

Contents

Preface	xi
Acknowledgments	xiii
About the Author	xv
CHAPTER 1	
Your Worst Nightmare	1
The Family	2
The Work	9
Where Does That Leave <i>You</i> ?	15
CHAPTER 2	
Dimensioning the Problem	17
Calculating the Sufficiency of Savings	18
CHAPTER 3	
You Can't Build Your Walls High Enough	43
The Problem of Retirement Income Security	43
Generational Warfare over the "Privilege Gap"	47
Feeding the World	51
Post-Crisis Policy Adjustments	58
The Demographic Monster Stalking Us	61
CHAPTER 4	
Money Matters	63
Enter Modern Portfolio Theory	63
The Search for Alpha	65
The Age of Derivatives	67
The Birth of Hedge Funds	72
Alpha/Beta Separation	73
The Origins of Alpha	75

Static versus Dynamic Assets and Liabilities	75
Summing Up	78

CHAPTER 5

Reinventing Retirement	81
Defined Benefit Plans	81
Defined Contribution Plans	82
Who's the Client After All?	84
The Changing Landscape	85
The Perfect Storm	87

CHAPTER 6

Alternatives Are Not Only for the Rich and Famous	93
Pension Assets and the Move Toward Alternative Assets	93
The Great Hedge Fund Debate	95
The Institutionalization of Hedge Funds	103

CHAPTER 7

The Long and the Short of It . . . Trust Me	115
Alpha from Operations	116
Operational Risk	117
Securities Lending History	119
The Securities Lending Market	121
Securities Lending Flow, Process, and Mechanics	124
Ratio Lending	131
The Rehypothecation Two-Step	132

CHAPTER 8

Liability-Driven Alpha	137
Painting the Recent Pension Landscape	139
Risks	140
Basic LDI Guidelines	142

CHAPTER 9

Power Tools for Pensions	145
Pension Benefit Guaranty Corporation	146
Factors Affecting the PBGC Insurance Programs	147
Plan Terminations	149
Pension Risk Transfer	150
Synthetic Mutual Fund Notes	161
The Role for Pension Funds	165
The Yale Model (the Illiquidity Premium) versus the All-Weather Model	167

CHAPTER 10	
The Poverty of Nations (Apologies to Adam Smith)	175
Is There a Path to Salvation?	176
The Chilean Terrarium	179
CHAPTER 11	
The Ultimate Solution	187
The Nation, State, Municipality, and Company	187
You as an Individual	191
CHAPTER 12	
A Peaceful Night's Sleep	195
What Our Family Looks Like Now	198
Concluding Thoughts	201
Works Cited	203
Index	209