Securities Analysts Journal

【 January 2024. Vol.62 】

Feature Articles

This month's focus: **Retirement System Changes and Asset Management**

Japanese Society and Pension Investment; Institutional Design to Encourage the Supply of Risk Money from Pension Funds

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Through Functional and Structural Finance (FSF), we see that society rightly expects pension money to support sustainable corporate investment in growth areas and to earn higher returns, but institutions like asset managers need to endogenously lead the change. Private equity and research-based active managers in their own ways help guide business managers to focus on their growth options, and thus act as enablers of a stewardship code. Pension asset owners encourage and stimulate financial innovation by helping emerging managers to go independent and be less conflict-free . We argue that public disclosure of pension fund long-term performance is critical in helping pension investors escape the trap of not-so-steward-like managers.
Should this be "more conflict-free" or just "conflict-free" ??

Investment Ratio of Illiquid Assets in Corporate Pension Plan Asset Management

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Expectations for the advancement of asset management, including investment in alternative assets, are growing for Japan's defined benefit corporate pension plans. However, due to the aging of the population and other factors, the maturity of the funds has increased, and there have been cases where the system has been shifted to defined contribution pension plans.
To address the question of the extent to which illiquid alternative assets should be incorporated into assets under management in a large cash-out fund, this paper presents an optimal asset allocation according to the maturity of the fund by incorporating the penalty for illiquidity into the existing mean-variance optimization.

Importance and Challenges of Defined Contribution Pensions for Longevity Risk

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There are various definitions of longevity risk, but this paper defines longevity risk as the risk of a decline in lifestyle after retirement. First, I categorize various decisions related to longevity risk into those that reduce the magnitude of longevity risk and those that merely change its characteristics. In this process, we reaffirm the importance of decisions made during the wealth-building period for mitigating longevity risk. Finally, I provide my perspective on the current challenges associated with the diversification of income securing methods in old age, and the measures required to encourage appropriate decision-making during the wealth-building period.

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Article

Effects of 2022 market restructuring of Tokyo Stock Exchange on behavior of listed firms: Changes from TSE 1st Section to Prime Market

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This article empirically investigates the effects of the 2022 market restructuring by Tokyo Stock Exchange (TSE) on the behavior of firms listed in the Prime Market. We found the following results: There are statistically significant but small differences in three listing criteria for the Prime Market between firms applying transitional measures and firms not applying them. The facts show that firms applying transitional measures need to make more efforts for management reform.