

The Pension Fund Revolution

Praise for Pension Revolution "When Keith Ambachtsheer puts his keen mind to work on a problem, watch out! Here he exposes today's fragile arrangements for the most serious social dilemma of our times--financing retirement. Then he provides a compelling and powerful set of solutions. His writings are essential reading for all who care about the future of American living standards." --Peter Bernstein, founder and President, Peter L. Bernstein, Inc., and author of Capital Ideas and Against the Gods "This book describes one of the most ingenious inventions in the history of mankind: pension funds offering credible promises about old-age income. It reads like a thriller: how can well-governed pension funds be created in an imperfect world in which mortals wrestle with foibles and moral shortcomings? One of the world's leading experts on pensions searches for the answer--and finds it." --Lans Bovenberg, Scientific Director, Network for Studies on Pensions, Aging, and Retirement, Tilburg University, The Netherlands "Pension Revolution exposes the inadequacies of current pension systems and persuasively makes the case for the fundamental changes that are needed. It is essential reading for both the pension industry and policymakers." --Elizabeth Bryan, Chair, Investment Committee, Unisuper Management PM Ltd, Australia "Most analyses of complicated issues deal with complexity by simplifying or only looking at one piece-part, and, in doing so, provide limited value. In stark contrast, Keith Ambachtsheer boldly wades into the complexity in Pension Revolution to come up with a valuable integrative solution. He is a most welcome revolutionary!" --Roger Martin, Dean, Joseph L. Rotman School of Management, University of Toronto, Canada "We have known Keith for over ten years, and consistently over that time, he has constructively and comprehensively challenged conventional wisdom. He has done this so effectively that many of his initial thoughts have now become universally accepted norms. Such is his energy however that he continues to push the boundaries of pension and investment thinking." --Peter Moon, Chief Investment Officer, Universities Superannuation Scheme Ltd, UK "Pension Revolution not only explains the shortcomings of the existing pension system and the underlying design features that have resulted in the current pension upheaval. It also offers thoughtful and creative suggestions for prospective pension design. A must-read for anyone interested in the future of retirement finance." --James Poterba, Professor of Economics, Massachusetts Institute of Technology and a member of the TIAA-CREF Board of Trustees

Crucial methods, tactics and tools for successful pension fund management Achieving Investment Excellence offers trustees and asset managers a comprehensive handbook for improving the quality of their investments. With a stated goal of substantially and sustainably improving annual returns, this book clarifies and demystifies important concepts surrounding trustee duties and responsibilities, investment strategies, analysis, evaluation and much more. Low interest rates are making the high cost of future pension payouts fraught with tension, even as the time and knowledge required to manage these funds appropriately increases — it is no wonder that pensions are increasingly seen as a financial liability. Now more than ever, it is critical that trustees understand exactly what contributes to investment success — and what detracts from it. This book details the roles, the tools and the strategies that make pension funds pay off. Understand the role of pension funds and the fiduciary duty of trustees Learn the tools and skills you need to build profound and lasting investment excellence Analyse, diagnose and improve investment quality of funds using concrete tools and instruments Study illustrative examples that demonstrate critical implementation and execution advice Packed with expert insight, crucial tools and real-life examples, this book is an important resource for those tasked with governing these. Achieving Investment Excellence provides the expert insight, clear guidance and key wisdom you need to manage these funds successfully.

In Robust Unionism, Arthur B. Shostak provides an informed survey of organized labor's

innovations and adaptations in recent years. If labor is to realize its full potential in the coming decade, he contends, new strategies, modern technologies, and novel alliances are imperative. Shostak provides a wealth of case studies and anecdotes and analyses of labor's specific triumphs in a time of adversity. He argues for the necessity of learning from every success as well as every failure if organized labor is to become a politically powerful and socially dynamic agent for change.

Looks at the history of social security, describes its current problems, and argues that the system should be privatized

Fiduciary Management offers an in-depth explanation of every facet of this fast-growing approach to organizing the management of an institutional investment portfolio. Expert author Anton van Nunen begins by outlining the historic shift that has brought this strategy to the attention of the investment community and quickly moves on to illustrate fiduciary management in practice; giving advice in terms of asset-liability modeling and financial markets, constructing portfolios, selecting and overseeing investment managers, benchmarking and performance measurement, and reporting.

A real-world look at the pension revolution underway The Future of Pension Management offers a progress report from the field, using actual case studies from around the world. In the mid-70s, Peter Drucker predicted that demographic dynamics would eventually turn pensions into a major societal issue; in 2007, author Keith Ambachtsheer's book Pension Revolution laid out the ways in which Drucker's predictions had come to pass. This book provides a fresh look at the situation on the ground, and details the encouraging changes that have taken place in pension management concepts and practices. The challenges identified in 2007 are being addressed, and this report shows how design, management, and investment innovation have led to measurably better pension outcomes. Pensions have become an everyday news item, and people are rightly concerned about the security of their retirement in light of recent pension scandals and the global financial crisis. This book provides a note of encouragement, detailing the ways in which today's pensions are becoming more and more secure, and the new ideas and practices that are chipping away at the challenges. Learn how pension management practices are improving Examine the uptick in positive outcomes over recent years Discover why pension investing is turning toward the long-term Consider the challenges that remain and their possible solutions Drucker's vision of a needed pension revolution is unfolding in real time. Better pension designs, more effective pension governance, and more productive pension investing are mitigating many of the issues that threatened collapse. The Future of Pension Management provides a real-world update on the state of pensions today and a look forward to the changes we still need to make.

This book looks at the role of the modern corporation in advanced capitalist countries. In particular it considers corporate control and shareownership and the impact of these on consumers' choice, the mobilization of financial capital, the saving function, and the question of the potentially inherent tendency towards stagnation and crisis. The author suggests that there is a tendency towards social ownership of the means of production in modern capitalist economies, directly via share purchase and indirectly via, e.g., occupational pension funds, while at the same time control and appropriation remain vested in a small minority. This is shown to affect financial capital accumulation and the saving function, since the competition between giant corporations encourages their controllers to increase corporate saving above the level desired by small shareholders who are suggested to be unable fully to compensate for such increases by their actions. Over recent years there has been rapid consumer-led growth in investing in socially responsible companies to the extent that it has had an influence on corporate policies. New regulations recognise the public interest by requiring all pension funds to declare

their ethical policy. Investors can no longer just consider the financial aspects of a company before investing but also have to consider the complex world of ethical investments. Should the ethical policy take precedence over the financial aspects? Should policies be inclusive or exclusive? What percentage of a company's income has to come from unacceptable sources before the source is excluded? Should any exclusion policy also extend to those involved in selling or transporting goods deemed unacceptable? This is the first book to look at socially responsible investment from the perspective of the institutional investor, who will be led through the complex dilemmas of socially responsible investment with practical examples and advice.

Discover what demographics can tell us about the economy, markets, and the future In *Demographics Unravelled*, renowned Macro-Demographics expert Amlan Roy delivers an insightful and timely exploration of the impact that "people characteristics" have on national economies. Considering factors like gender, race, migrant status, family background, and education, the author delves deeply into a subject that drives market behavior and economic variables, including growth, debt, inflation, employment, and productivity. These have national and international policy implications. In this one-of-a-kind book, you'll discover: Why the study of demographics is the hidden key to understanding economic growth, asset prices, and capital flows How to use detailed demographics to forecast future scenarios in economics, socioeconomics, geopolitics, and the environment The short-, medium-, and long-term effects of consumer and worker behavior How understanding demographics is key to understanding health, pensions, migration, sustainability and social policies. It is intimately linked to the Sustainable Development Goals of the UN—Gender, Climate, Poverty and Inequality Perfect for institutional investors, insurance professionals, economists, and business leaders, *Demographics Unravelled* will also earn a place in the libraries of academics and students studying a variety of economic disciplines and seeking a one-stop and in-depth discussion of demographics-driven macroeconomic effects.

Praise for Michael J. Clowes and the money flood "What a fine book! As an active participant in the revolution in pension investing, I could almost feel the times and tides of the past half-century shifting beneath me. Mike Clowes's splendid and articulate tour through the era is destined to become a landmark on the bookshelves of everyone interested in this illuminating history of the past, as well as its portents of the future."-John C. Bogle, founder, The Vanguard Group "The corporate pension fund ranks high among the spectacular financial innovations of the twentieth century. Mike Clowes has built a fascinating story about the impact of this flood of money on the theory and practice of investing, the financial markets, the labor force, corporate management, and the general economy. The far-reaching consequences of these changes make this authoritative and lively book must-reading for everyone."-Peter L. Bernstein, President, Peter L. Bernstein, Inc., author, *Against the Gods: The Remarkable Story of Risk* "The definitive history of the rise of pension fund capitalism in America."-Keith Ambachtsheer, President, KPA Advisory, author, *Pension Fund Excellence: Creating Value for Shareholders* "Beautifully written, broad in coverage of all the best parts of a great American story, Mike Clowes's new book gives us an easy-to-read and easy-to-enjoy explanation of who did what and when in the investment revolution of the past half-century."-Charles D. Ellis, Partner, Greenwich Associates, author, *The Investor's Anthology: Original Ideas from the Industry's Greatest Minds*

"The basic economic resource - 'the means of production', to use the economist's term - is no longer capital, nor natural resources, nor 'labour'. It is and will be knowledge." With penetrating insight Peter Drucker describes the changes that are affecting politics, business and society itself. It is vital that we are aware of and understand these changes in order to benefit from the opportunities that the future has to offer.

Defenders of massive multinational chains like Wal-Mart and Fortune 500 big business argue that, like it or not, there is no alternative. Their huge scale and international reach, they claim, make them more efficient and profitable, better able to deliver value, and an uncontested boon for the job market. According to the big boys, locally owned small businesses are simply quaint remnants of the past, unable to compete in the global economy. But in *The Small-Mart Revolution*, Michael Shuman shows that the benefits these mega-stores and huge corporations supposedly deliver to communities are illusory. Crunch the numbers and you'll find that locally owned businesses turn out to be much more reliable generators of good jobs, economic growth, tax dollars, community wealth, charitable contributions, social stability, and political participation. Unlike their global competitors, they do this without massive tax breaks and subsidies that often put local economies in a permanent hole. Plus, contrary to popular belief, local businesses are competitive with the multinationals--and gaining ground every day. Shuman highlights numerous trends that are making the old "bigger is better" economies of scale argument obsolete, and he describes a variety of innovative strategies these businesses are using to successfully compete with their over-sized competitors. He also shows how consumers, investors, and policymakers can support their own communities by "going local." *The Small-Mart Revolution* offers a robust alternative to "go-go" globalization, one that nurtures the creative capacities of local businesses and enables communities everywhere to thrive.

In *The Pension Fund Revolution*, originally published nearly two decades ago under the title *The Unseen Revolution*, Peter F. Drucker reports that institutional investors, especially pension funds, have become the controlling owners of America's large companies, the country's only capitalists. He maintains that the shift began in 1952 with the establishment of the first modern pension fund by General Motors. By 1960 it had become so obvious that a group of young men decided to found a stock-exchange firm catering exclusively to these new investors. Ten years later this firm (Donaldson, Lufkin & Jenrette) became the most successful, and one of the biggest, Wall Street firms. Drucker's argument, that through pension funds ownership of the means of production had become socialized without becoming nationalized, was unacceptable to the conventional wisdom of the country in the 1970s. Among the predictions made by Drucker in *The Pension Fund Revolution* are: that a major health care issue would be longevity; that pensions and social security would be central to American economy and society; that the retirement age would have to be extended; and that altogether American politics would increasingly be dominated by middle-class issues and the values of elderly people. While readers of the original edition found these conclusions hard to accept, Drucker's work has proven to be prescient. In the new epilogue, Drucker discusses how the increasing dominance of pension funds represents one of the most startling power shifts in economic history, and he examines their present-day impact.

Boards of directors are sitting ducks. Shareholders complain and even attack, management manipulates, and individual board members have little power, able to act only as part of the board as a whole. Governance issues are front and center, yet there is often little understanding, even among board members, of the key role that they play. Written in an accessible and human voice, *The Governance Revolution: What Every Board Member Needs*

to Know, NOW! provides information and context essential to anyone seeking to understand how corporations and their stewards—the board of directors—can and should function in the volatile world we inhabit. Deborah Hicks Midanek offers useful insight into what board members of corporations actually do, the current standards for board members and why they exist. She includes a timely discussion of how clarity of purpose can improve board and director effectiveness. Informed by her long experience serving public, private, and family owned corporate boards as well as those of charitable, and government organizations, she provides essential context regarding the evolution of board practice as well as candid discussion of the issues involved in the relentless effort to improve corporate governance processes. Focused mainly on the dominant public corporation, she also explores the special challenges of serving private and family owned as well as nonprofit and public agency boards. Written by a seasoned board member, and liberally laced with stories and cases illustrating the tricky issues directors wrestle with, this book is the essential common-sense companion for anyone working with a board, serving on a board, or wanting to do so. Directors, aspiring directors, investors, and students of corporate behavior will benefit from this highly readable description of the cloistered boardroom. For Roger Trapp's article in Forbes featuring a discussion of this title click here <https://www.forbes.com/sites/rogertrapp/2018/10/22/independent-directors-need-to-stand-up-to-activists/#7060008826b0> For a Roundtable discussion in Financier Worldwide Magazine featuring Deborah Hicks Midanek please click here <https://www.financierworldwide.com/roundtable-risks-facing-directors-officers-aug18#.W1BqQdVKiUk> Click here for a review in Financial Analysts Journal <https://www.cfapubs.org/doi/abs/10.2469/br.v13.n1.10> Click here for an excerpt on Corporate Board Member: <https://boardmember.com/what-is-the-governance-revolution/>

As the United States comes to terms with the pending insolvency of social security, workers are increasingly pinning their hopes for retirement adequacy on employer-sponsored plans. Positioning Pensions for the Twenty-First Century analyzes the role of pensions in retirement security, examining how these programs will evolve to meet the challenges to our nation's retirement system. The book brings together a team of leading economists, corporate and labor specialists, actuaries, and policy experts to examine the future of retirement options within the context of emerging labor and business trends and innovative developments in the pension community. They show how a successful public and private pension system can be sustained and strengthened and demonstrate how employer pensions can be configured against a delicately financed social insurance system. The book's contributions examine where pensions have succeeded and failed over the last several decades and point to positive new developments in the pension arena. Its coverage includes innovative pension options such as hybrid and cash-balance plans; pension funding regulations; changes in GATT laws altering pension insurance premiums; and emerging developments concerning administrative costs and pension obligation bonds. It also features new research on defined contribution plan investment options and includes three case studies of participant-directed pension investments, telling how thousands of workers are allocating their pension savings in 401(k) and related plans. Positioning Pensions for the Twenty-First Century is essential reading for all managers, employees, and policymakers concerned with designing pension systems that can withstand the challenges of the next decade.

The Unseen Revolution: How Pension Fund Socialism Came to America covers the principles and concepts of the American pension fund socialism. This book is composed of five chapters, and begins with the history and developments of pension fund socialism in the United States. The next chapter deals with the fundamental problems of economic structure, policy, and, as

well as the problems of authority, legitimacy, and control of the so-called Social Security. The discussion then shifts to involved social institutions and issues, along with the political lessons and issues of pension fund socialism. The last chapter considers the American politics realignments and readjustments.

This is a concise history of the Revolution of 1905, a critical juncture in the history of Russia when several possible paths were opened up for the country. By the end of that year, virtually every social group had become active in the opposition to the autocracy, which was on the verge of collapse. Only the promise of reform, in particular the formation of a parliament (Duma) that would participate in governing the country, enabled the old order to survive. For some eighteen months the opposition and the Tsarist regime continued to struggle for supremacy, and only in June 1907 did the government reassert its authority. It drastically changed the relatively liberal electoral law, depriving many citizens of the vote. Although the revolution was now over, some institutional changes remained intact. Most notably, Russia retained an elected legislature and political parties speaking for various social and economic interests. As a result, the autocratic system of rule was undermined, and the fate of the political and social order remained uncertain.

As individuals assume greater responsibility for retirement saving, the book analyses how people save and make financial decisions, taking into account the behavioural revolution and the effect of society and context. It shows an integrated approach to individual financial decision-making is necessary to address the apparent planning shortfall.

The evidence-based approach to a more worthwhile portfolio The Index Revolution argues that active investing is a loser's game, and that a passive approach is more profitable in today's market. By adjusting your portfolio asset weights to match a performance index, you consistently earn higher rates of returns and come out on top in the long run. This book explains why, and describes how individual investors can take advantage of indexing to make their portfolio stronger and more profitable. By indexing investment operations at a very low cost, and trusting that active professionals have set securities prices as correctly as possible, you will achieve better long-term results than those who look down on passive approaches while following outdated advice that no longer works. "Beating the market" is much harder than it used to be, and investors who continue to approach the market with that mindset populate the rolls of market losers time and time again. This book explains why indexing is the preferred approach in the current investment climate, and destroys the popular perception of passive investing as a weak market strategy. Structure your portfolio to perform better over the long term Trust in the pricing and earn higher rates of return Learn why a passive approach is more consistent and worthwhile Ignore overblown, outdated advice that is doomed to disappoint All great investors share a common secret to success: rational decision-making based on objective information. The Index Revolution shows you a more rational approach to the market for a more profitable portfolio.

praise for FISCHER BLACK AND THE REVOLUTIONARY IDEA OF FINANCE "The story of Fischer Black. . . is remarkable both because of the creativity of the man and because of the revolution he brought to Wall Street. . . Mehrling's book is fascinating." —FINANCIAL TIMES "A fascinating history of things we take for granted in our everyday financial lives." —THE NEW YORK TIMES "Mehrling's book is essential reading for anyone interested in the development of modern finance or the life of an idiosyncratic creative genius." —PUBLISHERS WEEKLY "Fischer Black was more than a vital force

in the development of finance theory. He was also a character. Perry Mehrling has captured both sides of the picture: the evolution of thinking about the pricing of risk and time, as well as the thinkers, especially this fascinating eccentric, who worked it out."

—ROBERT M. SOWLO, Nobel laureate and Institute Professor of Economics, Emeritus, Massachusetts Institute of Technology "Although I worked closely with Fischer for nine years at Goldman Sachs and clearly recognized both his genius and the breadth and originality of his ideas, until I read this book, I had only the vaguest grasp of the source of his inspiration and no understanding at all of the source of his many idiosyncrasies."

—BOB LITTERMAN, Partner, Kepos Capital "Perry Mehrling has done a remarkable job of tracing the intellectual and personal development of one of the most original and complex thinkers of our generation. Fischer Black deserved it: a charming and brilliant book about a charming and brilliant man." —ROBERT E. LUCAS JR., Nobel laureate and Professor of Economics, The University of Chicago

Mitigating the Risks of a 21st Century Climate Switch (to global cooling) and Running Out of Oil and Gas: There is an urgent need to prepare the world for a 21st century climate switch to a cooling phase, and this current grand solar minimum is a prime time for that switch. The world will face natural climate change-related risks during the current grand solar minimum—risks dismissed or ignored by the Intergovernmental Panel on Climate Change (IPCC) because of its constraining Articles 1 and 2. Solar scientists expert in climate change are warning us of a 21st century global cooling, but the IPCC process has dismissed their science and that of other climate sub-disciplines. Climate-forcing volcanism, Arctic glacier expansion, rapid climate change, and the climate- and volcanic-related catastrophes that occurred during the Little Ice Age are risks that were also dismissed by the IPCC process. Earth actually entered a new Ice Age 8 and 10.5 millennia ago, in the Arctic and the Antarctic respectively. Since the Holocene Climate Optimum 8,000 years ago, Greenland's temperature declined by 4.90C to its lowest trough in 1700. The subsequent 1700-2016 trough-to-peak temperature rise is the largest temperature increase in 8,000 years. Glacier ice accumulation also started 5,000 years ago, reaching its peak during the Little Ice Age. However, since the mid-19th century much of this glacier ice melted as the sun entered an extreme grand solar maximum phase, which human activity has exacerbated. Section 3 of this book provides best-practice strategies for implementing decentralized sustainable development and switching the world's energy system to renewable energy. These strategies will be required to mitigate the yet unseen climate and resource supply-related risks that loom on the horizon. This book is pitched at the levels of central governments, local governments, and for you at home, and is a must if you want to know the data-driven facts about natural climate change.

This revised and updated edition analyzes the principles underlying different types of Stock Exchange investment, in particular their risk and return characteristics. Concentrating on the UK Stock Exchange, this book examines the information provided by the "Financial Times."

An introductory biography of Drucker and a travelogue of his life and the emergence of his ideas from his books, together with a unique profile of his wife Doris

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This book is essential reading for students and specialists in finance, financial markets and institutions, public policy, macroeconomics, and economic

development; for practitioners in the fields of pension funds, corporate finance and institutional investment; and for regulators and policy-makers active in the maintenance and reform of pension provisions in OECD countries, developing countries, and the former Communist states.

In *The Pension Fund Revolution*, originally published nearly two decades ago under the title *The Unseen Revolution*, Drucker reports that institutional investors, especially pension funds, have become the controlling owners of America's large companies, the country's only capitalists. He maintains that the shift began in 1952 with the establishment of the first modern pension fund by General Motors. By 1960 it had become so obvious that a group of young men decided to found a stock-exchange firm catering exclusively to these new investors. Ten years later this firm (Donaldson, Lufkin & Jenrette) became the most successful, and one of the biggest, Wall Street firms. Drucker's argument, that through pension funds ownership of the means of production had become socialized without becoming nationalized, was unacceptable to the conventional wisdom of the country in the 1970s. Even less acceptable was the second theme of the book: the aging of America. Among the predictions made by Drucker in *The Pension Fund Revolution* are: that a major health care issue would be longevity; that pensions and social security would be central to American economy and society; that the retirement age would have to be extended; and that altogether American politics would increasingly be dominated by middle-class issues and the values of elderly people. While readers of the original edition found these conclusions hard to accept, Drucker's work has proven to be prescient. In the new epilogue, Drucker discusses how the increasing dominance of pension funds represents one of the most startling power shifts in economic history, and he examines their present-day impact. *The Pension Fund Revolution* is now considered a classic text regarding the effects of pension fund ownership on the governance of the American corporation and on the structure of the American economy altogether. The reissuing of this book is more timely now than ever. It provides a wealth of information for sociologists, economists, and political theorists.

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