

PUBLIC SECTOR PENSION PLANS HIGHLIGHT RISING RISK PROFILES

- Almost all managers say their plan's risk profile increased last year, and four out of five expect it to continue rising this year
- Rate rises are seen as the biggest risk, and almost all are actively taking climate risks into consideration

US public sector pension plan managers have seen the risk profiles of the funds they manage increase in the past year and expect the trend to continue this year, 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 senior professionals at US public sector pension plans who collectively help manage over \$550 billion found 97% say the risk profile of their plan increased last year, with 23% claiming 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 (29%) expect a dramatic increase.

The biggest driver of pension fund risk identified by the research 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.

The study found pension plan managers are acting on both strategic as well as day-to-day risks – 97% of the public sector pension plan professionals questioned say the plans they help to manage are actively taking climate risk into consideration.

When asked about the pension plan's long-term objectives, all (100%) say they are feasible. Further, all plan sponsors believe the risks facing their pension plans were within the agreed risk budget.

Marnix Engels, Managing Director, Pension Strategy Ortec Finance said: "Risk profiles at US public sector pension funds have increased over the past 12 months and plan managers expect them to continue to rise, with interest rate movements seen as the biggest concern.

"It is reassuring to see that pension plan managers are taking long-term risks into account with almost all managers actively taking climate risk into consideration. Macro-level decisions usually have a greater impact on risk and return."

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 31 US public sector pension fund managers responsible for a collective \$553.25 billion 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