

MONEY

DOLLAR



DOWN 0.20¢
76.37¢ US

BRITISH£



UP 0.90¢
\$2.0489 CDN

EURO



DOWN 0.27¢
\$1.4543 CDN

S&P/TSX



UP 39.48
14,277.88

NASDAQ



UP 14.68
5,048.24

DOW



UP 69.15
17,477.40

NIKKEI



DOWN 76.10
20,519.45

GOLD



DOWN \$0.90
\$1,114.70 US

OIL



DOWN \$0.09
\$42.14 US

PRIME



UNCHANGED
2.75%

■ INVESTMENTS

CPP slips in ‘choppy market’

BARBARA SHECTER
Financial Post

TORONTO — The Canada Pension Plan Investment Board is continuing to pursue global investments, including a large transaction in Asia, even though declines in major global equity and fixed income markets hampered the returns of the CPP Fund in the first quarter of the fiscal year.

A \$4-billion increase in assets came entirely from \$4.2 billion in CPP contributions as the fund posted a net investment loss of \$0.2 billion during the period that ended June 30.

“In a quarter where everything essentially went against us, to be flat is a pretty good outcome,” said Mark Wiseman, chief executive of CPPIB, which invests funds that are not needed by the Canada Pension Plan to pay current benefits.

“Amid these difficult market conditions, our private investment programs generated meaningful income, exemplifying the benefits of building a resilient, broadly diversified portfolio.”

Wiseman said his team is able to continue pursuing investments around the world, including one he described as “a large transaction is Asia,” because the fund’s size and scale and diversification, and a long-term investment horizon, provide stability



MATTHEW SHERWOOD/NATIONAL POST
Mark Wiseman, president and CEO of the Canada Pension Plan Investment Board, speaks at the Institute of Corporate Directors National conference at the Sheraton Toronto Centre in June.

in these volatile times.

“Our comparative advantages, given the choppy market conditions, are coming to the fore,” he said in an interview.

“At some level, volatility is our

friend. In conditions like this, we are able to transact and continue to diversify and build our portfolio (when) others are running in the opposite direction.”

At the end of the quarter, pub-

lic equities accounted for just shy of 32 per cent of the asset mix, with fixed income at about 33.5 per cent.

Private equities sat at just under 18 per cent, with the bal-



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chief executive of CPPIB

ance in real assets (real estate and infrastructure).

The CPP Fund’s 10-year annualized real rate of return, accounting for the impact of inflation, is 5.8 per cent.

In 2012, Canada’s Chief Actuary said the Canada Pension Plan would be sustainable for 75 years at current contribution rates with a real rate of return of four per cent.

Returns over the past decade are “comfortably above” that assumption, CPPIB said Friday, adding long-term returns are a “more appropriate measure of CPP’s performance than returns in any given quarter or single fiscal year.”

■ OPINION

Why collecting points is pointless for many

GARRY MARR
Financial Post

There are more than 70 million credit cards in Canada. How many of them are attached to loyalty cards? We can only speculate.

What we do know is that every month about 60 per cent of all the debt accumulated on those cards will not get paid and the users will end up dinged for interest charges in the range of 20 per cent on an annualized basis.

Yet, the endless hunger for points and rewards for everything from free flights to hotels to university tuition continues. It’s a pursuit that ignores the obvious — namely if you are paying interest on your credit card debt there is no points program in the world that will make your behaviour make sense.

“It’s just stupid,” says Laurie Campbell, executive director of Credit Canada, a debt counselling service. She’s a little tired of people obsessing over their point balances instead of credit card balances, hence the abrupt answer. “This is very prevalent I can tell you from the clients we see in here. It’s so sad.”

There are non-reward credit cards with lower interest rates, but even at 11.99 per cent — that’s a competitive rate — you’re much better off with a line of credit tied to the 2.75 per cent prime lending rate. Even an unsecured line of credit at 300 basis points above prime would only be 5.75 per cent. But still people are determined to use their credit cards.

“Even though they might have \$10,000 (outstanding) on their credit cards with the rewards points they don’t want to resolve (their debt). They don’t want to cut up their cards because of the reward,” Campbell says.

Delinquencies are still very low — the Canadian Bankers’ Association says only 0.8 per cent of users haven’t made a payment in 90 days or more — but that belies the real story. Anyone with a credit card knows there is a minimum payment you can get away with every month and many consumers are taking advantage of that. Simply put, a lot of people are hanging on by the skin of their teeth.

Campbell points out even if you think the reward somehow justifies more spending, keep in mind the reward only pays for part of the trip. “Maybe you can get there (on points), but how are you going to pay for the hotel, how are you going to pay for food?” Campbell says.

There is nothing wrong with having a reward card, Campbell says, as long as you pay the bill in full every month and avoid spending on “frivolous” things just to get points.

The problem is the number of people who don’t behave this way. TransUnion Canada says for every \$1,000 charged in a given month, only about \$600 will be paid off by the due date to avoid interest charges.

“Typically people will carry a higher balance,” says Jason Wang, director of research and industry analysis. “If you

talk to somebody in the lending industry, they don’t care because at the end of the day, the profit and loss books are driven by how much interest they charge on the balances.”

He agrees it would be impossible to find reward program that justified carrying a balance on a credit card. If you consider cash back rewards, they usually offer the equivalent of a one per cent rebate on purchases. At 20 per cent interest annually, it’s pretty simple to see how carrying a balance with cash back makes no sense.

“With points it’s not all straight forward,” says Wang, adding even high reward options will not create a profitable scenario.

Patrick Sojka, who runs Rewards Canada, which does an annual ranking of the best cards in the country, says at least half of the credit cards out there have some type of rewards affiliation. He estimates there are more than 150 different reward cards in circulation.

He lumps loyalty cards into the cash-back category, where you get a certain

percentage of your purchases back, and what he calls coalition cards that allow you earn points or miles and provide different options to use them, including travel.

The cashback cards will offer a higher rebate for certain types of purchases but generally settle in at a one per cent. It gets trickier for other reward cards. The so-called deal where you pay off your tuition translates into about 0.5 per cent but some business class travel or high-end hotels means you are getting a 4 per cent to 5 per cent on your spending.

Canadians might be starting to get this message. TransUnion says credit card debt is falling while instalment loans and lines of credit are rising.

Brent Reynolds, vice-president of marketing and analytics with Capital One Canada, says consumers need to focus on return but also on how easy the reward is to collect. “You really need to research your own lifestyle” says Reynolds, adding you want to research what will give you the most bang for your buck.

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ONTARIO ENERGY BOARD NOTICE TO CUSTOMERS OF UNION GAS LIMITED

Union Gas Limited has applied for approval to change its gas commodity, storage and transportation rates effective January 1, 2016.

Learn more. Have your say.

Union Gas Limited has applied to change its rates to better reflect how it supplies natural gas to its customers. The proposed changes include the following:

- A change in the reference price used to set rates on a quarterly basis for a majority of its customers; and
- A change to how it allocates costs to the different types of customers that it serves.

An average residential customer would see the following annual bill impact, but these impacts would only start in 2018:

Residential Customer – Service Area	Approximate Bill Impact
Southern Ontario (Windsor to Hamilton)	Decrease of \$20
Northern Delivery Area (North Bay to Kapuskasing)	Increase of \$26
All Other Delivery Areas	Decrease of \$1.50 – \$51.50

Other customers in Union Gas Limited’s service area, including businesses, will also be affected.

THE ONTARIO ENERGY BOARD IS HOLDING A PUBLIC HEARING

The Ontario Energy Board (OEB) will hold a public hearing to consider the application filed by Union Gas.

We will question Union Gas on the case. We will also hear arguments from individuals and from groups that represent the customers of Union Gas. At the end of this hearing, the OEB will decide whether to approve the changes that Union Gas has requested in this application.

The OEB is an independent and impartial public agency. We make decisions that serve the public interest. Our goal is to promote a financially viable and efficient energy sector that provides you with reliable energy services at a reasonable cost.

BE INFORMED AND HAVE YOUR SAY

You have the right to information regarding this application and to be involved in the process.

- You can review the application filed by Union Gas on the OEB’s website now.
- You can file a letter with your comments, which will be considered during the hearing.
- You can become an active participant (called an intervenor). Apply by **August 25, 2015** or the hearing will go ahead without you and you will not receive any further notice of the proceeding.
- At the end of the process, you can review the OEB’s decision and its reasons on our website.

LEARN MORE

Our file number for this case is **EB-2015-0181**. To learn more about this hearing, find instructions on how to file letters or become an intervenor, or to access any document related to this case, please select the file number **EB-2015-0181** from the list on the OEB website: www.ontarioenergyboard.ca/notice. You can also phone our Consumer Relations Centre at 1-877-632-2727 with any questions.

ORAL VS. WRITTEN HEARINGS

There are two types of OEB hearings – oral and written. The OEB will determine at a later date whether to proceed by way of a written or oral hearing. If you think an oral hearing is needed, you can write to the OEB to explain why by **August 25, 2015**.

PRIVACY

If you write a letter of comment, your name and the content of your letter will be put on the public record and the OEB website. However, your personal telephone number, home address and e-mail address will be removed. If you are a business, all your information will remain public. If you apply to become an intervenor, all information will be public.

This hearing will be held under section 36 of the Ontario Energy Board Act, 1998, S.O. 1998 c.15 (Schedule B).



Ontario
Ontario Energy Board / Commission de l’énergie de l’Ontario