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AT A GLANCE ...

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employee benefits specialists

Reg Gill was Coughlin & Associates Ltd.'s president from 1978 to 1984.

Coughlin says good-bye to its former president

Former Coughlin & Associates Ltd. President Reginald (Reg) Gill passed away on September 26 following a lengthy illness. He was 83.

Mr. Gill joined Coughlin in the early 1970s and was responsible for establishing the company's western Canadian operations, based in Winnipeg.

In 1978, following the retirement of the company's first president and founder James E. Coughlin, Mr. Gill was appointed president of Coughlin & Associates Ltd. Along with partner and eventual successor Michel (Mike) Poirier, Mr. Gill helped to expand the company and established many of the business practices and customer-oriented services that have made the Coughlin organization so successful.

He held the position of president until his retirement in 1984.

Mr. Gill was known for his positive attitude, practicality and for being a team player with a kind, gentle manner.

He is survived by his wife of 63 years, Irene, daughter Gaylene Siedleski (who is the pension supervisor of Coughlin's Winnipeg office) and her husband Randy, and son and daughter-in-law Daryl and Eunice Gill. ❧

Majority worry about cancer drug costs

The vast majority of Canadians feel they would not be able to afford the cost of drugs if they were diagnosed with cancer, a study by the Canadian Cancer Society indicates.

According to its survey of more than 2,300 people across the country, 85 per cent feel that the cost of cancer drugs would likely have a negative impact on their personal finances. A total of 47 per cent said that drug costs would likely have a "***major** negative impact*" on their personal finances.

Those fears may be well-founded, the Society says. According to the organization, three-quarters of new cancer drugs taken at home cost more than $20,000 per treatment. The average single course of treatment for newer cancer drugs costs $65,000, well more than the average annual income of most people.

"It is not acceptable that cancer patients should worry about how they are going to pay for the drugs they need," says Canadian Cancer Society spokesperson Aaron Levo. *"The universality of health care is being seriously threatened by this issue."*

Complicating the problem is the fact that provincial coverage for cancer medication is no longer consistent across the country. Some medications are not available in all provinces. As well, the extent of provincial health care coverage for medications taken at home is also inconsistent.

"The lack of a national approach to drug coverage is resulting in a disturbing shift from universal health care to health care by postal code and pocket book," Mr. Levo says.

Other findings from the survey include the following:

- Only 34 per cent of Canadians have confidence that the national health care system will provide affordable cancer drugs in the event they are diagnosed with cancer.
- The majority of respondents, 74 per cent, said they would support a federally-funded national catastrophic drug coverage program.
- A total of 84 per cent of those surveyed said they would support a federal program to eliminate the cancer drug price and coverage differences between the provinces.
- **Group medical coverage is the leading resource people would use to pay for cancer medications**. In the survey, 41 per cent said they would rely on their group medical plan to pay for cancer drugs while 38 per cent said they would use their savings and earnings, and 24 per cent indicated that would use private drug plans to finance their drug expenditures.
- Half of all new cancer drugs are taken at home, leaving patients responsible for paying the full cost of the drugs.
- 80 per cent of Canadian oncologists say their treatment recommendations are influenced by a patient's ability to pay the anticipated drug costs.

More than 173,800 new cases of cancer will be diagnosed this year, the Canadian Cancer Society says. More than 76,200 people will die from the disease.

The study could serve as a warning to plan sponsors with drug plans. With cancer rates increasing and drug treatments being "downloaded" from hospitals to individuals, group drug plans will be under increasing pressure to cover the costs of cancer medications.

If not already in place in your plan design, coverage maximums and stop-loss arrangements should be considered.

Contact your Coughlin benefits consultant for more information. ❧

Quebec now covers assisted reproduction

Effective August 5, 2010, assisted reproduction services are now covered by Quebec's public health system.

Under the province's new regulations, all women of childbearing age living in the province will be eligible to be covered for in-vitro fertilization treatments under the public health care plan, including post-diagnostic laboratory examinations.

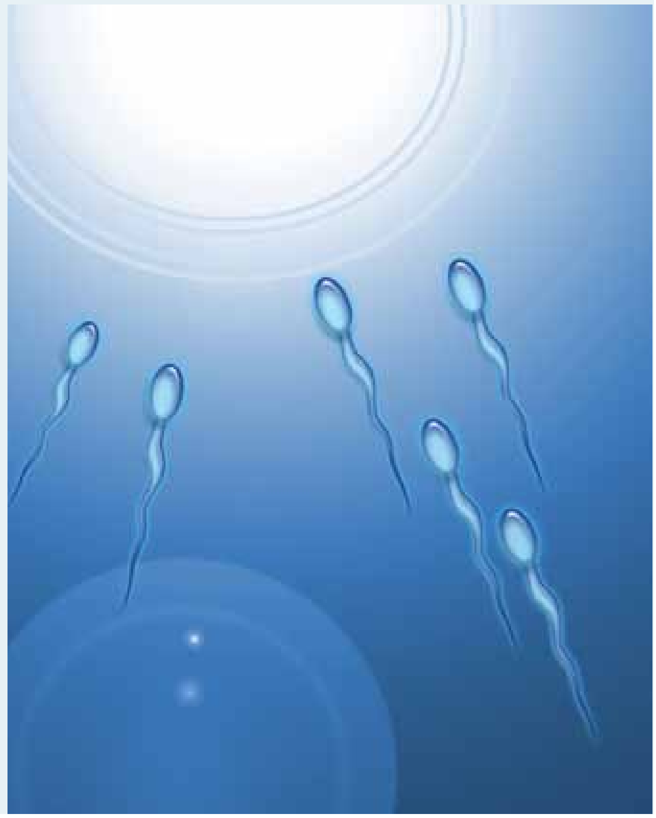
In addition, under Quebec's prescription drug coverage legislation, insurers must, at minimum, offer equivalent coverage to that provided by the public health insurance plan. As a result, drugs prescribed for assisted reproduction treatments that are included in the public health care plan must now be covered under plan sponsors' group drug plans. Previously listed exclusions and maximums will no longer apply.

Under the Quebec plan, coverage will be provided for three stimulated cycles of in-vitro fertilization and up to six natural or modified natural cycles. If the in-vitro fertilization is successful, the provincial plan will cover an additional three stimulated cycles and six natural or modified cycles if the woman chooses to try to have another child.

As a result of this change, the following drugs have been added to the Régie de l'assurance-maladie du Québec (RAMQ) formulary: Serophene; Endometrin; Repronex; Cetrotide; Lutrepulse; Bravelle; Orgalutran; Menopur; Gonal-f; Puregon; and Ovidrel.

Plan sponsors will now be required to cover these medications for their members living in Quebec.

Utilization rates of these medications are expected to increase with the coverage change. ❧



Generic drug prices increase in Ontario

Despite legislation lowering generic drug prices, costs for many generic drugs in Ontario have actually increased, according to media reports.

While Ontario's new generic drug price regime may affect approximately 300 generic medications listed in the province's drug formulary, the new price structure does not apply to older products that have been on the formulary for five or more years or to drugs that no longer have brand-name reference products on the market.

"There are also cases where some generics are single-source, meaning that only one generic company may be making the product. Their products are not subject to the new pricing rules," says Mike Sullivan, president of Cubic Health, a Toronto-based drug research and management firm. In addition, he says, many infrequently prescribed generic drugs are exempt from the new regulations.

Ontario's Ministry of Health has also confirmed that the new price regime introduced by the government earlier this year applies only to drugs listed on the Ontario Drug Benefit (ODB) plan formulary. Drugs not on the formulary are subject to price increases. As well, drugs that are produced as creams or sprays may also be excluded from the pricing requirements as they cost more to manufacture than tablets or pills.

As a result, plan sponsors in Ontario should not expect to see large or sudden reductions in their drug plan costs even if plan experience suggests that their plan members are purchasing more generic drugs. ❧

Ontario universities face pension solvency crisis

The government of Ontario says it will not bail out the pension plans of its 19 universities.

According to Training, Colleges and Universities Minister John Milloy, a number of the province's university pension plans are *"quite frankly, not sustainable,"* and will have to be redesigned to make them more viable.

"They're going to have to sit down with employees and negotiate a plan," Mr. Milloy says.

According to the Council of Ontario Universities, which represents the province's 19 universities, at least seven large institutions will need pension funding relief. Among them are the pension plans of the universities of Toronto, Queen's, York, McMaster, Guelph, Carleton and Trent.

Like many pensions, the university plans invested heavily in equities and mortgage-backed securities prior to the market collapse of 2008. While the market rebound of 2009 relieved some funding pressures, many university pension plans still face large solvency deficits. Complicating their problem is fact that many academic plans have an older membership that is the expected to retire within the next few years. For example, according to the Ontario Confederation of University Faculty Associations (OCUFA), the organization representing 15,000 university professors and librarians, more than one-third of its membership is age 55 or older.

According to OCUFA Executive Director Henry Mandelbaum, the universities, along with their unions and staff members, will have to agree to higher pension contributions, lower benefits or a combination of both.

"Not everybody is in trouble," Mr. Milloy asserted. *"However, it is in their best interest to come up with a solvent pension plan."* ❧

Ontario says "no" to increasing pension guarantee fund payouts

While improved governance and plan solvency highlighted the Ontario government's recent changes to its Pensions Benefits Act (PBA), the maximum payout available through the province's pension benefits guarantee fund will remain unchanged, says provincial Finance Minister Dwight Duncan.

The pension guarantee fund is designed to provide members of failed pension plans with up to \$1,000 a month. While the fund has been in existence for 30 years, the need for it has been relatively small. The plan itself has also been underfunded, with only \$100 million set aside to provide pension payments to plan members, enough to support 8,300 pensioners.

The fund's weakness became evident this past year when large companies such as Nortel, General Motors, Chrysler, AbitibiBowater and others faced insolvency, leaving tens of thousands of pensioners with little or no income.

Despite recommendations from the Ontario Expert Commission on Pensions to raise the maximum pension support level to \$2,500, the Ontario government instead directed an additional \$500 million to the guarantee fund and increased the required contributions by plan sponsors to \$5 annually per member from the current \$1.

While labour groups and employers have supported the funding top-up, additional changes to the Ontario pension system are expected to be announced later in 2010. Those changes are likely to be *"more in-depth and controversial than previous changes,"* Mr. Duncan warns.

Ontario is the only province that operates a pension benefits guarantee fund.

More than 8,000 pension plans are registered in the province. ❧

Country's largest multi-employer pension faces benefit cuts

The largest multi-employer pension plan in Canada is facing the prospect of either cutting pension benefits by as much as 50 per cent or sharply increasing member contributions.

The Canadian Commercial Workers Industry Pension Plan (CCWIPP) says that its $759 million actuarial liability may force its plan trustees to consider a *"major benefit restructuring"* in the near future. In addition, plan members may have to increase their plan contributions by 40 cents per hour just to maintain current benefit levels.

The CCWIPP plan covers 130,000 active members and 20,000 retirees represented by the United Food and Commercial Workers Union and employed by more than 300 employers across Canada.

While the plan has more than $1.5 billion in assets, its value declined by almost 20 per cent in the 2008 market crash. The plan suffered further losses prior to that when it invested in higher risk properties and resorts in the Caribbean. Losses on those investments led to regulatory investigation that ultimately, resulted in nine of the plan's trustees being fined a total of $202,500 by the courts for directing too much of the pension's assets to questionable investments.

"If there are no additional negotiated contributions, then members of the plan will go on to a benefit scale that is up to 50 per cent of what they are accruing on a future basis," says senior trustee and United Food and Commercial Workers Union President Wayne Hanley.

Negotiations between the union and the plan's various employers continue. ❧

Manitoba introduces pension plan for child care workers

Workers employed by children's day care centres and nurseries in Manitoba will soon be able to qualify for pension benefits under that province's new childcare worker pension plan.

The program will provide pension coverage to the 6,900 child care workers in the province, including those who operate home-based day care centres.

According to Family Services and Consumer Affairs Minister Gord Mackintosh, both part-time and full-time employees will be eligible for pension coverage under the new provincial plan.

Under the new defined contribution pension, plan members employed by day care centres and nurseries will be able to contribute up to four per cent of their salary toward the pension plan. Their contributions will be matched by the provincial government. Individual operators of home-based day cares will receive a 50 per cent reimbursement on their annual registered retirement savings plan (RRSP) contribution to a maximum of $1,700 per year. In addition, those that have worked in the child care sector for a number of years will, upon retirement, be eligible to receive a lump sum payment of up to four weeks of pay per year of service to a maximum of 10 years.

To be eligible for benefits, full-time employees must work an average of 30 or more hours per week. They will be required to join the pension plan after two years of service. Part-time members will also be eligible to join the plan after two years, provided they meet specific hourly work requirements to be set by the government.

The new pension plan is expected to cost the Manitoba government $6.6 million per year. ❧

Retirement planning? 'Tomorrow. Maybe', Canadians say

When it comes to retirement planning, Canadians prefer to live by Mark Twain's adage about the weather: *Everybody talks about it, but nobody does anything about it.*

According to a report from the BMO Retirement Institute, 90 per cent of 2,034 Canadians surveyed by that organization agree that retirement planning should begin early in life yet, almost half, 40 per cent, have done nothing to prepare for it.

The survey, conducted by The Strategic Council, said that immediate gratification had a higher priority for 80 per cent of respondents than saving for future needs. In addition, one-third of respondents also mentioned that they felt overwhelmed by too much information, which prevented them from choosing an appropriate retirement plan. Other factors, such as inability to imagine events 20 or 30 years in the future and mixed messages from financial advisors, were also cited as reasons for retirement planning procrastination.

"While it's often hard to act against our natural instincts, it is critically important that Canadians take an active role in planning for their future," says Tina Di Vito of the BMO Retirement Institute. *"Taking responsibility for one's own retirement early on can ensure individuals will be set up for success by the time they're ready to stop working."*

Demographic cycles play a key role in influencing retirement savings habits, the study suggests. For example, 25 per cent of those age 35 to 44 are more concerned about debt while 50 per cent of survey participants in that age bracket admit that they have fallen behind in their financial planning. Almost half of those with children under the age of 18 are less likely to view retirement savings as a priority.

The key to retirement savings success is to begin retirement planning and savings as early as possible, even in one's 20s, the study suggests. However, that may involve overcoming the psychological barriers or behaviours that prevent most people from planning for the distant future, the BMO Retirement Institute says.

"The idea of starting a regular retirement savings plan is overwhelming for many people" Ms. Di Vito noted. *"So, start small. The chances are, if you start something, like contributing to an RRSP, you're going to keep doing it."* ❧

Courts can't order pension plan wind-up

Courts do not have the power to force the wind-up of a pension plan, the Ontario Court of Appeal says.

The Court was considering the case of a large mining and smelting company that established a defined benefit pension plan in 1966. Under its original terms and trust agreement, funds in the pension plan could not be used or diverted for *"purposes other than for the exclusive benefit of plan members."*

In 1997, the plan was converted to a defined contribution arrangement. Members could exercise a one-time option to convert their accrued benefits to the new arrangement while newly enrolled members could participate only in the defined contribution plan. That arrangement was challenged by one plan member who sought $2 million in damages on the basis that the plan amendments diverted assets away from the original pension plan, constituting breach of trust. He also argued that the pension plan should be wound-up under the terms of the Pensions Benefits Act.

The employer challenged that assertion, arguing that courts could not force the wind-up of a pension plan.

The lower courts supported the plan member, stating that a court has a right to *"fashion an appropriate remedy when it finds the rights of pension plan members have been breached and the compelling a plan sponsor to do something under the Pension Benefits Act does not offend the supervisory authority of the Superintendent of Financial Institutions."*

In overturning the lower court ruling, the Court of Appeal stated that a court does not have the authority to order the wind-up of a plan at the request of plan members if the wind-up would be contrary to societal interests for which pension plans exist, the terms of the pension plan's governing documentation concerning plan termination, and existing legislation.

In its review of the Pensions Benefits Act, the Appeals Court noted that, where no plan termination documentation exists, there are only two ways by which a pension plan could be wound-up: by the initiative of the employer; or by the Superintendent of Financial Institutions exercising his/her authority in specific situations. If plan members do have a concern about the administration of their pension plan, they have a right to turn to the Superintendent for remedy, the Court of Appeal said. Allowing the courts to intervene and decide whether a wind-up is appropriate would undermine that principle.

The Court of Appeal took its position one step further by stating that, if the court could not force the wind-up of a pension, it also could not force the dissolution of a pension trust as a pension plan and its trust fund are *"dissociable"*. ❧

Mental illnesses dominate disability claims

Mental illness accounts for more lost work days than any chronic illness, according to the Centre for Addiction and Mental Health (CAMH).

In its study of short-term disability (STD) trends published in the September 2010 edition of the *Journal of Environmental Medicine,* mental illnesses resulted in $51 billion in lost productivity in 2009. In Ontario alone, almost 34,000 full-time employees submitted claims for STD benefits resulting from various mental illnesses.

To make matters worse for plan sponsors, not only is mental illness the most frequently claimed short-term disability, at an average of nearly $18,000 per claim, it is also the most expensive cause of disability.

"The actual cost of mental health leave, on average, is double the cost of leave for physical illness," says Dr. Carolyn Dewa, of the CAMH Work and Well-being Research and Evaluation Program. *"In an average year, a firm with 1,000 employees might expect about 145 disability cases. Of this, only a fraction are on disability due to mental illness, yet it costs employers the most."*

The CAMH study suggests that early health and welfare intervention within the workplace could reduce STD claims, particularly during layoffs and times of economic uncertainty. Stress management courses, access to physical fitness programs and more emphasis on work-life balance can help employees to better cope with stress and other contributors to mental illness.

"We know that mental health triggers in the workplace can lead to disability," Dr. Dewa noted. *"Things like stress, casual and part-time work, and uncertain economic conditions can really take a toll on workers, especially those with pre-existing health conditions. While it is important to support workers that are on disability leave, it is crucial that businesses make mental health and wellness a priority to prevent disability in the first place."* ❧

Retirement changes spark strikes and protests in Europe

Despite nation-wide protests and strikes, the government of France has passed legislation increasing its official retirement age to 62 from age 60.

However, France is not the only country facing turmoil resulting from recently introduced pension reforms. Throughout Europe and even in China, governments have faced strong opposition from workers, students, unions and retirees faced with the prospect of having to work longer before being eligible to receive government pension benefits.

The following summary lists the new minimum retirement eligibility requirements of selected countries and the dates the new rules will become effective:

Country	Current minimum retirement age	New minimum retirement age	Effective date
France	60	62	2018
Germany	62	63	2029
Spain	61	63	2025
United Kingdom	65 men/60 women	66 men/65 women	2024
Greece	61	63	2015
Netherlands	65	67	2025

In Canada, the minimum qualification age for Canada Pension Plan benefits is 60, with full benefits available at age 65.

Currently, eligible Canadians retiring before age 65 face benefit reductions amounting to 6.0 per cent per year with a maximum reduction of 30 per cent occurring at age 60. Beginning in 2011, the benefit reductions will total 7.2 per cent for each year a person retires prior to age 65 with a maximum reduction totalling 36 per cent at age 60.

Changes to Canada's retirement legislation passed without incident. ❧

Fast facts

- The 2010 Sanofi-Aventis health care survey says that 63 per cent of benefit plan members report they suffered from stress, fatigue or insomnia in the past year. Almost half of those under stress, 45 per cent, cited work-related issues as the leading cause of their distress. A total of 22 per cent indicated that personal issues accounted for their personal stress. Financial worries and health problems followed at 20 per cent and 19 per cent respectively.

- The majority of benefit plan members think highly of their plan's quality, according to the 2010 Sanofi-Aventis health care survey. A total 59 per cent of the 1,508 people surveyed had positive feelings about their benefit plan's design and overall quality.

- The average hourly wage of Canadian workers, according to BMO Capital Markets: $22.44.

- Percentage of workers willing to take a pay cut in order to secure a guaranteed work-life balance, according to a Harris-Decima poll for Monster.ca: 80.

- Average number of hours worked each week by Canadians, as reported by the Rotman School of Management: In 2010: 33.24 per week. In 2000: 34.69.

- Percentage of small business owners working 60 of more hours per week: 38. Percentage reporting to be "very happy" with their work: 62.

- The number of unionized workers in Canada increased to 4.5 million in 2010 compared to 4.3 million in 2005, a growth of 3.7 per cent. The number of non-unionized workers jumped to 9.7 million from 9.1 million in the same period, a 6.6 per cent rise. At 7.7 per cent, the self-employed contingent experienced the largest percentage increase with 2.7 million in 2010, compared to 2.5 million in 2005.

- Number of people working in the private sector in 2010: 10,748,900. Number working in public sector: 3,509,200.

- Taxpayers in the city of Ottawa will have to pay $30 million over the next three years to top-up that city's municipal workers' pension plan, according to Treasurer Marian Simulik. Plan member contribution rates should increase by one per cent in 2012 and 0.9 per cent in 2013, Ms. Simulik says.

- The number of anti-psychotic drug prescriptions dispensed to Canadian children under the age of 12 in 2005, according to IMS Health: 376,460. The number filled in 2009: 994,002. Percentage increase in four years: **164 per cent**.

- China has shelved proposals to raise its retirement age to offset potential funding shortfalls in its government pension plan. The current retirement age is 60 for male workers and officials, 50 for women workers and 55 for female officials. Like western countries, China's population is aging. By 2040, 28 per cent of that country's population will be over the age of 60.

- The British Pension Policy Institute says that the minimum age to qualify for a government pension in that country should increase to 72 by 2030. According to the Institute's reasoning, in 1981, people could expect to receive a state pension for 25 per cent of their lives. With increases in life expectancy, that level has now jumped to 33 per cent of lifespan and will continue to increase over the next 20 years. Setting the qualification mark at age 72 by 2030 will return the payout period to its 1981 equivalent.

PPN update

The following pharmacies have joined Coughlin & Associates Ltd.'s Preferred Provider Network (PPN).

Murray Shore Pharmacy, located at 3537 Bathurst Street, Toronto, Ontario. Call: 416-789-1800.

Fairfield IDA Pharmacy, located at 17 Lombardo Drive, Kanata, Ontario. Call: 613-435-7887.

Specialty Care Pharmacy, located at 1215 B North Service Rd., Oakville, Ontario. Call: 905-469-5522. ❧

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