PRESS RELEASE: One in five US pension plans lack adverse scenario liquidity

- *Ortec Finance survey found 22% do not have enough liquidity and a further 60% said liquidity could be problematic in extreme scenarios*
- *The majority report long-term liquidity as the biggest risk while one in five say its short-term liquidity*

Over the last decade, US pension funds have increased their investments in private assets to boost returns through the illiquidity premium but now, funds are reflecting on their potential liquidity risks. One in five (22%) US pension plans say they do not have enough liquidity to withstand adverse scenarios, according to a new survey* from Ortec Finance, a leading global provider of risk and return management solutions for pension funds. The survey targeted senior pension fund executives in the US whose plans collectively manage $670.4 billion in assets.

On top of this 22%, the survey found a further 60% believe they have enough liquidity for most scenarios but admit the situation could become problematic in extreme scenarios. Just 18% say they have no liquidity concerns.

Managers see risks across the short and long term, with long-term liquidity risk being the larger concern for the pension plan managers questioned. Around 62% say it is the biggest risk faced by the plans they manage, while 20% say short-term liquidity is the biggest risk. Only 18% say the short and long-term risks are roughly equal.

Increasing exposure to private assets is part of the reason for liquidity concerns, particularly among defined benefit (DB) schemes. Of the managers questioned, 74% reported that the risk of unfunded commitment pose a significant or slight risk to the DB pensions industry over the next three years. Overall, one in six (16%) of the managers believe unfunded commitments beyond the control of pension portfolio managers pose a significant risk, while around a quarter (26%) say it is not a risk.

Despite the presence of these liquidity concerns, more than half (56%) say liquidity is already well-managed and 32% say other risks are more pressing. Just 4% say liquidity risk is front of mind, while 8% say it is not a major concern.

Richard Boyce, Managing Director North America at Ortec Finance further reasons through the state of liquidity risks for US pensions: “Our study highlights the liquidity issue that US pension funds are facing, especially given the largely unpredictable nature of projecting unfunded commitment and capital calls.

“To address this issue thoroughly, funds should focus on scenario modeling and stress testing. Scenario modeling of the capital calls and distributions or private assets can help funds understand what their liquidity constraints may be in the worst-case scenarios in the next five, 10, or 20 years."

Ortec Finance models and maps the relevant uncertainties, including liquidity constraints, 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 & attribution, and financial planning.

It provides solutions for Defined Benefit and Defined Contribution pension funds to help address issues including low yields, complex liabilities, increasing investment performance analysis demands, and climate change related risks and opportunities. For more information on its software and services go to [Pension Funds | Ortec Finance]

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Notes to editors:

* Independent research company PureProfile surveyed 50 senior pension fund executives in the US across public, corporate, endowment and Taft-Hartley multi-employer pension plans managing around $670.4 billion worth of assets. The survey was conducted during November 2024.

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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 and real estate 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, Zurich, New York, Toronto, Singapore, and Melbourne. Ortec Finance helps 600+ clients manage their $15 trillion assets under management.