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26. PERFORMANCE OF THE PENSION FUND COMPANIES: EVIDENCE FROM TURKEY

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Abstract

The individual pension funds not only complementary to public pension systems, but also an important tool in order to meet the long-term funding needs of economies. Although not having a long history, the individual pension fund system, which has been practiced in various countries around the world for many years, has become one of the important elements of the economy in Turkey since October 27, 2003. The individual pension fund system is managed by private insurance companies and monitored by government authorities in Turkey. Therefore, these funds must be well managed and their performances should be closely monitored by either investors or governments in terms of contribution to economic progress.

In this paper, the performance ratios of each individual pension funds and the pension fund companies' performances were analyzed for 2010-2016 period. Due to the new individual pension funds are comprised by different research periods, we create 4 different research sample windows (2010-2016; 2011-2016; 2012-2016; 2013-2016), in order to understand the performance of the funds. In the analyses, Sharpe, Sortino ratios, Treynor, Jensen indexes, and M² performance measure are calculated for each individual pension fund based on research sample windows. Afterwards, each performance ratio measurement is averaged to understand the financial performances of 11 different private pension fund companies. Within the scope of this study, 146 individual pension funds held by 11 pension fund companies were used and the pension funds daily return data gathered from The Capital Markets Board's database. The daily risk-free rate and market return data obtained from Bloomberg data terminal.

The conclusion of the study reveals that, all performance indicators, except Jensen index, illustrate the same results in terms of ranking the private pension fund companies for each research sample window. However, as the research sample window varies, the rankings of the private pension fund companies also differ. For instance, when we focus on the 2010-2016 research sample window; Vakıf Emeklilik has the highest average performance ratio, whereas in 2013-2016 research sample window, it is being ranked as the third highest performance.

Keywords: Individual Pension Funds, Fund Performance

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