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The Pension Research Council

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Brad M. Barber “Pension Activism: The Double Edged Sword.”

- Shareholder Activism vs. Social Activism.
- The “CALPERS Effect”
 - Short-run analysis yields small positive market reaction of 21bps or annual wealth creation of \$118 million.
 - Long-run analysis yields large positive but not reliably positive.
- Can or should a plan fiduciary engage in activism if it does not add value or reduce risk to the portfolio?
 - Barber- Direct-cost benefit analysis simplistic: all market participants benefit (including Free Riders) and short-run analysis underestimates total benefits of activism.
- Social Activism: May force corporations to incur avoidable costs: High level of investor support is required.
 - Who is the investor-participant or taxpayer? How do you determine/document support?

Hustead: Administrative Costs of State Defined Benefit and Defined Contribution Systems.

- DC Plans expenses, as a % of assets or contributions, are greater than DB Plans.
 - DB plans in the public sector generally dwarf the public sector DC plans.
 - In either case expenses are low and would not impact the decision to adopt a DC plan or eliminate a DB plan.
- Analysis did not look at asset management fees as a part of administrative costs.
- An understanding of total costs of the DB and DC plan whether borne by the plan or passed on to the participant could impact the decision to adopt.

Almeida / Kenneally / Madland: Public Pensions and Politics.

- Defined Benefit vs. Defined Contribution for PRS debate.
 - DB plans superior retirement vehicles in terms of income replacement vs. DC plans.
 - DB plans more efficient and “good bang for the buck.”
 - Therefore debate caused by ideology (individualistic leanings) and self interest.
- Question: Is the overarching goal of those advocating conversion to a DC system the retirement security of the participants or cost and volatility reduction?
- Public Plans may be more susceptible to ideological and political posturing as they are creatures of state constitutions of statutes.
- Governors and legislatures make decisions necessarily at political level.
 - Authors make a persuasive case concerning the influence of special Interest groups in challenging the continuation of public sector DB plans in various states.