

## **On Pension Funds: The Road Ahead**

Indian managers are increasingly pitching to big pension funds, both offshore and at home. The USS story is a useful cautionary tale, not because USS did something “wrong”, but because it shows how quickly you can end up arguing over the wrong scoreboard.

USS can show a large technical surplus and still look weak on five year headline returns, because DB investing is often about liabilities first and returns second.

So, if you are an India based manager walking into a pension investment committee, what are the lessons?

First, bring two scoreboards to the meeting.

One for absolute net returns. One for return versus liabilities and funding objective. If you only bring one, the committee will bring the other.

Second, define the benchmark before you define the brilliance.

Pension funds hate retrospective creativity. State the reference portfolio, the risk budget, the drawdown tolerance, and what failure looks like.

Third, sell governance before performance.

Allocation policy, conflicts policy, liquidity gates, valuation discipline, side letter hygiene, and what happens when the star PM is on a long flight with no signal.

Fourth, show your inflation and currency thinking in plain English.

If the fund’s liabilities are local currency, do not hand wave FX risk. If you want them to take USD risk, price it, explain it, and show the hedge

mechanics and costs.

Fifth, do not treat de-risking as cowardice.

For a pension, stabilising the funding ratio can be a feature, not a bug. Your job is to show where you sit in the portfolio, not to insult the rest of it.

Finally, be explicit about regulation and operating perimeter.

If your structure touches GIFT IFSC, know what the unified regulator expects, and show the compliance architecture in your deck, not buried in an appendix.

If India wants a larger share of long duration institutional capital, this is the quiet truth. Pension funds do not buy stories. They buy repeatable governance, priced risk, and a portfolio role that survives committee scepticism.

Pension Funds Ranking 2021

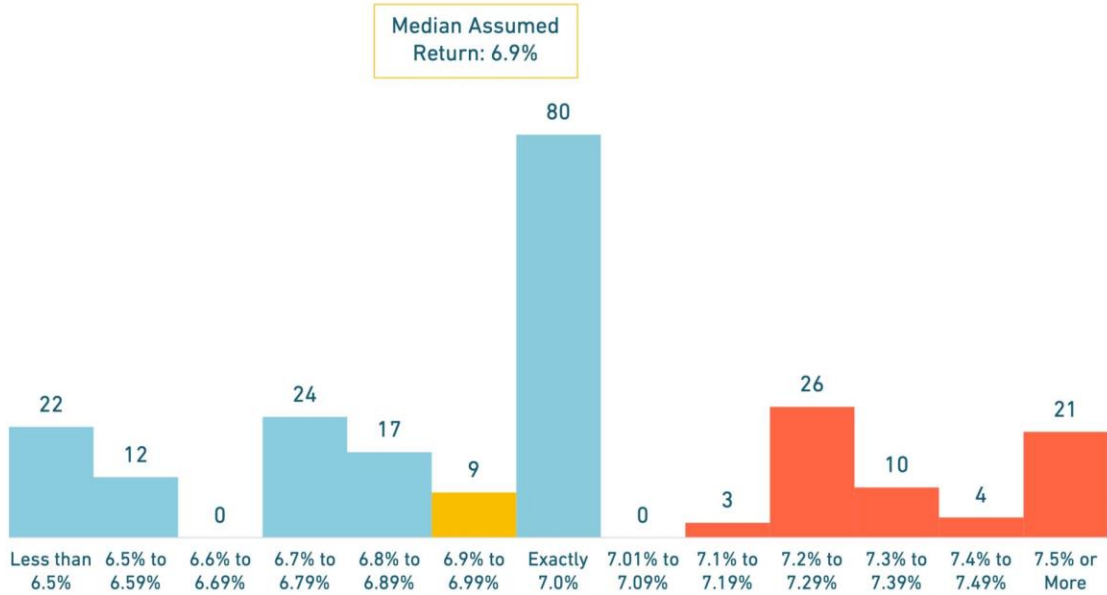


Source: Pensions & Investments, 2021. Assets are in USD. The ranking is based on the total assets of the pension funds as of 31 December 2020. The ranking is based on the total assets of the pension funds as of 31 December 2020. The ranking is based on the total assets of the pension funds as of 31 December 2020. The ranking is based on the total assets of the pension funds as of 31 December 2020.

## Retirement Plan Comparison Chart

Feature	401(k)	Solo 401(k)	Safe Harbor 401(k)	SIMPLE 401(k)	Profit Sharing	SEP IRA	SIMPLE IRA
Basic plan type	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution	IRA based	IRA based
Who generally adopts	Corporations, partnerships, limited liability companies	Sole proprietorships, partnerships, limited liability companies and corporations with no common law employees	Sole proprietorships, partnerships, limited liability companies and corporations	Sole proprietorships, partnerships, limited liability companies and corporations with 100 or fewer eligible employees	Sole proprietorships, partnerships, limited liability companies and corporations	Sole proprietorships, partnerships, and small businesses	Sole proprietorships, partnerships, limited liability companies and corporations with 100 or fewer employees
Can employer sponsor other qualified retirement plans	Yes	Yes	Yes	No	Yes	Yes	No
Establishment deadline	By the last day of the plan year for which the plan is effective	By the last day of the plan year for which the plan is effective	Any date between January 1 and October 1; may not have an effective date that is before the date plan actually adopted	Any date between January 1 and October 1; as soon as administratively feasible for businesses established after October 1st	By the last day of the plan year for which the plan is effective	Established by the time the corporate tax return (with extensions) is filed for the tax year in which the deduction is being taken	Any date between January 1 and October 1; as soon as administratively feasible for businesses established after October 1st
Who can contribute	Employee; employer contribution are optional	Employee; employer contributions are optional	Employee and employer	Employee and employer	Employer	Employer	Employee and employer
IRS reporting by Employer	Form 5500	Form 5500-EZ when plan assets reach \$250,000	Form 5500	Form 5500	Form 5500	None	None

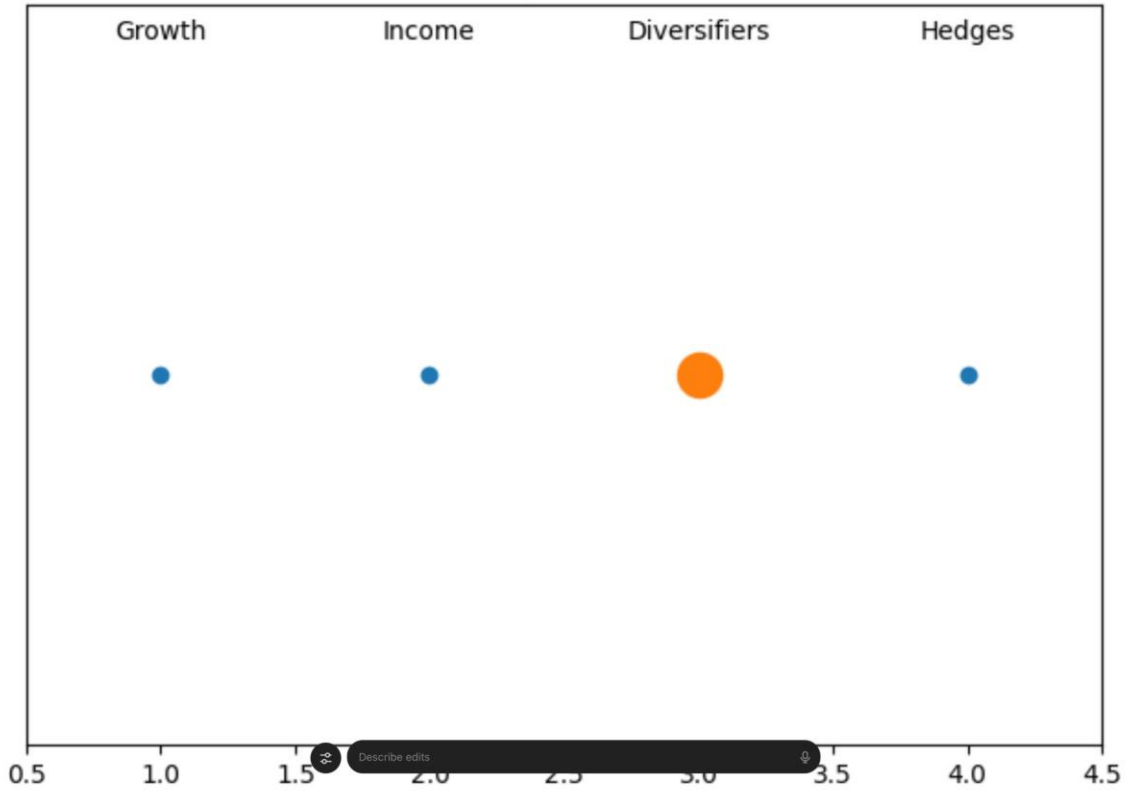
## DISTRIBUTION OF ASSUMED RATES OF RETURN BY PLAN, AS OF JUNE 2022



Source: Equable Institute analysis of public plan valuation reports and CAFRs. Assumed rates of return for 2022 were cross checked against published board materials, news reports, and other secondary sources to corroborate any changes in plan assumptions from 2021 to 2022.



Where the Manager Fits in the Portfolio



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## Pension Committee Checklist

Checklist Item	Status
Governance	✓
Liquidity	✓
Valuation	✓
FX Risk	✓
Fees & Alignment	✓
Reporting Cadence	✓
Operational Resilience	✓

28 Describe edits

Two Scoreboards, Same Portfolio

