

Pension fund CIOs see diminished hope in achieving assumed rate of return

By [ARLEEN JACOBIOUS](#) | April 7, 2016

Chief investment officers of some of the largest U.S. pension funds acknowledged they have little hope of earning their assumed rate of return over the next couple of years, according to a CIO round table panel at the Pension Bridge Annual Conference in San Francisco on Wednesday.

The Federal Reserve's actions in keeping interest rates low is resulting in lower returns and lower funding ratios, explained John D. Skjervem, CIO of the of the Tigard-based Oregon Investment Council, which runs the \$68.1 billion Salem-based [Oregon Public Employees Retirement Fund](#), who spoke on a panel that was moderated by Richard M. Charlton, founder and chairman emeritus of consulting firm [NEPC](#).

Pension fund officials have added as much risk to Oregon's portfolio as they can without taking irresponsible risks, Mr. Skjervem said.

"We are return takers, not return makers," Mr. Skjervem said.

Thomas Tull, CIO of the [Texas Employees Retirement System](#), Austin, said on the panel that officials at the \$24.1 billion pension fund think the low-return environment will require "more tactical asset allocation ... and going outside the box."

What's more, Texas ERS officials will keep scrutinizing fees and costs in their pension fund's growing alternative investment portfolios.

Pension fund boards have to understand that this is an investment environment in which the chances of making a pension fund's assumed rate of return in the next year or so are not high, said Scott C. Evans, deputy comptroller for asset management and CIO of the \$162.1 billion [New York City Retirement Systems](#), who also spoke on the panel.

Investment officials could invest more aggressively, "which might be fun but that is not our job," Mr. Evans said.

"Our job is to make the board understand the realities of the marketplace," Mr. Evans said. Education is also a focus at Kaiser Permanente, said William D. Lee, CIO and vice president of Kaiser Permanente's \$75 billion in foundation and pension assets.

The low-interest-rate environment is making investing more difficult, and pension fund and foundation executives have done everything they can do to boost investment returns, Mr. Lee said.