



GETTING TO KNOW

Chris Brown

JOB TITLE: President and chief executive officer

JOINED LAPP: 2015

PREVIOUS ROLES: Pension and benefits lawyer at various firms

WHAT KEEPS HIM UP AT NIGHT: The unknowns in the market caused by coronavirus

OUTSIDE OF THE OFFICE HE CAN BE FOUND: Travelling and taking photographs

RYAN PARKER

EXPECTING THE UNEXPECTED AT ALBERTA'S LOCAL AUTHORITIES PENSION PLAN

BY YAELE GANG

The Local Authorities Pension Plan is in an interesting situation. Historically, the president of the Alberta Treasury Board and the minister of finance was the plan's legal trustee and administrator, but in 2019, the LAPP became independent of government, with its own sponsor board and corporation, which now acts as the plan's trustee and administrator.

However, it's still mandated to invest via the Alberta Investment Management Corp. and to use the Alberta Pension Services Corp. for pension administration.

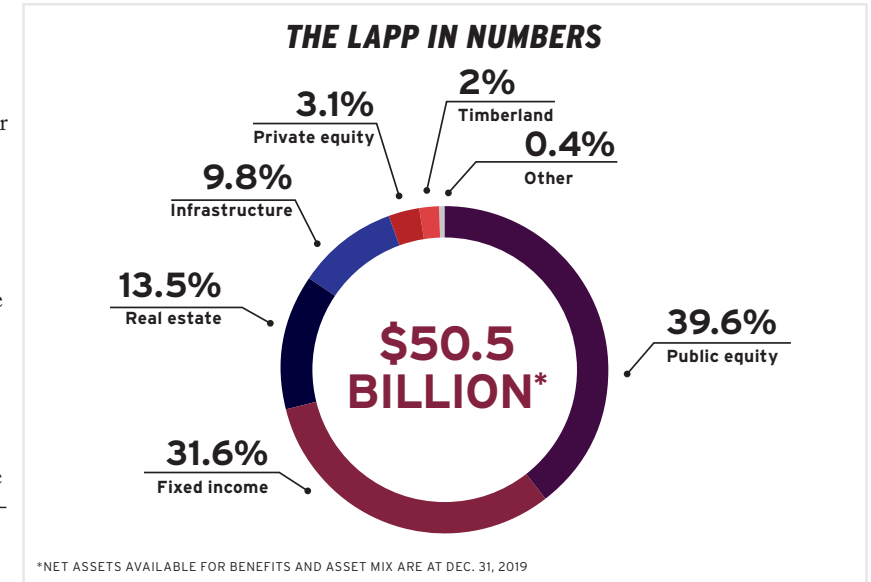
To deal with risks, the plan aims to be as proactive as possible, says Chris Brown, the LAPP Corp.'s president and chief executive officer, noting it's always re-assessing and evolving its approach. For example, the plan is on its third risk management process update since 2015. "I don't view them as huge upheavals, rather they are evolutionary in their approach. We are always looking forward to how we can understand our environment, anticipate the risks that the plan could face and plan accordingly so that we aren't taken by surprise."

Originally, the LAPP took a traditional risk inventory-type approach that focused heavily on the biggest risks, such as those related to governance under the old system. "What it didn't focus on enough, from my perspective, was some of the more granular pension management risks, investment risks, funding risks, those sorts of things," says Brown. "So we expanded the process to cover that."

After a couple of years, the LAPP brought in a new vice-president and created a formal risk role, albeit as only part of the VP's responsibilities. And following the move to joint governance, it also hired a dedicated employee with a broad-based risk management background to lead the way in better integrating risk management into strategic planning and decision-making.

One example of the LAPP's proactive approach to risk management is its downside protection strategy, which was implemented just before the coronavirus crash. "Since I came to LAPP almost six years ago, one of the things we always had on our radar since day one was expecting, understanding, being aware that the bull market we were in wasn't going to last forever and that we needed to be planning for that," he says. "So the downside protection strategy is just one example of getting out in front of the risks that the plan has to manage."

When the pension fund became independent of government, its new boards were given some time exemptions to undertake work on the plan's funding and governance policies, as well as



potential changes to its investment policy. In fact, Brown notes they had a blank slate to explore various options.

"What we wanted to ensure was that, if something out of our control happened in the larger investment environment, . . . the plan's funded status wouldn't change so dramatically that those options would be taken off the table for the boards."

As a result, the LAPP looked into a time-limited strategy to ensure its funded status would hold, even in the event of a significant change in the market, he says, noting the downside protection strategy aimed to act as insurance against such an event. "Those decisions were made in late 2019 and our timing for implementation, as it turned out, couldn't have been better. It was negotiated and implemented in partnership with AIMCo literally within days before the market collapse started in February."

And thankfully so. The LAPP saw an approximate 6.5 per cent reduction to the size of the fund in the first quarter of the year. While a hard hit, the results would have been much worse without the new strategy, which reversed about four per cent of losses and saved the fund almost \$1.9 billion. In addition, the plan was still 109.6 per cent funded at the end of the first quarter of 2020.

"We take no credit for the timing of [the downside protection strategy] specifically, but it is just a great example of [how] preparation is the key and if you wait until something happens, it's already too late. So by getting out in front of it, we were very fortunate that the timing worked out in our favour."

Yaelle Gang is editor of the Canadian Investment Review: yaelle.gang@tc.tc.