



International Centre for
Pension Management

2007/2008 ANNUAL REPORT



Rotman School of Management
UNIVERSITY OF TORONTO

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OUR VISION

The Rotman International Centre for Pension Management (ICPM) strives to become a global catalyst for improving pension management.

To this end, the Centre sponsors research and fosters integrative thinking about the optimal design of pension arrangements and how they are financed, the effective management of pension organizations, and the ideal legislative and regulatory framework under which pension organizations operate.

Through these activities, we also create opportunities to raise pensions-related content in regular and executive courses at the Rotman School of Management and other education-oriented forums.

DEAN'S MESSAGE



ROGER MARTIN

Dean and Professor of
Strategic Management

Rotman School
of Management,
University of Toronto

The Rotman School has become globally recognized for thought leadership and innovative business education, and the world-class research being done by our faculty, and institutes serves as the backbone of our reputation.

The focus by **ICPM** on strong pension fund governance and organization design reflects the Rotman School's growing expertise in Integrative Thinking™ and Business Design™. Perhaps most importantly, the Centre is creating opportunities to increase pension-related content in regular and executive courses at Rotman, helping us train tomorrow's leaders to employ integrative thinking to shape the world of pension management for the better.

Just three years after its launch, **ICPM** already has several significant projects under its belt, has expanded its Board of Directors, and has gained a global reputation as a source of expertise in this key area of the economy. The forthcoming launch of the *Rotman International Journal of Pension Management* will allow **ICPM** to further its reach and influence.

We at Rotman are proud to serve as the home base for this world-class source of thought leadership and look forward to another year of innovation and excellence for Rotman **ICPM**.

DIRECTOR'S MESSAGE



KEITH AMBACHTSHEER

Director and Adjunct
Professor of Finance

Rotman International
Centre for Pension
Management,
University of Toronto

As **ICPM** completes its third year, a recent survey of its 18 Research Partners and key Rotman School faculty produced some interesting and useful insights. We have been innovative, successfully integrating across multiple theories, functions, professions, and cultures. Our research funding is off to a good start, with six projects now completed. Our discussion forums have been well-executed, creating useful new ideas, and helping to build valuable new people-networks across the globe. However, respondents were also looking beyond the early successes of **ICPM**, questioning how it will sustain them over the next three years and beyond.

In this regard, I am happy to announce two important initiatives. Firstly, the **ICPM** Board of Directors has approved a plan to proceed with the launch of the *Rotman International Journal of Pension Management*. Targeted at board members and senior professionals of pension organizations around the world, the Journal will vastly enhance the ability of **ICPM** to share the findings of its sponsored research projects and discussion forums with the right global audience. At the same time, it will help secure the **ICPM** 'brand' as a place where innovative ideas related to the design and management of pension systems are incubated, nurtured, and promulgated.

The second initiative is a significant expansion of the **ICPM** Board of Directors. The six founding board members have done an outstanding job to ensure a successful 'on time, on budget' launch. Four of the six founding board members will continue to serve on the Board. They will be joined by five new members, which will greatly enhance the experience range and the geographic diversity of the Board (see page 11 for details). A sincere *thank you* to departing Board member Laurence Booth, and Founding Chair Brendan Calder (both with Rotman School of Management). Without their strong advocacy and support, there would be no **ICPM** today. In closing, **ICPM** looks forward to yet another year of fostering innovation in pension management around the world.



Tony Lally, Sunsuper (Australia) makes a point at the October 2007 Discussion Forum at Maastricht University, The Netherlands.

OUR RESEARCH PROGRAM

ICPM fosters integrative thinking about the optimal design of pension arrangements and how they are financed, the effective management of pension organizations, and the ideal legislative and regulatory framework under which pension organizations operate.

The Centre and its partners believe that creative research is central to achieving its mission. Other than requiring that research proposals focus on one or more of the six areas listed below, there are no restrictions on the types of research strategies to be employed, or on how results are to be presented.

To achieve this goal, **ICPM** sponsors research projects in the following areas:

- Financial characteristics and viability of various forms of pension arrangements
- Identification and management of agency issues in the pensions field
- Effective governance and organization design of pension funds
- Formation and revision of defensible investment beliefs
- Relevant definitions, measurement, and management of pension stakeholder risk exposures
- Design of optimal implementation strategies



Eduard Ponds, APG Finance, The Netherlands (formerly ABP)

www.rotman.utoronto.ca/icpm

RESEARCH COMPLETED IN 2007/2008

Identifying and Mobilizing Win-Win Opportunities for Collaboration Between Pension Fund Institutions and Their Agents – completed June 2007

- Project Lead – Danyelle Guyatt, Visiting Fellow, University of Bath (UK)

The project proposed a theory of optimal collaboration and then tested it by evaluating 30 actual collaboration initiatives involving the global pension fund 'industry'. A good fit between theory and practice was found. A practical result of the study was a list of do's and don'ts in creating and executing successful collaboration projects involving pension organizations.

The study was presented at the June 2007 Discussion Forum held at Rotman School of Management, University of Toronto (Canada).



Breakout working session by participants of the June 2007 Discussion Forum, Rotman School of Management, University of Toronto, Canada

Pension Reform, Ownership Structure, and Corporate Governance: Evidence From Sweden – completed September 2007

- Project Lead – Mariassunta Giannetti, Stockholm School of Economics, CEPR, and ECGI (Sweden)
- Team Member – Luc Laeven, International Monetary Fund, CEPR, and ECGI (USA)

The project focused on changes in the ownership structure of Swedish corporations earlier in this decade due to a number of pension reform measures. This resulted in increased ownership of Swedish corporations by pension funds. An important finding was that increased ownership by large public sector and private sector pension funds was associated with improving corporate performance.

The study was presented at the October 2007 Discussion Forum held at Maastricht University (The Netherlands).



International Diversification and Labor Income Risk – completed October 2007

- Project Lead – Giovanna Nicodano, Torino University, CeRP-CCA (Italy)
- Team Members – Carolina Fugazza, CeRP-CCA; and Maela Giofre, CeRP-CCA (Italy)

The project hypothesized that the economic characteristics of the industry that pension plan members work in should impact pension fund investment policy. The hypothesis was tested involving seven industries in Canada, Italy, and the USA. Empirical support was found for the proposition that investment policy can play an important role in hedging labour income risk.

The study was presented at the October 2007 Discussion Forum held at Maastricht University (The Netherlands).

Board of Trustee Composition and Investment Performance of US Public Pension Funds – completed February 2008

- Project Lead – Joel Harper, Spears School of Business, Oklahoma State University (USA)

The project tested the relationship between board of trustee composition and a number of performance metrics for 71 US pension funds over the 2001-2005 period. Board composition seems to play an important role in determining funding status, and in asset allocation decisions. Asset size was an additional performance factor.

The study was presented at the October 2007 Discussion Forum held at Maastricht University (The Netherlands).

NEW RESEARCH FUNDING



Alfred Slager, PGGM, and University of Tilburg (The Netherlands).



Danyelle Guyatt, University of Bath (UK)



Giovanna Nicodano, Torino University, CeRP-CCA (Italy).

In addition to these four completed research projects, three additional projects are currently underway in the areas of corporate attitudes toward DB plans, fee disclosure regulations, and delegated investment decision-making.

ICPM issued its second Call for Research Papers in January 2008. By the end of March 2008, 14 research proposals had been submitted totalling C\$638,000 in funding requests. The Research Committee will review all submissions and award funds the Spring of 2008. Selected research projects will present their findings at upcoming Discussion Forums and their working papers will be posted on the **ICPM** website.

ROTMAN INTERNATIONAL JOURNAL OF PENSION MANAGEMENT

In a research-related initiative, **ICPM** will launch the *Rotman International Journal of Pension Management* in Fall 2008 with the second issue planned for Spring 2009. An important consideration in this decision was to ensure that **ICPM**-funded Research and Discussion Forum content will receive the widest-possible global distribution. The editorial focus of the publication will be strategic issues of prime concern to board members and senior members of pension organizations around the world.

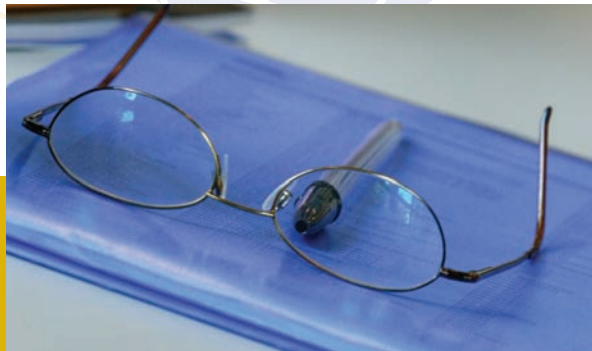
The specific focus of the Fall 2008 edition will be on governance issues. Articles will include perspectives on the evolution of governance practices at Ontario Teachers' Pension Plan, the evolution of funding and investment policy at the Dutch pension giant APG, as well as more detailed research-based articles on pension governance practices in Australia, Europe, and North America. The Spring 2009 edition will focus on the establishment and implementation of pension fund investment policies.

OUR RESEARCH PARTNERS

Our Research Partners play a vital role in establishing **ICPM** research priorities and identifying top research talent. They have preferred access to **ICPM**-sponsored research findings, opportunities for knowledge-sharing and network-building, and receive preferred invitations to **ICPM** Discussion Forums.

Through these activities, our Research Partners have the satisfaction of participating in building a leading Centre that converts integrative research into effective pension fund management. This will benefit their stakeholders directly, and at the same time improve the quality of retirement income systems around the world.

ICPM has a goal to work with 20-25 thought-leading Research Partners from around the globe on a long-term basis. With 18 Research Partners for FY 2007/2008, we have already ascertained four new commitments for FY2008/2009 in the last few months. Each Research Partner makes a financial commitment of C\$25,000 to further pension research as well as to fund the organization and execution of the Discussion Forums. These commitments are renewed annually at the option of each organization.



2007/2008 RESEARCH PARTNER ORGANIZATIONS

Australia/New Zealand

- SunSuper
- New Zealand Superannuation Fund

Canada

- Alberta Local Authorities Pension Plan Corp
- Bank of Canada
- Canada Pension Plan Investment Board
- Caisse dépôt et placement du Québec
- Ontario Municipal Employees Retirement System
- Ontario Teachers' Pension Plan

Iceland

- Kaupthing Bank

The Netherlands

- APG Investments (formerly ABP Investments)
- Cordares
- De Nederlandsche Bank
- PGGM
- Syntrus Achmea Asset Management
(formerly Interpolis Pensioenen Vermogensbeheer)

Denmark

- ATP

United Kingdom

- Universities Superannuation Scheme

USA

- TIAA-CREF
- Washington State Investment Board

DISCUSSION FORUMS



Piet Eichholtz, Maastricht University (The Netherlands)



*Back: Don Raymond, Canada Pension Plan Investment Board (Canada)
Front: Theresa Whitmarsh, Washington State Investment Board (USA),
Rob Bauer, Maastricht University (The Netherlands)*

ICPM sponsors two Forums annually in the Spring and Fall. These events provide access to **ICPM**-sponsored research findings as well as opportunities for knowledge-sharing and network-building for our Research Partners, international industry leaders and regulators interested in elevating the quality of pension fund management. They are designed as highly interactive experiences.

*Presentations, academic working papers, and case studies that are presented during our Discussion Forums are publicly available at no charge on the **ICPM** website.*

The June 2007 Discussion Forum held at the Rotman School of Management, University of Toronto, covered two distinct topics: **Win-Win Collaboration Among Pension Funds** and **Applying the Life-Cycle Pension Model**. To kick off the first topic, Danyelle Guyatt presented her **ICPM**-commissioned study on optimal collaboration strategies. Her ideas were put to the test in case studies on building a global proxy exchange, and using game theory to renegotiate 'pension deals'. Zvi Bodie and Henriette Prast kicked off the Life-Cycle topic, followed by Kelli Hueller who spoke about her internet-based annuities market project. The session ended with small-group discussions on the design of the ideal pension system.

The October 2007 Discussion Forum was held at Maastricht University (The Netherlands), co-hosted by **ICPM**, NETSPAR - the Dutch pensions think-tank Network for Studies on Pensions, Aging and Retirement, and Maastricht University. Again, there were two distinct topics: **The Pension Delivery Organization of Tomorrow** and **A Pensions Research Showcase**, featuring a series of studies funded by either Rotman **ICPM** or NETSPAR. Joel Harper and Wilson Sy led off the first session with new pension governance research findings from the USA and Australia. A series of mini-case studies followed on ABP (Jean Frijns), Cordares (Jeroen Tielman), Universities Superannuation Scheme (Virginia Holmes), Ontario Teachers' Pension Plan (Claude Lamoureux), TIAA-CREF (Scott Evans), and SunSuper (Tony Lally). The first session ended with small-group discussions on common key organization success-drivers. The subsequent session on research project results covered topics ranging from behavioural finance, to investment beliefs, to real estate pricing, to corporate governance, to the relationship between human and financial capital.

The agenda for the June 2008 Discussion Forum on the theme **New Perspectives on Institutional Investing** is complete. The event will be held in Toronto on June 3-4, 2008 at Rotman School of Management, University of Toronto. The October 2008 Discussion Forum will be co-hosted by Washington State Investment Board, and held in Tacoma Washington (USA) on October 21-22, 2008 at the Tacoma Campus of University of Washington. Topics include optimal annuitization strategies in pension design, and optimal collaboration strategies in pension investing.

DISCUSSION FORUM PARTICIPANTS – 2007

AUSTRALIA

**Australian Prudential
Regulation Authority**
Wilson Sy

SunSuper
Jack Gray
Tony Lally

**Unisuper Management
PM Ltd**
Dennis Sams

CANADA

**Alberta Local Authorities
Pension Plan Corp**
John Vanderkaay
Ron Liteplo
Meryl Whittaker

**Alberta Teachers'
Retirement Fund Board**
Emilian Groch

Bank of Canada
George Pickering
Jack Selody
Elizabeth Woodman

BIMCOR Inc.
Paul Gauthier

C.D. Howe Institute
William Robson

**Caisse de dépôt et
placement du Québec**
Yves Allard
Richard Guay
Jean-François L'Her
Patrick Savaria

**Canadian Federation of
Independent Business**
Lucie Charron

Canadian Labour Congress
Joel Harden

CEM Benchmarking Inc.
Mike Heale
Alan Torrance

**Clarkson Centre for
Business Ethics, Rotman**
David Beatty

CPP Investment Board
Brigid Barnett
John Ilkiw
Tracey Livingstone
Don Raymond

Mercer (Canada) Limited
Jenni Myllynen

Ontario Expert Commission
Robert Baldwin
Robert Brown

**Ontario Municipal Employees
Retirement System**
Ana Cacoilo
Paul Haggis
Paul Pugh
Graham Pugh

**Ontario Teachers' Pension
Plan Board**
Robert Bertram
James Davis
Claude Lamoureux
Deborah Ann Trott
Kevin Zhu
Barbara Zvan

Open Options
Niall Fraser

Rotman ICPM
Keith Ambachtsheer
Ann Henhoeffer

**Rotman School of
Management**
Brendan Calder
Heather Fraser
Paul Halpern

University of Toronto
George Luste

DENMARK

ATP
Ole Beier Sørensen
Michael Preisel

ICELAND

**Kaupthing Bank Asset
Management Company**
Trausti Jónsson
Ólafur Örn Jónsson

ITALY

University of Torino
Carolina Fugazza
Giovanna Nicodano

SWEDEN

AP 2
Tomas Franzén

**Stockholm School of
Economics**
Mariassunta Giannetti

THE NETHERLANDS

APG Investments (formerly ABP)
Eduard Ponds
Rene Maatman
Roderick Munsters
Tom Steenkamp

BCBG Institute
Jean Frijns

Cordares
Alwin Oerlemans
Jeroen Tielman

De Nederlandsche Bank
Dirk Broeders
Henriette Prast
Peter Vlaar

**Syntrus Achmea Asset
Management (formerly
Interpolis Pensioenen
Vermogensbeheer)**
Kees de Vaan
Otto Veldt

Maastricht University
Rob Bauer
Mathijs Coseman
Bart Diris
Piet Eichholtz
Rik Frehen
Thies Lindenthal
Kathrin Nies
Peter Schotman
Els van Aernsbergen

MN Services
Gerard Bosman

**NETSPAR - University
of Tilburg**
Lans Bovenberg
Frank de Jong
Kees Koedijk
Theo Nijman
Frans de Roon
Paul Sengmueller
Bas Werker

PGGM
Else Bos
Rene de Kieft
Niels Kortleve
Alfred Slager
Jaap van Dam
Jenneke van Pijpen

SPF Atos Origin
Rene Upperman

Telematica Institute
Jan van de Poel

**Unilever Pension Fund
Progress**
Loek Sibbing

UNITED KINGDOM

**AXA Investment
Management**
Raj Thamootheram

**Hermes Equity Ownership
Services Ltd**
Colin Melvin

Oxford University
Adam Dixon

**Universities Superannuation
Scheme**
Virginia Holmes
David Russell
Peter Moon

University of Bath
Danyelle Guyatt

UNITED STATES

Boston University
Zvi Bodie

Contingency Analysis
Glyn Holton

Hueler Companies
Kelli Hueler

**Washington State
Investment Board**
Stephen Lerch
Sandy Matheson
Theresa Whitmarsh

Oklahoma State University
Joel Harper

**TIAA-CREF Investment
Management**
Scott Evans
Douglas Fore
Brett Hammond

**United Food & Commercial
Workers - International**
David Blitzstein

FINANCIAL SUMMARY (all in Canadian Dollars)

OPERATING REVENUE FOR FISCAL 2007/2008

Research Partners Fees	\$ 450,000
Foreign Exchange Adjustment	5,947
Other Revenue	24,765
	<hr/>
	\$ 480,712

OPERATING EXPENDITURES FOR FISCAL 2007/2008

Director Compensation / Travel	\$ 79,112
Planning and Operations Support	68,029
Rent and Utilities	20,378
Events:	
June 2007 Discussion Forum	31,360
October 2007 Discussion Forum	47,919
Board Meetings	2,371
Research	142,669
PR/Marketing/Website	5,038
Office Supplies and Services	1,918
	<hr/>
	\$ 398,794

EXCESS REVENUE FOR FISCAL 2007/2008 **\$81,918**

PRO BONO WORK* FOR FISCAL 2007/2008 (allocated value)

Board Members	\$ 24,000
Research Committee	6,000
	<hr/>
	\$ 30,000

* This estimates the value of work donated to **ICPM** by its Research Partners, and Board and Committee members in the fiscal year 2007/2008.

ACCUMULATED EXCESS REVENUE

As at Beginning of the Year	\$ 141,911
As at End of the Year	\$ 223,829

BOARD OF DIRECTORS – FY 2007 / 2008

The Rotman **ICPM** Board of Directors approves and oversees the implementation of the Centre's strategic and operating plans. The **ICPM** Board is comprised of internationally recognized academic and pension industry leaders with an interest in seeing **ICPM** achieve its vision.

The Board holds quarterly board meetings and also attends the Discussion Forums each year.

- *Brendan Calder, (ICPM Chair), Rotman School of Management, University of Toronto (Canada)*
- *Rob Bauer, School of Finance and Economics, University of Maastricht (The Netherlands)*
- *Robert Bertram, Ontario Teachers' Pension Plan (Canada)*
- *Laurence Booth, Rotman School of Management, University of Toronto (Canada)*
- *Richard Guay, Caisse de dépôt et placement du Québec (Canada)*
- *Donald Raymond, Canada Pension Plan Investment Board (Canada)*

The Board will be expanded for FY 2008/2009 to include Leo de Bever, Victorian Funds Management Corporation (Australia), Alexander Dyck, Rotman School of Management, University of Toronto (Canada), Ron Liteplo, Alberta Local Authorities Pension Plan (Canada), Tom Steenkamp, APG Investments (The Netherlands), and, Theresa Whitmarsh, Washington State Investment Board (USA). Brendan Calder and Laurence Booth, both with Rotman School of Management, University of Toronto (Canada) will be stepping down. Don Raymond, Canada Pension Plan Investment Board (Canada) will be taking over as **ICPM** Chair.

RESEARCH COMMITTEE

The Research Committee was appointed by the Board in the Spring of 2006 to review our first Call for Research Papers. It now monitors progress to completion on the research projects that received funding, and will be evaluating the proposals resulting from the new Call for Papers.

The Research Committee meets twice yearly and also attends the semi-annual Discussion Forums.

- *Paul Halpern (Research Committee Chair), Rotman School of Management, University of Toronto (Canada)*
- *John Ilkiw, Canada Pension Plan Investment Board (Canada)*
- *Niels Kortleve, PGGM (The Netherlands)*

Jean Frijns, BCBG Institute (The Netherlands)





International Centre for
Pension Management

Please contact us to learn more about Rotman ICPM

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