



What benchmarks  
should an asset  
owner have?

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Asset Owner Roundtable

The Spaulding Group, Inc.

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**I believe you need at least three; (perhaps even four!)**



# #1: How has the plan done against its goal?

- Pension funds, endowments, foundations typically have annual goals, based on their objectives or funding requirements
- Shouldn't the plan's return be measured against these goals?
- But what return should be used for this purpose?
  - TWRR or MWRR?



# **I believe it should be MWRR; specifically, the IRR**

- Time-weighted returns eliminate or reduce the impact of cash flows**
- There are times when you'll have a +TWRR and lose money, or vice versa**
- MWRR (IRR) take flows into consideration**
- The goal is the benchmark**
- The appropriate way to evaluate your success is by using the IRR**

## #2: How have the individual managers done?

- You should assess the performance of all managers, individually
- Each manager will have an appropriate index (ideally, a market index), where possible, to evaluate their performance



# #3: The plan vs. asset-weighted indexes

- I believe it is common for asset owners to assess their overall performance on a time-weighted basis, against the collection of individual indexes
- What does this tell you?
- Overall, how the plan did relative to the indexes that makeup the managers

# #4(?): How about vs. peer groups?

PEER PRESSURE



# #4(?): How about vs. peer groups?

- **We frequently witness pension funds compared with other pension funds, endowments compared with other endowments?**
- **Does this make sense?**



# A challenge w/peer groups

- One of the challenges w/peer groups is the *appropriateness* of the group's makeup
- Are other public pension funds, endowments, etc. your peers?
- In one sense, yes, since they are *kind of* like you
- But, if they have different funding objectives, doesn't that make them different?
- Perhaps very different? To the degree that the comparison is misleading, even?

# In the end, it probably doesn't matter

- The press will still do their peer group comparisons
- Perhaps even your CIO and board will want to know *how did we do against our peers?*
- Fair or unfair, these comparisons occur



**What do you think?  
Does this make sense?**



# Are other benchmarks needed?

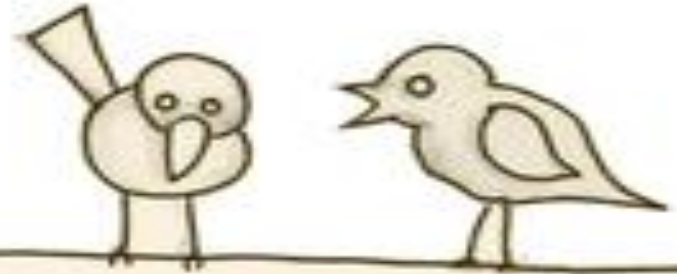
## Benchmarking



ANY  
QUESTIONS?

or thoughts?





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