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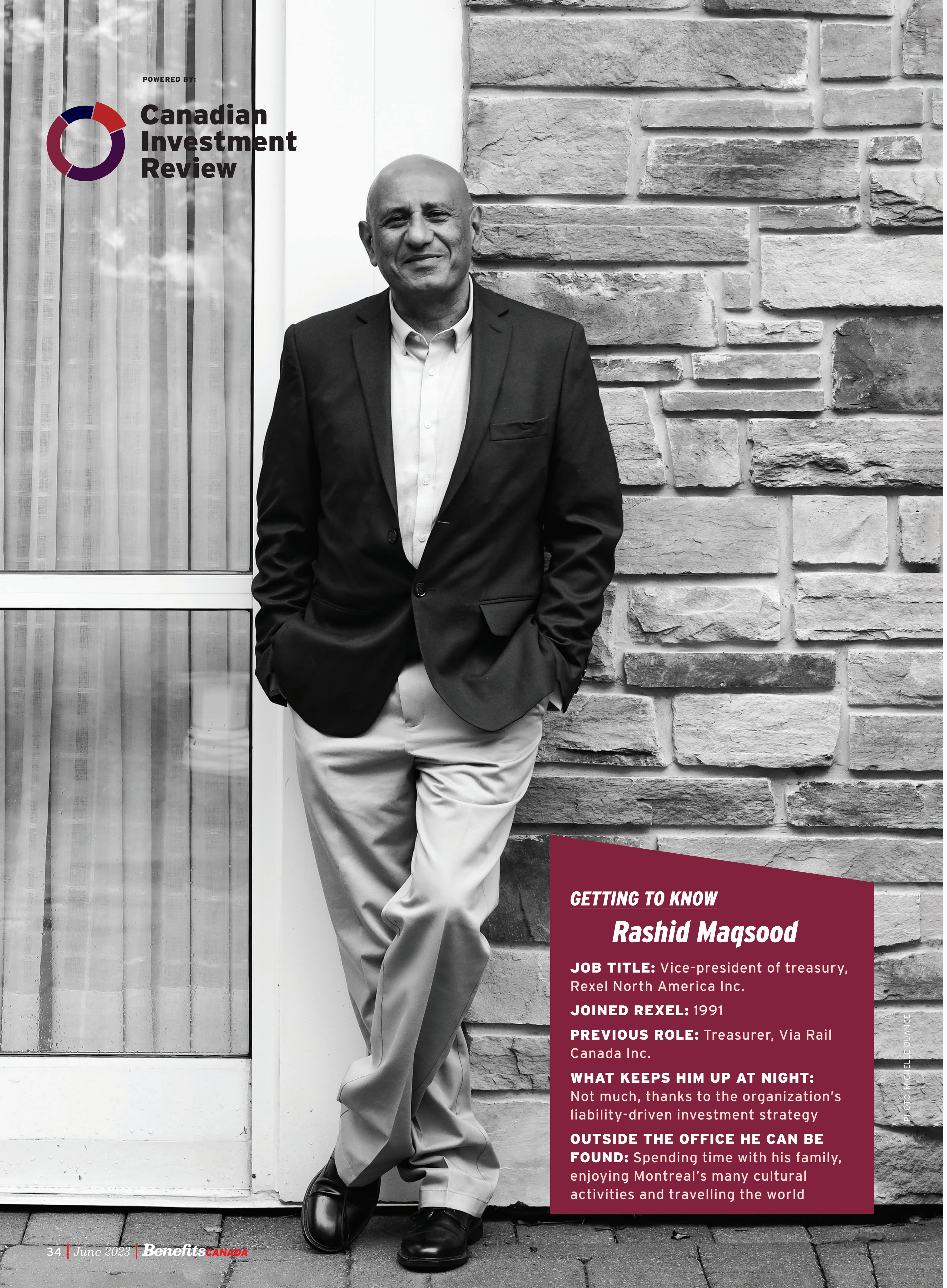


PHOTO: MICHELLE QUANCE

GETTING TO KNOW
Rashid Maqsood

JOB TITLE: Vice-president of treasury, Rexel North America Inc.

JOINED REXEL: 1991

PREVIOUS ROLE: Treasurer, Via Rail Canada Inc.

WHAT KEEPS HIM UP AT NIGHT: Not much, thanks to the organization's liability-driven investment strategy

OUTSIDE THE OFFICE HE CAN BE FOUND: Spending time with his family, enjoying Montreal's many cultural activities and travelling the world

LEVERAGING THE LONG-TERM PERSPECTIVE AT REXEL NORTH AMERICA

BY GIDEON SCANLON

The current economic maelstrom, with its high inflation and interest rates, has left many institutional investors operating in uncharted territory — though not Rashid Maqsood, vice-president of treasury at electrical products distributor Rexel North America Inc.

His career began in the late 1970s — almost a decade before central banks began setting inflation targets. "It's a bit like being someone who grew up with rationing in the 1940s and 1950s — I'm always expecting it to return."

Even with interest rates reaching 4.5 per cent and inflation hitting 3.4 per cent in 2022, Maqsood can't shake the feeling they could go much higher. "I think interest rates are the driver of everything. My bet is that monetary policy will explain 80 per cent of returns in the next 10 years, so if you can get on the right side of it, you'll do well."

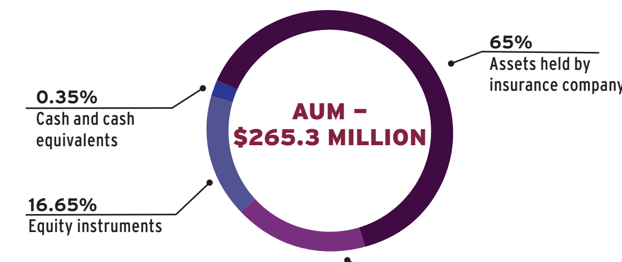
In the middle of 1981, inflation reached 12.47 per cent and the Bank of Canada raised its rates to 20.78 per cent. At the time, Maqsood was in his third year as director of financial planning and analysis at Canada Ports Corp., a now-defunct Crown corporation. "I was then — and still am — in the pension and business side of investing. I'd be making allocations to hard assets and investing on behalf of the pension plan. You get a more complete view of things when you're also on the hard asset side."

The following year, he became the treasurer of another Crown corporation, Via Rail Canada Inc., where he stayed until 1991. During the period, central banks made efforts to limit inflation and he found himself working to modernize the portfolio through various means, including the adoption of an early alternatives-based approach. "The pension plan kept growing and crossed the $1-billion threshold just before I moved on."

In 1991, Maqsood entered the private sector as the treasurer of Westburne Inc., a company providing electrical products to the construction industry. In the role, he was responsible for managing a Canadian defined benefit pension plan and a U.S. 401(k) plan. Back then, he notes, the expectations placed on DB pension plan sponsors were very different than they are now. "If you go back to the 1980s and 1990s, companies that offered DB plans saw them as a way to generate income. It seemed like we were always talking about pension holidays."

After being absorbed by a French business in 2000, Westburne was renamed Rexel North America, then closed its operations in the U.S. along with its DB plan. To supplement the closed plan, which now has assets of $265.3 million, the company introduced a defined contribution plan for new workers and launched an executive retirement fund. "The attitude [that DB plans could be used as a source of additional capital for corporations] didn't go away entirely until 2008," says Maqsood.

*REXEL CANADA'S DB PLAN IN NUMBERS**



*AS AT DEC. 31, 2022.

During the financial crisis of 2008/09 and the subsequent period of recovery, investors' economic expectations were challenged. "There was this feeling that interest rates were ridiculous — they kept dropping and dropping. We kept expecting it to reverse."

When the crisis struck, Rexel's Canadian DB plan underwent a period of turmoil. "For pension plan sponsors, liabilities were suddenly growing faster than returns. That led to solvency issues — you couldn't reallocate fast enough."

Fortunately for Rexel's DB pension plan members, the solvency issues were largely overcome thanks to the adoption of a liability-driven investment model, which Maqsood calls "unexciting" but "very appropriate for our members."

The LDI model — which he worked on with the managers investing the assets of the plan — did, eventually, come face to face with the realities of rising interest rates. Fortunately, by the time rates started to tick upwards in 2021, he had listened to his gut and pursued some well-timed reallocations away from risky equities.

"We timed it right, but there's always an opportunity cost. There are not many safe places except for cash, but then what happens if rates hit five per cent?"

With just 300 Rexel members still contributing to the DB plan and 12,000 drawing on their pensions, Maqsood says the plan is very much in its endgame. "We're looking very closely at annuitizing and that means we're paying a lot of attention to those interest rates. If they go up, we'll be getting out."

Gideon Scanlon is the editor of the *Canadian Investment Review*: gideon.scanlon@contexgroup.ca.