

ANALYSIS REVEALS 14% OF U.S. PUBLIC PENSION PLANS HAD FUNDED RATIOS OF 60% OR LOWER IN 2022

- 7% of US public pension plans had funded ratios of 50% or less
- Only 12% had funded ratios of 100% or more
- Research with US public pension fund managers reveals most say their plan's risk profile increased last year, and four out of five expect it to continue rising this year

Analysis* of industry data by Ortec Finance, the leading global provider of risk and return management solutions for pension funds and other institutions, reveals that in 2022, 14% of U.S. public pension plans had funded ratios of 60% or less. Only 12% had funded ratios of 100% or more.

The funded ratio, which is reflected as a percentage, reflects a pension fund's current financial position, expressing the ratio between available assets and liabilities, ultimately showing whether a pension fund holds enough reserves to pay out pension benefits to its current and future members.

Ortec Finance's analysis reveals that the average funded ratio for U.S. public pension plans was 77.89% in 2022, and collectively they had Total Accrued Liabilities of \$6.369 trillion, and total Unfunded Liabilities of \$1.445 trillion.

Funded Ratio	Count of US Public Pension Plans	Percentage
0% - 10%	1	0.44%
20% - 30%	5	2.22%
30% - 40%	2	0.89%
40% - 50%	8	3.56%
50% - 60%	16	7.11%
60% - 70%	37	16.44%
70% - 80%	56	24.89%
80% - 90%	42	18.67%
90% - 100%	31	13.78%
100% - 110%	21	9.33%
110% - 120%	4	1.78%
160% - 170%	1	0.44%
170% - 180%	1	0.44%
Grand Total	225	100.00%

The analysis might help explain why new research** commissioned by Ortec Finance with US public sector pension plan managers at US public sector pension plans who collectively help manage over \$1.315 trillion, reveals 94% say the risk profile of their plan increased last year – one in six (16%) say it increased significantly.

Some 81% of those questioned expect the increase in risk profiles to continue in the next 12 months, nearly one in three (32%) expect a dramatic increase.

Marnix Engels, Managing Director, Pension Strategy Ortec Finance said: “Many pension plans saw the value of their assets fall* in what was a difficult year for markets. This deteriorated the likelihood of US public pension plans meeting their liabilities. This stresses the importance of asset-liability management to improve the long-term financial position of the plans.”

The biggest driver of pension fund risk identified by the study with US public pension plan managers is interest rate movements with managers questioned saying this is the biggest concern for their fund followed by cash flow requirements and liquidity.

Volatility of investment markets was rated as the third most concerning risk, ahead of inflation (fourth). Cybersecurity was rated as the fifth most concerning risk for US public sector pension plan managers, the research by Ortec Finance, which has clients with over \$3.2 trillion in assets under management and offices around the world, including in New York, found.

When asked about the pension plan’s long-term objectives, almost all (96%) that participated say they are feasible. Furthermore, 96% of plan sponsors believe the risks facing their pension plans were within the agreed risk budget.

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

* Ortec Finance analysis of Equable data

** 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