

## **US PUBLIC SECTOR PENSION PLANS BANK ON INFLATION MODERATION**

- Almost all believe US economy is heading for lower inflation with half predicting inflation at 3.3% or lower within a year
- Commodities have been the most popular asset class for hedging against inflation in the past year

US public sector pension plan managers are convinced the American economy is on the path to inflation moderation, new research\* from Ortec Finance, the leading global provider of risk and return management solutions for pension funds and other institutions, shows.

The study with US public sector pension plan professionals who collectively help manage over \$1.315 trillion, found near unanimity with 90% saying they are confident that inflation is on the decline.

The research by Ortec Finance, which has clients with over \$3.2 trillion in assets under management and offices around the world including New York, found over half (52%) of the public sector pension plans questioned believe inflation could be 3.3% or lower within a year compared with 6.4% at the time of the research in February 2023. Just 10% believe the rate will be over 6% within a year.

The study found commodities have been the asset class that the US public sector pension plans interviewed have relied on the most to help hedge against inflation over the past 12 months. Some 70% of those interviewed said their plans had increased their allocation to commodities to help with this compared with 52% who had increased allocations to infrastructure and 40% who put more into gold. Just 42% said they had increased allocations to inflation-linked bonds.

**Marnix Engels, Managing Director, Pension Strategy Ortec Finance said:** “US public sector pension plan managers are largely convinced that inflation as a major issue is fading away with the US economy firmly on the path to inflation moderation.

“There is genuine optimism that lower inflation will become well-established with very few managers expecting it to be as high as it currently is within a year or two.

“Many US public sector pension plans have acted to manage their balance sheet effectively in order to achieve long-term objectives while dealing with the short-term risk from inflation. Strategic asset allocation decisions are however, becoming increasingly complex as a result of the ever-growing number of asset classes and investment strategies, and the unique risks associated with them.”

Ortec Finance models and maps the relevant uncertainties in order to help pension funds monitor their goals and decisions. It designs, builds, and delivers high-quality software models for asset-liability management, risk management, impact investment, portfolio construction, performance measurement and attribution, and financial planning.

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#### **Notes to editors**

\* Independent research company PureProfile interviewed 50 US public sector pension fund managers responsible for a collective \$1.315 trillion assets under management. The survey was conducted during February 2023.

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#### **About Ortec Finance**

Ortec Finance is the leading provider of technology and solutions for risk and return management. It is Ortec Finance’s purpose to enable people to manage the complexity of investment decisions.

This is accomplished via the delivery of leading technologies and solutions for investment decision-making to financial institutions around the world. Ortec Finance’s strength lies in an effective combination of advanced models, innovative technology, and in- depth market knowledge. This combination of skills and expertise supports investment professionals in achieving a better risk-return ratio and thus better results.

Headquartered in Rotterdam, The Netherlands, Ortec Finance has offices in Amsterdam, London, Toronto, Zurich, Melbourne, and New York. [www.ortecfinance.com](http://www.ortecfinance.com)