

The *Ambachtsheer* Letter

Research and Commentary on Pension Governance, Finance and Investments

Letter # 203

December 2002

REINVENTING PENSION FUND MANAGEMENT:

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“A paradigm shift takes place when [our] world is qualitatively transformed and quantitatively enriched by fundamental novelties of either fact or theory.....”

Thomas Kuhn

A Paradigm Shift?

Sixty pension fund executives from the USA, Canada, and Europe representing 47 organizations with aggregate assets of about \$1 trillion gathered in Toronto on December 4. Their mission was to participate in a workshop hosted by *KPA Advisory Services Ltd.* and *Cost Effectiveness Measurement Inc (CEM)*. The workshop goal was to assess if by Thomas Kuhn’s standard, the pension fund management paradigm has indeed shifted, and if so, how pension funds should respond. The shift conclusion was a somewhat hesitant ‘yes’. Why hesitant? Because while participants agreed that the pensions world has indeed been qualitatively and quantitatively transformed and enriched (impoverished?) by fundamental novelties of both fact and theory, it was not clear to many of the attendees what they or their organizations should, or even could, do about it.

The purpose of this *Letter* is to sketch out how and why the DB pension fund management paradigm has shifted, and to explain why it is so difficult for many pension fund organizations to effectively respond to that shift. As the *Letter* title says, reinventing pension fund management is easier said than done.