

# Assets Shrink at the world's 300 largest pension funds

*Market turmoil took its toll on the world's 300 largest pension funds in 2001, causing their assets to slide by 12%, according to a recent survey by Watson Wyatt and leading US industry publication Pensions & Investments.*

The decline in assets, to US\$5.4 trillion from US\$6.2 trillion at the end of 2000, marked a reversal of the steady growth of recent years. During 2000, the biggest 300 funds recorded a healthy 8.5% asset increase, even as markets corrected sharply.

The main losers among the top 20 funds in 2001, not surprisingly, were mainly US-based or other advanced funds with high exposure to falling equity markets. The biggest fund, the California Public Employees pension fund (Calpers) fell 16%, while the General Motors and General Electric funds both suffered 22% falls.

In contrast, pension funds in many emerging markets bucked the trend and managed to grow their assets substantially despite generally poor conditions in developed markets. The fastest growth was reported by funds in Taiwan (about 35%) and Korea (more than 30%), thanks to a

combination of positive cash flow and strongly rising domestic stockmarkets.

Out of the three major market participants, UK funds in the survey held up best, with a loss of 8% year on year. This compares with falls of 15% for the US funds in the survey, and a drop of 22% for the Japanese funds. These results largely reflect performance differences across asset classes and markets.

UK funds performed relatively well because the UK market fell less far (about 13%) than world markets (about 16%), while UK bonds did better than the global average, rising about 3% over the year. In addition, many larger UK funds have relatively large allocations to UK real estate, an asset class that rose about 7% in 2001.

Relatively high exposure to real estate, this time in Continental Europe, also helped protect the returns of funds based in the

Netherlands. Assets of those in the survey fell just 1%. They would have been positive but for a 7.5% fall in the assets of the giant ABP fund, which is the second largest in the world and has a slightly higher equity exposure than its peers.

Despite their losses, US funds continued to dominate the ranking, accounting for an impressive 63% of total assets, and nearly 70% of the top 50 funds (15 of the top 20 funds are US-based).

No other country came close in terms of asset size. The second and third ranked countries - Japan and the UK - were almost level with 7.9% and 7.8% respectively of the total assets of the 300 funds. The Netherlands, in fourth place, had a 5.5% share. Japan's lead over the UK was sharply eroded during the year by the hefty falls in Japanese pension assets compared with the relatively modest falls for the UK.

The world's largest pension funds as of 31 December 2001

Rank	Fund	Country	Assets (US\$ million)
1	California Public Employees	US	143,887
2	ABP	Netherlands	130,391
3	New York State Common	US	106,091
4	Local Government Officials	Japan	98,705*
5	California State Teachers	US	95,553
6	Federal Retirement Thrift	US	93,328
7	Postal Savings Fund	Taiwan	91,043*
8	Florida State Board	US	88,514
9	General Motors	US	82,500
10	Texas Teachers	US	75,109
11	New York State Teachers	US	74,915
12	National Public Service	Japan	69,337*
13	General Electric	US	68,769
14	New Jersey Division	US	66,691
15	Verizon	US	65,936
16	Boeing	US	57,940
17	IBM	US	56,500
18	National Pension	Korea	56,500
19	Wisconsin Investment Board	US	55,473
20	New York City Retirement	US	54,512

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Source: Watson Wyatt and P&I Data

\*Data as of 31 March 2001

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