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Roger L. Martin

Roger Martin is Dean and Professor of Strategic Management, and Director, AIC Institute for Corporate Citizenship at the Rotman School of Management, University of Toronto.

In four short years, the Rotman International Centre for Pension Management (ICPM) has earned a global reputation as a source of expertise and leading-edge thinking in the pension industry - a key engine of the economy. The focus by ICPM on strong pension fund governance and organizational design reflects the Rotman School's two main business models, both of which are garnering increasing international recognition: Integrative Thinking™ and Business Design™. As Dean of the Rotman School, it is with great pride that I introduce the inaugural issue of the *Rotman International Journal of Pension Management*.

At Rotman, we believe that modern leaders must possess the ability to see the merits in conflicting models, and be able to combine elements of each to create bold new models of value creation. This is the impetus behind Integrative Thinking™ and Business Design™. Our curriculum, research and publications reflect this ideology, and the *Rotman International Journal of Pension Management* will be no different.

ICPM has produced a steady stream of innovative insights into pension system design and the effective governance and management of pension production and delivery organizations. With the launch of this journal, ICPM will expand its already-significant global reach and create learning opportunities for today's and tomorrow's pension fund leaders.

Readers of the *Journal* can look forward to learning about powerful new ways of thinking about pension management, provided by the best thinkers in the industry today. We at Rotman are proud to be the source of this world-class thought leadership and expect that the introduction of the *Journal* will help to further expand the global influence and authority of ICPM.



Keith Ambachtsheer

Keith Ambachtsheer is Adjunct Professor of Finance at the Rotman School of Management, Director of the Rotman International Centre for Pension Management, and Publisher and Editor of this Journal.

Management philosopher Peter Drucker wrote a short book in 1976 that he would later describe as his most prescient and least-read book. *The Unseen Revolution* correctly anticipated the wave of retirement savings that would course through the financial markets for decades to come. The book also identified the major governance and management challenges this coming wave would create. Today, the pension revolution is unseen no longer. The \$30 trillion in various forms of accumulated retirement savings around the globe have become very visible proof of Drucker's foresight, as have the associated governance and management challenges he identified over 30 years ago.

Despite the detailed coverage of the pension world in the global media today, there is still something missing. No authoritative, thought-leading publication has emerged to take a regular look at the complexity of the strategic governance and management issues faced by leaders within the burgeoning global pension industry. The *Rotman International Journal of Pension Management* aims to fill that void. As a result, this publication will not report news. It will not publish academic treatises loaded with complex mathematics. Instead, it will provide a steady flow of strategic insights to the people overseeing and managing major retirement savings pools around the world.

The *Journal* is a natural extension of the work of the Rotman International Centre for Pension Management (ICPM), which was founded four years ago at the Rotman School of Management, University of Toronto. Through its research funding program and semi-annual discussion forums, ICPM has been producing important new insights into pension system design and into the effective governance and management of pension production and delivery organizations. The *Journal* will enable ICPM and its 22 Research Partners to greatly accelerate their efforts to share these new insights and discoveries with the global pension community. This follows from the collective belief that fostering innovation and organizational effectiveness in the global pensions industry is a win-win proposition not only for ICPM and its research partners, but for everyone involved in the design and delivery of pension systems, and perhaps most importantly, for its millions of beneficiaries. This does not mean that all *Journal* articles must be based on ICPM-funded research or forum presentations. Any quality article that addresses a *Journal* issue theme and is relevant and topical, will receive editorial consideration.

In this Issue

This inaugural issue of the *Journal* offers powerful new insights and research findings on pension fund governance and management in its many manifestations. Real life case studies provide the important perspectives of well-known industry leaders such as recently-retired CEO Claude Lamoureux (Ontario Teachers' Pension Plan, Canada) and CIO Roderick Munsters (All Pensions Group, The Netherlands.) In a global research study on pension fund governance, Keith Ambachtsheer (Rotman ICPM, Canada), Ronald Capelle (Capelle Associates, Canada) and Hubert Lum (formerly with CEM Benchmarking, Canada) find only modest improvements in pension fund governance practices over the last decade. Country-specific insights are offered by Joel Harper (Oklahoma State University, United States) on the governance of public sector funds in the United States, and by Wilson Sy (Australian Prudential Regulatory Authority, Australia) on the governance of Australian superannuation funds. Gordon Clark (Oxford University, United Kingdom) and Roger Urwin (Watson Wyatt Worldwide, United Kingdom) add further insights with their resource-based approach to creating effective pension fund governance structures.

Danyelle Guyatt (University of Bath and Mercer Investment Consulting, United Kingdom) addresses a different type of governance challenge: how can pension funds best design and execute collaboration initiatives amongst themselves? Jack Bogle (founder and former CEO of the Vanguard Group, United States) addresses an agency issue that Peter Drucker expressed deep concern about in his 1976 book: the potential for for-profit retirement savings intermediaries such as mutual funds to place their own interests ahead of their clients'. An empirical study by Rob Bauer and Luc Kicken (University of Maastricht, The Netherlands) confirms the legitimacy of this concern. As part of a broader study of the relative performance of mutual funds and pension funds around the world, they find that the average Canadian bond mutual fund significantly underperforms the average bond component of Canadian pension funds, citing much higher fees as the main culprit.

Future Issues

The *Journal* will be published on a semi-annual basis, with the next issue scheduled for release in Spring 2009. This upcoming issue will focus on innovation in the investment function of pension funds and will emphasize the human and organizational design challenges that come with structuring successful investment processes. We expect the Spring 2009 issue to be every bit as compelling as our inaugural Fall 2008 issue. The *Journal's* Editorial Board and I look forward to receiving your feedback.

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 *Integrative Investment Theory* 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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