

2nd annual World Pensions & Investments Forum

jointly organised by the OECD and the WPC

The second edition of the World Pensions & Investments Forum jointly organised by the OECD and the WPC was held in Paris on 8-9 Feb. 2012 at the headquarters of the Society for the Encouragement of National Industry (SEIN), with debates focusing on long-term assets, infrastructure investments and emerging markets. World Pensions Council cofounders Vincent Bazi and M. Nicolas J. Firzli present the key takeaways from the conference.

The 2nd edition of the World Pensions & Investments was held against the backdrop of economic turmoil in Europe and political upheavals in the MENA (Middle East and North Africa) area, a particularly delicate juncture for CIOs of pension and sovereign wealth funds entrusted with maintaining and developing the wealth of governments and future pensioners. The event was attended by 170 participants, including senior representatives of the OECD, the World Bank Group/IFC, the European Commission, the Bank for International Settlements, the African Development Bank, the China Council for

the Promotion of International Trade, the International Federation of Pension Funds Administrators (FIAP), the European Federation for Retirement Provision (EFRP), The Asociación Mexicana de Administradoras de Fondos para el Retiro (Amafore) and some of Europe and North America's leading pension funds, caisses de retraites and social security institutions, as well as senior delegates from Scandinavia, Asia, Latin America and MENA area central banks and sovereign wealth funds. Participants represented more than 30 countries, including: Belgium, Brazil, Bulgaria, Canada, Chile, China, the Czech Republic, Denmark, Ethiopia,

Finland, France, Germany, Holland, Italy, Lebanon, Lithuania, Mexico, Morocco, New Zealand, Norway, Peru, Poland, Portugal, Romania, Singapore, Spain, Russia, Switzerland, the United Kingdom, the United Arab Emirates, and the United States.

Carolyn Ervin, Director, Directorate for Financial and Enterprise Affairs, **OECD**, reminded us in the opening keynote address for the forum that the average allocation to infrastructure typically represents only 1% of assets under management by pensions- excluding more traditional investments through ownership of shares of listed utility, construction and infrastructure firms. **Juan Yermo**, Head of the Private Pensions Unit, Financial Affairs Division, **OECD**, told the conference that recent regulatory, accounting and solvency-driven changes had sometimes led pension investors to become less long-term oriented in their investment outlook, with negative consequences for the world economy. The OECD Long-Term Investment Project was established to better understand

VINCENT BAZI, MANAGING PARTNER AND HEAD OF EQUITY INVESTMENTS AT NEXTSTAGE,

a Paris-based investment fund (with €300m AuM as of March 30 2012). He has 25 years experience in equity research, sales and asset management in various investment houses (Cheuvreux, JP Morgan, Schroder, Oddo, and Dexia).

He is President of the World Pension Council (WPC), Deputy Chairman of the French Society of Financial Analysts (SFAF) and a member of the board of EFFAS and ACIIA, the international federation of Financial Analysts Societies. He is a graduate of Institut d'Etudes Politiques de Paris (IEP) and Columbia Business School and holder of CIWM (Certified International Wealth Manager).

M. NICOLAS J. FIRZLI is the cofounder and Managing Director of the World Pensions Council (WPC), a Paris-based think-tank focused on pension research and financial law and regulation. A statistician by training, Mr. Firzli has more than 13 years of capital market research and institutional asset management experience, focusing on Canadian, Asian and MENA area pension funds, as well as sovereign wealth funds, central banks and supranational organizations. Mr. Firzli is a graduate of McGill University, an alumnus of the HEC Paris School of Management, and a member of the International Commission of the French Society of Financial Analyst (SFAF); he conducted research at the Catholic University of Louvain (UCL) Doctoral School of Economics and Management and the Paris School of Political Science (IEP).

and address these complex issues and thus help devise public policies that are truly propitious to long-term, sustainable, growth.

Konstantin Semenovich Ugrumov, President, **Russian National Association of Pension Funds**, highlighted the coming of age of large private pensions in the Russian Federation within the broader context of his country's impressive progress on the economic and legal fronts and the strategic role played by non-state enterprises (NSEs) across key sectors of the Russian economy such as energy, transportation and financial



The Solferino Bridge in Paris, an emblematic infrastructure work near the Caisse des Dépôts, Europe's first infrastructure investor.

► services... Legendary fund manager turned academic **Paul K. Woolley**, Founder, Centre for the Study of Capital Market Dysfunctionality, **London School of Economics** (LSE), pension industry veteran **Raymond Haines**, Head of UK Liability Driven Investing, **State Street Global Advisors**, and **Philippe Desfossés**, CEO, **ERAFP**, France's Public Sector Additional Pension Scheme, discussed LSE's latest research on long-term investing in relation to the visible shortcomings of the "Efficient Market Hypothesis", Dr. Woolley pointing to the principal-agent problem as the main underlying cause of asset mispricing. **Oscar Franco**, President, **Association of Mexican Pension Fund Managers** (Amafore), one of Mexico's foremost experts, mentioned the tangible progress made by Latin America's financial markets in terms of maturity, stability and size of investment.

LA 2^E ÉDITION DU FORUM MONDIAL DES FONDS DE PENSION

Organisée par l'OCDE et le **World Pensions Council**, elle s'est déroulée le 9 février 2012 au siège de la Société d'Encouragement pour l'Industrie nationale.

Plus de 170 participants se sont réunis à cette occasion, dont les représentants de l'OCDE, de la Banque mondiale, de la Commission européenne, les principaux fonds de pension d'Europe et d'Amérique du Nord, ainsi que des fonds souverains et banques centrales de Scandinavie, d'Asie, d'Amérique Latine, et des pays du Golfe.

Vincent Bazi
et M. Nicolas J. Firzli
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LEARNING FROM EUROPEAN, US AND ASIAN PENSION LEADERS

P. Brett Hammond, Managing Director & Chief Investment Strategist, **TIAA-CREF**, a leading US pension institution with a 20-year history of investing in "hard assets over a long period of time" and a major investor in both listed assets such as shares and bonds and non-listed assets such as infrastructure projects across the Americas, focused his presentation on how to devise and implement successful diversification strategies within an asset class, concentrating on equity and alternative investments, a topic he discussed with his distinguished European peers: France's **Yves Chouëifaty**, Founder & President, **TOBAM**, who pioneered the Anti-Benchmark approach to diversification, **Jan Soerensen**, Head of Hedge Funds, **PGGM Vermogensbeheer B.V.** (PGGM), the Dutch pension powerhouse, and **Elizabeth Fernando**, Deputy CIO & Head of European Equities, **USS**, the second-largest British pension fund. **David Wilton**, CIO and Manager Global Private Equity Funds, **International Finance Corporation**, **World Bank Group**, and Prof. **Bernard Y. Yeung**, Dean of the **National University of Singapore Business School**, Member of the Financial Research Council of the **Monetary Authority of Singapore** (MAS) pointed to the lack of qualified human resources—notably at the managerial and board level (which Mr. Wilton said "can be mitigated by engaged private equity investors through training-by-doing and progressive skills transfer"),



From left to right: Juan Yermo, OECD; Vincent Bazi and M. Nicolas J. Firzli, WPC.

pervading governance inadequacies in some areas and infrastructure-related bottlenecks in key Asian economies such as China and India. Mr. Wilton stressed that the World Bank has made market-beating returns on private equity investments in emerging markets by betting on homegrown investment partners grounded in local economic realities— "engaged GPs seen as valuable partners by the local entrepreneurs"... Dr. Yeung and seasoned emerging markets expert **Thomas Gerhardt**, Head of Global Emerging Markets & Commodities, **Edmond de Rothschild Asset Management (EdRAM)**, showed notably how South Korea and other countries had surmounted similar hurdles in the past (through improved governance, and renewed entrepreneurial dynamics), thus sounding a rather optimistic note as to these nations' capacity to identify and manage their own "growth pains". **Matti Leppälä**, Secretary-General of the **European Federation for Retirement Provision (EFRP)** insisted on the need to streamline the increasingly complex regulatory constraints faced by European institutions investing abroad. Finally, **Ulrik Dan Weuder**, Head of Infrastructure, **Arbejdsmarkedets Tillægspension (ATP)** and

CEO of ATP Alternative Investment, showed why infrastructure is clearly an attractive asset class providing pension investors with advantages such as matching returns with liabilities over a long period of time, (often) protection against inflation, and financial diversification (relatively low correlation with bonds, equity...), highlighting the tangible benefits "the private sector can bring to the table: disciplined evaluation of project economy, innovation in project design, construction, operation, maintenance and expansion, as well as concrete, quantifiable, PPP savings – project cost, funding and timing. He discussed his plenary presentation with some of Europe's key infrastructure investors: **Eric Hayoun**, Chief Financial Officer, **CDC Infrastructure**, CDC Group, France's leading institutional investor— incorporated in 1816 specifically to deploy public capital across long term assets such as seaports, roads, bridges, social housing projects, schools and research facilities, thus making it a pioneer in the field of modern infrastructure investment, Holland's **Stefan Lundbergh**, Head of Innovation Centre, **All Pensions Group** (APG) and Austria's **Christian Kummert**, Managing Director, Infrastructure, **Kommunalkredit**. ■