

5th World Pensions Forum held on the Sidelines of UN COP21

The 5th annual World Pensions Forum was held in Paris on 2-3 December on the sidelines of the United Nations Conference of the Parties on Climate Change Conference (COP 21). Bringing together 100 pension, insurance and social security executives from the United States, Europe, Australia, China, India and the developing world, as well as supranational thought leaders (World Bank, United Nations, OECD, European Union, EIB), the event focused on long-term investment and capital stewardship, exploring new ways of strengthening free enterprise and technological innovation in a risk-controlled, socially-beneficial framework that empowers employee-nominated trustees and women board members the world over.

The 5th edition of the World Pensions Forum was held at the Chimie Castle and adjacent **Musée Social** – a policy research institute founded by French economists **Frédéric Le Play** and Earl Aldebert de Chambrun – who, with German Chancellor Otto von Bismarck, pioneered the notions of workers pensions and ‘welfare state’.

RESTORING TRUST & GETTING THROUGH RISK PERCEPTIONS IN A VOLATILE WORLD

Prof. **Jeffrey D. Sachs**, director of the **Earth Institute** at Columbia University and special adviser to **United Nations** Secretary-General Ban Ki-Moon on the **Millennium Development Goals** (MDGs), which have put the eradication of poverty and the advancement of gender equality and environmental sustainability at the core of modern policy-making in the first fifteen years of the 21st century, called on pension investors to “exercise fully their long-term fiduciary responsibility”, warning that the “writing is on the wall for many oil and coal companies.” It

was also noted that the mid-2010s oil glut could prove to be a secular phenomenon beyond cyclical price bubbles¹.

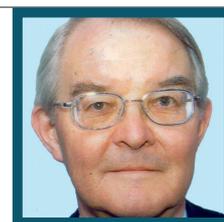
Bertrand Badré, Managing Director and Chief Financial Officer, **World Bank Group**, set out his vision of the post-Lehman era seven years on: a world economy where private-sector bank and government balance sheets cannot be stretched in a limitless manner because of new regulatory pressures and more cautious boards. In that challenging environment marked by durably low interest rates, large asset owners and asset managers will be called upon increasingly to allocate more capital to long-term assets such as infrastructure. The World Bank **Global Infrastructure Facility** (GIF) will facilitate supranational and private sector co-investment in infrastructure assets in the developing world.

Kay Parplies, Head of Unit, DG Economic & Financial Affairs, **European Commission**, presented the EU perspective on “Joining Forces: Cooperation with the EIB, EBRD and International Financial Institutions to Foster Long-Term Investment

across Europe and the Developing World” and gave a detailed update on the EU’s bold Investment Plan for Europe (known as the Juncker Plan) mobilising €315 billion over three years.

The notion of “Infrastructure as a New Asset Class” was further discussed by EU and North American experts – including **Grant Headrick**, MD, **DBRS Inc**, the rating & investor services agency, **Philippe Desfossés**, CEO, French **Public Service Additional Pension Scheme** (ERAFP), Prof. **Ricardo Reis**, Board Member, Pensões da **Caixa Geral de Depósitos**, and **Federico Merola**, CEO, **Arpinge**, Italy’s **Pension Infrastructure Investment Platform**. They were joined by **Georg Inderst**, author of ‘Pension Investment in Infrastructure’ and **Andreas Kettenhuber**, Director Infrastructure & Public Finance, **Kommunalkredit Austria**.

Janice Turner, co-chair of the UK’s national association of member-nominated trustees, introduced the AMNT’s Red Line initiative². This ambitious project aims to give all schemes in the world’s second largest



DAVID WEEKS IS CO-CHAIR OF THE UK'S ASSOCIATION OF MEMBER NOMINATED TRUSTEES (AMNT).

He is also a director of a pension scheme sponsored by a leading UK PLC in the field of engineering services



M. NICOLAS J. FIRZLI IS DIRECTOR-GENERAL AND HEAD OF RESEARCH OF THE WORLD PENSIONS COUNCIL (WPC), the international association of public and private pension funds, Co-Chair of the Hong Kong Intl. Asset Owners (IAO) Summit and Advisory Board Member for the World Bank Global Infrastructure Facility (GIF).

pension industry the practical capacity to direct how votes associated with their investments are cast. Prof. Jeffrey Sachs and other U.S. and EU thought leaders attending the forum expressed their support for the Red Line initiative.

Francesco Briganti, Director, **EU Association of Paritarian Social Protection Institutions** (AEIP), **Randy DeFrehn**, Exec. Dir., **US National Coordinating Committee** for Multiemployer Plans (NCCMP) and **Kevin LeGrand**, President, **UK Pensions Management Institute** (PMI) discussed “Regulation in an Era of Globalized Governance: Learnings from Europe, Asia and the Americas” with Prof. **Bill Trythall**, Director & Member of the Board, **Universities Superannuation Scheme** (USS) and **Shola Salako**, Head of Pension Fund Management, **De Beers Pension**. They agreed that a stable, robust

regulatory framework was essential to restore trust.

LONG-TERM INVESTORS MAKING GOOD BY DOING GOOD

Iain Richards, Head of Responsible Investment (EMEA), **Columbia Threadneedle Investments**, explained that “there is a wide array of views within the asset owners universe from abrupt fossil fuel divestment to those for whom climate action is not really a priority yet... In any case, financial performance is and should remain key: sensible, ESG-informed investments need to be economically sustainable [too]. Approached properly, institutional assets can be put to work for a greener, socially valuable economy.”⁽³⁾

Yan Jun, General Manager, Special Financing, **Industrial and Commercial Bank of China (ICBC)**, presented “The Chinese Approach to Long-Term Financing – National and Cross-Border Infrastructure Investments”, exemplifying the patient capital ethos of the largest bank in the world by market capitalization.

Joshua Franzel, VP, **Center for State and Local Government Excellence (SLGE)** discussed the current status of state and local government pensions in the US and highlighted the recently expanded data resource (publicplansdata.org), observing increased interest in alternative, real estate and infrastructure investments⁽⁴⁾, the latter asset class having been the focus of various EU-US research papers co-authored with **M. Nicolas J. Firzli**, Chairman, **World Pensions Forum**.

Christopher Knowles, Head of Climate Change & Environment Division, **European Investment Bank (EIB)**, spoke on fostering a greener, low-carbon economy through financial innovation, a capital-intensive yet

profitable endeavour for long-term investors. **Anne-Marie Williams**, Senior Analyst & Engagement Officer, **ShareAction**, insisted “we want to see [pension] investors both benefit from and participate in the low carbon transition, addressing the risks and seizing the opportunities.”

There was general agreement amongst UK and Benelux pension investors participating in the roundtable discussion on “Long-Term Investment and Risk Management”, with **Marcel Roberts**, CIO, **Stichting Pensioenfonds Medisch Specialisten (SPMS)** and **Edwin Meysmans**, Managing Director, **Pensioenfonds KBC OPF** both favoring a deliberately cautious stance for most of the actively managed parts of their portfolio – in spite of (because of?) their relatively comfortable funding ratios. Mr. Roberts insisted that “hedge fund exposure was limited and in risk-controlled strategies only”, likewise for “private equity and infrastructure assets which, preferably, have to be invested not too far from home”.

Mark Fawcett, CIO, **NEST Pensions**, the UK’s National Auto-Enrolment Pension, concurred, adding that, over time, illiquid and/or non-domestic assets could potentially prove expensive and even disappointing in spite of the ‘theoretical’ performance promise.

THE ASSET OWNER OF THE FUTURE WILL INTEGRATE ESG CRITERIA RIGHT FROM THE START

Bertrand de Mazières, Director General, Finance, **European Investment Bank (EIB)**, Board Member, **International Capital Market Association (ICMA)** said that “an increased number of investors are signing up for sustainable investment principles,

and large coalitions have articulated their appetite for investments tackling climate change. However, in order to suitably address the climate finance challenge capital markets need to accelerate their efforts and shift greater private sector flows to low carbon investments. The World Pension Forum offered the excellent opportunity to engage with institutional investors to discuss how climate considerations can be integrated in the investment process of pension funds, with contributions from leading names in the industry.”

John W Arnesen, Global Head of Agency Lending, **BNP Paribas Securities Services**, spoke on “a modern approach to asset lending: evolving context, best practices and risk mitigation”, analysing key trend in the securities lending market during 2007-15. **Dietmar Roessler**, Global Head, Asset Owners, **BNP Paribas Securities Services**, insisted that “the low yield environment and greater volatility in the markets form the new normal within which pension funds, insurers and SWFs the world over have to operate. In these challenging circumstances, rapidly-available, integrated data are essential for informed investment decision-making, not only to mitigate classic financial risks but also ESG-related concerns. These issues will be highlighted in our upcoming ‘Governance, Cost and Sustainable Investing’ research paper.”⁽⁵⁾

Lucian Anghel, CEO, **Banca Comerciala Româna Pension (BCR Pensii)**, President of the Board of Governors, **Bucharest Stock Exchange (BSE)** and **Hans-Peter Egler**, CEO, **Global Infrastructure Basel (GIB) Foundation** concurred, the latter adding that “the long-term benefits of better integration

of environmental and social aspects into investment decisions far outweigh a possible increase in initial costs.”

Vincent Bazi, President, **World Pensions Council (WPC)**, and **Nicolas Firzli** announced that the **6th World Pensions Forum** would be held in London in February 2017 and thanked the **International Insurance Society (IIS)**, the **Cass Business School Pensions Institute (PI)**, France’s **Centre des Professions Financières (CPF)** and the **New York Society of Security Analysts (NYSSA)**⁽⁶⁾ for their support. **David Weeks**, Director, **Lovell Pension Scheme**, Board Member, **AMNT**, and **WPF** conference rapporteur, has prepared a freely-downloadable, detailed transcript of most conference sessions (PDF/35 pgs.)⁽⁷⁾ ■

(1) See *Iulia Shpak and Dooruj Rambaccussing: ‘Measuring Commodity Bubbles: Empirical Evidence from the Oil Markets’, to be published in Q4 2016.*

(2) *AMNT Red Line Voting initiative explained: <http://redlinevoting.org/what-is-red-line-voting/>*

(3) See also *Columbia Threadneedle report: <http://www.columbiathreadneedle.co.uk/intelligent-thinking/educational-articles>*

(4) *M. Nicolas J. Firzli and Joshua Franzel: ‘Infrastructure Investment: Harnessing Long-Term Capital for Local Development’, Public Management magazine, Dec. 2014 <http://icma.org/en/Article/105231/Infrastructure-Investment>*

(5) *BNP Paribas report based on interviews - conducted by the Economist Intelligence Unit - with 23 of the world’s leading asset owners organisations: <http://securities.bnpparibas.com/quintessence/hot-topics/out-sourcing/governance-cost-and-sustainable.html>*

(6) *Thomas Brigandi and Patrick Holert, co-chairs of NYSSA’s Global Investing Group (GIG) have played a pioneering role in the Americas, holding high-level seminars in Midtown Manhattan with pension and SWF investors as well as endowments and large family-offices, perpetuating a tradition that was started by Prof. Benjamin Graham and Ambassador Winthrop Aldrich.*

(7) *Minutes of 5th World Pensions Forum – Paris 2 & 3 December 2015” (V2/updated long version): <http://amnt.org/david-weeks-report/>*