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This month's focus: **Revolution in Public Pension Fund Management**

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Reform of Public Pension Funds: Why Needed and How Effectuated

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GPIF assets amount to 1.3 trillion yen. As baby boomers retire, current contributions to the public pension system by workers will not be able to pay for the current benefits of the retired. How GPIF can manage its assets to gain sufficient returns is crucial to making the public pension system sustainable for future generations. To this end, it is most important that GPIF's portfolio and governance structure be reformed. Portfolio reform has progressed since the panel report of November 2013, and the benchmark portfolio was revised 31 October 2014.

Governance reform is expected to progress through passage of a new GPIF law in the Diet session starting January 2015.

Lessons for Japanese Public Pension Funds from Foreign Counterparts

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This paper shows that it is helpful for Japanese public pension funds to know what foreign counterparts are doing. First, six major foreign public pension funds are examined and their aggressive approaches considered. Second, some approaches common to these six funds are explained. And, finally, some suggestions useful for Japanese public pension funds will be offered.

Across the Board Transformation of Public Pension Investment Policy in Japan and Risk Management Tasks

Masaharu Usuki 28

In October 2014, Japan's Government Pension Investment Fund, the largest pension fund in the world, announced a new investment policy that focuses on augmenting equity allocation. Since then a regime shift from being less risk averse has been observed in the field of public pension fund investment. In view of this change which requires the adoption of sophisticated risk control systems, this article studies and discusses a pension ALM model as a prerequisite for the formation of strategic investment policy, as well as the allocation and management of active risk in consideration of (dis)economies of scale.

Reform of Public Pension Investment and Implications for Asset Management Industry	<i>Konosuke Kita, CMA and Wakako Taniguchi, CMA</i>	41
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Regional economies have recently tended to weaken, mainly reflecting the shrinking industrial sector and declining population.

In these areas, the aging of society is progressing at a rapid pace and the population is shrinking. The loans of regional banks are decreasing and indeed lending is at a very low level in their home territorial bases. The solution is that regional banks must cultivate new demand for money in their own areas. To this end, the merger and integration of these regional banks is one possibility.

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Different Market Reactions to Issuer Tender Offers in Japan	<i>Hironori Kawase</i>	69
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This study investigates market reactions to issuer fixed-price tender offers for the period between 2003 and 2013 and finds significantly positive abnormal returns. When the sample is divided by whether there is a tender premium or discount, the analysis of subsamples produces different results. While market reaction is positively associated according to size of premium, such a relation is not observed for a discount.

Japanization of the Eurozone, Euro, and ECB	<i>Daisuke Karakama, CMA</i>	81
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The Japanization of the Eurozone, euro, and ECB is easy to understand from seven common experiences shared by Japan and the Eurozone. Since the current situation seems to be a “transition stage” of whether the Eurozone Japanizes or not, a different axis is required to evaluate the European situation. For the time being, it is expected that EU policymakers will continue to pursue growth in the management of fiscal and monetary policy.

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