CIBC Mellon Canadian Asset Owner Study 2025-26

BALANCING CONTROL AND CAPABILITY:

HOW ASSET OWNERS ARE REASSESSING INTERNAL MODELS, EXTERNAL MANAGERS AND OPERATING DESIGN

CIBC MELLON

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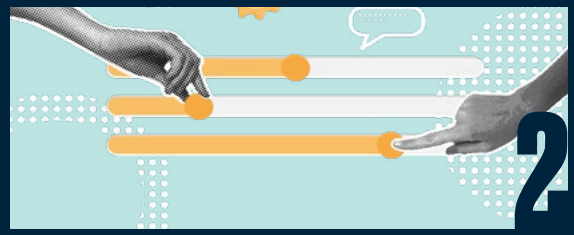
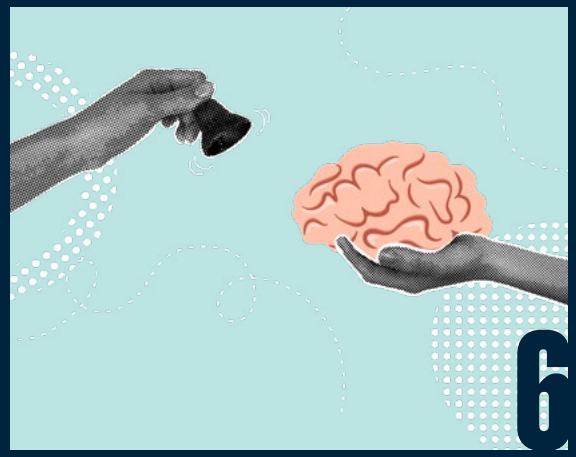




FOREWORD: BUILT TO LAST

Having weathered the inflationary surge and rate volatility of 2022-24, the Canadian pension industry's most pressing concern has returned to the hard choices of scale.

The direct investment models that defined Canadian pension excellence for two decades are under review. Several of the largest players are weighing their exposure to direct deals, with intentions to tilt toward co-investments and traditional partnerships with established asset managers, particularly in private equity. While many acknowledge that scale alone does not guarantee an operational or performance edge, the recent trend is far from a wholesale abandonment of the direct, in-house approach. Instead, it should be viewed more as a timely and necessary reappraisal.

Consolidation, meanwhile, is gathering regulatory momentum. Ontario's November 2025 legislative amendments eased the path for defined contribution plans to convert to jointly sponsored structures, enabling the scale aggregation that the respondents in our ongoing research series are increasingly pursuing.

The logic is clear: internalize asset management, then leverage that capability to absorb external assets. Whether this concentration delivers the governance improvements and cost efficiencies promised, or creates institutions too large to manage effectively, remains the industry's central wager.

Parallel to this, climate strategy has become a fault line that is drawing increasing attention. While La Caisse de dépôt et placement du Québec advanced a $400bn climate action framework, earning endorsement from the Climate Bonds Initiative, CPP Investments abandoned its net-zero 2050 commitment in May 2025, citing "legal uncertainty" under strengthened Competition Act rules. The move, which followed $7.1bn in new fossil fuel investments, has drawn litigation and criticism from advocacy groups.

This research captures Canadian asset owners at this pivotal moment. They are increasingly sophisticated in their investment approaches, cautious in their public posture, and concentrated in their organizational structure. Evergreen challenges of longevity risk, macroeconomic uncertainty, and the integration of ESG factors into fiduciary decision-making are colliding with more emergent risks such as technology and data capabilities, and a global regime shift in asset allocation priorities. What follows is an assessment of how these allocators are adapting to this confluence of pressures, and where their current trajectory may take them.

CYNTHIA SHAW-PEREIRA
Vice President, Head of Asset Owner Segment, CIBC Mellon

BRENT MERRIMAN
Vice President, Marketing and Strategic Insights, CIBC Mellon

“Canadian asset owners are making consequential decisions about scale, governance and operating design – often all at once. This research captures where those decisions are converging, and what they signal for the industry’s trajectory.”

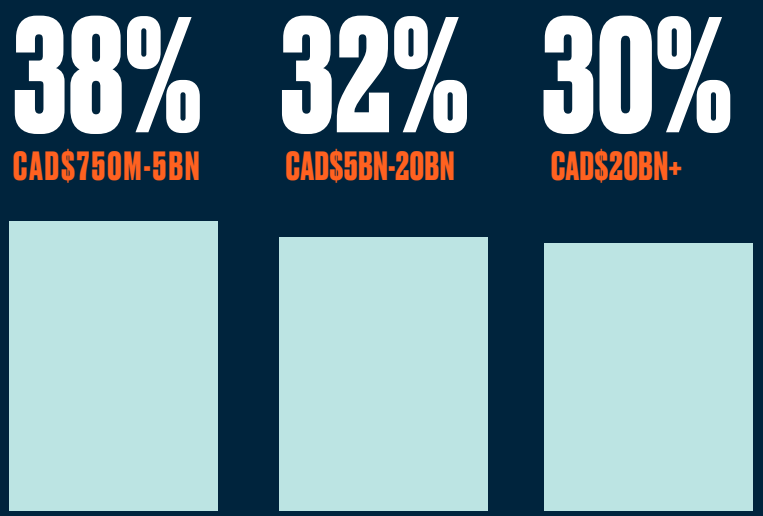
CYNTHIA SHAW-PEREIRA
Vice President, Head of Asset Owner Segment, CIBC Mellon

METHODOLOGY

In Q4 2025, CIBC Mellon's research provider interviewed 50 asset owners headquartered in Canada. Respondents were drawn from firms with assets under management (AUM) of at least CAD$750m.

Among the asset owners surveyed:

HAD ASSETS UNDER MANAGEMENT (AUM) EXCEEDING:



ORGANIZATIONS PRIMARY STRUCTURE:

Multi-employer/Jointly-sponsored independent pension entity (non-government/arms-length)	26%
Government entity or agency (e.g. government pension or pension asset manager), including federal, provincial, and municipal entities)	20%
Endowment/Foundation	16%
Single-employer or corporate pension entity	16%
Family office	12%
Indigenous government/trust/settlement corporation	10%

KEY FINDINGS

Respondents' investment allocation to crypto/digital assets fell over the last 12-24 months, from 7.4% on average to 5.7%. Respondents expect allocations to this asset class will continue to decline in the near term, with an average target allocation of just 3.1% in 12-24 months' time.

The greatest hurdles respondents face in respect of stakeholder reporting are all data-related. These include data enrichment (46% of top-two votes), disparity of data sources (40%), and the visibility and traceability of data, data consistency, and integration (36%).

Around two-thirds of respondents are incorporating AI into investment decision-making processes (66%) or using AI tools for productivity assistance (e.g. document summarization, meeting minutes, drafting emails) (62%). Only a small share (19%) are deploying AI agents, digital employees or similar autonomous processes.

On average, respondents report that around 60% of their portfolio is managed in-house. Of those who have taken more asset management in-house, 90% have seen a cost-saving. This represents an acceleration of a trend identified in this project since 2021, where in the past the portion of in-house management was reported at just over 50%.

Over two-thirds of respondents (68%) are pursuing consolidation by seeking assets from retail investors and/or individual retirees. This is the most common method of consolidation that respondents are currently following, and a further 22% are considering this course.

Respondents in Canada reported a very high degree of priority around environment, social & governance (ESG) factors in their thinking. For instance, 78% engage in impact investing activities, and 68% engage in exclusionary screening of specific sectors and companies. However, many noted this work would be carried out without making public statements "greenhushing".

Trends shaping investment strategy:

DECLINING CRYPTO/DIGITAL ASSET ALLOCATIONS
7.4% → 5.7% now → 3.1% expected

STAKEHOLDER REPORTING HURDLES
Data enrichment (46%)
Disparate sources (40%)
Visibility, consistency, integration (36%)

AI ADOPTION
66% for investment decisions
62% for productivity tools
19% use AI agents/autonomous processes

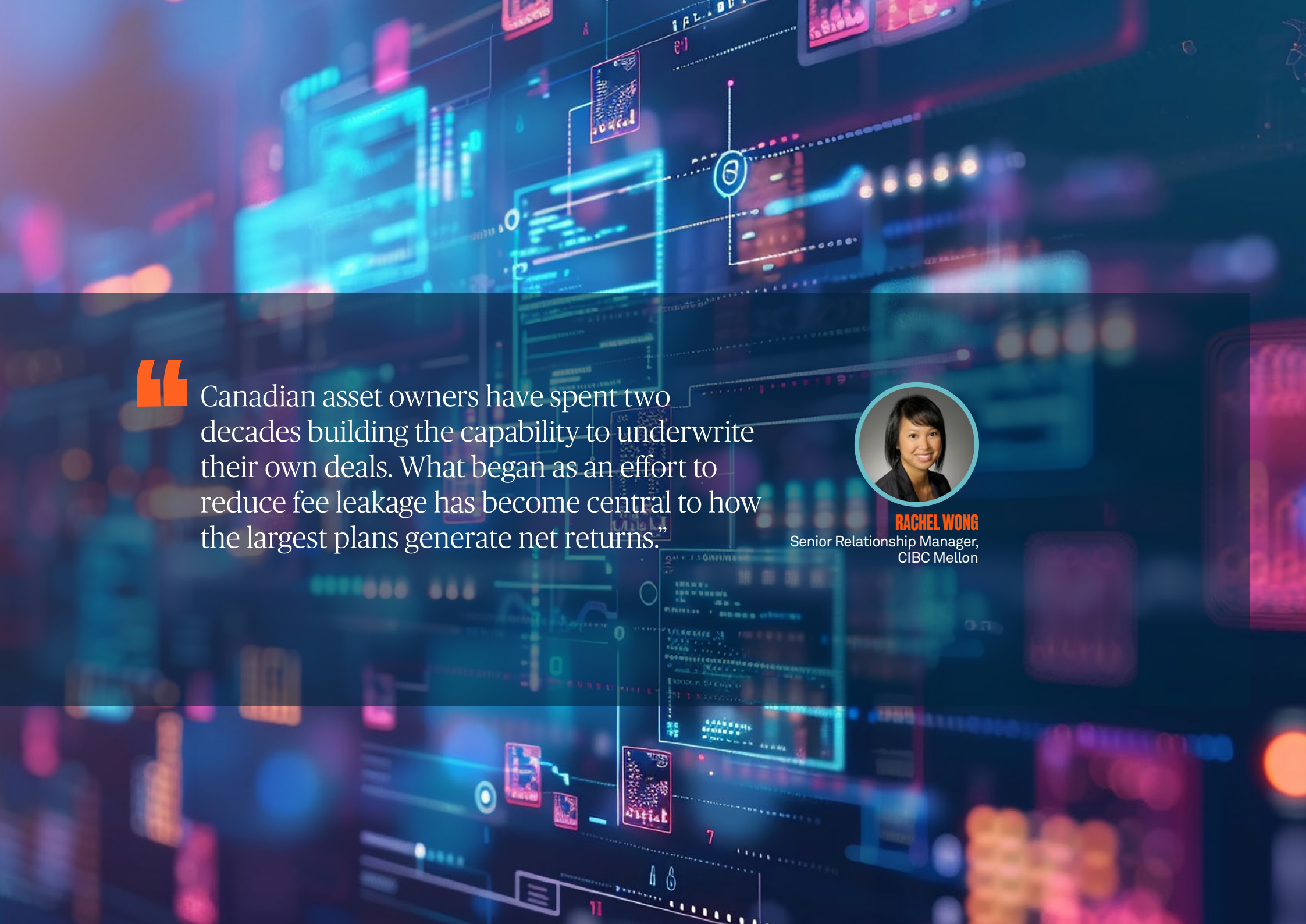
IN-HOUSE ASSET MANAGEMENT
60% managed in-house
90% who increased in-house management saw cost savings

CONSOLIDATION FOCUSED ON RETAIL/ RETIREE ASSETS
68% are targeting these assets
22% considering this approach

ESG PRIORITY WITH "GREENHUSHING"
78% engage in impact investing
68% use exclusionary screening
Many avoid public statements ("greenhushing")

01

INVESTMENT STRATEGIES

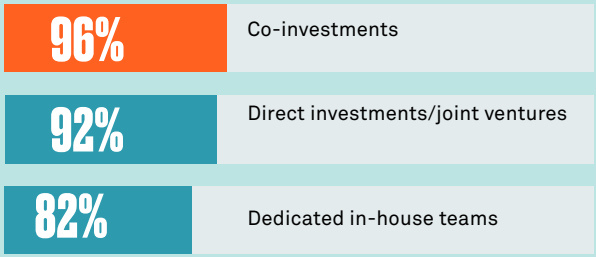


> Canadian asset owners have spent two decades building the capability to underwrite their own deals. What began as an effort to reduce fee leakage has become central to how the largest plans generate net returns.”

RACHEL WONG
Senior Relationship Manager,
CIBC Mellon

INVESTMENT STRATEGIES

ADOPTION RATES OF INVESTMENT MODELS



Canadian asset owners accelerated their move up the investment value chain over the past two decades. This trend was led by the participation in private markets by the Maple 8, who took greater direct control of capital deployment while becoming more selective in their use of external managers.

The motive was clear: reduce fee leakage and improve net returns by building internal deal underwriting capability. This saw the country's largest pension funds stepping into lead-investor roles rather than remaining passive LPs. The "Canadian model" became a global benchmark.

The investment model preferences captured in our survey show an industry that has largely internalized the infrastructure of value creation. Co-investments – minority stakes taken by asset owners alongside general partners, allowing reduced fee burdens while maintaining manager relationships – are now nearly universal, employed by 96% of respondents.

Direct investments and/or joint ventures follow closely at 92%, while 82% maintain dedicated in-house asset management teams. For nearly a third of respondents (32%), direct investments and/or joint ventures are now the primary investment model, up noticeably from 24% in our previous study.

This represents a striking inversion of the outsourcing momentum documented in earlier editions of this research. In 2022, amid pandemic disruption, 72% of respondents had been expanding relationships with outsourced investment managers; by late 2023, that figure had moderated to 56%.

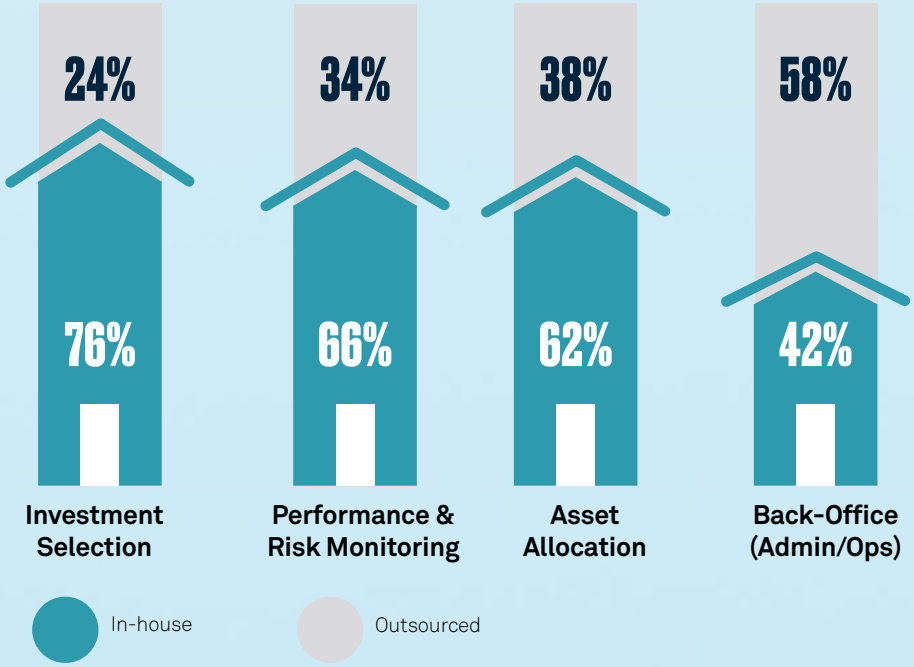
The latest data reveals a pronounced inflection: only 22% now describe their investment activities as predominantly outsourced, while 32% manage allocations and selections primarily in-house regardless of asset class, strategy, or geography. The largest cohort (46%) takes a nuanced approach, balancing internal and external management depending on asset class specifics and their existing roster of in-house talent.

In Canada, the typical method has been deploying direct teams for private markets where operational control and fee reduction yield greatest advantage. Simultaneously, external relationships are maintained for more specialist areas like infrastructure and derivatives.

This functional differentiation is instructive. Investment selection (76%), performance and risk monitoring (66%), and asset allocation (62%) remain firmly in-house, with respondents indicating intentions to maintain or deepen this insourcing.

Conversely, back-office functions – which are highly commoditized and scale-dependent – are predominantly outsourced, with 58% of respondents planning to maintain or increase this externalization. In all, the strategic core is largely internal, while the operational periphery is managed by third parties.

IN-HOUSE VS. OUTSOURCED FUNCTIONS IN CANADIAN PRIVATE MARKETS



One plan described their approach as, "in-sourcing the brain, while outsourcing the muscle" – bringing in talent to drive value on complex private market deals, long term strategies and ESG mandates, while leveraging external managers for more widely accessible public market strategies where plentiful competition or very high scale providers can offer attractive cost profiles for outsourcing.

> “Canadian plans are running a more nuanced model. They are leading deals where they have the talent, co-investing to keep fee burden in check, and engaging external managers where specialist expertise earns its keep.”

JASPER CLARKE
Senior Relationship Manager,
CIBC Mellon

ALLOCATION PROFILES

Geographic allocations reveal a preference for the familiar. Home-market bias persists, with 62% of respondents having increased Canadian allocations over the past year, coinciding with strong recent performance from the country's core sectors such as energy and commodities. Similarly close to home, 60% boosted US exposure, though global investors have begun to diversify away from the country in recent months. Developed market diversification continues with 40% raising European allocations, while 38% raised their Asia-Pacific investment.

The corollary is equally telling – 42% maintain zero exposure to Mexico, Central & South America, while 52% are unallocated to the Middle East & Africa. Where allocations do exist in these regions, they are largely static or declining: 28% trimmed Latin American exposure and 24% reduced Middle East & Africa holdings, against minimal increases of 2% and 8%, respectively.

Portfolio allocations remain remarkably stable across the survey group, with three core asset classes dominating: public equities (18.6% current allocation), fixed income (12.4%), and private equity (11.1%). What is notable about Canadian asset owners is their move into direct investing in private markets, which tentatively started in the early 2000s and was catalyzed by the 2008 global financial crisis.

How has your organization changed its geographic allocations over the past year?

CANADA:
62% increased allocation
38% maintained allocation

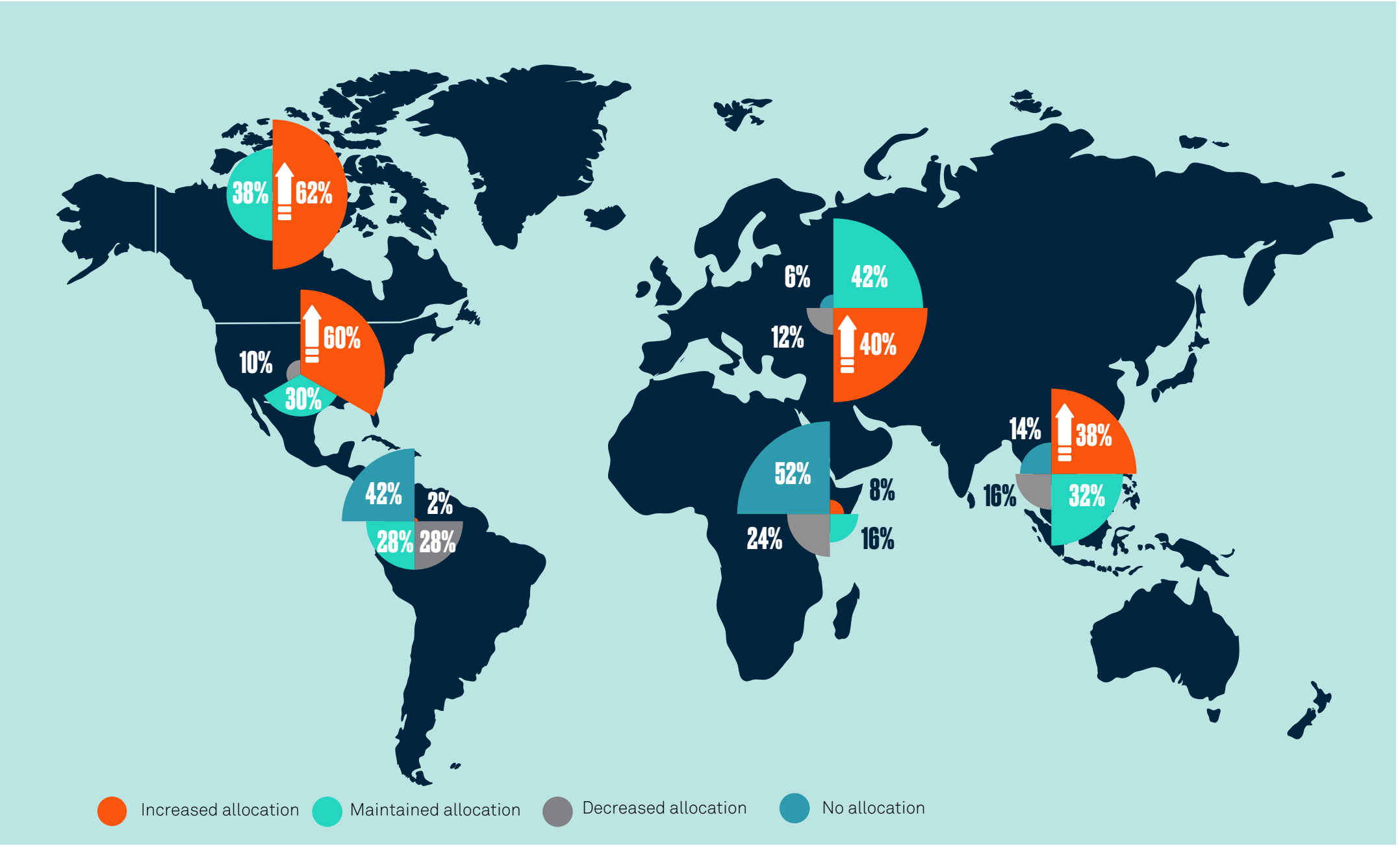
UNITED STATES:
60% increased allocations
30% Maintained
10% decreased

EUROPE
40% increased allocations
42% maintained
12% decreased
6% no allocation

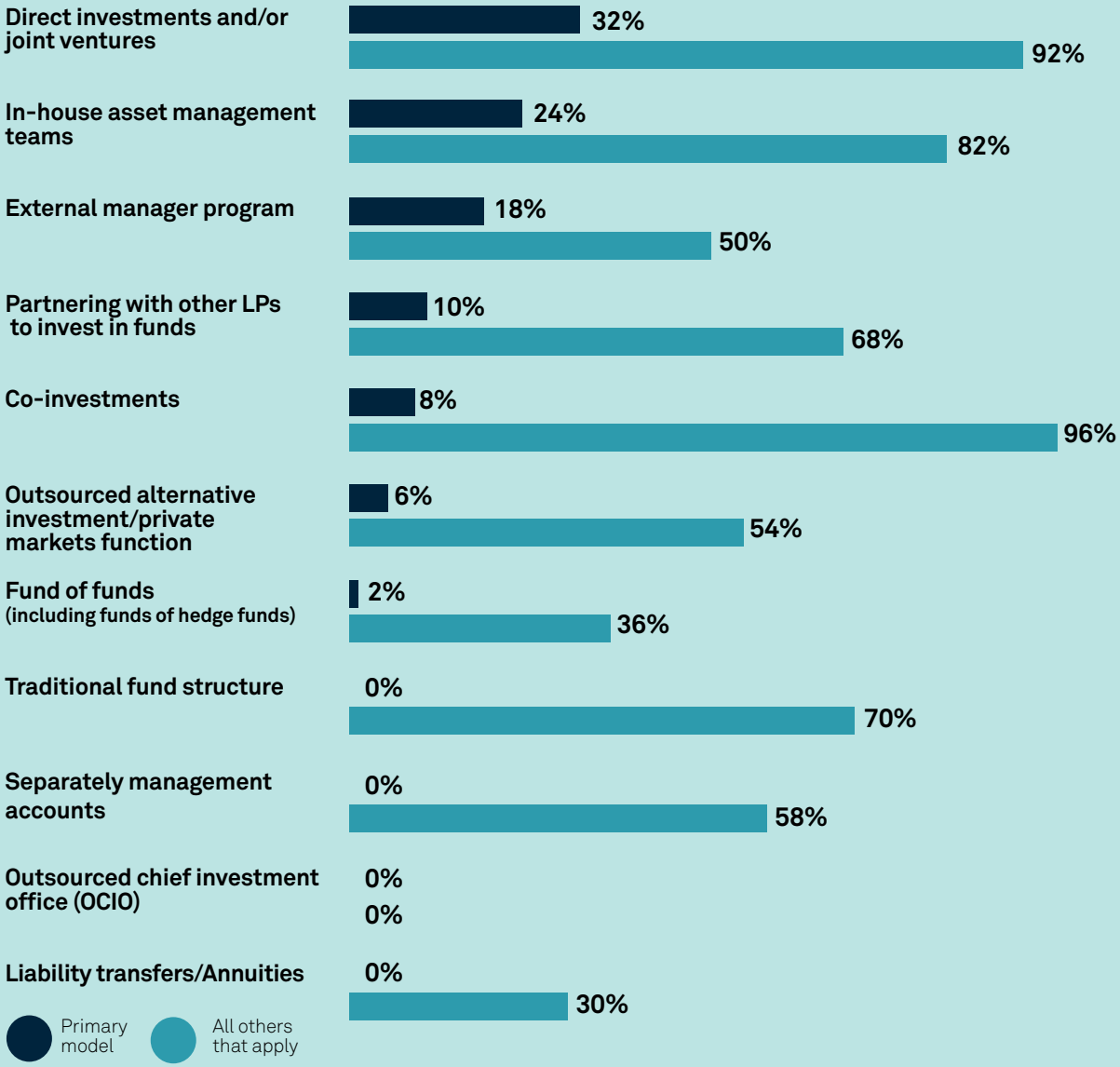
ASIA-PACIFIC
38% increased allocation
32% maintained
16% decreased
14% no allocation

LATIN AMERICA
(MEXICO, CENTRAL & SOUTH AMERICA)
42% no allocation
28% decreased allocation
28% maintained allocation
2% increased allocations.

MIDDLE EAST & AFRICA
52% have zero exposure.
16% maintained allocation
24% decreased allocation
8% increased allocation


38%
62%
60%
10%
30%
42%
2%
28%
28%
6%
42%
12%
40%
52%
8%
24%
16%
14%
38%
16%
32%
Increased allocation
Maintained allocation
Decreased allocation
No allocation

Which investment models does your firm employ?



More recently, this direct model has come under review, prompted by the underperformance of deals made in the cheap-money COVID period. Several of the largest Canadian pensions such as CPP Investments, OMERS, and Ontario Teachers have become more selective in their direct buyout activity and are seeking to forge deeper manager relationships.

OMERS shut its European direct-investment arm and Asia buyout team in 2024, completing only one direct acquisition in two years. CPP Investments moved struggling direct holdings into an "integrated strategies group" and is now considering more passive co-investments to reduce operational burden. OTPP shuffled its private equity leadership with multiple senior departures. The overarching trend among these industry leaders is a re-expansion of their fund programs and greater emphasis on co-investments to drive net performance due to the operational demands and talent competition inherent in direct buyouts. Canadian pensions are not abandoning direct investing, but strategies are being refined.

Expected allocations for core strategies like equities, fixed income, and private equity may be static, but there is an exception outside of these asset classes. Average exposure to crypto and other digital assets has fallen from 7.4% of portfolios 12-24 months ago to 5.7% currently, with respondents targeting just 3.1% over the coming year – a 58% reduction from peak allocation.

This retrenchment follows high-profile governance failures, most notably the Ontario Teachers' Pension Plan's FTX exposure; the FTX loss was a fundamentally a corporate governance matter related to a comparatively small investment loss (the $95 million loss represented less than 0.05% of Teachers' multi-billion-dollar holdings) rather than technological failure still forced Teachers to issue public statements and face a potential class-action lawsuit over diligence (ultimately dropped in January of 2026).

These perhaps cast a long shadow over digital asset enthusiasm among Canadian fiduciaries. The retail-driven speculative fervour that characterized mid-decade experimentation in this highly volatile market space has given way to sober risk assessment.

Evolving Approaches to Direct Private Market Investing

Canadian pensions are shifting from direct buyouts to more selective deals and co-investments, aiming to reduce operational complexity.

Stable Core Allocations, Declining Digital Asset Exposure

Allocations to equities, fixed income, and private equity are steady, while crypto/digital asset exposure has dropped by 58% from its peak.

Governance Lessons Shape Digital Asset Strategy

Governance challenges—such as the FTX loss—have led to more cautious, risk-aware digital asset strategies.

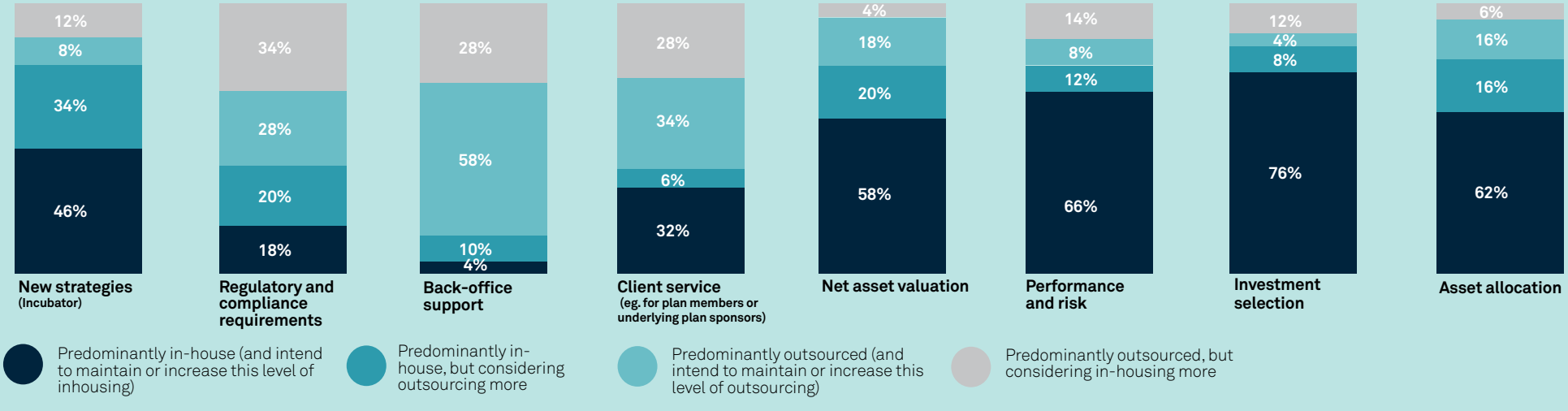
Which of the following service models best describes your firm's investment activities?

46% — **Multipe approaches, by asset class; investments are managed in-house or by external teams based on asset class**

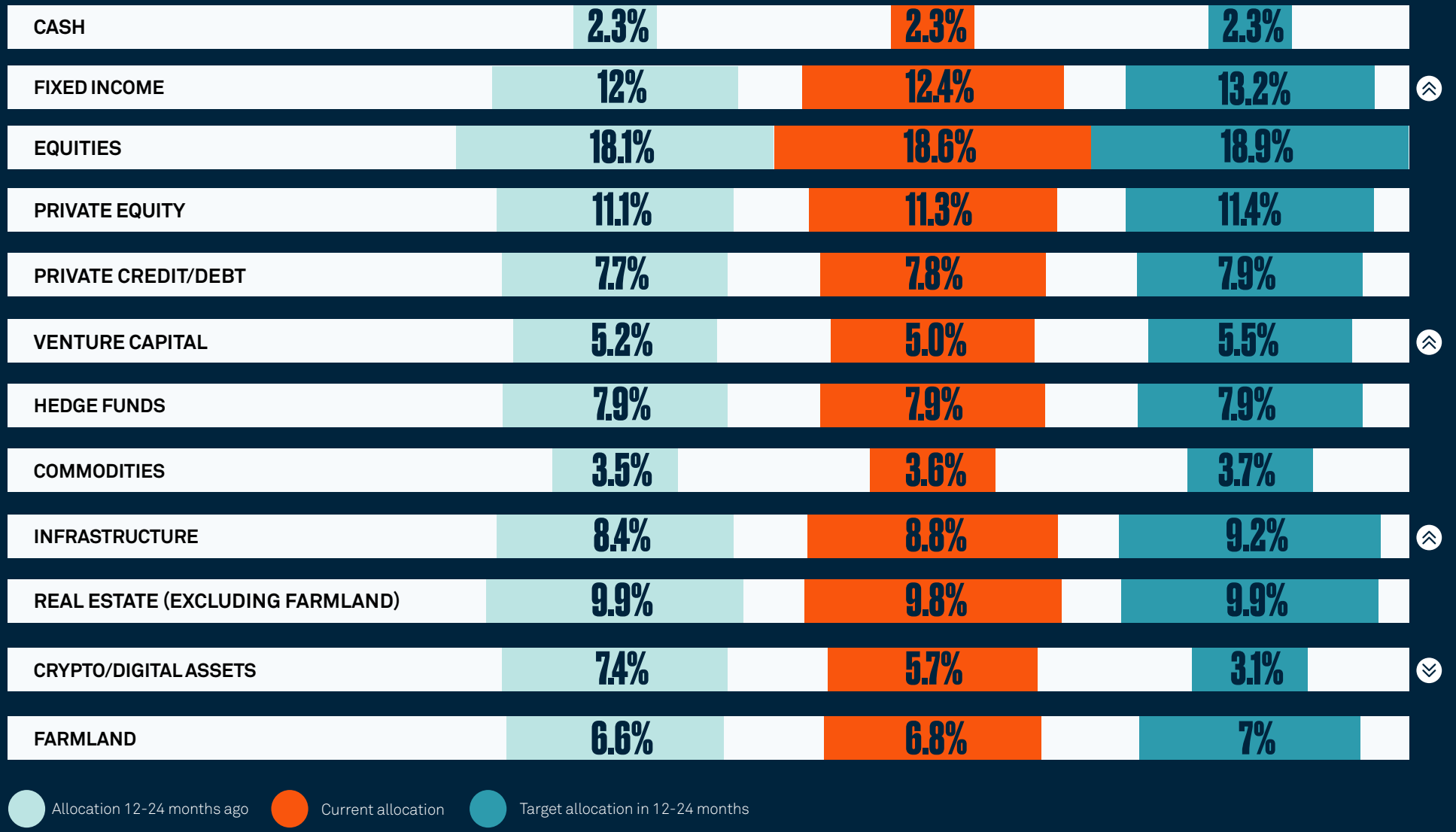
32% — **Mostly in-house, allocations and investment selections are management primarily in-house irrespective of investment strategy, asset class or region**

22% — **Mostly outsourced, with expert oversight; most investment decisions and acitivities are handled externally, with internal teams providing allocation or oversight**

Of the following functions, which do you currently largely:

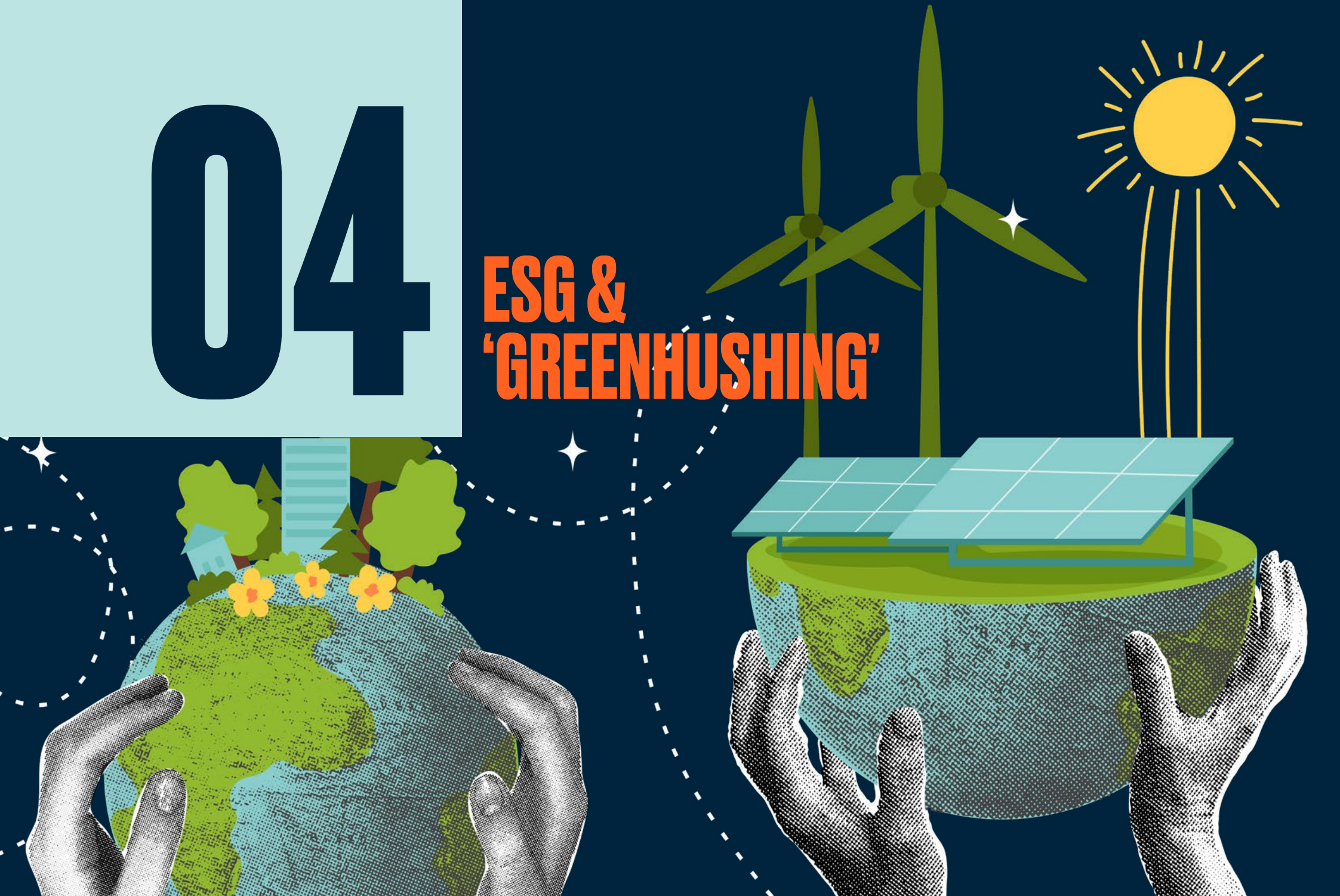


How have your levels of investment in the following asset classes changed over the last 12-24 months, and how do you expect them to evolve over the next 12-24 months?



04

ESG & ‘GREENHUSHING’



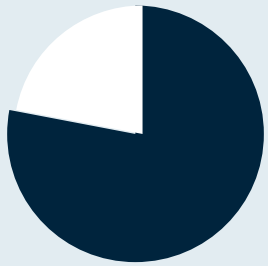
> "In the context of evolving geopolitical dynamics and shifting policy landscapes, sustainability remains an important lens through which investors assess risk and opportunity. These factors continue to inform views on resilience, long-term performance, and an organization's ability to adapt to change."

AARON WHITE
Executive Director and Head,
Sustainable Investments
CIBC Global Asset Management

Doing More, Saying Less

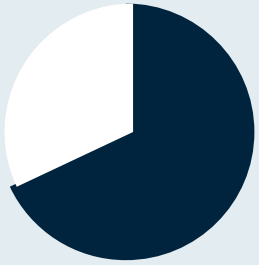
82%

OF CANADIAN ASSET OWNERS ACTIVELY IMPLEMENT ESG WITHOUT MAKING PUBLIC STATEMENTS



78%
Impact Investing

78%
ESG Policies



68%
Exclusionary Screening

Greenhushing is not ESG retreat.
It‘s ESG conviction executed privately.

ESG & 'GREENHUSHING'

Canadian asset owners remain firmly committed to environmental, social, and governance integration, but they are increasingly conducting this work out of public view; "greenhushing" to execute high conviction approaches to ESG, sustainability, diversity and other non-financial factors without subjecting themselves to the associated reputational risks. Our survey data shows sustained or growing ESG incorporation across multiple dimensions. For example, 78% engage in impact investing activities, up from 70% and 68% in our prior studies, while 78% maintain ESG policies for their asset management teams. Most strikingly, 68% now practice exclusionary screening of specific sectors or companies, a dramatic rise from 48% and just 20% in our prior studies. This is not passive adherence.

> "We are ensuring good alignment of these principles and developments with our investment processes and strategies. We feel that this approach will improve our financial performance over time."

CHIEF INFORMATION OFFICER
of a government pension with CAD$5-CAD$20bn under management

Yet 82% of respondents report strategic ongoing efforts to implement ESG internally without making public statements. This is the essence of greenhushing – performing the work without publicizing the progress.

Conviction around sustainability was high across the board, but slightly higher among non-pension organizations such as endowments, foundations, government entities and Indigenous governments/trusts. Perhaps these organizations are more mission-driven than pensions whose focus is more squarely on providing financial outcomes for retirees.

The trend reflects a calculated response to an inhospitable communications environment. Canada shares media and investment flows with the US, where anti-ESG sentiment has mounted. Canadian managers are acutely aware of the backlash against even the largest US firms, with the likes of BlackRock walking back its ESG shareholder proposal support, and of divestment campaigns targeting managers who publicly advocate for ESG or DEI principles. The reputational risks of visibility have risen accordingly.

Regulatory uncertainty compounds this reticence. Despite Canada hosting the International Sustainability Standards Board in Montreal and ongoing development of Canadian Sustainability Standards, asset owners lack the clear guidance they crave. The industry has initiatives such as Business Future Pathways, but – in the absence of definitive regulatory frameworks – many prefer the defensibility of quiet compliance over the vulnerability of public commitment. Notable exceptions exist, such as the University Pension Plan, which maintains a strong public ESG stance, but they are outliers.

INDUSTRY PERSPECTIVES

BUSINESS FUTURE PATHWAYS:

Featuring University Pension Plan Ontario and Mackenzie Investments

Explore practical, investor-endorsed, internationally aligned, and made-in-Canada guidance to help companies operationalize and report credible climate transition plans to global capital.

www.cibcmellon.com/podcast

FEATURING:

BARB ZVAN
President and CEO
University Pension Plan Ontario

FATE SAGHIR
Senior Vice President and Head of
Sustainability, Marketing, and Client Experience
Mackenzie Investments

HOST:

CYNTHIA SHAW-PEREIRA
Vice President, Asset Owner Segment Head
CIBC Mellon

“For a long time, net zero set the horizon for sustainable investing, the point at which a portfolio stops adding to the problem. It’s a target of neutrality, and a meaningful one, but the ambition is shifting. The field is starting to ask what it means for capital to be restorative, to give back more than it takes, to leave the economy in better shape than it found it. That’s a higher bar, and a different way of thinking about the mandate. It changes what you build a portfolio around, not only the risks you screen out, but the outcomes you invest toward.”

MARC GAUTHIER
University Treasurer and Chief Investment Officer, Concordia University

CANADA VS. THE WORLD

The divergence between practice and pronouncement places Canadian asset owners in a middle position globally.

European peers operate under comprehensive disclosure regulations and sophisticated taxonomies. ESG adoption there is practically universal. Larger Canadian organizations demonstrate comparable sophistication, but uptake is less uniform among smaller players.

Meanwhile, political polarization in the US has produced a hostile environment. The Trump administration's return heralded a winding back of ESG guidelines, including the January 2026 House passage of legislation limiting retirement fund managers' ability to consider ESG factors. Canadian asset owners are watching this unfold across the border with evident caution.

On DEI, conviction appears to be moderating even as practice continues. Among our survey participants, 60% see positive correlation between DEI incorporation and financial performance, down from 68% in our previous study. A further 32% view DEI as "nice to have" rather than value accretive. Crucially, zero respondents disavow DEI entirely or believe it comes at the cost of performance. The commitment persists even if the investment case has softened.

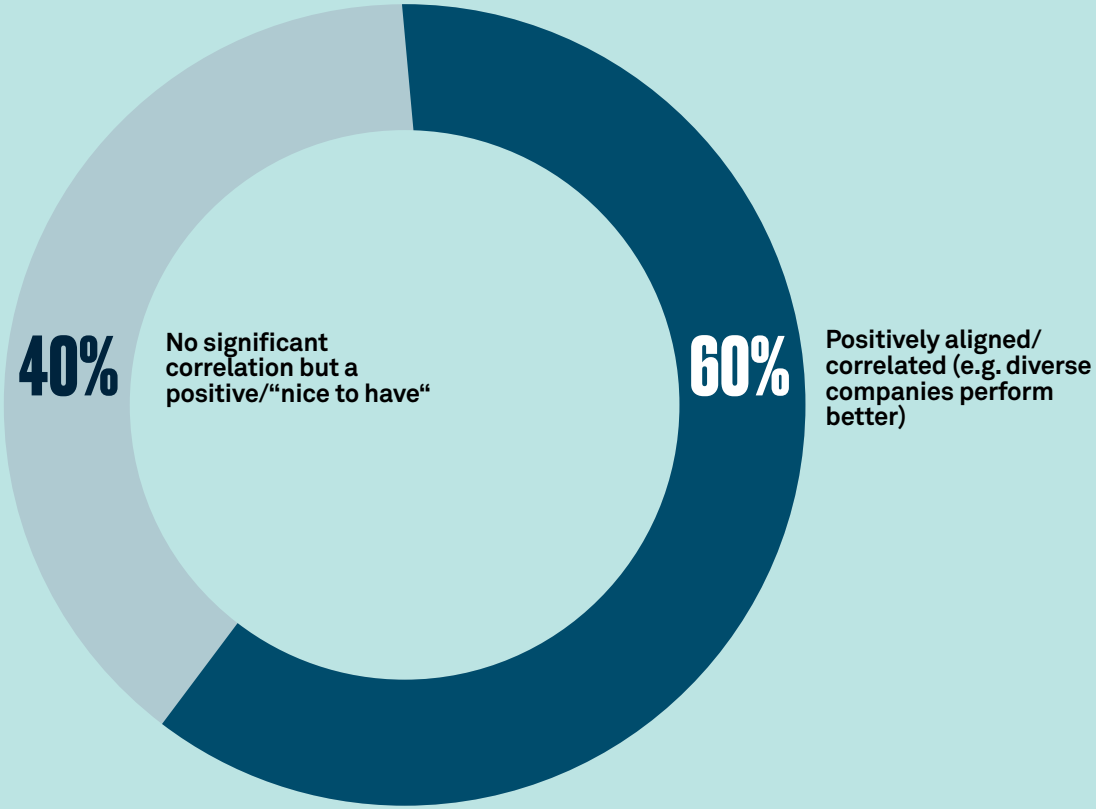
Some respondents frame ESG through a conditional or regulatory lens rather than as conviction-driven strategy. Yet there is no evidence of outright pullback. Sustainable and responsible investing remains central to Canadian asset owner strategies and is conducted with increasing sophistication, albeit disclosed with increasing caution.

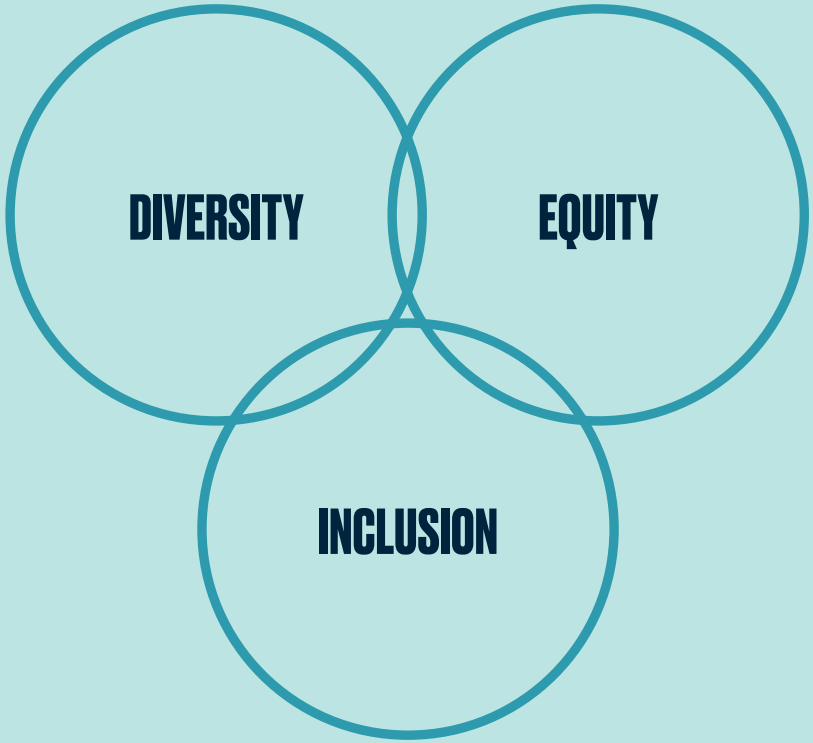
> "Due to regulatory pressures, we are engaging managers to identify ESG and particularly sustainability risks in investments. We are getting expert assistance on topics as we lack the internal expertise for these."
>
> **CHIEF INFORMATION OFFICER**
> of a jointly sponsored pension entity with CAD$750m-CAD$5bn under management

Canadian asset owners increasingly approach ESG through a regulatory lens, seeking expert guidance amid evolving standards.

To what extent does your organization incorporate environmental, social & governance (ESG) factors into investment processes?

How do you view the relationship between financial performance and incorporating diversity, equity & inclusion (DEI) matters in your organization's investment processes?





> Canadian asset owners are deepening their ESG practice while exercising real discretion about how they discuss it. Exclusionary screening has more than tripled to 68 percent across our studies, and 82 percent now treat ESG as a continuous internal discipline. The conviction is strengthening; the disclosure is becoming more deliberate."

CYNTHIA SHAW-PEREIRA
Vice President, Head of Asset Owner Segment, CIBC Mellon

05

IN-HOUSE ASSET MANAGEMENT

IN-HOUSE ASSET MANAGEMENT

The past decade has witnessed a decisive migration of investment capability from external managers to internal teams across the Canadian pension industry, led by its largest incumbents. However, the Maple 8 have not been alone in this transition, and it is not just alternative asset classes that are being brought in-house.

Across our sample, 60% of Canadian asset owners' portfolios are now managed internally, up from 52.4% in our 2023 study and 51% in 2022. This acceleration is a strategic bet that governance control and cost efficiency outweigh the operational burdens of building internal capabilities. The trajectory points to continued, if gradual, expansion. On average, respondents expect 61% of their portfolios to be managed in-house within 12-24 months.

The economic case is compelling. Among those who have taken more management in-house, 90% report cost savings, with roughly two-thirds achieving 11%-25% savings compared with outsourcing. This is in line with our 2023 findings, when 92% saw savings, and represents a significant increase from 2022, when 76% reported such benefits. Just five respondents in this latest study say costs have risen, and of these three noted improved results. Evidently, quality premiums can justify higher expenditure.

Yet the rationale has evolved. In 2023, maximizing long-term returns garnered 24% of first-choice votes as the primary benefit of in-housing. This year it captures just 8%. Better governance now dominates at 26%, followed by a better overview of allocation position at 16%. The shift signals maturation, with funds no longer pursuing in-sourcing primarily for return enhancement but for operational control and fiduciary oversight. Returns may follow, but they are not the singular objective.

> "We benefit from a clear governance strategy. Also, there are better allocation strategies in place and rather than getting information through reports, we have a clearer overview of the positions and manage these positions ourselves."

CHIEF INFORMATION OFFICER
of a CAD$20bn-plus multi-employer pension.

The challenges of in-housing are equally revealing. Insufficient scale leads at 24% of first-choice votes, up from 18% in 2023, now surpassing data management (20%) and finding the right talent (14%).

This ranking exposes a tension at the heart of the in-sourcing trend. The very funds most eager to bring management internal are often those least equipped to achieve the scale required for efficiency. Risk appetite (14% of first-choice votes, 26% second-choice) compounds the difficulty, as boards grapple with concentrated exposure and concentrated responsibility.

The evolution of in-housing

GROWTH

60% ↑ 51%

IN 2022

Managed internally today

PRIORITY SHIFT

24% → 26%

RETURNS GOVERNANCE

Return focus becomes governance focus

CHALLENGE

24%

SCALE

Largest challenge to in-sourcing efficiency is scale

INNOVATING AT HOME

Talent competition intensifies these pressures. Pension CEOs report persistent turnover as investment professionals depart for larger asset managers offering superior compensation. "Talent shortage is becoming a big issue in the asset management field, especially for funds with a tight budget for talent overall. The competition with larger, global firms has affected the talent pool," says the president of a Canadian endowment with CAD$750m-CAD$5bn under management.

The response to this has been tactical innovation. Some funds now offer remote work arrangements as a perk to attract talent seeking flexibility, competing against banks and institutional asset managers who are mandating office returns. This represents a significant cultural shift for traditionally in-person institutions, acknowledging that talent scarcity may force compromises.

Some of the country's largest asset owners including OTPP, CPP Investments, and CDPQ have achieved sufficient scale to make in-house management economically rational and operationally sustainable. Smaller funds face a steeper climb, building teams without the revenue base to support competitive compensation and managing data without the infrastructure to ensure sound management. It is not without success stories; for example the Trans-Canada Capital asset management organization was born out of the success of the Air Canada Pension Plan at turning a multibillion dollar deficit into a surplus, with the in-house team then moving to take in outside assets.

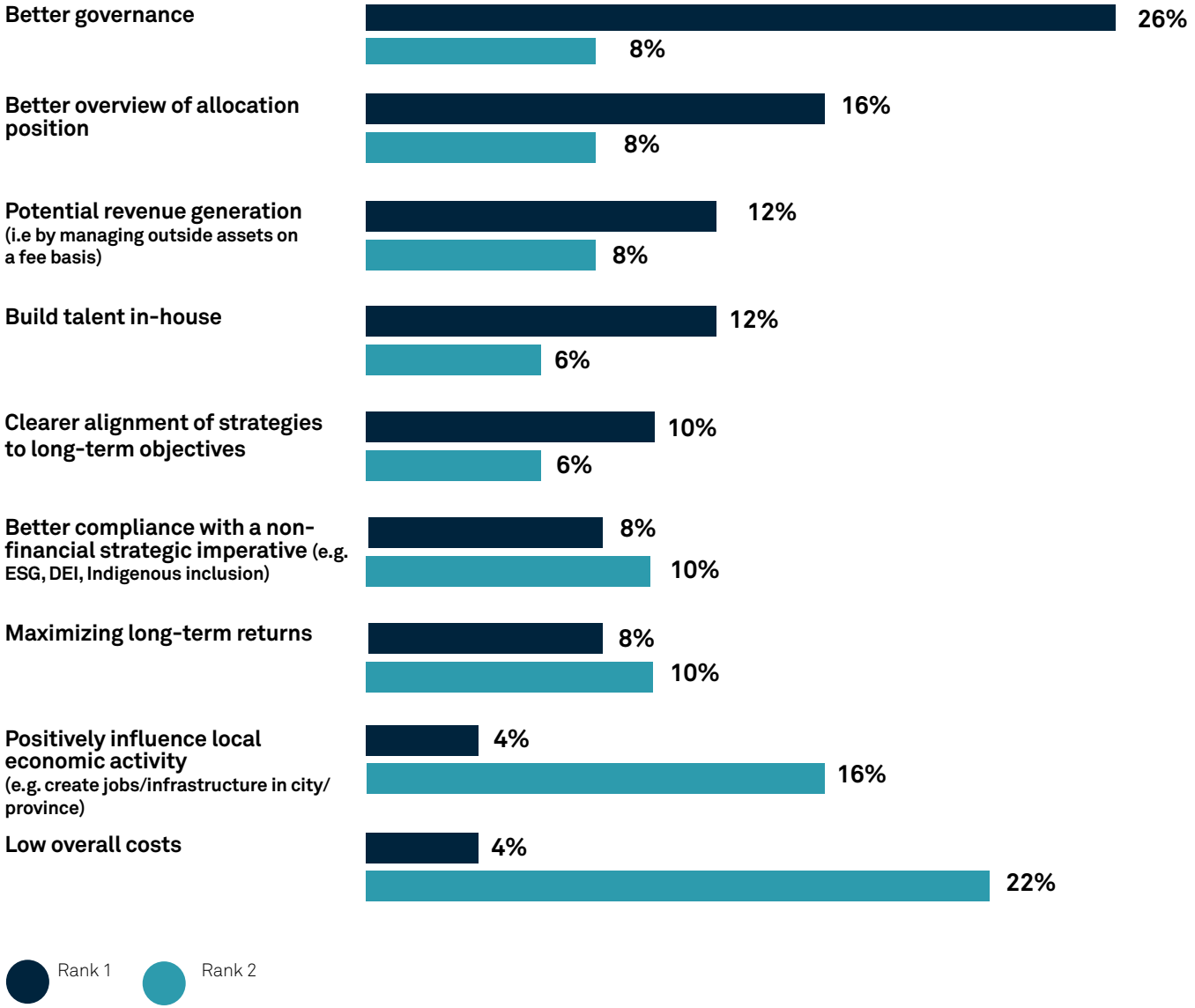
The Canadian model is closely watched globally. No other pension system has pushed internalization as far, particularly in private markets where direct ownership is now the norm. The country's largest funds, those with assets exceeding CAD$50bn, manage 80% of this value in-house versus 34% for similarly sized global peers.

Yet as funds compete for scarce talent against higher-paying asset managers and grapple with data consistency across expanding portfolios, operational burdens are mounting. Whether smaller institutions can build the capabilities to match their ambitions remains an open question.

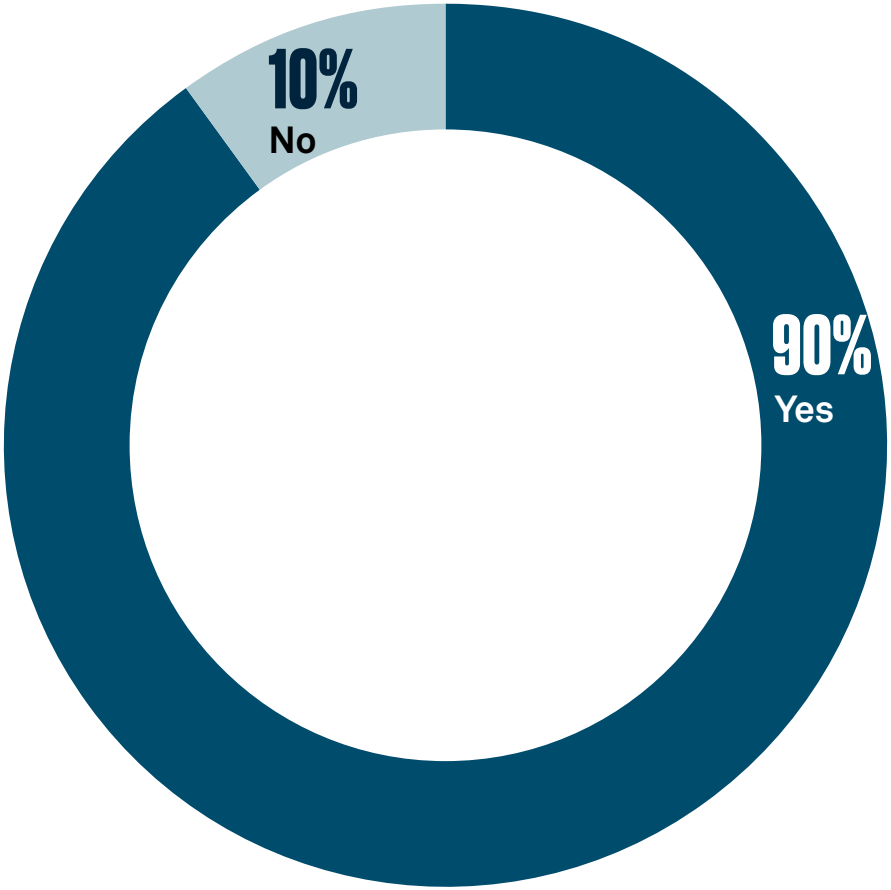
Approximately what percentage of your total portfolio is managed in-house versus managed by an external manager?

Approximately what percentage of your total portfolio do you expect will be managed in-house and managed by an external manager in 12-24 months' time?

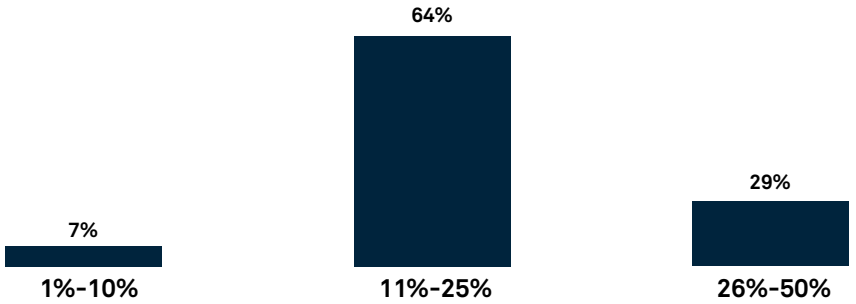
What are the main benefits of in-house asset management?



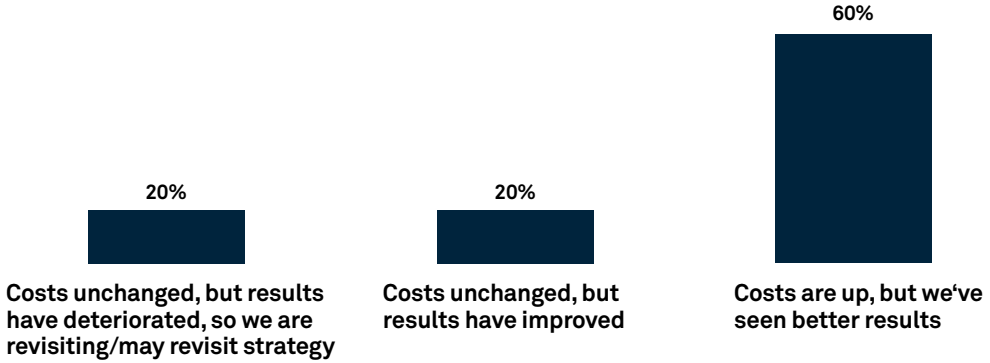
If you organization has taken more asset management in-house, have you seen a cost-savings



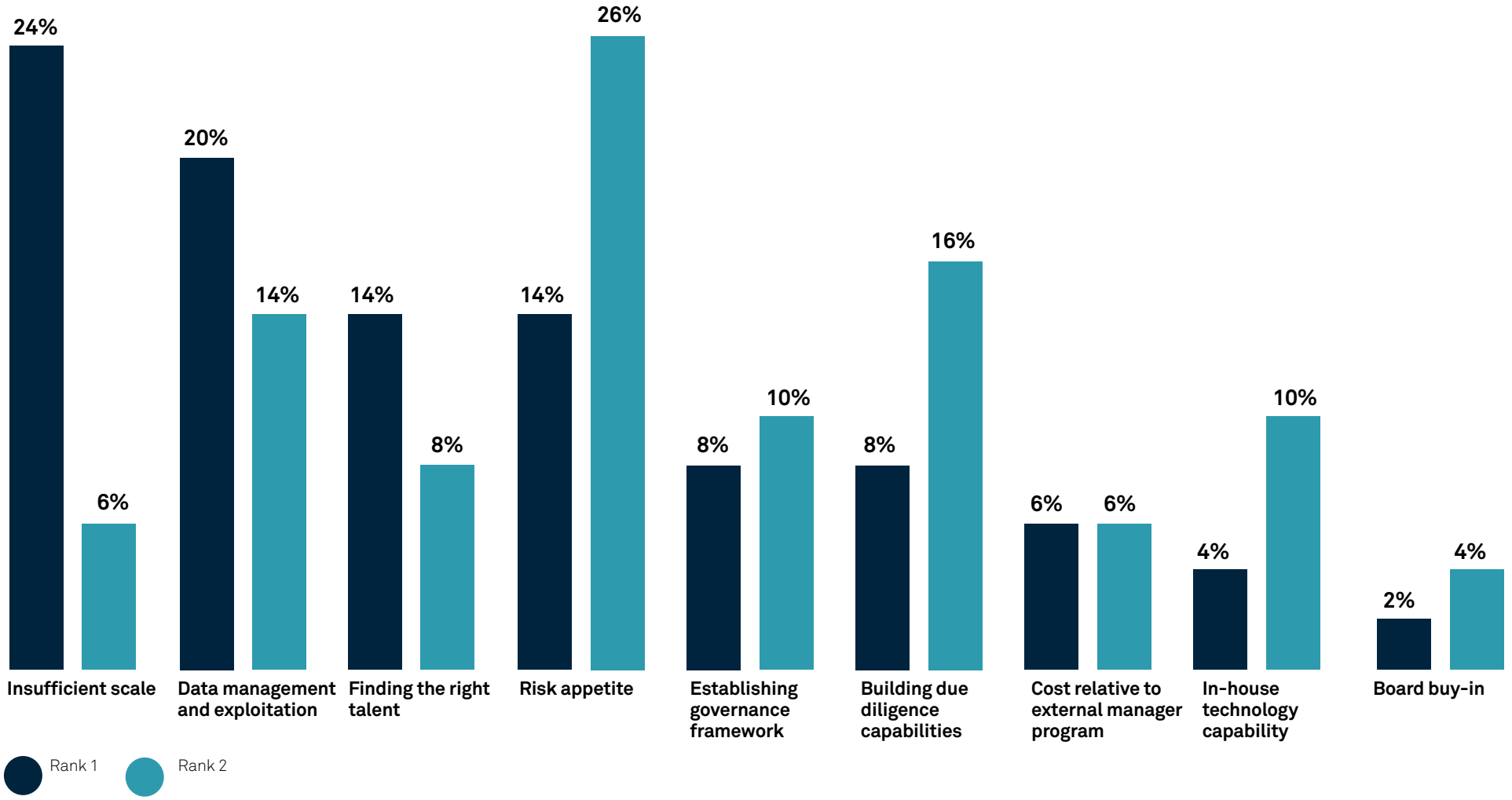
If 'Yes', what, approximately, had been the average percentage saving compared with outsourcing asset management?



If no, have your costs increased but results improved?

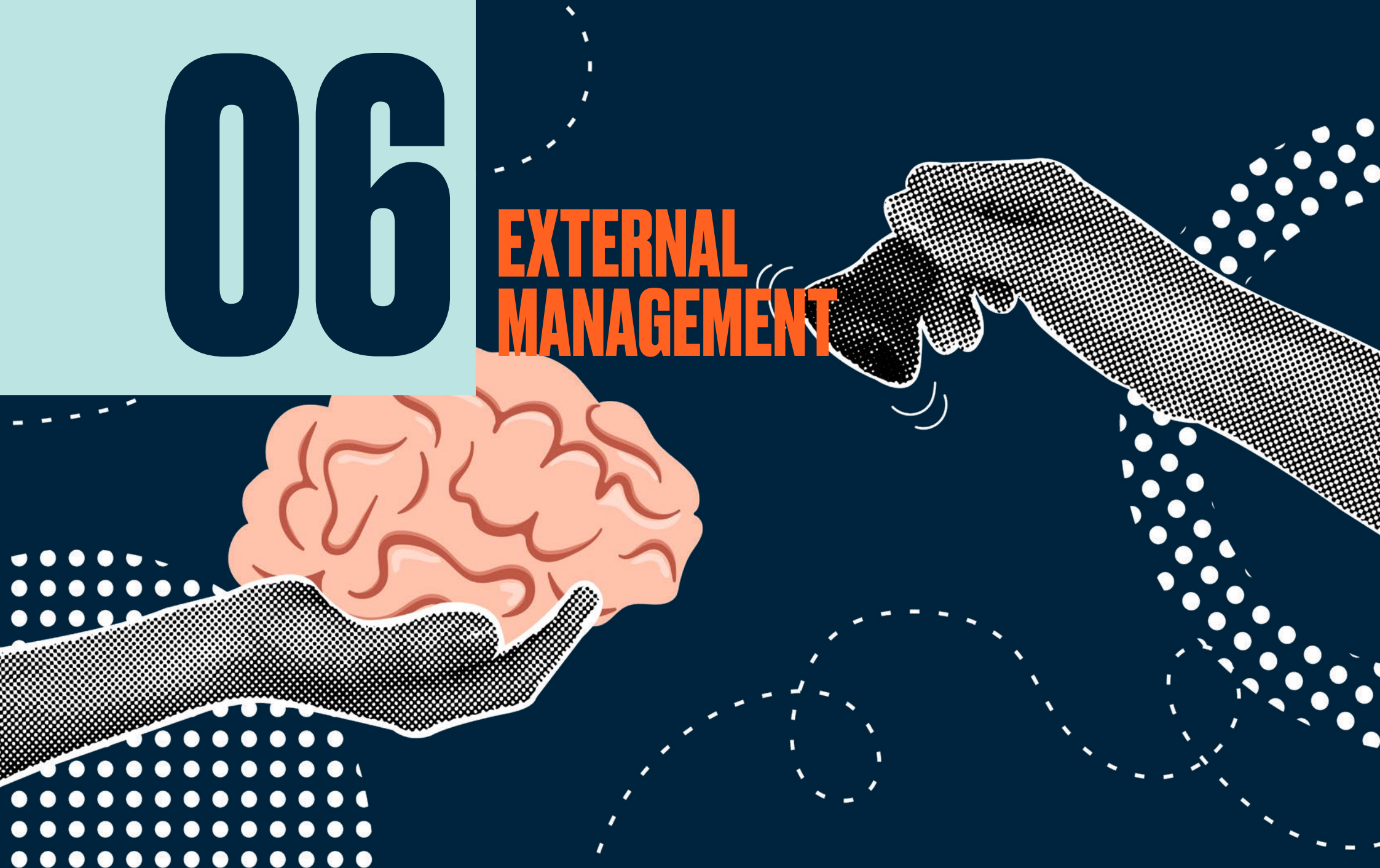


What are the main challenges to in-house asset management?



06

EXTERNAL MANAGEMENT



EXTERNAL MANAGEMENT

The shift toward in-house management is neither universal nor unconditional. For a significant minority of respondents, external managers remain the preferred solution, and their reasons spell out the limits of the insourcing trend.

The primary driver today is risk management, cited by 30% of respondents as the core advantage of external over internal management. This represents a modest increase from 26% in our 2023 study and underscores a persistent concern: not all funds possess the governance infrastructure, expertise, or risk appetite to manage complex allocations internally.

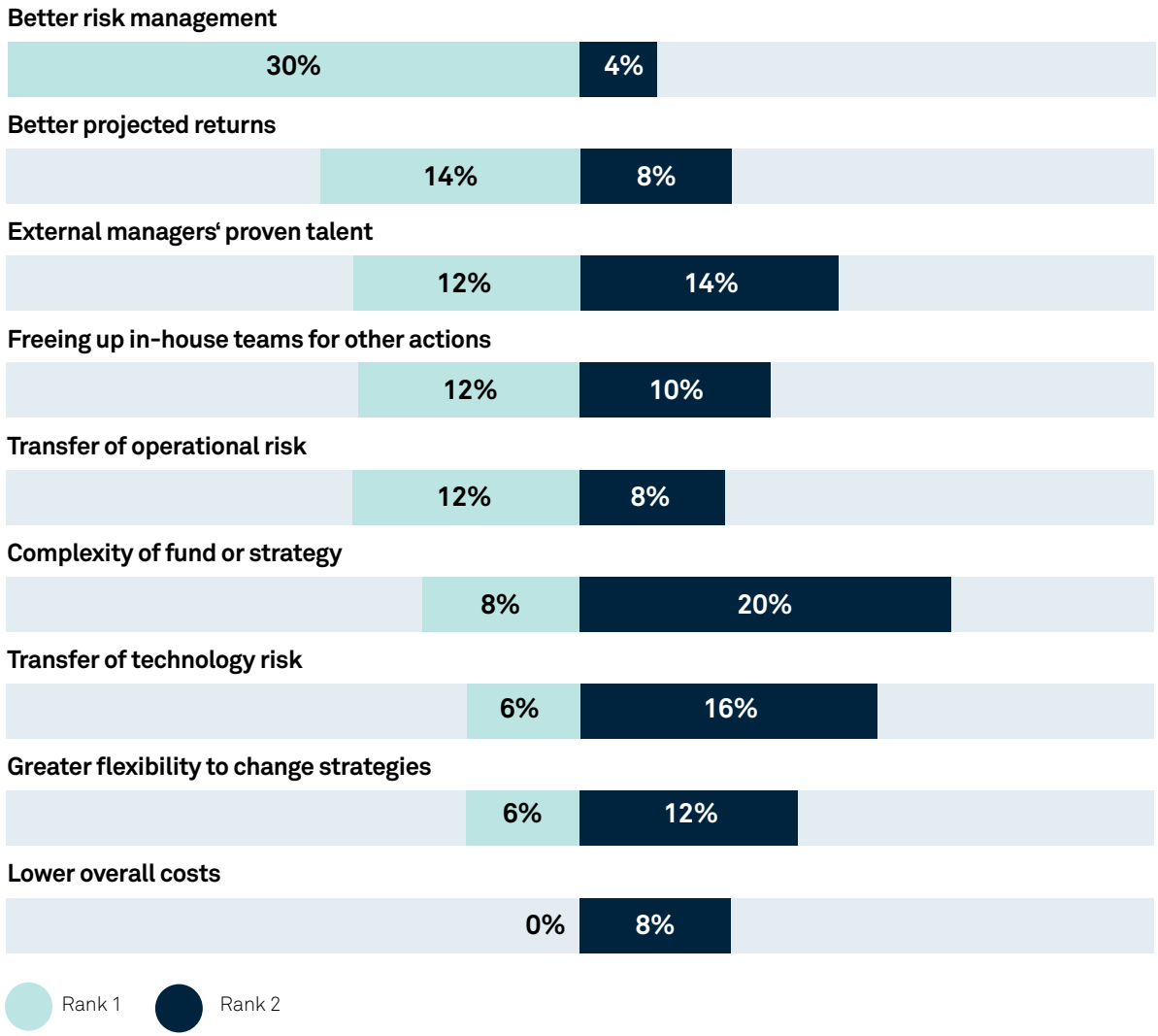
The disappearance of cost as a motivation is notable. In 2023, 14% cited lower overall costs as a key driver for outsourcing. In this latest study, that figure falls to 0%. External management is now explicitly accepted as a premium option, justified by expertise and risk control rather than price efficiency. Funds that outsource do so knowing they pay more for the privilege.

This creates a clear segmentation in the market. Large, sophisticated funds have achieved sufficient scale to internalize risk management and capture fee savings. Smaller or more conservative funds recognize that attempting to replicate these capabilities would expose them to precisely the risks of insufficient scale, data management failures, and talent scarcity that make in-housing impractical. For these funds, external managers offer institutional-grade risk frameworks without the fixed-cost burden of building equivalent internal infrastructure.

The result is a pragmatic equilibrium. The industry moves toward in-house management where scale permits, while acknowledging that external expertise remains essential for those lacking the resources to independently manage complexity.

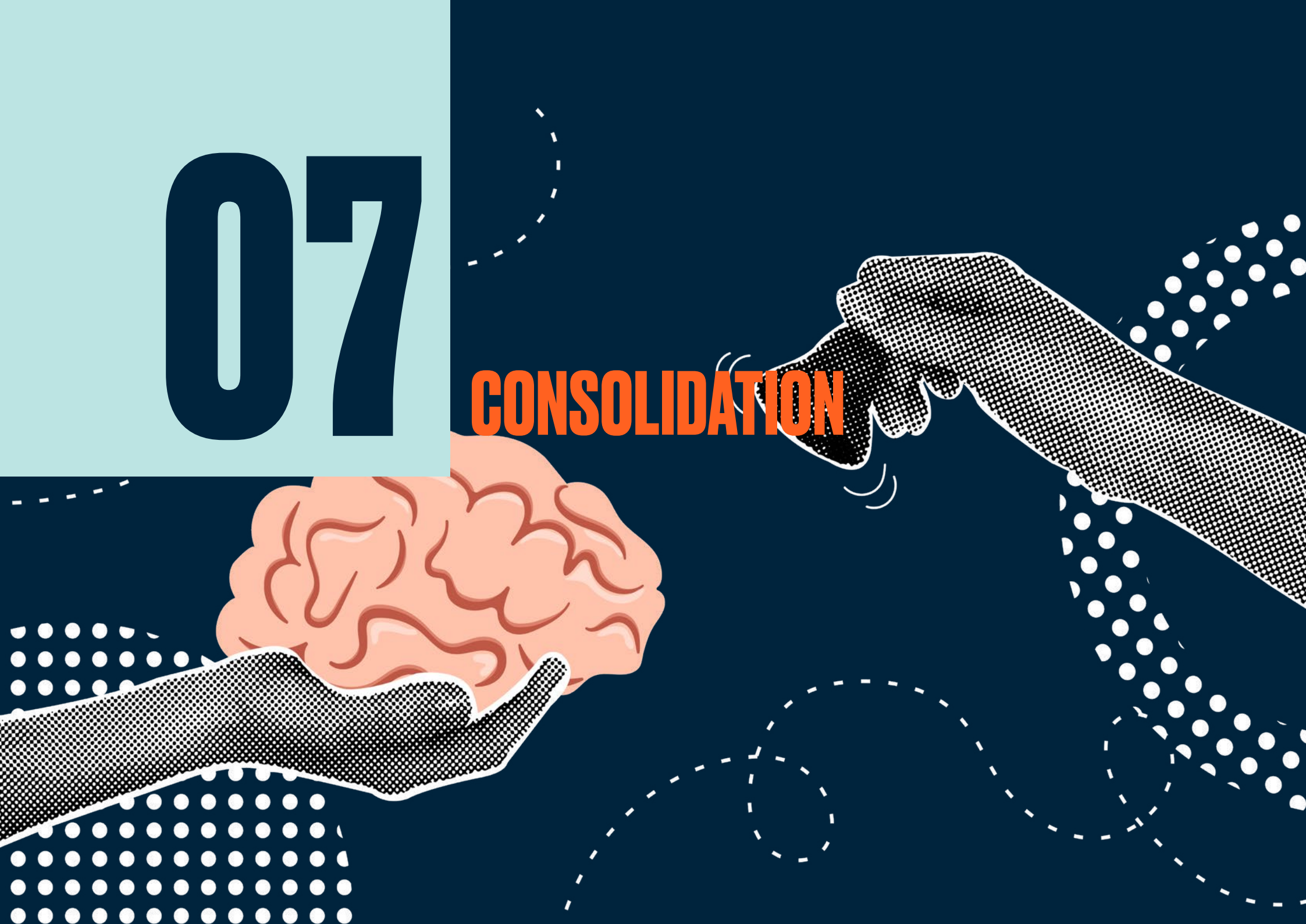
> “Risk management is one of the main challenges of taking asset management in-house. If we cannot fit allocations according to the risk appetite, we will not get the required returns to fulfill our obligations. positions ourselves. External managers are careful with their selections and more experienced.”
>
> **HEAD OF OPERATIONS**
> of a jointly sponsored pension entity with more than CAD$20bn under management.

What are the key drivers for using external asset managers over in-house management?



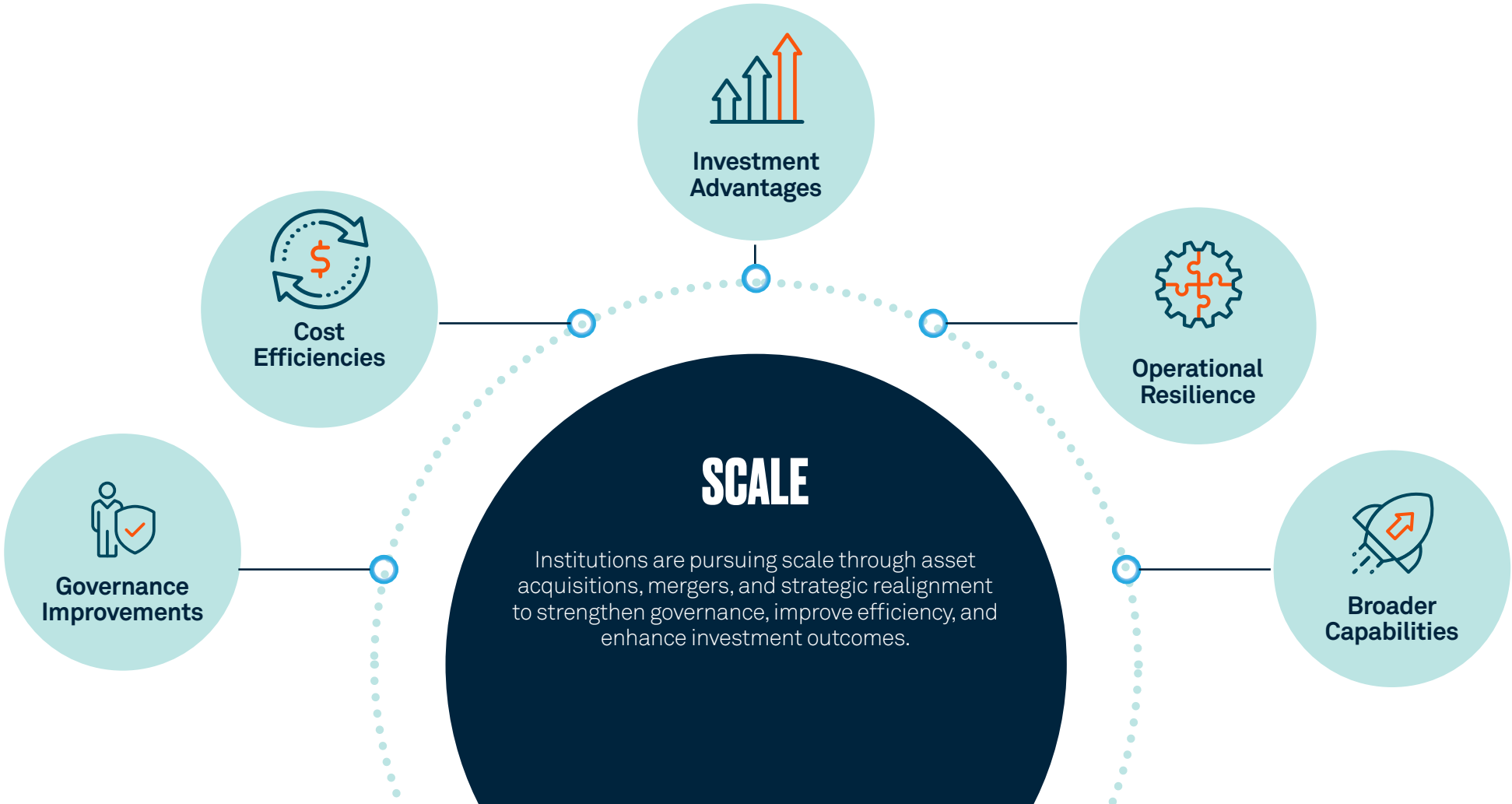
07

CONSOLIDATION



CONSOLIDATION

Scale has become the defining strategic imperative for Canadian pension funds. Whether through absorbing external assets, merging with peers, or exiting to larger entities, institutions across the pension, endowment, and foundation landscape are repositioning to capture the governance improvements, cost efficiencies, and investment advantages that size is believed to confer.



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ASSET AGGREGATION

Across the board, inbound asset aggregation is now the dominant consolidation strategy. More than two-thirds of respondents (68%) are seeking assets from retail investors and individual retirees, nearly double the 38% reported in 2023 and a dramatic increase from 40% in 2022. A further 22% are considering this course. This represents a fundamental expansion of the pension model from closed, employer-sponsored systems toward open architectures capable of absorbing voluntary contributions from individual savers.

Many mid-to-large Canadian pension plans operate under an explicit growth mandate, whether through growing their own assets and members, or managing assets for other organizations. This is the natural extension of the in-sourcing trend. Once a fund has built internal asset management capabilities and captured the associated fee savings and governance benefits, the next frontier is to leverage that infrastructure by bringing other organizations' assets under its management. The fixed costs of investment teams, technology platforms, and data systems amortize across a larger base, improving economics for all participants.

Yet execution lags ambition. Pension heads reveal persistent challenges in retail aggregation. Several plans that offered individual savings programs have found very low member take-up. One CEO notes that in the current economic environment, people have less available income for voluntary retirement contributions, while another reported uptake by less than 2% of plan members. The transition from defined-benefit to defined-contribution models, while creating theoretical opportunities for consolidation, may not automatically generate the inflows that plans anticipate.

Beyond retail ambitions, 42% of respondents currently manage assets on behalf of other institutional investors without assuming liabilities, down from 61% in 2023 but above 36% in 2022. This intermediary arrangement allows funds to leverage their investment infrastructure while avoiding fiduciary responsibility for legacy liabilities.

Full liability mergers are accelerating separately, with 40% currently consolidating complete pension plans into their organizations, double the 20% from 2022, with a further 28% considering this strategy. This comprehensive form of consolidation, once rare, is becoming more mainstream.

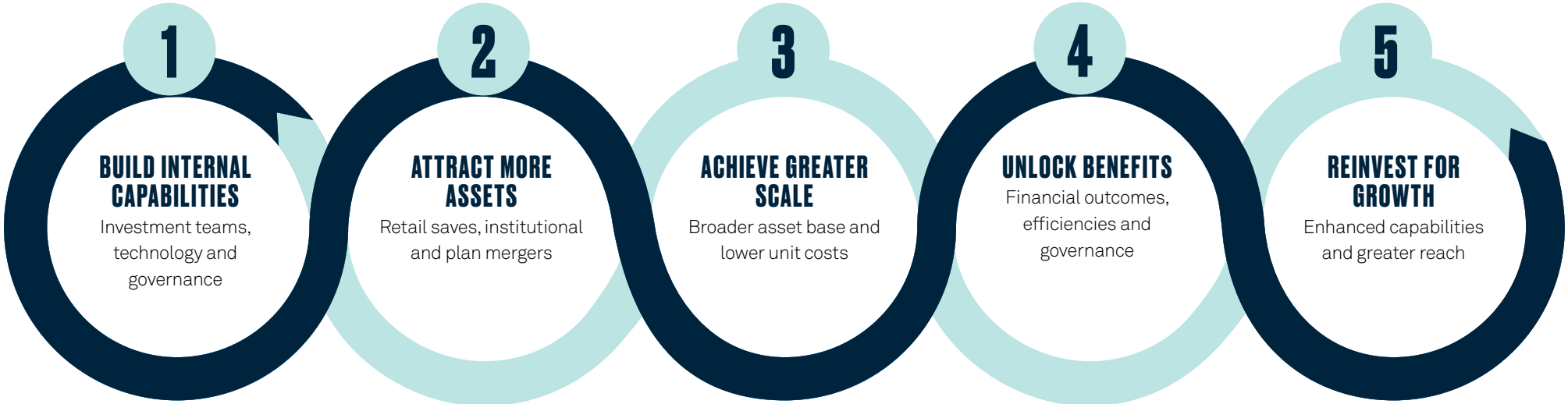
The benefits of inbound consolidation are consistent and well understood across our research series. Improved financial outcomes lead with 68% of top-three votes, by far the largest share, followed by economies of scale (42%) and stronger governance (36%). This reflects the received wisdom that larger funds enjoy better access to desirable opportunities, especially in illiquid asset classes, and can negotiate lower fees with external managers.

The rising priority of governance is notable, having climbed from just 4% of votes in 2022 to 16% in 2023 and 36% now. Consolidation is increasingly viewed by Canadian asset owners not merely as a means of achieving cost efficiency or deal access, but as a mechanism for strengthening oversight, accountability, and strategy-making. As the managing director of a government agency with more than CAD$20bn under management notes: "Stronger governance is a key benefit of consolidating with another plan. It would result in better reputation and management of assets in the long-term. Incorporating another plan would enhance the organization's focus and preparedness for evolved allocation and management strategies."

The challenges are equally predictable but more operationally daunting. Technology issues dominate at 52% of votes, reflecting the complexity of integrating disparate data systems, reporting platforms and legacy infrastructure.

Workforce concerns follow at 40%, the mirror image of the foregoing talent challenges associated with in-house management. Funds seeking to absorb external assets must have the capacity to manage and integrate them, requiring a relatively scarce blend of investment, operational, and transformation expertise, spanning portfolio integration, risk alignment, and systems unification. This is precisely the talent that is hardest to attract and retain, particularly amid competition from global asset management brands.

Asset Aggregation The new growth strategy for Canadian pension plans



KEY FRICTION POINTS

52% TECHNOLOGY INTEGRATION

40% WORKFORCE CAPACITY

<2% LOW MEMBER PARTICIPATION

CONSOLIDATING OUT

Outbound consolidation is less prevalent overall but growing rapidly. Some 42% of respondents report merging into or transferring assets and liabilities to another plan, asset owner, or pension entity, up from 31% in 2023 and just 4% in 2022. This nearly elevenfold increase suggests that regulatory pressure, efficiency concerns, and demographic realities are forcing action on plans that might previously have preferred independence.

The shift in motivations is striking. Government or legislated mandate now leads benefits at 50% of top-three votes, an increase from zero in 2023 and just 2% in 2022. This reflects mounting regulatory pressure, particularly on smaller or underfunded plans, to achieve scale or exit. Economies of scale (44%) and reducing risk/transferring liabilities to another party (40%) follow, mirroring inbound consolidators' objectives from the opposite side of the transaction. Sellers seek to offload fiduciary burden, while buyers seek to capture returns.

Other exit strategies remain marginal. Just 10% have made annuity purchases or other liability risk transfers, though 58% are considering them, a meaningful gain from 6% in both 2023 and 2022. This suggests growing interest in de-risking through insurance-based solutions, but execution remains constrained by cost, availability, or structural barriers.

Notably, once popular outsourced chief investment officer (OCIO) arrangements have lost momentum, with just 4% of respondents either considering or currently implementing such models. Large asset managers are now keen to build scale themselves rather than provide it to others. The OCIO model, which allowed smaller plans to access institutional-grade investment management without building internal teams, is receding as both asset owners and managers prioritize scale and internal capability-building.

The obstacles to outbound consolidation are cultural and fiduciary rather than financial. Cultural differences lead at 50% – sellers worry about entrusting their beneficiaries to organizations with divergent values, governance practices, or stakeholder relationships. Managing duties to plan members follows at 48%, underscoring the legal and moral complexity of transferring fiduciary responsibility. These concerns are less about economics than trust: confidence in governance, continuity of member outcomes, and the durability of the receiving institution's operating model. They are addressable through careful due diligence, transition planning, and member communication, but they slow transaction velocity and complicate negotiations.

ALIGNMENT BETWEEN BUYERS AND SELLERS

The market exhibits practical alignment beneath apparent divergence. Buyers consolidating assets in prioritize return enhancement and financial outcomes. Sellers consolidating out prioritize government mandates and regulatory compliance. However, both converge on economies of scale and risk reduction as core benefits.

The disconnect lies in how each side views the inherent challenges of these arrangements. Buyers' concerns centre on technology and workforce capacity to absorb and manage new assets, whereas sellers are preoccupied by cost, governance, and regulatory assurance. These are practical hurdles – integration execution, operating model complexity and fiduciary transfer risk – rather than evidence of any fundamental deal-breaking disagreement.

Everyone agrees on the benefits of consolidation and that both sides can satisfy their objectives, while also acknowledging that culture can be a barrier to success. The challenge therefore is in execution. Buyers must demonstrate integration capability across systems, portfolios, and governance frameworks without disrupting performance or reporting. Sellers must satisfy themselves that their members' interests will be protected in perpetuity. Both require time, resources, and trust.

Alignment Exists. Execution Is the Challenge.

EXECUTION BARRIERS

Systems Integration	Governance Complexity	Fiduciary Transfer Risk	Trust

AUSTRALIA: A PARALLEL PATH

Canada's consolidation trajectory mirrors that of Australia's superannuation sector, where regulatory pressure has driven sustained merger activity. According to Mercer, the Australian Prudential Regulation Authority currently regulates around 90 pension funds; this is expected to nearly halve to 47 funds by 2029. By decade's end, 11 mega funds are projected to account for three-quarters of Australia's superannuation market.

The drivers of this overhaul are familiar: economies of scale to offset costs, improved governance, regulatory compliance, and the operational efficiencies necessary to compete. Yet structural differences between the two markets are instructive.

In Australia, member choice drives fund behavior. Employees can generally choose which fund receives their superannuation contributions, creating a genuinely competitive market where funds must actively win and retain members through service quality, investment performance, and digital experience. This competitive pressure has accelerated digital transformation across the Australian industry, enabling personalized member experiences and operational efficiency.

Canadian pensions, by contrast, operate with captive member bases. Investment in member experience is driven by fiduciary duty and stakeholder servicing rather than competitive pressure. Members typically have no alternative to their employer-sponsored plan; switching is difficult or impossible.

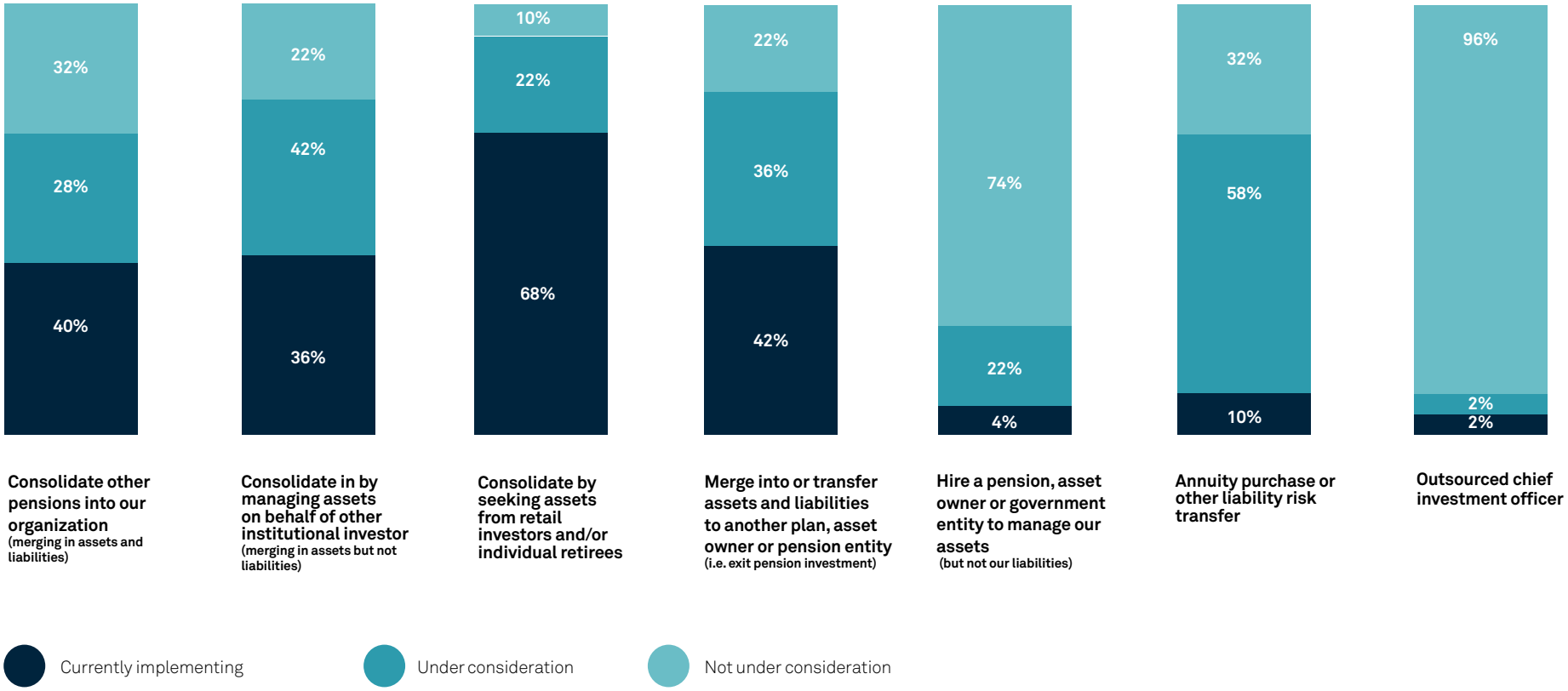
As Canadian consolidation accelerates, whether through retail aggregation strategies or institutional mergers, the question of whether competitive dynamics will emerge becomes increasingly relevant. Will larger, more sophisticated funds begin competing for members, sponsors, and assets in ways that mirror the Australian experience? Or will the Canadian market remain characterized by co-operative consolidation, with funds growing through absorption rather than competition?

The Australian comparison suggests that consolidation's ultimate implications depend on market structure as much as scale. Scale provides the means; competition provides the motive. Canadian asset owners are rapidly achieving the former. Whether the industry develops the latter may define the next phase of its evolution.

Canada vs. Australia: Pension Consolidation Comparison

DIMENSION	CANADA	AUSTRALIA
Consolidation trajectory	Consolidation is accelerating through retail aggregation strategies and institutional mergers.	Consolidation is already well advanced and strongly shaped by regulatory pressure.
Regulatory backdrop	Consolidation appears to be increasing, but the passage does not cite an equivalent single regulator-led reduction target.	Regulatory pressure is a major force; APRA regulates about 90 pension funds today, expected to decline to 47 by 2029.
Market concentration outlook	Larger funds are emerging, but the long-term concentration outcome is still developing.	By 2029, the number of funds is expected to nearly halve; by decade's end, 11 mega funds are projected to hold about 75% of the market.
Primary drivers of consolidation	Economies of scale, governance improvement, regulatory compliance, and operational efficiency.	The same core drivers: economies of scale, stronger governance, regulatory compliance, and operational efficiency.
Member choice	Limited. Members are generally tied to employer-sponsored plans and often cannot switch easily.	High. Employees can generally choose which fund receives their superannuation contributions.
Nature of competition	Historically less competitive because member bases are largely captive.	Genuinely competitive, since funds must attract and retain members.
Member experience investment	Driven mainly by fiduciary duty and stakeholder servicing.	Driven by competition, requiring strong service, performance, and digital capabilities.
Digital transformation	Important, but not pushed as strongly by open member competition.	Accelerated by market competition, especially around personalization and efficiency.
Growth model	More likely to grow through absorption and co-operative consolidation.	More likely to grow through active competition for members and assets.
Strategic question going forward	Whether larger funds will begin competing more actively for members, sponsors, and assets.	The competitive model is already established and helps shape consolidation outcomes.
Key implication	Canada is achieving scale, but it remains unclear whether it will develop stronger competitive dynamics.	Australia shows that scale plus competition can reshape industry structure more aggressively.

Do you use or are you considering using the following approaches to inbound or outbound pension plan consolidation?



What would be the **MAIN BENEFITS** for an organization of either:

A Incorporating other pension assets into their plan (gathering assets)

- 42% Economies of scale
- 36% Stronger governance
- 28% Regulatory considerations
- 20% Government/Legislated mandate
- 18% Address talent challenges
- 68% Improved financial outcomes
- 40% Reduce risk/Transfer liabilities to another party
- 26% Easier routes to expansion into new classes and regions
- 20% Improve data management and exploitation

B Consolidating into another plan (transferring investment processes/exiting)

- 44% Economies of scale
- 20% Stronger governance
- 34% Regulatory considerations
- 50% Government/Legislated mandate
- 30% Address talent challenges
- 24% Improved financial outcomes
- 40% Reduce risk/Transfer liabilities to another party
- 28% Easier routes to expansion into new classes and regions
- 30% Improve data management and exploitation

What would be the **GREATEST CHALLENGES** for an organization of either:

A Incorporating other pension assets into their plan

- 32% Cost
- 34% Cultural differences
- 52% Technology issues
- 28% Lack of board buy-in
- 30% Greater scrutiny and visibility
- 40% Workforce concerns
- 30% Duties to plan members
- 28% Regulatory or government
- 26% Investment strategies or policy requirements

B Consolidating into another plan

- 38% Cost
- 50% Cultural differences
- 32% Technology issues
- 38% Lack of board buy-in
- 26% Greater scrutiny and visibility
- 26% Workforce concerns
- 48% Duties to plan members
- 30% Regulatory or governments
- 12% Investment strategies or policy requirements

08

LOOKING FORWARD

LOOKING FORWARD

The next three years will test whether Canada's asset owners have built genuine capability or merely accumulated scale. Respondents enter this period with their gaze fixed on sustainability and macroeconomic stability, while, rightly or wrongly, treating recent technological transformations as largely settled business.

Sustainability factors dominate, cited by 28% of respondents as the single most significant trend in the Canadian pension fund industry over the near term, far ahead of interest rate changes at 18%. This represents a notable shift from 2023, when ESG commanded attention but shared the stage with technology and talent as urgent priorities.

However, the nature of this sustainability focus has evolved. The work continues with increasing sophistication – ESG risk management is now deeply embedded, exclusionary screening has expanded, and new asset classes have emerged – but is conducted with less fanfare. Greenhushing has become the dominant posture, as asset owners prioritize quiet compliance over visible commitment in the face of regulatory uncertainty and cross-border political headwinds.

Today, market disruptions and lower fees to investment managers register as secondary concerns with 24% and 18% of second-choice votes, respectively. Relentless fee pressure inherent in industry consolidation is an evergreen concern in the asset management sector, as are market disruptions.

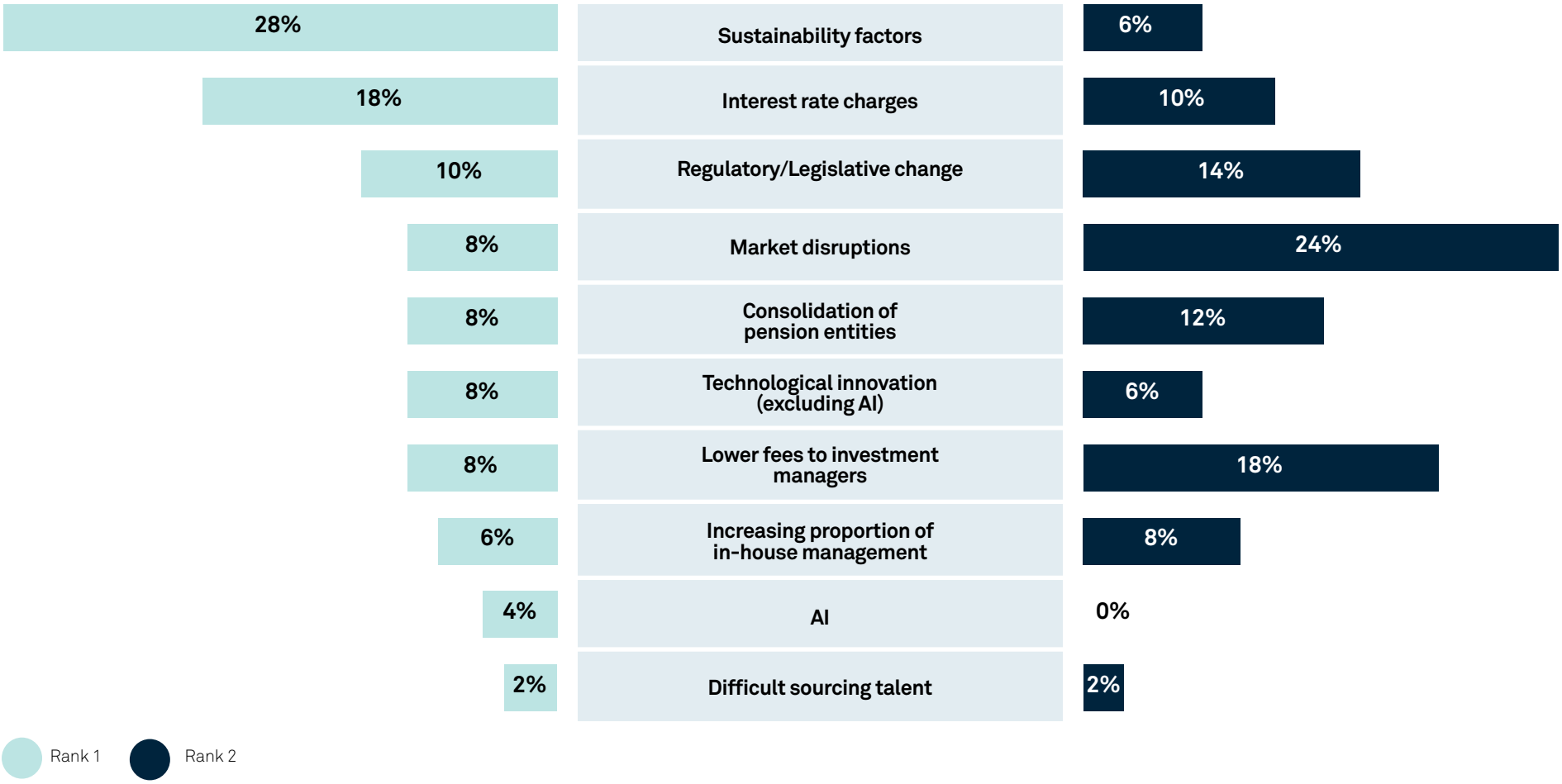
Notably, the structural reassessment of Treasury allocations amid US fiscal deterioration is an emergent market challenge influencing portfolio strategies. European pensions have begun reducing their exposure amid concerns over policy unpredictability, dollar volatility, and deteriorating debt-to-GDP ratios. While Canadian funds have not matched these public divestments, the underlying calculus is identical. Moreover, the traditional stock-bond diversification relationship has broken down since 2020, making secular market disruptions more pressing than ever.

What has fallen away is equally telling. Technological innovation captures only 8% of first-choice votes, AI just 4%, and difficulty sourcing talent a scant 2%. These figures stand in stark contrast to 2023, when technology and talent ranked second and third overall.

AI adoption has entered an accountability phase, where implementation costs are measurable, productivity gains remain elusive, and the gap between promise and reality is becoming apparent. A 2025 MIT study of corporate AI initiatives found that 95% of organizations achieved zero return on their generative AI investments despite collective enterprise spending of US$30-$40bn. Moreover, the MIT AI Market Disruption Index assigns financial services a score of just 0.5 out of 5, with little to no transformation registered to date. Without clean, integrated data – a challenge compounded by long processing times and manual intervention bottlenecks – AI systems risk amplifying errors rather than reducing them.

This extends beyond AI. Funds have invested heavily in data infrastructure, talent acquisition, and operational transformation in recent years and continue to do so. The infrastructure is being built, but the harder, slower work of generating genuine capability from these foundations is an iterative process of improvement.

What will be the most significant trends in the Canadian pension fund investing space over the next three years?



QUESTIONS WORTH ASKING

1. Governance frameworks aligned with NIST, OECD, OSFI, and GRI are now industry standard. Who in your organization is accountable when an AI-influenced recommendation produces a poor outcome? Is that accountability embedded in decision rights, or only in policy documents?

2. Younger plan members entering the workforce expect digital-first service experiences. Current member-facing adoption sits at 6%, reflecting justified caution; at what point does caution begin to underserve the members it is meant to protect?

3. Talent scarcity is cited as a primary barrier to building proprietary AI. If the most strategically important capability of the next decade is one you cannot hire for at scale and cannot affordably build alone, is consortium development among Canadian funds a serious third option?

4. Productivity assistance now touches 62% of asset owners, reshaping how analysts write, summarize, and prepare. What happens to institutional judgment and the apprenticeship model of investment talent development when the first draft is increasingly machine-generated?

5. The economics of buying over building are clear today. If competitive alpha increasingly accrues to firms with proprietary data and models, what is the compounding cost of remaining a pure consumer of AI capability over a five- or ten-year horizon?

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