CIBC MELLON

In Search of New Value

CHAPTER 4

LIQUIDITY, LESSONS LEARNED AND THE LONG-TERM IMPACTS OF COVID-19 ON ASSET OWNERS

CIBC MELLON

Foreward

Canada's pension plans enjoy a well-deserved global reputation for strong management and resilient performance, but they are not immune to shocks in the markets in which they operate. The COVID-19 pandemic has tested pension plans and their asset managers, prompting significant volatility in financial markets and reshaping the global economy. This is the backdrop against which we surveyed 50 of Canada's leading pension plans, seeking insights into how they have coped with the crisis, the challenges and opportunities that now lie ahead, and how they are positioning themselves. In 2021, we engaged collaboratively with clients across industry forums, peer discussions and individual meetings to further explore our findings, and capture additional insights regarding how Canadian pension plans continue to navigate the pandemic environment.

We have been pleased to present this research in four chapters. If you missed the prior three, we invite you to download them at **www.cibcmellon.com/isonv**

- Our first chapter explored how pensions are adapting their investment strategies.
- Our second chapter considered how in-house capabilities are on the rise, even as outsourcing remains vital and strategic.
- Our third chapter considered the rise of pension consolidators in Canada, including the trends, opportunities and potential risks for both those consolidating in or out.

In this final chapter, we review some of the longer term implications across research dimensions such as asset management outlooks, outsourcing strategy, industry consolidation and technology. We also explore questions around liquidity, assess lessons learned from the pandemic dislocation, and look to the long term implications as Canadian asset owners look to the future.

From lower fees to liquidity limitations:

What does the future hold?

58% of pension fund managers believe the push for lower investment fees will be a crucial theme for their sector over the next two years. 30% cite the increasing role of new technologies.

80% have made operational changes including succession plan changes and shifts in investment policy, with 29% making changes to asset allocation, all as a direct result the COVID-19 crisis.

64% of pension funds say they have had concerns about liquidity during the crisis and almost all say their future investment decisions will be influenced by this experience.

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

One defining theme that emerged from our initial research, across client discussions and industry workshops in 2021 is that there is no one size fits all approach. Canadian pension plans are sophisticated and 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. Canadian plans necessarily worked through the market and industry disruption of 2020, but are seeking to incorporate the lessons learned through the pandemic period to drive success over the months and years ahead.

“Over a period of time, the assets managed in-house will increase considerably,” predicts one pension fund managing director. “Once there is relief from the pandemic risk, organizations are bound to consider better opportunities for sustenance and to develop measures for long-term growth. The cost savings attached to bringing operations in-house is higher and will drive changes in the Canadian pension fund investing space.”

Concerns about fee levels looks set to dominate the debate. Some 58% of funds suggest that lower fees for asset managers will be one of the two most significant trends in the Canadian pension fund market over the next 12 to 24 months.

With the fallout from COVID-19 likely to keep monetary policy around the world at historically loose levels, the search for return will go on. Pension funds intend to double down on their efforts to minimize anything that eats into returns.

According to our survey, pension funds say there are a range of options already being considered if not actively implemented. For example, 72% say they are reducing the uncertainties around their liabilities through some sort of consolidation or risk transfer. This may mean the purchase of an annuity or another type of third-party guarantee, shifting to an investment approach where assets are matched more closely to liabilities, joining forces with other organizations to manage assets or asset classes at scale, or – for some – seeking to take in and manage assets on behalf of other asset owners.

Other solutions being implemented include the use of pension or government entities (52%) and greater use of outsourced investment managers in certain circumstances (48%). Almost a fifth (18%) say they are considering consolidation by incorporating or merging other pension assets, liabilities or operations into their plans. The same number say they are thinking about whether to begin managing assets on behalf of other pension plans.

Such strategies can work well, according to the director of investments at one pension fund:

> “Investments together with external funds have helped us remain sustainable over the past few months. Since performance has been dropping to some extent, we have been intent on improving capabilities and managing pooled assets has allowed us to delay exits where required.”
>
> Director of Investments, Pension Fund

58%

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Technology and data in focus

Technology and data are rising in focus as pension plan leaders look to achieve their strategic goals and navigate a rapidly shifting risk and opportunity landscape. Almost a third of pension funds (30%) see innovation that delivers lower investment charges as a key theme of the next couple of years. New models of service delivery, underpinned by advances in technology in areas such as data science and automation, could provide funds with the cost efficiencies they are seeking.

Technology is also widely regarded as a route to the greater transparency that stakeholders - including Boards, unions, plan members, sponsoring employers, counterparties, regulators and others - are now demanding: 30% of Canadian pensions picked this out as a theme to watch. New tools that connect pension plan asset managers, allocators and investment finance teams with detailed information about the way their funds are performing – and how they are managed – offer exciting advances in this regard.

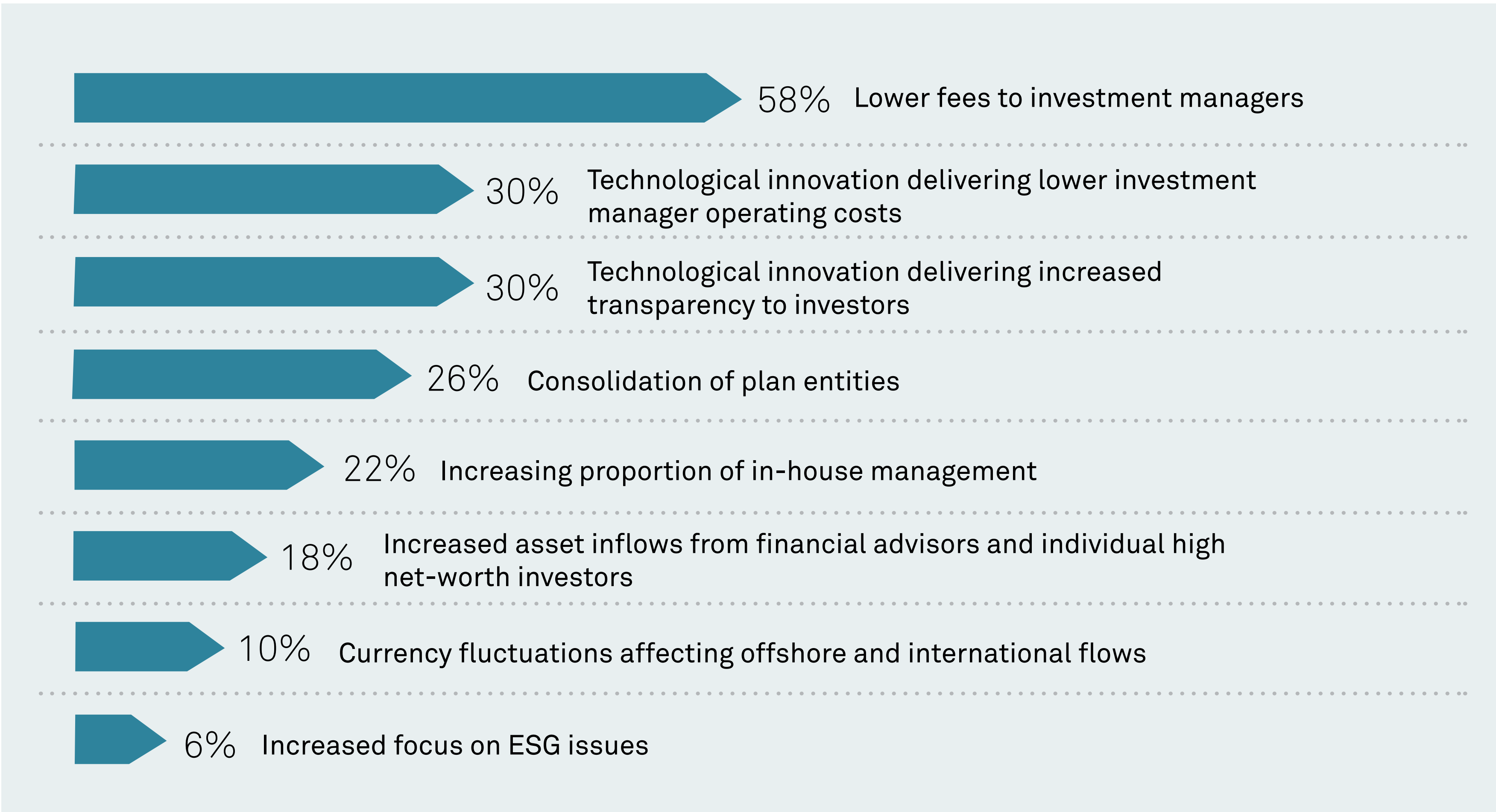
Timely access to investment information - across asset classes, geographies, managers and markets - can position plans to better manage risk and access opportunity. Beyond the significant advantages that data can bring to investment performance, the transparency and reporting enabled by sophisticated oversight tools can also position plan sponsors with evidence in support of their compliance with governance, regulatory and policy requirements. Pension plan leaders are seeing their investment activities come under scrutiny internally, among direct stakeholders, and at times even in more public forums. This places an even higher premium on tools that can help arm leaders, investment and oversight teams with the data to identify, execute and subsequently evidence sound decisions.

Pension plan industry leaders, along with a growing array of vendors, consultants, managers and consolidator organizations, are bringing an array of solutions to market. Again, one size rarely fits all strategies, and as such while plans recognize they face challenges related to their technology and data operations, many are concerned about how to best future proof their technology and data strategies to drive success and also future-proof operations against the relentless advance and innovation in markets and technology.

“Pension plans - like other asset owners and asset managers - are looking to data for competitive advantage. Timely and accessible data can help inform asset allocation, improve investment performance, support governance and achieve many other imperatives. Better data tools can also help address the rapidly growing demand for increased transparency, in particular around private asset classes and multi-asset portfolios. Gone are the days of a single monolithic solution for all, however; plan managers need to strike the right balance of in-sourced, co-sourced and out-sourced solutions to meet their unique organizational needs.”

Darcie James Maxwell
Lead Architect, Client Data Solutions

What do you predict will be the most significant trends in the Canadian pension fund investing space over the next 12 to 24 months? (Select top two)



"The Canadian pension fund investing space will be transformed with the inclusion of technology. We will see how management practices and workplaces are influenced as new digital capabilities are introduced, such as enhanced data management skills and options for accurate predictive analysis."

Managing Director, Pension Fund

Many pension funds are also reviewing their approach to investment strategy in light of the pandemic. The lesson of previous crises, including the global financial crisis of 2008-09, is that investor behaviour changes in the medium-to-longer term, even when the immediate short-term threat has receded. As one pension industry leader noted in discussion, this may be to some extent connected to the expectation that domestic and global regulatory changes enacted as a result of a crisis can take many years across review, consultation, proposal, approval, implementation and enforcement.

Nonetheless, almost a third of Canadian pension funds (29%) say they have changed asset allocations due to the pandemic. They report increased demand for fixed-income assets, with some citing the volatility in equity markets as a driver. Alternative and private market assets, offering diversification and a different type of return profile, are also attracting significant interest from pension funds. Given Canadian pension funds' strong and longstanding appetite for private market investments, increased allocations to these asset classes are likely to continue to increase well beyond the turmoil of the pandemic, according to many plan leaders.

A range of allocation and investment strategies came into play in a turbulent market environment. Deploying reserve capital for opportunistic acquisition, repositioning holdings in alignment to broader economic trends (for example, a rise in interest in logistical infrastructure to support a rise in e-commerce), growing interest in areas such as private credit/debt, or even questions related to the nature and degree of support that should be afforded to portfolio companies suddenly struggling amid the pandemic environment.

The focus on consolidation of plan entities (picked out by 26% of funds) reflects their ongoing desire to secure economies of scale and greater effectiveness, as well as offering a possible means to de-risk. For 22% of pension funds, a shift towards the greater use of in-house asset managers will be a defining characteristic of the next two years.

For many plans, the available choices, risks and opportunities were also deeply intertwined with questions related to liquidity and with investment finance.

Ric Marrero
Chief Executive Officer
The Association of Canadian Pension Management (ACPM)

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Over the last several years, the pension industry stakeholders in Canada - sponsors, members, employers, governments and more - recognize that workers increasingly value a good pension.

Secure, lifetime income in retirement affords many benefits to those for whom it is available but pension availability has not expanded to any significant degree for years.

It has only been in recent times that industry stakeholders have started to cope with the implications of limited pension availability and the challenges associated with pension investments in volatile times. However, there has been an extended life for pension plans via the development of a new "Canadian Pension Model" where jointly trusteed structures share risks, costs and gains between employers and employees. This has been complemented by new pension regimes such as target benefit plans which have been introduced in several provinces across the country.

New ideas, offerings and opportunities are coming to market and more work is needed in these areas to meet increasing demand for funded lifetime income opportunities for workers in a way that is sustainable for employers. On behalf of our members, we look forward to engaging with a diverse array of retirement industry stakeholders as we strive to achieve shared successes that will ensure a sustainable and equitable retirement for Canadians."

Consolidation, Cost and Containment of Risk: Canadian Pension Plan Innovations

As we explored in Chapter 3 of our research, the focus on consolidation of plan entities (picked out by 26% of funds) reflects their ongoing desire to secure economies of scale and greater effectiveness, as well as offering a possible means to de-risk. Employers are under pressure seek reduced and more predictable costs.

Plan sponsors have a growing array of offerings available to them, including widely known options available, such as an outsourced chief investment officer (OCIO), liability risk transfers, and annuitization. Canada also has a strong tradition of jointly-trusteed, independent entities that manage pensions on behalf of multiple employers. More recently, Canada has drawn global attention as innovative offerings have come to market, including multi-employer plans opening their offering to other employers to merge in, government-sponsored nonprofit entities offering high-scale asset management consolidation, plans merging as equals to create new multi-employer pension plans, and even asset managers offering defined-benefit style fixed payouts to the retail market through mutual fund distribution channels.

For global pension industry watchers who have forecast the decline and even eventual demise of defined benefit pension offerings, the innovative movements in Canada in recent years offer an array of lessons as market leaders are seeking to enhance or expand access to retirement savings options that answer both cost pressure from employers as well as benefit appetite from employees, for whom the upside of a "Canada-model" plan can be remarkable - delivering as much as four times the retirement income per dollar as the typical individual approach.

Alistair Almeida
Segment Lead
Asset Owners

"Given the significant disruption to markets in 2020 and into 2021, the ongoing evolution of Canadian pension plans as asset managers will bear close observation by industry participants and by global pension industry watchers."

Reinforcing Resiliency and Continuity under COVID-19

In the early days of the COVID-19 pandemic, Canadian pension funds responded rapidly to the immediate challenges. 2020 saw a rapid increase in focus on the operational issues faced by funds – for example, 80% say they have taken action to improve communication with staff, while 78% point to efforts to protect employees by permitting or requiring them to work from home. Other actions have been more strategic: 80% of pension funds say, for example, that the crisis has prompted them to think about succession planning in a business continuity context.

From improving vaccination rates in 2021, divergent reopening plans around the world, and ongoing focus on various variants of COVID-19, uncertainties persist. More broadly, however, the actions that pension funds have taken in areas such as succession planning, remote work capabilities, cyber risk management and operational oversight should boost their resilience on a permanent basis.

For some, the pandemic provided an inflection point that force them to question longstanding operational practices, for example considering outsourcing various non-core or even critical functions to providers able to offer enhancements to resiliency, efficiency or member experience.

“As the Canadian investment industry works through the market turbulence, early indications are that investors may see this as an inflection point to secure increased transparency. From gathering information to assist in various risk and performance scenarios, to launching separately-managed accounts with trusted asset managers, initial feedback is that investors are keen to further the gains they have made in enhancing control in recent years.”

Ash Tahbazian
Chief Client Officer

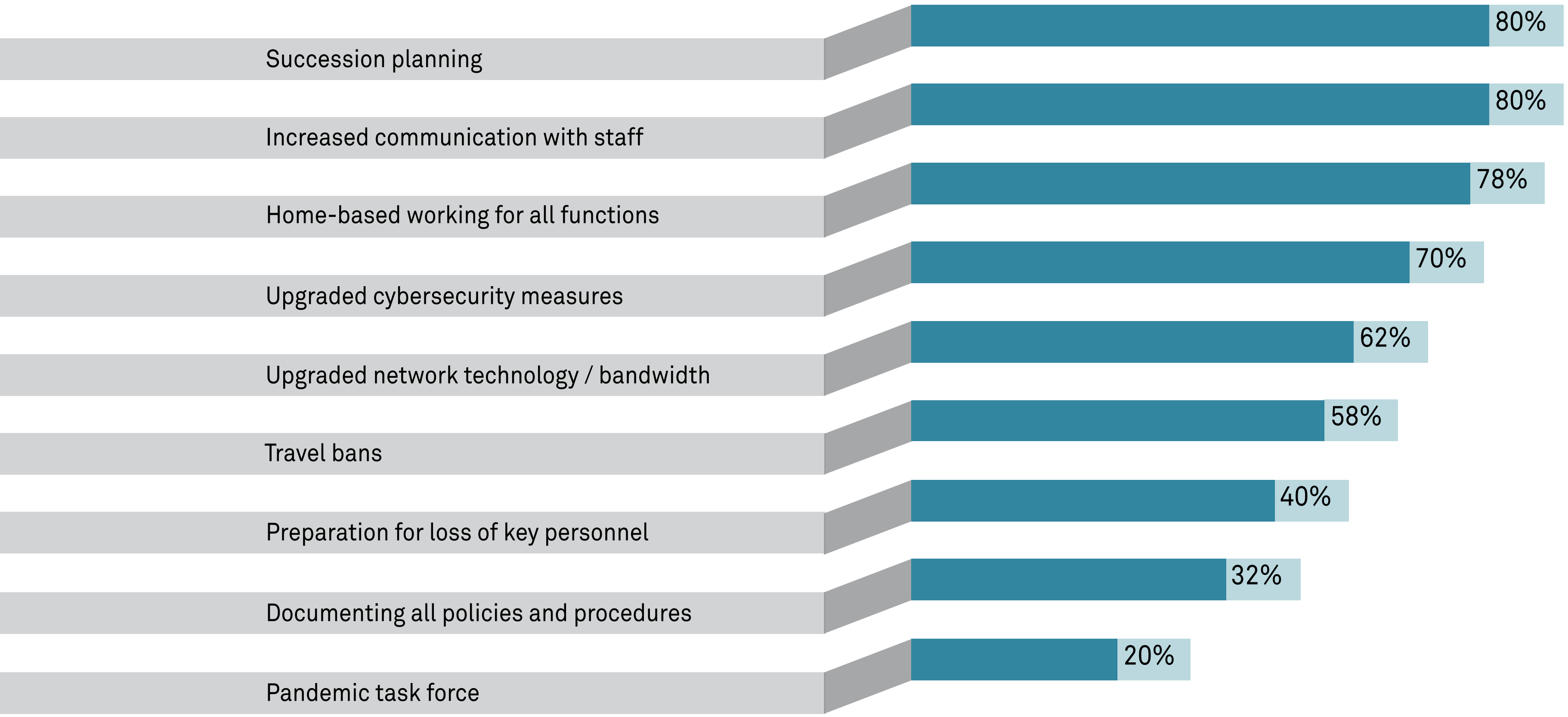
Business Continuity Questions Worth Asking

These are a few of the questions which may assist your organization in business continuity and resiliency planning efforts.

1. What are our organization's most critical functions? Clearly documenting these can assist in understanding dependencies as well as prioritizing resiliency and recovery efforts.
2. What risks are the organization most likely to encounter based on your geographical location?
3. What is the likely impact of a disruption (e.g. a pandemic)?
4. What are the consequences to the organization?
5. Do we have backup for crucial job functions and incident response tasks?
6. Do we have backups of all important data? Would this be accessible to critical employees in a business continuity situation?
7. Can we avoid disruption of service when key locations are closed?
8. What problems could derail a business continuity strategy?
9. Who are our major suppliers, customers, third parties - and what role would they play in a continuity scenario?
10. Do my critical vendors' business continuity planning preparations meet my business needs?
11. How will my stakeholders be notified in case of vendor impact?

For more considerations related to pandemic risk management and other topics, visit CIBC Mellon's website ->

What plans have you put in place to maintain business continuity during the COVID-19 crisis? (Select all that apply)



Top three trends in the Canadian pension fund investing space:

58%
Lower fees to investment managers

30%
Technological innovation delivering increased transparency to investors

30%
Technological innovation delivering lower investment manager operating costs

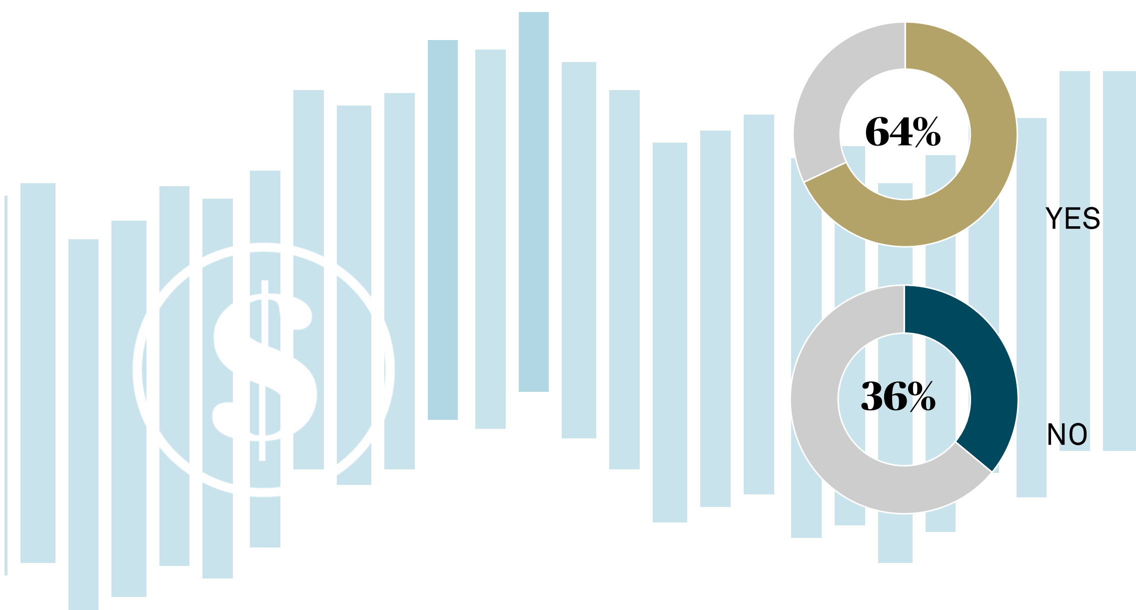
Liquidity concerns may shift pension funds away from illiquid asset classes

Considering many pension funds have felt compelled to respond to the pandemic with such fundamental changes reflects the impact that the crisis has had on many of them. While Canadian pension funds are renowned for their financial strength, almost two-thirds of respondents (64%) concede that they have had concerns about liquidity during the crisis.

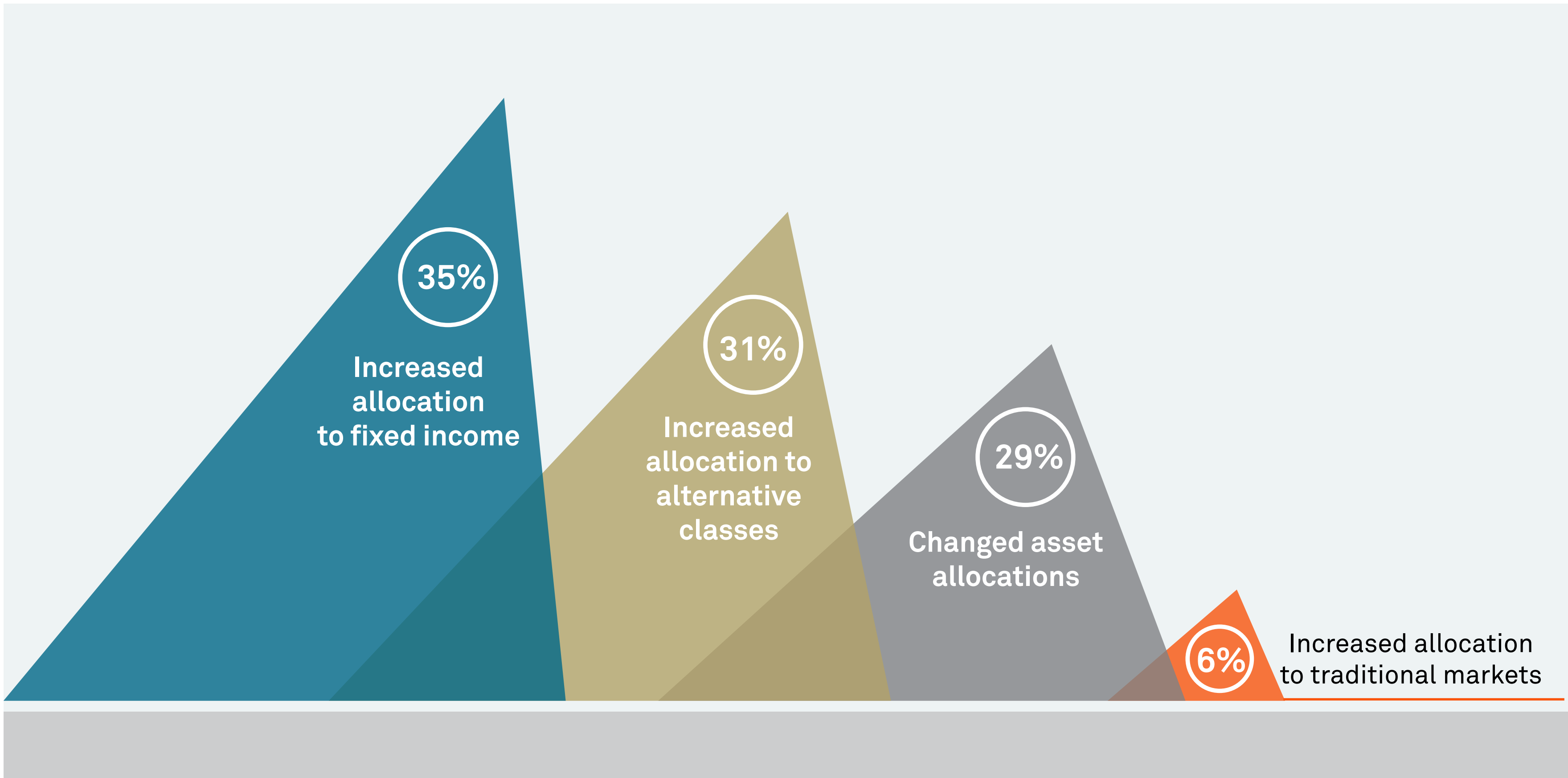
Under the circumstances, investments by pension funds in illiquid asset classes including real estate and infrastructure, acquired for diversification purposes, may well prove problematic. This may be why, for example, so many pension funds say they now intend to reduce their exposure to infrastructure. Among pension funds reporting liquidity concerns, 97% say the experience will have an impact on the investment decisions they make in the future.

A retreat from less liquid assets, despite the undoubted attraction of many of these investments, may be one consequence of the pandemic. At the same time, large numbers of pension funds indicate that they intend to pay closer attention to liability-driven investment strategies, matching assets against liabilities. For those funds with liabilities falling due over the very long term, a continued focus on illiquid investments may remain entirely appropriate.

Did your organization have any liquidity concerns, during this period?



Has your organization significantly changed its investment approach as a result of the COVID-19 pandemic?



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Across the diversity of available choices, Canadian pension plans continue to take their obligations seriously, to work to continuously refine their investment, technology and operations models, and to work relentlessly to deliver the right outcomes for their underlying plan members and stakeholders. The years ahead will present many challenges, but Canada’s pension plans are thoughtfully preparing to drive outsized success in the year ahead.

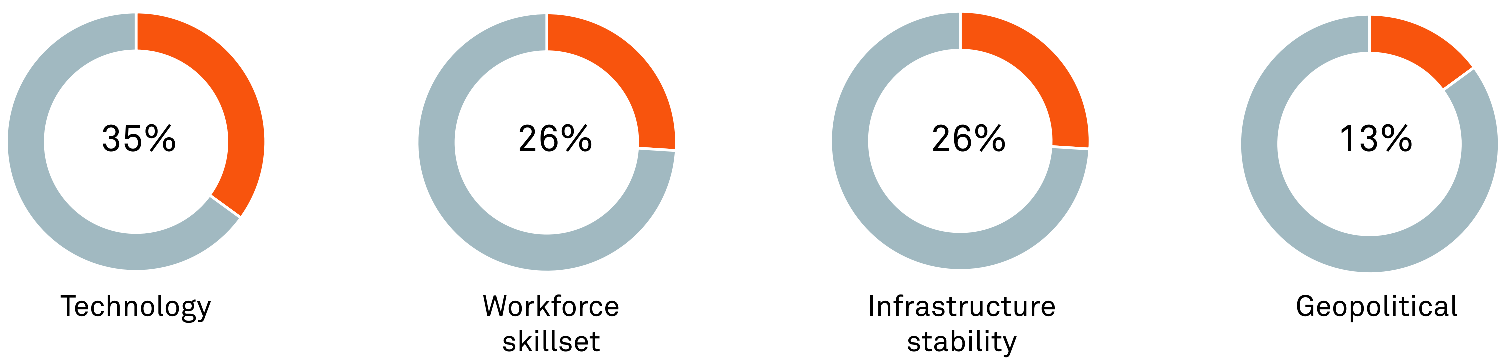
Alistair Almeida
Segment Lead
Asset Owners

Based on our findings and according to our ongoing client discussions, many pensions are putting careful thought into how they split asset management responsibilities between in-house teams and external providers. According to our findings, 46% of pension funds say the crisis has prompted them to review their outsourcing plan. Where this was the case, technology was the most likely trigger for review, followed by workforce skillset and infrastructure stability.

It may be that some pension funds have felt ill-equipped to cope in-house, lacking the necessary technological capabilities and data-driven investment operations models, the depth of talent or the operational resiliency – particularly in a majority-remote environment. In which case, making improvements in these areas will clearly be paramount. In the longer term, the advantages many funds have identified for in-house management will remain valid.

Equally, where pension funds decide to continue using outsourced providers – or to increase their use – the case for pushing for a new relationship with these asset managers will remain intact. Competitive fees, transparency and a collaborative approach to investment strategy look more important than ever in the post-COVID-19 environment.

Most important considerations driving pension funds' decisions to outsource to external managers.



While nobody is certain what a post-COVID-19 future might look like at this point, our findings confirm that Canadian pension funds are working hard to ensure continuity while keeping a close eye on costs and considering their consolidation options. As ever, despite being put to the ultimate test by COVID-19, their reputation for reliable, long-term resilience remains intact.

Navigating the Evolving Challenges of Today's Capital Markets

Jim Ginis
Executive Director,
Financial Solutions Group,
CIBC

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Through the market and industry disruption of the past year, we have seen pension plan sponsors and asset managers seek a holistic view of the challenges and opportunities specific to their plans. We are seeing rising appetite for analysis, market intelligence and bespoke solutions to support asset review and allocation.

During this period some clear trends have emerged or strengthened. A growing number of pension plans are bringing their asset management in-house. There is strong interest around insourcing high quality liquid assets (HQLA) and expanding the use of overlays. Passive outsourced allocations are being reviewed and non-funded solutions considered for liquidity or outperformance. Pension Boards are increasingly deepening their understanding of leverage and opportunities outside of traditional asset classes. These trends are bringing many benefits, but also present some challenges related to talent development, technology and risk management framework to support these sophisticated activities.

Clients are demanding innovative solutions, from hedging against potential rising inflation risks to achieving strong returns while still keeping ESG considerations at the forefront of asset allocation. In short, it is an exciting time to be partnering with Canadian pension plans, understanding our clients unique needs, providing industry-leading intelligence and helping our clients navigate the evolving challenges of today's markets."

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Fundamentally, there is no one right operating or investment model. Pension plans and their asset managers need to understand and assess where to allocate their time, talent and resources. Plans may build robust asset management functions in house, reliant on outsourced technology, focus on a few key areas of advantage while outsourcing many function, or may similarly determine that the necessary talent, technology and risk requirements outstrip their ability to build in-house, and instead focus on building an efficient, lean governance organization designed to maximize the impact of outsourced investment managers.”

Ash Tahbazian
Chief Client Officer

Insights into the future of work, returning to the physical office, and lessons learned from working remotely through the pandemic.

The return to the office post-pandemic is a critical strategic inflection point. Across geographies, organizational structures, market segments and plan types, it is extremely rare that so many different types of organizations facing the same challenge. For pension plans and their vendors, the rapid shift to and sustained operation amid a remote environment has driven lessons learned, challenges, and opportunities.

The core question ahead of many relates to the future of work, in particular around the degree to which organizations will permit remote working in a post-pandemic environment - and if so, how much flexibility employees will be afforded.

Pension and asset management organizations cite significant concern about collaboration, culture, and connection as leaders contemplate remote, flexible and in-office models. Some see the physical office as central to the collaboration that drives value, while others are seeking ways to retain culture and employees' sense of belonging in a remote or hybrid workforce.

Across diverse organizations and varying plans to return to the physical office, leaders have heard very clearly that employees want flexibility, and are aware of strong demand from employees to continue remote / hybrid work post-pandemic. The demand is particularly strong among younger employees who are more likely to have the comfort of digital natives with remote working technology.

> "Rather than dictating that people must come back into the office just because we have office space, we are looking at whether we can create collaborative spaces that make people want to come in to work together."
>
> Pension CHRO

Nonetheless, among pension and pension asset management organizations, significant disparity is emerging in how much employee choice organizations plan to allow. Models include:

- Requiring a full return to the office post-pandemic, after which policies for hybrid work may be considered.
- Deploying a hybrid approach which scheduled days for in-office or remote working.
- Leveraging role-based or persona-based approaches that define varying degrees of remote working according to job function. (for example, requiring trading or portfolio management staff to be in the office, while enabling operational transaction teams to work remotely.
- Flexible approaches that enable a high degree of remote working based on employee choice.

> We have reduced our space by ~30% and focused on the office as a place for collaboration rather than a place to work."
>
> Pension Asset Management Organization COO

Canadian investment organizations are largely considering either in-office or structured hybrid approaches. Some are considering employee or client-led client flexible approaches. Executive leaders are keen to keep things "fair" across different teams, roles, and groups. Some worry about disparity should choice be left to individual managers. Divergent views on how much in-office time will be required, and how much employee choice will be permitted.

Many Canadian pension plans - particularly those located outside major urban centres with higher real estate costs and commuting times - are indicating an expectation to return to the physical office - particularly those whose local health environments have permitted brief returns to the office.

However, there are many remaining unknowns. What will life look like after COVID-19? Organizations are looking to prepare and plan while preserving flexibility. They want to "reserve the right to get smarter" and evolve their thinking, as plans may change substantially over the months and years ahead.

CIBC Mellon will continue to engage with clients on this topic, and we look forward to client engagement.

In Search of New Value: Implications and Outlook

Considerations for pension plans and their asset managers

Across the spectrum of pension investment stakeholders, perhaps the most dependable constant will be rising expectations – for performance, efficiency, outcomes, compliance, timeliness, risk mitigation and a multitude of other factors. Pension plans and their asset managers face a demand for change that has only been accelerated by market turmoil, disruption and volatility – as well as by exciting opportunities, rapid developments in technology, and fresh strategic opportunities.

The need for more comprehensive data – presented in a convenient and digestible way – will increasingly be at the heart of pension, investment and operations processes. Pension and asset management professionals expect to be able to access, analyze and manipulate detailed, accurate and timely data. Likewise, as new generation of people moves into senior roles in the retirement industry (and indeed, into retirement) demands around data and reporting will continue to intensify.

As data science in investment management grows as a field, specialist expertise is increasing in demand and cost. Some of this expertise is only needed for key challenges or points in time. We are seeing clients working with specialist consultants as well as looking to our global enterprise for skillsets that they don't intend to hire or grow in-house.

There is a need for data to support the changing investment strategy. The demand for analytics only increases in a volatile market as industry participants aim to insulate their assets from risk or try and figure out ways to capitalize on the volatility and further grow their assets. Investors are looking into their exposure across a broad universe of assets under management (AUM). In an ideal world, AUM decomposition data can be aggregated and analyzed by simply adding a couple of portfolios together. For example, leveraging the ability to mix alternative assets and public assets that may be managed on different platforms or services so that the organizations can see the assets holistically.

In the wake of COVID-19, pension-related regulatory and public policy developments relevant to large Canadian public pension funds and other institutional investors will unfold – likely over years. In particular focus are changes that allow for the growth of existing public pension organizations, across multiple organizations, between provincial borders and beyond. This has included rules to facilitate the merger or consolidation of plans as well as opportunities for public pension organizations to provide services, such as third-party asset management, to others beyond the plan's existing membership.

For some pension plan asset managers, the evolution to take on and manage external assets is a logical outcome from the years spent growing some of the most sophisticated and successful asset management operations in the world. Twenty-six percent of funds in our study cited consolidation as one of the most important trends ahead. For others, the growth by consolidation and merger is an opportunity to build necessary scale to retain or gain competitive advantage and cost efficiency. Again, one size does not fit all: in various workshops, a number of leading pension plans cited their proven track records, large scale or highly efficient external manager programs as demonstrable evidence that mergers or outsourcing might in fact erode the advantages they had carefully built for plan stakeholders over many years.

Many pension funds are also reviewing their approach to investment strategy and investment operation models. Past crises can inform future strategies, if the investment industry can take away anything from the global financial crisis of 2008-09, is that investor behaviour changes in the medium-to-longer term, even when the immediate short-term threat has receded. COVID-19 has emphasized the importance of keeping a diverse portfolio, as well as the vulnerabilities of illiquid assets such as infrastructure.

Even amid a rising trend toward in-house management, external managers continue to see strong demand and a recognition that their long investments into industry-leading talent, powerful tools, advanced asset management offerings confer significant advantage (and associated investment return). Competitive fees, transparency and a collaborative approach to investment strategy look more important than ever in the post-COVID-19 environment. While consolidation offers pension funds certain advantages, there will also be obstacles to overcome. Pension funds intend to take their time making such decisions and introducing any new approaches, and the consensus remains that external managers have much to offer.

CONSIDERATIONS AND QUESTIONS FOR PENSION PLANS AND ASSET OWNERS

1. **What will you do in-house and what will you outsource?**
   a. What is the likely cost profile of your operational model?
   b. Does your plan have the necessary level of capability and sophistication, and how does this compare to a lift-out outsourcing of investment operations?
   c. What are your needs and requirements from a vendor for areas you choose to outsource?

2. **How will your plan achieve efficiency and scale** while providing a user-friendly experience for plan members across payments and member information – including across complex multi-employer entities and underlying plans?

3. **How is your plan engaging with alternatives,** and how will your approaches evolve over time?
   a. What talent do you need in-house and what talent can you source from suppliers and partners?
   b. What technology and tools do you need to achieve the necessary transparency, governance and investment data outcomes?

4. **How will you keep pace with rising stakeholder expectations?**
   a. Boards, Trustees and other stakeholders are demanding enhancements to reporting, oversight. How is your plan supporting the necessary compliance with the regulatory environment of today and the year ahead?

Ash Tahbazian
Chief Client Officer

"Canadian asset owners are at the forefront of a trend to shift asset management functions in-house - along with associated requirements for investment operations and systems. Whether building an in-house team or running an external manager program, organizations need to be clear about how they will allocate their resources to generate value. Where will your organization invest in building, and what will it outsource?"

Recap of Chapter 3 of our research: Video Discussion.

In this third chapter, we explore how Canadian pension plans are seeking scale via consolidation, and in some cases transforming into asset managers who compete for external mandates. In our chapter 3 video, Alistair Almeida connects with Hilary Grimmett and Cynthia Shaw-Pereira from our global enterprise to explore these trends.

Download all our chapters at **www.cibcmellon.com/insearchofnewvalue** or contact your relationship manager to discuss our findings.

Watch for future research from CIBC Mellon as we explore topics in collaboration with Canadian asset owners, asset managers, insurance companies and global investors into Canada. To discuss our research efforts, learn more about the themes we are exploring, contact your CIBC Mellon relationship manager.

Methodology

In 2020, CIBC Mellon's research provider interviewed senior executives, including directors of investment, CEOs and managing directors, from 50 pension funds headquartered in Canada to assess their asset management trends, including their response to the impact of COVID-19. The funds being managed were split evenly between those with AUM of C$600million - C$1.2 billion to those with AUM over C$1.2 billion. The average AUM of funds in the study was $C31 billion. Respondents were located across Canada; 26% of respondents were private plans, and 74% public.

In 2021, we engaged with a wide array of Canadian pension plans to discuss and further inform these findings.

To learn more, please visit www.cibcmellon.com or contact your Relationship Manager.

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