

# DANIEL SMITH

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## EDUCATION

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**Boston College Carroll School of Management** 2020-2025  
Ph.D. in Finance

**MIT Sloan School Of Management** 2018-2019  
Master of Finance  
Awards: Dean's Master of Finance Fellowship

**Northeastern University** 2009-2014  
Bachelor of Science in Economics and Mathematics  
Honors: *cum laude*

## RESEARCH INTERESTS

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Empirical Asset Pricing, Political Economy, and Municipal Finance

## WORKING PAPERS

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### **Electoral Accountability and the Pricing of Fiscal-Policy Risk**

*Job Market Paper*

**Abstract:** Political parties can adopt policies that entrench their electoral advantage and reduce voters' ability to influence government decisions. I show that this erosion of electoral accountability is a priced source of risk in municipal bond markets. Using state-level measures of electoral entrenchment—including partisan gerrymandering and the cost of voting index—I find that reduced voter influence over fiscal policy is associated with significantly lower tax-adjusted municipal bond spreads, regardless of which political party benefits. I then examine why bondholders reward entrenchment. The evidence suggests that when politicians are less responsive to voters, they are more willing to undertake politically unpopular fiscal actions—such as tax increases or public pension reforms—that strengthen the state's fiscal position and benefit bondholders. These results highlight voters' ability to constrain fiscal policy as an important dimension of political risk reflected in state borrowing costs.

### **Pension Risk and State Borrowing Costs**

**Abstract:** I show that increased investment risk-taking by US state public pensions is reflected in higher borrowing costs for the state. I measure borrowing costs as municipal bond tax-adjusted spreads and credit default swap spreads. I use the pension funds' 5 % value at risk as a measure for risk. A one standard deviation increase in the value at risk of a state's pension system results in a 4.6 basis point increase in the municipal bond tax adjusted spread and a 9.5 basis point increase in the CDS spread. The relationship I identify is robust and statistically significant, controlling for the funding level of the plans, the state's revenue and expenses, and revaluing the funds' liabilities to reflect finance principles better. Additionally, within municipal bonds, I demonstrate an interaction between the plan's funding status and value at risk such that the worst a pension system is funded, the more risk-taking matters for the total effect on the tax-adjusted spread.

## PUBLICATIONS

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## How Much Can Collective Defined Contribution Plans Increase Risk-Sharing?

*With Deborah Lucas*

*Journal of Investment Management* Vol. 18, No. 4 (2020): 1-27.

**Abstract:** Collective Defined Contribution (CDC) plans have been suggested as an attractive and sustainable alternative to public sector DB plans. A CDC plan is a hybrid structure, designed to provide more predictable retirement benefits than a traditional DC plan while operating at the lower cost of a DB plan. It does this by sharing investment risk across worker cohorts and centralizing asset management. We develop a model of an unsubsidized CDC plan and use it to characterize the risk-sharing rules and investment policies that maximize a “scheduled benefit” for retirees that is almost always achieved or exceeded. We compare the outcomes under the CDC system with those from an otherwise similar options-augmented DC model, where participants have access to self-financing strategies that involve trading in one-year put and call options. The ability to effectively trade long-dated options in the CDC framework delivers a somewhat higher scheduled benefit than can be achieved by self-insuring in an options-augmented DC plan. However, under current contribution policies, the scheduled benefit in the CDC plan falls short of what most would consider an adequate retirement income.

## WORKS IN PROGRESS

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### Local Fiscal Policy

*With Nancy Xu*

### How Sustainable Are Public Pension Plans? A Stochastic Analysis of Policy Alternatives

*With Deborah Lucas, Byron Lutz, Louise Sheiner*

**Abstract:** How concerned should policymakers be over public pension underfunding, and which remedies offer the best path forward? In this paper, we argue for using stochastic analysis of pension plan cash-flows over time to address these questions. We construct a detailed Monte Carlo simulation of 40 state and local pension plans using plan-provided data for 2017 and 2022. Compared to a stock measure of the funding level—the ratio of assets to reported liabilities— we can quantify the timing and severity of distress events. Contrasting our results with a deterministic cash-flow analysis, we confirm previous research that most public pensions are sustainable on a cash-flow basis on average. Still, because our analysis allows us to construct the entire distribution of outcomes, we show that the likelihood of entering a distress scenario is still meaningful for many plans. Finally, we use our model to test out some commonly proposed remedies to reduce the probability of default.

## PRESENTATIONS

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### Electoral Entrenchment and Municipal Bond Prices

MFA 2025, Boston College PhD Seminar 2024, Boston College Faculty Seminar 2024, 1st Boston College Eagle Finance Conference 2024 PhD Poster Session

### Pension Risk and State Borrowing Costs

Inter-Finance PhD Seminar, Boston College PhD Seminar 2023

## TEACHING EXPERIENCE

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- Teaching Assistant, Money and Capital Markets (Undergraduate), Boston College 2024
- Teaching Assistant, Investments (Undergraduate), Boston College 2022-2024

## REFEREE

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· Journal of Banking and Finance

## PROFESSIONAL AND RESEARCH EXPERIENCE

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<b>Cornerstone Research</b> <i>Associate</i>	<i>2025-Present</i>
<b>MIT Golub Center For Finance and Policy</b> <i>Research Associate</i>	<i>2019-2020</i>
<b>Federal Reserve Bank of Boston</b> <i>Senior Research Assistant</i>	<i>2014-2018</i>

## REFERENCES

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### **Philip Strahan (chair)**

Professor and John L. Collins, S.J. Chair  
Boston College Carroll School of Management  
Fulton Hall 324B, 140 Commonwealth Avenue, Chestnut Hill, Massachusetts 02467  
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### **Deborah Lucas**

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MIT Sloan School of Management  
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### **Rui Albuquerque**

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### **Tuomas Tomunen**

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## ADDITIONAL INFORMATION

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Programming languages: R, Python, MATLAB, SQL, Stata, Mathematica  
Software: Unix, L<sup>A</sup>T<sub>E</sub>X, Git, Slurm  
Citizenship: U.S.A.