



# Liability-Driven Investing

Analyzing Sophisticated Solutions to the Asset-Liability Challenge

November 8-9, 2006

The Harvard Club

New York City

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Dear Colleague,

The pension fund community is being buffeted about on one of the most serious financial challenges this country has witnessed – an estimated \$2 trillion in under-funded pension commitments.

We have designed this thought-provoking conference on Liability-Driven Investing to help facilitate greater dialogue among you and your peers as you grapple with under-funding challenges, as well as help you understand truly promising solutions for bringing liabilities and assets into alignment.

Liability-driven investment strategies have been executed with great success in Europe in recent years. Heralded as unique solutions to asset-liability challenges, there is a great sense of expectation among U.S. pension funds that help has arrived.

The exceptional speaking faculty we have gathered will delve head-long into offering timely, compelling, and creative solutions that will help you move beyond the current crisis.

Walk away with a comprehensive understanding of the following potent sub-topics:

- Revisiting asset allocation, asset management and performance measurement
- Learning from the European experience of LDI roll-out
- Unveiling current leaders and rising challengers in LDI
- Analyzing traps to avoid when building LDI capability
- Discovering new trends in asset-liability management
- Understanding the implications of new accounting rules
- Examining the lessons of SEC investigations
- Addressing appropriate actuarial assumptions
- Establishing a detailed understanding of risk budgeting
- Gaining insights from PBGC's overview and pension update
- And more.....

## PLUS

A three-hour post-conference workshop giving you in-depth exposure and cutting edge understanding of "Derivatives in an LDI Framework." This workshop will build on the insights and understanding gained from the main conference. It is designed to offer education on the important technical aspect of implementing a derivatives-laden LDI strategy. This is an opportunity to truly understand derivatives usage and should not be missed!

Register now by calling us at 800-280-8440 or visit our website at [www.frallc.com](http://www.frallc.com). Alternatively, you may register by completing the back panel of this brochure, and faxing it to 704-889-1292.

I look forward to meeting you at The Harvard Club!

Sincerely,



Donal Murphy, Conference Director  
FINANCIAL RESEARCH ASSOCIATES, LLC

## Who Should Attend?

The Liability-Driven Investing conference is designed to be of specific benefit to:

- Public and corporate pension funds: CFOs, CIOs, controllers, treasurers, risk managers, portfolio managers and fund trustees
- Asset management firms
- Pension fund consultants
- Regulators
- Risk management consultants
- Accounting firms
- Auditors
- Law firms
- Actuarial firms
- Rating agencies

## Upcoming Events



### Hedge Fund Incubation and Seeding Conference

September 11-12, 2006  
The New York Helmsley Hotel  
New York City



### Investing in Hedge Fund Credit Strategies

September 13, 2006  
The New York Helmsley Hotel  
New York City

## About Financial Research Associates



Financial Research Associates provides the financial community with access to vital business information and networking opportunities. Offering highly targeted conferences, FRA is a preferred resource for executives and managers seeking cutting-edge information on the next wave of business opportunities. See [www.frallc.com](http://www.frallc.com) for more information on upcoming events.

# Agenda

## Day One: Wednesday, November 8, 2006

7:30 AM

### Conference Registration & Continental Breakfast

8:00 AM

### Conference Chair's Welcome and Opening Remarks

**Dr. Susan M. Mangiero**, Managing Member & Founder  
BVA, LLC & PENSION GOVERNANCE, LLC

8:15 AM

### Liability-Driven Investing: Insights from the UK and Europe

The United Kingdom and Europe have been pioneers of LDI over the last number of years. What implementation insights and lessons can Europeans share with their U.S. counterparts to avoid pitfalls and assure success?

**Bruce Rodio**, Portfolio Manager  
ABERDEEN ASSET MANAGEMENT

9:00 AM

### How do Pension Funds Determine Optimal Asset Allocation...and what is optimal anyway?

Where along the efficient frontier is the optimal portfolio? Is it even on the efficient frontier? This session will feature a case study on how a large public pension plan developed practical and common sense measures of risk. These risk metrics were then used to determine the goals and risk tolerance of the Board of Trustees and were then translated into an optimal portfolio. In addition to achieving an asset allocation, a great deal was learned about the plan along the way.

**Robert T. McCrory**, Executive Vice President  
EFI ACTUARIES

9:45 AM

### Mid-morning Refreshment Break

10:00 AM

### New Trends in Liability-Driven Investing

With the U.S. pension fund crisis in full swing, what solutions are asset managers offering? This session will focus on the asset manager's thought processes on tackling the under-funding challenge and managing to an ALM edict, as well as discussions on solutions offered and implementation techniques.

Moderator:

**Michael Hall**, Senior Consultant  
RUSSELL INVESTMENT GROUP

Panelists:

**Sean F. McShea**, President  
RYAN LABS, INC.

**Kathleen Currie**, Head of Liability-Driven Investment Strategy  
HBSC INVESTMENTS

**Julia Coronado**, Senior U.S. Economist  
BARCLAYS CAPITAL

10:45 AM

### What do Fixed Income Solutions Offer?

If pension funds are looking to invest more in fixed income as a way to match liabilities and yet fixed income historically has earned lower returns than equity, doesn't this worsen a pension deficit? This session will delve head long into this discussion.

- Can fixed income offer excess return?
- How does investing more in fixed income impact pension deficit as a function of changing interest rates and market volatility?
- Managing interest rate risk
- Pooled funds vs. direct execution

**William W. Hoskins, Ph.D.**, Director, Fixed Income Research  
MELLON CAPITAL MANAGEMENT

**James Reidy**, Vice President, Long Duration and Structured Fixed Income Strategies  
JPMORGAN ASSET MANAGEMENT

11:30 AM

### Liability Beta Portfolio

This session argues that there is no alpha in bonds. The value in bonds is as the Liability Beta Portfolio...the portfolio that matches liability (i.e. Liability Index Fund). To do this requires a Custom Liability Index. The true objective of a pension plan is to fund the liabilities at the lowest cost and risk to the plan. This suggests that the Liability Beta Portfolio should grow and become the "Core" portfolio for pensions.

**Ronald J. Ryan, CFA**, Chief Financial Architect & Founder  
RYAN ALM, INC

12:00 PM

### Luncheon for Conference Attendees

1:00 PM

### Alternative Asset Solutions for Generating Alpha

This session will showcase the attractiveness of hedge funds as LDI solutions.

Moderator:

**Yariv Itah**, Director  
CASEY QUIRK & ASSOCIATES

Panelists:

**Mark Baumgartner, Ph.D., CFA**, Executive Director Portfolio Manager,  
Portable Alpha Group  
MORGAN STANLEY ALTERNATIVE INVESTMENT PARTNERS

**Mark D. Garber, CFA**, President & Chief Investment Officer  
AETNA CAPITAL MANAGEMENT, LLC

**Corey Case**, Chief Operating Officer & Head of Risk Management and Quantitative Analysis  
JPMORGAN ALTERNATIVE ASSET MANAGEMENT

1:45 PM

### Understanding the Implications of New Accounting Rules

With the movement towards accounting rules changes, this session will delve head-long into the challenges that pension funds now face in addressing the complexities of asset liability management, tax and funding rules, and financial performance. Sub-topics include:

- How have European funds have been dealing with IAS 19 throughout 2005 and 2006 to-date?
- Can the experiences of European funds be a guide for their US counterparts?

- How will FASB's decision to overhaul accounting rules No. 87 and No. 106 impact financial statement reporting? Asset management?
- Where does GASB currently stand?
- What is the expected impact of doing away with smoothing?
- What is the relationship between actuarial assessment and accounting representation?

**Mark Ruloff**, Director, Asset Allocation  
WATSON WYATT INVESTMENT CONSULTING

**Douglas Fore**, Director of Portfolio Analytics  
TIAA-CREF INVESTMENT MANAGEMENT

2:30 PM

## Assessing the Impact of Government and Corporate Credit Ratings on Pension Fund Management

Speaker to be Announced

3:00 PM

## Mid-afternoon Refreshment Break

3:15 PM

## Pension Benefit Guaranty Corporation Overview and Pension Update

Created by the Employee Retirement Income Security Act of 1974, PBGC currently protects the pensions of 44 million American workers and retirees in 30,330 private single-employer and multiemployer defined benefit pension plans. In the past 31 years, PBGC has taken over 3,600 terminated plans and is responsible for the current and future benefits of about 1.3 million workers. During these challenging times, this session is designed to provide an update on the critical role the agency plays in protecting the pension benefits of workers and retirees.

PBGC Staff Member to be Announced

4:00 PM

## Addressing Appropriate Actuarial Assumptions

Since actuarial assumptions play a pivotal role in the delicate balance between assets and liabilities, determining and settling on appropriate calculations is crucial. Is your fund taking liabilities into account when calculating its assumption rate? Is your fund effectively measuring the asset-liability ratio under different structural and economic conditions? Having settled on the appropriate set of assumptions, what now are the accompanying investment solutions? Additionally, with FASB changes accounting numbers will have to be provided on a quarterly and annual basis, yet many funds get an actuarial report only once a year. What information then will decision-makers use to allocate assets, manage risk, etc?

**Graham Schmidt**, Vice President  
EFI ACTUARIES

4:30 PM

## Examining the Lessons of SEC Investigations

The high-profile cases of General Motors and the City of San Diego has proven to everyone that the Securities and Exchange Commission has pension fund accounting practices in its cross-hairs. What can be revealed about the SEC's thinking on pension fund reporting and what lessons can be learned and applied to maintaining compliance?

**Nir Yarden**, Of Counsel  
GREENBERG TRAURIG, LLP

5:00 PM

## Day One Concludes

## Day Two: Thursday, November 9, 2006

7:30 AM

## Conference Registration & Continental Breakfast

8:00 AM

## Conference Chair's Welcome and Day One Recap

**Dr. Susan M. Mangiero**, Managing Member & Founder  
BVA, LLC & PENSION GOVERNANCE, LLC

8:15 AM

## Perspectives of a Veteran Pension Fund Practitioner

Ed Sullivan has played a pivotal role in a number of asset / liability studies for major defined benefit plans over the past twenty years and in the process has had the opportunity to work with leading academics and actuaries. His work has provided him with a strong foundation for discussing the evolutionary and perhaps revolutionary changes impacting investment policies. His discussion will cover changes that are taking place and his personal views on their implications for all stakeholders -- plan sponsors, beneficiaries, and the PBGC.

**Edgar Sullivan**, Managing Director  
GENERAL MOTORS ASSET MANAGEMENT

8:45 AM

## Alpha-Beta Remixing for Superior LDI Solutions

Investors should use every tool available in alpha and beta space when creating optimal asset strategies relative to their liabilities. The evolution of the fixed income markets means that investors can now mix scalable, high information ratio fixed income alpha strategies with synthetic, liability-driven beta. This session will provide insights into the creative solutions available.

**Peter D. Wilson**, Managing Director & Senior Strategist  
BARCLAYS GLOBAL INVESTORS

9:15 AM

## What are the Key Steps to Measuring the Volatility of Pension Deficit?

**Matthew J. Herrmann, FSA, EA** Principal, Legacy Pension Solutions  
TOWERS PERRIN

10:00 AM

## Mid-morning Refreshment Break

10:15 AM

## Managing the Risks of Derivatives Strategies Associated with LDI

- When should a pension fund consider using derivative instruments?
- Risk and reward trade-offs of derivative instruments and strategies
- What are the sources of hidden investment leverage even when derivatives are not explicitly used?
- Fiduciary considerations for derivatives use
- What are the accounting and regulatory implications?

**Dr. Susan M. Mangiero**, Managing Member & Founder  
BVA, LLC & PENSION GOVERNANCE, LLC

**Gavin Watson**, Business Manager for Asset Managers, Pensions, & Insurance  
RISKMETRICS

**Jonathan Cohen**, Fixed Income Strategist  
BARCLAYS GLOBAL INVESTORS

11:00 AM

## Understanding Risk Budgeting

This session will take a look at the various dimensions of risk budgeting from asset allocation, to manager selection, to modeling techniques, to risk management.

**Sharath Sury**, Chief Executive Officer  
S4 CAPITAL

**Mark Ruloff**, Director, Asset Allocation  
WATSON WYATT INVESTMENT CONSULTING

**Adam Kobor, Ph.D, CFA**, Senior Investment Officer  
THE WORLD BANK

12:00 PM

## Conference Concludes / Luncheon for Workshop Attendees

1:30 PM - 5:00 PM

POST-CONFERENCE WORKSHOP

### Derivatives In An LDI Framework

This workshop will build on the insights and understanding gained from the main conference. It is designed to offer education on the important technical aspect of implementing a derivatives-laden LDI strategy.

Workshop Leaders

**Dr. Susan M. Mangiero**, Managing Member & Founder  
BVA, LLC & PENSION GOVERNANCE, LLC

**Gavin Watson**, Business Manager for Asset Managers, Pensions, and Insurance  
RISKMETRICS

1:30 PM TO 2:30 PM

### Identifying Liability-Driven Objectives and Alternative Solutions

Effective problem solving requires the identification of a problem and possible solutions

- Identify Different Types of ALM Problems
- Identify Possible Solutions That Do Not Use Derivatives
- Identify Possible Solutions That Do Use Derivatives
- Discuss General Advantages and Disadvantages of Using Derivatives

2:30 PM TO 3:30 PM

### Derivatives Strategies

- Evaluate Economics of Different Derivatives-Related LDI Strategies
- Evaluate Operational Risk of Different Derivatives-Related LDI Strategies

3:30 PM REFRESHMENT BREAK

3:45 PM TO 4:30 PM

### Modeling and Valuation Issues

LDI strategies require attention beyond trade inception

- Discuss Elements of Liability Modeling
- Describe Derivative Instrument Valuation
- Define and Discuss Model Risk

4:30 PM TO 5:00 PM

### Mini Case Study and Fiduciary Considerations

- Examines Pension Fund Use of Derivatives for LDI Problem-Solving
- Identification of Questions to Use by Fiduciaries

5:00 PM

## Workshop Concludes

# Administrative Details

## Four Easy Ways to Register:

Phone: 800-280-8440

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## Date & Venue Information:

November 8th & 9th, 2006

The Harvard Club of New York City  
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phone: 212-840-6600 fax: 212-827-1270 [www.hcny.com](http://www.hcny.com)

If you require overnight accommodation for this conference, please contact any of the following nearby hotels to check their best available corporate rate over this time frame or consult your local travel agent. Please note that FRA has not negotiated rates with any of these hotels.

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## Fees and Payments:

The fee for attendance at the post-conference workshop and main conference is \$1795. The fee for attendance at the main conference only is \$1495.

Please note: Plan Sponsors are entitled to attend the post-conference workshop and main conference for a fee of \$795, subject to FRA approval.

Please make checks payable to Financial Research Associates, LLC, and write code B387 on your check. You may also pay by Visa, MasterCard, Discover, or American Express. Purchase orders are also accepted. Payments must be received no later than October 25, 2006.

Group discounts are available; for more information, please call Tracy McLaughlin at 704-889-1291 or email [tmclaughlin@frallc.com](mailto:tmclaughlin@frallc.com).

## Cancellations:

If we receive your request to cancel 30 days or more prior to the conference start date, your registration fees will be refunded minus a \$175 administrative fee. Cancellations occurring between 29 days and the first day of the conference receive either (1) a \$200 refund or (2) a credit voucher for the amount of the original registration fee, less a \$175 administrative fee. No refunds or credits will be granted for cancellations received after a conference begins or for no-shows. Credit vouchers are valid for 12 months from the date of issue and can be used either by the person named on the voucher or a colleague from the same company.

Please Note: For reasons beyond our control it is occasionally necessary to alter the content and timing of the program or to substitute speakers. Thus, the speakers and agenda are subject to change without notice. In the event of a speaker cancellation, every effort to find a suitable replacement will be made.

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To learn more about sponsorship opportunities, please contact Menna White (704) 889-1298 or [mloydwhite@frallc.com](mailto:mloydwhite@frallc.com)





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