



REFERENCE LIST

November 2018

Article of the month:

The Growing Pension Black Hole is Pulling Us All In

November 2018. Olivia S. Mitchell (Professor of Insurance/Risk Management and Business Economics/Policy; Executive Director of the Pension Research Council; and Director of the Boettner Center on Pensions and Retirement Research. All at Wharton School)

Public and private pension sinkholes are showing up all over the country, and we're tumbling in. In Pittsburgh earlier this month, benefit cuts of 30 percent were announced for 21,000 retirees from UPS and other shipping companies.

When Sears Roebuck filed for bankruptcy in October, its pension plan was revealed to be \$1.5 billion short of what was needed to cover its retirees. Some of this will be covered by the government, but not all of it.

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What the Mega Millions can teach you about investing

October 2018. Gretchen Frazee (digital producer for the PBS NewsHour)

If you are one of the thousands of people trying to cash in on this week's Mega Millions drawing, it's easy to think, even just for a second, that you could win the \$1.6 billion jackpot.

In reality, you know you have an extremely low chance—1 in 302.5 million to be exact—but that doesn't stop you from buying a ticket anyway.

That's because we tend to overestimate the likelihood of events that have a low probability, like winning the Mega Millions, or, in the case of our finances, investing in the next Apple or Google.

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The Student Debt Crisis: Could It Slow the U.S. Economy?

October 2018. Wharton University of Pennsylvania

That rising student debt is one of the creeping threats of our time is hard to refute.

Student debt has more than tripled since 2004, reaching \$1.52 trillion in the first quarter of 2018, according to the Federal Reserve — second only to mortgage debt in the U.S. College costs have outpaced the Consumer Price Index more than four-fold since 1985, and tuition assistance today is often harder to come by, particularly at schools without large endowments.

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Financial firms have quietly prepared for Brexit

November 2018. The economist.

Since Britons chose to leave the European Union in June 2016, the clichés have piled up almost as thickly as the votes: “no deal is better than a bad deal”; “Brexit means Brexit”. And you might count yourself rich—even by the City of London's standards—if you had a fiver for every time you had heard a banker say his firm was “hoping for the best, but preparing for the worst”. Four months before Britain is due to quit the eu, financial firms have long ago given up hoping for the best (for most, that Britain would remain after all) and are still not sure they will avoid the worst—a sudden, no-deal Brexit on March 29th 2019. But they have been quietly bracing themselves for it.

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The US-China trade war is on hold

November 2018. *The Economist*

PERHAPS IT was the dessert of caramel-rolled pancakes, crispy chocolate and fresh cream. Or perhaps President Donald Trump had already decided that, during a working dinner on December 1st, he wanted a deal with President Xi Jinping of China. Whatever it was, after sounds of applause drifted out to assembled journalists, the two announced a “highly successful” negotiation. “This was an amazing and productive meeting with unlimited possibilities for both the United States and China,” said Mr Trump.

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Key-person risk is alive and kicking in global business

November 2018. *The Economist*.

Few chief executives experience as hard a fall as Carlos Ghosn just has. On November 16th he was the long-standing chairman of Renault, Nissan and Mitsubishi Motors, three car firms, and famed for his Napoleonic manner. By November 20th he was in police custody in Japan, having been accused by Nissan of under-reporting his pay to regulators by around \$45m over five years. At least Mr Ghosn can console himself with a different set of figures about how much he is worth. After the news broke the three car firms’ combined market value dropped by \$5bn, or 7%. Investors fret that he is the only mortal who can manage the complex alliance between the three companies. Mr Ghosn is at once disgraced and probably impossible to replace.

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For Europe’s stockmarkets to recover, bank shares need to rally

November 2018. *The Economist*.

Not so long ago, a stockbroker trying to interest an American fund manager in European shares would be met with an eye-roll. But sentiment is fickle and attitudes change. These days the likely response is a hard stare. Over the years in which stockmarket returns in America pulled ahead of everywhere else, any residual feelings for old-world shares had slowly turned to indifference and then curdled into something like hatred.

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PGGM’s Lindeijer: Dutch schemes need updated risk models

November 2018. MAARTEN VAN WIJK, LEEN PREESMAN (Netherlands Correspondent)

Dutch pension funds urgently need updated risk models as the current financial assessment framework (FTK) means they miss investment opportunities and exposes them to rising interest rates, according to PGGM’s chief investment officer Eloy Lindeijer.

Speaking to IPE’s Dutch sister publication Pensioen Pro, Lindeijer said schemes were stuck with low-yielding or even loss-making fixed income holdings.

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November 2018

ESG is hot – handle with care

November 2018. IAN SIMM (Ian Simm is CEO and founder of Impax Asset Management)

ESG is a relatively new but powerful idea. However, to avoid misunderstandings, it is time to engage more thoughtfully on how it is used by investors and regulators.

The effective analysis and management of risk has never been more important for investors seeking to make strong, long-term, risk-adjusted returns.

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Ahead of the Curve: The risk premium of downturns

November 2018. PHILIP STROTHER

- Alternative risk premia strategies offer diversification and risk reduction
- Volatility risk premia strategies thrive as the diversification of assets increases

Alternative risk premia strategies can be helpful for institutional investor portfolios through diversification and risk reduction. They can also be used to complement an incumbent hedge fund or liquid alternatives allocation, or replace existing equity or bond risk while retaining potential upside.

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Paper: Tail Risk Adjusted Sharpe Ratio

November 2018. Didier Maillard (Professor Emeritus at CNAM, Senior Advisor on Research – Amundi)

The Sharpe Ratio has become a standard measure of portfolio management performance, taking into account the risk side. In that framework, the consideration of risk is reduced to returns volatility. The Sharpe Ratio does not encompass extreme risk, especially on the downside.

In this paper, we provide four methods for constructing Tail Risk Adjusted Sharpe Ratios (TRASR), using asymmetric measures of risk: semi variance, Value-at-Risk, Conditional Value-at-Risk (or Expected Shortfall) and expected utility derived measures of risks. We also have an exploration of the Aumann & Serrano's Economic Index of Riskiness.

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11th Annual Survey Of Emerging Risks

November 2018. The Casualty Actuarial Society, Canadian Institute of Actuaries, and the Society of Actuaries' Joint Risk Management Section

The Casualty Actuarial Society, Canadian Institute of Actuaries, and the Society of Actuaries' Joint Risk Management Section is pleased to make available results from the 2017 Emerging Risks Survey, the eleventh in the series. Conducted by Max J. Rudolph of Rudolph Financial Consulting LLC, the survey incorporated a set of Emerging Risks defined by the World Economic Forum as the basis for several of the questions. The survey also included questions related to current risk management topics.

[Survey link](#)

[Podcast link](#)



AFIR-ERM
Finance, Investment & ERM

UPCOMING EVENTS



AFIR-ERM Colloquium, Florence 2019

21st to 24th May 2019. Florence, Italy

The Istituto Italiano degli Attuari and Ordine degli Attuari (ISOA) and the AFIR-ERM Section are pleased to invite you to the AFIR-ERM Colloquium 2019: "Innovating Actuarial Research on Financial Risk and ERM", that will be held from 21 to 24 May 2019 in Florence, Italy, the cradle of Renaissance. Come enjoy from its artistic heritage as you walk along in an "open-air museum". Find out more about the event.

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