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Canadian Investment Review

GETTING TO KNOW

Steve Mahoney

JOB TITLE: Chief investment officer, Nova Scotia Pension Services Corp.

JOINED NSPSC: 2022

PREVIOUS ROLE: Vice-president, institutional sales, Connor, Clark & Lunn Financial Group Ltd.

WHAT KEEPS HIM UP AT NIGHT: An ongoing period of volatility caused by the words of U.S. President Donald Trump and impactful economic policy that could impact the institutional investment landscape

OUTSIDE OF THE OFFICE HE CAN BE FOUND: Making his way through a game of disc golf, having dinner with his wife or finding the time to play his guitar

BUILDING A HANDS-ON INVESTMENT APPROACH AT THE NOVA SCOTIA PENSION SERVICES CORP.

BY BRYAN MCGOVERN

In an increasingly uncertain investment landscape, the Nova Scotia Pension Services Corp. is aiming to become more hands-on with its investment implementation.

"Each asset class is at a different phase of that structure," says Steve Mahoney, the NSPSC's chief investment officer. "We're looking at each one asking, 'What's the next step for us to be a bit more hands on?' As opposed to just splashing the money out with other people and having them tell us how they did."

The investment organization oversees the strategies of the N.S. Public Service Superannuation Plan and the N.S. Teachers' Pension Plan, as well as administering the pension benefits of the Members' Retiring Allowances and the three former Sydney Steel Corp. pension plans.

In its 2023/24 annual report, the NSPSC said it's exploring further internalization of particular asset classes. According to Mahoney, the organization already manages private assets internally, as well as its currency forward and short-term fixed income, but it's also aiming to manage its own derivatives and put some leverage in the plan.

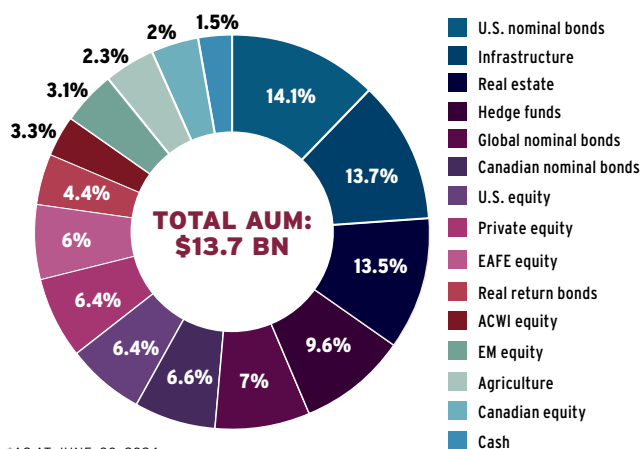
"From a function of when we do leverage, when we do more portable alpha, when we have more fixed income managed internally and then also within private markets regarding direct and co-investments, . . . we see an opportunity to put our hands on a little bit more we will."

In the meantime, with geopolitical conflicts fuelling economic uncertainty, he says the NSPSC has already taken steps to be ahead of challenges. "While you're obviously concerned about volatility and negative market events, we do believe our portfolio is set up well to handle shocks given its low position in equities, decent allocation to private markets and lots of diversification."

The beginning of Mahoney's tenure in 2022 was marked by the post-pandemic economic recovery, followed by an uptick in geopolitical uncertainty and negative performance results for many Canadian plan sponsors in 2023.

Through the 2023/24 cycle, plan sponsors were facing dropping interest rates while equities were rising based on the interest in artificial intelligence, he says, noting Canadian plan sponsors would have outperformed their actuarial discount rates without improving their funded status, depending on their position. "But what I'm hearing and what I'm seeing is a lot of plans — for two

**THE N.S. PUBLIC SERVICE
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years in a row now — will be behind their benchmarks while performing well or even better than their discount rate in 2024."

In the NSPSC's fiscal year ending March 31, 2024, the N.S. Public Service Superannuation Plan and the N.S. Teachers' Pension Plan secured a positive return of 7.93 and 7.38 per cent, respectively. But both returns were below their benchmarks.

In addition to its efforts to manage more assets internally, the NSPC is planning to further enhance its private asset program with direct fund allocations in private equity and direct assets in infrastructure. "We've been doing more direct work on infrastructure and natural resources," says Mahoney. "We've been doing some more direct hiring on the private equity side. We've also been looking to do more club deals."

For these transactions, speed allows the NSPSC to tailor its portfolio and avoid overlapping investment exposure. "We're able to move pretty quickly. We can get a deal and wrap our brains around it pretty quick and come up with a yes or no answer."

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