

## CALL FOR RESEARCH PROPOSALS

### OVERVIEW:

The [Pacific Center for Asset Management](#) (PCAM) at the University of California San Diego was founded in 2019 with the mission to improve the dialogue between major asset owners around the world -- including sovereign wealth funds, pension funds, foundations and their beneficiaries – and the academic community in economics and finance. With the input of members of a CIO Advisory Council and an Academic Advisory Council, we seek to identify topics that are under-researched, but of high importance in asset management, and invite proposals for independent academic research on them. Benefits to academic researchers is financial support for relevant new research, access to new data sets and tools shared by member asset owners/CIOs, and a venue to present new research, to network with, and to gain feedback from industry experts.

### TOPICS:

This year we identified the following topics:

- *Costs of sustainable investing:* Asset owners and managers overseeing trillions of dollars seek to incorporate environmental, social, and governance (ESG) considerations into their investment process. Pension plans' fiduciary duty and legal constraints differ from other institutional investors because they have a delegated authority to care for their beneficiaries' retirement income with an intergenerational mandate. In recent years, the push from pension boards to add sustainable, ESG-related investments to portfolios has surged, yet investors have little guidance on how to incorporate it into portfolio choice. Opinions differ dramatically across academics and practitioners about whether sustainable, ESG-related investing will help or hurt performance. Research questions could include: does sustainability come at the expense of lower returns? Should pension funds should use more leverage when investing in the stocks of ESG-friendly firms? And if so, how much leverage? Is there a trade-off in returns performance between ESG- and non-ESG-friendly stocks over the short and long term?
- *Pension fund governance systems:* Defined benefit (DB) pension funds promise retirement benefits that depend on the employee's earnings history, tenure of service, and age. They typically pool the assets of multiple generations and allow for inter- as well as intra-generational risk sharing. This risk-sharing can create a conflict of interest among different stakeholders or across generations, particularly when a DB pension fund is underfunded. Incentives of different pension fund trustees as stakeholders – plan participants, state employers, taxpayers – manifest themselves in the governance systems of the DB funds. From a governance perspective, do pension plan portfolios perform better with more or less board oversight from plan participant elected trustees, from state-political board members or from others? Key topics featured in successful

proposals on pension fund governance systems could include: pension plan organization and management, plan sponsors and governance, portfolio and risk management, investment mandates, delegating investment, asset manager selection, and investment styles.

- *The challenge of biases in pension fund investment decisions:* Pension funds investment behavior in the US and globally has been found to be persistent over time. Persistence has been associated with conjectures that belief biases such as over-optimism, reputational concerns, inertia, over-reliance on consultants, social influences like social norms and peer effects, all impact fiduciary investment behavior. What belief biases are holding back the pension fund investment decisions? What norms need to be broken or tested? How can we measure innovation versus stagnation in investment policies at a pension plan so that pension fund trustees can assess current status and impact of changes? Key topics featured in successful proposals on this topic area could include portfolio management, pension, plan sponsor composition, risk management, change management, social and behavioral biases.

### **SUBMISSION PROCESS:**

The PCAM calls for scholars to submit a proposal for a research project that addresses one of the three topics. Proposals will be reviewed by a committee drawn from the PCAM Academic Advisory Committee. The review committee will be chaired by Professor Andrew Karolyi of Cornell University. The goal is to fund one project for each of the three topics.

Proposals should be no longer than 5 pages and should describe the research idea, expected methodology to be employed, and data requirements. If a proposal is related to an existing working paper or publication by the submitter, then these are also welcome as part of the submission. Principal and co-investigators should submit updated CVs.

### **BENEFITS AND EXPECTATIONS FOR PROPOSAL WINNERS:**

The PCAM can provide summer support for faculty, support for research assistants, assistance in procuring data sets, and expenses for attending PCAM meetings together with members of the CIO Advisory Council and Academic Advisory Council.

PCAM-supported researchers are expected to provide a brief written quarterly research update on the progress of the funded research project and to be available to present a brief research update to the PCAM Advisory Councils at their semi-annual meetings (either virtually or in-person). The next semi-annual meeting is scheduled for January 2022 (date to be announced).

Ultimately, the completed research papers that come from the proposals will be presented at the PCAM Annual Conference at the University of California San Diego, Rady School of Management scheduled for January 2023. The aim of this forum is to bring together academics and industry leaders in a unique format to discuss frontier issues in investment management from multiple perspectives. The program will consist of an all-day academic conference with presentations by scholars and discussions by scholars and leading chief investment officers of major asset owners in the U.S. and Canada, as well as other market participants from asset

management. A good mix of academics and industry practitioners should lend itself to insightful discussion. There will also be ample opportunities to interact with the conference participants outside of the formal panel sessions. In addition to the three PCAM-sponsored papers, we expect to invite additional papers through an open and competitive call for each research topic for presentation at the conference.

PCAM members include:

*CIO Advisory Council*

Chris Ailman, California State Teachers Retirement System (Chair)  
Maggie Davis, British Columbia Investment Management Corporation  
Rod June, Los Angeles City Employees Retirement System  
Michael Wissell, Healthcare of Ontario Pension Plan  
Molly Murphy, Orange County Employees Retirement System  
Amit Prakash, Alberta Investment Management Corporation  
Steve Sexauer, San Diego County Employees Retirement Association  
Betty Tse, Alameda County Employees Retirement Association

*Academic Advisory Council*

Robert F. Engle, New York University  
Itay Goldstein, University of Pennsylvania  
Wei Jiang, Columbia University  
Andrew Karolyi, Cornell University  
Kathleen McGarry, UCLA  
John Shoven, Stanford University  
Laura Starks, University of Texas Austin

*Industry Advisory Council*

Robert Koenigsberger, Gramercy Funds Management (Chair)

Executive Directors: Graham Elliott and Michael Melvin, U.C. San Diego  
Managing Director: Joe Sturtevant, U.C. San Diego

**SUBMITTING A PROPOSAL:**

To submit a proposal please send your submission by **November 15, 2021** to Joe Sturtevant at [jsturtevant@ucsd.edu](mailto:jsturtevant@ucsd.edu). The expectation is that the proposal selection process will conclude with authors informed of a decision by **December 15, 2021**.