

FRR: Aims & Process

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I. MISSION

- **2001 French Law :**
- **The primary purpose is to meet all or part of the future funding requirements (from 2020 onwards) of specified PAYGO retirement systems in France for the private sector (= the old age fund CNAV and two affiliated plans : small business owners, self-employed craftsmen).**
- ***"The Fund's investment policy should seek to optimize, the long term return on investments made under the best possible conditions of security and in accordance with specified risk constraints."***

II. ALM MODEL

- **Model based on 10 000 Monte-Carlo simulations (returns are normally distributed).**
- **Expected returns are derived from a cautious global macro-economic scenario for the very long-run (2007-2040) : moderate growth in developed countries low and stable inflation ; higher growth and inflation in emerging countries.**
- **Volatilities and correlations are derived from historical monthly total returns for indices (1990-2006). We prefer to hedge currency risks.**

III. MANAGERS' SELECTION : SUMMARY

- **Matching criteria:**

- Specialised mandate responding to FRR's needs (financial & operational)
 - -> the right process with the right organization
- Value creation should rely on specific resources
 - -> where is the informational advantage

- **Outperforming criteria:**

- 1. Active manager should create sustainable alpha :
 - > only non replicable alpha is valued.
- 2. Risk should be under control (awareness, technology)

IV. MANDATES MONITORING : OBJECTIVES

- Control the adequacy of the management process with the initial tender
- Control the compliance of the management process with FRR's guidelines
- Assess the quality of the management process.

V. MANDATES MONITORING : MANAGERS' DUTIES

- Management Reporting and other reports
- Weekly performance report
- Monthly management report
- Quarterly quantitative analysis including
 - Risk attribution
 - Performance attribution
 - Best Execution reports
 - Brokerage Reports
- Twice a year legal and general compliance report
- Twice a year SRI report (European Equity)
- Yearly Proxy Voting reports
- Ad hoc reports (in case of team change...)