

# The Pension Support Fund, Ltd.

GRAVITAS to launch innovative and cost efficient pension unfunded liability gap solution

Having successfully put together the Sovereign Debt Redemption Fund, Ltd., and the Global Opportunity Fund, Ltd. the Washington-DC based investment boutique now introduces an innovative platform to support pensions.

Eric-V. Guichard, Chief Investment Officer, details the Pension Support Fund's proposition.



Photo: Gloria Kirk

Eric-V. Guichard, Chief Investment Officer

## Please explain the premise that led to the creation of the Pension Support Fund, Ltd.

We started out with a closer look at assumptions underlying conventional wisdom about pension shortfalls – specifically as they relate to non-OECD countries. We noted three important observations: (a) relatively little emphasis given to demographic disparities between OECD and non-OECD countries; (b) the assumption that non-OECD pensions could access capital efficiently and at-will; and (c) a high level of local currency liquidity lacking domestic investment vehicles, which is especially the case in non-OECD countries. Combining those key factors, we concluded that a reasonable solution could be found to resolve unfunded pension liabilities in non-OECD countries.

## Given that background, what is Pension Support Fund meant to achieve?

We set out to create a platform where pension funds could hedge out their future pension liabilities with a fairly high level of confidence. As structured, the Pension Support Fund achieves three key objectives: (a) it provides a framework for easy and timely access to capital; (b) it fulfills actuarial pension mandates; and (c) it provides local currency conduits to invest excess liquidity at enhanced yields.

## Providing cost effective capital access to pensions is key – how does the Pension Support Fund provide cheaper capital than what most sovereigns can access?

Our goal is to create flow-through structures to pierce through sovereign rating constraints and deliver to Pensions competitive access to capital, priced at AAA rated levels. For instance, we believe remittance flows can play a key role in enhancing credit ratings. We deliver this access to competitive capital unfettered by economic or financial conditionalities or constraints.

## Can you clarify the role of local currency conduits?

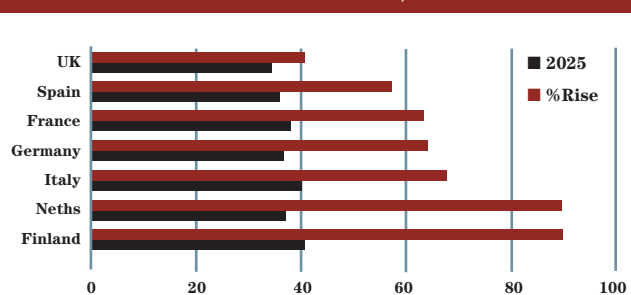
Sure. To address local currency excess liquidity, you need structures that generate acceptable yields while mitigating typical risks. We achieve this by developing regional exposures that are acceptable to Pensions and diversify their risks while generating attractive local currency returns. Key here is the deepening of local capital markets via these GRAVITAS designed conduits.

## This is the third in a string of innovative ideas coming out of GRAVITAS. What is your creative process?

Actually, we do not set out to be creative. It is more a byproduct of a concerted effort on our part to understand intricate problems and find workable solutions. It is obviously a tremendous amount of work – but we enjoy it. At the core of the firm, we are about finding applicable solutions.

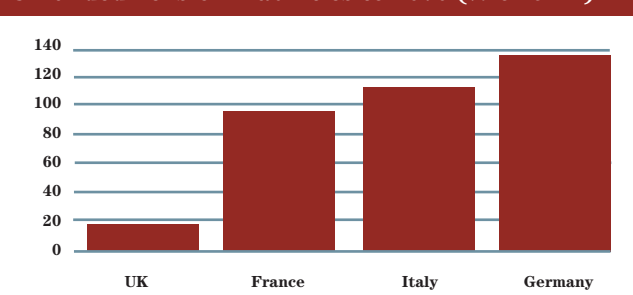
There is a quote I once read which captures what may qualify as our process: “There is nothing we value more than the opportunity to analyze and unravel complex issues and deliver an intelligent solution.” Voltaire once said: “No problem can withstand the assault of sustained thinking.” As a firm, we subscribe to that belief. We are about discovering elegant solutions to complex problems, and we truly enjoy the process. ■

### Retirees in 2025 as % of workers, and % rise on 1995



Source: OECD

### Unfunded Pension Liabilities to 2070 (% of GDP)



Source: OECD

For more information, contact: GRAVITAS Capital Advisors, LLC, 601 Pennsylvania Avenue, NW, Suite 900 - South, Washington, DC 20004 Tel: 202-434-8341 • Fax: 202-234-6344 • [www.gravitascapital.com](http://www.gravitascapital.com)

