

360° Review: Plan Consolidation

Hosted by the Ontario Regional Council

April 3rd, 2019

Sheraton Centre Toronto

Toronto, ON

360° Review: Plan Consolidation

Eric Menzer

Global Head of Pension & Fiduciary Solutions

Manulife Asset Management

Nathan Thooff, CFA
Global Head, Asset Allocation Team

Investment Management Team

James Robertson
Head of Asset Allocation, Canada
Sr. Portfolio Manager
36 Years' Experience

Bob Boyda
Senior Advisor
39 Years' Experience

Geoff Kelley, CFA
Portfolio Manager
28 Years' Experience

Sarah Lu, CFA, FRM
Sr. Portfolio Manager
24 Years' Experience

Robert Sykes, CFA
Portfolio Manager
17 Years' Experience

Christopher Walsh, CFA
Portfolio Manager
16 Years' Experience

Boston

David McGrory, CFA, Sr. Investment Analyst / Sr. Trader
23 Years' Experience
Judith Hlavac, Sr. Trader
22 Years' Experience
David Kobuszewski, CFA, Sr. Investment Analyst
18 Years' Experience
Matthew Murphy, CFA, Sr. Investment Analyst
16 Years' Experience
Michael Comer, CFA, Sr. Investment Analyst
13 Years' Experience

Toronto

Vlad Kyrzychenko, PhD, CFA, Sr. Investment Analyst
23 Years' Experience
Jason Zhang, CFA, Sr. Investment Analyst
11 Years' Experience
Alexandre Richard, CFA, Sr. Investment Analyst
8 Years' Experience
Tony Zhou, Investment Analyst
7 Years' Experience

Hong Kong

Wendy Ho, Trader
23 Years' Experience
Bonnie Sit, CFA, Sr. Investment Analyst
13 Years' Experience
Zahron Mitchell, Sr. Investment Analyst
7 Years' Experience
Nicole Wong, Investment Analyst
4 Years' Experience

Beta Management

Toronto

Brett Hryb, CFA, Sr. Portfolio Manager
25 Years' Experience
Ashik Shahpurwala, CFA, PRM, Sr. Portfolio Manager
19 Years' Experience
Boncana Maiga, CFA, CIM, Portfolio Manager
14 Years' Experience
Allison Greenspan, Senior Analyst
10 Years' Experience
Jenny Kim, CFA, Senior Analyst
8 Years' Experience
Marco Leung, CFA, Analyst
7 Years' Experience

Pension & Fiduciary Solutions

Boston

Eric Menzer, CFA, CAIA, AIF
Global Head, Pension & Fiduciary Solutions
21 Years' Experience
Bruce Picard, Jr, CFA
Portfolio Manager, Model Portfolio Lead
25 Years' Experience
Johnny Yong, CFA, Sr. Investment Analyst
13 Years' Experience
Joseph O'Connor, CFA, Sr. Investment Analyst
10 Years' Experience

Macroeconomic and Strategy

Toronto

Frances Donald
Head of Macroeconomic Strategy
10 Years' Experience

Montreal

Alex Grassino
Sr. Investment Strategist
17 Years' Experience

Hong Kong

Geoffrey Lewis
Sr. Investment Strategist
33 Years' Experience

Derivatives

Boston

Gary Li, PhD, Sr. Portfolio Manager
22 Years' Experience
Jeffrey Wu, Sr. Derivatives Analyst
13 Years' Experience
Richie Yu, PhD, CFA, Sr. Quantitative Analyst
11 Years' Experience
Denis Pystchanin, CFA, Investment Analyst
7 Years' Experience

Client Portfolio Management Team

Boston

Benjamin Forssell, CFA
18 Years' Experience

Eric Martino
14 Years' Experience

Nicholas Edwards, CFA, CAIA
9 Years' Experience

Montreal

Patrick Murray, CIM, FCSI
27 Years' Experience

As of December 31, 2018

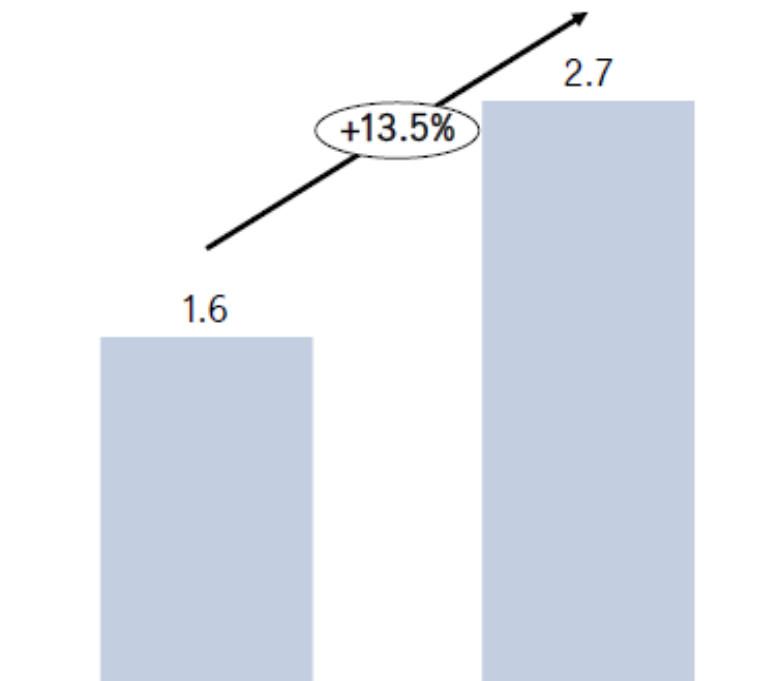
Outsourced-CIO (OCIO)

		Defined Benefit Investment-Only		Outsourced-CIO	
		Client	Manulife ²	Client	Manulife ³
	Responsibilities:				
Pillar 1	Set Portfolio Objectives/Goals	✓	Advise	Partner	
Pillar 2	Determine Strategic Asset Allocation	✓	Advise	Partner ⁴	
	Develop Investment Policy Statement	✓	Advise	Partner ⁵	
Pillar 3	Manager Selection & Termination	✓	Advise	Outsourced	✓
Pillar 4	Portfolio Rebalancing	✓		Outsourced	✓
	Active Asset Allocation Shifts	✓		Outsourced	✓
	Trading and Execution	✓		Outsourced	✓
	Ongoing Monitoring & Risk Management	✓		Outsourced	✓
	Compliance Monitoring	✓		Outsourced	✓
	Performance Measurement and Reporting			✓	

OCIO market size was \$1.6T in 1Q17 and projected to grow to \$2.7T in 2022

OCIO ASSETS PROJECTED TO GROW AT 13.5% CAGR TO 2022

OCIO AUM \$ trillion

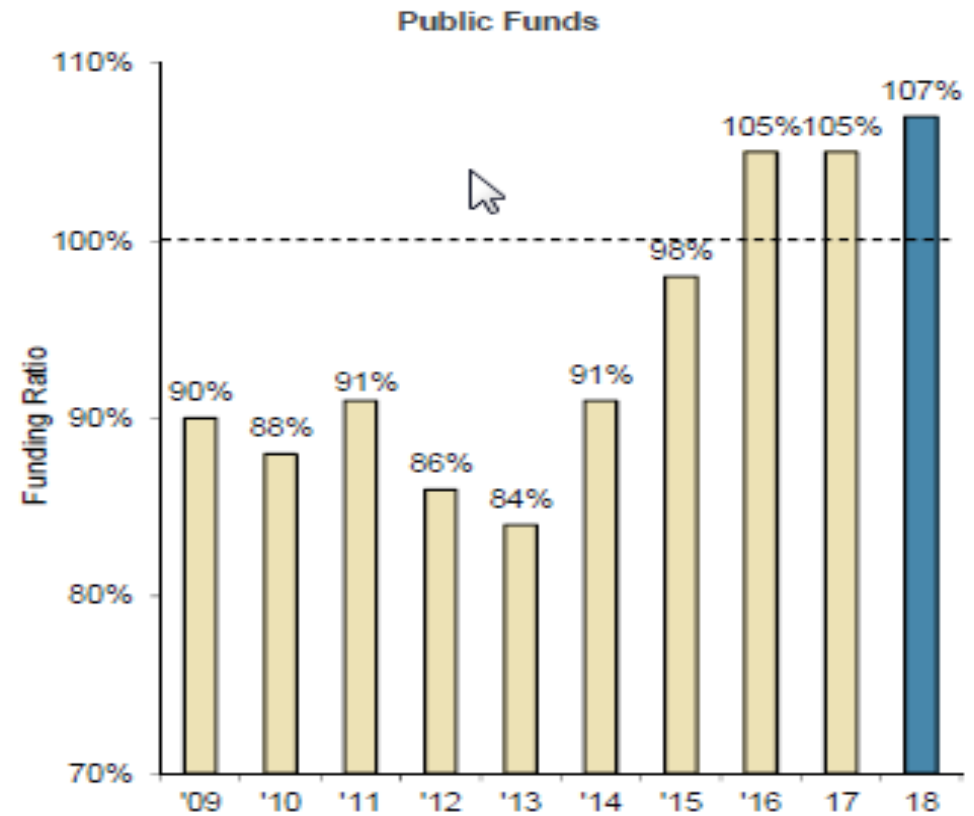
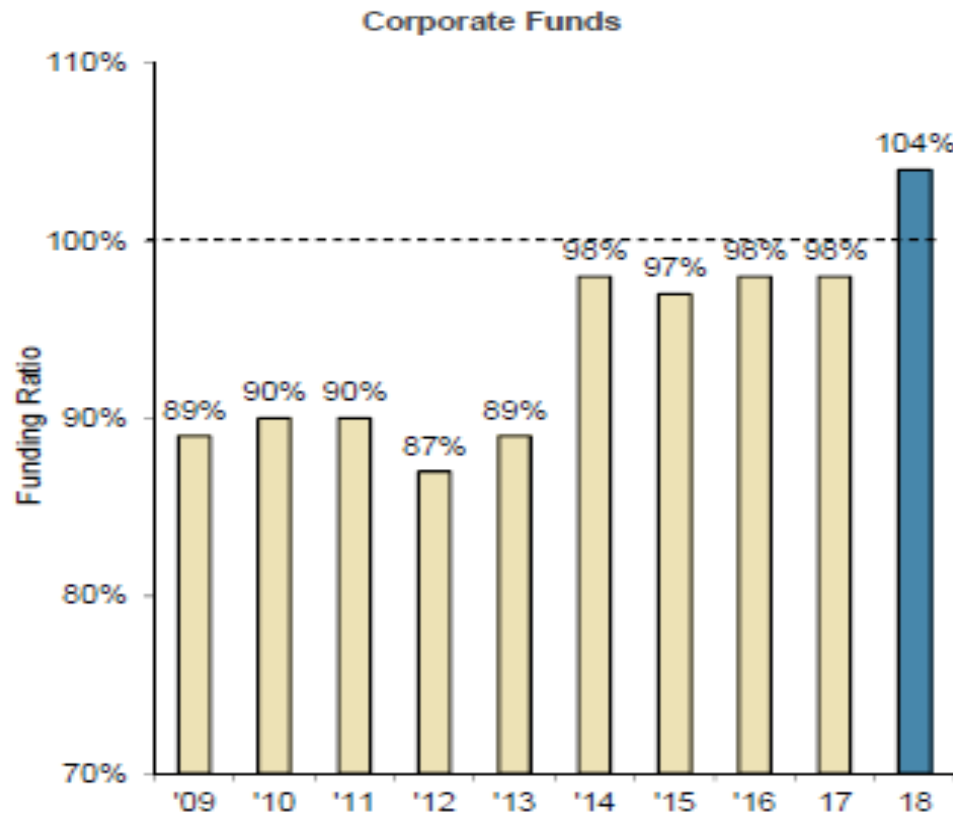


- OCIO AUM grew ~12% YoY to \$1.6T in 1Q17
 - OCIO use has been most prevalent among smaller institutions with AUM of \$250 million or less
- Double-digit market CAGR projected over the next five year, reaching up to \$2.7T AUM
 - Primary growth anticipated from nonprofits and corporate defined benefit (DB) clients
 - Widespread adoption of OCIO models by DC plan sponsors

Source: Cerulli

Funding Levels of Canadian Defined Benefit Plans

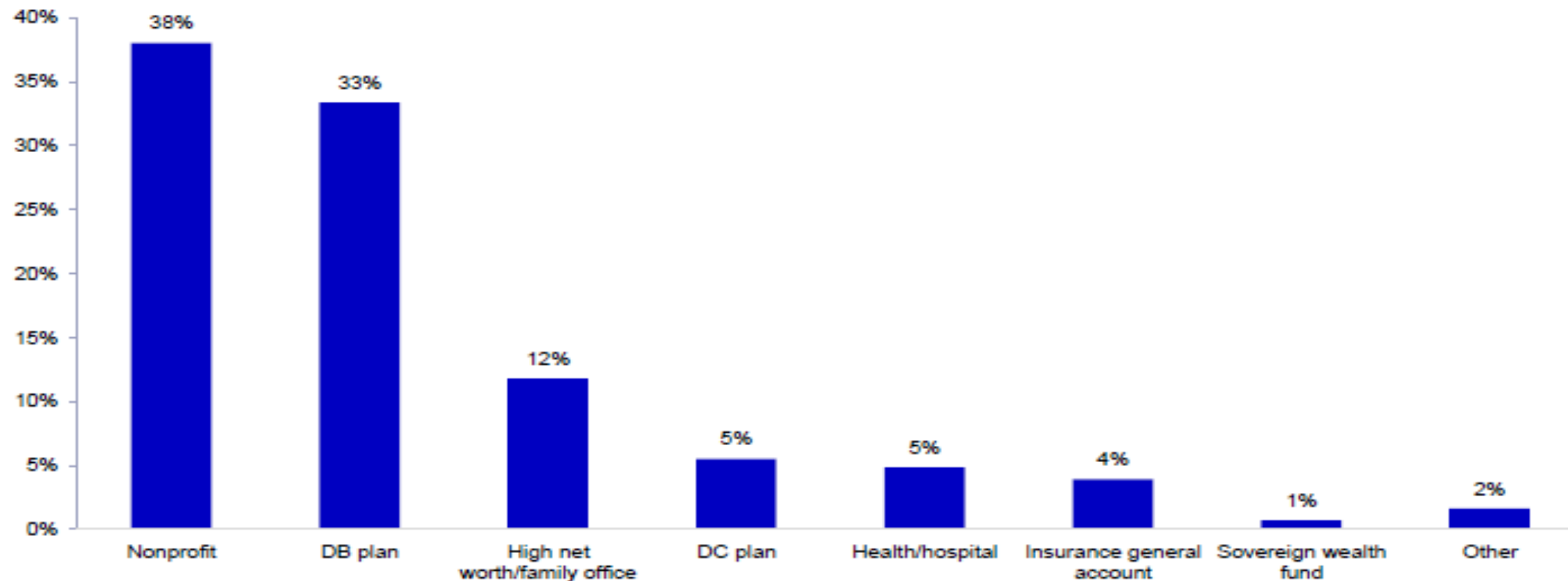
Funding levels increased / remain over 100%. Despite this relative strength, investors remain concerned about growing liabilities and market volatility.



Source: Greenwich Associates, Canadian Institutional Investors 2018.
Note: Funding ratio is net present value of assets divided by net present value of liabilities.

OCIO Market Segments – Cerulli Survey Results

- OCIO Providers' Assets Under Management by Market Segment, 2018



360° Review: Plan Consolidation

Rachel Arbour
Assistant Vice President
Plan Services, HOOPP

Consolidation into HOOPP

Transfer from Wind Up

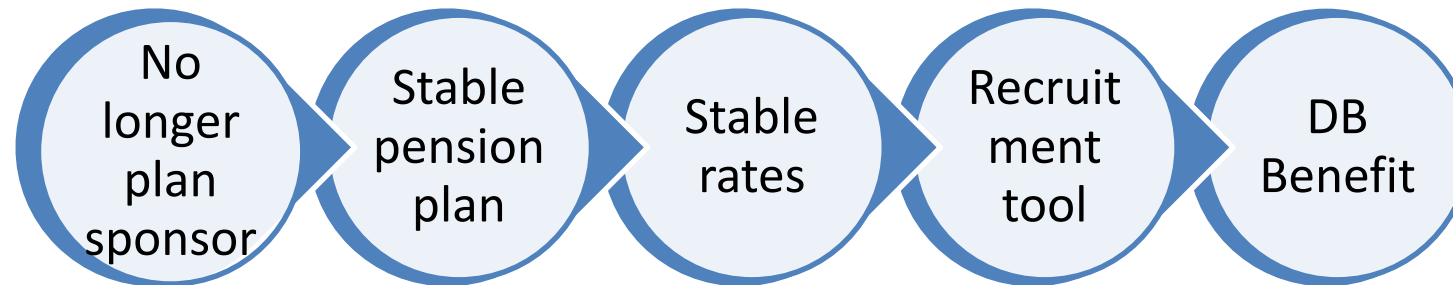
- Employer joins HOOPP - winds up Prior Pension Plan
- Employees get individual transfer options and can elect to transfer benefits into HOOPP

Past Service Purchase

- Employer with no prior plan joins HOOPP
- Employees make individual decisions about past service purchases

SEPP to JSPP Merger

- Employer sponsors a Single Employer Pension Plan (SEPP)
- Employer + HOOPP agree to merge SEPP into HOOPP
- All members of SEPP transfer benefits into HOOPP



Consolidation into HOOPP – SEPP to JSPP Mergers - Approach

HOOPP members for all service

SEPP benefits replicated only where required

No material cross subsidization by HOOPP Members

Work and expenses shared equitably

Regulatory approval before effective date

Regulatory process:

- Member consent
 - 2/3 of actives
 - No more than 1/3 others object
- Disclosure of differences
 - due diligence
- Member benefit protections
 - Active member commuted value no less on effective date than under SEPP
 - Others, pension benefits at minimum, same as under SEPP
- Regulatory consent

360^o Review: Plan Consolidation

Robert LeBlanc
Sales Leader
Aon Hewitt Investment Management

Go Big or Go Home ! (Trends observed over recent years ... with no signs of slowing down)

Consolidation prevalent Everywhere

- Corporations & Equity Markets
- Hospitals & Cities & Foundations
- Investment Managers
- Public Sector & Union Pension Plans
- Corporate Pension Plans:
Not Consolidating, yes to OCIO
(Boards desire to exit ASAP, closing past service, DC for future service ↓ EE/ER costs, de-risking glidepath, opportunistic annuitization)












Perfect Storm for Pension Plans

- Low Interest Rate Environment
- Increased Market Volatility
- Dampened Return Expectations
- Mortality Improvement
- Increased Complexity of Investments
- Δ Funding Regulations & Risk Sharing
- Increased Focus on Governance & Risk Management

Consolidation Is not New

- Contributions + Investment Returns = Benefits + Fees
- Contributions ↑ and Benefits ↓
Need for ↑ Returns and ↓ Fees
- More Services, Expertise, Oversight, Risk Shared, Efficiency, Compliance
- MEPP & Jointly Sponsored Plans
- Master Trusts & LifeCo Platforms
- OCIO (last 10 years) & DPM

Go Big or Go Home ! (Trends observed over recent years ... with no signs of slowing down)

AUM (\$ Millions)	Small 10 – 400	Mid 400 – 2,500	Large 2,500 – 30,000	Mega 30,000 +	
Biggest Trends	Outsourcing ↑	Outsourcing ↑	Consolidation ↑	Insourcing ↑	
External Managers					Leading to Consolidation of Investment Managers
Delegated / OCIO			 Delegated Sleeves		
Internal Management	---				
Examples	Corporate and Public Sector DB + DC Endowments & Foundations MEPP / Association Funds Corporate and Public Sector Reserves Insurance Company Reserves Family Offices		CAAT(Torstar); NBIMC (UNB); NSPC; Ontario Universities; CDPQ (Cities / Universities); ...	CDPQ ; CPPIB; AIMCO; PSP; OPT; BCIMC; HOOPP; IMCO (OPB & WCB); Ontario Teachers; OMERS; ...	

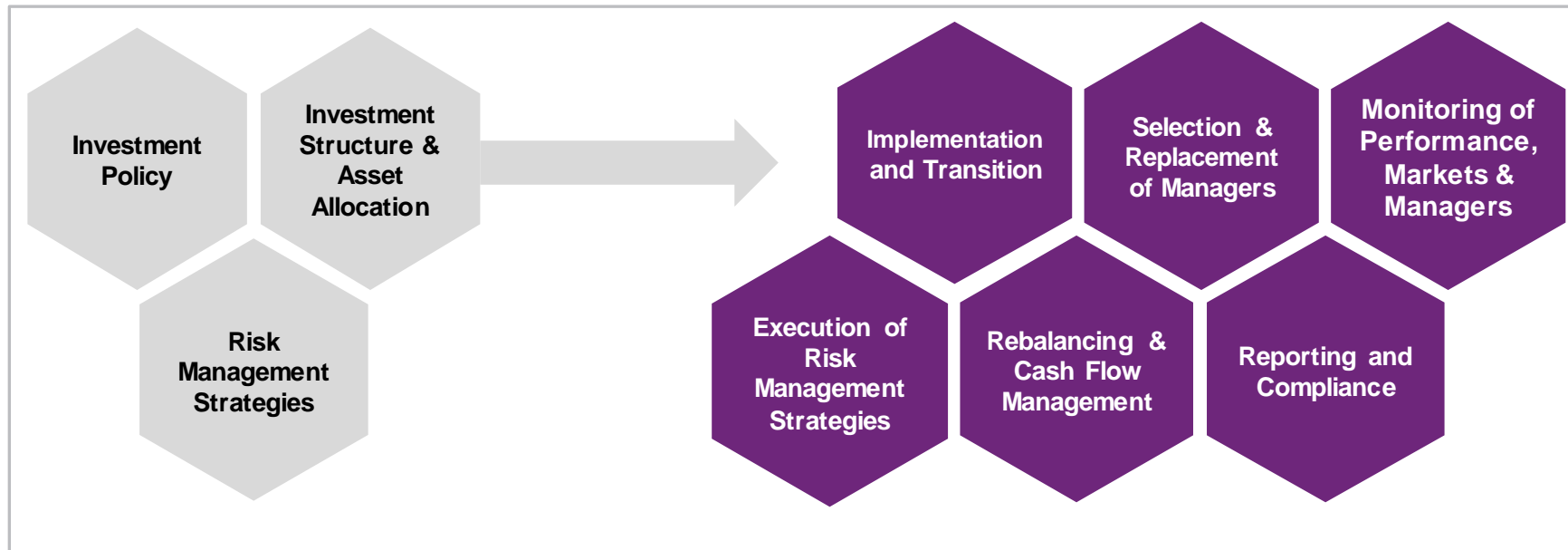
What is OCIO ? Outsourced everything else but Chief Investment Officer

Trustees of Investment/Pension Committee

OCIO provider

Advisory Support
(Shared Responsibility)

Outsourced to OCIO provider
(Delegated Responsibility)



Full Scope of OCIO Solution (Access full breadth of Global Resources)



Further Details on OCIO Solution

Misconceptions & Key Attributes

- Not losing control
- Not all or nothing
- Not just Funds, so much more
- Client Interest First (unbundled fees)
- Full independence of managers
- Unbiased Implementation & Open Architecture
- Unbiased Advice & full Customization

Potential Benefits

- No Δ Benefits, Plan mergers, Regs
- Potential fee savings & save time
- Governance, focus & education
- Best ideas & ongoing innovations
- Manager & asset class Diversification
- Better risk management, Ease implementation & speed reaction
- Better outcomes & Future Proof

Potential Issues

- Stop meeting with managers / miss-out on invitations to events
- Perceptions of conflict of interest & becoming an investment manager
- How to monitor the OCIO provider?
- Leads to manager consolidation !
- JSPP also have issues (fees rising, concentrated expertise & views, retention, lack customization, ...)

Industry Trends to Date

Selecting the Right Approach to Plan Consolidation

Considerations in Implementing Consolidation

Consolidation in the Pension Industry Going Forward

Q & A

THANK YOU

Upcoming ACPM Events

2019 Ontario Regional Golf Tournament Angus Glen Golf Club

10080 Kennedy Rd, Markham, ON L6C 1N9

June 10, 2019, 7:00 am to 3:00 pm



2019 ACPM
**NATIONAL
CONFERENCE**

ACPM | ACARR
www.acpm.com

**SHIFTING
CURRENTS**

Navigating Retirement Diversity

VANCOUVER, BC
Fairmont Hotel Vancouver
SEPTEMBER 10-12, 2019