

2nd Annual

Asset/Liability Management Forum

*Innovative ALM and ERM Tools
for Insurance Companies, Banks
and Pension Funds to Achieve
Risk-Adjusted Returns on Capital*

May 16-17, 2005 • Westin Times Square • New York City

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The Westin New York at Times Square

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Section II – DAY ONE

8:30 Welcome & Chair's Introduction

**8:40 Keynote Address: Barton Waring, *Managing Director, Head of Client Advisory Group,*
Barclays Global Investors**

9:00 Current and Emerging Trends in ALM for Financial Institutions

- The changing role of ALM: synergies and differences between ALM and ERM
- Integrating the ALM function with:
 - Risk management: how should the ALCO and the risk committee be aligned?
 - Corporate finance
 - Balance sheet management, accounting and financial reporting
- Analyzing key ALM challenges faced by the different financial institutions:
 - Short-term obligations: banks
 - Long-term obligations: insurance companies; public and private pension funds
 - Mortgage companies
 - Government-sponsored enterprises
 - Credit unions
- Overview of recent and upcoming regulatory developments and their impact on ALM:
 - Pension funding rules
 - Accounting regulations

- The search for alpha: how is the growth in alternative investments impacting ALM? How to add alpha whilst managing the associated risks?
 - The role of portable alpha

Moderator: Mark C. Abbott, *PRMIA Board of Directors & Managing Director - Quantitative Research, ALM and Risk Management, Guardian Life Insurance Company*
Roy Henriksson, *Director of Research, Advanced Portfolio Management*
Prakash Shimpi, *Practice Leader, Enterprise Risk Management, Towers Perrin*
Leo L. Tilman, *Senior Managing Director & Chief Institutional Strategist, Bear Stearns & Co, Inc.*

10:00 A New Approach to Asset/Liability Management

Mean-variance approaches to ALM are insensitive to thresholds, such as the transition from surplus to deficit. This session will present an alternative to the mean-variance framework called full-scale optimization, which explicitly addresses the preferences of threshold sensitive investors. Learn how full-scale optimization yields substantially different portfolios than mean-variance optimization for threshold sensitive investors.
Mark P. Kritzman, *President & CEO, Windham Capital Management, LLC*

10:20 Morning Break

ALM TOOLS & STRATEGIES

10:40 Innovative Investment Strategies: Leveraging Structured Products and Derivatives as an ALM Tool

How to get equity exposure whilst achieving risk-based return on capital:

Securitized Products

- Mortgage-backed securities: pass-throughs; CMOs
- CDOs
- ABCP

Derivatives

- Using Derivatives in both asset and liability management:
 - Embedded options
 - Interest rate futures
 - Swaps
 - Hedging
- Portfolio analysis and optimization using credit derivatives
- Identifying and managing interest rate risk in derivatives
- Accounting, taxation and financial reporting for derivatives: the implications for your balance sheet

James F. Smith, *Equity Derivatives Group, JPMorgan Chase*

11:20 Hedging Strategies: The Role of Portable Alpha in ALM

- How are liability-sensitive investors currently achieving alpha? How are they managing the associated risks?
- How does portable alpha provide liability-adjusted Alpha?
- Tactical asset allocation and portable alpha
- Implementing a portable alpha strategy
- The use of exchange-traded and OTC derivatives to port alpha exposure onto beta exposure

Moderator: Theodore M. Theodore, *President & Chief Investment Officer, OAM Avatar, LLC*

Edgar E. Peters, *Chief Investment Officer, PanAgora Asset Management*

Robert McFall Lamm, Jr., *Chief Investment Strategist, Global Portfolio Management, Deutsche Bank*

Ronald J. Ryan, *President, Ryan ALM*

12:00 New Techniques for Enterprise-Based Investment Performance Measurement

- Developing an enterprise-based asset allocation ALM framework
- Maximizing after-tax fixed income total returns with optimized after-tax book income
- Customizing pre-tax and after-tax book income and total return benchmark indices

Jim Bachman, *VP, General Re-New England Asset Management*

Phil Galdi, *Managing Director, Merrill Lynch*

12:50 Q&A

1:00 Lunch

2:30 – 5:30 TRACK 1: ALM for Insurance Companies

Track Moderator: John Walsh, *Publisher, Reactions*

2:30 Discussing Key ALM Challenges and Strategies within the Insurance Industry

- Recent regulatory, economic and global developments impacting the assets and liabilities of the insurance industry
- Understanding and comparing emerging ALM, ERM and capital management practices amongst different types of insurance companies:
 - Life insurance
 - P & C
 - Disability
 - Reinsurance

Leo de Bever, *Executive Vice President, Global Investment Management, Manulife Financial*

3:15 Examining the Latest Risk Management Applications for Life Insurance Companies

- ALM applications for:

- Annuities (fixed/variable)
- Life insurance
- Models for managing:
 - Interest rate risk
 - Equity market risk
- The use of derivatives as an ALM tool for life insurance
- Interaction between those managing assets and those managing liabilities

Ram V. Kelkar, *Director of ALM Strategy, Allstate Financial*

3:45 Afternoon Break

4:15 ALM Organizational Models in Insurance Companies

- The different mandates of an ALM function
- Organizational structure of ALM and coordination with other functions (actuarial, asset management, etc)
- The role of ALM in core insurance processes

Leo Grepin, *Principal, McKinsey and Company*

4:45 Emerging Best Practices for Modelling Risk

- Industry standards for liability modelling
- Determining optimal durations
- Actuarial assumptions on liabilities

Chris Suchar, *Executive Vice President, North American Operations, DFA Capital Management, Inc.*

5:15 Interactive Q&A Session

5:30 End of Day One, followed by Cocktail Reception

2:30-5:30 TRACK 2: ALM for Banks

2:30 Examining the Tools and Strategies used by Banks to Manage Liabilities

- Examining the scope and effectiveness of current modelling capabilities
- What tools are currently available for forecasting liabilities?
- How are banks financing their liabilities?
- What procedures are being used for liability management and how effective are these?

Bart Miller, *Senior Liquidity Specialist, Federal Reserve Bank of Chicago*

3:15 Global Best Practices in Asset Liability Management for Banks

- Framework for analysis of global best practices
- Global database, surveys and case studies

- How to implement best practices in your institution's action plan
Sam L. Srinivasulu, PhD, GFTT - Global Financial Training and Technology (a Division of Kesdee)

3:45 Afternoon Break

4:15 Analyzing and Managing Credit and Interest Rate Risk (IRR) - A New Integrated Approach

ALM requires determining the distribution of economic value of equity (EVE) over a time horizon. What is the appropriate analytical framework? How to implement the model? This session will present two new models, the interest rate model and the credit risk model, that can provide a practical solution to the problem. The session will also describe the pathwise immunization approach to managing interest rate and credit risk on the balance sheet coherently, as well as providing applications of these approaches to ALM, including how to satisfy regulatory requirements.

Thomas S. Y. Ho, *President, Thomas Ho Company, Inc*

5:15 Interactive Q&A Session

5:30 End of Day One, followed by Cocktail Reception

Section III - DAY TWO: Tuesday, May 17, 2005

8:45 Chair's Wrap-up of Day One

9:00 Examining the ALM Models of Government-Sponsored Entities

An insight into the ALM strategies used by Freddie Mac within the context of its overall risk management framework:

- The unique funding model of GSEs and associated ALM characteristics
- Strategies for hedging asset/liability risk:
 - Use of options and derivatives
 - Debt issuance
- Measuring and managing interest rate risk
- Reporting and disclosure of risk
- Prepayment models

Devajyoti (Doc) Ghose, *Vice President, Convexity Management, Freddie Mac*

10:00 Panel Debate: Discussing Current and Emerging Pension Liabilities and the Impact of Impending Pension Reform

- What has been the effect of the 2004 Pension Funding Equity Act? What will be next?

- Determining the ramifications of pending reforms for plan sponsors' ALM strategies - Will the pricing of assets be reformed? What are the implications and how to prepare?
- How can pension funds manage interest rate and inflation risks?
- Emerging trends in the use of ALM benchmarks/indices

European pension liability management

- What level of under-funding exists in DB schemes? How are these liabilities being managed, and what lessons can be learned for U.S. pension plans?

Jared Gross, formerly *Special Advisor, Investment Policy, Pensions Benefit Guaranty Corporation (PBGC)*

David Hennessy, *Vice President, Research Affiliates, LLC*

John M. Mulvey, *Professor, Operations Research and Financial Engineering, Bendheim Center for Finance, Princeton University*

10:45 Morning Break

11:15 ALM Strategies Implemented by Public and Private Pension Funds

Public Pension Funds

- How much risk can you afford to take?
- Strategic asset allocation: when to hedge and when to reallocate?
- Actuarial practices for hedging pension fund risk
- Marking liabilities to market versus smoothing, deferrals, etc
- Examining the use of POBs (pension obligation bonds)
- Communicating risk management/ALM practices to shareholders and regulators
- Future trends in public pension fund investment strategies from an ALM perspective

Corporate Pension Funds

- Managing your ALM strategy in-house vs. outsourcing to third parties
- Integrating your contribution policy with your investment policy

Kurt Winkelmann, *Managing Director, Head of Global Investment Strategies, Goldman Sachs Asset Management*

12:15 Lunch

1:30 Accounting Update: The Future of Fair Value Accounting and its Impact on ALM

- At what level are the U.S. regulators likely to adopt the IASB's fair value accounting rules? When will these be introduced? How to prepare?

- Other accounting regulations: balance sheet management strategies for complying with:
 - FAS 133
 - FIN 46
 - EITF 03-1

Elias Habayeb, Partner, Global Capital Markets Group, Deloitte & Touche LLP
Leslie F. Seidman, Board Member, Financial Accounting Standards Board (FASB)

2:30 Interactive Q&A Session

2:50 Chair's Closing Remarks

3:00 End of Conference

Section IV - Institutional Investor Events Calendar