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AIMCo CEO focuses on rebuilding damaged client relationships in Alberta while avoiding political fights

Since taking the helm in 2021, Evan Siddall has shaken up the executive team, launched a tech revamp, opened offices abroad and shifted the way the pension fund manager approaches risk in investments

JAMES BRADSHAW INSTITUTIONAL INVESTING REPORTER

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The first meeting of Evan Siddall's new CEO Council had an inauspicious start. The newly appointed chief executive officer of Alberta Investment Management Corp. gathered fellow leaders of the fund manager's pension plan clients in Edmonton in the fall of 2021, but he got a chilly response: "I wouldn't say hostile," Mr. Siddall said in an interview, but it was "pretty dry … certainly guarded conversation."

It was easy to understand why. Those clients – representing pension plans for public servants, teachers, municipal employees, law enforcement officers and academics in the province, among others – were still stinging from AIMCo's $2.1-billion loss on a trading strategy gone wrong when COVID-19 struck in the spring of 2020 under previous leadership.

AIMCo had been making complex derivative bets against market volatility for years, and profiting from them. But the strategy failed spectacularly when markets plunged early in the pandemic.

At the time, clients wanted AIMCo's executives to be held accountable, but felt the pension fund manager was not forthcoming about the failures that exposed client pension plans to steep losses. It was only under pressure that AIMCo's board conducted a formal investigation that found a poor approach to risk management, with insufficient oversight. Several top executives departed, including CEO Kevin Uebelein and chief investment officer Dale McMaster.

After Mr. Siddall arrived in Edmonton to start a new chapter at AIMCo in July, 2021, he started holding the CEO Council meetings to begin repairing damaged relationships with clients. The gatherings are held four or five times annually to give the CEOs of client plans a closer look at what the $146-billion pension fund manager is doing for the 32 pension, endowment and government funds it serves.

Two years later, there are clear signs of a thaw in relations, Mr. Siddall said as we spoke in AIMCo's offices in Edmonton. Recent meetings have been "animated, familiar, fun, collegial." But there's still work to do.

“They have gone from not trusting us or being cynical, maybe, about how we approach things – a treatment we earned – to being constructively skeptical,” Mr. Siddall said. “And that’s fine, that’s totally fine.”

The council is one of a suite of new initiatives brought in since Mr. Siddall was hired to engineer an overhaul of AIMCo’s relations with its clients as well as its strategies for investing their pension dollars – and its own leadership.

Mr. Siddall thinks “transformation” is an overused word, but it would be hard to describe what he’s undertaken from his modest corner office at AIMCo’s Edmonton headquarters as anything less. In slightly more than two years at the helm of Canada’s sixth-largest pension fund manager, he has changed most of its executive team, launched a revamp of its technology systems, opened new offices abroad and shifted the way it manages risk in its investments.

Day to day, Mr. Siddall is trying to anchor AIMCo’s focus on its client base at home, even as he works to expand its investment teams abroad. Its Edmonton offices have sweeping, mostly unobstructed views across Alberta’s capital city, offering a contrast in perspectives to the crowded skylines of Bay Street or Wall Street.

“We deliberately try to put the ‘A’ back in AIMCo with our strategy and say that we serve people who serve Albertans – that’s important,” Mr. Siddall said.

That mantra rings differently now, with Alberta Premier Danielle Smith pushing a proposal to withdraw Alberta from the Canada Pension Plan and set up a provincial alternative. If she follows through on an Alberta Pension Plan, which is far from certain, AIMCo would be a plausible manager of such a fund, putting it squarely in the crossfire of a contentious national debate over the fairest course of action for pensioners.

Mr. Siddall is trying his best to steer clear of political fights, refusing to join the fray over a potential APP: “I can and have to stay out of it,” he told The Globe and Mail. “It’s not my job. It’s a policy maker’s job. … And if we’re told to add clients, we’ll do the best job for them.”

He echoed that same sentiment again last week, declining to comment on the government’s plans, saying AIMCo’s focus is on “helping our clients secure long-term prosperity.” And when pressed on the matter during a lunchtime appearance at the Canadian Club Toronto this week, he added: “We haven’t even thought about it.”

Before he landed at AIMCo, Mr. Siddall had stints as a Goldman Sachs banker and Bank of Canada adviser, then earned a reputation for being outspoken – and occasionally taking controversial, if principled, stances – as CEO of the country’s national housing agency, the Canada Mortgage and Housing Corp.

In the early months of the pandemic, CMHC predicted the average selling price of a home could plunge by up to 18 per cent in a worst-case scenario, and mortgage arrears could soar – a forecast Mr. Siddall repeatedly defended as a responsible warning even though it turned out to be wrong.

Months later, after CMHC tightened its standards for borrowers to qualify for mortgage insurance, and lost market share to private-sector rivals, he alienated prominent mortgage lenders with a sharply worded letter that chastised them for not following suit and, in his view, putting short-term profits above the country’s interests.

He speaks fast and plainly, avoiding much of the polished jargon many CEOs employ. But in his current role, he has tempered his style to be more conciliatory.

At the core of AIMCo's new operating model is what Mr. Siddall once promised would be "a new covenant with clients," manifested most clearly in a range of outreach efforts by the pension fund manager.

For his first year in charge, AIMCo kept count of how often it was meeting or interacting with clients – to measure its engagement with them. It rolled out an updated portal that makes it easier for clients to find information, and launched the CEO Council. It also committed to "meaningful consultations" with clients on almost anything important.

"We don't make big decisions without them," Mr. Siddall said.

Spokespeople for some of AIMCo's largest clients, such as the Alberta Teachers' Retirement Fund and Local Authorities Pension Plan, declined to discuss current relations with AIMCo. But Cory Kerr, the president of the Alberta Federation of Police Associations – a sponsor of the Special Forces Pension Plan, which is an AIMCo client – said early indications are that "AIMCo has taken the appropriate steps to avoid those missteps from the past."

The friction between AIMCo and its pension plan and endowment clients runs deeper than the fallout from a large one-time loss on a misguided trading strategy. It stems, in part, from the fact that most AIMCo clients are "captive," Mr. Siddall said – required by government to entrust their pensions to the fund manager.

To cite one example, there were drawn-out, bitter negotiations with representatives for Alberta's teachers over the province's efforts to force the teachers' pensions to be managed by AIMCo, until the two sides reached an investment agreement that resolved the standoff in 2021.

"Naturally, they don't like the fact they don't have choice," Mr. Siddall said. But part of the answer, he added, is that AIMCo must adopt a mindset to operate as though the clients did have other options.

The outcome of AIMCo's rapid retooling are hard to gauge at this stage. The pension fund manager posted a 3.4-per-cent loss in 2022 – which still beat the benchmark it uses to measure its performance. It was a tough year for pension plans, in which stocks and bonds took a rare simultaneous plunge, although most large Canadian plans managed to eke out modest gains. Then, in the first half of 2023, AIMCo's returns rebounded and it gained 4.5 per cent.

Those results may not yet be a full reflection of the new regime, as some of AIMCo's most important hires since Mr. Siddall took over are only just getting their feet wet. New chief investment officer Marlene Puffer, who was CEO at Canadian National Railway Co.'s pension plan, started at the end of January. That same month, the Alberta manager hired David Scudellari from the Public Sector Pension Investment Board, tapping him as head of international investment and tasking him with building AIMCo's private credit business from a newly-opened New York office.

Chief risk officer Suzanne Akers joined in April, 2022, from Franklin Templeton. "We got her from California to come to Edmonton – we told her it was cooler here," Mr. Siddall said, as the temperature outside crept toward a high of 16 degrees on a July afternoon. And AIMCo poached chief technology officer Denise Man from Alberta-based ATB Financial that same month.

There is another notable change coming: Board chair Mark Wiseman, former CEO of the Canada Pension Plan Investment Board, who came in three years ago to help steer AIMCo's turnaround and hired Mr. Siddall, is stepping down at the end of the year. His successor is expected to be named soon. And it is now much more likely that Mr. Siddall's own successor as AIMCo's CEO will come from inside the organization's ranks – he said there are four internal candidates who "know who they are."

A robust succession plan means that in the unlikely event Mr. Siddall were to have to leave suddenly, "there's an answer now," he said. "There's a better answer five years from now, but there's an answer now."

Ms. Puffer and Mr. Scudellari, in particular, are leading a shift in the way AIMCo invests its clients' money. For years, it has allocated a greater share of its investments to private assets such as infrastructure, real estate and private equity, which make up about 40 per cent of its portfolio, up from 27 per cent in 2019. Those assets have generally outperformed stocks and bonds in recent years, and are attractive to long-term investors such as pension funds, which can lock up money for longer periods in exchange for higher returns.

AIMCo plans to continue adding more private assets to its portfolio, when clients agree to it, Mr. Siddall said. But the investing environment – with higher interest rates than before and stubborn inflation – has meant that large institutional investors such as AIMCo have to be more careful about where they invest.

For years, many pension funds including AIMCo were still ramping up their private-market investing, chasing an abundance of deals and pushing money out the door to reach the target asset allocations they had set. Now, especially after the prices of stocks and bonds fell last year, pension funds are often at or near those targets, and have less spare money at hand to put into new investments.

"We do have dry powder, just not as much as we used to have," Ms. Puffer said in an interview. "We're now in an environment where we have to be more thoughtful."

In many cases, that means being "smarter about each asset class relative to each other," and whether a dollar is better spent investing in a toll road or a private equity buyout.

One area that is likely to get more attention is AIMCo's private debt and loan team, which closed 15 transactions worth more than $300-million in the first half of 2023. Building that business from New York is Mr. Scudellari, who worked with Mr. Siddall at Goldman Sachs earlier in his career.

The private debt market is growing fast, with higher interest rates and tighter lending standards at banks creating attractive conditions for private lenders. Ms. Puffer said some of AIMCo's private debt investments yield "double-digit" returns in percentage terms, and "we're not reaching for risk."

Even so, AIMCo's investment decisions are also under a tighter risk management regime, led by the new risk chief Ms. Akers, and informed by the painful lessons of the board review of 2020′s losses.

Some of the risk controls now in place at AIMCo are technical in nature – parameters for risk tolerance, sophisticated models that envision harsh scenarios and systems to analyze data. But an equally important project has been to make sure investment teams and risk managers work in tandem on investment decisions, in healthy tension.

"If you don't have credibility, if you don't have the relationship and the trust, then there's not really a conversation going on," Ms. Akers said.

Mr. Siddall described an undisclosed deal AIMCo was considering in July as an example. The head of the asset class involved was pushing for the deal, but "risk had a big problem with it," he said. Ms.

Akers took her concerns to Ms. Puffer, who held off on making a decision and called a further investment committee meeting to discuss it, inviting in more senior people – including Mr. Siddall, even though the size of the potential deal fell below the typical threshold where he gets involved.

“Marlene said, ‘Let’s have you come in and let’s have a few more eyes on this thing,’” Mr. Siddall said. “That’s good, that’s the way it should work.”

Even after so many changes in a short span, AIMCo is still a fund manager in transition.

Its international expansion in Singapore, New York and London is just getting started. Its technology refresh is in its early stages. It is still turning over its portfolio to find the right balance of public and private assets, and risk and reward, to secure its clients’ pensions for future decades. And if an APP were to become a reality – a momentous change that would take years to be negotiated – it could dramatically alter AIMCo’s role in Canada’s pension sector.

Crucially, Mr. Siddall now has a story to tell about AIMCo – to its clients, investment partners and prospective new hires – that is no longer dominated by its past mistakes.

“It’s a place with momentum,” Mr. Siddall said. “It’s undergoing change that makes sense because it’s grounded in a strategy people understand.”

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