Asset management costs and financial performance of Dutch pension funds in 2011-2014

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Main finding

• No empirical evidence that higher costs leads to higher financial performance

• In the abstract: The hypothesis that higher costs do not lead to better financial results cannot be rejected
Main table: Y=Return on assets [n=120]

<table>
<thead>
<tr>
<th>Regressor</th>
<th>Estimate (st.err.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Log(size)</td>
<td>0.13 (0.1)</td>
</tr>
<tr>
<td>D2013</td>
<td>-0.07 (0.01)</td>
</tr>
<tr>
<td>D2014</td>
<td>0.02 (0.01)</td>
</tr>
<tr>
<td>Equity exposure</td>
<td>0.03 (0.1)</td>
</tr>
<tr>
<td>Costs (lagged)</td>
<td>-2.9 (3.3)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.2 (0.99)</td>
</tr>
</tbody>
</table>

1% increase in asset management costs leads to (confidence interval) [-9.5%, +3.7%] extra return → no evidence of positive effect.
Comments

- Paper is work in progress
- Link to mutual fund literature on cost-performance relationship
  - roughly: performance goes up at most by same amount as costs
  - survivorship bias
- You write to instrument costs by its lag, but table suggests you use lagged variable
- Units
- Cross sectional dependence returns
  - add market return instead of dummies for improved efficiency
- Make sure units are clear from table
- Where is the D2012 dummy (compare title)?