

Landscape of pension plans

Key results

Various types of pension plans constitute the pension landscape. Occupational and personal plans coexist in most OECD countries and in other jurisdictions. The size of occupational plans in terms of assets and the split between defined benefit and defined contribution plans varied across countries at end-2022. However, personal plans and occupational defined contribution plans have been gaining importance at the expense of occupational defined benefit plans.

The pension landscape includes various types of pension plans worldwide. For example, individuals may access pension plans through employment or directly without any involvement of their employers. When plans are accessed through employment and were established by employers or social partners, these plans are considered as occupational. Plans are classified 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: 33 out of the 38 OECD countries, as well as Brazil, India, Indonesia and South Africa, have both occupational and personal plans (Table 9.5). 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 at end-2022. Assets in occupational plans represented over 90% of all pension plan assets in Finland and Switzerland, but only 1% in Latvia where the asset-backed pension 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. Cash balance plans (one type of hybrid DB plans) 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 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 occupational DC plans and in personal plans is higher than in occupational DB plans in most of the reporting countries. More than 50% of assets were held in DC plans or personal plans in 19 out of 21 reporting OECD economies, and in Brazil (Figure 3.8).

DC plans and personal plans have been gaining prominence at the expense of DB plans even in countries with a historically significant proportion of assets in DB plans such as the United States. The drop in the proportion of pension assets in DB plans was especially steep in Israel (91% of pension assets in DB plans at end-2001, 42.5% at end-2022) and Italy (40.1% at end-2001, 2.3% at end-2022) where DB plans have been closed to new members since 1995 (in Israel) and 1993 (in Italy). More recently, Iceland reformed a pension plan for state and municipal employees, converting it from DB to DC. The transition from DB to DC plans is going on in the Netherlands, one of the major pension markets in Europe, with a law taking effect in 2023 and requiring the conversion of DB plans into DC plans by 2028. The first occupational DC plans have also been introduced in Germany recently.

Definition and measurement

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

In most OECD countries, pension funds are the main vehicle to fund occupational pensions. In some countries, pension insurance contracts (e.g. Belgium, Denmark, Korea, Norway and Sweden) or book reserves that are provisions on sponsoring employers' balance sheets (e.g. Austria and Germany) are also used to finance occupational pension plans. Personal pension plans are often funded through pension insurance contracts or financial products provided by banks and asset managers.

Further reading

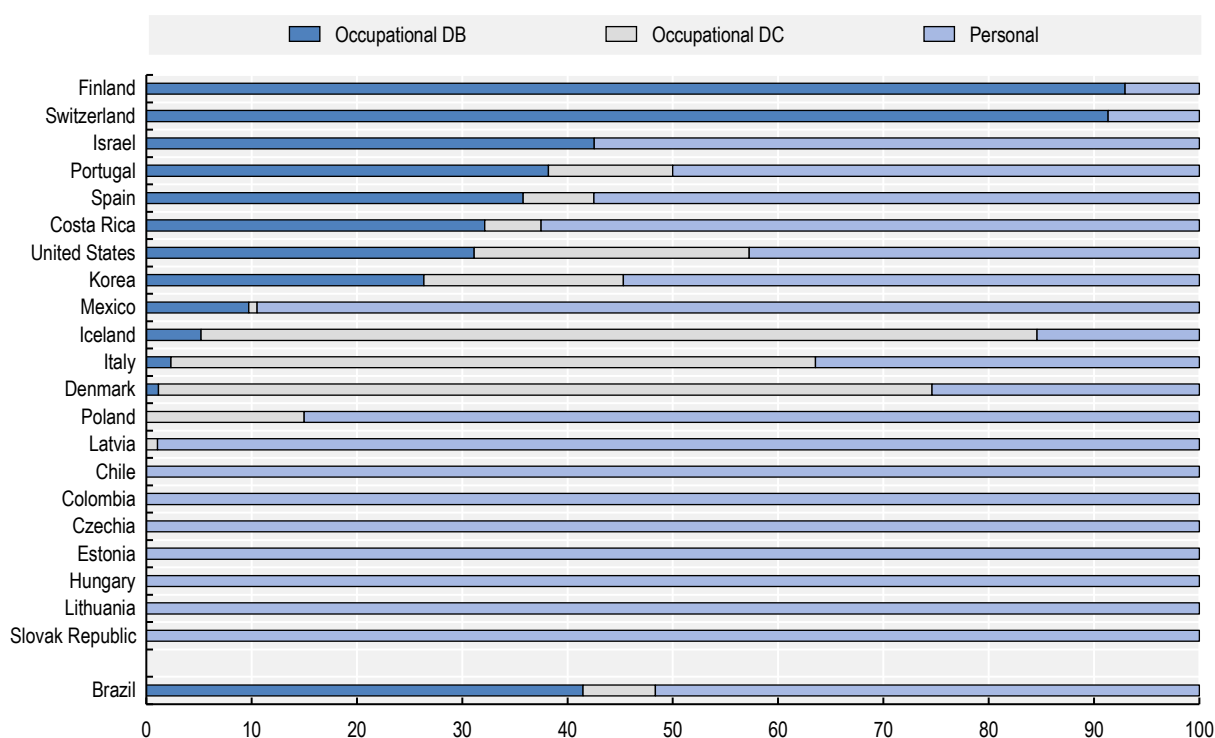
OECD (2005), *Private Pensions: OECD Classification and Glossary*, OECD, Paris. The OECD classification is available at www.oecd.org/finance/private-pensions/38356329.pdf.

Table 9.5. Types of pension plans available in the OECD area and selected other major economies according to the OECD taxonomy, 2022

		Occupational plans			
		DB only	Both DB and DC	DC only	None
Personal plans	Yes	Finland, Israel, Switzerland	Australia, Austria, Belgium, Canada, Costa Rica, Denmark, France, Germany, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Türkiye, the United Kingdom, the United States, Brazil, India, Indonesia, South Africa	Chile, Greece, Hungary, Latvia, Poland, Slovenia	Colombia, Czechia, Estonia, Lithuania, the Slovak Republic
	No				

Figure 9.5. Split of pension assets by type of plan, at the end of 2022 or latest year available

As a percentage of total assets



Note: Data refer to the end of 2022 for all countries except Korea, Mexico, Switzerland and Brazil (end-2021). Data for Chile about Collective Voluntary Pension Savings that are managed by the AFPs are classified together with personal plans, although these plans are occupational.
Source: OECD Global Pension Statistics.

StatLink  <https://stat.link/5v40dp>



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