

Key results

The pension landscape includes various types of funded and private pension plans worldwide. Occupational and personal plans coexist in most OECD countries and in other jurisdictions. In 2018, the size of occupational plans in terms of assets varied greatly across countries. In most cases, pension funds would administer these plans although there are some notable exceptions (e.g. Denmark, France). Personal plans and occupational defined contribution plans are gaining importance at the expense of occupational defined benefit plans.

The pension landscape includes various types of funded and private pension plans worldwide. For example, pension plans may be accessed through employment or by individuals directly without any involvement of their employers. When plans are accessed through employment and were established by employers or social partners on behalf of their employees, these plans are considered as occupational. The OECD taxonomy classifies plans as personal when access to these plans does not have to be linked to an employment relationship and these plans are established directly by a pension fund or a financial institution acting as pension provider without any intervention of employers.

Occupational and personal plans coexist in most reporting countries: 32 out of the 36 OECD countries, as well as Brazil, India, Indonesia, Russia, and South Africa, have both occupational and personal plans. Individuals may be members of several occupational pension plans through different jobs during their career, and several personal pension plans that they have opened directly with a pension provider. The prominence of occupational plans in terms of assets varied greatly across countries in 2018. Assets in occupational plans represented 90% of all pension assets in Switzerland, but only 2% in Latvia where the funded system is mostly based on personal plans.

Depending on how pension benefits are calculated and who bears the risks, occupational pension plans can be either defined benefit (DB) or defined contribution (DC). In DC plans, participants bear the brunt of risk, while in traditional DB plans sponsoring employers assume all the risks. Employers in some countries have introduced hybrid and mixed DB plans, which come in different forms, but effectively involve some degree of risk sharing between employers and employees. For example, in the Netherlands, benefit levels may be conditional on the funding status of the pension fund. Cash balance plans (another type of hybrid DB plan) provide benefits based on a fixed contribution rate and a guaranteed rate of return (the guarantee is provided by the sponsoring employer, hence these plans are classified as DB). Such plans are part of the pension landscape in Belgium (where by law, employers must provide a minimum return guarantee), Japan and the United States. Mixed plans are those where the plan has two separate DB and DC components that are treated as part of the same plan. There are also DC plans such as those in Denmark that offer guaranteed benefits or returns. They are

classified as DC as there is no recourse to the sponsoring employer in case of underfunding.

The proportion of assets in DC plans and in personal plans is higher than in DB plans in most of the reporting countries. More than 50% of assets are held in DC plans or personal plans in 18 out of 21 reporting OECD economies, and in Brazil.

DC plans and personal plans have been gaining prominence at the expense of DB plans even in countries with a historically high proportion of assets in DB plans such as the United States. The fastest shift away from DB plans over the last decade happened in Israel (from 84% in 2008 to 56% of in 2018) where DB plans have been closed to new members since 1995. Some other countries also closed the access to certain DB plans to new members, such as Italy since 1993. New members had the possibility (in Italy) or the obligation (in Israel) to join DC plans instead. More recently, Iceland reformed a pension plan for state and municipal employees at the end of 2016, converting it from DB to DC.

Definition and measurement

The term "funded and private pensions" actually refers to private pension arrangements (funded and book reserves) and funded public arrangements (e.g. ATP in Denmark).

The OECD has established a set of guidelines for classifying pension plans (OECD, 2005) on which this analysis is based.

In most OECD countries, pension funds are the main vehicle to fund occupational pensions, the main exception being countries such as Belgium, Denmark, France, Korea, Norway and Sweden where pension insurance contracts play a significant role, and Austria and Germany where book reserves – provisions on sponsoring employers' balance sheets – are one of the types of financing vehicle for occupational pension plans. Personal pension plans are often funded through pension insurance contracts or financial products provided by banks and asset managers (OECD, 2019).

Further reading

OECD (2019), Pension Markets in Focus, <https://www.oecd.org/daf/fin/private-pensions/pensionmarketsinfo.htm>

OECD (2005), Private Pensions: OECD Classification and Glossary, OECD, Paris. The OECD classification is available at www.oecd.org/finance/private-pensions/38356329.pdf.

Table 9.5. **Types of pension arrangements available in the OECD area according to the OECD taxonomy, 2018**

		Occupational Plans			
		DB Only	Both DB and DC	DC only	None
Personal Plans	Yes	Finland, Israel; Switzerland	Australia, Austria, Belgium, Canada, Denmark, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Turkey, United Kingdom, United States, Brazil, India, Indonesia, Russian Federation, South Africa	Chile, Greece, Hungary, Latvia, Poland, Slovenia	Czech Republic, Estonia, Lithuania, Slovak Republic
	No				

StatLink  <https://doi.org/10.1787/888934042523>Figure 9.5. **Split of pension assets by type of plan, 2018 or latest year available**

As a percentage of total assets



Source: OECD Global Pension Statistics.

StatLink  <https://doi.org/10.1787/888934042542>



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