

3rd World Pensions & Investments Forum

The World Pensions Council (WPC), an independent policy research organisation dedicated to innovative, enquiry-based analysis that helps strengthen interdisciplinary research in all pensions-related fields, held its forum recently in Hong Kong. Topics debated ranged from private equity, corporate governance to Asia countries' dynamics.

The third edition of the World Pensions & Investments Forum was held in Hong Kong, on 7-8 November 2013. This high-level event was organised by the World Pensions Council (WPC) with the support of the Government of the Hong Kong Special Administrative Region (Invest Hong Kong), the British Association of Pension Trustees (AMNT), the French Society for the Promotion of Industry (SEIN) and Netherlands pension group PGGM.

Debates focused on private equity, indexing, infrastructure investments, corporate governance, and longevity risk globally, as well as Asia-specific economic, demographic and country risk dynamics in relation to national and regional fixed income markets.

The event was attended by 120 participants, including senior representatives of the World Bank/IFC, the OECD, the Hong Kong SAR Government, key Asia-Pacific sovereign investors such as China Investment Corporation (CIC) and the Hong Kong Monetary Authority (HKMA), a wide array of pension and superannuation funds including AustSafe Super (Australia's leading regional and rural pension fund), Belgium's Federal Social Security Fund, the Canada Pension Plan Investment Board (CPPIB), Korea's National Pension Service (NPS), the Hospital Authority Provident Fund Scheme (HAPFS) and the Fundo de Segurança Social. It also included prominent experts from the European Federation of Financial Analysts Societies (EFFAS), the National Association of Financial Analysts (SFAF), Standard & Poor's (S&P), Amundi, BNP Paribas, Macquarie, Manulife and HSBC.

Long-term investment patience

The conference was chaired by Mr M. Nicolas J. Firzli, Director-General of the World Pensions Council (WPC). Mr Simon Galpin, Director-General of Invest Hong Kong, the department of the Hong Kong SAR Government responsible for Foreign Direct Investment and the Rt. Hon. Nick Sherry, former Minister for Superannuation & Corporate Law of Australia, opened the conference with speeches on "*Hong Kong as Financial Gateway to the Chinese Mainland*" and "*The Australian Pension Model*", respectively.

Ms Pauline Vamos, Chief Executive of the Association of Superannuation Funds of Australia (ASFA) insisted on the broader socio-political contextualization needed for sustainable pension capital stewardship in her communication on "The Importance of Transferring Long-Term Investment Patience to Pension Members and the Broader Community", a speech followed by TOBAM's CEO Yves Chouiefaty's plenary presentation on advanced indexing techniques and, more particularly, "*Innovative Approaches to Thematic Equity and Smart Beta*".

Mr Joshua Franzel, Vice-President & Head of Research of the US Center for State and Local Government Excellence (SLGE) outlined the main fiscal and financial challenges facing US public pensions going forward, and, distinctly, presented the statutory objectives of two American "sovereign wealth

funds": the Texas Permanent School Fund (established in 1856) and the Alaska Permanent Fund (established in 1976).

Mr Larry Beeferman, Director of the Labor & Worklife Program at Harvard Law School, and Anglo-Austrian academic and investment expert Georg Inderst, chairman of Inderst Advisory, acknowledged the financial suitability of infrastructure investments for large pension investors looking to match their long-term obligations with stable, yield-generating, long-term assets but warned against the risks of excessive enthusiasm from the part of institutional investors and "infrastructure nationalism" from the part of (some) governments.

Longevity risks

Mr Gautier Chatelus, CIO of CDC Infra Management, the infrastructure arm of France's Caisse des Dépôts and Mr Philippe Desfossés, Chief Executive of the French Public Sector Pension Fund (ERAPF), both concurred, insisting on the long-term financial and regulatory benefits of "blending" foreign and domestic institutional sources of capital within large-scale infrastructure assets.

Mr Pablo Antolín-Nicolás, Principal Economist & Head of the Private Pensions Unit of the Organisation for Economic Co-operation and Development (OECD) delivered a plenary presentation on "Mortality Assumptions and Longevity Risk": using various mainstream longevity models as a base for cross-country comparisons.

Dr Antolín and his team found that Chinese and Brazilian pension funds and insurance companies typically used life expectancy predictions more than 10% below what the general models indicated they should be. Whereas, on the other end of the longevity risk spectrum, the UK and the Netherlands, had "little to no longevity risk" in both pension funds and insurers.

Lastly, Prof A David Wilkie of Edinburgh's Heriot-Watt University, creator of the "*Wilkie Model*" and mentor for generations of European and Asian actuaries, described the evolution of stochastic asset allocation models and their concrete applications by insurers, pensions and asset managers. ■



(L-R): Mr Nicolas Firzli and Prof A David Wilkie