

**AMBACHTSHEER, K.P., 2007.** *Pension revolution: a solution to the pension crisis.* Hoboken, New Jersey: John Wiley & Sons, Inc.

UKSIF summary, 2009.

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## Table of Contents

A. Is SRI bunk?.....	1
I. Key points .....	1
II. Key quotes .....	1
B. Peter Druker’s Pension Legacy: A vision of what could be.....	2
I. Key points .....	2

### A. Is SRI bunk?

#### I. Key points

- SRI will only be successful when it becomes part of mainstream investment.
- In 2002, a survey by Coles and Green on 14 UK pension funds concluded that poor practice by major pension funds on SRI is the norm.
- Managing intangibles (company’s brands, customer loyalty, R&D, risk managements, governance, human resources, etc) contribute to sustainability.

#### II. Key quotes

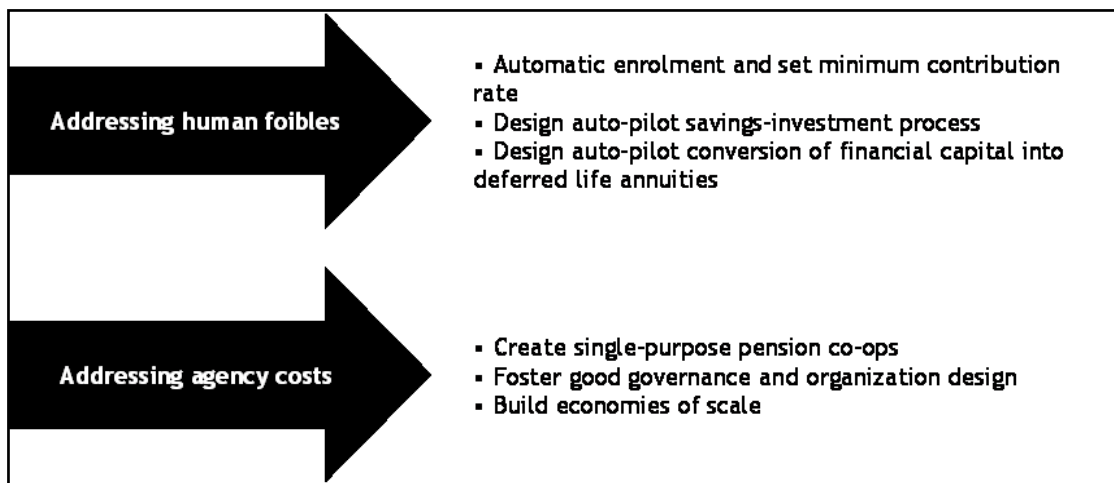
- SRI “can only become a useful investment concept by disappearing from the investment lexicon altogether” (Ambachtsheer 2007, p. 290)
- “The reputations of pension funds and their trustees are at risk, and governments are bound to step in and legally force good SRI practices on the institutional investment world.” (Ambachtsheer 2007, p. 291)
- “...there can be no long-term investment value creation without investment sustainability.” (Ambachtsheer 2007, p. 292)
- “...behind SRI lies an important reality that should impact how LHR (long-horizon risky) investment analysis is conducted today...” (Ambachtsheer 2007, p. 294-295)

## B. Peter Drucker's Pension Legacy: A vision of what could be

### I. Key points

Drucker's views:

- Workers were becoming the indirect owners of the means of production through their participation in the pension plans
- Developed economies should foster the adequate and stable consumption of goods and services for all citizens from birth until death.
- Workplace pensions should play a role in providing adequate, stable postretirement income to workers, not leaving investment decisions to workers and linking decisions to the best interests of plan participants.
- The Optimal Pension System (TOPS) is the manifestation of Drucker's pension vision, which is individual-based as individual participants have their own investment accounts. The figure below lists the 6 critical characteristics of TOPS:



**Figure 1 - The Optimal Pension System**

3 functional investment styles:

- Risk-minimizing strategies: match investment flows from interest and principal maturities to payment obligations
- Short-horizon strategies: exploit the behavioural foibles of retail and institutional investors to generate material returns at modest levels of risk
- Long-horizon strategies: acquire or create uncertain long-time cash-flows at prices that reflect risk-based required rates of return