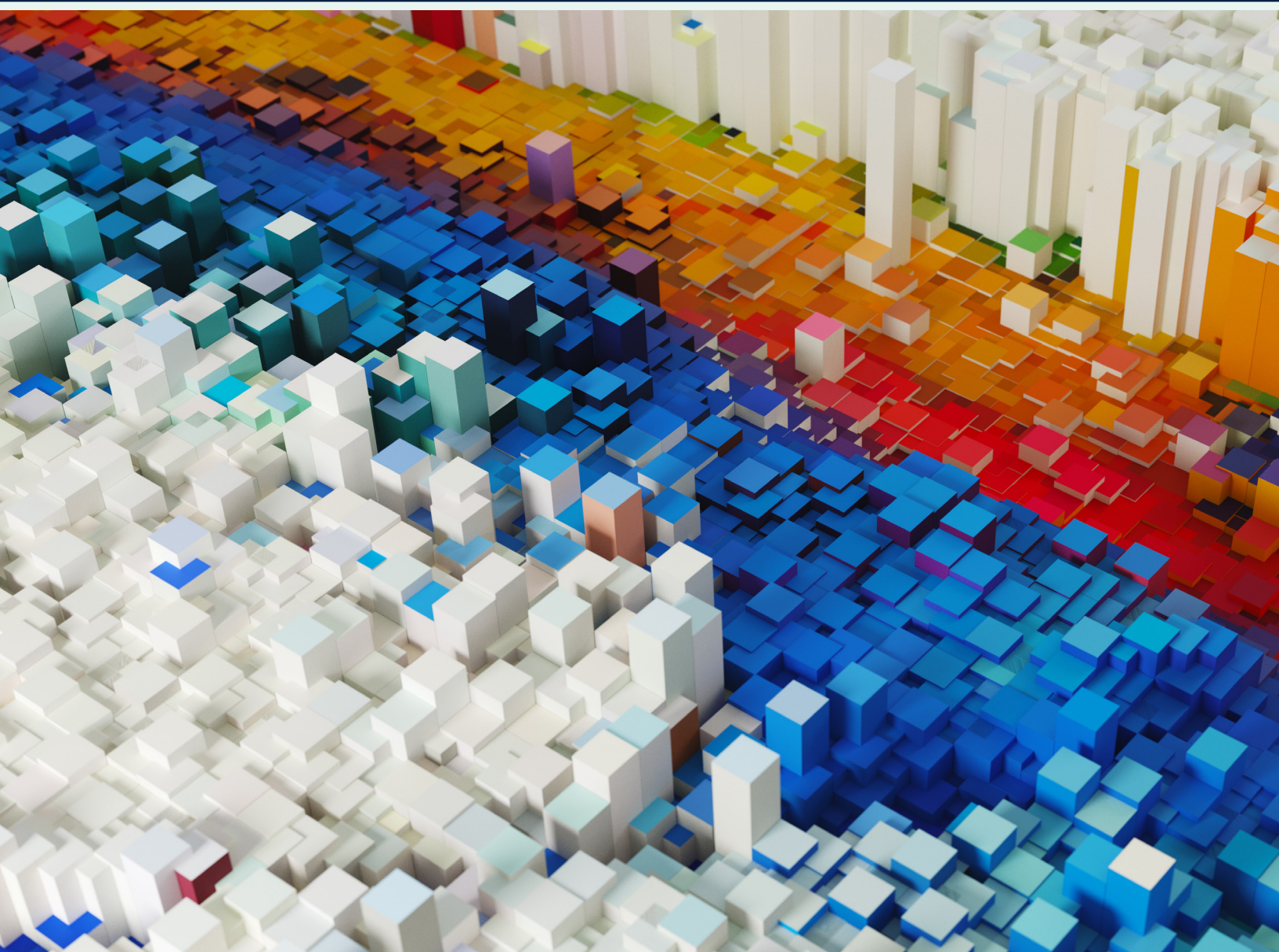


CIBC MELLON

## **NEXT LEVEL:**

# **How Canadian Pension Asset Managers Work to Deliver Long-Term Outperformance and Sustainable Outcomes for Retirees and Sponsors**

OCTOBER 2023





This article originally appeared in the Autumn 2023 edition of Global Investor magazine.

**GLOBAL INVESTOR** | **ISF FOW**

Autumn 2023  
www.globalinvestorgroup.com

**DERIVATIVES**  
RIO'S EMEA HEAD PHELPS LOOKS BACK ON 18 MONTHS TO REMEMBER

**Securities finance**  
The ISF survey 2023 celebrates exceptional performance

**CUSTODY**  
Global Custody 2023 survey results out now

**MATTHEW CHAMBERLAIN**  
LME chief on life after nickel





## ALISTAIR ALMEIDA

Executive Director and Segment Lead,  
Asset Owners

Alistair Almeida is Executive Director & Segment Lead, Asset Owners, for CIBC Mellon. Alistair is responsible for working with Canadian asset owners as they grow and evolve, connecting with and supporting multinational pensions as they engage in Canada, and for growing and expanding CIBC Mellon's presence in the Canadian asset owner space.



## EXPLORE WITH US

We would be pleased to discuss these themes further, including exploring them in the context of our ongoing Canadian and global research efforts. Please don't hesitate to contact your relationship manager to arrange a discussion.

Pensions are a cornerstone of financial security in retirement, yet the challenge of maximizing returns while maintaining liquidity as well as diverse calculations of social impact has led to the emergence of pension organizations achieving success across a variety of different structures and approaches.

Canadian pension plans recognize that differences across organizational structures, talent, geography, scale, and even political context can critically influence which strategies are most likely to deliver optimal outcomes. As a result, plans are thoughtful and willing to deploy a diversity of approaches.

## PERFORMANCE AND COLLABORATIVE ENGAGEMENT

The cornerstone of the Canadian pension landscape lies in its emphasis on continuous and respectful engagement among diverse stakeholders, united by a shared purpose. This shared purpose is underpinned by a commitment to strong governance, leadership, accountability, and transparency. While Canadian pension plans have demonstrated a history of success, with a remarkable return on investment, it is their unique approach to collaboration that stands out. Rather than operating in silos, stakeholders, including plan members, plan sponsor entities both corporate and government, legislators, regulators, labor unions, and employers, and especially the leaders at pension entities recognize the symbiotic relationship and collectively contribute to the overall success of the pension plans – typically independently from the individual success of each stakeholder group.

Canadian pension plan sponsors and fund managers remain relentless in their pursuit of stronger outcomes for stakeholders. Boards and trustees demand sustainable returns, dependable operations and attentive service to plan members - all while reinforcing sharp focus on compliance and sound governance. Even the largest plans increasingly recognize they lack the scale and resources to be the very best at everything for which they are ultimately accountable. As a result, they continue turning to strong and specialized providers for support as they focus their time and resources on the areas where they can drive greatest value for plan members.

Strong  
Governance

Leadership

Accountability

Transparency

## THE HUNT FOR SCALE

Across markets, segments and business lines, for Canadian asset owners, asset managers, insurance companies, and indeed across many other industry verticals, the hunt for scale has been a key driver of stronger outcomes. For asset owners and asset managers alike, the collection and consolidation of larger asset pools is at the heart of driving scale. Scale can enable efficiencies, stronger pricing power and the development of more specialist capabilities to achieve key organizational goals. Greater scale can confer the ability to amortize research, technology, operational efforts across a broader cost base. Others see scale as enabling greater access to desirable investment opportunities (or indeed, desirable investment talent). Consolidation can take many forms; while many in the industry are familiar with annuitization or risk transfer of assets and liabilities to a larger provider, Canadian organizations have also launched other structures to enable asset management consolidation. Various government entities across Canada have established independent pension asset management entities designed to deliver professional and advanced asset management to underlying sponsors. Some private pension entities are competing with asset managers to manage outside capital on behalf of other plans, or even embarking on campaigns to merge in and take on the pension assets and liabilities of other plans.

**The use of an Outsourced Chief Investment Officer (OCIO) is another route to access scale and efficiency while maintaining control over overall strategy. Still other structures may yet emerge. In each case, the consolidators offer a compelling proposition to smaller plan sponsors, who see opportunities to simplify their cost structures or even exit the business of pension management to refocus on their own core businesses.**



## **TALENT, GOVERNANCE MODELS AND INVESTMENT EXPERTISE**

Canadian plans are well recognized but like any investment organization you don't always go up without fluctuation. There have been a number of losses – either large in dollar amount or simply just high profile. However, pension plan sponsors, pension asset managers, OCIO providers, insurers and other Canadian pension industry participants are leveraging their leading talent, advanced governance models, and investment expertise as they compete in a challenging market, seek to more efficiently access scale, and above all, work to deliver better results for their stakeholders. In addition to in-house expertise, many participants are engaging third-party experts for insights, advice, independent oversight and even hands-on participation in such aspects as governance, transformational project management, complex investment and operational strategies, and plan member services.

**“Canadian pension plans recognize that differences across organizational structures, talent, geography, scale, and even political context can critically influence which strategies are most likely to deliver optimal outcomes.”**

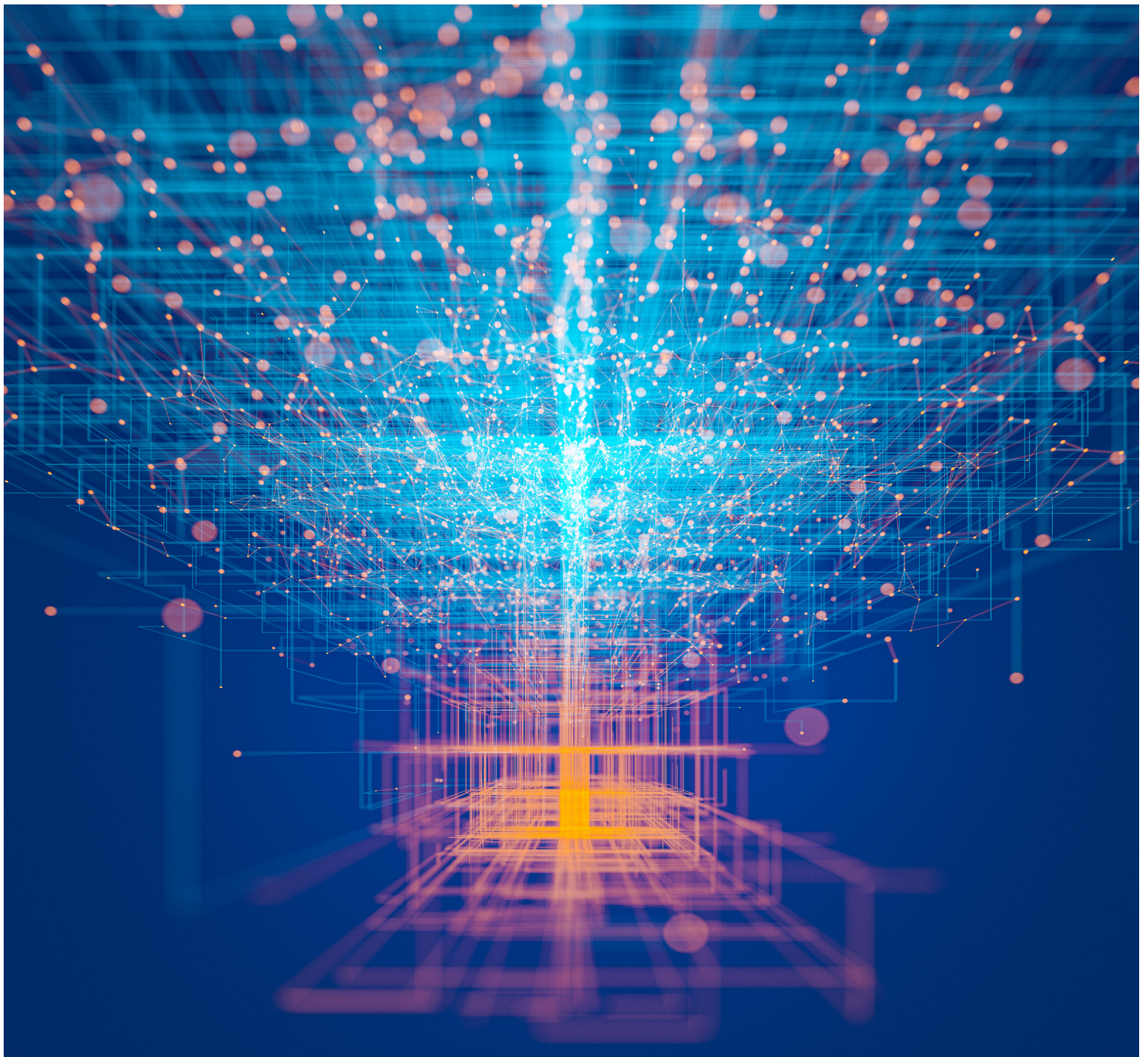


## LOOKING AHEAD

The Canadian pension landscape presents a blueprint for unlocking the potential of pension funds into longer-term, socially productive investment assets. This success is grounded in an interplay of factors, including independence, collaborative engagement, performance, and a clear, shared purpose. The lessons gleaned from the Canadian model are invaluable to those seeking to cultivate robust, purpose-driven pension investment frameworks in other jurisdictions. As the global financial landscape evolves, the Canadian model serves as a beacon of collaboration, stewardship, and value creation in pension investments.

**“The Canadian pension landscape presents a blueprint for unlocking the potential of pension funds into longer-term, socially productive investment assets.”**





“Canadian pension plan sponsors and fund managers remain relentless in their pursuit of stronger outcomes for stakeholders.



## FOR MORE INFORMATION

CIBC Mellon is pleased to engage with clients on this front and continue the conversation. Please contact your Relationship Manager if you would like more information.

CIBC MELLON

➤ A BNY MELLON AND CIBC JOINT VENTURE COMPANY<sup>SM</sup>

[www.cibcmellon.com](http://www.cibcmellon.com)

©2023 CIBC Mellon. CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY Mellon trade-marks, is the corporate brand of CIBC Mellon Trust Company and CIBC Mellon Global Securities Services Company and may be used as a generic term to reference either or both companies.