Table of Contents

Table of Contents

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When the facts change, I change my mind. What do *you* do, sir?
— John Maynard Keynes

There is some dispute about when, and in what context, Lord Keynes offered his famous retort to an accusation that he had changed his mind about some previously held belief. The message, however, is unambiguous. We tend to cling to outmoded "truths" far longer than is good for us, both personally and collectively. The articles in this issue of the *Journal* illustrate that the field of pension design and delivery is not immune to this "cling-too-long" affliction.

In pension governance, we continue to use outmoded interpretations of fiduciary responsibility at a time when new interpretations are desperately needed. For example, Hawley, Johnson, and Waitzer point out that overly legalistic interpretations of "prudence," and a de-emphasis of the fiduciary duties of "loyalty" and "impartiality," are negatively affecting pension plan sustainability in the decades ahead. Clark and Monk note that the rise of pension reserve funds around the world requires extra efforts "to hold partisan politics and bureaucratic encroachment at bay."

Ambachtsheer notes that the growing influence of corporations around the world is being countered by "a vast range of norms, codes, and conventions to govern corporate behavior." Investors such as pension funds have to date not had much involvement in this important process, a mistake that must now be addressed. Gray and Watson assert that Australian governments have mistakenly assumed that competition in its pension industry would produce better outcomes for plan members; the facts are that the industry has too many players, its operating costs are too high, and it needs the same rationalization treatment that Australia's government gave its auto industry 25 years ago.

In pension design, we mistakenly continue to debate the respective merits of traditional "DB vs. DC" pension designs. Instead, we need new designs that combine the best features of both traditional formulas. For example, on the DC side of the design spectrum, target-date funds (TDFs) have come to be accepted as an important advance over plain vanilla DC plans. However, Booth and Chang point out that the specific design and implementation of TDF formulas is important. For example, their research suggests that many 2010-date funds mistakenly increased their equity exposures before the 2008 global financial crisis.

The articles by Wurster and by Tretiakova and Yamada both equip traditional DC plans with DB-like features. Wurster focuses on three: savings rates, investment strategies, and post-retirement distributions. Tretiavoka and Yamada re-engineer TDFs to be responsive to individual goals and market conditions by structuring a dynamic glide path that targets replacement income. The result is an increased likelihood of achieving the income target with less risk.

In the final piece, Lundbergh (Chair of ICPM's Research Committee) summarizes the important results and insights already gleaned from the seven research projects ICPM is currently funding. To paraphrase Keynes, if we are going to change our minds, we need to know that the facts have changed. And that is what good research is all about.

About Rotman International Centre for Pension Management

The mission of the Rotman International Centre for Pension Management (Rotman ICPM) is to be a catalyst for improving the management of pensions around the world. Through its research funding and discussion forums, the Centre produces a steady stream of innovative insights into optimal pension system design and the effective management of pension delivery organizations. Using the vision of *Tomorrow's Pension Fund* as its guide, research and discussion topics focus on agency costs, governance and organization design, investment beliefs, risk measurement and management, and strategy implementation. The role of the *Journal* is to disseminate the new ideas and strategies that result from the activities of Rotman ICPM to a global audience. The Research Partners of the Centre believe that this broad dissemination is a win-win proposition for both professionals working in the global pension industry, and for its millions of beneficiaries.

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