

Preface

With many countries in the world facing an existing or looming pension crisis, there could not be a more opportune moment to launch a new series of books on pensions. Countries around the globe are fast waking up to the fact that they have a major challenge on their hands with their state-run pension schemes. The combination of a rapidly changing population and fertility rates well below replacement rates has led to a striking increase in the dependency ratios in many countries. At the same time, many private sector schemes are facing severe funding difficulties as a result of poor stock market returns, falling interest rates and increasing longevity.

Pensions problems are becoming highly complex, and although there are many people with expertise in pensions, their expertise tends to be one dimensional. They might be a pension lawyer with a deep understanding of pension rules and regulations, but their understanding of the role of pensions in lifecycle financial planning might be poor. They might be a pension actuary with an indepth knowledge of how to calculate pension liabilities in a number of different ways, but their understanding of the financial risks in pension funds might be inadequate. They might be a skilled investment manager, but have little comprehension of how pension liabilities respond to macroeconomic or demographic shocks. They might be a pension accountant familiar with all the global pension accounting standards, but have little understanding of how these standards affect corporate dividend and investment policy. All these professions might know very little about the social dimension of pensions in their own country or about the pensions systems operating in other countries.

What is clearly needed is a well-trained group of professionals capable of providing appropriate and sustainable pensions solutions to complex

pension problems. In short, there is a need for a new class of professional, the *pension scientist*. This is someone who can competently deal with the multi-disciplinary nature of pension problems. The development of a common body of knowledge is the first step in this process.

The Pensions Institute was started by economists. But we soon became aware of the limits of our knowledge in the pensions field. We found that actuaries, accountants and lawyers were talking about pensions in a language that was at the same time both strange and familiar. It was strange because of the new terms they used. It was also strange because terms familiar to us had subtly different meanings to them. For us to be able to deepen our understanding of the complexities of pensions, we needed to begin to understand the way that these different professional groups thought about pensions.

In the process of doing this, we realised just how multi-disciplinary a thorough understanding of pensions needs to be. To use a mountaineering analogy, we felt as though we were talking to different groups of skilled mountaineers who had climbed different sides of the same mountain. While each group was an expert at climbing its own side, they knew very little about the other sides of the mountain. We felt that was time to look at the pensions mountain from all sides.

That is why at the Pensions Institute we have started to write a series of books that will look at pensions from each of the different side of the pensions mountain. The first two books in the series are:

- Pension economics
- Pension finance

In due course we hope to have the following additional books:

- Actuarial principles for pensions
- Pension accounting
- Pension law
- Comparative pensions systems and regulation
- Social policy and ageing populations

These books are aimed at those currently working as, or seeking to work as:

- a pension regulator
- a pension policymaker
- a pension scheme manager
- an employee benefit consultant

- a client relationship manager
- a pension lawyer
- a pension scheme auditor
- a pension accountant
- an investment manager
- an investment consultant
- a pension economist

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