

# The *Ambachtsheer* Letter

*Research and Commentary on Pension Governance, Finance and Investments*

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## **AN ANATOMY OF PENSION FUND BEHAVIOUR (1993-2002):**

### **WHAT CAN WE LEARN? (PART I)**

*“Information is data endowed with relevance and purpose.”*

Peter Drucker

#### **A Well-Endowed Database**

*Cost Effectiveness Measurement (CEM)*'s database on DB pension funds had its 10<sup>th</sup> birthday last year. Thus it is timely to search for, find, and reflect on the lessons for pension fund management it contains. The search does indeed produce significant insights 'endowed with relevance and purpose', as we will document in this and future *LETTERS*. This should not be surprising, as *CEM* has the only databases in the global pension fund 'industry' that permit serious analysis in a 'value versus cost and risk' framework. That makes its databases the most likely to elevate past information about pension fund performance and structure into knowledge that can be used to enhance future performance.

At the end of 2002, *CEM*'s DB investment database contained data on 256 funds (142 American [\$1.5T], 90 Canadian [C\$374B], and 12 each European [E328B] and Australian [A\$70B]). Of the 256 funds, 114 were corporate, 113 public sector, and 29 industry/other funds. Average fund size was \$9B versus a median size of \$2B. Table I sets out the current average asset mix policies for funds in the four regions. The policy differences reflect a combination of differences in local investment cultures, local opportunity sets, and fund size. Regarding size, the Euro funds were by far the biggest, averaging E27B in market value. The U.S. funds averaged \$10B, the Aussie funds A\$5B, and the Canadian funds C\$3B.