

## **PENSION FUNDS RELY ON CONSULTANTS AND SPECIALISTS FOR STRESS TESTS**

- But research shows funds will take more responsibility in the future
- 87% rate current stress testing and scenario modeling as excellent or good

Pension funds are currently relying on investment consultants and specialist companies for most of their stress testing and scenario modeling. This is according to new research\* from Ortec Finance, the leading global provider of risk and return management solutions for pension funds and other institutions that own or manage investment assets. Its clients have over €3 trillion in assets under management.

Its international study with pension fund managers responsible for a collective \$1.946 trillion assets under management found 57% source more than half of their stress testing and scenario modeling from pension fund investment consultants and 53% use specialist companies for more than half the time for their stress testing and scenario modeling.

By contrast only 40% of pension fund managers say they carry out more than half of their stress testing and scenario modeling inhouse. However, the study with pension fund managers in the US, UK, Australia, Canada, the Netherlands, Switzerland, Denmark, Finland, Norway, and Sweden found that may change.

Within three years, 52% of pension fund managers surveyed estimate they will carry out more than half of their stress testing inhouse, an increase of 30%.

The shift is unlikely to be dissatisfaction with their current stress testing and scenario modeling service as 43% rate the accessibility, user friendliness and general usefulness as excellent and 44% say it is good. Just 12% say the service they receive is average.

The table below shows where pension fund managers say they currently source stress testing and scenario modeling and the percentage provided.

<b>PERCENTAGE OF STRESS TESTING AND SCENARIO MODELING PROVIDED</b>	<b>None</b>	<b>Up to 25%</b>	<b>25% to 50%</b>	<b>50% to 75%</b>	<b>75% to 100%</b>
Pension fund	0.5%	23.4%	36.3%	25.4%	14.4%
Pension fund investment consultants	3.5%	14.4%	25.4%	40.8%	15.9%
Specialist firms	2.0%	10.9%	34.3%	38.8%	13.9%
Other advisers	16.4%	22.4%	37.3%	19.4%	4.5%

**Marnix Engels, Managing Director Pension Strategy Ortec Finance said:** “Stress testing and scenario modeling are clearly very important to pension funds and they are willing to spend on consultants and specialist firms for support.

“That will not change markedly over the next three years according to our study but there are signs that funds plan to take a more active role in stress testing and scenario modeling.”

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 201 pension fund managers responsible for a collective \$1.946 trillion assets under management based in the US, UK, Australia, Canada, the Netherlands, Switzerland, Denmark, Finland, Norway, and Sweden using an online methodology during June 2022

#### **For more information, contact:**

Phil Anderson, Perception A.  
[phil@perceptiona.com](mailto:phil@perceptiona.com) / 0044 7767 491 519

#### **About Ortec Finance**

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

We do this through delivering leading technologies and solutions for investment decision-making to financial institutions around the world. Our 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, we also have offices in Amsterdam, London, Toronto, Zurich, New York, and Melbourne. [www.ortecfinance.com](http://www.ortecfinance.com)