



Required reading for pension, benefits and investment executives

Benefits

CANADA

2021 TOP 40 MONEY MANAGERS REPORT

BUILDING BACK STRONG

Institutional investors planning for sunnier days ahead amid recovery **p14**

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May 2021

PLUS!

Riding the virtual paramedical wave **p24** →

The path to growth after pension reform on Newfoundland and Labrador **p28** →

What will work look like post-pandemic? **p30** →



In Search of New Value: How Canadian Pension Funds are Preparing for a Post COVID-19 Environment

64%
of pension funds believe that clearer alignment of strategies to long-term objectives is one of the key benefits of in-house asset management

66%
of pension funds that brought **asset management in-house** achieved **cost savings**. The vast majority saved 10% or more, with some saving up to 20%

46%
of the pension funds surveyed say COVID-19 has prompted a review of their outsourcing plans

Talent is indeed a key challenge and a focus area for many plans. Almost three-quarters (70%) of pension managers regard in-house expertise as one of the top three issues they have to confront in any shift to in-house asset management.

Download the study at www.cibcmellon.com/insearchofnewvalue

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- › Pension performance
- › Industry professional of the year
- › Coronavirus and benefits

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Enthusiasm for virtual health care stretching into paramedical sector

There's a reason so many episodes of *Seinfeld* and *Curb Your Enthusiasm* penned by Larry David revolve around the annoyances of medical appointments. To paraphrase the acerbic comedian — they're pretty, prettttty, pretttttty bad.

Going to a medical appointment used to mean taking at least part of a day off work, rushing to be on time, then being told by an administrative assistant in a bad mood to wait . . . and wait and wait some more. There'd often be crying babies and sniffing seniors in a dingy room that needed a deep clean. As David's bestie, Jeff Green, often says on *Curb*, — that's a whole bowl of wrong. As we trudge through month 15? of the coronavirus pandemic, it's hard to see *any* silver linings.

But one upside might be that employees and employers have been freed from the tyranny of in-person-only appointments. By the time this issue goes to press, *Benefits Canada's* long-time editor, Jennifer Paterson, will be back from her maternity leave and I'll done my short stint as interim editor. Wrapping up with my tenure with a story that involves tequila and a mechanical bull feels like a whole bowl of right. In that story, on page 24 by freelancer Kelsey Rolfe, highlights how even physiotherapists have gone virtual during the coronavirus crisis.

Getting treatment for a physical ailment like an injured shoulder seems like something that can only be done in person. Not so, says Mike McClenahan. The then-managing partner of Benefits by Design Inc. was skeptical at first, but opting for virtual physiotherapy care had its advantages. "When you go to a bricks-and-mortar physiotherapist, what's the first thing they ask you? [It's] 'Have you been doing your exercises?' If you're like me, the answer is, 'Sort of.' . . . [The app] adds a layer of accountability that's hard to mimic with a bricks-and-mortar model."

His shoulder healed and the experience led to what Oprah Winfrey calls an "aha!" moment. In June 2019, Benefits by Design and Green Shield Canada announced a pilot partnership with Phzio that would give BBD's group benefits members access to virtual physiotherapy. While McClenahan (now vice-president of partner solutions with People Corp., which acquired Benefits by Design this April) couldn't have known in mid-2019 that the paramedical-benefits industry would have to switch to mostly virtual offerings due to public-health protocols in early 2020, he's clearly on the right side of history here.

Now that more Canadian employees and employers have seen the benefits of virtual health-care offerings, I predict, there's no going back. By June 2020, 47 per cent of Canadians

had used virtual care during the pandemic, according to a Canadian Medical Association survey. And Manulife Financial Corp. recently partnered with Phzio and Medavie Blue Cross and Telus Health also rolled out virtual physiotherapy options over the past few months.



By **Melissa Dunne**
melissa.dunne@contextgroup.ca

Offering physiotherapy from the comfort of one's couch-cum-office seems like a very wise perk for employers to offer employees these days. As our story by associate editor Lauren Bailey, looking at the future of remote work on page 30, notes 40 per cent of our nation's workforce were working from home by April 2020, according to Statistics Canada. And I'd bet, the majority of those workers, like me, have been working from ad-hoc "offices" in bedrooms, living rooms and dining rooms for more than a year and now have various strange kinks that need to be worked out. Luckily, there's now apps for that, and any other, health-related issue.

While virtual health care has never been hotter, other sectors are rising from the ashes of a very hard 2020. As our story featuring the 2021 Top 40 Money Managers Report, on page 14 by freelancer Michael McKiernan, outlines many institutional investors are in

the process of trying to build back better after being battered by economic hits wrought by the public-health crisis. Over the course of last year, the country's gross domestic product shrank by slightly more than five per cent, according to StatsCan. But, the experts McKiernan spoke to are cautiously optimistic. Yet, Janet Rabovsky, the Toronto-based chief investment officer at Fairwater Capital Corp., cautions in the article: "I don't think it's going to be a straight road to recovery. Every time you remove one stressor, another one comes into view."

Rabovsky is talking about the economy, but she could just as easily be talking about the experience many employees and employers have had throughout this crisis.

As of press time, Canada is in the throes of a viscous third wave, so I'm under no illusion the rest of this year will be a straight road to recovery. But I hope our readers can take solace in the stories in this May 2021 print issue that show while there may be seemingly endless stressors, there's also been opportunities for everyone, from employees to employers to insurers to doctors to investors, to evolve.

Like McClenahan recounts on page 24, getting thrown off a mechanical bull after drinking too much tequila, will likely lead to an injured shoulder but it might also lead to useful professional insights. I'd say that's a pretty, prettttty, pretttttty good lesson to keep in mind as we all stare down the second (and hopefully last) year of this pandemic.

Last month's top news, moves and numbers in the pension, benefits and investment industries

People watch



- **Keisha Campbell** is the **Toronto Transit Commission's** first chief diversity and culture officer.
- **Tim Deacon** is the **Ontario Teachers' Pension Plan's** chief investment officer.
- **Evan Siddall** is the **Alberta Investment Management Corp.'s** chief executive officer as of July 1.

Survey says

51% of U.S. employees in their 20s (generation Z and millennials) said their work-life balance is better now than before the coronavirus crisis, while only a quarter of baby boomers said the same (MetLife).

58% of Canadian employees said they'd like a hybrid-work arrangement that gives them the option to work from home or at the office once the pandemic ends (Citrix Systems).

62% of Canadians expressed concern about how they'll support themselves in retirement (Angus Reid Institute).

M&A



- **HUB International** acquired Calgary-based **Wessex Financial**, a family and business benefits provider that specializes in association benefit planning, individual member services, critical awareness and financial literacy programs.
- **Penad Pension Services** acquired Ontario-based **SeclonLogic**, a defined benefit pension plan and group benefits administration software solutions company.

Top 5 stories of the month on

BenefitsCanada.com



- 1** Expert panel: When the bubble bursts, what you don't own will make all the difference
- 2** Majority of employees want a hybrid-work model after the pandemic: global survey
- 3** Drug-plan costs are increasing for plan sponsors, but experts differ on why
- 4** One year later: The AIMCo, CAAT and OPTrust on lessons learned during the pandemic
- 5** Ontario's budget highlights pension benefits, ongoing support for employers and employees

Employers in the news

- **Canada Goose, Staples Canada** and **Urban Nature Store** were among the Canadian employers to offer employees paid time off to get the coronavirus vaccine.
- **Rogers Communications** recently added discounted rates for "virtual recess products" that employees can use to keep their children occupied at home during the ongoing public-health crisis.
- **Torstar** was the latest in a long line of North American companies that have announced plans to allow some staff to continue to work completely remotely even after the pandemic ends.

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Pension investments

- The **AIMCo** continues to hold a minority-ownership stake in a U.K. insurance service company following a majority-ownership acquisition in the business by a U.S.-based private equity firm. Meanwhile, the **Alberta Crown corp.** and the **OTTP**, sold their stake in a provider of independent global governance solutions. Separately, the **OTTP** is investing in a Texas legal technology business as well as in the expansion of a franchise operator in the U.S.
- The **Caisse** is investing in the second growth fund of a Canada-based venture capital firm, as well as a provider of eye-care products and services across North America.
- The **CPPIB** is investing in a water-and-sewage service holding company in Brazil. It's also entering a joint venture with a rental housing company to invest in build-to-core multi-family rental projects in and around Toronto. And it's selling its interest in a digital-engineering services company in the U.S.



Why a Certified Diabetes Educator thinks diabetes can be managed more effectively through flash glucose monitoring technology



Amy Smith has been a Certified Diabetes Educator for over 10 years. She has seen diabetes grow in her community and across Canada and hopes to make life better for people managing diabetes.

For decades finger pricking and test-strips were the standard in glucose monitoring. What are the challenges with this type of self-monitoring?

Finger prick testing only provides a glimpse of information infrequently when we really need more data and the whole picture. The 2018 Diabetes Canada Clinical Practice Guidelines recommend glucose testing as often as ≥ 3 times per dayⁱ. Studies have shown that 2 out of 3 people skip blood glucose monitoring because it is invasive to their livesⁱⁱ.

I have heard of patients 'running their glucose high' to avoid hypoglycemia (extremely low blood sugar) while on the job which can cause hyperglycemia (high blood glucose). Long term, this can lead to heart, kidney and nerve complications.

My patients feel uneasy finger pricking in the workplace or having to find a washroom to check their blood glucose. This stress takes a toll, impacting their ability to manage their disease and ultimately their mental and physical health, job performance and family life.

Can you tell me about Abbott's FreeStyle Libre[®] family of products?

The FreeStyle Libre[®] family of products feature a toonie-sized sensor which automatically measures and continuously stores glucose readings day and night, allowing patients to access their glucose readings with a painlessⁱⁱⁱ, one-second scan, even through clothing^{iv}.

Patients then access their glucose readings via the FreeStyle Libre or FreeStyle Libre 2 mobile app^v. Data and information are the foundation of effective diabetes management for a person with diabetes, and the FreeStyle Libre[®] offers a wealth of timely data over traditional options, which only gives you a point in time. With every scan, you get

your current glucose reading, the last eight hours of glucose data and an arrow showing the future direction of your glucose.

I am very excited about the new FreeStyle Libre 2[®] system, which features customizable optional alarms that alert patients when their blood glucose is too low or too high, helping them intervene fast. What's more, the FreeStyle Libre 2[®] is indicated for children 4 and up. The optional alarms provide peace-of-mind for caregivers of children living with diabetes who are in the workforce. The caregivers can remotely monitor their children's glucose through the LibreLinkUp App^{vi} without taking time off work and can more readily prevent potential hypoglycemic events.



What types of patients would you recommend use the FreeStyle Libre[®] family of products?

I recommend flash glucose monitoring technology for use in anyone living with diabetes. I have seen patients who were on the verge of insulin dependence being able to avoid it, and others reduce the amount of basal insulin they need to take.

Better diabetes management improves productivity in the workplace. My patients using the system are better equipped to prevent hypoglycemia and don't run their glucose high at work as often, because now they can discreetly scan their sensor and see and react to their glucose without needing to take the time to do a finger prick^{vii}.

What do you want employers and benefits providers to know about the FreeStyle Libre[®] family of products?

Benefits coverage for flash glucose monitoring technology is inconsistent for patients and I hope we can get every patient access. Wide coverage of traditional test-strips has not allowed patients to manage their diabetes effectively due to insufficient glucose information such as missing high and low glucose readings. I know diabetes medication and insulin therapies continue to rank the second highest drug spend on private drug plans^{iv}. I have seen my patients with both type 1 and type 2 diabetes who moved to flash glucose monitoring technology from test-strips better manage their diet and lifestyle, reduce the use of other medications, face less complications, take less time off work and improve work productivity and mental health.

Flash glucose monitoring technology needs to be thought of as a necessary and essential health monitoring tool for patients, just like basal insulin or oral drugs, and providers need to expand coverage to all patients as the standard of care. For the newly introduced FreeStyle Libre 2[®], I've heard through several patients that they already have access via their private drug plans, and I have seen reimbursements from a few major insurance companies. My hope is that this list continues to grow so anyone living with diabetes can have access to this cost-effective and innovative sensor-based glucose monitoring technology to empower them to manage their diabetes more effectively. Anything we can be doing to reduce barriers, help improve lives and make life easier for patients, we should.

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This article was paid for by Abbott Diabetes Care, a manufacturer of diabetes care products in Canada. This is an actual testimonial of a Certified Diabetes Educator whose patients use the FreeStyle Libre and FreeStyle Libre 2 systems, and Abbott has consented to use their story. Consent is on file with Abbott. ADC-36876

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ⁱ The FreeStyle Libre flash glucose monitoring system is indicated for measuring interstitial fluid glucose levels in adults aged 18 years and older with diabetes mellitus. Always read and follow the label/insert.

ⁱⁱ The FreeStyle Libre 2 flash glucose monitoring system is indicated for measuring interstitial fluid glucose levels in children aged 4 years and older and adults with diabetes mellitus. Always read and follow the label/insert.

ⁱⁱⁱ The reader can capture data from the sensor when it is within 1 cm to 4 cm of the sensor.

^{iv} A finger prick test using a blood glucose meter is required during times of rapidly changing glucose levels when interstitial fluid glucose levels may not accurately reflect blood glucose levels or if hypoglycaemia or impending hypoglycaemia is reported by the system or when symptoms do not match the system readings.

^v Finger pricks are required if readings do not match symptoms or expectations.

^{vi} The FreeStyle LibreLink app and the FreeStyle Libre reader have similar but not identical features. A finger prick test using a blood glucose meter is required during times of rapidly changing glucose levels when interstitial fluid glucose levels may not accurately reflect blood glucose levels or if hypoglycaemia or impending hypoglycaemia is reported by the FreeStyle LibreLink app or when symptoms do not match the app readings. The FreeStyle Libre sensor communicates with the FreeStyle Libre reader that started it or the FreeStyle LibreLink app that started it. A sensor started by the FreeStyle Libre reader will also communicate with the FreeStyle LibreLink app. The FreeStyle LibreLink app is only compatible with certain mobile devices and operating systems. Please check the website for more information about device compatibility before using the app. Use of FreeStyle LibreLink requires registration with LibreView.

^{vii} The LibreLinkUp app is only compatible with certain mobile device and operating systems. Please check www.librelinkup.com for more information about device compatibility before using the app. Use of LibreLinkUp and FreeStyle LibreLink requires registration with LibreView. The LibreLinkUp mobile app is not intended to be a primary glucose monitor; home users must consult their primary device(s) and consult a healthcare professional before making any medical interpretation and therapy adjustments from the information provided by the app.

^{viii} The FreeStyle Libre 2 app and the FreeStyle Libre 2 reader have similar but not identical features. Finger pricks are required if readings do not match symptoms or expectations. The FreeStyle Libre 2 sensor communicates with the FreeStyle Libre 2 reader that started it or the FreeStyle Libre 2 app that started it. The FreeStyle Libre 2 app is only compatible with certain mobile devices and operating systems. Please check the website for more information about device compatibility before using the app. Use of FreeStyle Libre 2 requires registration with LibreView.

^{ix} Diabetes Canada Clinical Practice Guidelines Expert Committee. Diabetes Canada clinical practice guidelines for the prevention and management of diabetes in Canada. Can J Diabetes 2018;42:S1-325.

^x Wagner J, et al. Invasiveness as a barrier to self-monitoring of blood glucose in diabetes. Diabetes Technol Ther 2005; 7(4):612-19.

^{xi} Haak Thomas, et al. Flash glucose-sensing technology as a replacement for blood glucose monitoring for the management of insulin-treated type 2 diabetes: a multicenter, open-label randomized controlled trial. Diabetes Therapy 8.1 (2017): 55-73

^{xii} 2021 Prescription Drug Trend Report, Express Scripts Canada. https://express-scripts.ca/sites/default/files/2021-03/2021%20ESC%20Prescription%20Drug%20Trend%20Report%20FINAL_0.pdf, p. 10.

Should plan sponsors buy annuities via insurance companies or go DIY?

Two experts weigh in on the merits and drawbacks of taking the traditional route versus opting for the newer do-it-yourself option

COMPILED BY MELISSA DUNNE

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Benoit Labrosse

Partner of asset and risk management at Morneau Shepell Ltd.



Although annuity purchases have become an important pension risk management option over the last decade, a countertrend is emerging for plan sponsors who wish to keep the annuity purchase premium, including associated profit margins, within their plan. How? By applying the same proven and tested recipe that's been used by insurers.

A do-it-yourself annuity strategy has two main objectives. The first one is to insulate the plan from interest rate and cash flow risks — which I've seen as a top reason for defined benefit pension plans deficits over the last few decades, through fixed income products (similar to typical liability-driven strategies). The second objective is generating returns in excess of liability growth through sufficient exposure to credit (e.g., corporate bonds, mortgages) and illiquidity premiums (e.g., private debt). This can lead to 50 to 100 basis point spreads.

Among the potential candidates for implementing DIY annuity strategies are plan sponsors with moderate deficits wishing to reach fully-funded positions without having to make additional contributions. Given recent reforms in many Canadian jurisdictions to relax solvency funding requirements, these plan sponsors may be able to achieve their objectives through a DIY approach in a framework with a very limited risk exposure.

While purchasing annuities is a well-understood strategy and will remain an optimal choice for many plan sponsors, it's an irrevocable decision, requiring sponsors to consciously elect to sell what could be an asset, their plan, in order to eliminate ongoing plan costs and risks.

On the other hand, some plan sponsors may be able to do it by themselves by operating their plan under the same limited risk exposure framework that insurers employ and keep the associated return.

Each solution has its merits and the characteristics and specifics related to an organization or its pension plan need to be carefully analyzed before concluding that a solution or an approach is superior to another.

The arguments that would often favour proceeding with group annuities are numerous but they boil down to the plan administrator's willingness to take on risk. Purchasing annuities means that you effectively transfer the investment, the actuarial basis and the longevity risks, to name a few, to a third-party insurer who can invest without worrying about tracking the plan solvency liabilities that many pension plans are subject to, now or at time of exit.

A group annuity can be deconstructed into a solution that combines a minimal investment risk strategy (i.e., a liability-driven investing strategy) and a longevity insurance product. In order for this equation to hold, investment risk will need to be assumed to earn a return, which will not only cover the longevity insurance cost but also the incremental yield over the solvency rate the insurer can achieve with its investment strategy.

Public and private investors don't expect that an organization's pension plan will be the vector of growth or value creation. Well-rewarded risks are likely better taken elsewhere than in the pension plan and, as such, greatly reducing or even eliminating pension risks is often desirable.

An attractive yield for less risk is what makes group annuities a sound proposition that has caught the eye of many plan sponsors and administrators of closed plans. Another non-negligible argument favouring group annuities is peace of mind in a period of market turbulence, which has occurred more frequently in the last 20 or 30 years.

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Investments

LESSONS ON ABSENCE MANAGEMENT

BY BLAKE WOLFE

*How Algonquin College's program
puts employees and students at the
head of the class*

When Algonquin College decided to streamline its absence-management process in 2019, it was important to partner with a provider that would go beyond merely adjudicating files and deliver a touchpoint for employees.

The school quickly found that partner in Morneau Shepell Ltd., which was already providing ad-hoc absence management services to Algonquin, says Jessica Myers, a wellness and abilities specialist in the human resources department at the Ontario-based college. “Speaking with other providers, they didn’t provide that intake call or touchpoint, they just reviewed the information that was received. I felt we needed a more personal and empathetic approach.”

And based on Morneau Shepell’s data, the new program seems to be working. Last year, the college saw a 32 per cent decrease in mental-health-related absences in comparison to its 2019 numbers, a statistic which was also 30 per cent below 2020 industry-incidence norms. The college also saw a five per cent decrease in average days lost per case, with case durations

15 per cent shorter than industry comparators in 2020, and experienced a significant increase in return-to-work outcomes, outperforming the industry average by 22 per cent as a result of this new approach to absence management.

Prioritizing staff and students

When developing the program, Algonquin’s guiding principle was to ensure that its approximately 4,600 employees — who either belong to one of two unions or are non-unionized — were treated equally, regardless of their status and entitlement to sick leave benefits, says Tara Aquilanti, a wellness and abilities specialist at the college.

“I think absence management is bigger than whether you’re entitled to sick leave or not. It’s about making employees understand that we care about them and want to help them make an early and safe return to work. Are some people entitled to absence benefits? Yes, but I still care that someone is under appropriate treatment and I want to know their restrictions and limitations so I can guide them back to work.”

In addition, while handling faculty absences, Myers says the college — which currently has more than 45,000 students — needs to consider the impact on the classroom while meeting operational needs when developing return-to-work programs.

“It’s similar to a customer experience, but the confinement of the delivery method of teaching is different from when we have a support member who works in the cafeteria. It’s about making sure we communicate that to Morneau Shepell when we’re looking at a progressive return to work. It’s not just ‘three hours

on Tuesday and five hours on Wednesday’ — it has to be a really sound plan.”

Among Canadian employers, robust absence-management programs are few and far between, says Melanie Jeannotte, chief executive officer of the benefits and human-resources consulting division in Canada at Arthur J. Gallagher & Co. “There might be a sick leave policy to address attendance management, but there’s a distinct lack of process and documents in place. As a consequence, there’s a vacuum of data and it makes absence difficult to track.”

However, she says there are several advantages to having such a program in place. “Most employers don’t have a good handle on the cost and impact of absence to the bottom line, but once you start tracking that, you can get at the specific issues and determine the cost implications for your organization. [Absence management] also looks like good compliance management in a unionized environment where, if you’re not adhering to sound absence management practices and workplace accommodations, you can run into [legal] issues.”

Staying connected

Algonquin and Morneau Shepell communicate via the provider’s software suite, says Nathan Chartrand, director of client experience in health and productivity solutions at Morneau Shepell. These include AbilitiConnect, a plan-sponsor portal offering up-to-the-minute information on all absences with access to real-time aggregate reporting and trending, as well as AbilitiManage, case management software for sick leave, disability and workplace incident, injury and illness.

Through the program, he says, Morneau Shepell takes a more individualized approach to absence management rather than applying a rigid medical model and that for the majority of cases, the provider often determines its strategy based on the initial phone call. “You have to assume good faith and that the individual calling in is being truthful in what they’re reporting. For things like minor strains and sprains, there’s no point in asking them to get medical information that oftentimes costs money. It can become a negative experience for an individual who’s high-performing and has been a valued employee for years — why force them to go through that kind of exercise?”

In addition to assessing for short-term disability, Chartrand says Morneau Shepell also conducts intermittent absence reviews of staff that call in sick on a regular basis — to determine whether there’s an underlying medical cause for the absence — as well as accommodation reviews for employees requiring a modification of duty or hours due to health. “A lot of folks will report they’re capable of doing more than

they can or should.”

Following an employee’s leave of absence, Algonquin and Morneau Shepell continue to co-ordinate on the return-to-work process. In the event of a work-related barrier preventing an employee’s return, Aquilanti says the college will engage one of Morneau Shepell’s facilitators to work through the matter with the employee and their manager. The college can also access a program called InfluenceCare to assist employees requiring a referral to a medical specialist.

Getting the word out

For an employer, implementing a major program can bring concerns and criticism from staff. To communicate its new absence-management program to employees, Myers says Algonquin held a series of information and training sessions, including department-specific meetings and team-building exercises with the college’s union partners led by Morneau Shepell.

“We’ve continued to provide education and training to individuals within the college and we’ve most recently added the program to our new-hire orientation. That’s a new step we just implemented so we can touch on short-term disability, compensation and [Workplace Safety & Insurance Board training] as they relate to the program and we give a detailed overview in that session.”

Preparing for the future

As the program continues to assist Algonquin employees, it also yields plenty of data for the college and Morneau Shepell to continually fine-tune the process.

In addition to discussion of cases at the anecdotal level, Chartrand says there’s also a report sent to the college on a quarterly basis that provides a deeper look at all aspects of the program, from overall incident rates and durations to diagnostic indicators and outcomes. “We work together to identify the areas that are significant in the data to develop strategies to reduce incidents, duration and ultimately prevent absences from happening in the first place.”

And it’s this data that has allowed Algonquin to undertake relevant wellness initiatives, Myers says, such as focusing on mental health amid the coronavirus pandemic. “As much as we’re structured and have a very detailed and concrete process, it’s also fluid in the sense that we recognize that we can make tweaks along the way, in regards to the services we may need to look at or if we need to review the program. It’s about genuinely looking at what’s best for everyone in regards to the application.”

Blake Wolfe is an associate editor at Benefits Canada: blake.wolfe@contexgroup.ca.

BY THE NUMBERS

32%

The decrease in mental health cases at Algonquin College in 2020, in comparison to 2019, which the college credits to a proactive case management team

22%

The percentage of regular return-to-work outcomes at Algonquin College in 2020 above the industry standard

5%

The decrease in average days lost per case at Algonquin College in 2020

Sources: Algonquin College and Morneau Shepell Ltd.

INVESTMENT INSIGHTS

PERSPECTIVES ON INVESTMENT STRATEGIES

The road to climate transition has become the focal point of several sectors over the past few years, and the financial sector is no exception. Entrusted by clients to add value and generate compelling returns, investment managers have a unique opportunity to make a difference by supporting companies that are working to achieve their emissions objectives, according to Roger Beauchemin, president and CEO of Addenda Capital. Ultimately, he says, this path will lead to positive outcomes for companies and the people they employ, as well as future generations of Canadians.

HOW DO YOU ENVISION THE ROLE THAT INVESTMENT MANAGERS CAN PLAY IN THE CLIMATE TRANSITION?

At Addenda, we broaden our fundamental analysis to include material extra-financial factors, and climate is one of the areas we look at. When considering the climate challenge, we recognize that it has both opportunities and risks. Those can be very material to some companies and less material to others. It influences our long-term view of these companies; therefore, we try to engage with management to understand what their strategy is and urge them to see that this may be very material for them. That conversation incites companies to react and plan accordingly. It can influence the way capital gets aligned.

WHAT WOULD YOU SAY TO THOSE WHO WOULD RATHER CONSIDER DIVESTING ASSETS, AS SUGGESTED BY PROPONENTS OF THE MOVEMENT WE HAVE SEEN?

We know people have an ethical, values-based point of view on this and, for them, divesting makes sense. They simply don't want to be associated with it. That is fine but, from our perspective, if the objective is to mitigate the worst possible outcomes of climate change, we have to use all the tools available. That

means engaging with the companies in which we invest and getting them to recognize the challenges we face and the role they can play. It means engaging in a dialogue with policymakers to reinforce the view that this is an important long-term financial and economic issue, not just an environmental issue.

From a portfolio construction point of view, you don't have to exclude companies based solely on their industry. As a fundamental active investor, you can make decisions about what the long-term prospects are for certain companies and the businesses they are in, and review how they're dealing with climate-related challenges. And you can change what you own over time if companies aren't making the strides you expect them to make to be resilient.

CAN IMPACT INVESTING, SUCH AS WHAT ADDENDA HAS BEEN DOING FOR A FEW YEARS, ALSO CONTRIBUTE TO THE TRANSITION?

In the impact investing work we do, we have determined that one of the challenges we can help address is climate change through the reduction or avoidance of greenhouse gas (GHG) emissions, and we've identified three areas that are helping to do that: energy efficiency, clean transportation and renewable energy. Those parts of the

economy need capital to help with the transition, so we need more of those things for us to meet our net-zero societal objectives. So, impact investing is one piece of the puzzle alongside the other approaches, such as getting the buyers of electricity to recognize they want their electricity to be clean or getting cities to recognize they want to get as many people as possible on mass transportation that is electrified.

Through impact investing, you're pretty well entirely focused on positive outcomes and being the solution. But that alone doesn't solve the problem. The real world is rarely simply black or white. There's a huge grey zone, and that's where the hard work is. It's getting companies to lower their emissions, which is the transition element. It's one project at a time. Is the company overall the kind of company people feel good about getting involved with? Not necessarily, but maybe them launching a certain project can result in a big change. If you can close plants or change processes that are highly carbon-emitting and replace them with something that is a lot less so — that is how you win the battle.

COULD YOU GIVE AN EXAMPLE OF WHEN ENGAGING WITH A COMPANY YIELDED PARTICULARLY TANGIBLE RESULTS?

There is a large Canadian transportation company that we have met with several times since 2016. One of the things we encouraged them to consider was setting a science-based GHG emissions

reduction target. They've become one of the first Canadian companies to set such a target. We asked them to do this because we thought they were one of the most likely to adopt that sort of rigorous target. We can't claim responsibility for it, obviously, but they do have a target now. It's the sort of business we need. Through these sustained discussions, we've provided them with what we think are important issues for them to tackle from a climate point of view and, in turn, they're showing leadership not just within their industry but also within corporate Canada.

We engage with management not in an adversarial way, but because we recognize, for their own business, that they must act. For the planet and for their long-term viability, they need to consider how important these issues are and design a strategy to mitigate them. There are going to be management teams with whom these types of discussions will be confrontational, because not all teams will understand the importance of the issue for their long-term success. So, at some point, you may sell because that company becomes exposed to too much risk. But, ultimately, it is with a view to being onside and saying, "We want you to succeed." Using the portfolio to help change the Canadian economy for the better from a climate perspective, and also to improve businesses and jobs in communities where they operate — we think this is a powerful and much better approach.



"Using the portfolio to help change the Canadian economy for the better from a climate perspective, and also to improve businesses and jobs in communities where they operate."

ROGER BEAUCHEMIN
PRESIDENT AND CEO





2021 TOP 40 MONEY MANAGERS REPORT:

BUILDING BACK STRONG

*Geopolitical stability is laying the foundation
for economic recovery*

BY MICHAEL MCKIERNAN

Investors breathed a sigh of relief as they turned over their calendars at the end of 2020.

Few were sorry to see the back of a turbulent year that drove nation after nation to their worst economic contractions in generations: over the course of 2020, the U.S. gross domestic product shrank around 3.5 per cent, according to the Bureau of Economic Analysis in

the U.S., but still fared slightly better than Canada — where Statistics Canada estimated GDP shrank by just over 5 per cent — and the U.K., which suffered an eye-watering 9.9 per cent drop in GDP, according to the U.K.'s Office for National Statistics.

But the switchover from 2020 to 2021 marked more than a purely symbolic fresh start, since the new year also brought a measure of closure to some of the most disruptive geopolitical issues in recent memory.

In Europe, Brexit finally came to an end as the U.K. and the European Union

formally settled the terms of their long divorce in a last-minute deal, while Joe Biden assumed the U.S. presidency in a (mostly) peaceful transition of power.

These developments have delivered a much-needed dose of stability to the markets, according to Candice Bangsund, vice president of global asset allocation at Fiera Capital in Montreal.

A new, calmer era has dawned

“We expect a more predictable and diplomatic approach from President Biden versus the volatile nature of policymaking in the previous administration, which

“ While 2020 was the year of the pandemic, the stage is being set for 2021 to be the year of the vaccine, the reopening and the imminent recovery.

TOP 5 | FASTEST GROWING (%) - LESS THAN \$1 BILLION

ASSETS (MILLIONS) AS OF DEC. 31, 2020 / CPA = CANADIAN PENSION ASSETS

Company	2020 CPA	2019 CPA	Variance
1 Wells Fargo Asset Management	\$426.9	\$187.0	128.3%
2 Barrantagh Investment Management Inc.	\$70.3	\$55.5	26.6%
3 Stonebridge Financial Corp.	\$580.0	\$474.1	22.3%
4 Eagle Asset Management Inc.	\$40.0	\$32.9	21.6%
5 Cidel Asset Management Inc.	\$86.0	\$72.3	18.9%

TOP 5 | FASTEST GROWING (%) - \$1 BILLION TO \$10 BILLION

ASSETS (MILLIONS) AS OF DEC. 31, 2020 / CPA = CANADIAN PENSION ASSETS

Company	2020 CPA	2019 CPA	Variance
1 Mackenzie Investments	\$3,121.0	\$1,322.0	136.1%
2 Wasatch Global Investors	\$1,593.1	\$939.2	69.6%
3 Galibier Capital Management	\$1,055.8	\$676.1	56.2%
4 Montrusco Bolton Investments Inc.	\$2,000.2	\$1,282.0	56.0%
5 Amundi Canada Inc.	\$4,741.0	\$3,230.6	46.8%

TOP 5 | FASTEST GROWING (%) - GREATER THAN \$10 BILLION

ASSETS (MILLIONS) AS OF DEC. 31, 2020 / CPA = CANADIAN PENSION ASSETS

Company	2020 CPA	2019 CPA	Variance
1 Baillie Gifford Overseas Ltd.	\$12,854.0	\$9,558.0	34.5%
2 Mawer Investment Management Ltd.	\$14,650.8	\$11,976.7	22.3%
3 Wellington Management Canada ULC	\$19,202.0	\$15,745.0	22.0%
4 Brookfield Asset Management Inc.	\$56,509.0	\$48,118.0	17.4%
5 BlackRock Asset Management Canada Ltd.	\$140,270.0	\$120,773.8	16.1%
5 BNY Mellon Asset Management Ltd.	\$19,649.0	\$16,920.0	16.1%

Source: Firms participating in the Canadian Institutional Investment Network's spring 2021 top 40 money managers survey

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**Robert Vanderhooft, CFA
CIO, TD Asset Management**

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Bruce Cooper, CFA
CEO, TD Asset Management



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TOP 40 | MONEY MAN

BLACKROCK ASSET MANAGEMENT CANADA LTD.	1
Rank 2020: 2 ▲ 16.1%	
2020 CPA: \$140,270.0	
2019 CPA: \$120,773.8	
Total assets 2020: \$246,441.0	

TD ASSET MANAGEMENT	2
Rank 2020: 1 ▲ 7.4%	
2020 CPA: \$138,739.3	
2019 CPA: \$129,125.4	
Total assets 2020: \$367,772.2	

PH&N INSTITUTIONAL (RBC GLOBAL ASSET MANAGEMENT INC.)	3
Rank 2020: 3 ▲ 11.3%	
2020 CPA: \$82,710.1	
2019 CPA: \$74,320.5	
Total assets 2020: \$393,803.5	

BROOKFIELD ASSET MANAGEMENT	4
Rank 2020: 5 ▲ 17.4%	
2020 CPA: \$56,509.0	
2019 CPA: \$48,118.0	
Total assets 2020: \$179,833.0	

MANULIFE INVESTMENT MANAGEMENT	5
Rank 2020: 4 ▲ 7.8%	
2020 CPA: \$52,591.0	
2019 CPA: \$48,777.0	
Total assets 2020: \$142,931.0	

FIERA CAPITAL CORP.	6
Rank 2020: 6 ▲ 6.0%	
2020 CPA: \$37,984.6	
2019 CPA: \$35,833.8	
Total assets 2020: \$112,635.7	

TRANS-CANADA CAPITAL INC.	7
Rank 2020: N/A ▲ 14.3%	
2020 CPA: \$30,204.9	
2019 CPA: \$26,436.6	
Total assets 2020: \$30,204.9	

GOLDMAN SACHS ASSET MANAGEMENT LP	8
Rank 2020: 9 ▲ 4.0%	
2020 CPA: \$28,905.1	
2019 CPA: \$27,788.1	
Total assets 2020: \$34,714.9	

CONNOR, CLARK & LUNN FINANCIAL GROUP	9
Rank 2020: 8 ▲ 0.5%	
2020 CPA: \$28,606.4	
2019 CPA: \$28,477.4	
Total assets 2020: \$73,472.8	

FIDELITY CANADA INSTITUTIONAL	10
Rank 2020: 11 ▲ 13.1%	
2020 CPA: \$28,149.6	
2019 CPA: \$24,882.1	
Total assets 2020: \$170,957.5	

CIBC ASSET MANAGEMENT¹	11
Rank 2020: 7 ▼ -11.4%	
2020 CPA: \$26,802.2	
2019 CPA: \$30,258.2	
Total assets 2020: \$185,496.8	

BEUTEL, GOODMAN & COMPANY LTD.	12
Rank 2020: 10 ▼ -2.0%	
2020 CPA: \$25,608.0	
2019 CPA: \$26,124.8	
Total assets 2020: \$39,893.9	

THE CANADA LIFE ASSURANCE COMPANY²	13
Rank 2020: N/A ▲ N/A	
2020 CPA: \$21,804.0	
2019 CPA: N/A	
Total assets 2020: \$102,479.0	

J.P. MORGAN ASSET MANAGEMENT (CANADA) INC.	14
Rank 2020: 14 ▲ 6.0%	
2020 CPA: \$20,466.0	
2019 CPA: \$19,303.8	
Total assets 2020: \$29,987.0	

JARISLOWSKY, FRASER LTD.	15
Rank 2020: 18 ▲ 19.1%	
2020 CPA: \$20,254.0	
2019 CPA: \$17,001.0	
Total assets 2020: \$54,682.0	

PIMCO CANADA CORP.	16
Rank 2020: 15 ▲ 8.1%	
2020 CPA: \$19,651.0	
2019 CPA: \$18,183.0	
Total assets 2020: \$54,159.0	

BNY MELLON ASSET MANAGEMENT LTD.	17
Rank 2020: 20 ▲ 16.1%	
2020 CPA: \$19,649.0	
2019 CPA: \$16,920.0	
Total assets 2020: \$38,375.0	

WELLINGTON MANAGEMENT CANADA ULC	18
Rank 2020: 21 ▲ 22.0%	
2020 CPA: \$19,202.0	
2019 CPA: \$15,745.0	
Total assets 2020: \$33,361.0	

STATE STREET GLOBAL ADVISORS LTD.	19
Rank 2020: 13 ▼ -14.2%	
2020 CPA: \$18,995.0	
2019 CPA: \$22,149.6	
Total assets 2020: \$46,408.0	

MFS INVESTMENT MANAGEMENT CANADA LTD.	20
Rank 2020: 17 ▲ 10.1%	
2020 CPA: \$18,937.9	
2019 CPA: \$17,206.9	
Total assets 2020: \$36,045.6	

Notes: 1. 2019 figure restated. 2. GLC Asset Management was sold to Mackenzie and now reports as The Canada Life Assurance Co. 3. SLCI Asset Management Inc. was formerly listed as Sun Life Global Investment. 4. The significant increase is due to a mixture of net outflows and acquisitions. 5. The significant increase is due to several large asset flows between Dec 31, 2019 and Dec 31, 2020. The decline in 'Total Canadian Assets' from 2019 to 2020 is a result of re-classifying certain segments of an affiliate company's general account, which SLC Management manages. 6. The significant increase is due to raising significant capital in public and private markets strategies and market growth. 7. The significant increase is due to market performance and client inflows.

AGERS

CANADIAN ASSETS (MILLIONS) UNDER MANAGEMENT AS OF DEC. 31, 2020
CPA = CANADIAN PENSION ASSETS

▲ ▼ Indicates an increase or decrease in assets from 2019 to 2020

MERCER GLOBAL INVESTMENTS CANADA LTD. **21**

Rank 2020:	16	▲ 6.8%
2020 CPA:	\$18,807.0	
2019 CPA:	\$17,604.0	
Total assets 2020:	\$24,217.0	

SLGI ASSET MANAGEMENT INC.³ **22**

Rank 2020:	19	▲ 6.9%
2020 CPA:	\$18,137.9	
2019 CPA:	\$16,963.1	
Total assets 2020:	\$33,123.2	

MAWER INVESTMENT MANAGEMENT LTD. **23**

Rank 2020:	23	▲ 22.3%
2020 CPA:	\$14,650.8	
2019 CPA:	\$11,976.7	
Total assets 2020:	\$73,238.6	

FRANKLIN TEMPLETON INSTITUTIONAL⁴ **24**

Rank 2020:	30	▲ 56.3%
2020 CPA:	\$13,240.0	
2019 CPA:	\$8,473.0	
Total assets 2020:	\$35,711.0	

BAILLIE GIFFORD OVERSEAS LTD.⁷ **25**

Rank 2020:	28	▲ 34.5%
2020 CPA:	\$12,854.0	
2019 CPA:	\$9,558.0	
Total assets 2020:	\$23,236.0	

INDUSTRIAL ALLIANCE INVESTMENT MANAGEMENT INC. **26**

Rank 2020:	24	▲ 9.1%
2020 CPA:	\$12,770.0	
2019 CPA:	\$11,705.5	
Total assets 2020:	\$101,656.0	

LEITH WHEELER INVESTMENT COUNSEL LTD. **27**

Rank 2020:	25	▲ 1.2%
2020 CPA:	\$11,829.3	
2019 CPA:	\$11,688.6	
Total assets 2020:	\$22,368.1	

ARROWSTREET CAPITAL LP¹ **28**

Rank 2020:	33	▲ 12.6%
2020 CPA:	\$10,332.0	
2019 CPA:	\$9,173.0	
Total assets 2020:	\$10,876.0	

ALLIANCEBERNSTEIN CANADA INSTITUTIONAL INVESTMENTS **29**

Rank 2020:	26	▲ 0.8%
2020 CPA:	\$10,243.0	
2019 CPA:	\$10,160.0	
Total assets 2020:	\$17,198.5	

ADDENDA CAPITAL INC. **30**

Rank 2020:	27	▼ -0.3%
2020 CPA:	\$9,861.0	
2019 CPA:	\$9,886.1	
Total assets 2020:	\$35,268.3	

SLC MANAGEMENT⁵ **31**

Rank 2020:	35	▲ 41.8%
2020 CPA:	\$9,786.0	
2019 CPA:	\$6,901.9	
Total assets 2020:	\$96,880.0	

LETKO, BROUSSEAU & ASSOCIATES INC. **32**

Rank 2020:	22	▼ -35.5%
2020 CPA:	\$9,509.0	
2019 CPA:	\$14,754.0	
Total assets 2020:	\$18,048.0	

NEUBERGER BERMAN LLC **33**

Rank 2020:	32	▲ 7.6%
2020 CPA:	\$8,497.0	
2019 CPA:	\$7,895.0	
Total assets 2020:	\$12,676.0	

BURGUNDY ASSET MANAGEMENT LTD. **34**

Rank 2020:	29	▼ -9.1%
2020 CPA:	\$8,417.0	
2019 CPA:	\$9,262.0	
Total assets 2020:	\$22,340.0	

CANSO INVESTMENT COUNSEL LTD. **35**

Rank 2020:	34	▲ 16.6%
2020 CPA:	\$8,360.3	
2019 CPA:	\$7,169.3	
Total assets 2020:	\$33,340.4	

SCHRODER INVESTMENT MANAGEMENT **36**

Rank 2020:	31	▼ -2.3%
2020 CPA:	\$7,805.0	
2019 CPA:	\$7,992.2	
Total assets 2020:	\$10,232.6	

NORTHERN TRUST ASSET MANAGEMENT **37**

Rank 2020:	37	▲ 5.2%
2020 CPA:	\$6,665.0	
2019 CPA:	\$6,337.1	
Total assets 2020:	\$13,279.0	

INVESCO CANADA LTD. **38**

Rank 2020:	36	▼ -1.9%
2020 CPA:	\$6,653.1	
2019 CPA:	\$6,782.0	
Total assets 2020:	\$38,942.1	

BENTALLGREENOAK (CANADA) LP **39**

Rank 2020:	39	▼ -1.3%
2020 CPA:	\$6,180.0	
2019 CPA:	\$6,263.0	
Total assets 2020:	\$25,067.0	

MORGAN STANLEY INVESTMENT MANAGEMENT⁶ **40**

Rank 2020:	N/A	▲ 41.9%
2020 CPA:	\$6,116.0	
2019 CPA:	\$4,311.0	
Total assets 2020:	\$7,844.0	

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

Source: Firms participating in the Canadian Institutional Investment Network's spring 2021 top 40 money managers survey

2020 top 40 total: \$1,046,752.5
2019 top 40 total: \$942,280.4
Variance: ▲ 11.1%

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Graeme Hay, chief investment officer, Teachers' Retirement Allowances Fund



Matias Milet, partner, taxation, Osler, Hoskin & Harcourt LLP

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BY THE NUMBERS

US\$1.9T

Total value of U.S. President Joe Biden's coronavirus relief package, signed into law in March

4.2%

The Organisation for Economic Co-operation and Development's original estimate for global gross domestic product growth in 2021

5.6%

The OECD's revised forecast for global GDP growth in 2021 after U.S. President Biden unveiled his stimulus package

5.4%

The amount Canada's GDP shrank over the course of 2020, according to Statistics Canada

0

Number of months Canada's GDP has suffered negative growth between April 2020 and January 2021, according to StatsCan

96%

Median solvency ratio of Mercer Canada clients' defined benefits pension plans as of Dec. 31, 2020

should bring more certainty to the political landscape and incent businesses to proceed with investments they may have otherwise delayed," she says.

With solid geopolitical foundations in place to build on, Bangsund is taking an optimistic view of global economic growth for the rest of the year.

"While 2020 was the year of the pandemic, the stage is being set for 2021 to be the year of the vaccine, the reopening and the imminent recovery."

Kristina Hooper, the chief global market strategist at Invesco Canada Ltd., says Canada's increasingly internationally exposed institutional investors should also be encouraged by signs that the tide has turned on populist and protectionist movements around the world.

Even Italy, a recent populist hotbed, seems to have taken a step in the opposite direction, Hooper says, pointing to the results of its latest general election, which ended with the appointment of a national unity government headed by ex-European Central Bank boss Mario Draghi as prime minister.

"Leaders matter, and we're seeing changes in leadership in some places that are causing a re-embracing of globalization. In the last year, COVID-19 accentuated protectionism, but in a funny way, it may actually have the opposite effect over the long term, because countries have emerged recognizing the importance of diversified supply chains. It's a reversal from a place of deep protectionism, so it may take some time, but I do believe we're on the path to greater globalization."

In the U.S., the new president has taken every opportunity to contrast himself to his unpredictable predecessor, rowing back on former U.S. President Donald Trump's rejection of the World Health Organization and ceasing construction on Trump's border wall. Several cabinet appointees in the U.S. — including Treasury Secretary Janet Yellen and Attorney General Merrick Garland — even evoke the pre-Trump era, harkening back to when now-President Biden served as vice-president under then-President Barack Obama from 2009-2017.

Biden and much his administration is "a known quantity, which brings stability," says Eric Lascelles, the chief economist at RBC Global Asset Management Inc. "Having the U.S. at the centre of power dynamics globally is a positive for investors."

Still, former Canadian diplomat Lawrence Herman, warns Canadians not to get too carried away about the Biden administration's position on trade.

The new president to the south may find it difficult to build a case for open trade within his own party's progressive wing, Herman says, let alone among America's Republicans — many of whom remain dedicated to the protectionist policies of former President Trump.

In any case, Herman detects a degree of continuity between the Trump and Biden administrations' tough stances on China, as well as the current president's promise to expand "Buy American" domestic procurement policies, enabled by exemptions in the World Trade Organization Agreement.

"We don't have any empirical data yet, but it is likely they

will have some kind of impact on Canadian suppliers," says Herman, a senior fellow at the C.D. Howe Institute.

While those lingering doubts may have been boosted by Biden's cancellation of the Keystone XL Pipeline, Canadian money managers gave a thumbs up to his first major legislative move in the U.S.: the US\$1.9-trillion coronavirus relief bill.

The stimulus plan came in larger than first expected, prompting the Organisation for Economic Co-operation and Development to revise its prediction for global economic growth in 2021, up from 4.2 per cent in December 2020 to 5.6 per cent in March 2021.

"The increased prospect for massive fiscal spending has largely overshadowed the potential for unfriendly business legislation such as higher taxes and tighter regulations under the Democratic-led administration," Bangsund says.

"Canada will benefit disproportionately," adds Lascelles, who predicts the U.S. stimulus will bring a welcome boost to an economy that has remained surprisingly buoyant considering the circumstances of the last year.

"We've had the deepest recession in a lifetime, but at every turn, the economic story has been less bad than feared. When every white-collar worker in the country was sent home, you could have expected the economy to shrink by half, but in fact it shrank 18 per cent, and only temporarily."

After a steep drop — confined to March and April 2020 — data from Statistics Canada shows our GDP has grown in every month since, including through a second wave of coronavirus infections this past fall and winter. The impact

“I don’t think it’s going to be a straight road to recovery. Every time you remove one stressor, another one comes into view.”

of the third wave on Canada’s economy was still playing out as of press time in mid-April.

Defined benefit pension plans have fared similarly well, according to solvency-level studies by both Aon and Mercer, whose Canadian clients ended 2020 in roughly the same position as they started the year, thanks to strong equity market returns.

Storm clouds remain

However, there’s one factor that could change that positive trajectory at any moment, according to Lascelles: “The big wildcard issue is the pandemic.”

“COVID-19 is the single biggest driver of the economy right now,” agrees Hooper, who pegged the end of the pandemic as investors’ biggest reason for both optimism and pessimism about the near future.

“The development and rollout of multiple vaccines has been very effective and much faster than expected,” she says. “But the greatest risk is the development of a mutation that spreads and delays the moment when we can achieve herd immunity. It’s a game of beat-the-clock, and [as of press time in late April], more governments seem to be winning.”

Looking to the longer term, Janet Rabovsky, the Toronto-based chief investment officer at Fairwater Capital Corp., can’t wait for more conventional concerns to take centre stage. Once the pandemic fades from view, she says calmer geopolitical conditions will allow institutional investors to turn their minds to the prospect of higher inflation.

Decision-makers at both the Bank of Canada and the U.S. Federal Reserve have indicated they plan to maintain their key overnight interest rates at 25 basis points until 2023 at the earliest, fueling speculation that inflation could blow past the two-per-cent target before then.

“Higher inflation is not here yet, but the potential is there — especially considering the excessive government

borrowing that has been going on — and people are examining what they can do to protect themselves,” Rabovsky says in an interview in March.

As a result, she predicts institutional investors in search of an inflation hedge will double down on their existing fondness for illiquid assets, including private equity, real estate and infrastructure.

“That trend has been going for many years,” she says.

“Personally, I like these deals, but the devil is in the details: who you’re partnering with, how disciplined they are and how well they’re managed. You need to take a good look under the hood, because not everyone in a strong asset class is equally capable of delivering.”

Brighter days will come

According to Rabovsky, the long-term outlook of many institutional investors meant they were well placed to weather the economic storm wrought by the pandemic. However, she says pension plans may struggle to find some of the deals that were available in the market following the 2008/09 global financial crisis.

“They don’t need to stretch returns, so they should be sending that additional capital to do something that will benefit the plan over the long term on a risk-adjusted basis. There will be opportunities, but there don’t seem to be as many distressed sellers as we might have expected. Pricing will be critical, because there are parts of the market that are very expensive and parts that aren’t.”

At Fiera Capital, Bangsund says the firm expects equity markets to keep up strong performances for the rest of 2021.

“The environment of stronger global growth, re-accelerating inflation expectations, rising bond yields and higher commodity prices should bode particularly well for the financial, industrial and resource spaces. As these sectors have a larger representation outside of the U.S., we expect more upside in markets that contain a higher cyclical exposure, such

as the Canadian equity market.”

Rabovsky says the scale of economic rebound will vary widely by sector, in much the same way as did the level of damage inflicted by the coronavirus crisis.

“Tech companies were able to grow because of their lack of dependence on labour and capital, while sectors like transport, leisure and retail were really hurt.

“I don’t think it’s going to be a straight road to recovery,” Rabovsky adds, noting that geopolitical tensions could ratchet up again at short notice, even with a more co-operative figure in the White House.

“Every time you remove one stressor, another one comes into view: extremists in the European Union; Iran, China and Russia flexing their muscles — these things haven’t gone away.”

Michael McKiernan is a freelance writer.




KEY TAKEAWAYS

- Stabilizing geopolitical factors, including the completion of Brexit and the inauguration of U.S. President Joe Biden, have laid strong foundations for an economic revival in the rest of 2021.
- The ongoing coronavirus pandemic remains the wild card, making or breaking economic recovery in the short term, depending on the success of the current vaccine rollout and the suppression of new variants resistant to current vaccines of the highly-infectious disease.
- Institutional investors will want to keep an eye on rising inflation and potential hedges when more conventional concerns eventually return to the fore.

Riding *the virtual wave*

BY KELSEY ROLFE

***The coronavirus
crisis is causing major
ripple effects across the
paramedical-benefits sector***



Lt all started with a mechanical bull and too much tequila.

Mike McClenahan wasn't initially sold on virtual physiotherapy when he first met with Phzio, a telerehabilitation provider, back in 2018. But after a client's Christmas party at a country-and-western bar that involved too much liquid courage, the then-managing partner of Benefits by Design Inc. decided to test out the service's effectiveness — and maybe, in the process, improve his injured shoulder.

Through the service, he had a video consultation with a physiotherapist to assess his injury. The practitioner was equipped with tools that could measure McClenahan's range of motion virtually and also took him through a standard questionnaire. After the assessment, he was given exercise videos tailored to his needs and logged into the app regularly to update his progress. It was an improvement from the in-person experience, he says: the app would send notifications if he hadn't reported doing his exercises in a certain timeframe, which kept him on track. "When you go to a bricks-and-mortar physiotherapist, what's the first thing they ask you? [It's] 'Have you been doing your exercises?' If you're like me, the answer is, 'Sort of.' . . . [The app] adds a layer of accountability that's hard to mimic with a bricks-and-mortar model," McClenahan says.

McClenahan got relief for his shoulder. And in June 2019, Benefits by Design and Green Shield Canada announced a pilot partnership with Phzio that would give BBD's group benefits members access to virtual physiotherapy. This April, People Corp. acquired BBD and McClenahan is now vice-president of partner solutions with People Corp.

At the time, virtual physiotherapy might have seemed like a bit of a novelty. But then, roughly half a year later, the coronavirus pandemic arrived in Canada, sending employees to work from home and forcing a sudden change in how benefits were delivered. Virtual physiotherapy — and virtual everything else — was no longer a niche offering.

Benefits experts say the past year has prompted multiple changes to the traditional bundle of paramedical benefits, speeding up trends that were already underway in terms of how they're accessed and what's highly valued by plan sponsors and members. While it's hard to predict the future, experts say these changes could be here to stay.

"We were seeing a lot of trends before COVID . . . and I would say [the pandemic] has just accelerated everything we were seeing," says Bernard Potvin, principal at Mercer Human Resource Consulting.

Benefits go virtual

While some Canadian insurers had covered virtual

paramedical services prior to March 2020, the majority quickly moved to do so when the pandemic forced practitioners to shut their doors.

"Prior to the pandemic we were much more limited in what our extended health-care paramedical program covered. In some cases we did not cover virtual physiotherapy or a virtual psychologist, for example," says Marie-Chantal Côté, vice-president of market development for group benefits at Sun Life Financial. "We did offer virtual services through specific providers, such as virtual [cognitive behavioural therapy], but for virtual appointments on Zoom or other platforms, we didn't even have that selection available through our website or mobile app for plan members to submit claims."

Côté says the insurer turned to many trusted and scientific sources to determine that certain paramedical services can be accessed virtually while still providing strong continuity of care for patients. Insurers can also broaden the accessibility across the country via virtual offerings, including for rural plan members with no nearby providers and for those who need to access treatment for injuries that make it painful to leave their home.

"That's something that changed and will remain post-COVID. It wasn't 100 per cent on our radar [pre-pandemic], but the need really grew quickly and we found people needed the continuity of care and we needed that broad access."

Plan members have embraced the new virtual offerings. According to a June 2020 Canadian Medical Association survey, 47 per cent of Canadians have used virtual care during the pandemic. RBC Insurance found in October 2020 that 67 per cent of working Canadians were open to using video chats, web portals or the telephone to consult with a mental-health practitioner. And even traditionally in-person practitioners have seen more virtual uptake during this ongoing public-health crisis. Data provided by Curtis Hollister, chief operating officer and chief technology officer at Phzio, showed that during the first four months of the pandemic the telerehab provider had 19,450

MORE PROVIDERS, MORE PROBLEMS?

While adding to the list of covered mental-health providers can help plan members get support more quickly, Hub International Inc.'s Ken MacDonald says it comes with its challenges. Unlike psychologists and social workers, not all mental-health practitioners have governing bodies in every province. "Insurers struggle to figure out, 'How do we allow these practitioners for coverage under a plan when they might not be registered [in all provinces]?'"

“I think practitioners will maintain virtual options for their patients where it’s not necessary to see them in person.”

episodes of care, with patients having an average of 2.48 treatments — representing 48,221 treatments in total. He says this was close to a 50-fold increase in Canadians accessing the platform.

Even when Canada begins a return to normal once the country reaches herd immunity, experts say plan members will still have an appetite for virtual services.

“Having to go see a practitioner physically, it takes time out of your day,” says Ken MacDonald, associate vice-president of national accounts at Hub International Ltd. “I think practitioners will maintain that as an option for their patients where it’s not necessary to see them in person.”

He points out that this could also allow plan members to access providers they wouldn’t otherwise be able to see, such as a specialist in a particular type of mental-health care who isn’t located in their city.

As well, McClenahan says, virtual services allow plan members to stretch their annual coverage maximums, because such platforms are often less expensive than in-person practitioners.

But with employees wanting to return to normal, virtual-care providers will need to prove their worth after the pandemic. “I think the challenge is going to be can the providers . . . [extend their] value proposition substantively beyond remote access? COVID provides a window for them, but I think if they rely too much on that remote access piece, they’ll probably see customer behaviour slip back.”

Focus on mental health

Before this once-in-a-century global crisis, one in five Canadians experienced a mental health issue in any given year, and, according to the Mental Health Commission of Canada, nearly half a million Canadians missed work each week because of mental-health challenges.

“There was already a crisis pre-COVID, and then you layer on top of that a global pandemic where . . . 60 per cent of Canadians are saying their mental health is negatively impacted,” says Côté. “We don’t believe this is something that will resolve itself quickly, or in the foreseeable future, because there were underlying issues to start with.”

It’s no wonder that employers have amped up their mental-health offerings, requesting higher annual maximums for practitioners such as psychologists and social workers, or expanding the list of covered practitioners to include clinical counsellors, family and marriage therapists, psychotherapists and analysts and more. Some employers have also expanded coverage for virtual mental-health

sessions, internet-based cognitive behavioural therapy and even sleep assistance programs, Potvin says.

In December 2020, Quebec City-based software-as-a-service company Coveo Solutions Inc. expanded its employee assistance program through Dialogue Health Technologies Inc. to a full package with counselling about family and relationship issues, child and elder-care challenges, work and career needs and even legal and financial assistance. It was previously a “hotline” for employees to use when they had an urgent issue, and Coveo would pick up the fee, says Isabelle Dumont-Gagnon, human resources business partner at the company.

She says the upgrade was due to a change in thinking: after starting the pandemic in “survival mode” when it came to employees’ mental-health needs, Coveo wanted to prioritize proactive and long-term employee well-being.

Since the start of this year, when the platform launched, there have been more than 40 consults. “It’s awesome because people are taking care of themselves, they are making sure they are doing well and working around the COVID situation. It’s a great starting point for us.”

Insurers have also responded to this new reality. At Sun Life, Côté says the company aimed to target plan members who wouldn’t seek treatment for their mental-health challenges by launching a mental-health coach that could connect them with the right solution, taking into consideration what’s available in their benefits plan and other factors. It also created a free digital mental-health strategy toolkit for employers.

MacDonald says he believes the pandemic will herald a fundamental shift in how employers deal with employee mental health, prompting some “upward pressure” on the annual limits for those practitioners and changing the culture around discussing it.

“I think we have been breaking barriers and reducing the stigma of mental health over the course of the past five to 10 years . . . but I think the pandemic changed things for everybody. I don’t know one person who would put their hand up and say, “This pandemic has not impacted me at all.”

Eyes on claims trends

While some paramedical and traditional benefits practitioners were able to bring their services online, many were not — and claims data indicates plan members saw in-person providers like massage therapists, chiropractors and dentists less frequently than in previous years.

A September 2020 report from insurance comparison platform Hellosafe.ca found Canadians

BY THE NUMBERS

67%

of working Canadians said they’d use a video chat, web portal or telephone to consult with a mental-health practitioner, up

17%

since 2019.

The percentage of working Canadians who said they’d use video and telephone counselling is also growing, rising to

60%

in 2020, way up from a mere

15%

in 2019.

Source: October 2020 RBC Insurance survey

avoided a range of health providers during the first wave of the pandemic, leading to a 71 per cent drop in private health insurance payouts over the first six months of 2020. Optical and dental care appointments dropped more than 90 per cent in the first half of 2020 compared to the same time period in 2018, and appointments with specialists dropped 73 per cent.

MacDonald says he's skeptical this could lead to a spike in claims once more Canadians are vaccinated. "Once things are safe again and people are vaccinated and feel much more comfortable, I think they'll go back. There might be a bit of immediate pent-up demand, but I don't see it being huge." He says plan sponsors could see employees turning more to paramedical practitioners such as massage therapists, chiropractors and physiotherapists post-pandemic, in order to deal with the impacts of more than a year spent working at home in ad hoc setups. According to an April 2020 Facebook Inc. survey from the American Chiropractic Association, of 213 respondent chiropractors, 92 per cent said patients had reported more neck pain, back pain or other musculoskeletal issues a mere month into the pandemic. And a November 2020 study found 72 per cent of 1,000 surveyed Americans had worked remotely from their bed during the pandemic. Potvin, meanwhile, expects higher demand for dental in particular, as many plan members have likely postponed required treatment or their yearly check-up, and have annual limits on those benefits

that they'll want to use. Côté says Sun Life is keeping an eye on the pandemic's impact on mental-health claims, both for service providers and short- and long-term disability. "Before the pandemic, mental-health conditions were the number one cause of long-term disability by quite a lot. We haven't yet identified new trends in our 2020 claims, it's hard in the disability space to attribute cause and effect without looking at a large scale. We want to give ourselves more time, but we don't imagine the situation is any better than that. . . . We know that it's a crisis."

Kelsey Rolfe is a freelance writer.



KEY TAKEAWAYS

- The shift to virtual benefits won't go away after the coronavirus pandemic ends, due to increased accessibility and lower cost for plan members.
- Plan sponsors are increasingly focused on supporting employees' mental health by increasing annual maximums and/or adding more practitioners to their coverage.
- There may be post-pandemic demand for some paramedical providers.

News from Canada Life



Francesco Di Scianni Ryan Weiss

Our winning team at Canada Life™ continues our pursuit to enhance the delivery of exceptional experiences for advisors, consultants, plan sponsors and plan members. Our focus is to be forward thinking in meeting the needs of our customers, and we're excited to announce how we'll evolve our approach to the market.



Francesco Di Scianni named Vice-President, Group Customer Business Development, Sales

As Vice-President, Sales, Francesco will lead the Business Development sales organization to deliver wholesaling excellence, develop new, as well as maintain, strong and collaborative relationships with regional and national advisor firms. Francesco will lead our nine Regional Vice-Presidents and be responsible for driving new business across Canada for both Group Benefits and Group Retirement Services.

His team will further develop and enhance the support and partnership we provide all our advisor partners within the changing distribution landscape.

Francesco is also responsible for the ongoing development of our sales organization; and ensuring we deliver on the commitments of Canada Life to improve the financial, physical and mental well-being of Canadians.

Ryan Weiss named Vice-President, Group Customer National Accounts

Our new, unified, National Accounts team, led by Ryan Weiss, brings together expertise from across Group Customer to create one team with a singular concentration – growth in the national accounts market.

Aligning with practice leads at a national level, this team will drive results across the country and ensure a consistent experience with Canada Life for all national consulting houses and their plan sponsors, public sector sponsors, and multi-employer trustee sponsors.

You can expect the same great support from your Canada Life representatives as you do today. These changes reflect our continued commitment to the Group Benefits and Group Retirement and Savings markets in Canada.

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GETTING TO KNOW

Chuck Bruce

JOB TITLE: CEO, Provident10

JOINED PROVIDENT10: January 2016

PREVIOUS ROLE: Chief executive officer of an employee health trust

WHAT KEEPS HIM UP AT NIGHT: Inflation pressures and the effects of the coronavirus pandemic on mental health of employees and society as a whole

OUTSIDE THE OFFICE HE CAN BE FOUND: Serving as chair of the board at the Mental Health Commission of Canada, playing with a new recipe, driving along the coast and spending time with family

MICHELLE OUAINE

PROVIDENT10 PAINTS A NEW PATH ON 'BLANK CANVAS' FOLLOWING REFORM

BY ALISON MACALPINE

A defined-pension plan leader rarely gets to work with a “blank canvas,” but Chuck Bruce has taken that unique opportunity and drawn a new way forward for more than 56,000 DB plan members in Newfoundland and Labrador.

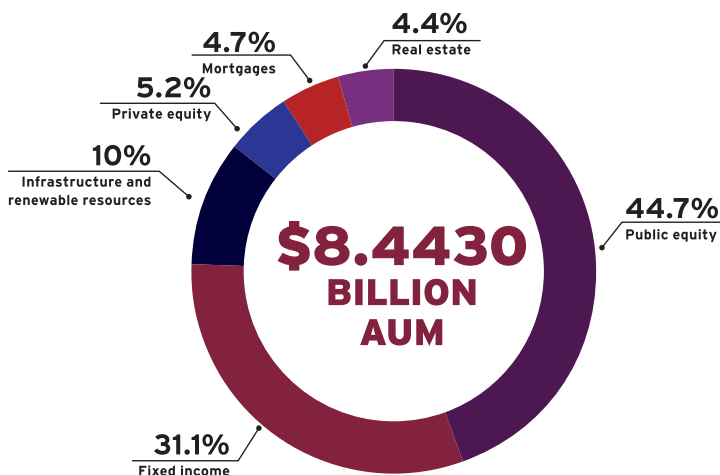
In late 2014, the province and its five largest unions established Provident10 to administer and oversee the public service pension plan’s investment management and administration, amid what the government called “unfunded liability concerns.”

Bruce was tapped as the first employee of Provident10 in early 2016, and in his first 15 months as chief executive officer, he built a team and prepared the organization to open its doors with a new brand, organizational structure, office space, systems infrastructure and recruitment and retention plan. In that time, Provident10 also digitized plan member files comprising a staggering three million pieces of paper. “Pension reform did not establish rigid execution to create the organization and transition from government administration to a non-profit, private-sector organization,” Bruce says. “This provided the ability to create an organization from a blank canvas, consider how the industry and peers have evolved, and evolve at a pace agreed upon with the board of directors — a true advantage, with good governance as a foundation balanced with minimal bureaucracy.”

Two of Bruce’s top concerns in the current market environment are high valuations and the potential for higher inflation. To help manage the risk that high valuations will drive a market downturn, Provident10 relies on a portfolio construction process that strategically mixes manager styles to improve the chances of performing well under various market scenarios. “When we put our managers together in a portfolio, we spend a great deal of time assessing the market capture of all managers. Our goal is to have a series of managers who, in a market downturn, would perform better than the market. Over the past 12 months, we have increased our exposure to low-volume-type managers, which has proven to be a positive change.”

With inflation, Bruce says the question is always “how much?” The real concern for stocks and bonds is when inflation moves beyond five per cent, he says, and to brace for that scenario the portfolio holds a portion of the portfolio in private debt structured on a floating-rate basis. Private debt has the added advantage of offering potentially higher returns than either

PROVIDENT10 ASSETS UNDER MANAGEMENT IN NUMBERS*



*AS AT MARCH 31, 2020

traditional fixed income or hedge funds, as well as downside protection thanks to its low correlation with equities. Real estate and infrastructure investments can also offer protection against inflation, he adds, and the portfolio recently increased its weighting to infrastructure.

Sketching out an ESG-factor strategy

Environmental, social and governance factors are also key risks the portfolio considers. While Bruce describes Provident10’s ESG journey as “still early stages,” he says that the organization is undertaking a corporate-level strategic review that he expects will evolve its approach to and integration of ESG factors. He emphasizes that ESG issues aren’t all or nothing — not every investment will have a perfect score and some will have better scores in one area than others, but he believes in an approach in which managers favour businesses that are continuously improving their ESG performance.

Bruce says risk management is woven into the fabric of the plan that represents one in nine people living on the Rock, oversees \$10 billion in plan assets, has annual contributions of \$366 million and annual pension benefit payments of \$452 million. “Every member of our team is accountable to our stakeholders to protect the assets under our authority, ensure we are compliant within our policies, and play an ongoing role in continuous improvement.” — *with files from Alessandro Bruno*

Alison MacAlpine is a freelance journalist.

Planning for the POST- PANDEMIC FUTURE

How focusing on the employee experience is helping employers build a new, improved work culture

BY LAUREN BAILEY



Amid the second (and hopefully last) year of the coronavirus pandemic, employers are starting to plan for the post-pandemic future.

On Mar. 11, 2020, the World Health Organization declared the coronavirus a global pandemic, forcing many employers around the globe to rapidly shift mainly white-collar employees to working from home. By April 2020, in Canada, 40 per cent of the nation's workforce were working from home, according to Statistics Canada.

As employers reimagine the world of work, a holistic approach to the employee experience is emerging as the

roadmap, with more support in communications, flexibility and mental-health awareness in the driver's seat.

There's no such thing as over-communicating

Remote working may have its benefits — being surrounded by the creature comforts of home, more time with family and fitting in errands throughout the day — but some employees are finding they're now working in a silo, cut off from collaborative or meaningful interactions with colleagues. MetLife Inc.'s survey found 42 per cent of U.S. employees said that knowledge sharing with co-workers has become much more difficult since the start of the pandemic and one in three managers said they're not always aware of how much work their team members have on their plates.

As a result, employers have learned they must be more present for employees — meaning having more check-ins, says Dr. Arla Day, professor of industrial/organizational psychology at Saint Mary's University in Halifax. “These little mini

check-ins are a way to ensure employees feel they're being heard, they're not on their own and . . . they're on the right track."

Jeff Finley, total rewards manager of compensation and benefits at 3M Co., says the organization has learned there's no such thing as over-communicating. He says 3M tries to go the extra mile to hold bi-weekly townhall meetings and it's tripled up on some of the communications by sending messages out via email, posting on the company's intranet and recording events to allow flexibility in viewing them.

And although keeping the lines of communication open is critical, Day says employees also need to feel connected socially. She points out employers are balancing out the work week by adding social aspects to team meetings. "They're bringing people together for those water-cooler talks we've all been missing."

Harnessing digital health-care solutions

While employees have embraced working from home, many are feeling the effects of the isolation that comes with remote working during a pandemic. Morneau Shepell Ltd.'s mental-health index linked a dip in Canadians' mental wellness to the extended isolation of the pandemic. The index found Canadians' mental well-being has been consistently low since the start of this crisis, with January 2021's index at negative 11.7, well below April 2020's score of negative 10.6.

It's imperative employers focus on mental-health initiatives, says Finley, because without the visual cues, it's easy to miss whether employees working from home are having trouble coping. The company is one of many that have introduced a mental-health training course for supervisors on recognizing the signs and symptoms of distress.

Employers are also making virtual health-care solutions available to employees to help them weather the effects of the ongoing social and physical restrictions. Nicole Stibbe, the former director of absence management, disability and health management at Willis Towers Watson in Canada, says the organization's global benefits attitude report noted the number of U.S. employees surveyed who were using virtual care spiked from 17 per cent in 2019 to 47 per cent in 2020.

The ease of access apps provide is a benefit for employers well beyond the pandemic as the wait time in physicians' offices, or to even get an appointment, could mean time away from work for employees, says Stibbe (who as of April 2021 is working as a well-being, career success and diversity, equity and inclusion coach). Stibbe adds some apps provide staff with instant access to information and care, so they can remain productive and engaged.

Embracing flexible-working policies

As coronavirus vaccinations are rolled out gradually across the nation and the world, employers must decide whether to make remote working permanent, adopt a hybrid-working model or return to completely in-office work. But a 2021 study by global staffing firm Robert Half Canada Inc. showed employees are hesitant to return to the office full time, finding one in three (33 per cent) Canadian professionals currently working from home due to the public-health crisis would look for a new job if they're required to be in the office full time post-pandemic.

Day says many employers are also bullish on remote working because "they can cut costs in terms of infrastructure and they can make it work."

And employers are finding employee productivity hasn't diminished, during this time either. U.S.-based technology company Prodoscore found between March and April of 2020, there was a 47 per cent increase in productivity, despite the shift to working from home. Of Prodoscore's users in the U.S., telephone calling was up 230 per cent, customer relationship management system activity was up 176 per cent, email activity was up 57 per cent and chat messages were up nine per cent, compared to data from the same period in 2019.

Day says employers are realizing trust management is key to a successful remote-working environment. Company leaders can set expectations and explore what employees need to do their jobs successfully in this new setting, she adds. And managers must trust that employees can create a work environment —and schedule — that works for them. The needs of a single parent without childcare will differ from those of an employee who may not have children, she points out, but both may need flexibility to accommodate the demands of daily life. No matter the situation, the traditional nine-to-five workday has given way to a more flexible workplace — one that recognizes individual employee's needs, says Day.

And employers recognize the need for a more individualized and flexible workplace approach will continue long after the pandemic recedes. A 2020 survey by Robert Half Canada showed a majority (52 per cent) of human resources managers said they'll continue with flexible-work policies to support their employees' work-life balance once the pandemic is over.

"Organizations are facing a revolutionary change," says Day. "They're going to have to re-examine the way they lead employees and the whole world of work."

Lauren Bailey is an associate editor at *Benefits Canada*: lauren.bailey@contexgroup.ca

BY THE NUMBERS

As Canadian employers look to remake the workplace post-pandemic, key areas of focus in 2021 include:

58% will focus on well-being programs to support mental, physical, financial and social health

38% of employers surveyed expect digital health (such as telemedicine and smartphone apps) to be a key focus

34% have yet to determine their focus

16% will focus on cost management, including higher deductibles, employee contributions and reduced limits

14% intend to focus on inclusive benefits that focus on areas like women's health and equity for minority groups

2% intend to focus on other areas

Source:
Mercer Canada



RIDING OUT MARKET FLUCTUATIONS

Canada's pension funds were sent on a roller-coaster ride by the coronavirus pandemic. What role did solvency funding relief play – and where's it heading?

BY BLAKE WOLFE

While solvency funding relief helped Canada's pension funds withstand the turbulence of 2020, a long-term vision with an eye to a more robust funding framework would offer better support, according to pensions experts.

Responding to the crisis, the federal government launched a consultation last fall on measures to alleviate pension solvency funding requirements for defined benefit pension plans. As of press time, in mid-April, the government was still reviewing the responses it received, according to a Department of Finance

spokesperson. And while many pensions ended fiscal 2020 in a financial state similar to — and in some cases, surpassing — fiscal 2019 results, some pension plan sponsors are facing the ongoing problem of reallocating funds to other areas of their business in order to stay afloat, says Simon Nelson, principal in pensions at Eckler Ltd.

“It’s not like the pandemic created a massive pension-funding deficit, which is what we’ve seen in past crises when the funding-relief measures were required. There’s an argument to be made, particularly in some sectors, that capital and cash flow is much better directed elsewhere. It doesn’t make sense to direct it to the pension plan when it’s better spent elsewhere to ensure the business is viable for the long term.”

Short-term solutions

Among the temporary relief measures suggested in the consultation is a one-year renewal of the solvency-amortization

period (which the feds enacted between April 1–Dec. 30, 2020) amid a flurry of pandemic-relief measures. It's a proposal that's been cautiously received by industry stakeholders.

Geoffrey Melbourne, partner and wealth Canada growth leader at Mercer Canada, says for 2021, and for the federal regime in particular, the moratorium on solvency payments allowed in 2020 was quite welcome. "[The amortization period] has had immediate impact for plan sponsors who need [solvency funding relief], but continuing it beyond 2021 would be quite useful while the government looks at the broader framework."

Meanwhile, in its response to the consultation, the Pension Investment Association of Canada said although it supports temporary relief measures, it cautioned against an approval requirement for the one-year extension of the solvency amortization period and the overuse of letters of credit.

Nelson says that the extension should be among a suite of options that plan sponsors could choose from, cautioning against a one-size-fits-all approach to solvency funding relief and the potential creation of future problems. "That suite could run the gamut from extending the amortization period to providing relief or deferral of certain contributions, allowing them to not file a valuation and continue contributing based on a prior valuation. What works for one plan sponsor won't necessarily work for another. What we've suggested is that any measures need to look at both the short and long term, so you're looking at what helps in 2021 without creating a cliff in 2022."

Possible solutions

Melbourne says that the disparate DB plan solvency funding models used in Ontario and Quebec — a minimum 85 per cent funding requirement and exemption from funding on a solvency basis, respectively — could also provide a possible way forward. "They're certainly worthy of consideration. Anything along those lines would be quite useful and, in both cases, they have measures to study going-concern funding to create a reasonable balance between financial security for the plan members and keeping the plans affordable and sustainable for plan sponsors."

And Nelson says consideration of the going-concern funding model for federally regulated plans would bring them in line with most other jurisdictions. "We've been encouraging the federal jurisdiction to look at what's needed on a short-term relief basis and what's also needed in terms of reviewing the funding framework."

The PIAC took a similar stance in its response to the consultation, stating that such actions indicate a need for fundamental reform to the federal solvency rules and harmonization among jurisdictions, suggesting changes such as moving to a going-concern plus regime and setting a solvency target below 100 per cent on a temporary basis while building towards greater regulatory consistency.

Defending against future crises

While the economic effects of the pandemic will continue to unfold for months and years, longer-term solutions are needed to safeguard pensions from future crises, says Michael Mazzuca, managing partner at Koskie Minsky LLP. He says a bigger issue is the ongoing decline of DB plan membership in Canada. "We have to look beyond the pandemic at this point. Although

there's no 'new normal,' I don't think temporary, knee-jerk relief is what's needed for [defined benefit] plans. It could be through a process much like British Columbia and Ontario have done, where all stakeholders are consulted, including plan sponsors, trade unions and retiree unions and [they all] come up with a long-term funding strategy that works for those plans."

And Nelson says while relief is needed now, a view toward the sustained viability of these plans is key. "If you have a funding framework and there's a crisis, whether it's a pension-funding crisis or economic crisis, if you have to provide relief, that raises the question as to whether the funding framework works the way it should. While pension funds will inevitably face ups and downs along the way, a stronger framework will ensure a smoother ride going forward."

Blake Wolfe is an associate editor at *Benefits Canada*: blake.wolfe@contexgroup.ca

BY THE NUMBERS

7%

The percentage of Canada's pension plans that are regulated by the federal government

\$2.12T

The market value of assets held by Canadian employer pension plans, as of the third quarter of 2020

25.2%

The percentage of paid Canadian employees in a DB pension plan in 2019, compared to 28.8 per cent in 2008 and 34.7 per cent in 1998

Sources: Department of Finance Canada, Statistics Canada



Asif Haque, CFA
Chief Investment Officer

Derek W. Dobson, CEO of the CAAT Pension Plan, is pleased to announce the appointment of Asif Haque as Chief Investment Officer.

Asif joined CAAT in 2010 and most recently held the position of Managing Director, Public Markets.

CAAT is an independent, jointly governed plan that offers two defined benefit pension designs, DBplus and DBprime. CAAT manages \$15.8 billion in assets. Originally established for the 24 Ontario colleges, the CAAT Plan now proudly serves more than 70,000 members and more than 125 employers from the for-profit, nonprofit and broader public sectors from across Canada, and is open to growth in membership where it's mutually beneficial. Learn more at www.caatpension.ca.

Q&A

with **Ayman Alvi**



BY LAUREN BAILEY

Scotiabank's director of global benefits talks navigating the coronavirus pandemic, enhancing the employee experience and planning for the post-pandemic workplace

CAREER CRIB SHEET

March 2019 – present

Director of global benefits, Scotiabank

February 2014 – February 2019

Senior manager, KPMG

September 2011 – January 2014

Manager, PwC

November 2005 – October 2010

Actuarial associate, Willis Towers Watson

Q What top challenges do you face in your role?

A Primary challenges are ensuring we're evolving our programs to meet the needs of a diverse and changing workforce and communicating these programs clearly. We focus a lot on making clear to employees the programs and services available to them, the purpose they serve and how to access them. Over the past year, these challenges have been heightened and have come into sharper focus — there's a need for more rapid responses and greater communication as we all navigate the uncertainty of being in a pandemic.

Q What new programs or initiatives are you looking to implement?

A Scotiabank has always been very focused on mental health and that has stepped up even more since the onset of the pandemic. We want to continue our good momentum and keep expanding the resources and tools available to support employee well-being. We're also focused on improving the employee experience — how we present the different benefits and how they work in tandem to create a cohesive picture, ensuring employees get the most out of their benefits.

Q What programs do you consider the most successful or that you're most proud of?

A It's the obvious one here: our support for employees in response to the pandemic. It's remarkable how many people mobilized — and quickly — to help support their colleagues. Across the bank, many worked hard to come up with ideas and put them in place, from financial support and additional time off to access to virtual health-care, a broad range of mental-health resources and more childcare benefits. One of the bank's pillars is "Winning Team" and I couldn't

think of a better example than the teamwork displayed during these precarious times.

Q What key human resources issues do you expect in the year ahead?

A There's been so much innovation (and acceleration of innovation) in the benefits space, there's a need to better understand the landscape. Before taking on a new offering or vendor, I expect all employers will have to really consider what makes it unique or different as well as how it complements, or makes redundant, existing programs. But the return to work is also top of mind — who are the various employees working remotely, on-site or in hybrid roles? We'll need to discern how employees' working roles have changed and how to best enable them to succeed. How we address these questions will be critical not just in the short term but also long term.

Q What do you like to do in your free time? What are your hobbies?

A I've always been a big reader and a fan of movies. I've been trying to lean more to the reading side since it's easy to disappear into a streaming hole without much else to do. With good weather on the way, I'm looking forward to getting back on the tennis court and being in the sun.

Q What's your favourite employee benefit and why?

A It's hard to pick one, so perhaps that's my favourite: the ability to fit the benefits to what I may need at any given time. We recently added an option to purchase additional time off, so once it's safe to travel, that will likely move up.

Lauren Bailey is an associate editor for Benefits Canada: lauren.bailey@contexgroup.ca.

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2020 NET YIELD

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This is not an offer to sell or a solicitation of an offer to buy units of the Fund, which are offered to investors who meet eligibility requirements under applicable securities laws. Fund units are offered only by offering memorandum, which contains important information about the Fund's fees, objectives, and risk factors, and which should be read before investing. The Fund's yield is not guaranteed, unit value may change, and past performance may not be repeated. The Romspen Mortgage Investment Fund is a connected issuer of Romspen Investment Corporation.