



NATIONAL PENSION HUB

2018 KEY RESEARCH TOPICS



PLAN DESIGN AND PLAN PENS

Investigates sources of uncertainty about future pension income adequacy and looks for sustainable pension plan design that meet comfortable retirements income targets.

DISCOUNT RATE

Examines Canadian pension plans' discount rate policies and their impact on liability valuation and risk management.

PORTFOLIO CONSTRUCTION

Focuses on pension asset allocation strategies that address the challenges faced by pension fund managers due to the long-term nature of their liabilities and heterogeneity of their beneficiaries.

PRIVATE MARKET RISK ASSESSMENT

Studies the risk and return characteristics of privately-traded assets and analyzes moral hazard and agency problems associated with managing them.

IMPACT AND USE OF LEVERAGE

Investigates pension plans' use of leverage and its impact on their portfolio construction and risk taking.

PLAN DESIGN AND PLAN ADEQUACY



Looks for sustainable pension plan design that maintains pension income adequacy and meets comfortable retirement income targets in an aging society. Investigates risk factors that drive uncertainties around future pension plan adequacy. Seeks to provide detailed and scientific insight on income adequacy both before and during retirement and to understand how Canadian pension funds should respond to the challenges caused by demographic change.

TOPIC: Sustainable pension design; retiree saving adequacy; impacts of demographic change on individual consumption behavior and on financial markets

DISCOUNT RATE



Highlights the importance of discount rate decisions on pension liability valuations and pension risk management. Studies the cross-sectional variation of Canadian pension plan discount rate policies and investigates their interconnection with indexation policies and funding ratios.

TOPIC: Discount rate regulation; interest rate term structure; liability valuation; risk shifting

PORTFOLIO CONSTRUCTION



Seeks the frontier of knowledge on pension asset allocation strategies that meet the unique challenges of pension fund managers including the long-term nature of liabilities and the heterogeneity of plan beneficiaries. Looks to address questions around the use of dynamic vs long-term asset allocation, factor-based investing and optimal asset allocation for alternative investments. Investigates the best practices for setting risk-tolerances and incorporating them into asset allocation decisions.

TOPIC: Asset allocation for long-term investors; enhancement to pension portfolio construction; risk appetite and asset allocation

PRIVATE MARKET RISK ASSESSMENT



Examines the costs and benefits of holding privately-traded assets like private equity, real estate, infrastructure and private debt for pension funds. Seeks new methodologies for estimating the risks and returns of private assets. Develops new approach to construct optimal pension fund portfolios that include both publicly and privately-traded asset. Investigates potential institutional incentives issues.

TOPIC: Measurement of private equity risks and returns; asset allocation with private equity

IMPACT AND USE OF LEVERAGE



Investigates the use of leverage across pension plans globally. Studies the role of leverage and how it impacts portfolio construction and risk taking. Analyzes the effects of taxation on the optimal capital structure.

TOPIC: Impacts of leverage on risk taking; optimal leverage ratio; impact of taxation on pension fund leverage