

공무국외여행 결과보고서

1. 여행개요

여행목적	Asian Investment Summit 참석					
여행자	소속	직급	성명	담당업무	경비	
					금액	부담기관
	자금운용단	3급	박천석	자산배분 및 투자전략 수립	987,700원	공단
동행기관명 및 인원	국민연금 이경직 해외투자실장 등					

2. 여행일정

월일시 (요일)	출발지	도착지	방문기관	업무수행내용	접촉예정인물 (직책포함)
5.19(화)	인천	홍콩	-	-	-
5.20(수)	-	-	-	Summit 참석 (공단 자산운용방향 등 발표)	Alastair Hills (Head of Conference, AsianInvestor) 등
	홍콩	인천	-	-	-

3. 업무수행내용

☐ 참석 국제행사(Asian Investment Summit) 개요

- “Asian Investor”는 2000년에 홍콩에 설립된 월간지로 투자자에게 전문적인 투자정보 제공을 목적으로 하며 2006년에 영국의 “Haymarket Financial Media”에 인수됨으로써 세계적인 투자지로 발돋움하였음.
- 2011부터 “Asian Investor Korea Award”를 시행하고 있으며, 공단 최영권 단장이 2015년 CIO 수상자로 확정되었으며, 6월에 시상식이 열릴 예정임
- 본 행사는 아시아 지역의 기관투자자, fund selectors, 펀드매니저, fund consultants 등을 대상으로 speaker 또는 panel discussion을 통해 주요 투자기관의 투자방향, 금융시장 동향 및 전망, 리스크 관리 등 금융시장 관심사에 대해 의견을 교환하는 자리임

- ☐ 제10회 Asian Investment Summit에 speaker로 참석하여 공단 자금운용방향에 대해 발표

〈 주요 발표내용 〉

I . Outline of the GEPS

- Structure of Korean Social Security Programs
- Brief History of the GEPS
- Financing Method of fund
- Characteristics of the Pension Fund

II . Financial Asset Management

- Investment Principles
- Fund Size and its Historical Trend(excluding reserves)
- Current Asset allocation (as of 2014.12.31)
- Long-Term Asset Allocation Plan
- Asset Allocation Policy
- Overseas Investments Plan

III . Alternative Investment

- Overview of GEPS Alternative Investmen
- Performance of Alternative Investment (for FY 2014)
- Investment Plan for Year 2015

4. 여행성과 · 시사점 및 향후 업무활용 계획

- ☐ 공단소개 발표를 통해 공단의 위상 제고 및 해외 deal sourcing 능력 제고
- 패널토의가 아닌 단독 발표를 통해 150명의 참석자들에게 공단에 대한 자세한 소개를 함으로써 공단을 알리는 홍보역할 수행
 - 향후 월간지 등을 통해 우리 공단이 알려짐으로써 행사 참석자들 뿐만 아니라 많은 운용기관 및 컨설팅 업체로부터 해외의 훌륭한 투자상품을 소개받을 수 있을 것으로 기대

□ 기관투자자 및 시장전문가의 정보 공유

○ 싱가포르 Temasek

- 1년 성과에 일희일비하지 않고 5년 및 10년 장기성과를 위한 투자를 실행하며, 조정기를 오히려 투자 기회로 활용 (예: 2014년 중국 주가 하락 시 투자규모를 늘려 현재 2배 이상의 수익을 내고 있음)
- 이와 같은 contrarian 투자나 위험이 수반되는 투자는 향후 주주들에게 설명을 하고 이해를 구함 (Flexibility)
- BM투자를 하지 않고 내부 hurdle rate, 즉 절대수익률을 추구함

○ 한국 국민연금

- 과거 유동성 및 안정성 추구에서 비유동성 및 위험성(risky) 있는 상품으로 투자대상 확대

○ 대만 보험사

- 정부가 2001년에 해외투자 비중을 35%까지 허용함으로써 본격적인 해외투자 시대 도래

○ 세계 금융시장 진단

- Growth in developed markets has been good, but not great
(이를 반영하여 선진국은 저성장 저금리 지속, 일부 stagnation은 일시적)
- Emerging markets are working through transitions (선진국의 slow demand로 인해 회복에 시간 걸림. 중국은 과도한 신용증가 우려)
- Central banks have a challenging set of objectives
(중앙은행들은 경기부양, 환율전쟁, 양적완화 등 다양한 목적 추구)
- Diverging fortunes create anxiety within and between nations
(국가별 경기상황 차이는 일부 우려되기도 하지만 전체적으로 세계 경기 전망은 밝게 봄)

※ 1박 2일 일정으로 인해 오전 일정만 참석하였음

5. 소요경비

성 명	금액 계	항 운 공 임	체 재 비		
			일 비	식 비	숙 박비
박천석	987,700원	532,300원	56,650원 (26USD/일)	145,990원 (67USD/일)	252,760원 (상한232USD/일)

※ USD 1 = 1,089.5원, 2015.5.19. 출국일 기준

6. 첨부자료

- ☐ Summit 일정표
- ☐ 발표자료
- ☐ 항공권 및 숙박영수증

AsianInvestor

10th Asian Investment Summit

Investing in the future

20 - 21 May 2015 • Hong Kong

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Agenda

11:45 The Growth of Asia's Institutional Investors – Korea

Case Study

One of Korea's leading institutional investors shares how their fund and the Korean institutional investment landscape have changed over the previous 10 years and their expectations for the future.

Moderator

Insup Lee, *Korea Correspondent, AsianInvestor*

Speaker

Richard Park, *Head of Investment Strategy, Government Employees Pension Service*

12:15 The Folly of Forecasting

Presentation

The argument against forecast-led investment and in favour of a fundamental, bottom-up approach.

- Why so many credit investors use economic and market forecasts as a basis for investment decisions
- 2014 - a sobering period for investors who adopted a top-down, forecast-based approach
- Market pricing reflective of a misplaced trust in Central Banks
- Returning to basics - when is risk adequately rewarded, and when is it not?
- Using volatility as a mechanism for creating value opportunities rather than as a driver of returns

Presenter

David Lloyd, *Head of Institutional Portfolio Management Public Debt, M&G Investments*

12:40 Networking Lunch

14:00 Equity Market Risk Downside Protection

Presentation

Presenter

Thomas Poullaouec, *Head of Strategy & Research for Investment Solutions Group, Asia-Pacific, State Street Global Advisors*

14:25 The Evolution of Alternative Investments

Panel discussion

How has the use and general opinion of alternative investments developed over the previous 10 years and how will this area continue to evolve?

- The role of alternative investment in institutional portfolios
- The growth of alternative investments
- Evaluating and benchmarking alternative investments

Moderator

Oliver Jones, *Reporter, AsianInvestor*

Panellists

Joanne Murphy, *Managing Director, Asia Pacific, CAIA*
 Jayne Bok, *Head of Sovereign Advisory, Asia, Towers Watson*
 Andrea Luzzi, *Chief Risk & Compliance Officer, Ayaltis*

15:10 How to Capitalise on China's SOE Reform?

Presentation

Presenter

Mansfield Mok, *Senior Portfolio Manager, EFG Asset Management*

15:35 Networking Coffee Break

10th Asian Investment Summit



Speakers



William Overholt
President
Fung Global Institute

William H. Overholt has been a Senior Fellow Harvard's Asia Center and its Kennedy School of Government since 2008 and in 2013 began spending the majority of his time in Hong Kong as Senior Fellow at the Fung Global Institute. His career includes 14 years doing policy research at think tanks, seven years at Harvard University, and 21 years running investment bank research teams. Most of his career has focused on the fast-growing Asian economies — their economics, politics, and geopolitics — while also including major work in Brazil and African countries. Previously he held the Asia Policy Distinguished Research Chair at RAND's California headquarters and was Director of the Center for Asia Pacific Policy; concurrently he was Visiting Professor at Shanghai Jiaotong University and, earlier, Distinguished Visiting Professor at Korea's Yonsei University. During 21 years in investment banking, he served as Head of Strategy and Economics at Nomura's regional headquarters in Hong Kong from 1998 to 2001, and as Managing Director and Head of Research at Bank Boston's regional headquarters in Singapore. During 18 years at Bankers Trust, he ran a country risk team in New York from 1980 to 1984, then was regional strategist and Asia research head based in Hong Kong from 1985 to 1998. At Hudson Institute from 1971 to 1979, Dr. Overholt directed planning studies for the U.S. Department of Defense, Department of State, National Security Council, National Aeronautics and Space Administration, and Council on International Economic Policy. As Director of Hudson Research Services, he also did strategic planning for corporations. Dr. Overholt is the author of six books, including *Asia, America, and the Transformation of Geopolitics* (Cambridge University Press, 2007). The others are: *The Rise of China* (W.W. Norton, 1993), which won the *Mohrli News/Asian Affairs Research Center Special Book Prize*; *Political Risk* (Euromoney, 1982); and (with William Ascher) *Strategic Planning and Forecasting* (John Wiley, 1983). He is principal co-author of: *Asia's Nuclear Future* (Westview Press, 1976) and *The Future of Brazil* (Westview Press, 1978). With Zbigniew Brzezinski, he founded the semi-annual *Global Assessment* in 1976 and edited it until 1988. Dr. Overholt received his B.A. (magna, 1968) from Harvard and his Master of Philosophy (1970) and Ph.D. (1972) from Yale.



Richard Park
Team Head of Investment Strategy
Government Employees Pension Service

Chunsuk(Richard) Park was appointed as a team head of Investment Strategy at GEPS (Government Employees Pension Service) through highly competitive public recruitment process in 2013. He handles investment strategy as a whole in financial assets including equities, fixed incomes, alternative investments, etc. including strategic and tactical asset allocation, model portfolio construction, and new investment products selection. He joined old IIMK(ING Investment Management Korea) as a team head of Fixed Income on December of 2006 just after IIMK launched, and he has served as a FI CIO since 2008 following ex-CIO left IIMK on middle of November in 2007 where his division received the Asian Investor Korean Award in the area of fixed income consecutively in 2011 and 2012. Mr. Park is a fixed income expert with more than 19 years experience in the financial research and fixed income investment in Korea. From end of 1989, Mr. Park has been in charge of research into financial market at the Federation of Korean Industries (FKI). He joined Samsung Life Insurance right after returning from study to Korea where he was responsible for fixed income investment at Overseas Investment team, Fixed Income investment team, and Variable Insurance team. He then served at Samsung Investment Management from 2004 as a senior fund manager, and in the later, as a team head of Variable Insurance. Mr. Park received bachelor degree in business from Sogang University in 1990 and got a MBA in finance from University of Wisconsin in 1995.



『Government Employees Pension Service』 Republic of Korea



May 20, 2015

Richard Chun-Suk Park, CFA
Head of Investment Strategy Team

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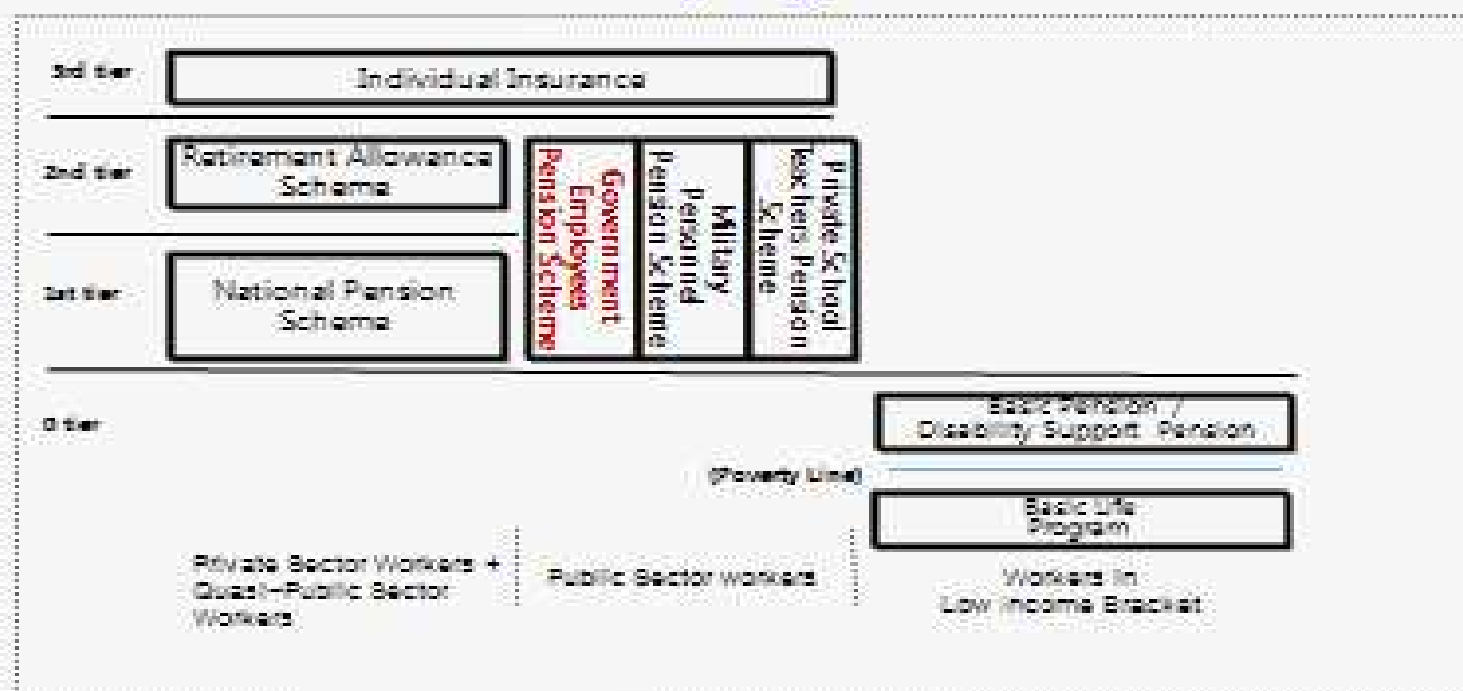
I . Outline of the GEPS

II . Financial Asset Management

III . Alternative Investment

I . Outline of the GEPS

□ Structure of Korean Social Security Programs



I . Outline of the GEPS

□ Brief History of the GEPS

- **1960** Implementation of the Government Employees Pension scheme
- **1963** Divergence of Military Personnel Pension scheme (MPPS) from GEPS
 - Coverage: officers, judges, policemen, postal service workers and public school teachers, etc. in the central and local governments
- **1982** Foundation of the Government Employees Pension Service(GEPS)
- **1998** Massive Retirement due to Asian Currency Crisis
 - Dramatic decrease in fund size from KRW6.2tl in 1997 to KRW1.7tl in 2000
- **2000** Reform : Pension calculation changed from final salary basis to final 3-year average salary basis/ Pension adjustment from wage index to CPI/ Introduction of Government subsidies for pension account deficit/ contribution 5.5% → 7.5% → 8.5%
- **2009** Reform : Increase of Pensionable Age from 60 to 65 (new entrants) / pension calculation changed to average career taxable salary basis/ con 8.5% → 10.8% (average career taxable salary basis 7.0%)/Decrease of benefit rate 2.1%→1.9% per year

I . Outline of the GEPS

□ *Financing Method*

Types of Benefits	Financing method	
	Before 2001	Present (2001~)
Contributory Benefits	Partially funded	Pay-as-you-go
Non-contributory Benefits	Pay-as-you-go	

✧ **Contributory Benefits** would normally be financed by an accumulated fund resulting from contributions of both the government and active civil servants. However, the financing scheme of the GEPS is actually converted into a **PAYG** method in 2001 since the deficit of contributory benefits has been subsidized by the government budget, the amount of which is increasing annually. Currently, the GEPS has a high contingency reserve as a sort of **buffer fund** for contributory benefits.

Non-contributory benefits are financed by the National Budget annually without any reserve fund (Retirement Allowance, Disability Benefits, Disaster Condolence, Death Condolence Payment, etc)

I . Outline of the GEPS

☐ Characteristics of the Pension Fund

- “Asset Only” investment strategy instead of ALM due to serious unfunded status
 - Funding ratio is 1.7% / PBO (Projected Benefit Obligation) is 1.4 times of government budget and 33% of GDP
 - Investment goal is to keep real value of fund because benefit is indexed to CPI
 - Government subsidies for pension account deficit
 - Since pension account and fund account are separated, government subsidizes pension account when deficit happens between benefit payments and contributions
 - High percentage of Money Market instruments as a contingency reserve for payment
 - Since the pension is quite mature (retirees is 40% of active civil servants) and seriously unfunded, high stand-by reserve is required
- Pursue high return under the tolerable short fall risk

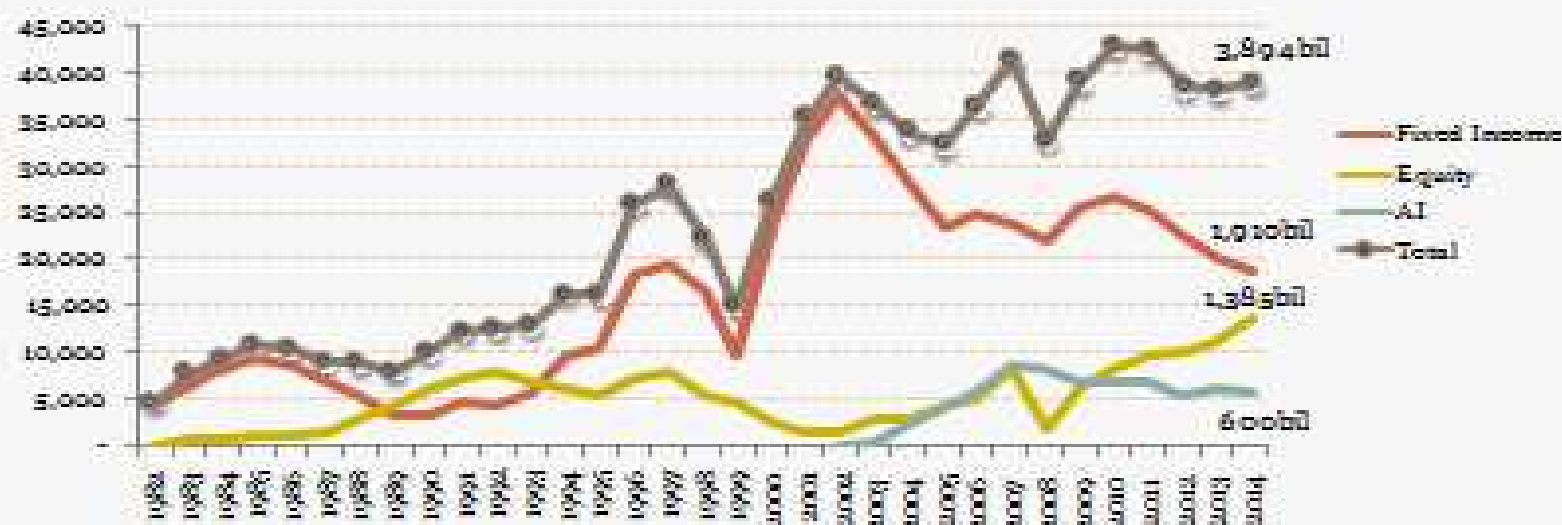
II . Financial Assets Management

□ Investment Principles



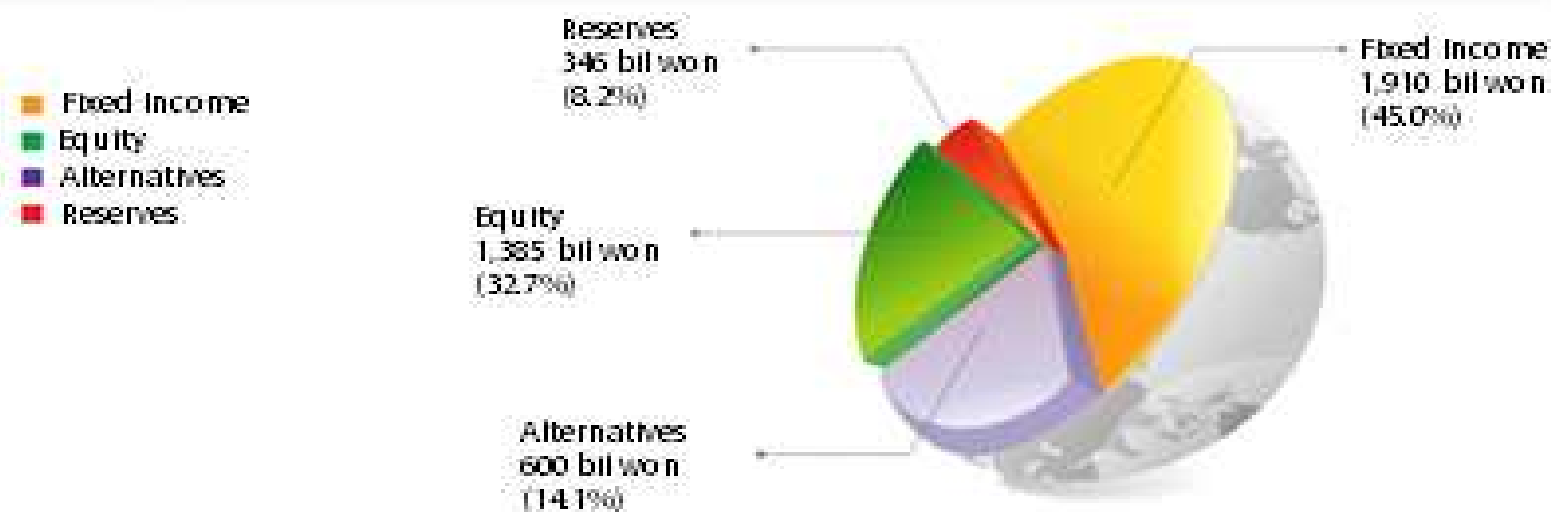
II . Financial Assets Management

□ Fund Size and its Historical Trend(excluding reserves)



II . Financial Assets Management

□ Current Asset allocation (as of 2014.12.31)



II - Financial Assets Management

□ Long-Term Asset Allocation Plan

	2014	2015	2016	2017	2018	2019
Equity	35.6	33.5	33.7	33.9	33.9	34.1
FI	49.0	47.8	47.2	46.7	46.3	45.9
AI	15.4	18.7	19.1	19.4	19.8	20.0
Sum	100.0	100.0	100.0	100.0	100.0	100.0

□ Asset Allocation Policy

- Increased in allocation for alternative and overseas investments for diversification
 - AI 7.5% in 2014 to 23.1% in 2020/ Overseas Investment 7.5% to 29.3% Maximize
- Utilization of outsourcing in AI and Overseas Investment
- Adopted new asset classes to enhance risk/return characteristics
 - Classification of structured products as AI2/ breakdown of alternative assets into subsectors

II - Financial Assets Management

□ Overseas Investments

< Overseas Investment AUM by Class >

Asset		AUM(\$ mil.)	Benchmark
Equity	ETF	220 (65%)	MSCI ACWI Index
	Mutual Fund	50 (15%)	
Fixed-Income		70 (20%)	Barclays Global Aggregate Index (Ex-KOR, Hedged to USD)
Total		340	

<Overseas Investment Long-Term Plan >

Current	Future
<ul style="list-style-type: none"> • Beta exposure to Non-domestic markets, both equity and fixed-income • Alpha exposure to Non-domestic markets by investing in active funds 	<ul style="list-style-type: none"> • Pursuing returns from a wide range of investments in various markets, based on an active strategy (i.g. emerging market equities and HY bonds)

III - Alternative Investment

□ Overview of GEPS Alternative Investment

- **History** : Since 2002, invested mostly in domestic real estate, infrastructure and private equity until 2014 when GEPS completed its first-ever overseas private equity and real estate investment

→ Cumulative commitment : US\$ 1.35bil (37 funds)

→ Total investments executed to date : US\$ 1.18bil

- **Major Investment Sector and Focuses** : Domestic / Overseas

- 1) Private Markets (including private equity, private debt/ lending)
- 2) Real Assets (including real estates and shipping/Aircraft finance)
- 3) Infrastructures (including domestic social overhead Capital (SOC))
- 4) Hedge Funds (including hedge fund of funds and structured securities/instruments)

III - Alternative Investment

□ Performance of Alternative Investment (for FY 2014)

- GEPS achieved 11.1% in 2014 following 7.9% in year 2013 from alternative investment
 - In consideration of its mature liability structure, focuses on **"mid risk- mid return"** strategy
 - Strong preferences on strategies with stable cashflow or periodic income streams, faster/instant deployment and early distribution resulting in shorter investment horizon in general



III - Alternative Investment

□ Investment Plan for Year 2015

- Investment Budget (New Allocation) : **US\$ 400mil** (Including both domestic & overseas)
 - Allocation to alternative investment continues to rise at GEPS in light of low interest rate environment yielding unattractive rates in domestic bonds and increased volatility of risk assets
- Main Challenges include increased demand leading to rising competition globally in AI and the pension's low funded ratio
 - Continue to focus on the pertinent asset classes with characteristics of cash flow streams and shorter duration.
- Implication for Investment Focuses
 - Preferences for secondaries on top of primaries (in terms of blind funds)
 - Private debt/lending as well as private equity (cashflow enhanced with shorter duration)
 - Cash yields/ROEs more important than IRRs based on future capital gains (real estates)
 - Senior Secured as well as subordinated depending on return expectations and the use of proper leverage