POWERED BY: **Canadian Investment Review**

GETTING TO KNOW
Michael Dodd

JOB TITLE: Director of pensions, treasury and shareholder services at the Co-operators Group

JOINED THE CO-OPERATORS: 2003

WHAT KEEPS HIM UP AT NIGHT: Not much, but he does have concerns about the next downturn since pension plans don't want to see their members lose value

OUTSIDE OF THE OFFICE HE CAN BE FOUND: Golfing

MICHELLE QUANCE

MAKING AN IMPACT WITH DC INVESTMENTS

by Yaelle Gang

When it comes to investing member contributions, the Co-operators Group Ltd.'s defined contribution pension doesn't look like many other Canadian plans.

For one, it doesn't use a platform approach to investing. Instead, much of its more than $1 billion in assets under management are part of a pre-constructed balanced fund with different target-risk levels with varying amounts of equity and fixed income, says Michael Dodd, the organization's director of pensions, treasury and shareholder services.

More specifically, its most aggressive balanced fund has an equity target of 80 per cent, followed by one with a 65 per cent target, one with a 50 per cent target and one with a 20 per cent target for its most conservative investors.

When employees join the plan, they're defaulted into the moderate balanced fund with a 50-50 equity and fixed income target, says Dodd, noting the limited choice is key due to concerns around financial literacy. "Choosing pension plan options is a difficult thing for a lot of members."

The balanced fund is a relatively simple choice for members, he adds. "It provides them with built-in diversification, so we think that's important."

The plan sponsor also communicates regularly with employees to remind them to reassess their decisions as circumstances change. "You're always concerned about your employees making a choice when they first join the company and perhaps not following up on that," says Dodd. "So we try hard through our newsletters and our internal communication to remind people to check their risk tolerance from time to time."

The Co-operators' plan also offers a few other investment options, particularly a pre-retirement fund, guaranteed income certificates and a daily interest savings account. These are available through one of its sister companies, the Co-operators Life Insurance Co., which is also the plan's record keeper.

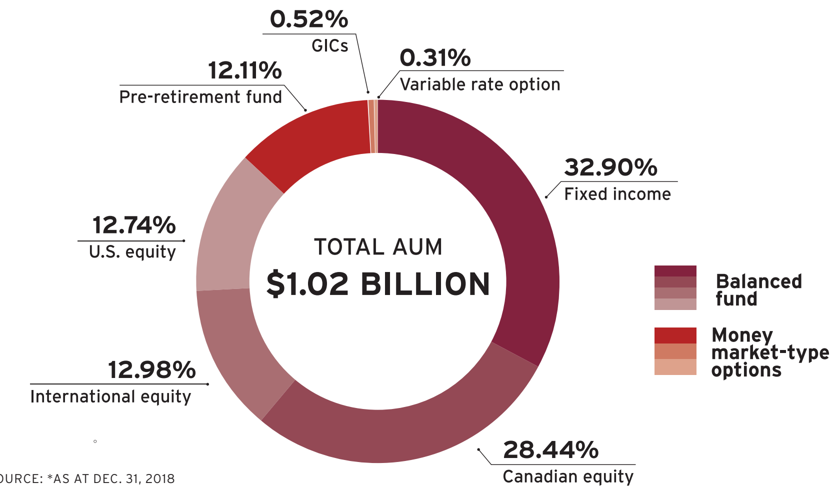
The pre-retirement fund is specifically designed to help protect employees who are nearing retirement from any sudden downturns in the market, says Dodd. "It takes their money out of the balanced fund and puts it into the pre-retirement fund, and from there we do not allow them to pull the money back out."

As well, members can choose to keep their money in the plan after retirement. "Co-operators Life has developed a group product that mimics, to a great extent, what the employee would have experienced in the accumulation phase," says Dodd, noting the organization tries to encourage that option where it can. "If the employee wants to do an annuity through a Co-operators' advisor, they can also do that and that ultimately ends up with the life company as well."

The plan is also researching the viability of offering variable payments through the plan. "The fee savings and, ultimately, the income for members in retirement could be something that could benefit them if we do it through the plan itself."

In addition to its aim to have a positive impact on its members' retirement outcomes, the Co-operators' plan has also recently moved into impact investing.

THE CO-OPERATORS' DC PLAN IN NUMBERS*



SOURCE: *AS AT DEC. 31, 2018

In the fourth quarter of 2018, it opted to allocate five per cent of its fixed income portfolio to impact investing. And in the first quarter of 2019, it added another five per cent.

"The reality is our [group of] insurance companies had already allocated part of their investment portfolio to impact investing and we, as a pension committee, started to ask ourselves, 'Could we do the same?'" says Dodd. After looking into impact investing, the plan realized it would be easy to do so and went ahead with it, he adds.

And the reaction from plan members has been positive. "We've had very strong thumbs up on that announcement and people are essentially pleased that we're following the pattern of the larger insurance investment portfolios within the pension plan itself."