Ten Strategies for Pension Funds to Better Serve Their Beneficiaries

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*On December 14, 2011, the **Wall Street Journal** carried an article titled "A Manifesto for Sustainable Capitalism" by former US Vice President Al Gore and his partner at Generation Investment Management, David Blood. The article signaled the launch of their white paper on sustainable capitalism, which set out five broad recommendations. On June 4, 2013, these five recommendations were debated in a workshop attended by 100 senior executives representing 40 pension organizations from 12 countries. The next day, the attendees were asked to turn the five recommendations into specific action steps they would be prepared to act on. They were asked to think about these action steps both in the micro context of their own organization and in the macro context of collective action. This article describes each of the resulting 10 action steps and reflects on their potential to move the sustainable capitalism yardsticks in the right direction.*

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Sustainable Capitalism: Moving the Yardsticks

Saying is one thing, doing is another. Or, in the context of the widely cited 2012 white paper "Sustainable Capitalism" and its five recommendations, How to go from saying to doing? We began to discuss this question with authors Al Gore and David Blood in the fall of 2012 and decided to invite a group of thought leaders of the global pension fund community to a workshop where they would debate the relevance and practicality of the five recommendations for a full day and spend a further morning turning the broad recommendations into a series of specific action steps. The agenda for the workshop was co-developed by the Rotman International Centre for Pension Management (ICPM) and the Generation Foundation (Generation), and the workshop took place at the Rotman School of Management, University of Toronto, on June 4–5, 2013 (see Appendix for a list of participating organizations).

This article summarizes the discussions and debates that took place on June 4, as well as the micro and macro action steps that were hammered out by the participants for each of the five recommendations on June 5. Workshop participants ranked each of the action steps for potential impact and ease of implementation. As co-moderators of the event, we provide our own commentary on the wisdom and practicality of the resulting action steps along the way. The article concludes with some reflections on how to build on the workshop results in the months and years ahead.

Healthy Doses of Skepticism

Though it might sound strange, the most helpful element in the workshop may well have been healthy doses of skepticism about the value and feasibility of at least some of the white paper's five recommendations. For example, one attendee observed that the "real world" and "responsible" investor crowds usually live in parallel universes, attending separate events often designed to reinforce their own strong preconceptions. Such an "either/or" state of affairs is not conducive to constructively challenging those preconceptions.

In contrast, the ICPM–Generation workshop offered opportunities for people to examine the basis of their current beliefs about issues including investment horizon choice, stranded asset risks, material information disclosure, and compensation structures. The subtleties of these issues are too often left unexamined. Sometimes, when these subtleties are taken into account, things that may have seemed obvious are no longer so. On the other

hand, apparent differences of opinion sometimes turn out to be nothing more than different understandings of the meaning of a word or a phrase. Such interactions can move "either/or" thinking to "both/and" thinking.

While it would be naive to assert that all workshop participants were lustily singing from the same song sheet by midday on June 5, we do believe the experience raised the collective understanding of what the five action proposals (and their interconnectedness) were really about and how they might best be implemented.

The Five Action Steps Proposed in the "Sustainable Capitalism" White Paper

Al Gore, former Vice President of the United States, opened the workshop on June 4 with a review of the essential messages set out in the "Sustainable Capitalism" white paper (Gore and Blood 2012). His partner, David Blood, ended the day with concluding observations and comments on the day's discussions, debates, and deliberations. They noted that some of the original recommendations had evolved since their original publication, based on subsequent research findings. The five action steps presented to workshop participants on June 4 for discussion and debates, including the lead-off, speakers were as follows:

- Addressing Stranded Asset Risks – Bob Litterman and Mark Fulton
- Embracing Integrated Reporting – George Serafeim and Anita McGahan
- Ending the Default Practice of Quarterly Earnings Guidance – Judith Samuelson and Eric Wetlaufer
- Rethinking Executive Compensation Structures – Roger Martin and Stephen Brown
- Promoting Constructive Investor Behavior – Jane Ambachtsheer and George Buckley

David Beatty (Rotman School of Management, University of Toronto) led the June 5 session with an explanation of the protocol to be followed in reaching consensus on actual implementation plans. To create as realistic a setting as possible, we split the participants into small working groups and assigned each topic to two groups (see Assignment box for details of each topic). Each group was asked to consider, first, what micro actions their own pension organization might take internally, and, second, what collective macro action they would propose for their fund to participate in with one or more larger industry, national, or international collaborations. The two groups assigned to each topic then met to discuss their proposed actions and choose one micro and one macro action to present to the whole group. After each group presented their recommendations and reasons, the whole group ranked the recommendations in terms of their effectiveness and ease of implementation.

Summary of the Five Own-Organization Action Recommendations

Here are the five micro action recommendations workshop participants came up with for consideration within their own pension organization (with some editing to enhance clarity):

1. ***Stranded Asset Risks Recommendation:*** Undertake an in-house project aimed at improving Board and management understanding of the stranded asset risks issue.
2. ***Integrated Reporting Recommendation:*** Commence and advocate the adoption of Integrated Reporting (<IR>) both for reporting our own organization's results and for assessing the long-horizon prospects of our investments.
3. ***Quarterly Earnings Guidance Recommendation:*** Focus discussions on yearly results in one-on-one meetings between investors and corporate managements.
4. ***Compensation Structure Recommendation:*** Think carefully about how best to exercise our shareholder rights to foster effective compensation practices.
5. ***Investor Behavior Recommendation:*** Design and implement concentrated long-horizon investment mandates and ensure that we have the necessary resources to implement them successfully.

Summary of the Five Collective Action Recommendations

Here are the five macro action recommendations workshop participants came up with for consideration in collaboration with other national or international institutional investor organizations (again, with some editing to enhance clarity):

1. ***Stranded Asset Risks Recommendation:*** Seek out effective collaborations with like-minded organizations to best manage the issue of climate change and its potential investment-related impacts.
2. ***Integrated Reporting Recommendation:*** Ensure that we are fully informed about the evolution of the <IR> initiative and that our own organization is in line to become an early adopter.
3. ***Quarterly Earning Guidance Recommendation:*** Call for a joint declaration by professional investment associations (e.g., the CFA Institute) that analysts should not pressure corporations to provide quarterly earnings guidance.
4. ***Compensation Structure Recommendation:*** Collaborate to achieve consistent regulations on executive compensation that have enforceable consequences for corporate Boards.
5. ***Investor Behavior Recommendation:*** Develop a "model investment mandate" through an organization like ICPM that can be widely shared and reported on by investors.

Readers will immediately note that some of the recommendations are quite concrete, while others are less so. This is no doubt due in part to the pressures of time that we imposed on the small-group problem solvers.

We offer more detailed comment on the recommendations in the following pages.

Addressing Stranded Asset Risks

Initial Presentations and Discussion

Bob Litterman (Board Member, Commonfund) and Mark Fulton (Director, SustainableEye) led off the discussion of stranded asset risks. While the concept of stranded asset risk has broad applicability in both private and public markets, Litterman (2013) and Fulton (2013) focused mainly on the potential impact of climate change on asset pricing in public markets.

Their key messages included the following:

- Consumption of fossil fuels is still subsidized today to the tune of $16 per tonne of CO_2.
- The subsidy will eventually disappear, and CO_2 emissions will be priced. We don't know the time path of this transformation, just as we don't know the time path of global warming.
- We need to distinguish between the expected damages of global warming (e.g., rising sea levels, stronger storms, droughts, floods, degradation of ecosystems) and the risks (e.g., positive feedbacks, tipping points, time compression, geopolitical events).
- Delays in pricing CO_2 emissions raise the price point needed to control global warming and increase the risk of catastrophic outcomes. This is a serious intergenerational issue.
- Could China's severe air-quality problems lead to acceleration in carbon pricing? Even emission capping?
- Negative valuation impact of carbon pricing is greatest in construction materials, followed by utilities, metals and mining, transportation, chemicals, fossil fuels, and forest products. Also, the power of reputational risks should not be underestimated.
- On a more positive note, global warming also creates promising investment opportunities (e.g., alternative energy sources, energy efficiency, flood resistance), which should not be ignored.

The subsequent discussion period made it clear that a considerable proportion of workshop attendees continue to struggle with the complexity and timing uncertainty attached to climate change and its investment implications. One participant even asked, "What if the scientists are wrong about all this?" Another commented that this is a long-horizon issue that will someday become a short-horizon issue; we just don't know when. In the end, the room arrived at a constructive resolution (see below).

The Assignment: Addressing Stranded Asset Risks

- Pension Fund X has never addressed stranded asset risks as part of its investment policies and processes.
- You have been asked by the Board of Trustees to advise them on whether they should be concerned about this lack of attention.
- What advice do you have for the Board? If you think it is an important issue, how should Pension Fund X address it?
- Are there broader industry-wide changes (e.g., disclosure-related) that Pension Fund X should collaborate on with its peers?

Stranded Assets: Own-Organization Recommendation and Supporting Reasons

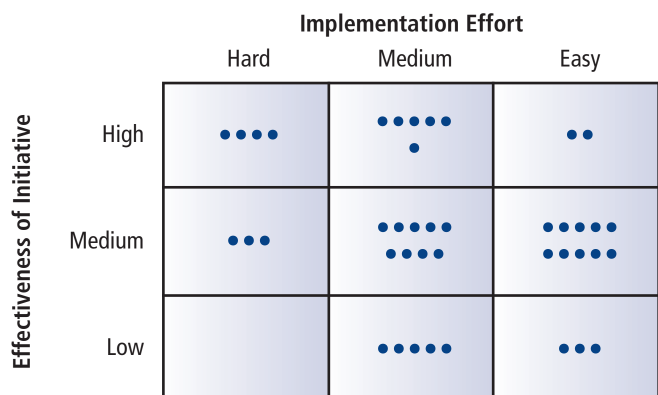
Recommendation

Undertake an in-house project aimed at improving Board and management understanding of the stranded asset risks issue.

Reasons

1. Understanding the issue is consistent with good risk-management practices.
2. A better understanding of the issue will lead to a higher level of conviction in how to best deal with it.
3. Our organization exposes itself to reputational risk if it ignores the issue.

Figure 1: Stranded Assets: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation



The scatter of the dots in Figure 1 suggests that relatively few workshop attendees judged this recommendation to be difficult to implement. Similarly, relatively few thought it would be ineffective as a means to raise understanding of stranded assets risk within their organization. So this recommendation has promise.

Stranded Assets: Broader Collaborative Recommendation and Supporting Reasons

Recommendation

Seek out effective collaborations with like-minded organizations to best manage the issue of climate change and its potential investment-related impacts.

Reasons

1. Climate change is a global problem requiring global action.
2. Understanding and dealing with complexity requires multiple perspectives.
3. Effective collective action will require multiple players (e.g., legislators, regulators, NGOs, investors).

Figure 2: Stranded Assets: Assessment of Potential Impact and Ease/Difficulty of Implementation/Effectiveness

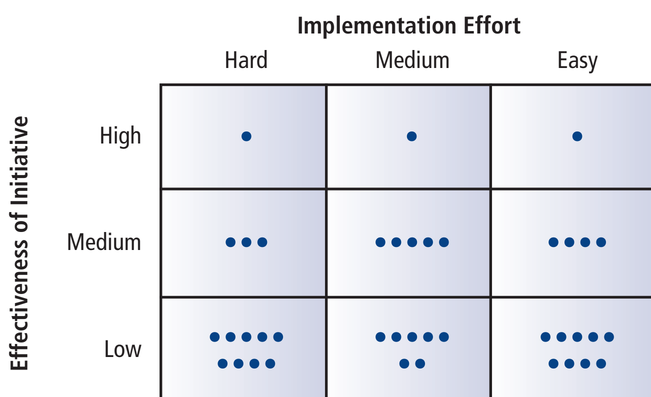


Figure 2 shows that while attendees had diverse opinions on whether this broad collaboration recommendation would be easy or difficult to implement, there was broad consensus that the prospects for it to be effective and have major global impact would be challenging.

Moderator Commentary

Because climate change and the host of challenges related to it constitute a complex set of issues for long-horizon investors, it is tempting to skip over them and move on to something simpler. So the workshop participants' recommendation to consciously choose to raise the level of organizational awareness and understanding of the issue within their own organizations as a first step is right on the mark, truly reflecting "the wisdom of the crowd" in what had been a challenging, difficult discussion. Also, logically, any pension organization wishing to collaborate effectively with others on climate-change issues must first develop and adopt a clear organizational stance for itself.

Embracing Integrated Reporting of Organizational Performance

Initial Presentations and Discussion

George Serafeim (Assistant Professor, Harvard Business School) and Anita McGahan (Associate Dean, Rotman School of Management, University of Toronto) led off the discussion on integrated reporting (Serafeim and McGahan 2013). The integrated reporting initiatives currently underway – <IR> (IIRC 2013) and SASB (SASB 2013) – represent a global movement toward combining material financial and non-financial information about any commercial or non-commercial organization in a single document, intended as a platform for a common two-way conversation with all of the organization's stakeholders. A unique element of this new integrated approach is to connect the organization's capital resources (physical, natural, financial, intellectual, human, and social) to the organization's outcomes (products/services, financial returns, externalities).

This is an idea whose time has come:

- A single document reporting an organization's performance in an integrated, multidimensional fashion
- Explicit recognition of materiality
- Levering the Internet to improve dialogue and engagement with all stakeholders
- Initiating global dialogues
- A transition mechanism from the mainly financial-only reporting of today to a more comprehensive form of reporting consistent with the society we want tomorrow
- Clearer examination of tradeoffs, innovation, and sources of productivity
- Fostering inclusive governance

Reaping these benefits requires overcoming several types of challenges: material, conceptual (e.g., sparseness, comparability), procedural (e.g., global adoption), and societal (e.g., resisting gamesmanship).

The Assignment: Embracing Integrated Reporting

- Senior management at Fund X has just listened to a presentation on the Integrated Reporting Initiative (<IR>). The CEO has asked for the team's opinion on how seriously the fund should take this initiative.
- What is your response? If <IR> should be taken seriously, what can the Fund itself do to further the cause?
- Are there broader national or international collaborations it should consider joining?

Integrated Reporting: Own-Organization Recommendation and Supporting Reasons

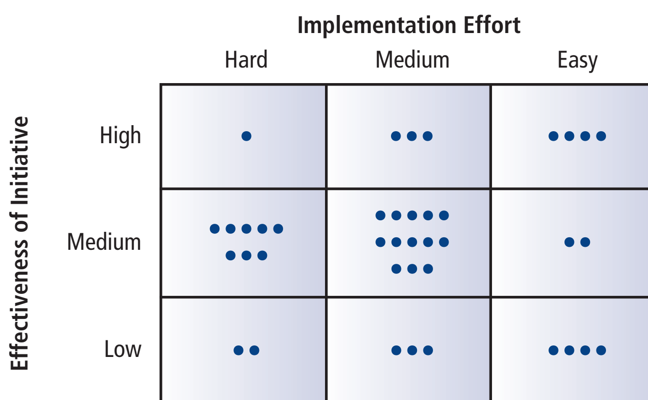
Recommendation

Commence and advocate the adoption of <IR> both for reporting our own organization's results and for assessing the long-horizon prospects of our investments.

Reasons

1. <IR> offers our own stakeholders (e.g., plan participants) a comprehensive view of our activities and a clearer collective view of how we achieve our mission.
2. It enhances our long-term return prospects through greater transparency about the sustainability of the companies we invest in.
3. It provides a more formal structure within which to carry out our due diligence processes, both in our own pension business and in relation to the companies we invest in.

Figure 3: Integrated Reporting: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation



The scatter of the dots in Figure 3 indicates that many workshop attendees believed implementing this recommendation would be challenging. Most thought its effectiveness impact would be in the medium range.

Integrated Reporting: Broader Collaborative Recommendation and Supporting Reasons

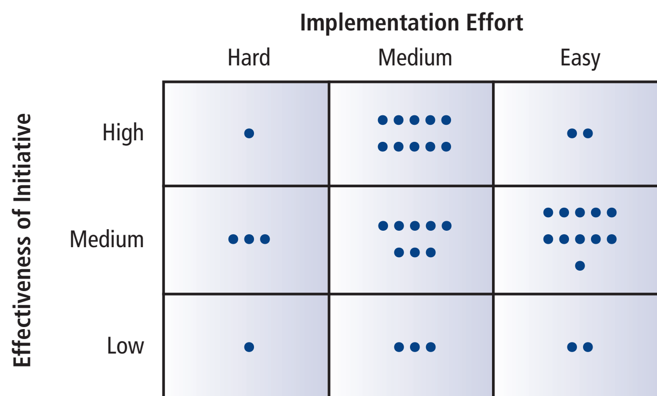
Recommendation

Ensure that we are fully informed about the evolution of the <IR> initiative and that our own organization is in line to become an early adopter.

Reasons

1. Involvement in the process will provide insight into new ways to assess our investments.
2. Involvement with <IR> experts and regulators ensures that we are driving forthcoming changes.
3. Involvement will help us rethink performance benchmarks from an <IR> perspective.

Figure 4: Integrated Reporting: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation



The plot in Figure 4 looks encouraging, with a good many dots in the "high effectiveness / medium effort" and "medium effectiveness / low effort" spaces.

Moderator Commentary

The International Integrated Reporting Initiative and SASB have come a long way since they got off the ground a few years back. While many workshop participants were at least somewhat familiar with these initiatives, and understood their potential analytical benefits from a long-horizon institutional investor perspective, a higher level of awareness is needed. Only a small number of participants had come to the (obvious?) realization that pension organizations themselves should embrace the integrative reporting philosophy in engaging their own stakeholders in effective two-way conversations.

Ending the Default Practice of Quarterly Earnings Guidance

Initial Presentations and Discussion

Judith Samuelson (Executive Director, The Aspen Institute) and Eric Wetlaufer (Senior Vice President, CPP Investment Board) led off the discussion on the practice of providing quarterly earnings guidance (Samuelson and Wetlaufer 2013). The problem with this practice is that it can create incentives for corporate executives to manage for the short term; it also encourages some investors to focus on quarterly results rather than on longer-term value creation. Quarterly earnings guidance has become the fodder of business and investment news shows, producing subject matter for daily dialogue on these programs, and also fuels short-term trading strategies based on whether reported quarterly earnings come in above or below the guidance numbers.

Despite these problems, the practice continues to have its defenders. Selected (sometimes disingenuous) feedback from corporate Investor Relations departments:

- "Dropping short-term earnings guidance will lead to lower market valuation and higher volatility."
- "In today's markets, short-term pressures are more powerful than the interests of long term investors."
- "Providing short-term guidance demonstrates commitment to creating shareholder value."
- "Providing short-term guidance helps us build credibility in the markets."
- "Analysts demand short-term guidance, so we have to give it to them."
- "Dropping earnings guidance will signal to markets that we do not value transparency."
- "We have a system in place to collect and disseminate short-term guidance. Creating a new system to support long-term communications will be costly and time-consuming." (Samuelson and Wetlaufer 2013)

The obvious counterpoint to the critics of current short-term earnings guidance practices is that nothing requires long-horizon investors to pay any attention to these practices.

The Assignment: Ending Default Short-Term Earnings Guidance

- Fund X has created a task force to lengthen the time horizon for making investment decisions.
- How do you think this task force should deal with the still-common practice of providing quarterly earnings guidance?
- If you believe the practice fosters short-term thinking and unnecessary price volatility, what is the best way to change the practice?
- Address this question both in the Fund X context and in the broader national and international contexts.

Default Earnings Guidance: Own-Organization Recommendation and Supporting Reasons

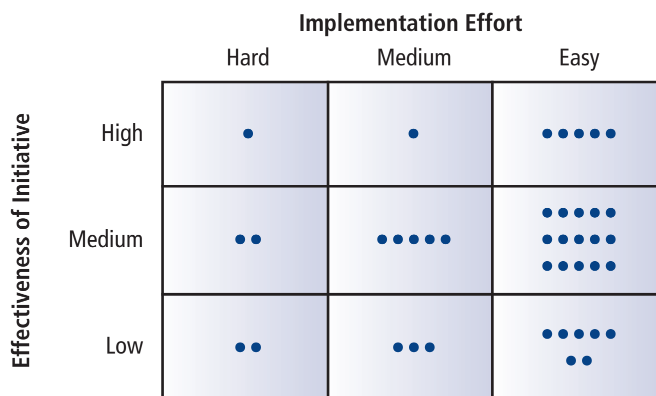
Recommendation

Focus discussions on yearly results in one-on-one meetings between investors and corporate managements.

Reasons

1. Yearly reporting of results is standard.
2. Focusing on yearly results takes pressure off corporate managements to be short-term.
3. Discussing quarterly results is an unproductive use of time.

Figure 5: Default Earnings Guidance: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation



As Figure 5 shows, there was broad agreement that this recommendation would be easy to implement. Most participants also thought its effectiveness would be at least in the medium range.

Default Earnings Guidance: Broader Collaborative Recommendation and Supporting Reasons

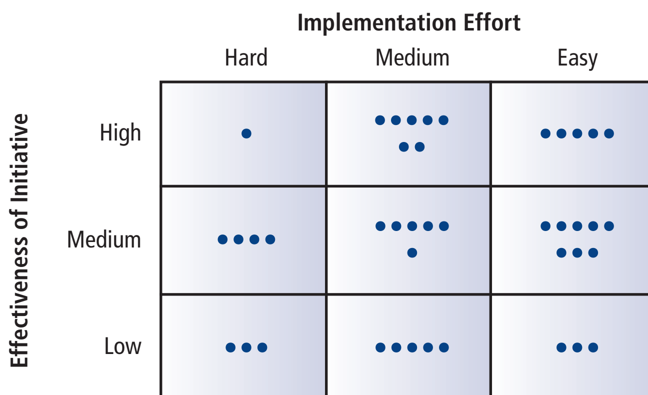
Recommendation

Call for a joint declaration by professional investment associations (e.g., the CFA Institute) that analysts should *not* pressure corporations to provide quarterly earnings guidance.

Reasons

1. Such a declaration takes pressure off corporations to worry about short-term results.
2. Annual reporting is the global standard.
3. Such a declaration signals that only longer-term results count.

Figure 6: Default Earnings Guidance: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation



As Figure 6 shows, there was reasonable consensus in the direction of both implementation effectiveness and ease of implementation for this recommendation.

Moderator Commentary

An important aspect of the current default practice of providing quarterly earnings guidance is that it is fairly United States–centric. Given that most workshop participants were not American, the modest consensus suggesting that the broader collaborative recommendation would be both effective and easy to implement is not a surprise. We should definitely relay the broader collaborative recommendation to the CFA Institute for their consideration. More generally, the mood of the meeting was to move toward richer, more productive conversations between investors and corporations. Some of the other recommendations in this report speak to this desire as well.

Rethinking Executive Compensation Structures

Initial Presentations and Discussion

Roger Martin (Dean, Rotman School of Management, University of Toronto) and Stephen Brown (Senior Director, TIAA-CREF) were the kick-off speakers for this session (Martin and Brown 2013). In describing and assessing current corporate executive compensation arrangements, they used the word *puzzled* more than once. The speakers – and many of the workshop attendees – had difficulty understanding why and how the generally rich, stock-based compensation arrangements of today would motivate executives to create sustainable long-term value in their corporations. Indeed, one attendee, a recently retired CEO of a major global corporation, confirmed that his stock-based compensation scheme was not a major motivator in the strategic decisions he made during his seven years at the helm.

So what do we make of a world in which there is no obvious connection between executive performance and the level and structure of executive compensation? How did we get here? Reference was made to a self-generating "club effect," whereby individual compensation is determined by the collective compensation levels and structures of the "CEO club" to which a person belongs. In other words, there is an implicit understanding that if a Board wants to attract and retain the right CEO, it must be willing to pay that CEO "competitively" relative to the pay packages of other CEOs of similar-sized corporations in similar industries. These embedded rules of the game make it challenging for institutional investors to materially affect the levels and structures of executive compensation.

The Assignment: Rethinking Executive Compensation Structures

- Fund X is receiving increasing pressure from plan members to have and communicate the Fund position on executive compensation practices in the companies in which it invests.
- Your task force mandate is to articulate what that position is.
- How would you state it, and how do you incorporate it into your own fund's investment policies and practices?
- What kind of broader collaborative strategies are most likely to have a positive impact?

Executive Compensation Structures: Own-Organization Recommendation and Supporting Reasons

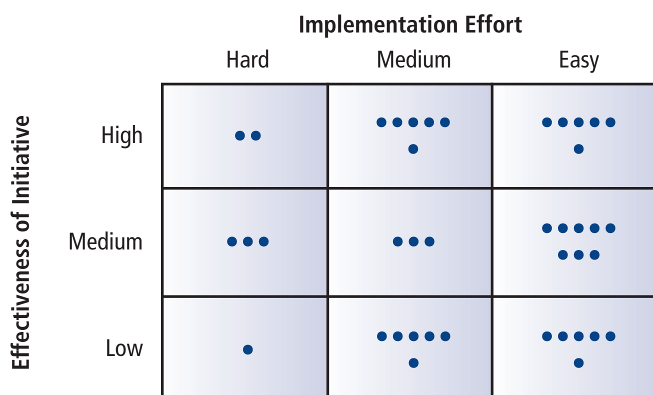
Recommendation

Think carefully about how to best exercise our shareholder rights to foster effective compensation practices.

Reasons

1. Our fiduciary duties require this of us.
2. Effective compensation practices will foster long-term value creation.
3. We must signal our concerns to corporate boards and management in a visible manner.

Figure 7: Executive Compensation Structures: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation



As Figure 7 shows, there was broad agreement this recommendation was relatively easy to implement, but no agreement on its potential effectiveness.

Executive Compensation Structures: Broader Collaborative Recommendation and Supporting Reasons

Recommendation

Collaborate to achieve consistent regulations on executive compensation that have enforceable consequences for corporate Boards.

Reasons

1. Enforceable consequences are needed to get Boards to move on compensation.
2. Consistency needs to be a key part of the message.
3. Global consensus by institutional investors will carry weight.

Figure 8: Executive Compensation Structures: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation

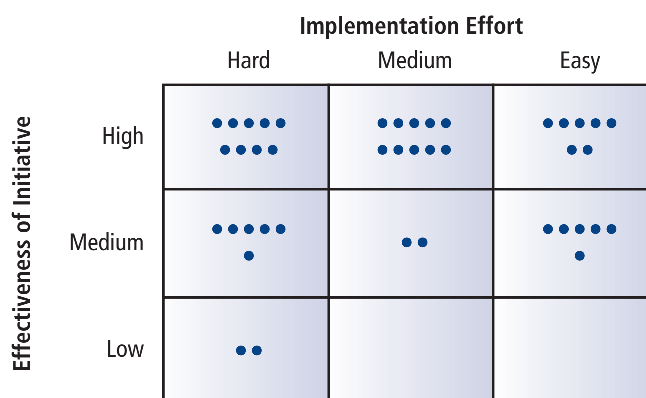


Figure 8 shows significant consensus that this is a high-impact initiative, but less consensus on its ease or difficulty of implementation.

Moderator Commentary

Arguably, the current executive compensation situation constitutes a market failure, in the sense that there is no obvious relationship between executive performance and the levels and structures of executive compensation. So the sense in the room that a strong, coherent collective action initiative is needed is on the mark. Further, the consensus that the outcome should be a coherent, internationally consistent regulatory regime with enforceable consequences for corporate Boards also seems on the mark. Another implication of the current situation is that considerable effort should be devoted to designing and implementing logical, internally consistent executive compensation schemes that do promote long-horizon value creation. Finally, again, what is good for the goose is good for the gander: pension funds need to ask themselves how well their own compensation schemes align desired outcomes with incentives.

Promoting Constructive Investor Behavior

Initial Presentations and Discussion

Jane Ambachtsheer (Partner, Mercer) and Sir George Buckley (Former Chair and CEO, 3M) offered opening remarks. Gore and Blood (2012) proposed issuing some form of "loyalty reward" to long-horizon shareholders; subsequent research suggests that loyalty rewards (e.g., extra voting rights, extra dividends, special warrants) are likely to be problematic in fostering productive long-horizon investing, for several reasons including discrimination between shareholders, entrenchment problems, administrative complexities, and weak incentives. Perhaps most importantly, loyalty rewards may not require investors to be thoughtful stewards of capital.

It may be better to focus on the investment supply chain and ensure alignment from one end of the chain to the other. Specifically, focus on the relationship between investors and their investments:

- What should pension plan participants require from their pension organization?
- What should the pension organization require from its internal and external investment managers?
- What should these investment managers require from the companies they invest in?
- And what should the companies require from these investment managers?

Arguably, the answers to these four questions will be important determinants of the future course of capitalism (see Ambachtsheer 2013; Buckley 2013).

The Assignment: Promoting Constructive Investor Behavior

- You are members of an investment-industry task force created to promote engaged ownership of publicly traded corporations.
- What is your view on corporations' rewarding long-term shareholders with increased influence through extra voting rights? Or through additional dividends or warrants?
- At the fund level, what can investors do to encourage companies to focus on longer-term value creation?
- Are there regulatory, legal, or industry initiatives that might incentivize (or mandate) a longer-term value-creation mindset by investors? By publicly traded corporations?

Investor Behavior: Own-Organization Recommendation and Supporting Reasons

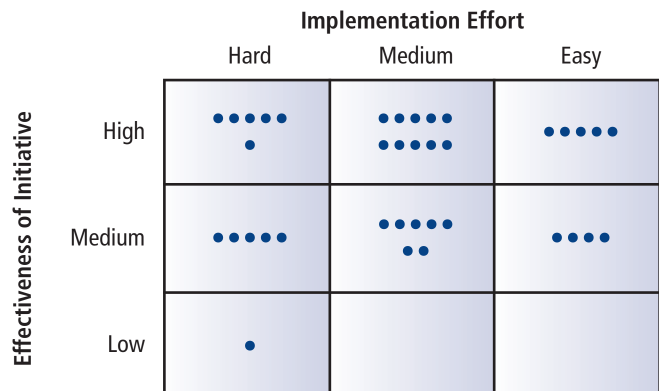
Recommendation

Design and implement concentrated, long-horizon investment mandates and ensure that we have the necessary resources to implement them successfully.

Reasons

1. Our own longer-term thinking will support longer-term thinking in our investee corporations.
2. Such a mandate better aligns our organization's goals with those of our own stakeholders.
3. Such a mandate will reduce our transaction costs.

Figure 9: Investor Behavior: Assessment of Potential Impact/Effectiveness and Ease/ Difficulty of Implementation



Although this recommendation was seen as a potentially high-impact initiative (see Figure 9), there were mixed views on how easy or difficult it would be to implement.

Investor Behavior: Broader Collaborative Recommendation and Supporting Reasons

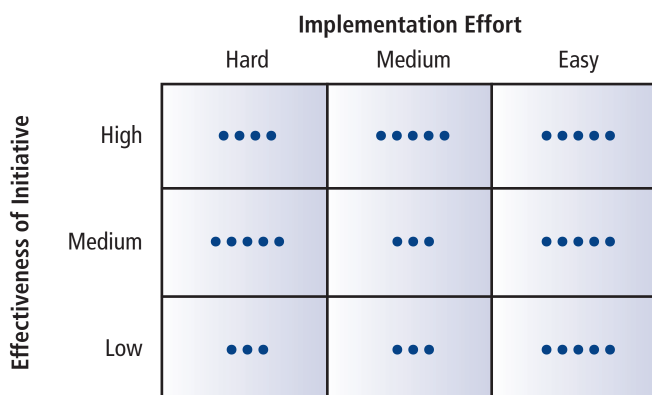
Recommendation

Develop a "model investment mandate" through an organization like ICPM that can be widely shared and reported on by investors.

Reasons

1. A model mandate will lever existing knowledge through collaboration.
2. A model mandate will force the development of new performance measures and incentive compensation schemes.
3. A model mandate will challenge the dysfunctional inertia that continues to exist in many pension organizations.

Figure 10: Investor Behavior: Assessment of Potential Impact/Effectiveness and Ease/Difficulty of Implementation



As Figure 10 shows, there was no consensus in the room on either the potential impact of this recommendation or its ease/difficulty of implementation.

Moderator Commentary

The key concept here is the broad adoption of "concentrated long-term investment mandates" that require investor engagement. This would be a radical departure from the traditional Keynesian "beauty contest" style of active management, and also from the broadly diversified "formula" style of passive management. A high number of workshop participants judged this to be a potentially high-impact initiative at the individual fund level. Several practical implementation issues would have to be addressed (e.g., issues related to risk, relationship management, and asset size); nevertheless, there was agreement that wide adoption of this investment approach would constitute a major step toward the sustainable form of capitalism envisioned by Gore and Blood (2012) in their white paper.

The Medium as the Message

University of Toronto philosopher Marshall McLuhan is known for observing that "the medium is the message." The ICPM–Generation collaboration captured in this article illustrates McLuhan's point nicely: the medium of collaboration has produced important messages about where we should take the five recommended steps in the "Sustainable Capitalism" white paper from here.

One of those messages is that well-planned, well-executed collaborations (e.g., the ICPM–Generation collaboration) can indeed produce "1 + 1 = 3" outcomes. That same message can also be applied to the five macro collaboration recommendations that came out of the workshop. Each of these collaboration recommendations will require further discussion, careful planning, and strong execution before it can become a reality. We note here that ICPM is funding research on the theory of optimal collaboration models and on related validating empirical work and case studies. We also note that the challenge of building effective collaboration strategies from here is more about organizing existing organizations into "1 + 1 = 3" collaborations than about building entirely new ones.

Another message is that pension organizations must walk the talk themselves if they are to be a credible medium of collective action. Recall that for each of the original five action recommendations in the white paper, workshop participants were asked to think carefully about what each pension organization should be doing on the inside to move the yardsticks in the right direction. Doing so will reinforce the connectedness of the five action steps and foster the understanding and conviction required for effective participation in the collective action initiatives identified in the workshop.

After the Allied victory in the Second Battle of El Alamein in 1942, Winston Churchill observed, "Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning." In that spirit, this article does not mark the end of the battle for a more sustainable form of capitalism. It does not even mark the beginning of the end. But it will, perhaps, mark the end of the beginning.

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Appendix: Participating Organizations

Worldwide
Global Risk Institute In Financial Services (GRIFS)
Mercer
UN Principles for Responsible Investment (UNPRI)
World Bank

Australia
Catholic Superannuation Fund
QSuper
Queensland Investment Corporation (QIC)
SunSuper

Canada
Alberta Investment Management (AIMCo)
Alberta Local Authorities Pension Plan (ALAPP)
British Columbia Investment Management (bcIMC)
Caisse de dépôt et placement du Québec
CEM Benchmarking
CPP Investment Board (CPPIB)
Healthcare of Ontario Pension Plan (HOOPP)
Ontario Ministry of Finance
Ontario Municipal Employees' Retirement System (OMERS)
Ontario Teachers' Pension Plan (OTPP)
Public Sector Pension Investment Board (PSP)
Rotman School of Management, University of Toronto
York University

Denmark
Danish Labour Market Supplementary Pension (ATP)

Finland
Finland State Pension Fund / Valtion Eläkerahasto
Ilmarinen

France
Etablissement de Retraite Additionelle de la Fonction Publique (ERAFP)

Japan
Nomura Research Institute

Korea
NPS Korea

Netherlands
ABP
Algemene Pensioen Groep (APG)
Cardano
De Nederlandsche Bank (DNB)
Maastricht University
MN
Ownership Capital
PGGM
Syntrus Achmea

New Zealand
New Zealand Superannuation Fund

South Africa
Government Employees Pension Fund (GEPF)

United Kingdom
BT Pension Scheme Management (BTPS)
Generation Investment Management
National Employment Savings Trust (NEST)
Railways Pension Trustee Company (RPMI)
Universities Superannuation Scheme (USS)

United States
The Aspen Institute
California Public Employees Retirement System (CalPERS)
Commonfund
Generation Foundation
Harvard Business School
MSCI Barra
State of Washington
TIAA-CREF Investment Management
Washington State Investment Board (WSIB)