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## Pensions news

# Personal pensions 'fail investors'

*Monday, 17 Aug 2009 15:01*

*Some pensions are not performing as well as they should, according to research*

Around 86 per cent of pension funds are poor performers, according to analysis of the options available to UK private investors.

Consumer website Howmuchdoineedtoretire reviewed 778 funds available to personal investors in the UK, applied three criteria, and concluded just 14 per cent passed the test.

To qualify the fund had to have achieved first or second quartile rankings in at least three out of the last five years and over five and ten years it had to have produced above average returns.

If a third factor is included - the funds had to have had volatility equal to or less than the average - just 12 per cent make the grade.

The author of the research, Matthew Morris, said: "With some very notable and laudable exceptions the industry is failing.

"When a pension investor hands their hard earned money to a fund manager to get them a return they must have an expectation that the manager will produce something more than they could achieve by doing the investing themselves, i.e. they are paying for the expertise, and hopefully that the manager will stack up well when they are compared to their peers and competitors, otherwise why bother?

"One may as well throw some darts at the dartboard and pick investments on that basis."

According to the report, the 'boom years' in the stock markets masked poor performing fund managers and the current tough times are highlighting ineffective management.

"The question that remains is what should pension investors do? Well firstly, not let their money wallow in such funds," Mr Morris added.

"Secondly, they should constantly review their positions and sack any fund manager or fund that fails to produce results. Thirdly, and most crucially, they should apply a process which includes having a strategy which applies certain basic requirements and standards.

"Fourthly, in mainstream areas it is clear that index tracking makes most sense and in this regard investors should seek out very low cost and effective index trackers probably using a self investment process and allocating their money to ETFs (Exchange Traded Funds) which are often one per year cheaper and better performing."

The research looked at every available personal mainstream pension fund then filtered out any fund below £10 million and any fund that did not have at least a five-year track record, to exclude small funds where performance can be skewed by a small variation in one asset, or relatively new funds where one great year disproportionately affects the results.