that most special authorization submissions are for patients that align with our criteria.”

Rigorous claims management and proactive communication have paid off, says Smith: “When we look back at our own claims experience, the effect of the PCSK9i therapies on our block of business is much lower than expected. Recent analysis indicates that it is only 10% of the impact we projected before their launch.”

As we look forward to other innovative treatments that are in the pipeline, the PCSK9i therapy class offers a model for claims management of future innovative specialty drug launches. Effective prescribing and proactive claims management are the key to ensuring appropriate use and access for plan members who truly need these breakthrough treatments.

Cholesterol 101

- High blood cholesterol (LDL-C) is one of the major controllable risk factors for coronary heart disease, heart attack and stroke. As your blood cholesterol rises, so does your risk of cardiovascular disease.
- Cholesterol is a waxy, fat-like substance that travels through the blood. Your body naturally produces all the cholesterol it needs to make hormones, vitamin D, and substances that help digest foods
- An unhealthy lifestyle, such as eating unhealthy foods and being physically inactive, can cause your liver to make more cholesterol than it otherwise would
- Cholesterol can build up in the walls of your arteries and form plaque, which can narrow and reduce the flow of blood through your arteries and lead to a condition called atherosclerosis also known as “hardening of the arteries.”
- A heart attack can occur:
 - when plaque buildup totally blocks a coronary artery carrying blood to the heart
 - when a plaque deposit bursts and releases a clot in a coronary artery

There are two main types of blood cholesterol:

1. **LDL cholesterol** is low-density lipoprotein referred to as “bad” cholesterol. If your LDL-C level is high, it can form plaque or fatty deposits on your artery walls and block blood flow to the heart and brain, which can increase the risk of a heart attack or stroke.
2. **HDL cholesterol** is high-density lipoprotein, referred to as “good” cholesterol because it helps to remove excess cholesterol from the body.

- **Hyperlipidemia** means your blood has too many lipids (fats) in it, i.e., cholesterol and triglycerides.
- **Hypercholesterolemia** means there’s too much LDL-C (bad) cholesterol in your blood. This increases fatty deposits in arteries and the risk of blockages.
- **Levels of HDL (good) cholesterol can also be too low.** With less HDL to remove cholesterol from your arteries, the risk of plaque — and blockages — increases.
- **Target Ranges for LDL-C:** current Canadian guidelines recommend that LDL-C levels should be below 2 mmol/L. For people who are at very high risk, such as those who have had a recent acute coronary event, the LDL-C target may be below 1.8 mmol/L.
- For some people, lifestyle changes like a healthier diet and more exercise may prevent or treat unhealthy cholesterol levels. For others, medication may also be needed. Some people’s genetic makeup may prevent the efficient removal of LDL-C from their blood or cause their liver to produce too much cholesterol.

Additional information can be found at: [Cardiac Health Foundation of Canada website](#), [Centers for Disease Control and Prevention website](#), [The FH Foundation website](#)

By Michael Chen

WHY YOU SHOULD HIRE . . . *a wellness champion*



What if you could play childhood games at work and be a better employee because of it? Nicole Cairns, health and wellness director at Thorpe Benefits, has run into that exact situation. “Simon was a wellness champion, especially in terms of physical fitness. . . . He took it upon himself to enhance what we were doing by creating what he called Simon Says,” says Cairns, referring to an employee at a company she had worked with. “Every day for 30 days, he created a quick, two-minute video of himself doing a physical exercise that people would do at their desks or wherever they were.”

Simon was essentially acting as a wellness champion, and Cairns says the videos were an effective and fun way of encouraging employees to participate. So what is a wellness champion and what’s the benefit to employers?

Championing a cause

Jennifer Dimoff, an assistant professor of industrial and organizational psychology at Portland State University in Oregon, defines wellness champions as “people who not only speak about health promotion and psychological safety in the workplace but who also act out those behaviours at work and outside of work.”

When implementing the role of a wellness champion, Cairns recommends connecting it to other programs. “There is merit in [making these individuals visible], but you’re still not educating the masses or providing a venue for people to change their own habits. While I think it’s great to highlight wellness champions that are in your office, I think that in order to create change in the people around them, you need to have some other things in place.”

Dimoff, who has done research on wellness champions in a safety context, says most companies can benefit from having one. “When there are safety champions in a workplace, safety behaviours go up within those workplaces among co-workers of those champions. So just the presence of someone . . .

leads to improved safety within that unit,” she says, adding the same holds true for other health-related behaviours.

As for who to choose, Dimoff stresses the people selected should want to take on the role and should genuinely believe in the cause they’re promoting. She also admits that a “little dash of popularity” can be important in obtaining greater workplace acceptance.

But that doesn’t mean that the champion must be an outgoing person.

Dimoff describes an employee she trained who began putting up homemade magnets in the office’s shared kitchen that advertised employee assistance programs. “She mentioned to me she’s not really an outgoing individual; she tends to be more introverted. So for her, this was an authentic way of championing wellness without having to be centre stage.”

The digital impact

While Alex Boucher, total health management leader at Mercer, says wellness champions aren’t an expensive proposition for companies, he believes the role is “likely to be supplanted” by new digital tools and apps that provide more data. “My sense is that while they’re still effective, there’s lots of new tools and devices and applications that are going to be coming out to really either significantly enhance what a wellness champion does . . . or in some cases eliminate the need for them all together,” he says, adding that wellness champions may also no longer be necessary once cultural shifts have occurred across an organization.

Dimoff admits that with the trend towards gamification and mindfulness apps, interactions may take place via web-based platforms in the future. “But we still don’t have enough data to be able to say that technology is going to be able to replace human interaction,” she says. “People are still people. The data still supports that we like to be able to put a face to a name and a face to a promotion.” **BC**

Michael Chen is a Toronto-based freelance writer.

HOW ARE COMPANIES DOING ON WELLNESS?

53%

of plan members agree that the corporate culture in their organization encourages health and wellness, down from **62%** in 2012

64%

of plan sponsors feel their corporate culture encourages wellness, down from **90%** in 2012

51%

of plan sponsors offer wellness programs or policies, up from **47%** in 2012

31%

of plan sponsors intend to invest more in wellness programs or health education in the next year, down from **51%** in 2012

Source: 2017 Sanofi Canada health-care survey

ALL SALES FINAL?

They may not be common but refundable fees are one way of ensuring investment managers feel both the glory of outperformance and the pain of falling short

By *Jennifer Paterson*



Amidst all of the talk about transparency in the investment industry, the dialogue around refundable fees has been on the quiet side.

Also known as symmetric fees, they go up when the performance is good and down when it's bad. Take a manager earning a fixed fee of 0.65 per cent with a symmetric component of plus or minus 0.20 per cent. In the event of outperformance, the manager could earn up to 0.85 per cent. But in the event of a poor showing, that could drop to 0.45 per cent.

"It's designed to ensure that, over the lifetime of a client's investment with a manager, any performance fee they have paid that manager is directly commensurate with the actual value they have realized from their investment, not the path of that outperformance," says Chris Horwood, an investment counselor at Orbis Investment Management Ltd.

Queen's University has invested a portion of its \$2-billion pension fund with Orbis using a refundable approach since 2010. Brian O'Neill, the university's director of investment services, says the fee structure is a good example of aligning investor and manager interests. "Many performance fee structures have an asymmetrical relationship that can incentivize the investment manager to take risk. They may have high watermarks and so on, but generally speaking, they're going to be collecting a base fee even when they underperform and, when they outperform, they get to collect the performance fee."

'All the glory and none of the pain'

The benefits for investors are clear, as the fee structure ensures the investment manager feels the pain of underperformance as much as they do, says Andrew

Clare, professor of asset management at the University of London's Cass Business School.

"At the moment, the underperformance is really just felt by the investor, because most fee bases are just a fixed-fee, assets under management. . . . It doesn't seem quite right to take all the glory and none of the pain."

But there are also challenges, such as volatility in the fees paid.

"That unpredictability can be difficult for investors," says Horwood. "It's much easier to budget when you know you're going to be paying your manager 50 basis points annually and that's it. When your fee is entirely contingent on performance, on both the up and the downside, that can put some strain on clients."

Queen's University's arrangement is a purely performance-oriented one as it has a zero per cent base fee. "When they outperform, they're paid very well. When they underperform, they pay us back," says O'Neill, acknowledging it can be a risky business model for an investment manager. "On the one hand, I'd love to see more investment managers do it but I can see why it can be scary for them."

Ultimately, Horwood believes that, under a well-designed fee structure, managers should share equally in both good and bad performance. "When you look at fees in isolation, it doesn't make any sense, unless you can consider the actual value that was created for those fees," he says.

And refundable fees represent a bit of variety in the investment industry. "There are hundreds of thousands of funds out there, and the variety of fee structures is close to zero," says Clare. "We're not asking every fund manager to offer a symmetric fee on every fund they offer, but it would be sensible for some of the funds . . . to be offered on a symmetric basis, perhaps at a very low fixed fee." 

Jennifer Paterson is the managing editor of Benefits Canada: jennifer.paterson@tc.tc.

A LOOK AT SOME OF THE FEE STRUCTURES AVAILABLE



Fixed fee:

Fixed as a proportion of assets under management



Assymmetric fee:

A base fee fixed as a proportion of assets under management, plus an amount giving the manager a portion of upside performance



Symmetric fee:

Investors and asset managers share in both the upside and the downside of the fund's performance

Source: Report on investment fees in Britain, published by the Cass Business School in November 2014



2017 PRIVATE DEBT ROUNDTABLE

MEMBERS ONLY

PRIVATE DEBT GIVES PENSION FUNDS AN EDGE OVER PUBLIC BONDS



Bonds just haven't been the same since 2008—and the more bloated central bank balance sheets have become, the more long-term investors like pension funds have sought other ways of attaining much-needed yield and long-term returns to match their liabilities. While we know plan sponsors have been using alternative asset classes to take equity market volatility off the table, traditional public debt has proven a bit more challenging to replace. This is one key reason why private debt has been getting a lot of attention lately. Today, more than half of institutional investors globally invest in private debt, and, according to alternative asset research firm Preqin, 57% of investors plan to increase their allocations in 2017.

Now there's no better time to explore the role private debt plays in Canadian pension portfolios. To do that, we invited four top investment managers to talk about their experience with the asset class at our first-ever Private Debt Roundtable. During our wide-ranging conversation, we covered a lot of ground, including answering the following: Will Canada's Infrastructure Bank help the space grow? Could the Trump presidency affect the U.S. market? What are the risks and opportunities for pension funds looking at this asset class?

Read on to find out what these managers had to say at the event.

EXPERT PANEL

Moderator and writer:

CAROLINE CAKEBREAD, Editor, *Canadian Investment Review*



CARLO DILALLA

Vice-president and head of client portfolio management, Fixed Income
CIBC Asset Management



CARL BANG

President
Sun Life Institutional Investments (Canada) Inc.



GITESH GOYAL

Vice-president, Global Fixed Income, Infrastructure and Power
CIBC Asset Management



PHIL GILLIN

Executive vice-president, portfolio manager
Bentall Kennedy (Canada) Limited Partnership and Sun Life Investment Management



CIBC Asset Management (CIBC AM) is one of the largest asset managers in Canada with approximately \$126 billion in assets under management (as at March 31, 2017). With a 40-year history of active management, we maintain a strong tradition of disciplined investment processes to prudently manage risk and develop innovative solutions across a spectrum of asset classes. At CIBC AM, we believe investment research guided by a rigorous and consistent process will yield better results for our clients. Our commitment to best-in-class research is demonstrated by large research teams with multiple sector and regionally focused analysts who are dedicated exclusively to industry research and security-specific idea generation. As the asset management subsidiary of CIBC, CIBC AM combines the flexibility and focus of a boutique firm, with the robustness and resources of CIBC, one of the strongest major banks in North America.



The Sun Life Investment Management group of institutional investment management companies comprises Sun Life Institutional Investments (Canada) Inc. and Bentall Kennedy (Canada) Limited Partnership in Canada, and Prime Advisors, Inc., Ryan Labs Asset Management and Bentall Kennedy (U.S.) Limited Partnership in the United States.

These operations have combined third-party assets under management of \$56 billion (as at March 31, 2017). Sun Life Investment Management is supported by the investment division of Sun Life Assurance Company of Canada, which manages \$142 billion in assets under management for the Sun Life Financial group of companies (as at March 31, 2017).

WHAT FACTORS HAVE DRIVEN GROWTH IN THE PRIVATE DEBT SECTOR—PARTICULARLY POST-2008?

Phil Gillin

The financial crisis created a negative reaction in some of the more exotic financial products in the marketplace. Right before the 2008 crisis, there was a large number of triple-A securities available created through securitized vehicles. Investors were surprised and shocked when they discovered that those investments weren't of the quality or durability they'd expected based on the assigned rating. Since then, there has been a return to more understandable products. At the same time, volatility in the public markets in 2008 created dramatic losses in equities for pension plans. Combined, these two trends have paved the way for private debt and other diversified strategies that performed well over this period.

Carl Bang

The financial crisis of 2008 also disrupted markets; traditional sources of capital dried up in the real estate sector as well as for companies looking to raise money. As that has happened, pension funds have also been changing how they view their mandates, which is ultimately to fund liabilities in the future. Private debt has emerged as a way for some companies to diversify their sources of capital post-2008, and it's also become a good way for pension funds to address liabilities and enhance returns.

Carlo DiLalla

Several factors have driven the growth in private debt post-2008. First, as investors have sought long-term, stable cash flows, they've come to realize there's now an untapped source of yield through illiquidity premia. At the same time, while there's a wide spectrum of private debt strategies available, the investment grade, long duration approaches are interesting for pension plans to consider because they can be used as a partial fixed income replacement.

CAN SMALLER PLANS ACCESS PRIVATE DEBT, OR IS IT JUST FOR BIGGER PLANS?

Phil Gillin

Private debt is accessible to plans large and small. Depending on the size of the plan, you can choose to either invest directly or go through funds. The big pension funds in Canada are invested in all the key areas of private debt: mortgages, real estate, and private fixed income, as well as infrastructure, timberland, and farmland. Because of their size, the



“The Infrastructure Bank may well facilitate the equity components, and I think that will increase the universe of the investment opportunities for investors.”

– PHIL GILLIN

larger funds have the teams to manage and invest in those assets. The smaller funds, which may not have the resources to manage and invest in these asset classes on their own, can access all of these areas through funds that invest in mortgages, real estate, private fixed income, and infrastructure.

Carl Bang

I agree. Funds can be an efficient and effective way to get exposure to private debt. Successful managers have invested heavily in deal-sourcing expertise, sophisticated legal input, and professional teams to manage money. The upfront costs for investment in this asset class are high; therefore, funds could allow mid- to small-size investors to find economies of scale.

Gitesh Goyal

There are many opportunities for smaller plans to access private debt in Canada right now, especially in the infrastructure and power spaces. In Canada, there are several billion-dollar projects unfolding as the public sector seeks to off-load building costs and tap into the private sector for expertise. Institutional investors are going to see private debt increase

in Canada over the next few years. As these new opportunities arise, we'll continue to see more room for smaller pension funds to participate.

Phil Gillin

However, one caveat is that plan sponsors need to consider their own liquidity needs—that's a key factor. Private debt is less liquid; that's one of the trade-offs pension investors need to consider carefully before investing.

Gitesh Goyal

Phil makes a good point. But it's also important to consider that you're giving up liquidity but getting a good well-structured investment in exchange—an asset that produces a regular income through contracted cash flows.

Carl Bang

But there's a cost to maintaining liquidity. If you have liquidity and conserve it in cash, you're paid nothing today. That's a huge sacrifice in terms of your overall return. How you spend and use your liquidity is important in order to manage your portfolio efficiently.

CANADA'S NEW INFRASTRUCTURE BANK IS GETTING MIXED REVIEWS FROM SOME CORNERS OF THE PENSION INDUSTRY. HOW COULD IT HELP OR HINDER THE PRIVATE DEBT SPACE?

Gitesh Goyal

The details of the Infrastructure Bank are still not final, but it could actually help projects and create more of them. The Government of Ontario wants to procure roughly \$190 billion of infrastructure within the next 13 years, and the federal government is looking for \$120 billion in investment. It's not all going to be financed through public debt. Money that comes from the provinces and the federal government through direct funding can go through the Infrastructure Bank, and, far from eating into the private debt space, it will just consolidate funding into a different channel. I understand that even some municipal projects that were on hold will now be funded through the bank. Overall, this is a positive development for all of us in this space.

Phil Gillin

I agree. I think the mood of government—both in the U.S. and Canada—is to invest in infrastructure, and that's going to provide opportunities. The Infrastructure Bank may well facilitate the equity



“How you spend and use your liquidity is important in order to manage your portfolio efficiently.”

– CARL BANG

components, and I think that will increase the universe of the investment opportunities for investors.

Carl Bang

The Infrastructure Bank puts Canada at the forefront of an ongoing global response to the financial crisis: infrastructure spending. We need a massive spend to modernize our infrastructure. From an investor's perspective, the new bank has the potential to change the risk-return profile of infrastructure projects in Canada and draw more money in. And, as Gitesh mentioned, there are projects at the municipal level that are normally too small for big players to invest in—these can also get funding. Logistically, the Infrastructure Bank can aggregate deals and match investors with opportunities. It's a trend that we'll see over the next 10 or 20 years as pension schemes in Western economies create massive demand for long assets with protective return profiles like private debt. There will be a lot of capital to invest—if the government can structure the approach correctly.

Carlo DiLalla

This is happening at a time when pension plans are looking for high-quality, long-duration fixed income securities like private debt to help match liabilities instead of simply using government debt as a match. It's a good opportunity for institutional investors.

WHERE ARE THE BEST OPPORTUNITIES, EITHER ACROSS COUNTRIES OR WITHIN PARTICULAR SEGMENTS OF THE ECONOMY?

Carlo DiLalla

If you want to focus on private debt as a substitute for fixed income, there are a lot of Canadian opportunities. It works especially well, given that pension plans here have Canadian liabilities and need to keep their fixed income close to home. Capital raising in Canada is mainly focused on infrastructure, but the power sector is also raising money in this space.

Phil Gillin

Renewable power seems to be one of the favoured asset classes right now. Investors are paying attention to sustainability and environmental, social, and governance analysis. Traditional utilities—and, in particular, ones that are reliant on thermal coal—are falling out of favour. Governments are now encouraging more use of renewable power, and, as that happens, they'll have to modernize their own power systems to become more environmentally friendly. This need for new infrastructure is also creating opportunities in private debt.

Carl Bang

Demographics are important. Private debt is being used to fund long-term care facilities for an aging population. In Canada, there's also a need for bridges, hospitals, and other public services. But I do think it's important to look globally because the opportunities in Canada are finite. Countries to focus on would be the U.S., the U.K., and Australia, where the rule of law protects investors' interests. The credit spreads in these countries are also very attractive—in some cases, the U.S. is providing better returns than Canada.

Phil Gillin

I think Ontario has been an exemplar for public-private partnerships, particularly the design, building, financing, and maintenance models for infrastructure projects such as hospitals across the province. As Carl mentioned, people are coming to Canada to learn how Canadians do this and how we do it successfully. We've learned a lot and have a great deal of expertise. Private debt markets can help get infrastructure delivered, especially for healthcare facilities as demographics create more demand.

YOU'VE TALKED ABOUT PRIVATE DEBT IN THE U.S. WHAT IMPACT COULD SOME OF PRESIDENT TRUMP'S POLICIES HAVE ON THE SPACE?

Phil Gillin

The movement from thermal coal to renewable power in the United States may not be as strong as it was two or three years ago, given the change in politics. Trump ran on a platform promising to put the coal miners back to work, so I don't think renewable power is going to be a big opportunity in the U.S. for the short term—but, strategically, it's still a good area to focus on. I hope the shift away from renewable power in the U.S. is only a short-term issue; the rest of the world is moving away from high greenhouse gas emission industries and power production. In my opinion, it's going to happen—it has to.

Gitesh Goyal

Part of Trump's platform is to spend money renewing infrastructure in the U.S. At the moment, however, the U.S. doesn't really use public-private partnerships in a substantive way; instead, most infrastructure is financed through tax-exempt bonds. They do want to learn, and they send people to Canada to learn how our governments are procuring infrastructure. That doesn't mean there aren't opportunities for private debt financing outside of Trump's own infrastructure plans. The U.S. university sector includes triple-A-rated universities that are now leaning on private financing to grow. For example, The Ohio State University did a very large public-private financing partnership to expand and run its energy management system; it issued nearly US\$800 million of private debt. That's just one example. The university space in the U.S. is huge.

WHAT ARE THE TOP QUESTIONS YOU HEAR FROM PLAN SPONSORS AND THEIR TRUSTEES ABOUT PRIVATE DEBT?

Carlo DiLalla

We definitely get questions about liquidity. If they're investing in an open-end fund, they want to understand whether the illiquidity premium offers risk-adjusted value and how they can liquidate their holdings if they need the money down the road.

Phil Gillin

I think there's an overall thirst for knowledge. Plan sponsors know that returns from the traditional 60/40 equities-fixed income model can be very volatile versus their long-term liabilities. Pension funds now realize they have to move away from that model, and they know what they need to consider: alternatives like real estate, mortgages, and private fixed income, which are more correlated to pension plan liabilities. There's a good opportunity for investment managers to educate institutional investors on the benefits of these

asset classes and help them structure their portfolios. The industry needs to help plan sponsors understand that these assets have less volatility and can improve portfolio returns.

Gitesh Goyal

Obviously, if you're a plan sponsor that wants to allocate money to this, you need to know whether it's a viable business over the long term—is private debt going to be around in the future? All investors need to understand that private debt as an asset class isn't going to go away. There is a strong pipeline of deals out there.

They also ask about ratings, especially because private debt investors have to rely on manager ratings, not standard rating agency grades. In that context, it's incumbent upon managers to explain how we rate these products and what existing knowledge we're drawing on to evaluate these assets and structure the deals.

Phil Gillin

Of course, there's no magic to the rating an agency gives. It's all about fundamentals.

Gitesh Goyal

Exactly. Institutional investors need to know this is a viable, long-term business—and that there is a pipeline of other projects waiting to be funded.

Carl Bang

Private markets are a fast-growing segment of asset management in Canada—and even in North America. That trend is firmly entrenched because, as a whole, the industry is under-allocated to liability-matching assets. As more pension funds go through their own asset-liability studies, there will be more demand for assets like this. We've already had the initial discussions about what it is and what its benefits are. As we move toward greater allocations, the market will only continue to grow.

Phil Gillin

From a risk standpoint, investors do need to understand the underlying covenants. They also need to know the asset, the borrower, the source, and the strength of the asset's cash flow. You have to start with the fundamentals in order to get an asset that has the quality you want.

WE MENTIONED RATINGS EARLIER, BUT WHAT ABOUT BENCHMARKS? HOW SHOULD PLAN SPONSORS MEASURE PERFORMANCE OF PRIVATE DEBT?

Phil Gillin

Right now, an objective third-party benchmark is lacking in much of the private debt space. You can get comparisons between funds and against public bond benchmarks, and, of course, we all look at one another's performance. But, at this point, there haven't been widely accepted external benchmarks, particularly for more esoteric strategies. I can see it happening in the future, but it will take time.

Carlo DiLalla

The common practice right now is to use existing fixed income benchmarks as a proxy, simply because they help the plan and the consultant understand the allocation and how it's tracking. It's actually a good way to measure because it's a long-term measure that fits with the long-term nature of the pension promise.

Carl Bang

Back in the 1990s, when everyone started investing in hedge funds, there was no benchmark. You could never really capture one important thing—the degree of risk undertaken in exchange for those returns. There's a lot we can learn from the experiences of hedge fund investors two decades ago. For example, in the private debt space, especially in the mortgage space, the different degrees of risk are underwritten. And, as an astute investor, you need to look through the risks you're taking to make sure you're being compensated appropriately.

Carlo DiLalla

Pension plans, especially the biggest ones, are already moving away from traditional benchmarks. They're looking at asset performance relative to their liabilities, which is their main benchmark. Benchmarking private debt against the objectives and internal targets of the plan itself rather than through an external measure is a step in that direction.

Gitesh Goyal

I agree. The success of private debt is about how it fits within a pension fund's overall asset allocation. It's not just about how many basis points an investor can get over a universe benchmark. The most important consideration is the risk-reward trade-off within the context of the plan itself. A benchmark that everyone uses won't tell you much.

Phil Gillin

The bigger imperative is whether or not private debt can generate the yield pension funds need in order to meet liabilities—it's not about a benchmark. Those are two different things. In my opinion, pension investors can't afford to be in a purely no-risk area—



“Public debt deals are now four to six times oversubscribed. But in the private debt space, deals are still being done based on relationships with issuers.”

– GITESH GOYAL

and they may not want to be in a high-risk area. They need to be somewhere in the middle. In my view, an external benchmark is a secondary issue.

LET’S FOLLOW THAT LINE OF THINKING. WHERE DOES PRIVATE DEBT FIT IN A PENSION PORTFOLIO? CAN IT PLAY A ROLE AS PENSION FUNDS ADOPT LIABILITY-DRIVEN INVESTING?

Carlo DiLalla

Investment grade private debt can be used as a partial fixed income replacement and a yield enhancer, and it can be a great long-term asset to match a pension liability.

Carl Bang

Private debt can definitely help plans manage longevity risk. As the duration of liabilities gets longer, debt and cash flows need to match up. In the public space, there’s a finite amount of long debt. Corporate debt can expose you to business model risk and technology obsolescence, which are not risks you want to take over the long term. Private

debt allows plans to invest in long-term assets with less risk, often because these investments are loaned against specific projects and known cash flows with a high degree of certainty. It may also allow them to pick up extra returns—potentially 1% to 2% a year in added gross returns over a 30- or 40-year time frame. That’s an important match for pension liabilities.

Gitesh Goyal

Long-term corporate bonds are a good match, but there’s only so much you can buy of companies like Enbridge or TransCanada before you hit a concentration limit. Private debt is simply another way to deploy cash to meet long-term liability needs.

HOW DO THE COSTS COMPARE TO OTHER ASSET CLASSES?

Phil Gillin

It’s certainly a more cost-intensive area compared to exchange-traded funds, for example. It’s a whole different realm. If you want to get a high-quality manager that has the resources to do the due diligence and underwrite appropriately, you have to pay for it. These are asset classes that require more management—that should be offset by a higher level of return.

Carlo DiLalla

When you go from public to private, a switch gets turned on and suddenly there’s a jump in fees. In the private debt space, you need to pay for what you’re getting. And, if you’re in the high-quality space, fees are marginally higher, but they do remain relatively low versus other private strategies.

WHAT BARRIERS STILL EXIST FOR PLAN SPONSORS? ARE THERE STICKING POINTS HINDERING GREATER ADOPTION OF PRIVATE DEBT?

Phil Gillin

Liquidity and expertise are the two primary barriers since these are more complex asset classes. It can give institutional investors, particularly smaller ones, some cause for concern. They ask questions like “How can I access this asset class when I don’t know how to originate it or how to underwrite it? Will I have a liquidity problem if I can’t sell it?” But investors are becoming much more sophisticated. They know they need to earn higher returns on their fixed income portfolios in today’s low interest rate environment. They need to consider investing a portion of their assets in less-liquid asset classes.

Carlo DiLalla

There are so many asset classes out there and all of them have 10- or 20-year track records. In this space, funds have, on average, one- to three-year track records. That can be an issue for some investors. Like any newer asset class, reliance on capability is key.

Phil Gillin

Investors really have to understand and accept the risks. For example, timing is key, if you consider the speed with which technology and the environment changes. If you're investing in a 20-year utility, for example, there are things that can happen to disrupt that investment over the next two decades that you can't even contemplate now. Think about Kodak. Investors' money was incinerated due to technological change. In the private debt space, these risks exist, but you have to address them through underwriting analysis and try to mitigate them through deal structuring.

IS THERE ENOUGH CAPACITY TO ACCOMMODATE MORE LARGE INVESTORS?

Phil Gillin

I think it's a more competitive space. The banks have now become much bigger lenders in the commercial mortgage business than they were 10 or 15 years ago. I think the Canadian marketplace does have its limitations—it's only so big. It's why you see more players going abroad. Increasingly, you'll need to get into bigger markets in order to place the capital.

Gitesh Goyal

Compared to the public debt space, it's much better. For most public debt deals, there's a food fight right now as people struggle to get meaningful allocations.

Phil Gillin

That's a polite way of expressing it!

Gitesh Goyal

Public debt deals are now four to six times oversubscribed. But in the private debt space, deals are still being done based on relationships with issuers. Managers can still fill orders because of that.

Carlo DiLalla

I'd argue that there's much more room to grow here in Canada. Compared to global investors, Canadians have been slower to adopt private debt.



“Investment grade private debt can be used as a partial fixed income replacement and a yield enhancer...”

– CARLO DILALLA

Gitesh Goyal

I'm very bullish on this space. I think the pipeline is robust, and, every year, as more deals are done, it becomes a much more accepted form of financing. It needs to be structured well—and we haven't had any mishaps in the space yet.

Phil Gillin

A big growth area right now is in the mortgage space; I see consistent demand here every year. Like Gitesh, I'm quite bullish on private debt. I think there are going to be opportunities for all institutional investors moving forward.

Carl Bang

The illiquidity premium that can be earned in the private debt space is a free lunch sitting in people's portfolios. Investors' appetite for this is quite large; it can allow them to build more efficient portfolios. Moreover, with the push to rebuild and renew infrastructure, there will continue to be fiscal policy that pushes toward this. That's a trend that's going to be with us over the next 10 or 20 years. Demographics will drive it—and, in my opinion, that's exactly where investors should be looking. ■

SHIFTING THE DRUG COST BURDEN IN ONTARIO

The provincial government is making significant changes to coverage under public programs. What's the impact on the sponsors of private plans?

By **Karen Welds**



It has been a busy period for changes to public drug programs in Ontario, as the provincial government has been working on policies with the potential to offer savings to private benefits plans: pharmacare coverage for people under the age of 25 and upgrades to the Trillium drug program for people with high drug costs. What are the possible impacts on plan sponsors?

Pharmacare for children and youth

As of Jan. 1, 2018, the new pharmacare program for Ontarians aged 24 and under will make the provincial government the first payer for more than 4,400 drugs covered by the Ontario Drug Benefit plan. In a written statement, the Ontario Ministry of Health and Long-Term Care described the youth program as “the first step in achieving the goal of universal pharmacare for all.”

Drug claims for that age group currently account for 13 per cent of all claims and 12 per cent of private drug plan spending, according to Express Scripts Canada. However, those numbers decrease to nine per cent and six per cent, respectively, when

the Ontario Drug Benefit formulary is applied to those claims.

“We can safely say that only about half of all claims costs for these people are currently for drugs that are covered by ODB,” says Ned Pojskic, pharmacy strategy leader at Green Shield Canada. He notes the public formulary is stricter than private plans because it’s more likely to pay for older, cheaper drugs.

With that in mind, projected savings will range from two to 11 per cent, depending on the age distribution of plan members, he adds, noting those with administrative services-only arrangements will benefit immediately. “Certainly, from an ASO

FACTS ON ONTARIO'S PUBLIC DRUG PROGRAMS

\$530 million

Amount spent by the provincial government on the Trillium drug program in 2015/16

4,400

Number of prescription drugs on the Ontario Drug Benefit formulary



◀
**\$465
million**

Expected annual cost
of covering drugs for
youth under age 25
as of Jan. 1, 2018

**3.9
million**

Number of people in
Ontario who currently
receive prescription
drug coverage under
the Ontario Drug
Benefit program,
including more than
2.3 million seniors and
more than 900,000
people on social
assistance

Source: Ministry of
Health and Long-term
Care and 2017 Ontario
budget documents

perspective, there will be an immediate, automatic reduction in costs for plan sponsors. For insured plans, it might take a little longer because it does have to show up in the claims experience.”

Advisors and plan sponsors with insured plans should be pressing insurers for more transparency on expected savings, says Chris Pryce, managing director of Human Capital Benefits in Toronto. “With all the different methodologies in place to manage renewals, the concern is plan sponsors will not see this as a blanket decrease any time soon.”

Another concern for Sam Pasternak, a benefits specialist at Alliance Income Insurance Corp. in Vaughan, Ont., is that more plan sponsors will consider implementing caps on their drug plans. “Some clients have brought that up, especially for groups with predominantly young employees. They feel more protected by government, so they may look at installing a drug cap to reduce costs. But what happens if an employee needs a medication that is high cost that ODB does not cover? Plan sponsors do not want to get stuck in that type of situation just because they wanted to save on a couple of months of operating costs.”

While the new pharmacare coverage will include Ontario’s exceptional access program for drugs not on the Ontario Drug Benefit formulary, private plans shouldn’t assume blanket approvals. “Work needs to be done to ensure there are no gaps in care, and that ideally includes some form of grace

period to allow people to take the necessary steps to apply for and be approved by [the government plan] for drugs that they are already taking with private coverage,” says Pojskic.

Trillium drug program

When the ministry informally announced early this year that it would automate its Trillium drug program for people with catastrophic drug costs, it triggered widespread speculation within the industry: Would the upgrade just replace the current paper-based system for beneficiaries or would it include automatic co-ordination with private plans to allow for public coverage to kick in more often and more easily? Would enrolment also be automatic or would it still be at the hands of plan members?

More than six months later, the questions still appear to outnumber the answers. In a statement to *Benefits Canada*, the ministry confirmed it’s “looking at system changes that would enable the automatic co-ordination of benefits between Trillium and private insurance providers,” but it declined to answer other questions.

One thing is certain: the changes won’t be happening in September, as originally suggested. The launch of the youth pharmacare program in January has taken priority; indeed, the ministry has linked the two, stating: “We anticipate there will be further learning from [the pharmacare program] to further inform consideration of [co-ordination of benefits].”

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“Certainly, from an ASO perspective, there will be an immediate reduction in costs for plan sponsors.

With so many unknowns, some observers say it's too soon to predict the potential impact on private drug plans. For its part, Green Shield doesn't anticipate much of an impact, even if automated co-ordination comes to pass.

“Fundamentally, the structure of Trillium would need to change,” says Pojskic. “It would need to be like B.C. pharmacare, where every single dollar of drug costs counts toward the deductible, whereas Trillium only cares about out-of-pocket expenses. It is more for the working poor or people with no private insurance.”

Currently, the average net household income of Trillium beneficiaries is \$35,000, according to the ministry. With a deductible that's roughly four per cent of net income, determined quarterly, that works out to at least \$350 in quarterly out-of-pocket spending for prescription drugs.

Employees with private drug plans likely live in households with higher net incomes. If net income is \$50,000, for example, the required quarterly deductible would be about \$500 (about \$2,000 annually).

“This is where plan design really comes into consideration,” says Pojskic, citing the “widespread nature of plan designs” with flat copayments, 100 per cent coverage and out-of-pocket maximums.

In addition, there may be co-ordination of benefits and, for high-cost drugs, assistance through pharmaceutical manufacturers' patient support programs. “If you have a middle or higher income and some form of private insurance, it will likely take a long time to qualify for Trillium,” says Pojskic.

Advisors such as Pryce, however, suggest otherwise. In his experience, a 20 per cent copayment isn't unusual for plan members. Based on an average annual cost of \$18,500 per specialty drug claimant in 2016, according to Telus Health, that would be a copayment of \$925 quarterly, assuming there's no co-ordination of benefits or other financial assistance. Under that scenario, plan members with net household incomes as high as about \$90,000 would be eligible for coverage from Trillium (since four per cent of \$90,000 would mean a quarterly deductible of \$900).

Whatever the math, insurers are the ones that are likely to benefit most from a Trillium program that's integrated with private plans, according to Pryce.

“In a perfect world, insurers would reduce their stop-loss insurance charges, but I don't foresee that happening any time soon,” he says. “Not only would it take years for the savings to flow through but, during that time, the number of specialty drug entrants will continue to increase.” ■

Karen Welds is a freelance writer based in Buckhorn, Ont.

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Taking action to achieve better health outcomes

At *Benefits Canada's* 2017 Healthy Outcomes conference in June, insurers, providers and plan sponsors discussed how to promote healthy behaviours and reduce chronic disease while also containing costs.

By Moira Potter

KEYNOTE PRESENTATION

Prediabetes among the biggest concerns for employee health

With four out of five Canadians having at least one modifiable risk for a chronic disease, organizations need to place the same importance and resources on improving employee health as they do on ensuring safety, a speaker told *Benefits Canada's* Healthy Outcomes conference.

“Over the past 100 years, vaccines, clean running water and antibiotics have increased our life expectancy by more than 30 years,” said Dr. Alain Sotto, an occupational medical consultant for the Toronto Transit Commission and director of year-round care at Medcan.

“We’re living and working longer, and that means more chronic disease.”

During his keynote address, Sotto said it’s the baby boomers who are seeing the highest rates of chronic disease and are therefore driving drug utilization costs upward.

“Chronic diseases are the leading cause of death worldwide,” he said. “But while rates of heart disease are dropping due to new medications, Type 2 diabetes continues to rise. And that’s a concern, especially because it’s a mostly preventable condition and even reversible.”

Currently, one in four Canadians has diabetes (90 per cent of them have Type 2 diabetes) and 20 more people are diagnosed every hour of every day. Of greatest concern, however, is prediabetes, said Sotto. Six million Canadians have prediabetes or metabolic syndrome and don’t even know it. One quarter of those with prediabetes will develop diabetes within

three to five years.

“Diabetes is not only having an enormous impact on drug plans right now; it will have an even greater impact in the future,” said Sotto.

“Diabetics are two to four times more likely to develop cardiovascular disease and strokes. And people with a chronic illness are much more likely to develop depression. As employers, we need to step it up in preventing disease.”

What exactly can employers do? Studies show it’s possible to reduce the risk for Type 2 diabetes by 58 per cent with two simple actions: 150 minutes of exercise a week and losing five to seven per cent of body weight. Sotto suggested organizations consider:

- Educational programs on chronic disease and modifiable risk factors such as smoking, alcohol, obesity, poor diet and inactivity;
- Access to exercise facilities or programs and nutritionists; and
- Health screenings. Sotto noted that when the TTC tested 1,000 employees, it found 20 per cent of them had prediabetes.

Employers need to make health as important as safety, he said.

“People can’t be safe at work if they’re not healthy. Spending money on health today will reduce costs tomorrow and foster happier, healthier, more engaged and productive employees. Can we change the course of people’s health? Absolutely.”

DR. ALAIN SOTTO



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CONFERENCE HIGHLIGHTS

Low-intensity cognitive behavioural therapy touted as an alternative to address depression

Should antidepressants be the first course of treatment for mild to moderate depression?

Not necessarily, said Peter Gove, innovation leader for health management at Green Shield Canada, during the 2017 Healthy Outcomes conference in June.

"Everyone experiences sadness from time to time. It's normal," he said.

"Sadness is often a temporary reaction to difficult life events. It's not illness."

Yet according to a 2014 editorial in the *BMJ*, the definition of what constitutes depression has widened so much in recent years that it captures just about everyone, he said. "As a result, we're over-medicating people like crazy," said Gove.

When Green Shield looked at its drug data it found only 15 per cent of employees on antidepressants were receiving the correct treatment. The other 85 per cent either received too low a dosage or didn't stay on the medication because of side-effects or other issues. "We concluded many people probably did not need, or want, medication," said Gove.

Gove explained that while medication does help people with severe depression, they're usually too unwell to work. In the workplace, it's mild or moderate depression that's having an enormous impact on productivity, drug plans and disability claims. But if most employees experiencing depressive symptoms are receiving unnecessary or ineffective medication, what's the solution?

"We need to get them psychotherapy," said Gove. "That's challenging, because good, evidence-based



psychotherapy is not that available in our health-care system today. Yet psychotherapy results in better outcomes and prevents relapses."

According to Gove, one of the most effective approaches for treating depression is cognitive behavioural therapy. It helps people understand their thought patterns and challenges them to change their behaviour. However, it can be costly. But there's a new approach that's both effective and more affordable: low-intensity cognitive behavioural therapy.

"This involves brief, very structured interventions delivered by paraprofessionals, rather than psychologists or social workers," said Gove. "The employee then works with this coach over the phone using manuals. The outcomes are terrific, and it's cost-effective."

Gove presented some other ways organizations can support employees struggling with depression. They include:

- Regular check-ins between employees and their managers;
- More flexible work schedules;
- Support with workloads;
- Quiet places for timeouts;
- Reducing cognitive demands;
- Peer support programs; and
- Support through employee assistance programs.

"We need to realize that depression is a thought disorder. People are not thinking well," said Gove.

"As a result, they often don't recognize they have an illness and so don't ask for help. But identifying people who may be at risk for, or experiencing, mild depression and getting them appropriate help not only helps keep them at work but can change the course of their illness." 



PETER GOVE



CONFERENCE HIGHLIGHTS

Setting the standard for mental health

With mental-health issues reaching crisis levels in Canadian workplaces, employers have options to address the situation as a driver of claims and absences, participants at *Benefits Canada's* Healthy Outcomes conference heard.

"There is a mental-health crisis in our workplaces," said Judith Plotkin, vice-president of growth and strategy at the ReedGroup. "This week alone, 500,000 Canadians are off work due to mental-health issues, and that translates into huge costs for organizations."

The challenge for organizations, said Plotkin, is that people don't reach out for help in a timely way. Despite many public awareness campaigns, only 25 per cent of people are comfortable even talking about mental illness.

"One of the reasons people don't seek treatment is stigma. It still exists and it exists in spades," said Plotkin. "And the most difficult barrier to overcome is how stigma results in self-blame — and that's quite prevalent."

According to Plotkin, organizations need to view overall health and mental health through the same lens. "The workplace can impact the stigma surrounding mental illness," she said. "It's not about what we do for them. It's recognizing that it's one in three of us. We've got to remove that us-and-them focus."

Compounding the crisis is that, unlike other chronic conditions, mental illness affects every age group. It can start during someone's first job and continue throughout a person's career.

At the same time, Plotkin noted there's an increased legal duty for employers to maintain both a physically and a psychologically safe workplace.

"Workers compensation claims can now be based on mental distress or other psychological pains and that's increasing claims," she said. "There are also increasing examples of liability against the employer for not maintaining a psychologically safe workplace. These can be in the form of civil actions or a human rights complaint in the form of discrimination."

Plotkin suggested employers can focus on a number of areas, including:

- Transformational leadership;
- Manageable work schedules;
- Manageable workloads and pace;
- Role clarity;
- Autonomy;
- A just workplace;

- Reduced status distinctions; and
- Social environment.

"Too many organizations focus only on employee-level interventions and not on workplace practices and leadership," she said. "Simply put, you change the culture, you change health outcomes." 

JUDITH PLOTKIN



WORKSHOP DISCUSSIONS:

LINKING DRUG PLANS TO EMPLOYEE HEALTH

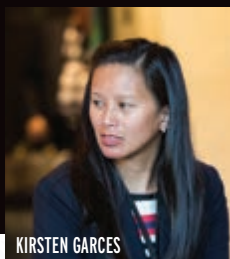
During the Healthy Outcomes conference, participants discussed ways to better understand the impact of drug plan offerings on employee health.

Four groups of conference participants — moderated by Joe Farago, executive director of health-care innovation at Innovative Medicines Canada; Kirsten Garces, senior manager for value and access at Amgen Canada Inc.; Carmen Hogan, vice-president of sales and service at Green Shield Canada; and Kathy Sotirakos, senior manager of market access private insurance at Amgen — responded to two questions:

1. Do you monitor your drug claims data?
2. Can you connect drug treatment with employee health?

Some of the key points raised by the groups included:

- ▶ Most plan sponsors receive drug utilization data annually or on renewal and use it to develop wellness programs and a wide range of activities. However, the data tends to be a dump of information. While external advisors or vendors help them understand the information, participants would prefer a dedicated person to analyze the data.
- ▶ The reasons for monitoring drug data include forecasting future benefits costs; comparing costs and health trends; deciding on the most meaningful health and wellness programs for employees; due diligence; education; and communication.
- ▶ While it's important to aggregate data for privacy reasons, it would be useful to have information split between employees and dependants when looking at disability rates and employee outcomes.
- ▶ Participants said it's hard to link short- and long-term disability claims to specific diseases and then judge the drug spend. Are there any tools carriers can develop to help with that?
- ▶ Other data, such as information on employees using multiple drugs and adherence statistics, would help create strategies to manage costs. 



KIRSTEN GARCES

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CONFERENCE HIGHLIGHTS

Helping employers navigate the next deluge of rising drug costs

Amidst all of the innovation that's occurring in the drug industry, pharmacists have a role to play in helping employers navigate the changes, a speaker told participants at the Healthy Outcomes conference in June.

"We can expect new medications to come onto the market in the next few years," said Mark Rolnick, vice-president of payor partnerships and plan sponsor innovation at Shoppers Drug Mart.

"As a result, employers and insurers can expect to see drug costs rising again, especially for specialty drugs. In fact, specialty drug costs are expected to rise 600 per cent from 2010 to 2020."



MARK ROLNICK

But the cost of new and specialty drugs is just part of the picture, he added. What's also of concern are the rising rates of chronic disease and mental illness that are driving up drug utilization, absenteeism and short- and long-term disability claims.

Despite the various plan management options available to organizations and insurers, costs continue to climb. Rolnick, however, noted the expanding role of pharmacists is another way to help reduce costs.

"The care and case management patients receive in specialty networks, combined with pharmacy patient support programs, help ensure the best outcomes possible while maximizing drug cost dollars," he said.

Rolnick noted the scope of pharmacists is increasing across the country. Pharmacists now administer flu shots and shingles vaccinations, renew prescriptions and provide information. In Alberta they can perform point-of-care testing for possible strep throat. The Canadian Pharmacists Association suggests that, over a 30-year period, the expanded role will result in 130,000 fewer strokes; 260,000 fewer myocardial infarctions; 76,000 fewer cases of angina; and 70,000 fewer cases of heart failure.

"I believe there are many other ways for pharmacists to partner in health care," said Rolnick. "We need to find better ways to collaborate and invest in solutions." 

PLAN SPONSOR PANEL: PARTNERSHIPS KEY TO THE SMALL STEPS FOR ACHIEVING A HEALTHIER WORKFORCE

During the Healthy Outcomes conference, a panel of health and wellness leaders discussed some of the small steps their organizations are taking to achieve a healthier workforce.

Speaking on the panel, Lyne Moussa, manager of wellness, safety and disability at Coast Capital Savings Credit Union, emphasized that it's essential to align health and wellness strategies to corporate ones. "My company's purpose is to empower financial well-being, so I try to mould health and wellness language around that: the cost of poor health to people's families, on their mental health and to the organization," she said. "It's an easy comparison to make."

Moussa added that when creating health and wellness programs, it's also important to consider the ability to introduce them across the organization. "We have small branches across the country where our frontline people work," she said. "We can't disengage these employees by only having events and programs at head office."

Shana Kapustin, Canadian director of human resources and global talent acquisition at Synnex Corp., faces similar challenges.

"To provide programs for all our locations, we partner with local resources and offer bonuses to encourage employees to adopt healthier behaviours," she said.

Panel members agreed that partnerships are key when operating on a tight budget. Lisa Gilmour, manager of health, safety and wellness initiatives at Hamilton Health Sciences, said her organization is able to deliver a variety of health and wellness programs thanks to partnerships throughout the community.

"We look for opportunities to partner," she said. "We have health and fitness students from Mohawk College do health screenings for us – blood pressure, weight, waist circumference – as well as personal training," she said.

"In addition, we invite several massage schools to come and do free massage sessions for our employees."

Moussa noted her team also reaches out to the community. "We regularly invite pharmacists, naturopaths, chiropractors and other people to come in to talk," she said. "We have huge turnouts, and people feel they work for a company that cares about their well-being."

Partnerships are just one part of a successful wellness program for Heather Ricketts, Sleep Country Canada Inc.'s national director of human resources. Participation from senior managers is also critical.

"Our CEO is our mental-health champion," she said.

"Because of his reputation within the company for integrity, he has helped open up conversations. In fact, he receives very personal emails from employees expressing their gratitude for the role he plays. We've had a lot of success." 

FROM LEFT, LISA GILMOUR, SHANA KAPUSTIN, LYNE MOUSSA AND HEATHER RICKETTS



CONFERENCE HIGHLIGHTS

Chronic disease among younger Canadians: Aging population not the only concern



While Canada is facing the health implications of an aging population, younger people are a significant concern as well.

“For the first time, three out of five Canadians will have a chronic disease profile by age 20,” Eileen Dooley, chief executive officer of HealthPartners Canada, told participants at the Healthy Outcomes conference in June. “We need to help millennials develop behaviours that will improve their health and build their resilience to stress.”

Of course, chronic disease remains a significant concern across the generations. And with more than 7,000 new medications currently in development worldwide, the pressures on benefits plans will only intensify.

Speaking during a session with Dooley at the conference, Joe Farago, executive director of health-care innovation at Innovative Medicines Canada, suggested organizations can prepare for the pressures by better understanding their workforce. “Compare your growth and the growth of your carrier with the increase for private plan drug costs of 4.1 per cent seen in 2016. If your drug costs are higher, then ask why. What’s the difference in your population?”

One of the best way to manage future costs, said Farago, is for employers to find new ways to prevent chronic diseases. “That will reduce the need for some medications and create cap space for future innovation.”

Dooley, whose organization is a collaboration of 16 health charities, agreed.

“Nine out of 10 of us are likely to be affected by one or more chronic diseases over our lifetime,” she said. “While it is the individual who is responsible for his or her own health, employers have a responsibility to create conditions for success.”

The challenge for employers is not only reaching



millennials but also the four other generations currently in the workforce. According to HealthPartners, there are several factors that make a difference when creating a multigenerational approach to workplace health. They include:

- 1. Leadership:** Employees must see buy-in from the top.
- 2. Recognizing those who try:** Identify the failures and not just the successes.
- 3. Workplace champions:** People who drive activity and rally support are critically important.
- 4. Thinking creatively:** A one-size-fits-all approach won’t reach all employees.
- 5. Incentives.**

“We need to help those people who just don’t know where to start,” said Dooley.

“It’s really about the small steps we can take that can not only engage employees but ultimately help change their behaviour and lead to long-lasting change.”

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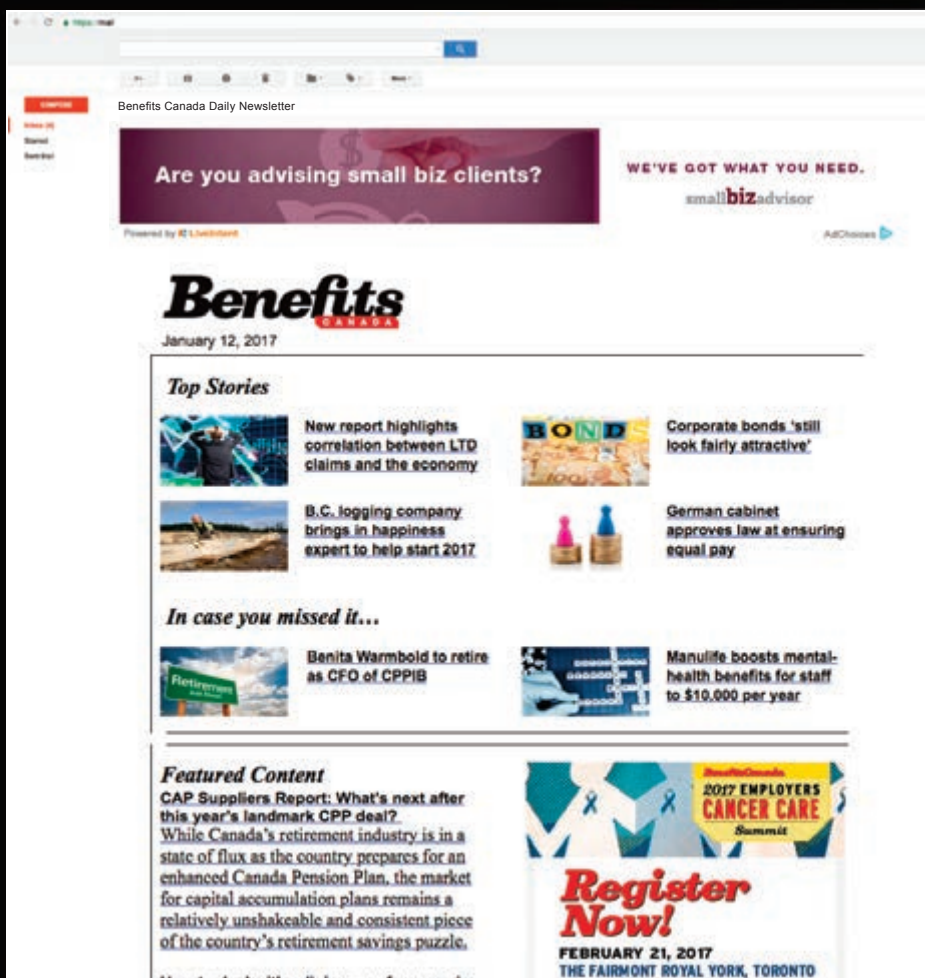
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FOI CASES PIERCING THE VEIL OF PENSION PLAN SECRECY

By **Michael McKiernan**



Pension plan administrators should get used to dealing with requests for their actuarial documents while lawyers duke it out over just how confidential they are, according to a pension lawyer.

Natasha Monkman, a pension lawyer at Hicks Morley Hamilton Stewart Storie LLP, says plan administrators have traditionally viewed financial information filed with their provincial regulators as strictly confidential.

According to conventional wisdom in the industry, only a few legislated exemptions that require sharing information with plan members, employers and some union representatives could pierce the veil of secrecy around the documents.

But in recent years, unions on raiding campaigns and other curious third parties have challenged that orthodoxy, using freedom of information laws to try to get a closer look at the financial health of plans associated with rivals.

"Some of them have had at least partial success in pushing the limits. I think we're at a watershed moment. It's a growing area, and I think more third parties will be looking to get around the privacy of this information in the same way," says Monkman.

Cases in point

Two recent decisions from Ontario and British Columbia demonstrate the diverging legal views on the subject.

Last summer, the Financial Services Commission of Ontario was part of an appeal to the province's Divisional Court seeking to overturn an order that would have forced it to disclose the actuarial reports of two multi-employer pension plans.

The case concerned plans administered by two unions: the Bricklayers and Stonemasons Union Local 2 and the Canadian Bricklayers and Allied Craft Unions. A rival union made the request for the documents in 2013 in advance of the so-called raiding season, a two-month window that occurs every

three years when unions in the construction industry scramble to displace members from one another.

The two unions, backed by FSCO, argued that turning over the records could help their rival in its raiding efforts. That, in turn, could cause a run on the pension plan as members transfer out of it, potentially reducing the benefits of those who remain.

But the information and privacy commissioner of Ontario was skeptical, ordering the release of the documents after dismissing the claims of potential financial harm as "speculative."

The Divisional Court, however, ordered the commissioner to take a fresh look at the case after finding the previous ruling was unreasonable because it set the bar too high for the unions to show that the release of the information could damage the plan.

Meanwhile, in British Columbia this spring, a similar case before that province's privacy commissioner went in favour of the requester, the Independent Contractors and Businesses Association.

Construction unions associated with the targeted pension plans resisted the application, claiming the association was going to use the financial information to promote optional retirement savings products offered by one of its affiliates.

But the commissioner questioned the risk of harm from disclosing the financial information and ordered the province's Financial Institutions Commission to release it.

Some comfort for administrators

Sean Maxwell, a pension lawyer at Blake Cassels & Graydon LLP, says if the B.C. courts endorse the commissioner's decision, it will be harder for plans to resist requests for disclosure.

However, he says administrators should take comfort from the fact that a higher legal authority delivered the Ontario decision. "That ought to have a rather chilling effect on future decisions by Ontario's privacy commissioner," says Maxwell.

Either way, he expects to see further requests for plans' financial information. "Sometimes, I think it's less about getting hold of the actual documents at issue and more about sending a shot across the bow of a rival," says Maxwell. 

Michael McKiernan is a St. Catharines, Ont.-based freelance writer.

DOCUMENTS REQUESTED IN THE ONTARIO CASE:

- ▶ Audited financial statements
- ▶ Annual information returns
- ▶ Investment information summaries
- ▶ Actuarial valuations or other actuarial reports
- ▶ Member information booklets

DOCUMENTS REQUESTED IN THE B.C. CASE:

- ▶ Number of active members for the previous and current year
- ▶ Average age of active members
- ▶ Average annual hours worked by active members
- ▶ Current contribution rate, both negotiated and actuarial cost
- ▶ Average annual pension paid to retired members
- ▶ Average accrued monthly pension entitlement of active members
- ▶ Surplus or unfunded liability from the previous and current valuation report

CAN YOU BELIEVE IT?

Compiled by Jann Lee

A look at some of the strange workplace happenings from around the world

Family ponies up to attract nanny who can handle supernatural happenings

It sounds like a good deal: 50,000 pounds (more than \$80,000) and 28 days of vacation a year to work as a live-in nanny.

That's what a family in Scotland was offering for a job posted on British website childcare.co.uk. But there was a catch: The successful candidate may have to deal with supernatural happenings. According to the posting, the busy couple, who are away up to four nights a week, have gone through five nannies in the last year. All of them had resigned because they believed the house was haunted after hearing strange noises and seeing moving furniture.

While the family hasn't seen any abnormal activities, it has decided to be upfront with job candidates, the posting noted. The other requirements of the job aren't as unusual. The live-in nanny will have to tend to two children aged five and seven by helping them prepare for school, assisting them with their homework and getting them ready for bed.

The couple later updated the posting to note they couldn't respond to each reply individually after the job ad went viral and they received a barrage of inquiries from interested candidates. "After receiving over 3,000 messages, we now have what we hope is the perfect nanny!" they wrote.



ISTOCK PHOTO / KAMISOVA

Employee dons mom's dress to win right to wear shorts

Some people know how to make a point.

According to the *Mirror*, a British call-centre employee has won his battle to wear shorts at work after his employer initially sent him home.

Instead of giving up and changing into a suit, the male employee, who found the workplace unbearably hot, decided to take a different approach. Since his female employees could wear dresses to work, the *Mirror* reported, he raided his mother's closet and put on a striped frock that ran just over his knees.

His unorthodox approach was successful, according to the *Mirror*. Instead of sending him home again, the employer circulated an email to staff informing them that they could wear three-quarter-length black, navy or beige shorts because of the extremely warm environment.



CIA contractors caught stealing \$3K in snacks from vending machines

Can intelligence agency contractors really not afford snacks from the vending machine?

That was the scenario facing the Central Intelligence Agency when it caught a ring of contractors stealing more than \$3,000 in snacks from vending machines, according to a report from BuzzFeed News.

The news website obtained hundreds of reports through a Freedom of Information Act lawsuit filed in 2015 and found one that recorded vending machine incidents that took place from late 2012 to early 2013.

The contractors were able to buy the snacks at no cost by unplugging a cable that connected the machines to an electronic payment system, according to a report by the Office of Inspector General, which oversees the CIA. It noted the office installed surveillance cameras at several of

the vending machine locations after catching wind of the scheme. It then used video footage recovered from the sites to identify the perpetrators.

The report noted investigators had pinpointed one contractor as the mastermind behind the scheme. The respective employers fired the thieves. 

ISTOCK PHOTO / EMYERSON



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