


# The Challenges & Complexities Facing Today's Pension Plans

Authored by

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The role of the Chief Investment Officer within pension plans has evolved significantly in recent years. No longer focused solely on portfolio construction and return generation, today's CIO must navigate an environment shaped by data, technology, and a growing set of external pressures. The long-term sustainability, funding of pension systems, and the financial security of many retirees increasingly depend on the CIO's ability to modernize decision-making and adapt operating models.

This shift is occurring at unprecedented scale. As of 2025, global pension assets across major markets surpassed \$68 trillion, underscoring both the size of the responsibility and the complexity of the systems required to manage it effectively.

This reliance on data and technology demands highly specialized teams and tools that bring expertise and results that span investment analysis, data science, and risk modeling. CIOs and their teams are continually modeling scenarios, assessing liquidity and risk exposures, and evaluating outcomes across increasingly complex portfolios. In this environment, the ability to stand before executive leadership of the plan with confidence in the data underpinning decisions is no longer just a nice-to-have. Having data and results that you trust is essential to fulfilling the long-term obligations these plans exist to serve.

The core mission of a pension plan remains unchanged; sustaining growth, meeting obligations, and preserving stability over decades. What has changed is the level of complexity to deliver on that mission and effectively oversee the plan. Let's look a bit further into why it has become more complex.

## Converging Forces and the Expanding Mandate

Pension plans face a range of pressures that sit largely outside their direct control. How investment teams respond to these pressures has become a defining factor in long-term sustainability. In this environment, the CIO plays a central role in shaping strategy and driving execution, particularly when navigating forces that demand both speed and discipline.

Today's CIO must operate beyond the traditional role of portfolio manager. The position increasingly requires balancing investment judgment with risk management, stakeholder communication, and leadership of technology-enabled transformation.

CIOs face a convergence of forces that demand immediate and strategic responses. Each challenge directly drives new responsibilities:

- **Market Volatility:** The markets continue to be influx with inflation, shifting interest rates, and geopolitical uncertainty. The ability to pivot quickly is no longer optional, it's essential for survival. CIOs and their teams must implement advanced scenario modeling and expand asset classes, including alternatives and private assets to ensure success.
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- **Regulatory Pressure:** Evolving regulations and heightened transparency mean CIOs must expand board reporting and anticipate compliance risks before they materialize. Proactive governance is now a core part of the mandate.
  - **Demographic Shifts:** Aging populations and longer lifespans increase benefit obligations. In the U.S., public pension plans entered 2025 with an average funded ratio of approximately 82.5% and more than \$1 trillion in unfunded liabilities, reinforcing the structural challenge CIOs face in balancing growth, risk, and liquidity over extended horizons. CIOs must intensify their focus on liability-driven investing (LDI) to ensure long-term sustainability.
  - **Operational Challenges:** Meeting liquidity demands and maintaining funding ratios requires deeper oversight and operational precision. Delayed decisions can threaten the plan's ability to fund obligations.
  - **Data Accuracy and Availability:** Timely, accurate data has become a prerequisite for effective decision-making. Yet many investment organizations still struggle to produce a unified, trusted view of the portfolio. Despite years of technology investment, institutional investment teams continue to spend 30–50% of their time reconciling data rather than analyzing it, limiting their ability to respond quickly when market conditions shift.

The CIO's mandate now extends well beyond asset allocation. It encompasses risk management, stakeholder communication, and technology-enabled transformation. The urgency is clear: an inaction or delay puts the entire pension promise at risk.

## Data Governance is a Critical Part of the Modernization Journey

At the foundation of every Pension Plan is the necessary data to be used across the entire plan to make appropriate decisions and continue to operate efficiently and effectively. Pension plans must build unified and accurate data sets to enable a Total Portfolio View (TPV) that connects risk, return, and liquidity across asset classes and investment strategies.

Many CIOs, however, continue to face structural barriers. Data fragmentation, legacy platforms, and vendor sprawl can undermine even well-intended modernization efforts. Without a cohesive operating model that aligns data, processes, and governance, investment teams will continue to struggle to deliver the clarity and confidence required for effective decision-making.

To strengthen execution and oversight, CIOs and their team must focus on several critical capabilities:

- Integrating automation and governance to improve efficiency and transparency
- Deploying analytical tools that support scenario analysis and strategic asset allocation
- Strengthening cybersecurity and data governance to protect sensitive information and maintain trust

Delaying progress in these areas allows inefficiencies and risk to compound over time, making future changes more complex and costly.



# Leading Transformation with Intent

To meet today's challenges and secure the long-term viability of pension plans, CIOs must lead deliberate and coordinated transformation efforts. This requires them to:

- Redesign operating models to better align investment, risk, and technology functions that includes a governance framework
- Invest in capabilities that build data, analytics, and digital expertise across teams
- Foster a mindset that embraces change, adaptability, and continuous improvement
- Leverage external partnerships to accelerate progress toward an integrated Total Portfolio View and operational excellence

As complexity increases, many plans are also rethinking how they access specialized expertise. By 2025, nearly 40% of pension plans had adopted full OCIO models, reflecting the growing difficulty of managing investment, operational, and governance demands internally.

## Conclusion

The question facing pension CIOs is no longer whether complexity will increase, it already has. The real question is whether operating models, data foundations, and governance structures are evolving fast enough to support the decisions plans must make.

In this environment, strong investment views are not sufficient on their own. Without trusted data, integrated risk insight, and the ability to act decisively, even well-intentioned strategies fall short.

CIOs who embrace their expanded mandate, leading transformation with the same discipline applied to portfolio construction, will be best positioned to safeguard retiree outcomes and ensure pension systems remain viable across market cycles and generations.

***CIOs who rise to this challenge will not only protect today's retirees, they will define what resilient pension leadership looks like for the next generation.***



## Martin Ouellette

Martin Ouellette is an expert in leading large-scale transformational programs on investment operation transformations. He has 25 years of experience specializing in investment management system integrations, strategic consulting, and program management. Martin enhances Meradia's front-to-back offerings by bringing a unique blend of operations and technology experience and deep knowledge of multiple risk and analytics platforms to support our clients' needs.

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