PRESS RELEASE: US pension plans set to increase contributions and spend more on scenario modeling, as they predict rising risks this year

- *More than two-thirds (68%) of pension plan managers say they will or are likely to increase contributions this year, Ortec Finance survey finds*
- *Two-thirds (66%) will increase their budget for scenario modeling over the next two years as 84% expect the coming year to bring an elevated risk profile*
- *22% surveyed say they do not have enough liquidity and a further 60% said liquidity could be problematic in extreme scenarios*

Despite more than half (58%) of US pension plan managers saying their funded status has improved over the past year, including 6% who say it has improved dramatically, almost seven in ten (68%) say they will or are likely to increase contributions this year, according to a survey* from Ortec Finance, a leading global provider of risk and return management solutions for pension funds.

The survey, which questioned senior pension fund executives in the US whose plans collectively manage $670.4 billion in assets found that two-thirds (66%) will increase their budget for and focus on scenario modeling, asset-liability management, and stress testing over the next two years. That includes 18% planning to increase their budget and focus dramatically. A further 26% say their budget and focus in this area will stay the same as it is today, and only 8% say it will decrease over the next two years.

Less than a third (30%) of US pension plan managers surveyed say the plan they work for is already very effective at scenario modeling and stress-testing. Around two thirds (68%) say the plan they work for is quite effective and 2% say it's not very effective. The majority of senior executives therefore see room for improvement.

Increased spend on scenario modeling comes as 84% of US pension plan managers expect the coming year to bring an elevated risk profile, with 26% of these believing their risk profile will increase dramatically. Half (50%) of those surveyed said their risk profile increased slightly last year and 6% reported it increased considerably. Around two fifths (42%) reported their risk profile remained the same and only 2% said it decreased.

Around one in five (22%) US pension plans questioned say they do not have enough liquidity to withstand adverse scenarios. 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 commitments 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 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 top of mind, while 8% say it is not a major concern.

Ortec Finance's survey found nearly three in four (74%) US pension plan managers believe distributions for private equity will increase over the next three years, and nine in ten (90%) say this will affect their pacing strategy. For pensions, investing into private assets creates liquidity constraints for their funds. However, two out of five (40%) said the most important reason for investing in private assets was their returns and illiquidity premiums. But in addition, around a third (34%) identified diversification as the most important reason for investing in private assets while 26% pointed to inflation protection.

Richard Boyce, Managing Director North America at Ortec Finance explains the insights into this latest research saying, "Our new research shows that US pension fund managers are having to contend with a number of issues both now and in the immediate future. It's promising to see that they plan to increase the budget set aside for stress-testing and scenario modeling to uncover risks, find new opportunities and navigate uncertainty. With increased market and geopolitical uncertainty in the year ahead, we believe scenario modeling is one of the best methods for supporting pension funds to navigate these unknown waters."

Ortec Finance provides solutions for pension plans 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 in November '24.

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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.