Topics in Investments: Managing Retirement Wealth, Spring 2011

6 Classes Tuesdays 6:00 to 9:00 pm, Room: KMC 3-120
February 1 through March 16
B40.3176.30
Office Hours 4:30 to 5:30 on Tuesdays at KMC 8-51

John H. Biggs
Former Chairman and CEO of TIAA-CREF, one of the largest Retirement Income Providers in the U. S.; Current Chair of the Audit Committee of Boeing; at Stern: an Executive in Residence and Adjunct Professor of Finance

Orla Berg
Guest Lecturer, Principal at PriceWaterhouseCooper, and Fellow of the British Institute of Actuaries

This course will cover three broad subjects:

(1) What are successful strategies for individuals to accumulate, manage and protect their retirement wealth? The course will also explore why most American fail to use such strategies.

(2) What are opportunities in managing the $12 trillion of accumulated U.S. retirement wealth? What are the opportunities for investors, advisors and analysts?

(3) What are the problems and solutions for financing our national, state and local government retirement entitlements?

Textbooks:

Textbooks for the course will cost less than $50 at current Amazon.com prices for new editions, and are also available at the NYU professional bookstore.
Coming Up Short by Alicia Munnell on 401(k) plans

Fundamentals of Employee Benefit Programs, a handbook published by the Employee Benefit Research Institute (Several copies are available at the Professional Bookstore and unlimited at Amazon .com. But you can download free the chapters to read using the following link; http://ebri.org/publications/books/index.cfm?fa=fundamentals

Nudge: Improving Decisions about Health, Wealth and Happiness by Richard Thaler and Cass Sunstein (Nudge was given a Best book of the Year Award by the Economist, and anyone aspiring to be a “Master” of Business Administration should read it in its entirety. wwe will focus on Part II, Money)

Teaching Method:

Lectures and guest presentations will be used in the course.

Guest Lecturers will include an actuarial expert on defined benefit plans in mergers and acquisitions, an authority on government pensions plans, one on long term care insurance and another on investment strategies

Student participation will be expected and evaluated. Attendance is important. Be sure to bring your name plates and sit in the place you select on the seating template in the first class.

Case studies and interesting related media coverage will be put on Blackboard for class discussion.

The NYU ethic policies will apply to all aspects of the class.
Grading:

Class participation: 20%

One take home, multiple choice problem set: 30%

A final exam will be a two hour, timed based set of four essays, selected by you from 6 possible questions: 50%

Outline of Classes

Class 1. February 9, 2010

Introductions

Review of Course Purposes

Initial Preferences and Opinions of Students

Broad Review of Course Content

Discussion of DB vs. DC Plans

Value of Tax Deferral

Brief Review of Federal Regulation of Pension Plans

Reading Assignments for Class 1

<table>
<thead>
<tr>
<th>Munnell</th>
<th>pp 183 -187 in Appendix</th>
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<tr>
<td></td>
<td>Pp 1-14</td>
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EBRI Handbook

- pp XVII and XVIII in Preface: 2 pages
- Pp 3-10 Introduction: 9 pages
- Pp 13-19 Soc. Security: 7 pages
- Pp 43-60 Retirement Plans: 18 pages
- Pp 63-70 DB and DC: 8 pages

Social security Fact Sheets
- Blackboard: 9 pages
- Total: 72 pages

Lecture PowerPoints
- Blackboard

Class 2. February 16, 2010

Deep Dive into Pension Plan Finance (preparation for Orla Beggs Lecture on February 23)

Further DB Plan Structures, including hybrid plans, e.g. Cash Balance

Brief summaries and analysis of:
- Accounting for Pension Plans
- Investments and Funding
- Corporate Finance Issues

Use Boeing as example

Readings for Class 2

EBRI Handbook
- pp 171-177: 8 pages
- Reread pp 56-58: 2 pages
- pp 63-71: 9 pages
- pp 101-109: 9 pages
- pp 121-126: 6 pages
- pp 155-161: 7 pages

Accounting Paper
- Blackboard: 10 pages

Boeing Accounting Footnote
- Blackboard: 5 pages

NISA Document
- Blackboard: 14 pages
Class 3. February 23, 2010

Orla Beggs, an actuary at PwC involved in pension plan issues in mergers and acquisitions will describe the application of DB finance issues to the valuation of companies

Summarize the important points of DB to managing retirement wealth

Introduce DC Plans
   Possibly one or two student presentations.

   Major issues where mistakes are made in DC plans

Readings for Class 3

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<thead>
<tr>
<th>Source</th>
<th>Chapter</th>
<th>Pages</th>
<th>Total</th>
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<tbody>
<tr>
<td>Munnell</td>
<td>Chapter 2</td>
<td>pp 15 to 52</td>
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<tr>
<td>EBRI</td>
<td>Chapter 8</td>
<td>pp 79 to 91</td>
<td>12 pages</td>
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<tr>
<td>TIAA-CREF vs. 401(k)s</td>
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Need a good paper in Blackboard that describes financial accounting issues, leading into Orla’s talk (perhaps she has something??)

Class 4. March 2, 2010

Cash Balance and ESOPs
History and interrelationship between 401(k)s and IRAs

Participation and Contribution Mistakes that Lead to less Retirement Wealth

Leakages from 401(k)s

Behavioral Finance Applications to 401(k)s

**Readings for Class 4**

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<th>Chapter(s)</th>
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<tr>
<td>Munnell</td>
<td>Chapter 3</td>
<td>pp 53-68</td>
<td>16</td>
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<td>Chapter 6</td>
<td>pp 125-143</td>
<td>19</td>
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<td>EBRI</td>
<td>Chapters 9 and 10</td>
<td>pp 93-109</td>
<td>16</td>
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Total 51 pages

**Class 5. March 9, 2010**

Investment Management of 401(k)s

Lecture by Professor Martin Gruber, a recognized authority on investing 401(k) funds

Review financial planning issues surrounding the investment of 401(k) and IRA Assets

Mistakes made by investors and further Behavioral Finance applications.
Readings for Class 5

Munnell
Chapter 4 pp 68-95 28 pages
Chapter 5 pp 95-125 30 pages
Total 58 pages

Class 6. March 16, 2010

How to manage retirement wealth in retirement

Professor Gary Simon will give a brief lecture on the dilemma of how to finance the risk of high cost long term care.

Future of Social Security and Medicare

How to manage assets and spending post retirement. Role of annuities

How to provide for medical and long term care post retirement.

Final exam released, to be done in 2 hours, and completed by March 23.

Readings for Class 6

Munnell
Chapter 7 pp143-172 18 pages
Chapter 8 pp 172-183 12 pages

Biggs Trainwreck Blackboard 8 pages
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<th>Title</th>
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Total 75 pages