# Why Pension Funds Underperform in Treasury Auctions

Patrick Herb *  Yaxuan Wen †

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**Abstract**

We examine which types of investors profit from U.S. Treasury auctions and why. Post-auction prices of treasury securities tend to rise into settlement. In 2003-2020, we value the aggregate price appreciation of auctioned securities to be more than $58 billion dollars, which is the treasury auction return investors could earn by buying from treasury auctions instead of the secondary market on the issue date. We show that different auction participants do not profit equally from this return and that pension funds underperform all other investor classes. We attribute the heterogeneity in treasury auction profit to differences in risk preference and ability to win bids under uncertainty, and show that pension funds auction allotments are the highest when risk premia are the lowest.

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**Keywords**: U.S. Treasury auction, risk premium, underpricing, volatility, investment performance

*Assistant Professor of Finance, W.A. Franke College of Business, Northern Arizona University, patrick.herb@nau.edu

†PhD Candidate, International Business School, Brandeis University, yaxuanwen@brandeis.edu