

BUSINESS LEADER

Teachers' plan offers lesson for golden years

A win-win solution to pension worries was found when educators and the government of Ontario joined hands. **Sophie He** reports.

Ron Mock, president and chief executive officer of Ontario Teachers' Pension Plan, says the transition of the Chinese economy, from being manufacturing and exports-driven to consumption-led, has presented many investment opportunities.

Mock heads what is Canada's largest single-profession pension plan with C\$171.4 billion (\$133.4 billion) in net assets as of Jan 1 this year. The plan manages investments and administers pension benefits on behalf of its members — 183,000 school teachers in Ontario and 133,000 pensioners, or retired teachers.

It is an independent organization set up in 1990 by its two sponsors, the government of the Canadian province of Ontario and the Ontario Teachers' Federation.

Headquartered in Ontario's provincial capital of Toronto, Teachers also has operations in London and Hong Kong.

"The most important criterion for our pension plan is to pay pensions for generations of teachers yet to come. When we look at paying our pensions, we look at 70 years, that's where everything begins," Mock told China Daily during a visit to the city to oversee Hong Kong operations.

Teachers has designed a portfolio with that aim in mind, with the focus on "paying those pensions," Mock said.

So the investments it makes are not just about the returns, they are about the returns for the risk that Teachers is willing to take.

"So we don't look for the highest return," Mock said. "What we are looking for is the highest return for the risk that we take — trying to get a 25 percent return for a high risk (investment). But we may be very happy with a 10 percent return and a lower risk."

Global reach

Mock pointed out that Teachers has a global portfolio that has to navigate its way through the debt crisis in Europe, growth in Asia, changes in emerging markets, changes in inflation and negative interest rates in many parts of the world. So its portfolio has to be balanced enough to achieve the return it is after.

Mock noted also that Teachers invests for the long term, which is why its office for Asia is here in Hong Kong.

"We are here for the long term, we are looking forward

by decades — We have to. Given the kind of assets we invest in, infrastructure, real-estate, private equity, we have to be able to look ahead for some period of time," he said.

Mock explained that since Teachers invests globally, there are always opportunities coming up somewhere. "In South America, which is not in very good shape these days, we can find some good opportunities. In Asia, on the Chinese mainland, even though the growth rate has slowed down, relative to the rest of the world it is still growing at a very excellent pace, so Teachers finds lots of opportunities here," he said.

"When we think of China, with its changing structure as its pivots from the more conventional manufacturing and export-led to a more consumer-led economy, there are opportunities there."

Teachers is confident about investing in China in the longer term, despite the slowdown in the economy.

Bright ideas

"All of our experience with officials in Beijing, we would say that they understand the long term and we are here for the long term."

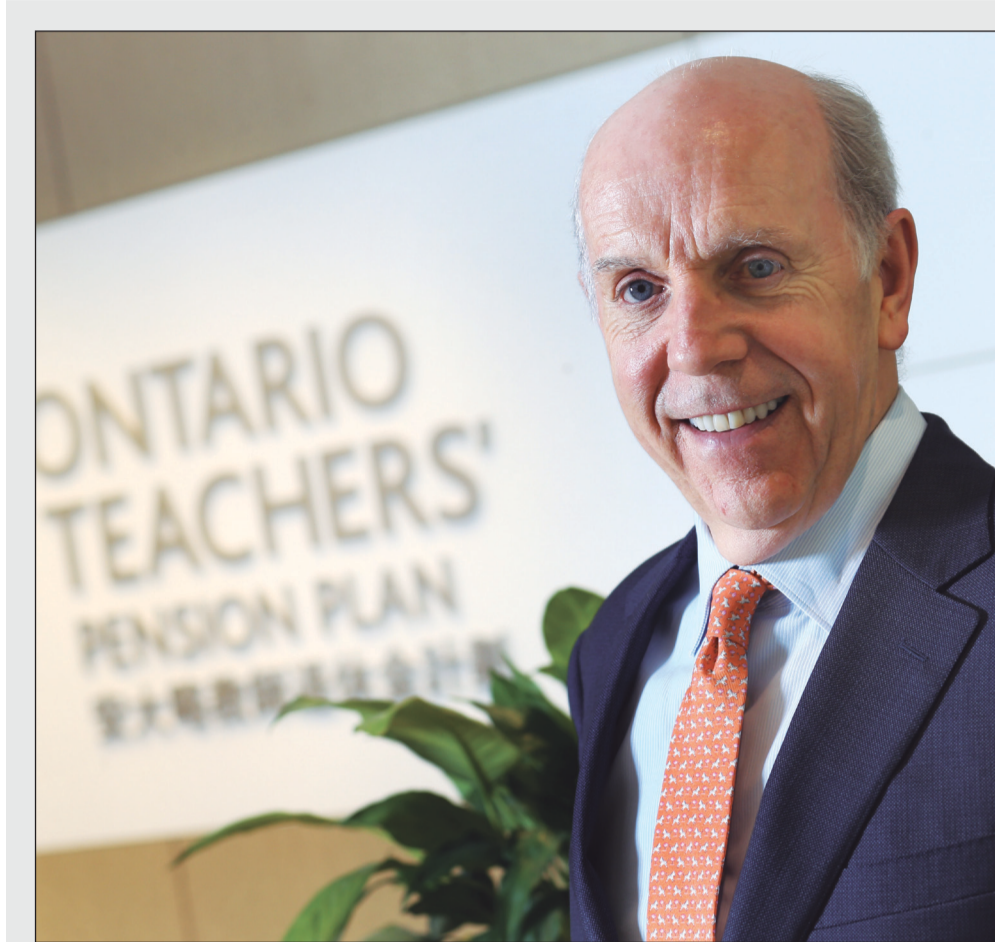
"Any economy has its ups and downs, we've concluded the government and the economy in the long term is strategically in strong hands, it is strategically being managed by very bright people and yes, it does go up and down but the reality is all markets go up and down."

Mock said also that Teachers has to look beyond the short-term gyrations. The fact is, he explained, with China growing even at 5.5 or 6 percent, relative to the rest of the world and given its size and impact, the opportunities are still substantial. "We are very comfortable investing with the right partners, right capital — and if we can add value as well, that's what we want to do in the region."

Nicole Musicco, managing director for the Asia Pacific and head of the Hong Kong office of Teachers, said the pension plan has a number of local partners in China that it has invested in. It has engaged in this type of investment since the early 2000s, so Teachers has had the benefit of really watching China evolve.

"We benefited from the old economy type of investments that we did in early 2000. We benefited from seeing those

partners make money in those



Ron Mock was trained as an engineer in college but found his niche in engineering good post-retirement lives for Canadian teachers. EDMOND TANG / CHINA DAILY

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THE HONG KONG STORY

In Hong Kong, full-time qualified teachers who meet the age and Codes of Aid criteria, and are employed in grant/subsidized schools, are required to contribute to the Grant/Subsidized Schools Provident Funds, according to the Education Bureau. The monthly contribution is 5 percent of salary, including any allowances approved for the purpose by the Permanent Secretary for Education.

The government's contribution to the fund may be 5, 10 or 15 percent of the concerned teacher's salary, depending on length of service, in slabs of under 10 years, 10 to 15 years, and more than 15 years.

Chan Hung, director of the Rights and Complaints Department of the Hong Kong Professional Teachers' Union, said that currently around 80 percent of local teachers are covered by the fund. Chan estimated that based on pay in 2015-16, a certificated master retiring at 60 may get around HK\$3 million, with the figure at around HK\$3.8 million for assistant primary school masters and HK\$4.4 million for graduate master of secondary schools.

Winner gets formula right in final equation

By **SOPHIE HE** in Hong Kong
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Ron Mock has been with Ontario Teachers' Pension Plan for about 14 years.

The president and chief executive officer was born and raised in Toronto, and started his career as an engineer. He majored in Electrical and Nuclear Engineering at college, and did not go into financial markets until 1985 or 1986, Mock told China Daily.

"To me, when I was very young, it was all the same. Engineering is all about mathematics, and in finance you need to have a fairly good grasp of mathematics. So whether I was applying it to a nuclear plant or applying it to financial markets, it was the application of mathematics to these things — except that the financial world gave me a global view to understand complex things," Mock recalled.

He liked understanding complex

things, so he made the transition, after graduating in engineering he got a master's degree in business.

"When I combined the mathematics and the finance and business, I thought I would have a very interesting life if I pursued this career. So over the last 30 years, I've been working in financial markets globally. I still love it today."

Mock said what he likes most about his job is its important social purpose, which is to provide retirement security to teachers. Teachers are very important to society, so helping them know that when they finish their career they would have a stable income and make them feel safe and comfortable is a very important purpose for society.

"We can work at banks or hedge funds, we can work at a lot of places, but this is a very interesting way to look at complicated investment problems, travel and see the world," he said. "But at the same time, if we really do a good job, we are helping the educators

in our society educate future generations."

Mock said his business philosophy is that staff quality is critically important. The company has to have a culture that focuses on performance, a culture that has integrity, which is very important in global business dealings.

"Performance and integrity are two really important things. We have to spend time, making sure that our employees are engaged in the culture," he added.

Teachers gives its 1,200 employees responsibility, it allows them to innovate, to think about the responsibility that they carry. So the employees get to make rather important decisions, Mock said. That creates a strong sense of responsibility about what they get to do every day when they come to work, it is responsibility to the teachers, a responsibility to the communities in the areas where Teachers invests.

Mock said his suggestion to ambi-

tious youngster who want to join the financial industry is that youngsters' ambitions need to be pointing in the right direction.

"Ambition simply to become a CEO tomorrow morning is not good ambition. You need to be ambitious, but be ambitious about learning. Youngsters need to be ambitious about learning new things."

"Every day you come to work, be ambitious about supporting your colleagues, always be on a quest to learn. If you are ambitious about that, it means you are investing in yourself."

To rise through the ranks one must not only be technically skilled and knowledgeable, one needs also to know how to work with people.

"You need to know how to inspire people, you need to understand people, as you can't do the job by yourself."

"The higher you go in your organization, the more your people skills become important!"

fields when the economy started its transition," Musicco said.

"We've been observing from far and observing closely and are now working alongside those partners, to really dig into the sectors like healthcare and healthcare services, e-commerce and domestic consumption."

As at the end of last year, 8 percent of Teachers' total

investment was in Asia, while 44 percent stayed in Canada and 23 percent was in the US, according to its annual report.

Mock said Teachers has posted good and stable annual returns of 10.3 percent for the last 25 years. The returns come from a long-term disciplined approach, where, once Teachers acquires an asset, it also has the people, the skills

and the talent to know how to make those companies, or those trains or airports, that it might buy add value over the long haul.

He said Teachers is able to provide a good pension to retired teachers in Ontario. Some of the money comes from their monthly pay check (about 12 percent of salary), which is matched by the gov-

ernment, and the rest comes from investment returns.

The teachers of Ontario are pleased with their pension plan, Mock claimed.

They have good pensions so they can retire at an earlier age, usually at 60 or 59, and they can get about 60 percent of their last salary as pension. "But if you look after tax and other mandatory contribu-

tions, the pension is actually close to 80 percent of their salary," he said.

"They can live a life, just with their pension, at 80 percent of their standard when they were still teachers — they can live even better if they have savings."

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