Allocation of assets

Key results

Assets in pension plans and in public pension reserve funds are invested primarily in bonds and equities. The proportions of equities and bonds in the portfolios vary considerably across countries but there is, generally, a greater preference for bonds.

In most countries, bonds and equities where the two main asset classes in which pension plan assets were invested at the end of 2022, accounting for more than half of investments in 32 out of 38 OECD countries, and in three reporting non-OECD G20 jurisdictions. The combined proportion of bonds and equities was the highest (relatively to the size of the portfolio) in Chile (97.7%), Mexico (96.2%) and Poland (95.2%) (Figure 9.3). Pension plan assets may have been invested in these instruments either directly or indirectly through collective investment schemes (CIS). For some countries, the look-though of CIS investments was not available, such as for the Slovak Republic (where 38.1% of assets were invested in CIS), Slovenia (31.4% of investments), Sweden (67.1% of investments) and the United States (29.5% of investments). Only the direct investments in bonds and equities are available for these countries (e.g. 48.6% for the Slovak Republic, 60.4% for Slovenia, 27.4% for Sweden, 55.4% for the United States). The actual overall exposure of pension plan assets to fixed income securities and equities is probably higher in these countries.

The proportion of equities and bonds varied considerably across countries at end-2022. Although there was in general a greater preference for bonds, the reverse was true in 14 OECD countries and in South Africa where equities outweighed bonds (e.g. by 44.9% to 13.2% in Australia, by 70.7% to 22% in Lithuania).

Within bond investments, public sector bonds, as opposed to corporate bonds, represented a larger share of the combined direct bond holdings (i.e. excluding CIS investment) in a number of countries at end-2022. For example, public sector bonds accounted for 90.9% of total direct bond holdings in Czechia, 90.5% in Israel, but only 17.6% in New Zealand and 20.7% in Norway.

Cash and deposits also accounted for a significant share of pension plan assets in some OECD countries and in Indonesia at end-2022. For example, the proportion of cash and deposits was 26.9% of pension plan assets in Indonesia, 20.4% in Korea, 13.7% in Czechia, 11.7% in Australia and 10.7% in the Slovak Republic. Pension funds in the Slovak Republic needed liquidity and increased their cash holdings by 8 percentage points in 2022 to carry out the transfer of assets from bond funds to the new default life cycle pension funds in 2023.

In most reporting countries, loans, real estate (land and buildings), unallocated insurance contracts and private investment funds (shown as "other" in the chart) only accounted for relatively small shares of the investments of pension plan assets at end-2022 despite some exceptions.

Real estate was a significant component of the portfolios of pension providers (directly or indirectly through CIS) in some countries such as Canada (12.4% of total assets) and Switzerland (23.6%).

Bonds and equities were also the predominant asset classes within the portfolios of public pension reserve funds (PPRFs). The reporting PPRFs invested 46.2% of their assets in bonds and 39.4% in listed equities on average (Figure 9.4). There was a stronger appetite for equities in some reserve funds. The Canada Pension Plan Reserve Fund, New Zealand Superannuation Fund and Sweden's AP Funds invested more than half of their portfolio in equities, while their bond holdings varied between 0.4% of their portfolio (for Sweden's AP6) to 27.1% (for Sweden's AP2). By contrast, reserve funds in Chile, Portugal and Poland for instance invested much more in bonds than equities. The extreme case is the one of the U.S. PPRF, which is by law fully invested in government bonds.

Some PPRFs also invested in real estate and non-traditional asset classes like hedge funds or other instruments. For example, New Zealand Superannuation Fund held 5% of its assets in rural and timber, 4% in infrastructure and 3% in property at end-June 2022.

Definition and measurement

The term "pension plans" refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

PPRFs are reserves established with the primary goal to support unfunded / pay-as-you-go public pension arrangements.

Data on asset allocation include both direct investment in equities, bills and bonds and cash and deposits, and indirect investment through Collective Investment Schemes (CIS) when possible. The OECD Global Pension Statistics exercise collects data on the investments in CIS, as well as the look-through of these investments in equities, bills and bonds, cash and deposits, and other. When the look-through was not provided by reporting countries, only the direct investments in equities, bills and bonds and cash and deposits are known and shown; investments in CIS are shown separately in that case.

Figure 9.3. Allocation of assets in pension plans in selected asset classes and investment vehicles, at the end of 2022 or latest year available
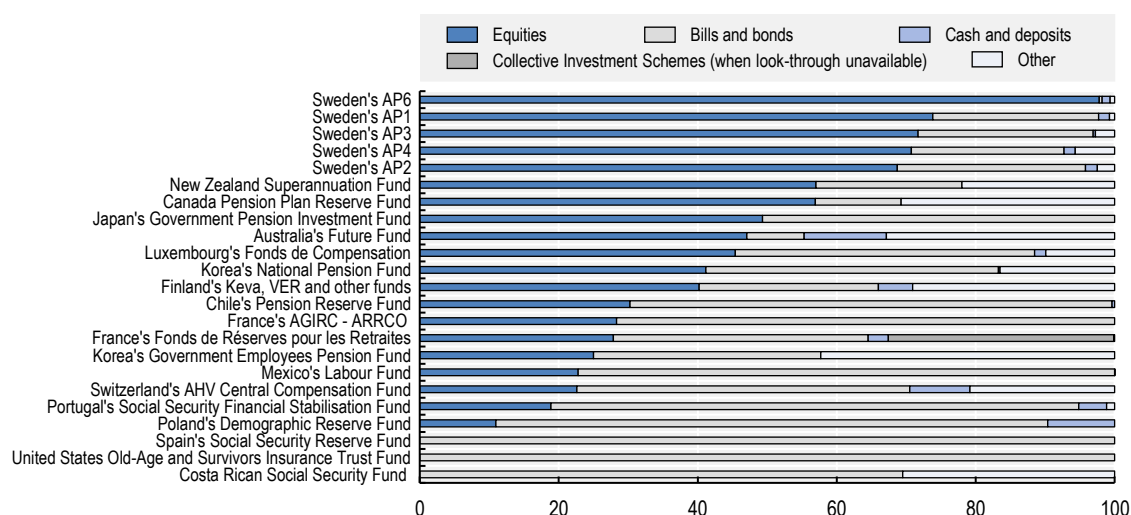
As a percentage of total investment
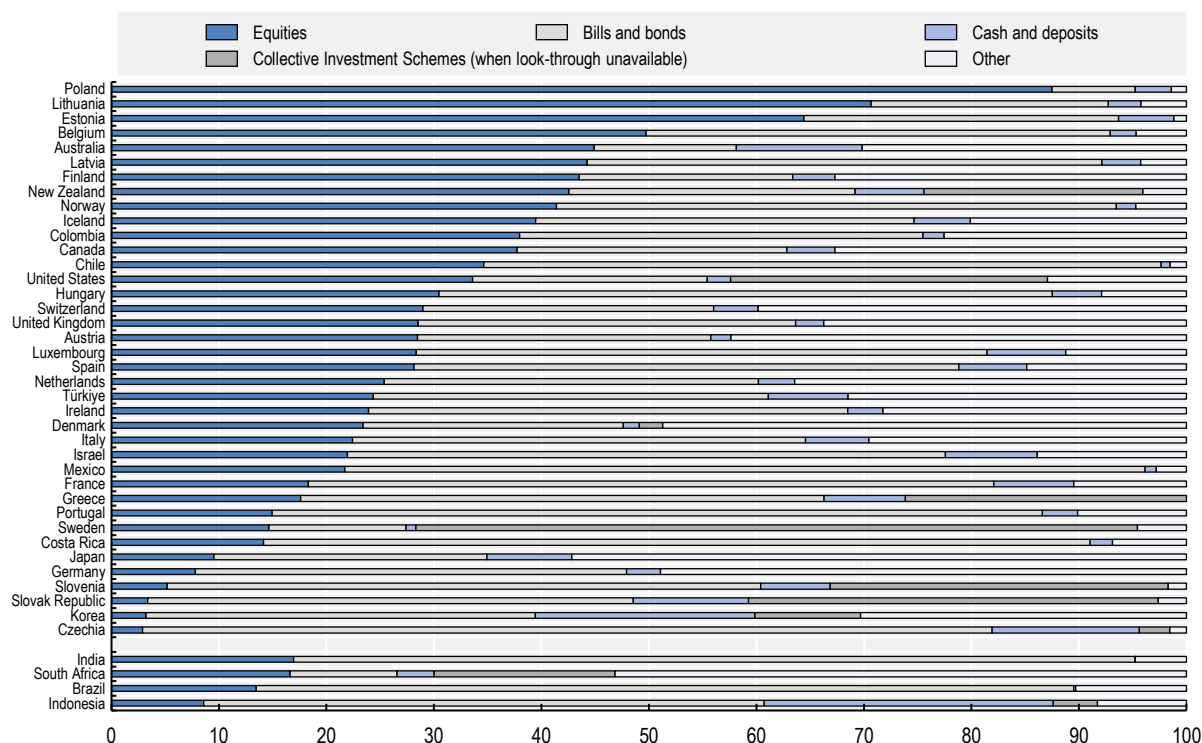
Note: See StatLink.
Source: OECD Global Pension Statistics.

Figure 9.4. Allocation of assets in selected public pension reserve funds in selected asset classes and investment vehicles, at the end of 2022

As a percentage of total investment

Note: See StatLink.
Source: OECD Global Pension Statistics, websites and annual reports of public pension reserve funds.

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