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*Bâtirente's Daniel Simard
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plan's approach to
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A new model for DC pensions
in the Netherlands **p30**

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BENEFITS

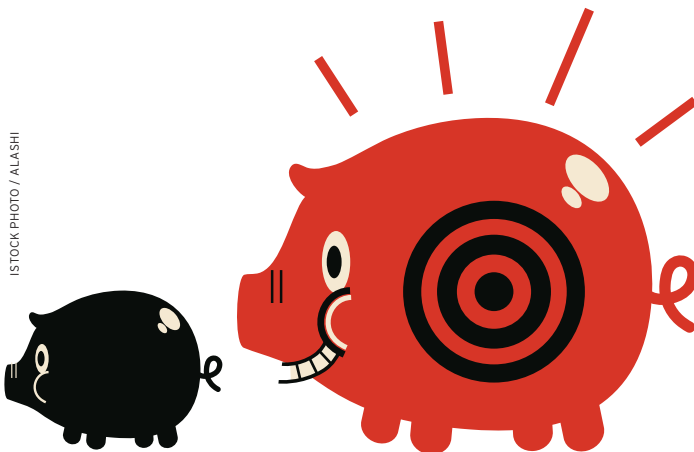
INVESTMENTS

HR



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Punam Anand Keller,
associate dean for
innovation and growth,
Tuck School of Business,
Dartmouth College



Day 2 keynote speaker:
Seth Stephens-Davidowitz,
former Google data scientist,
New York Times opinion writer

FOR SPONSORSHIP OPPORTUNITIES:

Alison Webb | alison.webb@tc.tc

FOR AGENDA INFO:

Lauren Harris | lauren.harris@tc.tc

Benefits CANADA

Group Publisher, Pension & Benefits Alison Webb

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

Editor Glenn Kauth

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

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

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

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

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

Senior National Account Manager Francesca Allman

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

Senior National Account Manager Robert Martins

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

Account Manager Rita Caci

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

Editor, Conferences Lauren Harris

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

Editor, Conferences Sara Ametrano

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

General Manager, Database & Web Audience Development John Son

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

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

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

Chief Financial and Development Officer, Nelson Gentiletti

Senior Vice-president, Business and Education Pierre Marcoux

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

HOW TO REACH US

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

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

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

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Alberta's dental dilemma

It's hard not to feel at least some sympathy for an Alberta dental graduate coming out of school with \$400,000 in debt.

In response to a recent story on BenefitsCanada.com about complaints about Alberta's sky-high dental fees, the graduate noted the significant financial pressures resulting not only from school debts but also the cost of buying an established practice. Bankruptcy, the dentist suggested, was a possibility if the Alberta government got too aggressive in forcing practitioners to make significant fee cuts.

On the other hand, ordinary Albertans find themselves caught in the middle. They're on the hook for the costs over and above what their benefits plans will cover. Most aren't as lucky as those at Calgary-based H&R Block Canada Inc., which significantly boosted its dental plan amid employee complaints about their coverage levels in light of the fees charged by dentists. And a long-awaited fee guide published by the Alberta Dental Association and College in August offered little relief. As a story on BenefitsCanada.com noted, suggested fees for several common dental procedures were still double those in British Columbia.


Alberta dentists, of course, have long suggested the higher fees are a result of the expense of doing business in that province. An Alberta government review of the dental industry last year did, in fact, find costs are higher than in other provinces. Using data from Statistics Canada, for example, the report noted wages for dental hygienists were up to \$18 higher than in other provinces. Rent and other office costs were also higher in Alberta than in Ontario and British Columbia. But interestingly, Alberta costs were generally in

line with Saskatchewan, a province where, as a *Benefits Canada* story noted last year, dental fees were notably lower.

The issue, then, presents a conundrum. It's reasonable to charge more when an economic boom tightens labour markets to the extent Alberta experienced for several years prior to the rapid decline in the price of oil. The boom, however, is over. But how easy is it for dentists to now scale back their costs?

There's no easy answer, but many possible solutions have been on the table for some time. Industry participants have long touted the need for a fee guide, but the document released in August did little to quell the complaints. With suggested fees declining only slightly, critics slammed the association and college for doing too little. Transparency would be a big help. While consumer education and awareness are useful, it's unrealistic to expect patients to truly understand how to control their costs and be willing to challenge their dentists about treatment recommendations and fees. So finding some way to encourage greater transparency about pricing while clarifying the confusion over advertising by dentists would help.

Also, it's time to put an end to the association and college's dual role as an advocacy and regulatory body. There's no guarantee such an action would reduce dental fees, but it's an obvious step that would address the appearance of a conflict of interest.

Finally, there's the option of the province actually regulating dental fees. It sounds extreme and unlikely, but if the steps taken so far and those on the horizon fail to make a difference, it's something the government should at least consider as a way to overcome the conundrum over dental fees. 



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

Watch for . . .

TOP 40 MONEY MANAGERS

Benefits Canada and the Canadian Institutional Investment Network's biannual list of the top 40 money managers is coming up in the **November issue.**

DB INVESTMENT FORUM

The 2017 Defined Benefit Investment Forum will take place in Montreal and Toronto in December. Contact Lauren Harris at lauren.harris@tc.tc for more information.

HOT TOPICS FROM THE EXPERTS

Find out about the latest group benefits, pension and investment trends from industry experts in the know: benefitscanada.com/experts.



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Prescription drug use in Canada

Compiled by Jennifer Paterson



Prescription drugs accounted for almost **14%** of annual health-care spending in 2013

Source: Statistics Canada



Females (**47%**) were more likely than men (**34%**) to report taking prescription drugs



Antidepressant use peaked among those aged 45 to 64, at **17%** among women and **8%** for men



Polypharmacy (taking at least five prescription medications) was highest at about **30%** among those aged 65 to 79

Some unusual claims patterns

In June, City of Toronto auditor general Beverly Romeo-Beehler published an update to her 2016 report on potentially excessive and unusual drug claims by employees to the municipality's benefits plan.

\$60 million

The cost of drugs to the city's benefits program annually

\$1.9 million

Amount reimbursed by the city for erectile dysfunction drugs in 2015

10

Number of claimants who appeared to have obtained an excessive quantity of on-demand erectile dysfunction drugs from different doctors

\$64,205

Amount of reimbursement for 69 different over-the-counter drugs that didn't appear to have a life-sustaining purpose, including products for skin conditions, miscellaneous eye diseases and allergies

31

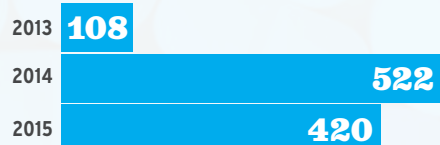
Number of claimants reimbursed potentially excessive quantities of fentanyl patches

Claimant case study

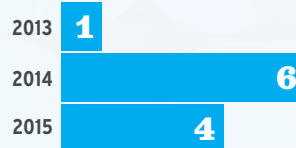
\$15,300

Amount reimbursed to one particular claimant over three years for erectile dysfunction drugs

NUMBER OF TABLETS REIMBURSED



NUMBER OF PHARMACIES



NUMBER OF DOCTORS



By *Helen Burnett-Nichols*

FROM PING-PONG TABLES TO CHILDCARE SPACES

How FreshBooks shifted its focus as employees started having kids

When Toronto-based FreshBooks moved into its first office in 2007, key workplace perks for employees — many of whom were in their early 20s — included a ping-pong table and video games.

But fast forward a decade, and employee needs are rapidly evolving at the provider of accounting software for small businesses. There's now an emphasis on family-friendly benefits, such as access to childcare.

"A lot of the folks we hired in their early 20s are now aging into their 30s and we have about 35 to 40 people with young children on an employee base of 260, so a pretty good chunk of our folks have children," says Levi Cooperman, a cofounder and vice-president of operations at FreshBooks.

Support for staff with kids

Children have become such an important part of the company's fabric that it now has an employee group that offers a venue to discuss all things related to being a working parent.

It was at this grassroots level that the company's move to assist employees with childcare came about.

"One of the issues they came up with was that it's really difficult to get stable childcare in the city and, in fact, it can be very challenging if you leave it to the last minute," says Cooperman.

As a result, FreshBooks worked with childcare provider Kids & Co. in 2016 to offer all employees guaranteed access to full- or part-time spaces.

The policy applies to preschool-aged children and guarantees a space at any Kids & Co. location within six months of registering with the daycare provider. The company has nine locations in Toronto and several others in the surrounding area. For Kids & Co., the upsides include the guaranteed revenue and an annual membership fee paid by FreshBooks to ensure employees have priority access to daycare spots.

In addition, all employees can take advantage of three emergency days of childcare — paid for by FreshBooks — at any Kids & Co. location.

The childcare dilemma

The move comes at an opportune time, as the prospect of finding childcare can be daunting for many employees in large Canadian cities.

The City of Toronto's recently released childcare growth strategy showed that as of February 2017, Toronto's childcare centres had enough spaces to serve 31 per

cent of children under age four who live in the city.

Heather Sande, who leads the customer success team at FreshBooks, wasn't able to take advantage of the new daycare assistance as it began after she had already secured a spot for her child. She says her experience finding childcare in Toronto, which included applying to five daycares when she was six months pregnant, was a challenge.

When a daycare got in touch with an opening, Sande and her husband had just 24 hours to make a decision and had to secure the spot with a two-month deposit.

"We ended up accepting this spot, and from start to finish, the process took 12 months. If no one had warned me in advance, we would have been left without a solution for childcare. I'm proud FreshBooks is offering guaranteed daycare placement. Not only is it one less thing for new parents to worry about, it's also a huge time saver," she says.

The employer's role

FreshBooks is seemingly in the minority when it comes to an employer taking on the issue of access to childcare.

In a recent online poll conducted by *Benefits Canada*, more than half of respondents said it's an employee's primary responsibility to manage childcare obligations. Only 18 per cent of survey participants agreed that, due to the high cost, employers have a role in ensuring employees can access childcare.



THE CHILDCARE CHALLENGE IN CANADA

70%

Percentage of daycare centres that reported maintaining a wait list of some kind

Vancouver

Canadian city found to have the highest proportion (**47%**) of daycare centres that charge a fee to be on a wait list

\$1,649

Median monthly fee for infant care in Toronto

Source: Canadian Centre for Policy Alternatives, December 2016

Kim Blake, senior consultant at Bromelin HR Consulting in the Toronto area, says while employers have increasingly recognized the business value of supporting working parents over the last 10 years, change is happening more slowly than anticipated.

Approaches to the issue vary, ranging from on-site daycare services to childcare stipends, says Blake.

For smaller companies, providing access to a network of daycare providers can be a particularly good option. “So the ideal solution for so many companies may not be on-site daycare, but if you have access to guaranteed spots and emergency care, then that’s the next best thing, I imagine,” says Blake, noting the productivity benefits reaped by employers.

“If parents are worried about what’s going on at home and the quality of their childcare, they’re not focused on the business at hand. So that’s why I

say it’s not just a retention tool, it’s a business and productivity tool to support parents,” she says.

A child-friendly environment

Although FreshBooks’ childcare assistance ultimately benefits the company through improved productivity and reduced absenteeism, Cooperman says the move was more about having a happy workforce. “If something they need is to have good childcare, then that’s kind of the benefit for us. It’s really about providing a great workplace.


“I think it falls into one of those areas where anything we can do to help our employees with their families, within reason, is something that we would want to do. In that case, with the employees aging and more and more folks having families, it just makes a lot more sense now than as opposed to, say, five or 10 years ago.”

The guarantee of a childcare space

also fits with FreshBooks’ broader approach to benefits and perks, which includes having a child- and dog-friendly office environment.

“In a pinch, people can bring in their kids and we have a lot of things a lot of kids enjoy. We have video games downstairs that they can play and ping-pong,” says Cooperman.

With the childcare program still in its infancy and only four employees having taken advantage of it as of July, Cooperman says the company plans to evaluate the outcomes in the future.

“At some point in the future, our dream is to actually have a daycare actually in our office or really close nearby, but I think the Kids & Co. opportunity is something that’s kind of a happy medium to get us there at some point,” he says. 

Helen Burnett-Nichols is a freelance writer based in Hamilton, Ont.

TIERS

versus

TENDERS



By *Jann Lee*

This summer, Quebec took aim at generic drug costs with a plan to issue tenders unless manufacturers could propose a better deal. The province eventually reached a deal touting \$1.5 billion in savings. What's the landscape for private benefits plans?

In late June, the Quebec government revealed plans to issue tenders for generic drugs in order to lower costs incurred by the provincial prescription drug insurance plan. The province hoped to elicit bids from manufacturers and grant those offering the lowest prices a three-year contract as the exclusive supplier to the government.

The Canadian Generic Pharmaceutical Association responded swiftly to the announcement, urging the province to abandon its plan. It argued drug tendering would have negative repercussions for the pharmaceutical industry and invited the government back to the negotiating table.

A few weeks later, both sides settled on a deal that would allow the Quebec government to save \$1.5 billion over five years through price discounts and the launch of new generic drugs. As a result, Quebec called off plans to implement drug tendering.

A report by the Canadian Institute for Health Information published in 2015 indicated that generic drugs only accounted for 34.1 per cent of public drug program spending in 2013. So why is there so much focus on reducing those costs?

Payers are paying attention to generic drug costs because they make up the majority of total drug claims, says John-Paul Dowson, managing director at Roubaix Strategies Inc. He refers to the same report, which found generic drugs accounted for 71.5 per cent of total claims. That compares to 28.5 per cent for branded drugs.

And while generic drugs account for only about a third of public drug spending, Dowson says there's still room for substantial savings. "The generic drugs are not developing cures. The generic drugs are not bringing new treatments to market," he says, emphasizing the focus on cost savings.

"The entire value proposition of a generic drug is to save money and, in Canada, we have historically paid higher average prices for generic drugs than other countries do," he adds.

Tiers versus tenders

While Quebec ultimately abandoned tendering, the province's consideration of the tactic indicates the provinces still aren't saving enough through their current approaches, says Michael Law, Canada research chair in access to medicines and a faculty member at the University of British Columbia's Centre for Health Services and Policy Research.

"Right now, we pay for a percentage of the brand drug. So in essence, we overpay for everything because we're either paying too much by a little or too much by a lot, and what tendering does is drive down those prices to get manufacturers to compete against one another more aggressively," says Law.

The pan-Canadian Pharmaceutical Alliance, which brings together the federal and provincial governments to negotiate drug prices, uses a tiered pricing model, says Aidan Hollis, a professor of economics at the University of Calgary. Under that framework, the price of a specific drug reflects the number of comparative generics in the market, he says. "So if there's only one generic, that generic is priced at 75 per cent of the brand price. If there are two, then the price drops to 50 per cent. If there are three, then the price drops to 25 per cent. If there are four or five or six, it stays at 25 per cent."

The alliance's lowest threshold is 25 per cent, except for a few high-volume generic drugs. In those cases, it pays as little as 15 per cent of the price for the comparative brand-name drug, says Hollis. But he thinks it can lower prices further.

Law, however, thinks payers will find it hard to save more with tiered pricing than tendering because manufacturers are usually unwilling to go beyond the artificial thresholds. "The true price is the one that firms are willing to offer and it's almost never going to be one of those thresholds. It's almost always going to sit in between," says Law. "So every time, you're giving up something. The difference might appear small for an individual drug — it might be a couple of cents — but we distribute millions and millions of generic prescriptions every

year in Canada. So the small differences add up to big amounts of money.”

But tendering comes with its own risks, says Hollis. He notes the negotiation tactic could dissuade pharmaceutical companies from entering the generics market and challenging patents for a branded drug through litigation. “So the question becomes if provinces start moving to tendering . . . who’s going to invest in litigation? And if nobody invests in litigation, then we’re going to have huge delays in getting generic products to market at all.”

Tendering can also exacerbate drug shortages, says Christine Than, a senior consultant at Aon Hewitt in Montreal. She notes that under tendering, payers rely on one vendor to supply a drug and, if the company runs into a problem during its manufacturing process, the whole production and distribution system may be at risk.

Since the manufacturer is offering a lower price, it’ll likely try to contain capital costs and will be more cautious by not producing too much of a drug, says Than. “One of the things also about medicine is they expire, so there’s a shelf life for medications and so you have to be extra careful,” she says.

In fact, drug shortages followed shortly after Ontario reduced the price of generics to 18 per cent from 54 per cent of the cost of branded drugs in 2010, notes Than. “Around that moment, we started seeing a lot of drug shortages.”

However, payers can deal with the issue of drug shortages contractually by imposing certain standards on manufacturers, such as requiring them to hold a certain amount of stock and asking them to provide notification if supplies go below a certain threshold, says Law.

As for the risk that tendering may deter manufacturers from entering the market and challenging existing patents, Law notes other countries have addressed that problem by providing incentives for companies. “In the U.S., for example, instead of the system like we have where we throw a lot of money at it and hope we get patents challenged, the U.S. actually incentivizes that the first firm to successfully challenge the patent on a branded drug gets six months of market exclusivity in the U.S. So it’s a huge win.”

How will Quebec’s drug deal affect private payers?

As for Quebec’s negotiations on generic drugs, it’s unclear whether the benefits will transfer to private plans, says Yves-Thomas Dorval, president and chief executive officer of the Conseil du patronat du Québec, which represents employers in the province. “The deal the Quebec government has made with the generic association doesn’t cover the private sector but, of course, it does give a little bit of a benchmark for employers with the pharmacists and the generic association.”

In Quebec, the provincial government has a history of publishing a drug’s negotiated price on the public formulary, except in instances when it receives confidential rebates from manufacturers, says Johanne Brosseau of ConsultMed Consulting in Montreal. She notes public and private plans automatically follow the same negotiated price once it becomes public in Quebec.

But private plans still face higher total costs than public programs because of pharmacy markups and fees added to the listed price of a drug, says Brosseau. As a result, private payers in Quebec pay more for generic drugs than other provinces, she adds.

“The reason why we pay 91 per cent more for generic drugs is because pharmacists make a bundle in profit and carriers fail to implement controls over what the pharmacies charge,” she says, suggesting private plans in Quebec likely won’t benefit from the negotiations for generic drugs even if the government publishes the prices.

Pharmacy markups vary between provinces and public and private plans, says Helen Stevenson, president and chief executive officer of the Reformulary Group Inc. in Toronto. However, she notes private plans typically pay slightly higher markups than public programs. “That said, some of [the private payers] are starting to require the markup is reduced,” says Stevenson.

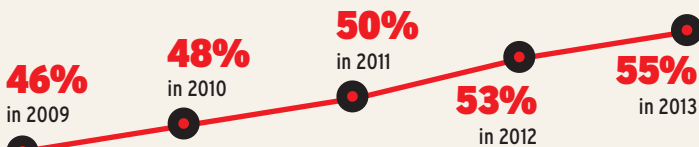
Implications for other provinces

Quebec’s deal also raises the question of whether other provincial governments will increase the pressure during their own negotiations.

If other provinces do achieve similar savings on generic drugs and publicize them by listing them

THE MARKET FOR GENERIC DRUGS IN CANADA

Generic drugs’ share of prescriptions in private drug plans



Average price of generic drugs relative to brand-name counterparts in Canada




Source: Patented Medicine Prices Review Board

on their respective formularies, private plans will likely benefit, says Than. However, she notes the cost savings will really depend on whether private plans have an open framework or follow a formulary to determine which drugs they'll cover.

Private payers only benefit from such deals if governments are transparent about their negotiations, says Karen Voin, vice-president of group benefits and anti-fraud at the Canadian Life and Health Insurance Association.

She notes that in 2016, the British Columbia government negotiated new prices for select generic drugs through tendering but instead of reflecting the new amounts in the formulary, it delisted the specific products. "What we saw in private plans was pharmacies submitting claims for the delisted drug with prices that had increased fairly significantly to what they were priced at while they were still on the B.C. formulary because they were no longer bound by the generic pricing cap," says Voin.

"We're supportive of anything lowering [drug] prices but we'd just caution that it apply to all payers and it's well thought [out] so there aren't unintended consequences," she adds. 

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

TENDERING RESULTS FOR OTHER PROVINCES

Three other provinces have tried to lower generic drug prices through tendering, says the University of Calgary's Aidan Hollis.

British Columbia tendered a few generics in 2016 but it didn't divulge details about the deal, says Hollis. The province hasn't made an attempt at tendering since then.

Ontario also hasn't made an attempt since it tried tendering in 2010. "Allegedly, their story is basically generic companies didn't participate because there were few products tendered," says Hollis, adding that generic companies were also hesitant to participate because they wanted to maintain good relationships with pharmacies that could have lost money from the tenders.

Lastly, **Saskatchewan** has issued tenders for generic drugs in recent years, says Hollis. "Saskatchewan didn't really get lower prices, which I think suggested that [drug tendering] wasn't really all that useful. Their prices were maybe marginally lower, but firms were not that interested in particular in the Saskatchewan market."

Quebec has been the only province to show success because it has a big market and has proposed tenders for all generic drugs, says the University of British Columbia's Michael Law. A successful tendering process depends on the number of interested manufacturers, he says, suggesting that payers should work to entice international suppliers to enter the competition in order to generate the lowest bids.

ISTOCK PHOTO / FLOOR.TJE



A legacy of excellence

Congratulations to Ian McSweeney, retired Osler partner and former Chair of our Pensions & Benefits Department, on being appointed Chair of the Financial Services Commission of Ontario and the Financial Services Tribunal.

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PRIVATE DEBT CAN PROVIDE EXCESS RISK-ADJUSTED YIELDS COMPARED TO CORPORATE CREDIT IN THE PUBLIC MARKET, AS WELL AS DIVERSIFICATION BECAUSE THE PRIVATE MARKET HAS TYPES OF DEBT—FOR EXAMPLE, PROJECT FINANCE AND MID-MARKET DEBT—THAT AREN'T ACCESSIBLE THROUGH THE PUBLIC MARKET.

✕

CANDACE SHAW

Senior Managing Director and Portfolio Manager Private Fixed Income, Sun Life Institutional Investments (Canada) Inc., a Sun Life Investment Management company

PRIVATE DEBT MARKETS HAVE EVOLVED OVER THE PAST FEW YEARS AND CREDIT ANALYSIS HAS IMPROVED SIGNIFICANTLY, SO PRIVATE DEBT INVESTORS CAN HAVE THE ASSURANCE OF HIGH CREDIT QUALITY.

✕

PHILIP (PHIL) GILLIN

Executive Vice-President and Portfolio Manager, Bentall Kennedy Canada and Sun Life Investment Management



Private Debt, such as corporate loans, securitizations and commercial mortgages, to name a few, is unexplored territory for many investors, but Phil Gillin and Candace Shaw believe that, done right, investing in this asset class provides unique opportunities to boost risk-adjusted returns, enhance fixed-income diversification and more.

What can institutional investors gain by enhancing their plans' exposure to private debt?

CANDACE SHAW: Private debt can provide excess risk-adjusted yields compared to corporate credit in the public market, as well as diversification because the private market has types of debt—for example, project finance and mid-market debt—that aren't accessible through the public market. Customized covenants support the credit quality of some loans and, when you're higher in the corporate structure, your loss given default is potentially lower. Also, you can customize cash flows and reduce refinancing risk at maturity by structuring private debt to amortize over the term of the loan.

PHIL GILLIN: I'd add that private debt markets have evolved over the past few years and credit analysis has improved significantly, so private debt investors can have the assurance of high credit quality. There are also idiosyncratic aspects of private debt instruments that can enhance yield with equivalent or less risk than in the public market. For example, Canada Mortgage and Housing Corporation (CMHC) loans may be secured by a multi-family rental apartment building, but they also benefit from a Government of Canada guarantee of principal and interest, and provide a yield premium of 90 to 110 basis points over Government of Canada bonds.

Where are you currently finding the most attractive opportunities in private debt?

PG: We're active in high-yield, with a recently launched fund focused on second mortgages, mezzanine loans and B-position loans in the construction lending space, and see opportunities there to realize potentially superior returns on

well-structured loans, particularly in Alberta and British Columbia.

CS: In the asset classes I manage, we're finding most of our opportunities outside Canada this year. In the mid-market space, loans outside Canada tend to be investment-grade and senior-secured and still deliver 450 basis points over the London interbank offered rate. In the project finance and infrastructure space, larger spreads tend to be available particularly in Europe but also in the United States.

What market and economic forces are likely to impact private debt in the short-term and long-term?

CS: The low-for-long interest rate environment we've been experiencing since the financial crisis is driving people in a search for yield, and attracting more investors to private debt. This rising demand is increasing competition and causing spreads to narrow significantly.

PG: Private debt is an increasingly competitive marketplace; however, some

THE PERFORMERS

✕ CANADA'S INFLUENTIAL THOUGHT LEADERS ✕

PHILIP (PHIL) GILLIN

*Executive Vice-President and Portfolio Manager,
Bentall Kennedy Canada
and Sun Life Investment Management*

CANDACE SHAW

*Senior Managing Director and Portfolio Manager Private Fixed Income,
Sun Life Institutional Investments (Canada) Inc.,
a Sun Life Investment Management company*

newer players don't have the necessary expertise, background and underwriting discipline for this complex asset class. Another cloud on the horizon is that a healthy credit market requires a robust economy and, in Canada particularly, there is apprehension about how changing dynamics in the energy and commodity sectors will affect economic growth.

CS: Regarding longer term, governments around the world, including both the Trudeau and Trump governments, have recognized the need for investment in infrastructure. A focus on improving and expanding infrastructure is a potential future opportunity.

What risks should plan sponsors keep in mind when investing in private debt?

PG: These are complex assets and you have to do your homework. In public equity markets, analysts thoroughly research companies. In public fixed-rate markets, rating agencies analyze and rate securities. In private asset classes, you don't have the benefit of that publicly available information, so you need to work harder to understand the credit you're getting, the assets you're buying, and whether the risks match your risk tolerances.

CS: Investing in this asset class shouldn't be a short-term tactical play. There is less liquidity in private debt than in publicly traded markets and, because the market isn't as open and transparent, you may get higher or lower than the mark-to-market when you sell. It's really important to be supported by expertise, experience and a network that can source deals.

How can plan sponsors manage private debt's lower liquidity?

CS: Look at your fund's size and the cash flows you require for disbursements, and size your investment in private debt appropriately. Then think of it as something that's not going to be touched for five or 10 years. Open-ended funds usually require at least several months' notice for you to take your cash out; however, payouts are subject to the manager's discretion so there may be long delays to get your cash out.

PG: Candace and I are both advocates of private debt as an investment opportunity, but we certainly wouldn't recommend anybody put 100 per cent of a fixed-income portfolio into private debt. We see it as a diversification and yield-enhancement play within a broader strategy around fixed income.

How can smaller plan sponsors access private debt?

CS: It is more difficult for sure than for bigger players. At Sun Life Institutional Investments (Canada) Inc., we accept minimum investments of \$5 million from institutional investors. And if you are part of Sun Life's broader Group Retirement Services business, our investment-only accounts accept even smaller amounts from institutional investors. A pooled fund is probably the best route into this because you get diversification up front.

PG: Sponsors can invest through a fund, but must be careful to get the right match in terms of the manager. There is quite a range with different styles and you want one whose investment style



WHAT'S YOUR IDEAL VACATION?

PG: *Running, cycling and seeing historic sites.*

CS: *Exploring other countries without a fixed schedule.*



WHAT'S THE FIRST WEBSITE YOU CHECK EVERY MORNING?

CS: *The Weather Network.*

PG: *I'm old school, so for me it's a hard copy of The Globe and Mail.*



WHAT'S YOUR FAVOURITE TIME OF DAY?

PG: *About 5 a.m. After I read the paper, I go to the gym.*

CS: *Monday to Friday, it's mornings when I have great expectations for the day. On weekends, it's around dusk when I come home from the day, sit back and relax.*

and risk tolerance are congruent with yours, especially because there's less liquidity in the asset class and if you pick the wrong partner it can be difficult to extricate yourself.





FEDS AIMING TO HIT THE PENSION BULL'S-EYE

Can the government overcome labour opposition to pass a bill that allows for target-benefit plans?

By Julius Melnitzer

One year after the federal government unveiled legislation that would allow federally regulated employers to offer target-benefit pension plans, the proposal has stalled in the House of Commons but it's apparently still very much alive.

"The gist of Bill C-27 is to permit target-benefit plans to operate as a design option alongside defined benefit plans and [defined contribution] plans," says Jana Steele, a management-side pension lawyer at Osler Hoskin & Harcourt LLP in Toronto. "The intention is to create a more fulsome pension regime with a wider range of options."

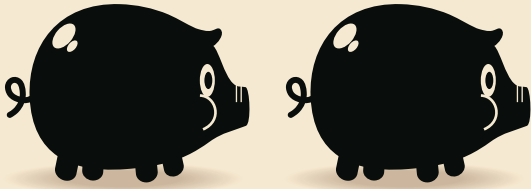
Introduced in October 2016, Bill C-27 is awaiting second reading in the Commons. But that likely won't

occur until the Liberal government has a chance to deal with public opposition, particularly from unions.

"The legislation remains on the agenda of the Ministry of Finance," says Bob Baldwin, an Ottawa-based pension consultant. "But first, they're hoping to lower the anxiety level of trade unions, who have been vociferously pitted against the legislation."

In May, Ginette Petitpas Taylor, then the parliamentary secretary to the minister of finance, told the Commons that the Liberals are "willing to take all the necessary time to give all parties the opportunity to share their suggestions regarding this process."

It's not yet clear what form the input will take. "The government appears to be open to consultations that may include public hearings of some kind," says Jordan



Fremont, a partner in the Toronto office of Hicks Morley Hamilton Stewart Storie LLP, a management-side labour and employment law boutique firm.

Welcome middle ground?

For their part, Steele suggests employers see the legislation in its tabled form as providing a welcome middle ground. “By offering [target-benefit] plans as a design option, on the one hand, and allowing for conversion of DB plans on consent, on the other hand, the legislation does, in my view, strike an appropriate balance,” she says. “Most employers are happy with it.”

Still, Unifor, which has taken credit for forcing the government “to take a step back, halting the bill’s progression,” stated in an April 27 bulletin that it remains committed to seeking “full withdrawal” of the legislation. It argues the bill “threatens pension security” in federally regulated sectors and represents “an attack on workers and retirees” that “could reduce pension payments as plan members assume virtually all financial risk and responsibility to cover funding deficits.” Some 2,600 union members and retirees signed Unifor’s online petition opposing the law.

Bill C-27, labour groups complain, doesn’t just affect new plans. Rather, it contemplates changing existing plans and their accrued benefits into target-benefit regimes, albeit with the consent of unions — where collective bargaining exists — or individuals, in the case of non-unionized environments.

“Bill C-27 creates a framework for exchanging guaranteed defined benefits for something less,” says Murray Gold, a union-side pension lawyer at Koskie Minsky LLP in Toronto. “It puts employees, retirees and unions in a position where they have to defend what shouldn’t need defending, especially because it’s unusual in our law for the terms of a contract to change mid-stream.”

Indeed, the Public Service Alliance of Canada (PSAC) contends that the voluntary consent provisions in Bill C-27 are a “sham” and that the process won’t be meaningful.

COMMON MYTHS ABOUT TARGET-BENEFIT PLANS

1 Unlike defined benefit pensions, target-benefit plans create risk and uncertainty for employees and pensioners

“While DBs differ from [target benefits], DBs also have an element of risk in them,” says Hicks Morley’s Jordan Fremont. “But the extent to which DBs are guaranteed ultimately depends on the wherewithal of the funds and, where the fund isn’t sufficient, the financial stability of the sponsor. The demise of Nortel is but one example of an employer’s insolvency where the assets weren’t enough to pay the pension liabilities.”

As well, some defined benefit plans provide for ad hoc inflation indexing that depends on its funded position. And in some cases, employers have the power to amend plans to increase employee contributions, which in itself is a form of sharing risk.

Target benefit “is just a new name for something that’s always existed in the way these things work on a practical level,” says Toronto pension lawyer James Pierlot. “Both types of plans also have investment risk, longevity risks and the risk of intergenerational wealth transfer as common elements.”

Ultimately, the extent of the risk depends on the approach a plan takes to the design, contributions and the investment strategy. “As is the case with DBs, there are no foolproof [target-benefit plans], but [target-benefit plans] are closer to DBs than people give them credit for,” says Fremont.

2 Target benefits are the easy way out of defined benefit plans

That myth depends on the belief that the erosion of defined benefit plans won’t continue if governments forbid target-benefit arrangements. But Kathryn Bush, a management-side pension lawyer at Blake Cassels & Graydon LLP in Toronto, says that’s not the case. “The real question is the extent to which DCs will continue to replace DBs,” she says. “But the unions may believe that DCs are easier to fight than [target-benefit plans].”

3 Target-benefit plans are new

Jana Steele of Osler Hoskin & Harcourt LLP says that’s simply not true. Target-benefit plans “have existed for many years in many jurisdictions in the multi-employer space,” she notes.

According to Koskie Minsky’s Murray Gold, the comparison isn’t a fair one. “The [target-benefit plans] that exist in the multi-employer space are very different from the ones being proposed in Bill C-27,” he says. “Where [target-benefit plans] tend to exist is in more volatile sectors, like the construction industry, where the benefits are high and the funding is done in a deliberately aggressive way, even if that means taking a bit of a risk. These are considerations that don’t apply in the public sector or in federally regulated sectors like banking, where pensions are generally more modest and the funding is more conservative.”

ONTARIO'S MOVES ON TARGET-BENEFIT PLANS

While Ontario doesn't apply the target-benefit label to the multi-employer pension plans that exist in that province, they amount to the same thing because it's possible to adjust the benefits. But Ontario, which announced proposals to allow for target-benefit plans in certain situations in June, has never permitted an adjustment of accrued benefits in a single-employer pension plan, says Toronto pension lawyer James Pierlot. In contrast to Bill C-27, the proposed federal legislation that would provide employers with the option of converting such benefits to target-benefit plans with employee or union consent, the province's new proposals apply only to multi-employer plans.

"Hopefully, the province will look at [target benefits] in the context of single-employer plans in the near future," says Jana Steele of Osler Hoskin & Harcourt LLP.

Unfortunately, the Ontario announcement has even less detail than Bill C-27 provides. "But both the federal and Ontario proposals contemplate funding policies for the new types of plans, governance policies with retiree participation and risk management," says Steele.

The new rules, however, would introduce a more fulsome regime for multi-employer plans operating under a target-benefit framework in Ontario. It would include specific funding provisions (a permanent solvency exemption along with a reserve provision); certain governance rules (such as requirements for governance policies); provisions around benefit reductions; and requirements for increased transparency.

The proposals are, in effect, "layering on some protections and requirements" for target-benefit multi-employer plans, says Steele.

"Bill C-27 would permit employers to pressure their workers and retirees into 'surrendering' their pension rights," the union stated in its submissions on the legislation. "In the past, employees have demonstrated their willingness to enter arrangements or provide funding relief for pension plans — which implicitly takes on certain risks — but have not compromised accrued benefits, which remain an important feature of their pension plans. Bill C-27 now makes it likely that employers will pressure employees to do both."

Gold sees the consent issue in terms of the balance of power. "The fact that there's an imbalance when you have a big employer makes the prospect of consensual conversion very unattractive," he says.

But according to Steele, Bill C-27 does mandate a high bar for obtaining consent. "The legislation says that the explanation of the change must be understandable to a person without pension knowledge," she says.

Objections 'dramatically overstated'

Baldwin, who spent a decade as an in-house pension specialist for the Canadian Labour Congress, was one of four advisors to Ontario's expert commission on pensions and has 40 years of experience in the field, says labour groups' objections to Bill C-27 are "dramatically overstated."

And according to James Pierlot of Pierlot Pension Law in Toronto, the assumption that the labour

movement is uniform in its opposition is also an overstatement. "As it turns out, union-sponsored [target-benefit] plans do exist in Canada, particularly in the [multi-employer pension plan] space," he says.

Multi-employer plans, however, require at a minimum that there be some form of joint governance. Bill C-27 requires only the appointment of a single plan member to participate in administrative oversight.

"This is a significant departure from the best governance practices for target-benefit plans," PSAC stated in its submission on the bill.

According to Baldwin, some of the labour movement's concerns have merit, however overstated he believes the overall position may be. He believes the federal government should address the concerns without abandoning the option of target-benefit plans.

"Canada can and should signal that it will accept conversion on a past-service basis only in exceptional circumstances and spell out in some detail what those exceptional circumstances might be," he says. "The government should also signal that regulatory requirements will be different and more stringent for plans that do not have joint governance by plan members and employer representatives."

Such changes, Baldwin believes, would make the legislation more palatable to unions.

"If the government moves on these two points, target benefits would look far less threatening than they otherwise might," he says.


Lingering questions

Still, much of the perceived threat appears to emanate from the unknown. A major question mark in PSAC's submission relates to Bill C-27's lack of detail regarding funding policies for target-benefit plans. While the legislation requires funding policies to address areas such as the benefit formula and subsequent changes to it, the precise details won't be clear until the government releases the regulations.

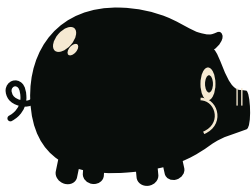
"It is impossible to evaluate the balance struck by this legislative proposal without [information about the regulations]," PSAC stated in its submission. "In a target-benefit plan, in which members and retirees bear all the relevant risk, they should also own all the relevant rewards, but this is not stated in Bill C-27, or made a condition of a funding policy."

Resolving those issues, however, will be a complex matter. "There are a lot of technical issues that need to be fleshed out around the funding requirements," says Fremont.

As Pierlot sees it, even the unions may ultimately realize that the resolution of these and other issues is the best way to go.

"After all, target-benefit plans are a lot better option for employees than conversions to defined contribution plans, which is what's been happening with a lot of employers in the private sector," he says. 

Julius Melnitzer is a freelance writer based in Mississauga, Ont.



Medication MANAGEMENT

SUPPORTING PLAN MEMBERS' AND EMPLOYERS' BOTTOM LINES

ABOUT

Medication Management is an educational series about programs that support plan members, while continuing to protect the plan sponsors' bottom line.

As the costs of private drug plans grow, plan sponsors are looking to maximize the investment in their health benefit plan.

Treatments for chronic diseases and specialty medications can improve plan members' health outcomes, but may also have a significant impact on private drug plan budgets. Chronic health conditions can be complex, and plan members may require support to manage their conditions and the medications they need. In particular, specialty medications require special handling, not only for distribution and dispensing, but also to navigate coverage, manage side effects and ensure adherence. Plan sponsors also need to manage their benefit plan to ensure they are optimizing the programs and services that assist in controlling their drug plan budget.

This series profiles different programs and services that are available to plan sponsors to manage their drug spend and help plan members manage their conditions and treatments.



In an area of cost growth, such as the use of high-cost biologics for the treatment of chronic diseases, Health Case Management has proved to be one of the most important tools for Great-West Life to effectively and responsibly manage costs on behalf of plan sponsors.

Nurse-led Health Case Management: The Benefits to Group Plan Members and Sponsors

The continued growth of new high-cost specialty medications for the treatment of complex chronic diseases has challenged insurers to balance group plan members' needs for effective treatment of their chronic diseases with long-term benefit plan sustainability, and the cost management needs of plan sponsors. Great-West Life has met this challenge, which it terms a dual bottom line, by offering plan sponsors a nurse-led Health Case Management program designed to monitor and manage plan member treatment plans while helping to achieve better and more cost-effective health outcomes.

In 2012, Great-West Life engaged HealthForward Inc. and its qualified nurse health case managers (HCMs) to design and provide comprehensive case management support and assistance to plan members and their covered dependants with chronic conditions, such as rheumatoid arthritis, Crohn's disease, psoriasis and severe asthma. After 5 years, this Health Case Management program remains one of the most accepted and valued Great-West Life services provided, and its value has been demonstrated in a recent Canadian health outcome study.

Here is an overview of nurse-led Health Case Management and the benefits provided:

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ASSURANCE COMPANY

 **HealthForward**[™]
AmerisourceBergen

“A HealthForward nurse HCM is assigned to work with each plan member and becomes an advocate and interface between the plan member and individuals in their circle of care, including their physician, Great-West Life, family, pharmacy, and a manufacturer-sponsored patient support program.”



What is nurse-led Health Case Management?

Nurse-led Health Case Management provides a single point of contact to each plan member to ensure they are taking the right drug; are adhering to their prescribed treatment regimen; fully understanding their treatment plan and the expected results; and have access to support, education, and the assistance they need.

A HealthForward nurse HCM is assigned to work with each plan member and becomes an advocate and interface between the plan member and individuals in their circle of care, including their physician, Great-West Life, family, pharmacy, and a manufacturer-sponsored patient support program (PSP).

Based on a series of touchpoints over a trial period, the nurse HCM will assess the treatment plan effectiveness and adherence to treatment. Additionally, through a collaborative process with the individual's circle of care, the nurse HCM will also assess outstanding healthcare needs and health literacy,

and devise a personalized plan to provide education and access to support services as required. They will also aid the plan member in understanding any benefits or programs available to them under their benefit plan.

If the plan member is not benefitting from the medication at any time during the trial period, the nurse HCM will work in collaboration with Great-West Life to understand treatment options available with a goal to potentially change medication. Due to the close collaboration between the nurse HCM, physician and Great-West Life, this process can often be expedited to ensure that there are minimal gaps in treatment.

How do plan members benefit from nurse-led HCM?

Plan members with chronic diseases benefit from a nurse HCM single point of contact who will champion the comprehensive support and access to effective treatment required to achieve better health outcomes at an often confusing time in their treatment journey:

- Regular monitoring and collaboration between nurse HCMs, physicians, and Great-West Life ensures that plan members





have access to the right medication as quickly as possible. If drug switching or dosage changes are required, the nurse HCM will help to facilitate this process at any time during the monitoring period.

- Plan members also benefit from the continuity of a single nurse HCM. They develop trusting relationships during the Health Case Management process and receive emotional support.
- Adherence to prescribed treatment plans, including taking medication as directed, is linked to improved health outcomes. More frequent monitoring by the nurse HCM helps patients understand the importance of adherence, and provides the opportunity to motivate the individual to take the drug as prescribed.
- Finally, ongoing touchpoints allow plan members to receive customized education, gain clarity of understanding of their treatment and benefits, and learn about community resources when they are needed.

Why should insurers consider HCM for their plan sponsors?

Plan sponsors offer group benefits to support their employees so they can work productively, they extend benefits to employee spouses and dependants, and they rely on insurers to manage their benefit costs as effectively as possible. Health Case Management

affords plan sponsors the assurance that their plan members are on the right medication, and will benefit from the treatment provided, without incurring unnecessary costs. The ability to collect objective health outcomes data through a Health Case Management program also enables ongoing program evaluation and decision-making.

Health Case Management also translates into workplace benefits. A recent health economic outcome research study of Canadian patients performed by HealthForward and Great-West Life demonstrated that, compared to routine care alone, Health Case Management improved quality of life and health outcomes in rheumatoid arthritis and psoriatic arthritis patients treated with biologics: 84% of patients experienced **improved quality of life** scores versus 62% with routine care alone; 54% experienced **lower disease activity** versus 28% with routine care alone; and 46% of patients experienced **remission of their disease** versus 13% of patients with routine care alone.¹ These significant improvements in quality of life, disease activity, and especially disease remission, directly relate to potential workplace benefits, including:

- decreased work disability
- increased work productivity
- reduced absenteeism
- reduced presenteeism

In an area of cost growth, such as the use of high-cost biologics for the treatment of chronic diseases, Health Case Management has proved to be one of the most important tools for Great-West Life to effectively and responsibly manage costs on behalf of plan sponsors. With 5 years of experience, the evidence has validated the vision: nurse-led Health Case Management has ensured that plan members have access to the right medication as quickly as possible, resulting in improved quality of life, health outcomes, and a positive impact on the workplace. ■

Potential workplace benefits:

- Decreased work disability
- Increased work productivity
- Reduced absenteeism
- Reduced presenteeism

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TAKING ESG REPORTING TO THE NEXT LEVEL

Leading the responsible investment charge since 2005, Quebec-based Bâtirente works closely with its investment managers to ensure ESG integration.

By Jennifer Paterson

As pension plans grapple with what to do about environmental, social and governance factors, Quebec-based fund Bâtirente offers some guidance on the options available. It formalized its approach in 2005, the year before the United Nations laid out its six principles for responsible investment.

Bâtirente is one of the original signatories of the principles. “I had been working on elaborating our responsible investing policy for a few years, and it was not as publicly discussed as it is nowadays,” says Daniel Simard, the pension fund’s chief executive officer, noting he reached out to the chairman of the PRI Association (a global proponent of responsible investment) when he learned of its launch.

“By coincidence, it was really essentially in the

same philosophy. . . . It became natural for us to belong to the PRI.”

Managing the managers

Because the union-affiliated capital accumulation plan's assets are under external management, its policy focuses on steering its investment managers to integrate environmental, social and governance factors into their portfolio construction process. “We expected they would buy ESG information or databases and, according to their style or process, would incorporate that into their strategy,” says Simard, referring to Bâtirente's early policy.

It also created a specialized committee to monitor its managers, ensured they were signatories to the principles and then refined the ways it held them to account, says Simard. “With the years, we've been asking a little more of them. And, of course, now we ask that they give us their PRI assessment, that they show us how they actually put in practice the principles and they share with us how they respond to the PRI framework.”

But the change didn't come as naturally to the investment managers as it had to the pension plan, he adds. “There was, and there probably still is, some prejudice around leaving money on the table, putting restrictions on the investment universe, all this screening out.”

Indeed, there's often a myth around responsible investment, says Dustyn Lanz, chief operating officer at the Responsible Investment Association. “A lot of investors will mistakenly believe you're going to sacrifice returns if you start doing responsible investing, but there's a growing body of evidence that shows responsible investments perform just as well, if not better, than traditional investments because you're seeing more material information.”

For its part, Bâtirente's policy hasn't had an impact on which companies or sectors it invests in. “Our line of thought was the following: it would take time for us to lead our managers to understand, to know, to learn about what it meant to be a responsible investor,” says Simard. “So we never were prescriptive about what they should or shouldn't invest in. What we asked of them was on the notion of integrating ESG information into their investment process. And if, in the due process, you come to realize there are some ESG issues with some companies, please tell us. . . . But we have never told an asset manager not to invest in any given company.”

Engaging companies

The second pillar of Bâtirente's policy is engaging with companies in its portfolio. One example is Talisman Energy Inc., which had been encountering

difficulties in its relationships with Indigenous communities near its properties in South America. The UN's permanent forum on Indigenous issues requires companies to consult those communities before any industrial project begins, says Simard. Bâtirente, which acquired 74,300 equity shares in the company in 2008, submitted a shareholder proposal to Talisman's board asking it to adopt a policy that set out how it would meet the UN objectives. “Of course, it took some time before we really had a dialogue,” says Simard. “But when we had a dialogue, they had done their homework and they had really reflected on our proposal . . .

“They said, ‘We think your idea is very good . . . because governments around the world are well aware it will be necessary to reinvent the way we do things, they will favour companies that actually demonstrate their capacity to cope with this way of doing things that is the future.’ So they set up a process, they hired an international consultant. . . . And over the next two years, they actually adopted that policy.”

Simard says the policy was a breakthrough in the oil and gas industry. “It was actually the first company to make it public that its board was adopting a policy that aimed at being best at dealing with local communities in industrial projects. And that example was followed in the years after by other companies.”

Publishing data

Bâtirente's third pillar is about information: asking companies to publish more data and sustainability reports and provide details about how they approach responsible investment issues.

The pension fund has also aimed to be transparent about its own activities, something Simard notes can be challenging for some investors that prefer to keep matters behind closed doors.

“They are more shy about what they actually do, but we, maybe because our size is a factor, we have had a tendency to be very much transparent about that,” he says, noting Bâtirente's annual report includes the names of companies and the topics discussed with them, such as fiscal policies, community relationships and disclosure.

The 2016 report, for example, notes discussions related to climate change with two major oil companies, Canadian Natural Resources Ltd. and Suncor Energy Inc. In addition, the report notes Bâtirente's entry-level salary is \$23.16 per hour.

Disclosure, of course, has been a key question for many pension plans, particularly since Ontario enacted regulations in 2016 that require them to reveal whether they incorporate environmental,

A LOOK AT BÂTIRENTE

\$591.4 million

Assets under management at the end of 2016

20,161

Number of members

81%

Percentage of the plan's assets managed by signatories to the United Nations' principles for responsible investment

Source: Bâtirente's 2016 annual report



Andrew Kitchen
Managing Director, Canada Institutional
Russell Investments Canada Limited

Q: How can you reduce the exposure to carbon in a portfolio without adding risk or compromising expected returns?

Following the Paris Agreement, there is expected to be a major shift in how energy is produced and consumed. Emphasis will be on energy efficiency, continued pressure on the coal industry, and investment in renewable technologies such as solar power, wind power and biofuels. This will have positive implications for the global community through climate change initiatives, but investors will also face new risks and opportunities.

Divesting from companies holding fossil fuel reserves - merely aiming for a lower carbon footprint - remains a common approach, but is not that effective. Some companies involved in traditional energy production are among the best positioned and have the most incentive to invest in renewable energy programs. These companies could be excluded through a simple screening process, which may actually reduce exposure to renewable energy and, by doing so, a portfolio may overlook investment opportunities and show a reduced ESG score.

Examining a company's exposure to carbon reserves, which can be a proxy for stranded asset risk, along with investments the firm is making in renewable energy, provides a more holistic view of a firm's energy transition strategy. These additional factors maintain a focus on all the material ESG considerations and offer a more comprehensive view of a company's activities.

Ensuring that additional carbon constraints are incorporated into a portfolio while aligning with the overall investment strategy is an essential part of the process. Applying constraints on the stock, sector, and country weights to minimize unintended risks in a way that simple divestment strategies don't allow, can still achieve significant carbon reduction without overlooking potential future returns.

“It’s important investors are aware of the risks that are embedded in these new issues.”

social and governance factors into their statements of investment policies and procedures.

“At this point, it’s difficult to quantify the impact of this regulatory amendment on the marketplace,” says Lanz. “But we have working groups, our membership has been growing, and we can say, at least anecdotally, we’re certainly seeing a growing interest in responsible investing from pension funds and their investment consultants.”

Lanz would like to see federal and provincial regulators clarify that all institutional investors should be considering long-term risks and opportunities, including environmental, social and governance factors, in their decision-making processes. The Shareholder Association for Research and Education is currently asking the federal government and other provinces to follow Ontario’s lead by enacting similar regulations.

“We’ve felt that Ontario was our first focus and that was successful, but because the pension landscape is governed primarily by province, then we need to see this taken up across the board,” says Kevin Thomas, director of shareholder engagement.

Simard agrees, noting the Ontario provisions are driving the conversation. “Although there is a fair extension of the level of awareness in the institutional field here in Quebec, I think it would send the right message if the regulator would do something equivalent to what Ontario has done.”

Raising the bar

Because public sector pension plans have a large stakeholder base and are in the public eye, they tend to be more proactive about disclosing information, says Lanz, noting they often have more resources to deal with responsible investment matters.

But both defined benefit and defined contribution plans have a duty to incorporate such practices into their policies, says Thomas. “Neither one is insulated from the realities of . . . non-financial concerns and metrics, but the way they’re played out might differ depending on how the plan is structured.”

For its part, Bâtirente continues to expand its work on the issue. As part of its efforts, it launched a private firm called Aequo Shareholder Engagement Services in 2016. “We wanted to make a tool available to other responsible investors in the institutional field, other pension funds or asset managers, so they could access expertise and capacity for leading engagement programs with their own investing companies,” says Simard.

The plan is also actively looking at green bonds and it just published its carbon footprint data for 2015 and 2016.

“We are definitely raising our act on ESG and we’re definitely discussing with our asset managers how they could, themselves, make us more capable of generating impacts,” says Simard. “It is important investors are aware of the risks that are embedded in these new issues.” 

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New workplace order necessary to prevent harassment



By **Warren Shepell**

A newly hired business graduate, predicted by senior managers of a major bank to have significant potential, left the organization after one year.

He sued for harassment and bullying, saying among other things that he had a manager who set out to prove he had limited potential and frequently assigned him impossible tasks and deadlines, shouted at him and shamed him in front of co-workers for inconsequential matters.

The graduate spoke to his manager's boss on three separate occasions, but the issues he raised fell on deaf ears. After severe anxiety and depression set in, he felt he had no choice but to leave and sue for harassment. The case is now going through the court system.

In another situation, a senior finance manager attended a conference with his assistant in another city. On the first evening, he got cosy with her, stroking her hand over a glass of wine and talking about a promotion for her. He promised her the promotion would move along quickly, if she was "good" to him. She managed to excuse herself. The next night, he invited her to his room. She has since launched a lawsuit for sexual harassment.

A significant skills gap

Such examples demonstrate that many people in positions of power haven't developed the filters and communication

skills they need in the workplace. Often, those who find themselves the target of harassment lawsuits are to blame for their own follies.

But their managers and the organizations they work for are also at fault. No longer can they protect employees with interpersonal styles that fail to differentiate how they relate to others in their personal life from the ways they interact with their co-workers. A new workplace order is necessary.

Civility in management and communication is absolutely essential. Although employees bring their individual differences to the workplace, including their cultural backgrounds, gender, sexual orientation and age, managers and co-workers must learn to see beyond those characteristics and focus on work, achieving tasks, collaboration and motivating people to attain results.

To create a better workplace environment, managers should emphasize work-related tasks and activities by using phrases such as:

- "Over the next few days, completing this work assignment will require more effort and focus than usual. I need your help in getting it done."
- "There is a convention in another city that I would like you to attend."

- "You have been coming in later than our starting time recently. How will you change that?"

On the other hand, it's important to stay away from interactions unrelated to work that stray into personal comments:


- "I love the colour of your blouse."
- "People of your religion have too many holidays."
- "It looks like you go to the gym a lot."

Other behaviours that can damage employees include: banging the desk; pointing fingers; raising voices; and shunning people.

The push to do more

The provinces, meanwhile, are taking action by introducing legislation to address harassment issues. In Ontario, Bill 132 (which amends the Occupational Health and Safety Act) requires any employer with five or more employees to train all staff members on the requirements of the legislation; provide a written program setting out how the organization will implement it; and create a safe person or team separate from the immediate manager to handle all harassment incidents. Other provinces are enacting similar or even stronger laws.

Organizations need to go further, however. Managers and employees need to recognize what constitutes harassment and develop the workplace and people skills that are key to fostering civility and eliciting lasting change.

There's no room for managers or co-workers prone to biases, prejudices or personal attacks. The goal is to create a workplace where people aren't afraid to go to work and, more importantly, they actually like to work. 

Warren Shepell is vice-president of client relations and communications at BizLife Solutions. He was the owner and president of Warren Shepell Consultants for 25 years.

WORKPLACE BULLYING IN CANADA

45% of Canadians feel they've been the victim of bullying in the workplace

44% of victims reported the problem to human resources

26% have left a job due to bullying

Source: CareerBuilder Canada, 2014

Deepening public-private divide, global diversification among key pension trends

The environment for pension plans in Canada has changed dramatically in recent years, and the challenges facing plan sponsors are multiplying.

The good news is Canadian pension plan sponsors are increasingly taking a proactive approach to the challenges they face. The way they're responding depends on the type of pension they manage, and the differences between how various plans react — particularly when it comes to divergences between those in the public and private sectors — are becoming stark. Yet on both sides, clear action is taking place.

The trend is apparent from the results of this year's Aon pension risk survey, which gathered responses from 124 Canadian pension plans covering nearly 1.5 million members and holding \$350 billion in assets. The survey asked plan sponsors a range of questions about their funding, investment and risk management practices. Their answers point to four big trends in how pension plan sponsors are responding to a changing environment:

1. The differences between public and private sector plans run deep: In the media, the difference between public and private sector plans is often a focal point, but the discussion usually revolves around the perception of more generous benefits for those on the public side. The survey makes it clear the differences between public and private sector plans go far beyond benefit levels.

The key differences reflect the future of the pension plan. For many private sector sponsors, the defined benefit pension plan is no longer a core element of their human resources strategy, with 58 per cent having closed it to new entrants. In the public sector, there's a much greater commitment to defined benefit plans, with only 11 per cent having closed them to new entrants. The actions taken or planned by plan sponsors reflect that difference.

For example, plan settlement through

an annuity purchase is the long-term objective for one in five private sector plans. That compares to only one in 50 public sector plans. A quarter of private sector plans say they're likely to offer a special lump-sum window for deferred members, compared with eight per cent of their counterparts on the public side.

The focus by private sector plans on de-risking is part of a natural progression. By now, many have taken steps to manage costs, whether by reducing benefits or moving to a defined contribution structure. Now, they're increasingly undertaking the next big step of adopting de-risking strategies and moving towards plan settlement or at least are looking at options that lower the risk of the plan affecting corporate performance.

By contrast, public sector plan sponsors, for whom corporate performance is less relevant, have different challenges. In general, their goal is sustainability, and many are taking actions that ensure the health of their plans for the long run. There are investment elements to that approach, but the issue also arises in funding and liability strategies. According to the survey, more than half of public sector plans have already raised member contribution levels or are likely to do so in the next 12 to 24 months. In the private sector, only about a third of plans are taking that step. Meanwhile, 32 per cent of public sector plans are at least somewhat likely to reduce ancillary benefits in the next 12 to 24 months, compared with just six per cent of those in the private sector.

2. Legislation is driving proactive pension change: Perhaps it's not surprising, but the sweeping changes to Quebec's pension legislation passed in 2014 have led to a corresponding response



by that province's plans. According to the survey, more than 40 per cent of Quebec respondents have changed their funding strategy, and a similar proportion (45 per cent) have altered their approach to investments.

What's more notable, perhaps, is that plan sponsors in other jurisdictions are already responding to expected legislative reform. In western Canada, where provincial governments have introduced new governance rules but not new funding provisions, a quarter of plan sponsors say they've made changes to their funding strategy in response to legislative reform. In Ontario, where the industry is still



By *Tom Ault & Calum Mackenzie*



expecting pension reform, a third of plans have made changes to their funding strategy and one in five have altered their approach to investments.

Those trends suggest plan sponsors are increasingly taking a proactive stance towards possible legislative reform, rather than simply waiting to see what happens. The approach has a lot of merit. The legislative tide has turned towards reform, particularly for plans in Ontario but also for those across the country, and no plan sponsor can afford to ignore the trend. In that environment, it just makes sense to prepare as much as possible for a potential new paradigm for funding and investment policies.

3. Diversification is breaking through borders: The days of investing only within Canada are well and truly behind pension plans. According to the survey, more than 90 per cent of private sector plans and 95 per cent of public sector funds take a global view of their investments. That means the vast majority allocate at least part of their portfolios to global assets.

In fact, the trend toward global diversification is broadening. Pension plans' exposure to non-Canadian equities is significant: 86 per cent of private sector plans and 94 per cent of public sector ones take a global approach to their equity

allocations. Yet nearly a third in both sectors also take a global approach to fixed-income allocations. Among public sector plans, which are more likely than their counterparts on the private side to have the resources to find opportunities, global diversification is extending to alternative assets: more than 40 per cent take a global approach to real estate investments, 44 per cent to infrastructure and 37 per cent to private equity.

The survey shows pension plans are seeking ways to reduce exposure to the Canadian market and get the returns they need in a world of low yields. We believe strongly that the trend will continue as globally diversified investment strategies increasingly replace domestic bias.

4. Plans are seeking solutions to investment complexity: The trend towards a more diversified global approach has a number of benefits but it also comes at a cost: more complexity. Especially for sponsors of small- or mid-size plans that may lack the resources of larger pension funds, the task of implementing an investment strategy can be daunting.

The survey suggests delegation is an option many pension plans are at least considering. Half of respondents said they currently delegate the monitoring of asset managers to outside experts, while 15 per cent say they're likely to do so.

The challenges and opportunities for Canadian pension plan sponsors will continue to evolve, and the survey points to several areas where more change is likely to come. The divergence between public and private sector plans, evolving legislation and global diversification are growing trends that seem poised to define the Canadian pension industry for some time to come. 

Tom Ault is a partner for risk settlement and longevity consulting leader at Aon Hewitt. Calum Mackenzie is a partner and investment consultant at Aon Hewitt.

HOW ARE PENSION PLANS RESPONDING TO LEGISLATIVE REFORMS?

Percentage of plans making changes to funding strategies:



Percentage of plans making changes to investment strategies:



Source: Aon's 2017 pension risk survey



Repeated Dutch pension crises prompt new proposal to modify the DC model



The Netherlands has long had a reputation for having a strong two-pillar retirement system that provides retirees with an income replacement rate of at least 80 per cent from the country's national and occupational pension schemes.

And until relatively recently, Dutch workers were equally as confident about their occupational plans as they were about the national pension system. Workplace pensions traditionally provided retirees with indexed payments, and the system was running smoothly until the information technology bubble popped and the market crashed in 2000, says Gerard Riemen, managing director of the Federation of the Dutch Pension Funds.

"You could say the dot-com crisis was kind of a wake-up call because it pointed out . . . the vulnerabilities of our pension system," says Riemen, noting some pension funds had to skip a year or two of indexation to recover from the initial shock.

Most pension funds recovered a few years later. In the meantime, the system underwent legislative changes to base benefits on retirees' average salaries during their career instead of final earnings, says Riemen. The changes also meant indexation became conditional. "Almost everyone joined the pension schemes, so we thought it was fine, no troubles at all at the horizon and everybody was fine," says Riemen.

The effect of the financial crisis on pension plans

But then the 2008 financial crisis hit and the country's occupational pension funds once again found themselves in trouble, Riemen notes.

"After that, the first thing that happened, of course, was our funding ratios went down and we had to skip indexations."

The market certainly had a significant impact on pension plans' assets, says Riemen. But over time, it became clear the fundamental problem was actually in the plans' liabilities, which had a greater impact on funding ratios due to very low interest rates and longevity issues.

While those factors have burdened pension plans around the world, the repercussions weighed more heavily in the Netherlands because of how plans determined their valuation rates, says Barbara Sanders, an associate professor of statistics and actuarial science at Simon Fraser University in Vancouver.

"In Canada, many of our plans are using what's called a best-estimate valuation rate, so a valuation rate that is based on what you think the assets will earn, and that takes into account that if you're invested in stocks, which you're expecting to earn more from, then your pension fund can use a higher valuation rate that creates a lower liability," says Sanders.

But in the Netherlands, pension plans have to adhere to a stricter framework, she adds. "They only use bond yields in figuring out what the valuation rates should be, so their rates are low compared to ours, so their liabilities are high compared to ours."

Many plans have failed to meet the country's strict solvency rules, says Riemen, noting the Netherlands' pension legislation requires funding ratios of 125 to 130 per cent. "So the result was that funding ratios declined very quickly and for some pension funds in 2014, they even had to cut the benefits," he says.

Despite a common belief in the pension guarantee, legislation actually allows the collective defined contribution plans that many workers are part of to cut benefits. According to Riemen, some plans were decreasing payments by as much as seven per cent.

While the measure wasn't widespread, it was detrimental to the country's pension system, says Keith Ambachtsheer, director emeritus of the Rotman International Centre for Pension Management in Toronto. "Cutting pensions ruins the trust of the population in the pension system, and that's what happened in the Netherlands: actual physical cuts where you tell pensioners we're going to pay you less this year than we did last year, literally."

But cutting benefits is the last resort for many plans, says Riemen, noting that when there's a funding problem, plan sponsors can alternatively raise contributions or lower pension accrual rates for current employees. Some plans, however, had no



room to increase contributions because they were already quite high, he adds, noting they instead decided to reduce pension accruals. The moves created tension among the generations because while current workers may make the same contributions as retirees did, their benefits may be lower when they retire, says Riemen.

Proposal for a new occupational pension scheme

In response to the issue, the Social and Economic Council of the Netherlands, which advises the government on social and economic policy, developed a new type of scheme called personal pensions with risk-sharing. The new model aims to replace the collective defined contribution plans that in many ways are similar to Canada's framework for multi-employer pensions. It represents somewhat of a cross between the Netherlands' collective model and individual defined contribution pension plans.

"The council said we should improve on individual defined contribution plans because with those plans, the employee bears the full investment and longevity risk. So let's see whether we can pool [the risks] and still have individual pots," says Fieke van der Lecq, professor of pension markets at Vrije Universiteit Amsterdam, a Dutch post-secondary institution.

She says the new pension design has both similarities to and differences from the current one. Under the new system, workers under collective agreements must participate in the plan and employers and employees continue to make contributions. Members also benefit from a life-cycling model in which their investments change over time, according to their age.

"For instance, when you're young, you're more in equities and when you're old, you're more in fixed income," says van der Lecq, noting the approach differs from a pure defined contribution plan since, besides receiving annuity payments upon retirement, members benefit from having the rest of their savings invested through the collective arrangement.

The new system will address investment risks by allowing excess returns to flow into a buffer that acts as an emergency fund for plan members during times of very poor market performance, says van der Lecq. And it will try to tackle unexpected longevity increases by decreasing pension payments over a long period so that several generations share the burden.

As for individual longevity risk, van der Lecq says the system pools it into the plan, which is already a

feature of the current collective defined contribution arrangement. "If you live shorter than expected, the remaining money stays in the pool for others who live longer than expected."

Employee, employer and government representatives are currently reviewing the new scheme before the council makes a recommendation to the Dutch government, says van der Lecq.

But while personal pensions with risk-sharing are a good alternative because they bring many benefits, such as allowing employees to clearly see the accrual of their pension assets, transitioning to a new model won't be easy, according to Riemen. "How do you make the shift from the current DB system to the new system?" he says. "How can you do that in a fair way so that nobody carries the burden for this transition period?"

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

THE CHANGING FACE OF DUTCH PENSION PLANS

Besides the financial difficulties faced by Dutch pension funds, regulatory pressures have also been compelling the sector to consolidate over the years as larger plans absorb smaller ones, according to Simon Fraser University's Barbara Sanders. Here's a look at the changing face of supervised pension funds in the Netherlands:

	1997	2007	2017
Compulsory industry-wide pension funds	67	71	51
Optional industry-wide pension funds	15	25	8
Company pension funds	957	597	189
Company savings funds	9	7	3
Occupational pension funds	11	12	10
Special legislation	1	1	0
Total	1,060	713	261

Source: De Nederlandsche Bank

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RETIREE HEALTH BENEFITS UNDER THE MICROSCOPE

Move over, pensions. Retiree health benefits are taking centre stage as companies fall on hard times. What are their options for reducing their risks?

By Jennifer Paterson



While defined benefit pensions often make headlines when a company is struggling, there has traditionally been less of a focus on retiree benefits plans. The issue is paramount, however, in Sears Canada Inc.'s bankruptcy case.

After filing for protection under the Companies' Creditor Arrangement Act in June, Sears sought to suspend payments under its post-retirement benefits plans while it restructures. The night before the hearing, it agreed to continue providing post-employment benefits but only until Sept. 30. The company has come under significant criticism for the move, particularly in light of retention payments allocated for key executives.

So for companies hoping to avoid a similar fate, what options are available to those looking to get ahead of the issue by de-risking their retiree benefits plans?

Health trusts: Sears Canada isn't the first employer to face challenges around retiree benefits. As a result of the restructuring saga at Stelco Inc., some retirees will now receive benefits through a health trust.

Lisa Mills, a partner at Brown Mills Klinck Prezioso LLP in Ottawa, expects health trusts to become more common because they allow an employer to pool longevity risk and mitigate rising drug costs while removing the liability from the balance sheet.

"From an employer's perspective, it's almost like a [defined contribution] plan, because their contributions are limited and don't reflect the liabilities and the benefit cost," she says, adding health trusts are managed by an independent group of trustees that can change a plan based on many factors, including the rising cost of certain drugs.

Health trusts may be suitable for larger organizations and collectively bargained plans but they're not for every employer, notes Nabil Merali, vice-president and Toronto practice leader for health and benefits at Aon Hewitt. "There's a lot of administration, actuarial and other costs that go into setting up the trust, plus the ongoing maintenance and governance of it," he says.

Health-care spending accounts: A health-care spending account also limits employer liability and allows individual retirees to choose how they're

going to allocate their funds, says Mills.

Sandra Ventin, associate vice-president at Accompass Inc., notes that option is becoming more common because it limits an employer's liability and reflects what it can afford. "The concept of, 'We will earmark X amount,' like they would under an active population, is a similar theme," she says.

Moving to a health-care spending account is easier to do before benefits have vested upon retirement, but Mills warns of possible legal consequences.

"Like any benefits change, a unilateral change could attract constructive dismissal risk if the change is considered a fundamental change to the terms of employment," she says.

In cases where the retiree benefits have vested, however, an employer can't unilaterally change to a health-care spending account unless it has reserved the right to do so at the time of retirement, notes Mills. "HCSAs have also been used as a settlement tool; for example, where insured retiree benefits plans are removed and replaced with HCSAs or with a skinnier insured retiree benefits plan and a small HCSA."

Voluntary buyouts: Another option is a voluntary buyout, which is a lump-sum, taxable payment in exchange for benefits. It is, however, a slightly trickier option, says Merali. "There are no rules dictating how much you have to give them in relation to the liability," he adds, noting some companies go as low as 30 per cent while others provide 100 per cent because the lump-sum is taxable. "So, depending on what your financial objectives are and your overall objectives are, you give the member a certain percentage of the liability as taxable cash."

From the employer's perspective, the payment eliminates any liability down the road but it has to have the money to do it, says Merali. "Also, we don't know what's going to happen in the future. If the federal government announces a national seniors drug program and they're going to start picking up these costs, then that would reduce the liabilities of plan sponsors."

Restricting new drugs: Implementing caps to eliminate a plan's open-ended nature is another way to lower risk.

Many plans allow for coverage of new drugs as they come onto the market and the cost passes straight to the employer, says Merali. "If you think about it, when the individual retires, the firm may or may not have made a promise to cover things that are on the market today. Ten years from now, when a new drug comes to market, why should we cover that drug at 100 per cent?"

Freezing or capping the list of covered items and the reimbursement level at the year of retirement eliminates that cost pressure, notes Merali. "The employee would see their costs go up over time, but ultimately, this could knock 30 or 40 per cent off a company's liability."

NEW COPAYMENT OPTION FOR OPSEU MEMBERS

Last year, the Ontario government and the Ontario Public Service Employees Union reached an agreement on post-retirement benefits for members of the OPSEU Pension Trust. The agreement aims to reduce liability in the plan by \$1 billion over five years, according to the government.

Members who have at least 10 years of service on or after Jan. 1, 2017, are able to choose between two options: receiving the existing coverage but paying 50 per cent of their premiums or having a modified package (priced at 50 per cent of the first option in 2016) with the province paying the full amount.

The government paid the full amount for post-retirement benefits before the change, says Bob Eaton, who handles employee relations at OPSEU.

"It broke a long-standing covenant that retirees would have the health benefits they agreed to before dedicating a lifetime to the [Ontario public service]," he says.

In an email to *Benefits Canada*, Ann Doose, a spokesperson for the Treasury Board Secretariat, said the Ontario government continues to manage costs in a responsible and fair way. "With half of all government spending going to compensation, including post-retirement benefits, managing these costs is essential to ensuring sustainable public services that Ontarians rely on."


Other options: Many employers are putting copayments in place or are pointing those close to retirement towards an insurer for a private health plan. "We're starting to see those conversations where employers will say, 'Here are some options, some tools, some education, and here's how I can be a facilitator of it.' But they're not saying, 'And we're providing it,'" says Ventin.

Plan sponsors can also adjust eligibility requirements but they must be transparent when communicating those changes, she adds. "Employers are needing to really make sure they're safeguarding themselves, so this eligibility and who's qualifying for future benefits promises into their retirement years is very clear."

Indeed, employers could also promote long service by setting an amount of time an employee must work for the company before qualifying for retiree benefits. "For some of our clients, they're starting to say, 'We need to push that time horizon out longer,'" says Ventin.

Regardless of their obligations, most employers are looking at strategies to reduce their liabilities around retiree benefits, according to Merali.

"There are very few that don't deem it to be a risk," he says.

"Certainly, those in collective bargaining agreements realize it's impossible to change . . . but the vast majority realize that they didn't sign up for this 30 years ago when these were first put in place." 

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



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Key questions for plan sponsors as marijuana legalization quickly approaches

As the broader legislative and societal underpinnings related to marijuana use undergo rapid shifts, employers and the courts are adapting. It seems almost every month brings news about an organization that's extending medical plan coverage either proactively — such as Shoppers Drug Mart, Veterans Affairs Canada and the Ontario Public Service Employees Union — or in reaction to the decision of a court or tribunal.

Even though many of the details are pending, the future legislative framework is now clear enough that employers need to adapt their human resources policies and benefits plans to the new norm.

The starting point for employers today is to understand how their existing programs and practices can and should adapt to an environment that includes both medical marijuana and legalization of the drug for recreational use. When it comes to human resources policies, employers should look at them from two perspectives:

1. How do they currently deal with employees who take legal prescription drugs, such as painkillers, that may affect their performance at work? They need to align their practices around medical marijuana with those policies.
2. How do they currently manage employees who take legal, non-medical substances, such as alcohol, that may affect their performance? Again, they need to align their practices around recreational marijuana with those policies.

As a result, employers need to review and amend a range of policies in areas such as drug testing programs, impairment at work and requirements for safety-sensitive positions. Without the element of illegality, marijuana fits

nicely into existing frameworks.

Taking that approach, one topic that appears regularly with respect to medical marijuana and safety-sensitive positions is the lack of reliable ways to test for impairment. People will often point to the ability to do breathalyzer tests for alcohol impairment as the point of comparison. But once we shift the comparison to opioids instead of alcohol, the difficulty in testing for impairment becomes more meaningful.

Many of those policies have always required subjective observation and difficult conversations to manage them properly in the workplace. Adding marijuana to the policy may raise the number of those conversations but it doesn't change their underlying nature. If an employee had dental surgery and is coming to work taking a painkiller, an employer should treat the person similarly, regardless of whether the drug is Percocet or medical marijuana.

Issues for benefits plans

In light of a ruling by the Nova Scotia Human Rights Commission in January, employees are increasingly asking why benefits plans don't cover medical marijuana if, like other drugs, it requires a prescription. It's a good question. There are a couple of aspects to the answer.

The first is that a prescription drug

typically needs to have a drug identification number assigned by Health Canada to be eligible for coverage. Medical marijuana doesn't have one.

Second, a medical marijuana patient using two or three grams per day will spend up to \$10,000 a year, so the costs are significant. The issue arose in the 2016 auditor general's report, which indicated that Veterans Affairs was on track to spend \$25 million on medical marijuana in 2016/17.

Lastly, most benefits plans don't cover every drug with a drug identification number without limits or restrictions. When it comes to medical marijuana, the following are the four most common drug plan features that may apply:

Prior authorization: The plan covers a drug subject to certain medical criteria. Prior authorization is common for high-cost drugs, in part to ensure a member is using them for the approved medical conditions.

Annual limits: For some drugs, plans will identify annual limits to recognize that a medical value exists while also acknowledging the possibility that some members are taking the product outside of the requirement for medically necessary use. Examples include drugs for erectile dysfunction and weight loss.



By *Tim Clarke*



balance employees' medical needs and the potential increase in cost?

The final question that employers need to ask, but they likely can't answer today, is whether medical marijuana will increase or decrease overall plan costs. There's some anecdotal evidence that employees who take medical marijuana reduce their use of other prescription medications. There's also a hypothesis that use of medical marijuana in some cases will help employees manage their conditions better and thus lead to reduced absenteeism or greater productivity at work. It will be important to test those hypotheses in the future as actual Canadian benefits plan data arise.

A proactive approach

With or without coverage under the core benefits plans, medical marijuana is eligible for reimbursement today if the employee has a health-care spending account. Regardless of the approach employers choose, plan sponsors may decide there's value in communicating that fact more proactively to employees.

And beyond the benefits questions, the challenge for employers of having one legal framework today and another in a few months is the need to have some interim policies in place. But what the situation doesn't create is a reason to delay getting post-July 2018 strategies and policies in place. Using the right perspective should enable employers to review and adapt existing policies now.

Tim Clarke is the founder of TC Health Consulting.

WHAT ARE COMPANIES DOING ABOUT MARIJUANA?

Earlier this year, the Human Resources Professionals Association released a report that included a survey of its members on how their organizations are handling questions related to marijuana.

11%

Percentage of organizations that have a policy in place to address medical marijuana

11%

Percentage of organizations that have had to accommodate an employee who requires medical marijuana

4%

Percentage of organizations that offer coverage for medical marijuana

10%

Percentage of organizations that perform some type of drug testing on their employees

Managed formularies: A growing number of Canadian plans are implementing formularies to denote a list of drugs the plan does and doesn't cover.

Exclusion of over-the-counter drugs:

Most benefits plans don't cover products that don't legally require a prescription, such as non-prescription painkillers. As of July 1, 2018, marijuana won't legally require a prescription.

Just like every other element in a benefits plan, each employer will need to review what makes sense for its organization. As a result, different organizations will come to different conclusions.

To get there, here are some questions plan sponsors should be asking today about how they'll deal with covering medical marijuana after July 2018:

- Is the comparison to over-the-counter drugs the best analogy? Should they exclude marijuana on that basis?
- Do they have a managed formulary? If they do, how will the formulary manager determine the costs and benefits of medical marijuana versus other therapeutic alternatives?
- In the absence of Health Canada prescription guidelines, how might they apply prior authorization?
- Does an annual limit make sense? On what basis should they set the limit to

CAN YOU BELIEVE IT?

Compiled by Jann Lee

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

Ford hires smell testers for Chinese market

Wanted: People with a keen sense of smell.

While people in some countries may love the smell of a new car, that's apparently not the case in China. As a result, the Ford Motor Co. employs 18 people as smell assessors to work in its research plant outside the Chinese city of Nanjing, according to Reuters. Dubbed "golden noses," the employees smell interior car parts before a car goes on the market in China and the rest of Asia.

The company needs the unique talent in China because research shows Chinese drivers prefer their cars to be odourless, Reuters reported.

The smell assessors carry out 300 tests a year and give specific ratings for the odours of all car materials, according to Reuters.

The Reuters report noted Ford is rigorous in hiring testers, as candidates have to undergo a tough selection process that includes a blind smell test. One of the company's testers told Reuters that employees have to maintain very healthy habits and that she keeps her own sense of smell sharp by refraining from spicy food, nail polish and strong perfume.



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Renaissance paintings touted as new trend in staff recognition

Forget coffee cards or even gold watches as a way to recognize employees. A Canadian art company is touting Renaissance-style oil paintings as an emerging option for employers to acknowledge performance and achievement.

"When you think about it, a gift card to a coffee shop doesn't cut it anymore," said Chris Jensen, founder of Nobilified Ltd.

"Over the past three years, we have increasingly commissioned portraits of employees to recognize top salesperson, for winners of bug-breaking competitions, to recognize employees who have made it to the one- or eight-year mark."

Nobilified says it has commissioned portraits for companies such as Yelp Inc., Twitter Inc. and Google Inc. Some companies, it says, unveil the paintings as part of monthly ceremonies, while others present them at retreats or conventions. It notes the recipients often get to pick what they'd like the painting to be of and, it points out, the portraits don't necessarily have to be of Renaissance royalty. "We have commissioned portraits of employees as football players, singers and even one as an emu," the company noted.

"Imagine walking past a portrait of yourself among those of your peers every morning as you get to your desk or seeing those peers and working diligently to see yourself commemorated alongside them," it added, touting the joy the paintings bring and the resulting boost in employee engagement.



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CEO sends off-hours texts as interview technique

Here's a chief executive officer with a novel technique for making her expectations of employees clear early on in the interview process.

In an interview with the *New York Times*, Erika Nardini, head of Barstool Sports Inc., noted she sends text messages to prospective employees outside of normal working hours to watch for their responsiveness.

"What's the right response time?" the *Times* interviewer asked.

"Within three hours," Nardini told the *Times*.

"It's not that I'm going to bug you all weekend if you work for me, but I want you to be responsive." 



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