

News and Analysis

Conference Coverage

Pension Bridge: Governance structure paramount in investment success

Disciplined investors could benefit from a market downturn, according to Ashby Williams, CIO of the Florida SBA.

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Chances of a market crash in the near term run high, but a well-disciplined fund could benefit from such an upheaval, argued **Ashbel Williams**, executive director and CIO of the \$209bn **Florida State Board of Administration**.

A multitude of factors, including political uncertainty, and **Federal Reserve**'s willingness to continue rising interest rates and drain liquidity from the economy are likely to contribute to a significant market correction of an already overheated market, according to Williams, who spoke at the opening session of the *2018 Pension Bridge* conference in San Francisco on Tuesday, April 10.

"Over the past few years we were worried about China, the collapse of the European Union," he said. "All these worries are now gone ... Things are too good and quiet to be true."

A concerning factor for Williams is that despite a prolonged period of market gains, the funding statuses of pension plans, particularly that of public defined benefit plans, remain low. Foundations and endowments also struggle to meet the return targets that will satisfy their target requirements.

According to Williams, that is because actuarial assumptions have not been adjusted appropriately to reflect upon higher life expectancy to avoid increased contributions into pension funds.

“We are enjoying a period of strong financial performance, but [institutional funds] are not fundamentally strong,” Williams said.

Despite the high degree of uncertainty, long-term investors like pension plans could stand to benefit from a collapse in equity prices, said Florida’s investment chief. “The crisis is irrelevant when you have a 30-year horizon,” he said. Indeed, Williams argued “a big crash could be quite refreshing because it would give you a clear target of where to go.”

However, to overcome market adversity, investors need to be disciplined and stick to their game plan, according to Williams. “Governance is very important. The decisions that cost is because leaderships are doing the wrong thing at the wrong time,” he said.

“If we have a terrific market collapse, some people will panic and sell; others who have the liquidity and a well-documented policy will do great as prices will rebalance eventually,” Williams added.

Investor Profile

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