(Tentative Translation)

Final Report

November 2013

Panel for Sophisticating the Management of Public/Quasi-public Funds

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I Introduction

In Japan, more than 200 trillion yen worth of financial assets are held by public/quasi-public funds, such as public pensions and incorporated administrative agencies. While these entities (public/quasi-public funds) have undergone reforms from various perspectives, comprehensive and cross-cutting review focusing on their investment management had never been made.

Recently, in order to exit from the prolonged deflationary recession and to revitalize the Japanese economy, the Abe administration, which was established in December 2012, has been pursuing an economic policy consisting of three pillars (called “three arrows”): (i) aggressive monetary policy, (ii) flexible fiscal policy, and (iii) growth strategy for stimulating private investment (Abenomics).

This panel, the Panel for Sophisticating the Management of Public/Quasi-public Funds, was established under the minister in charge of economic revitalization pursuant to the “Japan Revitalization Strategy” (decided by the Cabinet on June 14, 2013) which was formulated as part of the growth strategy for stimulating private investment (the “third arrow” of Abenomics). The purpose of the panel is to provide, bearing in mind the scale and nature of each fund, recommendations on cross-cutting issues pertaining to public/quasi-public funds, such as investment (promotion of diversified investment); matters of governance, including risk management structure; and measures for improving the returns on long-term investments in shares.

(Reference) Japan Revitalization Strategy (Cabinet decision on June 14, 2013)

1. Industry Revitalization Plan –revitalizing human talents, goods and funds

5. Further strengthening Japan’s international competitiveness as a business hub

(6) Management of public and quasi-public funds

The government will consider ways to desirably manage public pensions and financial assets held by incorporated administrative agencies, etc. (public and quasi-public funds).

Desirable management of public and quasi-public funds

At meetings among intellectuals, bearing in mind the scale and nature of each fund, the government will review and obtain recommendations by autumn on cross-cutting issues pertaining to public and quasi-public funds, such as: the management of funds (promotion of diversified investment); matters of governance, including risk management structure; and measures to increase returns on long-term investments in shares.

The panel met for the first time on July 1, 2013, and has had eight meetings in total. In the meetings, the panel discussed the above-mentioned topics and deliberated on the current situation of investment by public and quasi-public funds, which are subject to the panel's review, as well as by other fund management institutions inside and outside Japan. During the course of the discussions, on September 26, 2013, the panel compiled the Preliminary Report summarizing the issues it has discussed based on its deliberations. The panel then continued discussions, and has finally concluded to make the following recommendations with regard to cross-cutting issues for achieving a more sophisticated investment by and risk management structure of public/quasi-public funds in Japan.

It should be noted that, as listed below, the panel primarily focused on the funds for which the government is involved in managing, such as those being uniformly regulated by law or ordinance. However, since these funds vary in sizes and characteristics, the application of each recommendation indicated in this report to each fund should be based on their respective sizes and characteristics.

(Public/quasi-public funds studied by the panel)

- Public pensions (Government Pension Investment Fund (GPIF), National Public Service Personnel Mutual Aid, Local Public Service Personnel Mutual Aid, and Private School Personnel Mutual Aid)
- Incorporated administrative agencies, etc. (incorporated administrative agencies excluding the GPIF, national university corporations, etc.)

II Revising investment in view of post-deflationary economy

1. Objectives of investment

With the aim of exiting from the prolonged deflationary recession, the Abe administration is making efforts to push forward the growth strategy as the third arrow of Abenomics, in addition to the first arrow of aggressive monetary policy and the second arrow of flexible fiscal policy. As the panel is holding a discussion as part of such efforts, there is a view that it should take into account how the relevant investment can contribute to the Japanese economy. However, it must be noted that trustees of these funds are required to invest funds for their respective objectives according to relevant laws (for example, public pension funds are required to invest solely for the benefit of people covered by public pension plans).

Meanwhile, investment of public pension funds is closely related to pension finance and pension systems and is expected by the people to contribute to securing the long-term sustainability of the pension finance system without affecting future pension benefits or leading to a hike in premiums paid by working generations. Investment to benefit the insured will eventually contribute to the Japanese economy, while in turn, each fund will benefit from economic growth through their investment. Therefore, a virtuous cycle of economic growth and investment is expected.

2. Investment targets and policies

(1) Revising portfolios that heavily invest in domestic bonds

Present investment portfolios of public and quasi-public funds that invest heavily in domestic bonds need to be revised to improve returns and hold down interest rate risks, considering the current situation of the Japanese economy, which is shifting from deflation to a mild inflationary environment. When doing so, depending on the features of liabilities of each fund, investment portfolios for portions other than where reserves are expected to be tapped in the near future should be structured from a long-term perspective.

(2) Investment return targets and risk tolerance

Since benefits paid out from some funds are linked to nominal wage growth rate and inflation rates, it is reasonable to set investment return targets as specific rates above the nominal wage growth rate or inflation rates. However, under the deflationary economy, those investment targets might have been too low. Meanwhile, in view of the post-deflationary economy, the targets may become higher than the present level in the future. In light of these factors, it is necessary to appropriately set investment return targets, as well as to consider the risk tolerance, (Note 1) which is inextricably linked to investment return targets.

Investment return targets should be set taking into account the relationship between assets and liabilities. Building portfolios to attain these targets will lead to a "safe and efficient" investment. It is also necessary to make sufficient return-maximizing efforts, including an upward shift of the efficient frontier indicating the relationship between expected returns and risks through measures such as diversification of investments.

(Note 1) After setting a risk tolerance level based on historically observed return fluctuations, it is desirable to conduct forward-looking examination on the risk tolerance level by using risk measurement models and conducting scenario analysis (see also III 2. (1)).

(3) Investment costs

Each fund has been trying to reduce brokerage fees in order to minimize investment costs, leading to a fall in brokerage fees to internationally low levels. This fact can be welcomed, but it may have led the funds to fail in acquiring sufficient information and to lose precious investment opportunities. It may also have hindered the development of financial and capital markets. While more sophisticated investment could lead to a rise in brokerage fees and other costs, in such case, each fund is accountable for increasing its net return in line with the rise in costs.

(4) Investment of surplus money

Incorporated administrative agencies (excluding the GPIF) and national university corporations invest surplus money in safe assets in principle. Depending on the sizes and characteristics of their funds, however, there is a need to adopt a middle-risk, middle-return approach to improve investment returns on the premise of appropriate risk management.

3. Portfolios

(1) Diversifying investments

Under a long-term outlook on benefits and contributions in pension finance, the GPIF and the like should diversify investments by investing in new types of assets (including real estate investment trusts, real estate, infrastructure, venture capitals, private equities and commodities). This should be done taking into consideration the investment models of advanced public pension funds at home and abroad, as well as the market environment development, after establishing the risk management structure discussed below (see III 2. (2)).

Meanwhile, if new types of assets were to be introduced, each fund, taking into account their respective characteristics, would be accountable for gaining people's understanding.

(Note 2) Some pointed out that while investment diversification could lead these investors to be deemed as sovereign wealth funds, there would be no problem as long as they comply with the 2008 internationally agreed code of conduct known as the "Santiago Principles."

(2) Ratio of active investments

Currently, the ratio of active investments is generally low (for example, at GPIF, about 20 percent of domestic equities is actively managed). Consideration should be made to increase the ratio of active investments, depending on the size and characteristics of each fund [(Note 3)].

In active investments, it is sometimes unclear whether the net return will be higher than that of passive investments due to a rise in transaction fees or performance fees. However, although it takes some time to secure necessary personnel and to establish systems, by managing in-house, large fund managers may be able to reduce costs compared to outsourcing management.

In order to implement efficient risk management while increasing the mobility and flexibility of investment, as a part of investment diversification, one possibility would be to specially manage some active investments as baby funds (see II 3. (6)).

(Note 3) Increasing the ratio of active investments will also contribute to improve the efficiency of the market.

(Note 4) Regarding investment management methods, active or passive is one perspective, while in-house or outsourced is another. While most of the investments by public/quasi-public funds are outsourced, accumulation of investment knowledge and experience as well as market information can be expected through in-house management.

(3) Benchmarks of passive investments

Higher returns should be aimed at by selecting benchmarks ingeniously. As a benchmark for passive investments in stocks, many funds track the TOPIX index, which covers all the companies listed on the first section of the Tokyo Stock Exchange. Given that TOPIX includes stocks lacking sufficient investment profitability, funds should consider improvements including tolerating some deviation from the index or using other indexes that enable more efficient investment (including, for example, the use of a new stock index which has been jointly developed by the Japan Exchange Group and Nikkei Inc. and is due to be introduced at the beginning of 2014 (the JPX-Nikkei 400), that takes into account factors such as return on equity (ROE)). Moreover, while some funds choose to manage bond portfolios by index investment, the rationality of such decision should be reexamined from the viewpoint of risk management.

(4) Flexible revision of portfolios and hedging policies

It is true that an investment approach from a long-term perspective is efficient and that portfolio-rebalancing restrains excessive fluctuations in financial markets. However, in view of the recent rapid changes in economic and market environments, it is also important to review portfolios in a timely manner and revise them as required. Accordingly, taking into account the sizes and characteristics of the funds, a more flexible revision of portfolios, including hedging policies, should be considered.

(5) Foreign-assets ratio

Raising the foreign-assets ratio of a portfolio is an effective way of diversifying investments and does have an advantage in having only a small impact on the domestic markets if the reserves are tapped. One the other hand, a decrease in investment in domestic assets could affect the domestic economy. Each fund should appropriately determine its foreign-asset ratio taking into account these factors.

(6) Baby funds

A baby fund is a certain amount set within the fund’s policy asset mix, which is invested in an independent and flexible manner (it may be managed in-house or outsourced). A baby fund could be used to deal with investments across different classes of assets or to especially deal with investments in new types of assets.

Investment may be outsourced by indicating risk tolerance and receiving proposals of asset class options from fund managers. Since a baby fund is relatively small, it can have an advantage in that its portfolio can be substantially changed without having an impact on markets.

III Improving governance and risk management structure

1. Governance structure

(1) Relationship between funds and ministers in charge

For some funds, the minister in charge holds the ultimate responsibility for the investment. Consideration should be given so that such governance structure will not undermine the independence and creativity of the funds.

In the case of a public pension, in particular, the minister in charge serves as the minister in charge of supervising the fund as well as the insurer of the pension. Even in such case, the governance structure should allow funds to fully demonstrate independence and creativity on the premise that the minister has the responsibility to appoint the president while the fund has a fiduciary responsibility as a trustee to the minister.

(2) Need for a collegial decision making system

In order to manage funds, appropriate organizational arrangements are required for funds to fulfill their fiduciary responsibility as trustees. As far as the president of the organization has the sole decision-making power and responsibility under the current non-collegial decision-making system, however, depending on the size and characteristics of the organization, this system may fail to function adequately. A more desirable structure would be a collegial decision-making system where full-time experts, with consideration given to conflict of interest, play a central role in collegially making decisions on key investment.

(3) Securing expert employees

In order to diversify investments and to enhance risk management, it is essential for each fund to introduce leading experts and dedicated pay systems for those experts. Therefore, in order to enable funds to appropriately secure experts and enhance risk management depending on their sizes and characteristics, flexible treatment should be allowed with regard to the restrictions on the number of employees, the wage levels, and expenses of incorporated administrative agencies that have been decided by the Cabinet.

(4) Stakeholders' participation in investment management

A governance structure to reflect the views of employers and employees who pay pension premiums is required at public pension funds. However, since people covered by a public pension scheme include citizens of various generations and positions, and as such funds concern the issue of national burden to maintain the pension system as a part of social security, including tax, stakeholders appointed to the funds' governing body are required to act with due consideration to the interests of all citizens.

(5) Governance structure of large institution dedicated to fund management (GPIF)

Incorporated administrative agencies have a non-collegial decision-making system. In addition, there are restrictions on aspects such as the number of employees, wage levels, and expenses. Large institution dedicated to fund management (GPIF) particularly need to be reformed in light of their sizes and characteristics.

Therefore, from the perspective of fund management, by enacting new legislation in light of the recommendations made in III 1 (1)-(4), such institution should be reformed to a legal entity established based on a governing law specific to that institution. A collegial governing body should decide important policies, and emphasizing the expertise required, the governing body should be given a high level of autonomy and independence on the premise of appropriate information disclosure. Members of the governing body should be selected with a transparent method from among people who have sufficient knowledge of finance and investment. In that case, in light of the OECD Guidelines for Pension Fund Governance, it is desirable to appoint an officer responsible for operations, separate from the chairman of the governing body, in order to segregate the oversight function and the operational function (Pattern 2 in Attachment 1). However, whether it is appropriate to empower the chairman of the governing body to execute operations (as shown in Pattern 1 in Attachment 1) needs to be further discussed in the legislation process considering the corporate governance practice in Japan.

As a transitional measure until the new legislation is complete, it is necessary to push forward reforms that can be made while still taking the form of incorporated administrative agencies. Accordingly, a transitional structure should be developed whereby multiple full-time members are posted to the investment committee, which practically decides on important investment policies, and the president executes the operations based on such decisions. Naturally, the president, directors, and investment committee members should be appointed from those who have no conflicts of interest, and a confidentiality obligation should be imposed on them. Meanwhile, restrictions on the number of employees, the wage levels, and expenses based on Cabinet decisions should be eased as much as possible to increase the expertise of the president, directors, investment committee members, and investment staff.

In light of the need to hold close communication with the markets, large institution dedicated to fund management (GPIF) should be headquartered in Tokyo.

2. Risk management structure

(1) Building portfolios based on forward-looking risk analyses

Public pension funds should conduct forward-looking risk analyses covering both assets and liabilities in view of future economic outlooks (covering interest rates, inflation rates and other macro variables) to build its investment portfolio. Risk analyses based only on historical data are insufficient.

(2) Risk management in line with diversification of investment

When GPIF and the like diversify investments, they are likely to face increased risks associated with the characteristics of the new investments, and in some cases, continuous market value assessment of assets may become difficult. Therefore, efforts will be required to build a risk management structure for each investment program, including allocation of employees with expertise, and to reinforce the framework for managing the risks the entire fund faces in an integrated manner.

(3) Measures in view of post-deflationary economy

It is necessary to consider sufficient risk management and asset assessment in view of interest rate hikes after Japan’s departure from deflation, and to take relevant measures promptly. From such a viewpoint, for example, investment in inflation-linked government bonds, which the government started to reissue recently, should be considered.

(4) Risk management for investment of surplus money

Despite the existing rule that limits the scope of assets for incorporated administrative agencies' surplus money investment to safe assets, there are cases where agencies have invested surplus money in structured investment products and incurred heavy losses. They need to implement risk management measures meeting fund sizes and investment realities, including the adequate use of market prices in fund management.

IV Maximizing returns on equity assets

Each fund, when investing in equity assets including stocks, is required to aim to improve returns on the premise of investing from a long-term perspective. For this purpose, each fund, even if its standing is public or quasi-public, needs to hold close dialogues with investment targets and exercise voting rights appropriately through an investment outsourcer. To this end, each fund needs to publish a policy based on the outcome of the Financial Services Agency's ongoing consideration of the Japanese stewardship code and urge investment outsourcer to comply with the policy. However, care should be taken to prevent excessive involvement of the fund itself in the management of the investment target's business or formal exercise of voting rights based on an across-the-board policy. From such perspective, utilization of investment outsourcers that aim to sustainably enhance corporate value through dialogues with investment targets based on a favorable relationship may be an option [note 5]. Some panel members are of the opinion that ESG (environment, society, governance) factors should be taken into account in addition to financial factors, and each fund should individually consider this matter.

(Note 5) Use of a proxy advisor may become an option if such an advisor with adequate understandings of the management of Japanese companies and operated under appropriate governance structure becomes available in Japan.

V Roadmap for the reform of large institution dedicated to fund management (GPIF)

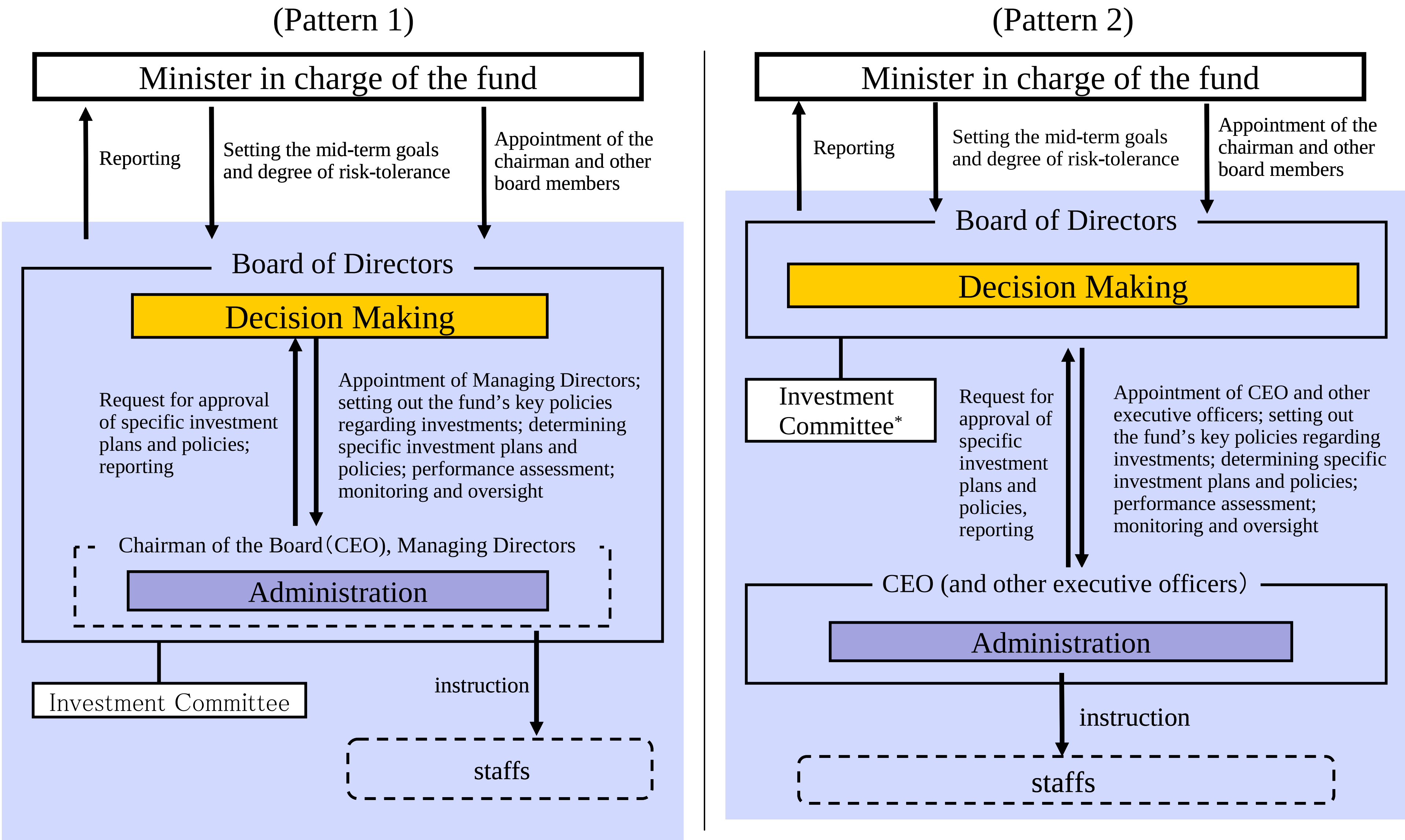
In the process of administrative reform to date, large institution dedicated to fund management (GPIF) has streamlined its organization and carried out investments focusing on safety and efficiency. From now on, it needs to start revising its portfolios without falling behind the changes in the economic and market environments, and to continuously revise its governance, including its management of risks, consistent with portfolio revision. From such perspective, the panel sorted out the improvements to be taken by such organization chronologically, and decided to make specific recommendations as follows: (i) issues to be addressed immediately, (ii) issues to be addressed in about one year, and (iii) targets to be achieved after legal revision (the roadmap shown in Attachment 2).

When proceeding with the reform, it is important to implement portfolio revision in each phase together with the corresponding revision of the governance structure, including risk management, as a set. The panel hopes for prompt and steady progress of the reform.

Bearing in mind the sizes and characteristics of each fund, three mutual aid associations (i.e. pension funds for employees of the national public service, local public service, and private schools) and other large fund managing institutions need to promptly revise their investment and risk management as well, referring to the roadmap shown in Attachment 2.

(Annex 1)

Desirable Governance Structure



(*) The board deliberates and decides on the key goals and main policies such as policy asset mix and asset classes, while more specific investment plan and policies are deliberated and decided at the investment committee consisting of the members of the board and others where appropriate. Establishment of other sub-committees such as risk management committee and governance committee should also be considered.

(Annex 2)

Roadmap for Reforming Fund Management

	Issues to be addressed immediately	Issues to be addressed in about one year	Goal to be achieved
Investment Reform **(Diversifying investments etc.)**	● Revise investments within the current policy asset mix (flexible investment using the permissible range of deviation, reviewing active investment) ● Consider investment return targets and degree of risk tolerance ● Consider the use of new benchmarks in passive investments	● Decide on a new policy asset mix based on the results of the reexamination of pension finance ● Invest in new types of assets (mainly in liquid assets and assets that can be evaluated without difficulty) ● Establish baby funds	● Invest in new types of assets (including illiquid assets and assets of which constant evaluation is difficult)
	Reforms of investment and governance must be implemented as a set		
Risk Management Reform	● Consider and implement measures for risk management in preparation for inflation and interest rate hikes (such as investment in inflation-linked bonds, using derivatives for risk-hedging) ● Consider forward-looking risk analysis	● Build a portfolio based on forward-looking risk analysis taking into account the results of the reexamination of pension finance	● Implement risk management measures corresponding to investment in new types of assets (including illiquid assets and assets of which constant evaluation is difficult)
Governance Structure Reform	● Introduce incentive fees based on mid- to long-term performance of outside portfolio managers ● Consider securing leading experts	● Make investment committee membership a full-time position following the relaxation of limitations on the number of employees, wage level, and costs; hire leading experts	● Establish a governing body and a fund management system with a high level of expertise by reforming to a new type of legal entity

Investment Situation of Public/Quasi-public Funds (1)

(Supplement 1)

<Public Pension Funds>

		Government Pension Investment Fund (GPIF)	Federation of National Public Service Personnel Mutual Aid Association (KKR)	Pension Fund Association for Local Government Officials (Chikyoren)	The Promotion and Mutual Aid Assoc. for Private Schools of Japan (Shigaku Kyosai)
Total Value (end of March 2013)		120.5 trillion yen	7.8 trillion yen	17.5 trillion yen	3.6 trillion yen
Policy Asset Mix	Domestic Bonds	60% (±8%)	80% (±12%)	64% (±5%)	65%(±9%)
	Domestic Equities	12% (±6%)	5% (±3%)	14% (±5%)	10%(±3%)
	Foreign Bonds	11% (±5%)	0% (+1.5%)	10% (±5%)	10%(±3%)
	Foreign Equities	12% (±5%)	5% (±3%)	11% (±5%)	10%(±3%)
	Others	Short-term assets 5%	Short-term Assets 4% (±4%) Real estate 2% (±2%) Lending 4% (±4%)	Short-term Assets 1%(+3%, -1%)	Short-term Assets 5%

*GPIF's policy asset mix before its revision on June 7, 2013: Domestic bonds 67%, domestic equities 11%, foreign bonds 8%, foreign equities 9%, short-term assets 5%.

<Investment Performance>

(% annually)	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
GPIF	8.4%	3.4%	9.9%	3.7%	-4.6%	-7.6%	7.9%	-0.3%	2.3%	10.2%
KKR	3.8%	2.7%	5.4%	2.8%	-0.5%	-3.9%	5.5%	1.2%	2.1%	5.1%
Chikyoren	9.6%	3.8%	12.3%	4.0%	-4.4%	-8.9%	8.0%	-0.2%	2.5%	9.8%
Shigaku Kyosai	2.6%	3.4%	5.8%	4.1%	-2.8%	-7.6%	8.3%	0.2%	1.8%	9.2%

Investment Situation of Public/Quasi-public Funds (2)

(Supplement 2)

<Independent administrative agencies with more than 50 billion yen worth of financial assets as fixed assets>

(100 million yen)

Independent administrative agencies	Supervisory authority	Total Assets	Financial Assets (Fixed assets)	Domestic bonds	Foreign bonds	Money trust	Financial Assets (Liquid assets)	Domestic bonds	Foreign bonds	Money trust	Performance (FY2012)
Organization for SMEs and Regional Innovation, Japan	METI	114,078	55,153	55,080	0	0	29,924	8,476	0	16,789	3,522
Organization for Worker's Retirement Allowance Mutual Aid	MHLW	56,199	22,769	21,769	1,000	0	24,153	3,919	0	19,788	2,960
Farmers Pension Fund	MAFF	6,296	1,687	468	0	1,219	436	342	0	0	156
Agriculture, Forestry, and Fisheries Credit Foundation	MAFF MOF	3,280	891	891	0	0	587	314	0	0	15
Japan Oil, Gas and Metals National Corporation	METI	13,202	871	565	0	0	1,490	366	0	0	7
Agriculture & Livestock Industries Corporation	MAFF	4,752	839	839	0	0	3,753	71	0	0	15
Environmental Restoration and Conservation Agency	MOE	3,099	826	656	41	0	1,743	1,318	0	0	13
Japan Arts Council	MEXT	2,415	733	502	133	0	78	25	0	0	15
Japan Foundation	MOFA	761	547	461	79	0	98	41	5	0	12
Total of all independent administrative agencies (100 agencies excluding GPIF)		1,904,504	86,485	82,866	1,395	1,239	419,368	48,666	5	42,625	―
National University Corporation（total of 86 corporations）		97,943	936	703	(Others) 234		8,417	1,558	(Others) 243		―

(Note 1) METI: Ministry of Economy, Trade, and Industry; MHLW: Ministry of Health, Labour, and Welfare; MAFF: Ministry of Agriculture, Forestry and Fisheries; MOF: Ministry of Finance; MOE: Ministry of the Environment; MEXT: Ministry of Education, Culture, Science and Technology

(Note 2) Fixed assets are deposits with a maturity of one year or more, securities held for trading, and securities other than JGBs, local government bonds, government guaranteed bond and other bonds that are maturing within a year.

(Note 3) Figures of Organization for SMEs and Regional Innovation, Japan are as of the end of March 2012.

Pension Funds Investing in the Market

(Supplement 3)

		U.S.A. (State/Local Gov.)	Canada	Norway	Netherland	Sweden	Japan (Corporate Pension)
		California Public Employees' Retirement System (CalPERS)	Canada Pension Plan Investment Board (CPPIB)	Government Pension Fund Global (GPFG)	National Civil Pension Fund (ABP)	National Pension Fund (AP1-4)	Pension Fund Association (PFA)
Total Assets		About 25 trill. yen (end of June 2013)	About 17 trill. yen (end of March 2013)	About 67 trill. yen (end of March 2013)	About 34 trill. yen (end of March 2013)	About 11 trill. yen (end of December 2012)	10.7 trill. yen (end of March 2013)
Policy Asset Mix	Domestic Bonds	17%	30%	Foreign Bonds 35-40%	39%	36-38%	Policy asset mix is dynamically-set in accordance with the funding level: Funding level below 100% Bonds 57% Equities 43% ↓ Funding level over 115% Bonds 80% Equities 20%
	Foreign Bonds		5%				
	Domestic Equities	64%	10%	Foreign Equities 60%	31%	46-53 %	
	Foreign Equities		55%				
	Others	Real estate 15% Liquid assets 4%	—	Real estate etc. up to 5%	Real estate, infrastructure, PE, alternative investments 30%	Real estate, PE etc. 11-17%	
Number of Employees		2,626	906	336	4,143	248	153

(Note 1) Canada's Policy Asset Mix is of the reference portfolio (actual investment including real estate, infrastructures, and etc.).
(Note 2) Swedish AP1-4's asset mix is the actual portfolio at the end of 2012. Total assets and number of employees are the total of AP1-4 funds.
(Note 3) PFA's assets include those transferred from employees' pension fund (portions of which were managed on behalf of the public pension).
(Note 4) "Number of employees" listed above may include (a) those not directly associated with fund management, and (b) members of the board.
(Note 5) Total assets are calculated at the following rate: 1USD=98JPY, 1EUR=118JPY, 1CAD=90JPY, 1NKR=16.02JPY, 1SEK=12JPY

<Performance>

(% per annum)	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
CalPERS	23.3	13.4	11.1	15.7	10.2	-27.8	12.1	12.6	1.1	13.3
CPPIB	17.6	8.5	15.5	12.9	-0.3	-18.6	14.9	11.9	6.6	10.1
GPFG	12.6	8.9	11.1	7.9	4.3	-23.3	25.6	9.6	-2.5	13.4
ABP	11.0	11.5	12.8	9.5	3.8	-20.2	20.2	13.5	3.3	13.7
AP1	16.5	11.4	17.5	9.8	4.8	-21.7	20.4	10.3	-1.7	11.4
PFA	21.2	5.8	22.7	5.6	-9.9	-18.3	17.9	-0.5	2.1	15.4

(Note) FY of CPPIB and PFA are from April to March the following year, while FY of others funds are from January to December.

(Reference 1)

Panel for Sophisticating the Management of Public/Quasi-public Funds
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Professor Yasuhiro YONEZAWA
Graduate School of Finance, Accounting and Law
Waseda University

(Reference 2)

Panel for Sophisticating the Management of Public/Quasi-public Funds

Meeting Agendas

	Meeting Agenda
# 1 July 1	- About the Panel
# 2 July 30	- Hearing on the current situation of investment by public pension funds (Government Pension Investment Fund (GPIF) / Ministry of Health, Labour and Welfare; Federation of National Public Service Personnel Mutual Aid Associations (KKR) / Ministry of Finance; Pension Fund Association for Local Government Officials / Ministry of Internal Affairs and Communications; The Promotion and Mutual Aid Corporation for Private Schools of Japan / Ministry of Education, Culture, Sports, Science and Technology-Japan)
# 3 August 23	- Hearing from Ontario Municipal Employees Retirement System (OMERS) - Hearing on the current situation, etc. of investment of independent administration agencies and national university corporations (from Ministry of Internal Affairs and Communications and Ministry of Education, Culture, Sorts, Science and Technology-Japan)
# 4 September 12	- Hearing on fund management from Mizuho Pension Research Institute Ltd. and Pension Fund Association
# 5 September 26	- Discussion for the Preliminary Report
# 6 October 15	- Discussion for revising the governance structure including risk management, etc.
# 7 October 30	- Discussion for the Final Report
# 8 November 20	- Discussion for the Final Report