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## President's Blog

# JSPPs Enjoy Larger Investment Pools and IMCO

October 22, 2018

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**Cynthia Messenger**

Defined benefit pension plans depend on a) contributions and b) investments. No plan can survive without investments of one kind or another. Empirically, over the period of a member's active membership in a defined benefit pension plan, between 70% and 80% of the benefit comes from investment returns; between 20% and 30% from contributions.

One of the important advantages of a multi-employer jointly sponsored pension plan is the potential for the investment pool to be large. One of the serious problems with single-employer defined benefit plans is that the assets available for investment are too small to take advantage of the wider investment opportunity set available to larger funds. Larger pools of assets are also better able to manage the risks associated with volatile investment markets.

So what is "large" and what is "small" in the investment fund world? At the University of Toronto, the combined size of the pension and endowment funds is about \$8 billion. That sounds pretty large, but in the investment fund world \$8 billion is on the small size – too small to take full advantage of economies of scale and broader investment opportunities available to large funds.

Adding more Ontario university participants to the UPP has the potential to increase the pension asset pool to the \$15-20 billion range.

However, the most attractive opportunity open to the UPP is to place its assets with the Investment Management Corporation of Ontario (IMCO), a new investment entity independent of government that was created in 2017 to manage public sector assets in Ontario.

Please see the quotation below, which is taken from the IMCO site:

“With approximately \$60 billion in assets under management, IMCO is one of the largest institutional investment managers in Canada and around the globe. Our mandate is to provide broader public-sector clients with exceptional investment management services, including best-in-class advice around portfolio construction, efficient access to a diverse range of asset classes and superior reporting on risks and returns.

Our vision is to rank among the world’s leading public-sector asset managers. We will achieve this through an unwavering focus on creating client value. That means ensuring that we deliver the returns required for our clients to meet their long-term financial obligations.”

“IMCO was created to offer a clear and compelling value proposition to our public-sector clients by:

- Lowering the costs for clients to access world-class investment management services related to portfolio construction and investments
- Providing clients access to a full suite of both traditional and alternative investment solutions
- Providing clients superior risk monitoring and reporting services
- Offering strong, professional governance and management
- Ensuring effective client relationship management and support”

Here is a link to the IMCO site: <https://www.imcoinvest.com/story.php>

No decision has yet been made as to whether the UPP will use IMCO for its investment management.

*More Pension information:*

[UTFA Pension Newsletter #1](#)

[University Pension Plan \(UPP\) website](#)

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