

**Pension Design and Organizational Perspectives that Australia and
New Zealand Can Teach the World ... and Vice Versa**

and

The Financial Crisis and Pension Fund Management: Lessons Learned and Actions Implied

KEY FORUM INSIGHTS AND POSSIBLE ACTION STEPS

November 16, 2009

A Discussion Forum Sponsored by

**Rotman International Centre for Pension Management
Rotman School of Management
University of Toronto**

**Held at the Melbourne Business School
October 14-16, 2009
Melbourne, Australia**

Organization of this Document

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ICPM October 2009 Discussion Forum
October 14-16, 2009
Melbourne Business School, CUB Theatre
200 Leicester Street, Carlton, AUSTRALIA

Wednesday, October 14

6:30 – 8:30pm with remarks at 7:15pm

Welcoming Remarks by John Lenders MLC, Treasurer, Minister for Financial Services and Minister for Information and Communication Technology, State of Victoria. *The opening cocktail reception will take place at Investment Centre Victoria located at 55 Collins Street, 46th Floor (next door to Sofitel). This event is being co-hosted by the Department of Industry, Innovation, and Regional Development with the Government of Victoria and the Melbourne Centre for Financial Studies. Members of the media will be present.*

Thursday, October 15

Theme: *Pension Design and Organizational Perspectives that Australia and New Zealand Can Teach the World ... and Vice Versa*

- 8:30 – 8:45am Welcome / Introductions – Keith Ambachtsheer / Ann Henhoeffler, Rotman ICPM
- 8:45 – 9:30am Introducing a New International Index of Pension System Effectiveness – Dr. David Knox, Worldwide Partner, Mercer will unveil the Melbourne Mercer Global Pension Index, a collaborative initiative with Melbourne Centre for Financial Studies and State of Victoria
- 9:30 – 10:15am The KIWISavers Plan – David Feslier, New Zealand Retirement Commission
- 10:15 – 10:30am *Break*
- 10:30 – 11:15am Choosing Not to Choose: The Impact of the Australian *Choice of Fund* Initiative – Josh Fear, Australia Institute, and Geraldine Pace, Masters Candidate, University of Sydney
- 11:15 – 12:00noon Pension Decumulation and the Role of Life Annuities – Paul Murphy, UniSuper
- 12:00 – 1:00pm Lunch Session – Pensions in the Australian National Fabric (Current Issues) – Jeremy Cooper, Chair, Super System Review (*appointed by The Hon. Nick Sherry to conduct an inquiry into the efficiency of the Australian pension system*).
- 1:15 – 2:00pm A Regulatory Response to the Financial Crisis: the Case of APRA – Ramani Venkatramani, Australian Prudential Regulation Authority
- 2:00 – 2:45pm What does the CEM Benchmarking Database teach us about pension fund management practices in general? What were the special lessons of the 2008 financial markets debacle? Keith Ambachtsheer will lead this session.
- 3:00 – 3:45pm APRA continues its research into the ‘operational structure’ of superannuation delivery in Australia: three issues being addressed include metrics for trustee performance, links to fund performance, and organizational structure – Wilson Sy and APRA Colleagues
- 3:45 – 4:30pm Improving Pension Management and Delivery: An (Im)Modest and Likely (Un)Popular Proposal – Jack Gray, Sydney University of Technology
- 4:30 – 5:00pm Group Discussion: Where Does the Pension Industry Structure in Australia and Elsewhere Go From Here?
- 5:00 – 5:15pm Wrap Up (*there is a class in this space as of 5:30pm*)
- 5:30pm onward Networking Dinner.

Friday, October 16

Theme: *The Financial Crisis and Pension Fund Management: Lessons Learned and Actions Implied*

8:00 – 8:30am Light Breakfast (*note: for guests at Rydges: your hotel package includes breakfast*)

Much has happened since the beginnings of the global financial crisis first emerged in the middle of 2007, and then erupted in full force in late 2008. Pension funds and their stakeholders have not been spared the painful consequences. Fundamental questions are now being asked about how pension funds were managed prior to the crisis, what lessons were learned throughout the crisis, and how those lessons should impact how pension funds should be managed today and tomorrow. Day 2 explores these questions with the thought-leaders of the global pension management community through a structured process, with the goal of finding actionable answers. The goal of the day is to uncover actionable ideas in four critical 'success' dimensions of pension fund management: Investment Beliefs, Risk Management, Governance and Organization Design, and Stakeholder Relations.

8:30am – 11:30am Session I: Observations and Thoughts

Presenters will lay out the key issues and questions surrounding the four management dimensions from their perspective. *A refreshment break will be positioned in the middle of this session.*

- Investment Beliefs – Tore Hayward, New Zealand Superannuation Fund and Stefan Lundbergh, APG All Pensions Group (Netherlands)
- Risk Management – Chresten Dengsoe, Danish Labor Market Supplementary Pension (ATP) and Barbara Zvan, Ontario Teachers Pension Plan (Canada)
- Governance and Organization Design – Syd Bone, Melbourne Centre for Financial Studies (Australia) and Doug Pearce, British Columbia Investment Management Corporation (Canada)
- Stakeholder Relations – Tony Lally, SunSuper (Australia) and Meryl Whittaker, Alberta Local Authorities Pension Plan (Canada)

11:45am – 12:30pm Session II: Breakout Session

Small breakout groups will tackle one of the four management dimensions in greater detail (e.g., what are the critical issues/challenges in that dimension, how are they best addressed, and what is the best practical plan to move forward?)

12:30 – 1:15pm *Buffet Lunch will take place in the Pelham Room. Upon conclusion of lunch please return to CUB Theatre located at 200 Leicester Street.*

1:30 – 4:00pm Session III: Report Back Session

Each breakout group will report back and defend their findings and conclusions to the plenary group. Together, we will convert the findings and conclusions into 'take home' agendas for each of the four management dimensions. *A refreshment break will be positioned in the middle of this session.*

4:00 – 4:30pm Session IV: Closing Reflections

We conclude this busy two-day event with some closing reflections on what we learned, and how we can move from acquiring new knowledge and insight into concrete plans of action. We will look ahead and discuss the implications for the June and October Forums in 2010, and discuss future research funding.

4:30pm onward *Closing Reception to be held on the Outdoor Terrace (rain cover: Sony Foyer)*

Pre-Forum Activities and Forum Participant Feedback

Pre-Forum Activities

An increasingly important extension of Forum activities is outreach of ICPM Research Partners towards each other and other constituencies interested in pension management issues. In this context, Wednesday October 14 was a busy day. A number of international delegates met individually with members of the Federally-instituted Cooper Commission which is studying the efficiency of the Australian retirement income system. Jeremy Cooper was the luncheon speaker on the first day of the Forum (see page 10 for summary of his address). A number of delegates met with members of the Australian media, which resulted in favorable publicity for both ICPM and a number of its Research Partners.

Victoria Funds Management Corporation opened its Board Room for fund delegates to hold informal discussions on opportunities for Research Partner collaboration in a number of areas. The plan is to continue to offer this opportunity on a going forward basis. Melbourne attendees included Syd Bone (MCFS), Justin Pascoe and Andrew Elliott (VFMC), Tony Lally and David Hartley (SunSuper), Dennis Sams (UniSuper), David Neal (Australia Future Fund), Don Raymond (CPPIB), Stefan Lundbergh (APG), Tore Hayward (NZ Super), Patrick Crowley (OMERS), and David Russell (USS). General discussion focused on investment responses to the Global Financial Crisis (GFC).

Summary of Informal Wednesday Afternoon Discussions (provided by Syd Bone)

How best to build a conservative portfolio

- The default portfolio in DC plans remains critical – member switching was relatively limited
- Strategic Asset Allocation of the future to become more conservative (as membership matures)
- Strategic tilting may have a role
- Less illiquid asset exposure
- High credit exposure in bond portfolio – need reducing, or will high government issuance be self correcting?
- Reduced international exposure to avoid extreme currency volatility

Fund option to issue bonds

- CPP was able to issue bonds at attractive yields at the height of the GFC - clear liquidity benefits.
- Issue bonds in foreign currency to stop need for on-going currency rolls

Liquidity Management

- Less exposure to international overall to minimize currency hedging requirements
- Use of put options as a way of managing – theoretically works OK, but scale of funds may preclude
- Need for effective scenario testing

How much risk should be on the table now?

- Economic stimulus impact on financial asset prices short term only, leading to poor outlook of ten year returns.
- In other words, the group questioned whether the Equity Risk Premium will be there.

Unchanging Strategic Asset Allocation appropriate through time/cycles?

- May be driven by career risk concerns, as an anchor – does it always remain sensible?

Strategic Tilting

- NZ Super introduced contrarian ‘react at extremes’ tilting process. Main calls Equity/Bonds (neutral at present) and Currency (small position given weak USD). How to size positions?
- UniSuper has a tilting process based on assessment of extremes in pricing relative to fundamentals.
- Other approaches to assess underlying fundamentals include analysis of ‘normalized earnings’ or concepts such as fundamental indexing.

Illiquid Assets - Opportunities to collaborate

- All on one side, club deals do-able, now a good time to act
- Issues are well known - jurisdiction, types of assets, taxes (especially from Australia to the United States), fees, cheque sizes, how to act (agree as a group up front)
- OMERS described their experience with deals in the United States.

Discussion Forum Survey Results (i.e., for Thursday/Friday)

Forum Survey respondents split almost evenly between rating the Forum ‘Excellent’ (41%) and ‘Good’ (56%). That leaves 3% (a single respondent, actually) for the ‘Poor’ category. More detailed comments included:

Likes

1. Pre-conference, informal meetings between Research Partner representatives (see above)
2. Great conference...nice environment....good mix of people
3. Networking opportunities with like-minded people
4. Good mix of theory/academic and practical/application orientations
5. Good agenda design
6. Valuable take-aways
7. Two days about right

Improvement Suggestions

1. Leave more time for Q&A and group discussion
2. Provide more structure for the small group discussions (e.g., pre-assigned discussion leaders, specific list of questions for the group to address, a more formal Case Study framework as was used in prior Forums)

Welcome-to-Melbourne Reception – October 14

**Remarks by Deborah Ralston, Director of Melbourne Centre for Financial Studies (MCFS),
The Honorable John Lenders, Treasurer of the State of Victoria,
David Knox, Worldwide Partner at Mercer, and
Keith Ambachtsheer, Director of Rotman International Centre for Pension Management
(ICPM)**

Deborah Ralston welcomed everyone (especially the non-Australians!) to the jointly sponsored reception by MCFS and the Victorian Government, and noted that the Melbourne Mercer Global Pension Index (MMGP Index) would be launched at the event. The development of the Index was a joint venture between MCFS, the Victorian Government, and Mercer. MCFS is a not-for-profit consortium between three Melbourne-based universities and Finsia, the financial services industry association in Australia. The role of MCFS in the project was to draw together a steering group of academics and practitioners to oversee and comment on the development of the Index. In closing, Deborah remarked on the similar mandates between MCFS and ICPM as well as the importance of drawing academia and the professional community closer together for collaborative efforts.

John Lenders joined Deborah in welcoming members of the global pension management community and ICPM Discussion Forum participants to Melbourne. He expressed his Government's keen interest in further developing Melbourne as the home of both national and international financial services providers through the State of Victoria's Financial Services Strategy. He noted that many of Australia's largest pension ('super') funds were based in Melbourne. He also noted the Government's continuing interest in supporting projects such as the development of the MMGP Index, which required the close cooperation of finance academics and practitioners through MCFS.

David Knox is the lead researcher and author of the MMGP Index Report. He spoke of the challenges involved in comparing national retirement income systems on an *apples-to-apples* basis. Metrics representing the adequacy of retirement income, its sustainability, and system integrity were developed for eleven countries. These were then combined to create overall country scores, which ranged from a high of 76.1 (Netherlands) to a low of 41.5 (Japan). An important benefit of the Index is to motivate and guide countries to improve their Index scores, and hence the quality of their retirement income systems. The intent is to continue to improve the Index based on feedback and to increase the number of countries covered.

Keith Ambachtsheer thanked the Reception hosts on behalf of ICPM and its Research Partners for the warm welcome. He noted that the top six-ranked countries in the MMGP Index are all represented amongst the twenty-five ICPM Research Partners (Netherlands, Australia, Sweden, Canada, United Kingdom, United States). To give the 'I' in ICPM real meaning, the Centre began to holding its October Discussion Forums at Research Partner locations other than Toronto in 2007. In each case, the Forum has been co-hosted by one or more local Research Partners, research centers, and universities. Under this formula, ICPM has been in Maastricht (Netherlands), Tacoma (Washington State, USA), and now Melbourne. In October 2010 we will be in Copenhagen (Denmark).

Theme #1 – October 15, 2009
***Pension Design and Organizational Perspectives that Australia and
New Zealand Can Teach the World ... and Vice Versa***

Keith Ambachtsheer (Director, Rotman ICPM) introduced Theme #1, noting that this was an excellent opportunity for ICPM Research Partners to get up-to-date on pension management developments in this part of the world, and to engage in discussions on their broader implications. Nine specific topics will be covered over the course of the day.

David Knox (Worldwide Partner, Mercer) elaborated on his remarks at the prior evening Reception on ***the MMGP Index***. The project started with the questions “what does the ideal retirement income system look like?” and “can actual systems be compared?” He went on to answer both questions, based on giving retirement systems separate scores for their income replacement rate adequacy, system sustainability, and the integrity of the private sector component of the system. These three scores were then combined with weightings of forty, thirty-five, and twenty-five percent to produce an overall country score. In this initial phase of the project, the relevant data was collected for eleven countries, leading to scores ranging from 76.1 to 41.5 (out of one hundred). In all, four countries were assigned overall grades of B, another four received C grades, and the remaining three D grades. Some common themes for improvement included higher levels of savings, broader coverage, and higher labor force participation by older workers. See www.rotman.utoronto.ca/icpm for PowerPoint; see www.globalpensionindex.com for *Melbourne Mercer Global Pension Index Report*.

David Feslier (Executive Director, NZ Retirement Commission) outlined New Zealand’s retirement income system and described ***the KiwiSaver plan*** in some detail. The plan was introduced in 2006 to reverse the apparent decline in NZ retirement savings rates. Key design requirements were to “make it easy and make it attractive”. Today, KiwiSaver is a voluntary savings scheme with auto-enrolment, limited investment options, a \$1000 kick-start payment and a \$1,042 annual member tax credit by government, a two percent compulsory employer contribution, and a choice of member contribution rates (two percent, four percent, or eight percent). Early indications are that KiwiSaver is indeed achieving its goals. For example, participation is high with aggregate assets already exceeding \$3 billion for 1.1 million participants. A major study is being designed to evaluate results over the 2007/2013 period. The study will focus on impact on savings and asset accumulation, effectiveness of implementation and delivery, uptake, and impact on the NZ financial services industry. See www.rotman.utoronto.ca/icpm for PowerPoint. See www.sorted.org.nz for *KiwiSaver: Is It Right for You?*.

Josh Fear (Research Fellow, The Australia Institute) and **Geraldine Pace** (MA Candidate, University of Sydney) presented ***an evaluation of Australia's "Choice of Fund" Policy*** introduced in 2004/2005. The premise of the policy was that free choice by workers in choosing their super fund manager would stimulate intensified competition between these managers, thereby lowering costs and improving net fund performance for retirement savers. In their evaluation of the policy, Fear and Pace found that it was not having its intended effect. They observed that most Australian workers appear to be apathetic towards their retirement savings. As a result, they concluded that government efforts would be better spent designing pension schemes with a series of well thought-out defaults (e.g., an age-based investment policy implemented by a low-cost provider) that moved workers towards a target post-work income replacement rate without their personal intervention. See www.rotman.utoronto.ca/icpm for their article in the Fall 2009 issue of the *Rotman International Journal of Pension Management*.

Paul Murphy (Executive Manager, Marketing and Business Development, Unisuper) thinks that the ***decumulation phase of retirement saving is the "next big thing"***, and that Australia "is behind the game globally". The challenge is to offer scheme members protection from the risk of outliving their savings despite their expressed distaste for lifetime annuities. New ideas are being developed (e.g., variable annuities, deferred longevity annuities, reverse mortgages, long-term care insurance). The challenge is to frame legitimate choices in a constructive light. The potential roles government could play should also be carefully considered (e.g., supplier of longevity instruments to financial markets, mandatory annuitization of all or part of retirement savings). The longevity risk issue will not go away. We need to think through how to best address it from the plan members' perspective, and find and implement creative solutions. See www.rotman.utoronto.ca/icpm for PowerPoint.

Jeremy Cooper (Chair, Australian Super System Review) was charged by the government in May 2009 ***"to examine and analyze the governance, efficiency, structure, and operation of Australia's superannuation system"***. This will involve three phases of consultations. The governance phase will address trustee knowledge, skills, training, accountabilities, composition, and conflicts of interest. The operations and efficiency phase will address fees, comparability, defaults, technology, competition, and complexity. Finally, structural issues will include the division of the system into industry funds, managed funds, and self-administered funds, DB schemes, insurance, and the delivery of post-retirement income. The Commission will study best practices in other jurisdictions and will table its findings in mid-2010. See www.supersystemreview.gov.au.

Ramani Venkatramani (General Manager, Specialized Institutions Division, Australian Prudential Regulation Authority [APRA]) described ***the role of APRA in the evolution of the Australian Super System***. Even before the Global Financial Crisis, APRA had instituted universal licensing of trustees to raise the quality of governance. During the crisis, APRA took a collaborative approach, with a focus on maintaining system confidence and identifying key risk exposures (e.g., illiquidity). In the current post-crisis phase, APRA's attention continues to be focused on improving super fund risk management (e.g., a minimum risk capital reserve requirement). On a broader basis, it is also monitoring developments in super system complexity, and in member expectations, including the mitigation of longevity risk. See www.rotman.utoronto.ca/icpm for PowerPoint.

Keith Ambachtsheer (Director, Rotman ICPM) examined the *lessons to be learned from the CEM databases*, which contain global pension fund data on investment results, liability structures, risks, benefit administration, and costs over the 1992-2008 period. Lesson examples included the following:

- despite the 'LDI' movement, most DB Plans continue exhibit considerable asset-liability mismatch risk
- this mismatch risk is largely driven by Strategic Asset Allocation; the average fund takes very little active management risk
- pension funds exhibit very different cost profiles, ranging from 10 bps to 140bps, with a median of 40bps
- about ⅔ of the cost variance can be explained by fund size and asset allocation
- drivers of net excess returns are:
 - fund size
 - good governance
 - exposure private markets/alternative strategies
 - cost control
- annual pension administration costs also vary widely (from \$25/member to \$600/member), and once again, about ⅔ of the cost variance can be explained by the size of system membership and complexity/transaction volumes.

See www.rotman.utoronto.ca/icpm for PowerPoint.

Wilson Sy (Principal Researcher, Australian Prudential Regulatory Authority) spoke about *new research work APRA is undertaking* in performance measurement, the classification of the operational structures of super funds, super fund governance, and drivers of investment performance. This work has established:

- a persistent negative correlation between levels of costs/fees and net returns
- a high degree of outsourcing (87-100%) by super funds
- retail structures have different governance characteristics
- economies of scale reduce active direct costs by about 20bps
- specialist structures appear to be efficient, except in the retail sector
- governance characteristics appear to be systematically related to investment performance.

See www.rotman.utoronto.ca/icpm for PowerPoint.

Jack Gray (Adjunct Professor of Finance, Sydney University of Technology) asserted that *pension systems are failing in their mission* to maximize net returns and meet the information/advice needs of their clients. The dominant cause of this failure is ineffective and unnecessary competition. The dominant solution is greater cooperation between pension services providers, specifically:

- to structure investment management arrangements to maximize returns and economic growth
- to stop excessive over-servicing
- to structure governance arrangements and incentives to minimize agency costs.

Research programs should be designed to answer questions such as:

- how can competition between funds be made productive?
- how can cooperation between funds be sustained?
- how can agency costs be best quantified?

See www.rotman.utoronto.ca/icpm for the Ron Bird and Jack Gray article in the Fall 2009 issue of the *Rotman International Journal for Pension Management*.

Theme #2 – October 16
***The Global Financial Crisis (GFC) and Pension Fund Management:
Lessons Learned and Actions Implied***

Theme #2 was addressed by focusing on four dimensions of pension fund management: Investment Beliefs, Risk Management, Governance and Organization Design, and Stakeholder Relations. Each dimension was addressed by a sequence of: opening reflections by two thought-leaders, small group discussions, report-outs to the plenary group, and plenary group discussion and conclusions.

Investment Beliefs

Tore Hayward (General Manager, Research, New Zealand Super) and **Stefan Lundberg** (Director, Investment Innovation, APG All Pensions Group, Netherlands) provided opening reflections. Formally stating Investment Beliefs creates a common language and understanding between the Board and management. The GFC has reminded us that Investment Beliefs should not be static, but should continue to evolve over time. Distinguish between beliefs, strategies, and capabilities. Beliefs should be mapped to strategies and actual/required capabilities. Distinguish between beliefs derived from implicit or explicit investment theory (e.g., risk is on average rewarded, diversification is a *free lunch*, investing for the long-term pays off, valuations mean-revert), and beliefs related to tangible strategies and capabilities (e.g., process and team discipline matter, cost management matters). See www.rotman.utoronto.ca/icpm for PowerPoint.

The **Two Small Groups** agreed on the importance of both stating Investment Beliefs and putting them into practice. Beliefs require justification and must be *actionable*, both strategically and operationally. It is important to include time-horizon (i.e., long- vs. short-term perspectives). Don't allow static Investment Beliefs to become an excuse for organizational inertia. Linking beliefs to action is critical.

Risk Management

Keith Ambachtsheer (Director, Rotman ICPM) and **Barbara Zvan** (Chief Risk Officer, Ontario Teachers Pension Plan) provided opening reflections. The OECD has done a nice job creating a 4-dimensional risk management framework:

- management oversight and culture
- strategy and risk assessment
- control systems
- information, reporting, and communications

This framework is useful for both pension funds and pension supervisors. OTPP's risk management system operates in these four dimensions. The five GFC lessons learned were:

- large deficits can happen
- an integrated risk framework with explicit standards is essential
- strategic and operational risks are both important
- stress testing is important
- clear accountability is key

See www.rotman.utoronto.ca/icpm for PowerPoint.

The **Two Small Groups** added to these perspectives. The distinction between macro (systemic) risks and micro (organizational) risks is important. Controlling macro risks such as the GFC requires effective multinational/organizational collaborative structures. Organizational culture is an important micro risk intangible, and risk management must be an imperative up and down the organizational ladder. Even at the organizational level, the question of “**who is at risk?**” must be continuously asked. The test of a *best practices* system is its ability to actually respond to perceived/real risk exposures (e.g., private markets valuation and liquidity issues). These requirements raise a number of important organizational questions at both the macro and micro levels....and place small funds at a distinct disadvantage.

Governance and Organization Design

Syd Bone (Chair, Melbourne Centre for Financial Studies, Australia) and **Doug Pearce** (Chief Executive Officer, British Columbia Investment Management Corporation, Canada) provided opening reflections. They continued the distinction between macro (systemic) governance and micro (organizational) governance made in the previous session. At the macro level, it is important to acknowledge the roles of all the key financial markets players (e.g., not only pension funds, but also investment firms, securities issuers, broker/dealers, rating agencies, central banks, regulators/legislators, auditors). Pension funds should be clear about what their collective role should be in maintaining sustainable financial markets, and avoiding a future GFC. At the micro level, good governance starts with a clear organizational mission and a functional board of directors/trustees, able and willing to carry out a well-defined set of responsibilities. Everything else (e.g., hiring/monitoring a CEO and clear delegation to management) hinges on this initial requirement. See www.rotman.utoronto.ca/icpm for PowerPoint.

The **Two Small Groups** agreed that the macro/micro governance distinction is important and useful in sorting out governance and organization design problems and solutions. It is also important to distinguish between agency issues (i.e., resulting from conflicting objectives/incentives) and governance issues (i.e., effective or ineffective decision-making). At the macro level, optimal collaborative structures need to be discovered. At the micro level, effective Board self-evaluation continues to be a problem. Board member certification requirements, Board self-evaluation requirements, and collective Board skill/experience requirements can be useful steps in this regard.

Stakeholder Relations

Meryl Whittaker (Acting Chief Executive Officer, Alberta Local Authorities Pension Plan, Canada) and **Tony Lally** (Chief Executive Officer, Sunsuper, Australia) provided the opening reflections. Recognizing the web of multiple stakeholders involved in a pension plan is critical. It is not just about plan participants, but also about the employers, unions, regulators, legislators, the media, and the services suppliers. Each group has its own information needs, and requires a tailored communication strategy. In this sense, organizing a dedicated stakeholder relations function can be very effective and valuable. The GFC required a carefully-constructed messaging effort. In the short term: “stay calm...pensions are a long-term project”. However, the GFC has also opened up a longer term messaging/dialogue opportunity: “what is our target pension?...what are its funding implications?...are we on track?...if not, what should be done about it?” See www.rotman.utoronto.ca/icpm for PowerPoint.

The **Small Group** echoed the importance of the opening reflections. Sorting out the different categories of stakeholders and the best messaging strategies for each is a good place to start. Again, the macro/micro distinction was deemed important. Some of the stakeholders groups are best addressed through collaborative efforts by pension funds as a group (e.g., politicians, regulators, the media). Other stakeholder groups are very individual fund-specific (e.g., plan members, their employers, and their unions).

Overall Forum Conclusions and Future Plans

As is customary, the Forum concluded with a general participant discussion on key Forum conclusions, and how these conclusions might impact future Forum Agendas, research funding, and Case Study writing:

3. **The distinction between ‘macro’ issues and ‘micro’ issues** surfaced a number of times over the course of the two days. Addressing the former generally requires collective action strategies, the latter strategies inside individual pension organizations. ICPM should be conscious of this important distinction in its program planning, research funding, and Case Study writing.
4. **An example of a collective action challenge is exercising good shareowner stewardship:** what is the best way for pension funds to band together to achieve their goals as shareowners? Do the necessary structures already exist? How are *impact* results best measured? These questions will be on the June 2010 Forum agenda.
5. **Another example is the ‘optimal industry structure’ question raised in the Jack Gray session.** This seems like an area where ICPM should be allocating research money (e.g., measuring agency costs, incentives for industry rationalization). In this regard, ICPM could also collaborate on the further development of the Melbourne Mercer Global Pension Index.
6. **Yet a third example is how to respond to systemic risks such as global warming in both macro and micro contexts.** This issue may be addressed in Case Study format in the October 2010 Forum agenda.
7. **We should follow the Cooper Review and its recommendations closely,** as its findings on governance, cost effectiveness, and industry structure could have implications well beyond Australia. In a similar vein, Sweden is studying its AP Fund structure, and again, the findings of this study could have implications well beyond Sweden.
8. **Another ongoing strand of research and discussion is behavioral finance, and its implications for financial and investment education, plan members preferences and attitudes, and the design of optimal pension accumulation/decumulation formulas.** ICPM is currently funding a research project in this area, and it should continue to be on agendas in future Forums.
9. **The design, implementation, and monitoring of effective Governance structures is also of continuing interest.** This area too deserves ongoing research funding and Forum agenda coverage.

Upcoming Discussion Forum Dates / Locations

Below are Discussion Forum dates for your continued planning purposes. Please share with your planning team / circle dates in your calendar. As more information becomes available an updated schedule will be provided.

2010	2011
June 8-9, Toronto, Canada	June dates pending, Toronto, Canada
October 12-14, Copenhagen	October dates / location pending