

*Asset management costs &
performance of pension funds
A panel-data analysis on their
relation*

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Netspar Pension day 2016**



Costs matter

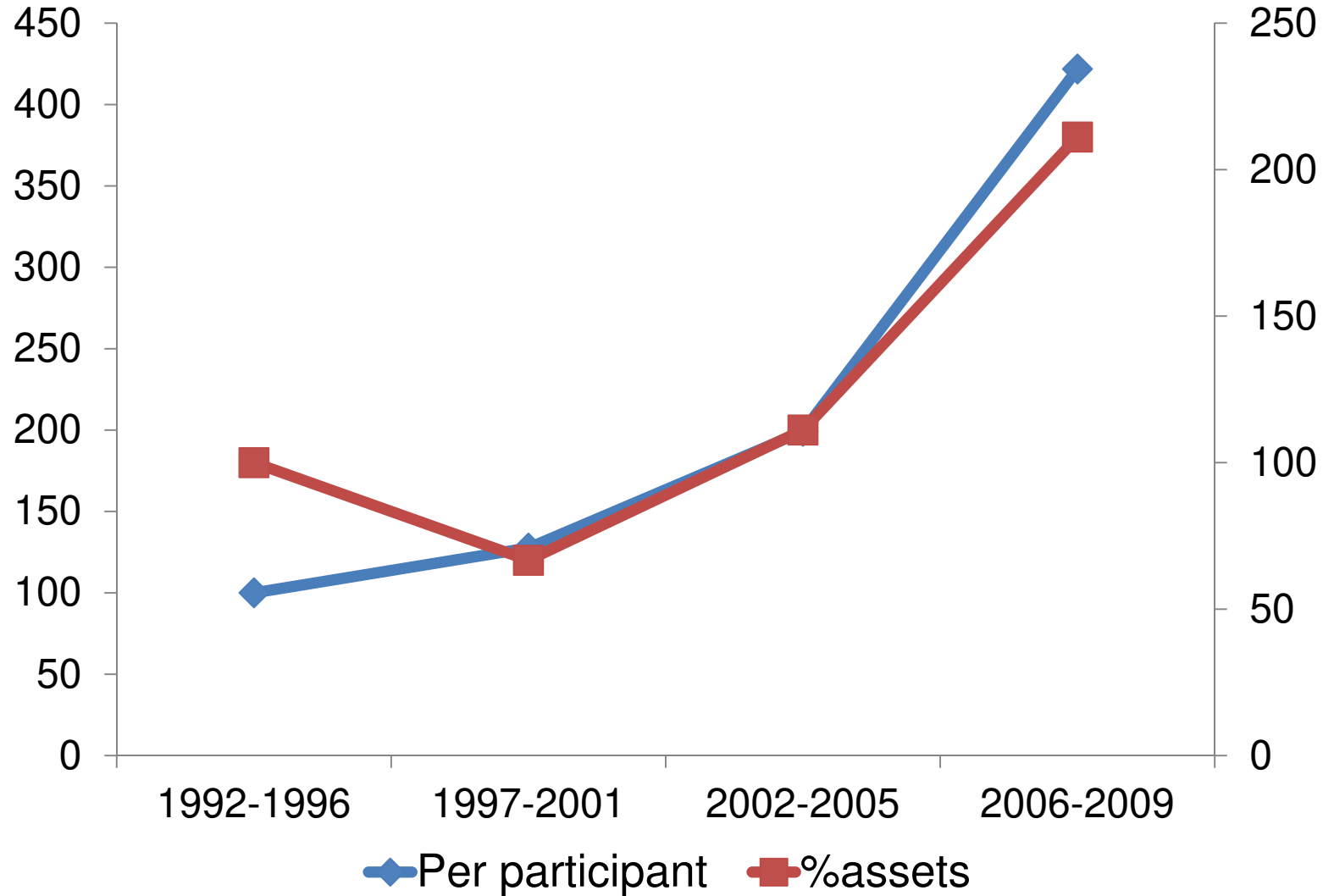
Total costs: ≥ 6.3 billion

$\approx 90\%$ Asset management costs

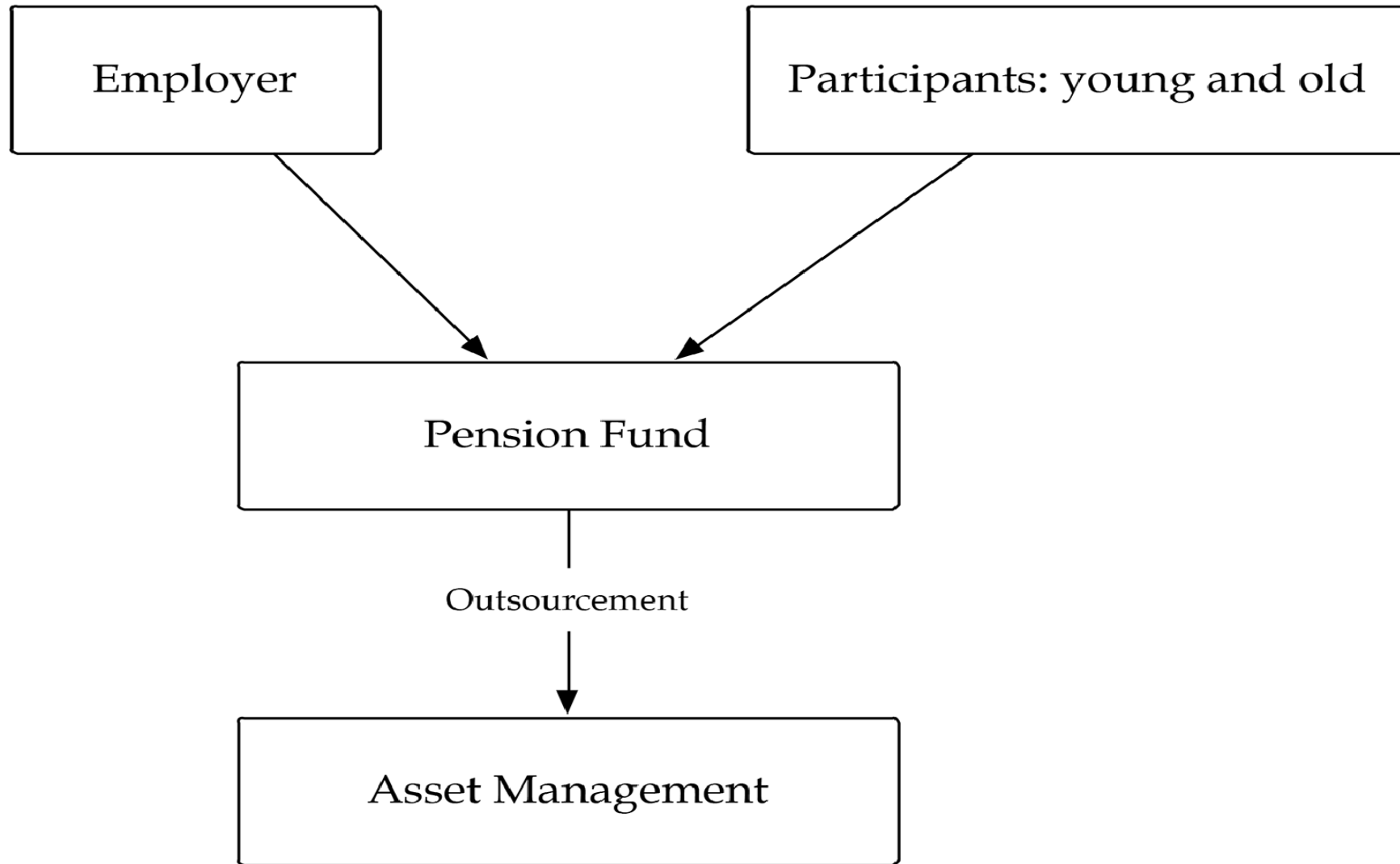
- $\geq 19.7\%$ contributions

AFM (2011), *Kosten pensioenfondsen verdienen meer aandacht*: “een kostenverlaging van 0,25 procentpunt (..) leidt tot een circa 7,5% hoger collectief pensioenvermogen.”

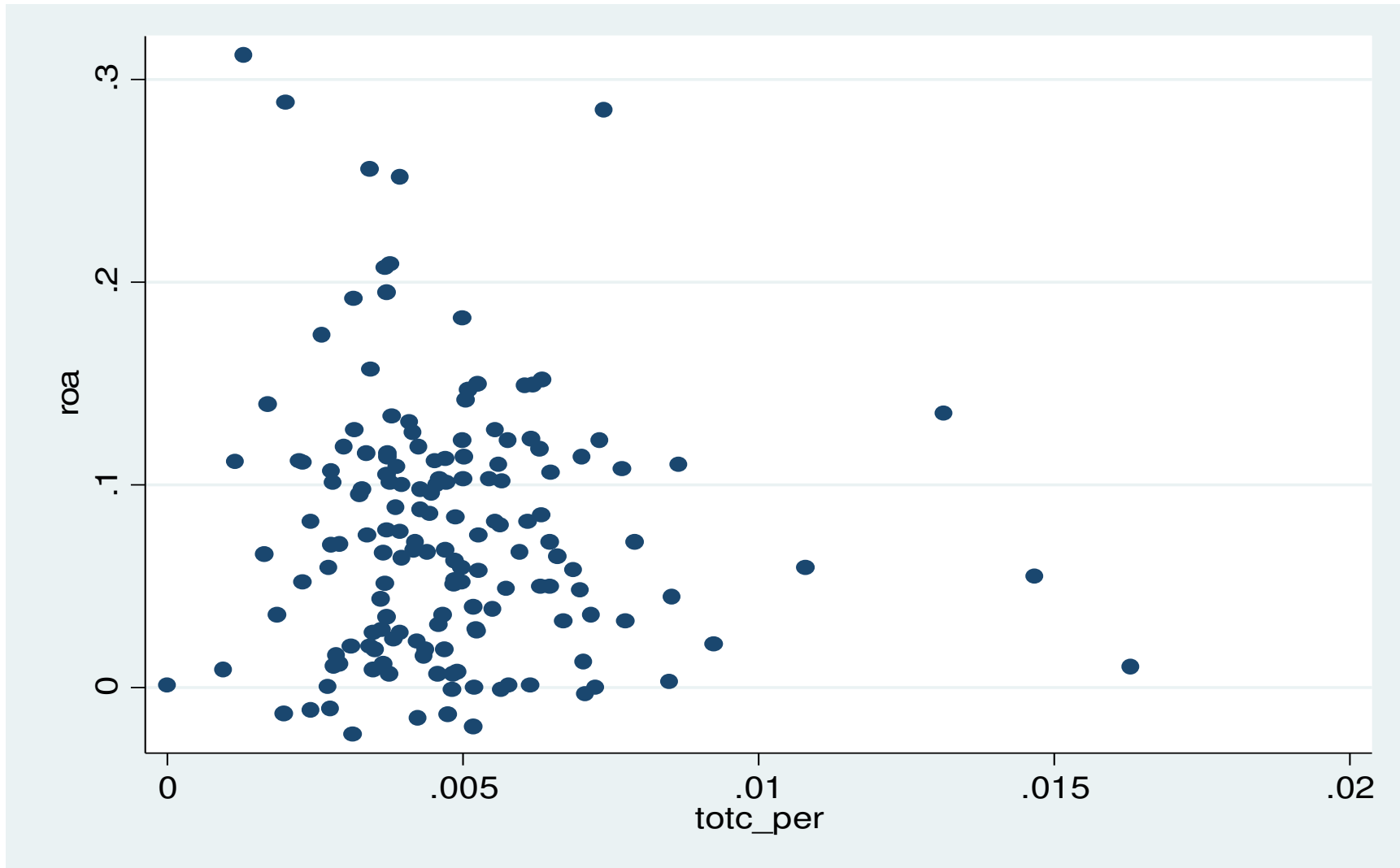
Costs increase



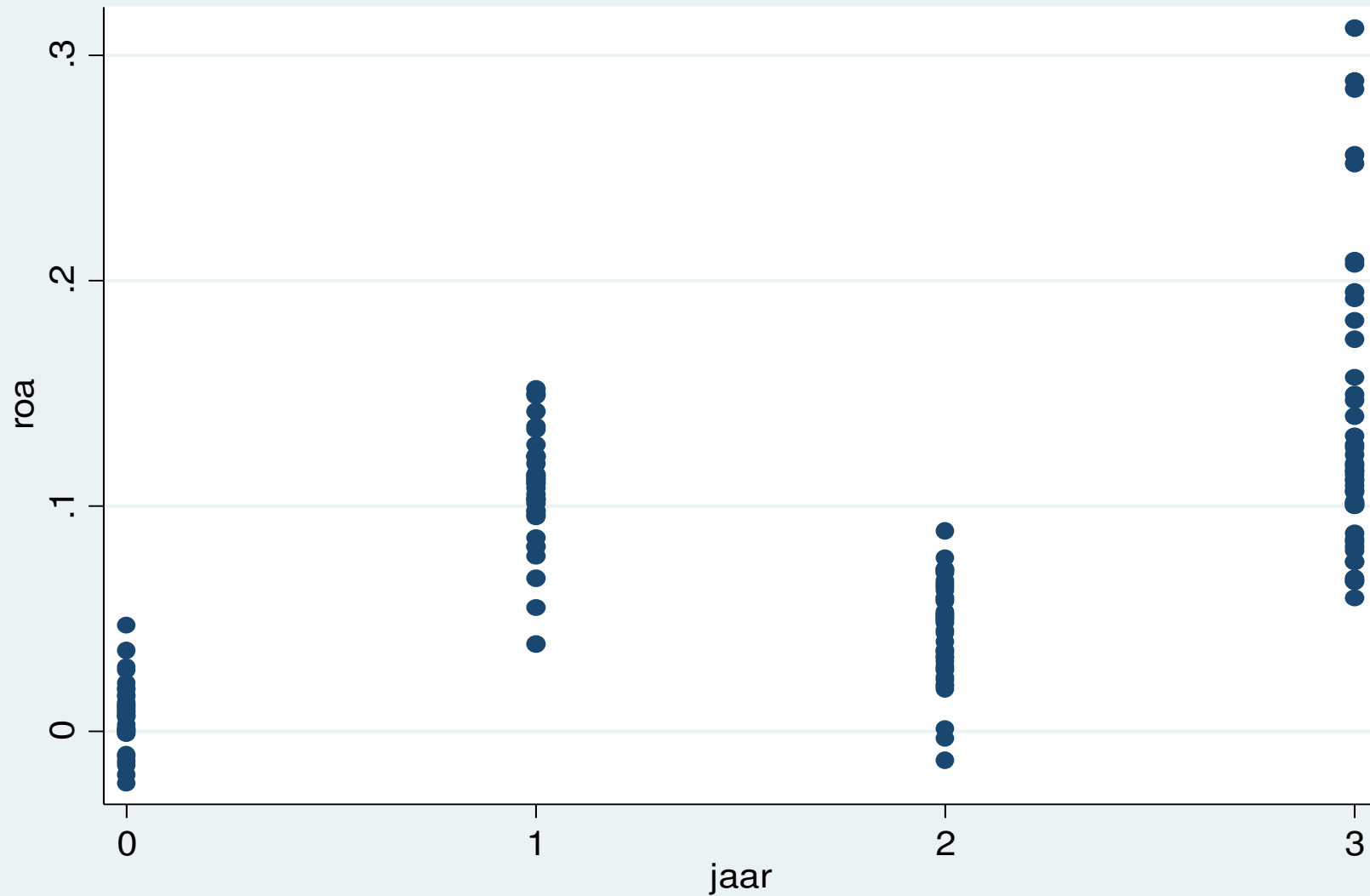
Governance: multiple P-A relations



Costs&ROA correlated



Costs&Year also correlated



Econometric set-up

*Panel-data

2011-2014

Industry-wide funds & professional funds

*Dependent var.: ROA (-2.3%, 31.2%)

*Regressors

*Cost

*Size (5, $2.2 \cdot 10^6$)

*Year dummies

*%assets invested in eq.

Estimation results

| Var. | Coeff. | T-stat. |
|--|--------------|--------------|
| Constant | -1.2 | -1.22 |
| Ln(#part.) | 0.13 | 1.33 |
| %eq. | 0.03 | 0.27 |
| Totc%assets (lagged) | -2.86 | -0.86 |
| Dummy2013 | -0.07 | -6.04 |
| Dummy2014 | 0.02 | 1.61 |
| <i>#obs.: 120</i> <i>R²(within):0.59</i> | | |

Robustness analysis

1) Dependent var.: ROA, inc. hedge

*Cost-coeff.: -2.25 (s.e. 2.59)

*Year dummies significant

*N=207

*R²=0.84

2) No lagged values

*Cost-coeff.: 1.24 (s.e. 2.45)

*Year dummies (inc. 2012) significant

*N=157

*R²=0.70

Conclusion

*Hypothesis no effect *not rejected*

*Hypothesis of 1-to-1 re;ation also *not rejected*

*Year effects dominate

*More data needed