Key results

Assets in funded and private pension plans and in public pension reserve funds were invested mostly in traditional asset classes (primarily bonds and equities) for the latest year available. Proportions of equities and bonds varied considerably across countries but there is, generally, a greater preference for bonds.

In most countries, bonds and equities remained the two main asset classes in which pension assets were invested in 2018, accounting for more than half of investments in 32 out of 36 OECD countries, and in the five reporting non-OECD G20 jurisdictions. The combined proportion of bonds and equities was the highest (relatively to the size of the portfolio) in Chile (99.4%), Estonia (96.7%) and Mexico (96.3%). Pension assets may have been invested in these instruments either directly or indirectly through collective investment schemes. For some countries, the look-though of the investments of collective investment schemes was not available, such as for Sweden (in which 63.4% of assets were invested) and the United Kingdom (26.6% of investments). Only the direct investments in bonds and equities were known for these countries (e.g. 30% for Sweden, 39.2% for the United Kingdom). The overall exposure of pension assets to fixed income securities and equities was probably higher in these countries.

The proportion of equities and bonds varied considerably across countries in 2018. Although there was in general a greater preference for bonds, the reverse was true in some countries where equities outweighed bonds in six OECD countries (e.g. in Australia by 43.7% to 14.6%) and in South Africa (by 37.2% to 16.2%).

Public sector bonds, within bond investments as opposed to corporate bonds, represented a larger share of the combined direct bond holdings (i.e. excluding investment via collective investment schemes) in a number of countries in 2018. For example, public sector bonds comprised 96.9% of bond investments in Hungary and 87.6% in the Czech Republic, but only 24.8% in Norway and 10.5% in New Zealand.

Cash and deposits also accounted for a significant share of pension assets in some OECD countries and in Indonesia in 2018. For example, the proportion of cash and deposits was as high as 19.7% of pension assets for the Czech Republic, 27.5% in Indonesia and 34.5% for France (PERCO plans).

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 assets in 2018 despite some exceptions. Real estate, for example, was a significant component of pension providers’ portfolios (directly or indirectly through collective investment schemes) in Australia, Canada and Finland (between 10% and 15% of total assets).

Fixed income and equities were also the predominant asset classes within PPRF portfolios at the end of 2017. There was also a strong equity bias in some reserve funds, which reflects their long-term investment outlook and generally greater investment autonomy. For example, in 2017, Norway’s Government Pension Fund invested 60.9% of its assets in equities and 35.6% in fixed income, while the figures for Sweden AP funds were on average around 46% for equities and 33% for fixed income (AP1, AP2, AP3 and AP4 funds), and 47.2% and 20.3% for the Quebec Pension Plan. Japan’s GPIF has been recently investing more in equities than in fixed income, allocating 46.9% of assets in listed equities (compared to 46.6% in fixed income) at the end of 2016. On the other hand, reserve funds in Chile, Portugal and Poland for instance invested much more in bonds than equities in 2017.

The extreme case is the one of the US PPRF, which is by law fully invested in government bonds.

Some PPRFs also invested in real estate and non-traditional asset classes like private equity and hedge funds in 2017. For example, some of the funds with the highest allocation to private equity and hedge funds included those in Mexico (39.7% in total) and Australia (23.6%).

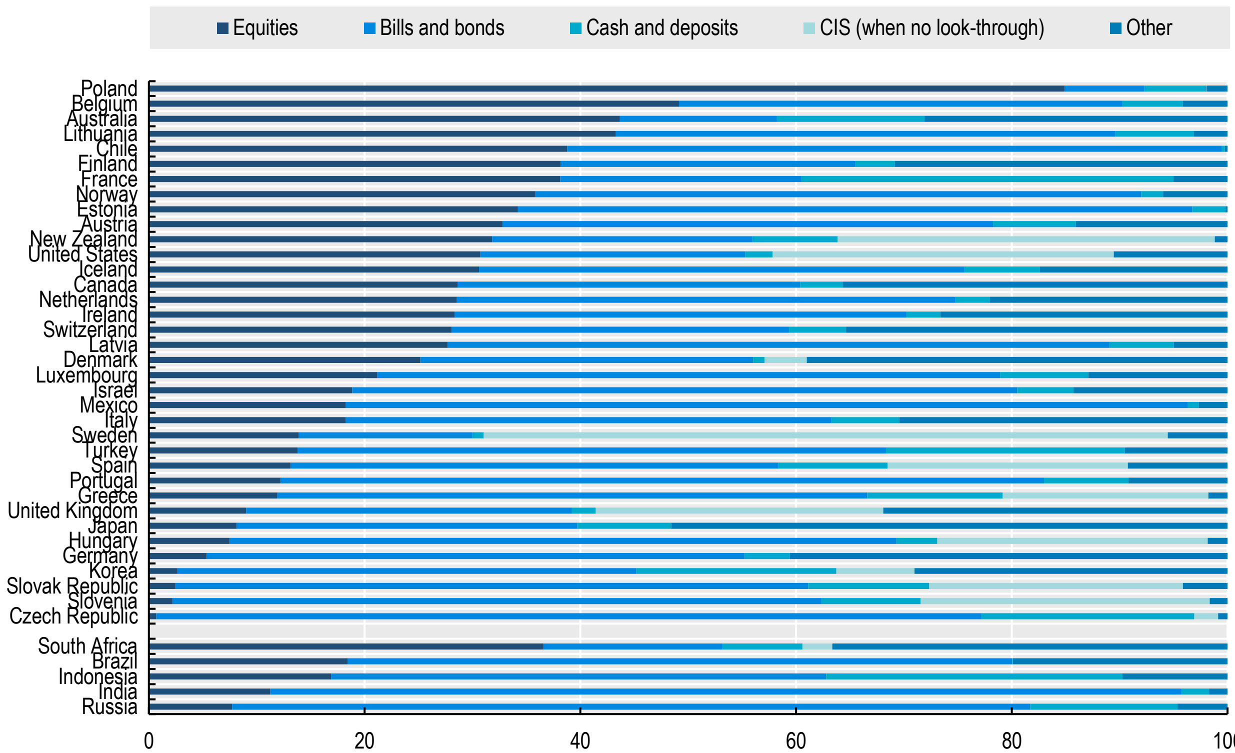
Definition and measurement

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).

Asset allocation data 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 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 the countries, only the direct investments in equities, bills and bonds and cash and deposits are known and shown; investments in CIS are shown separately.

Figure 9.3. **Allocation of assets in funded and private pension plans in selected asset classes and investment vehicles, 2018 or latest year available**

As a percentage of total investment

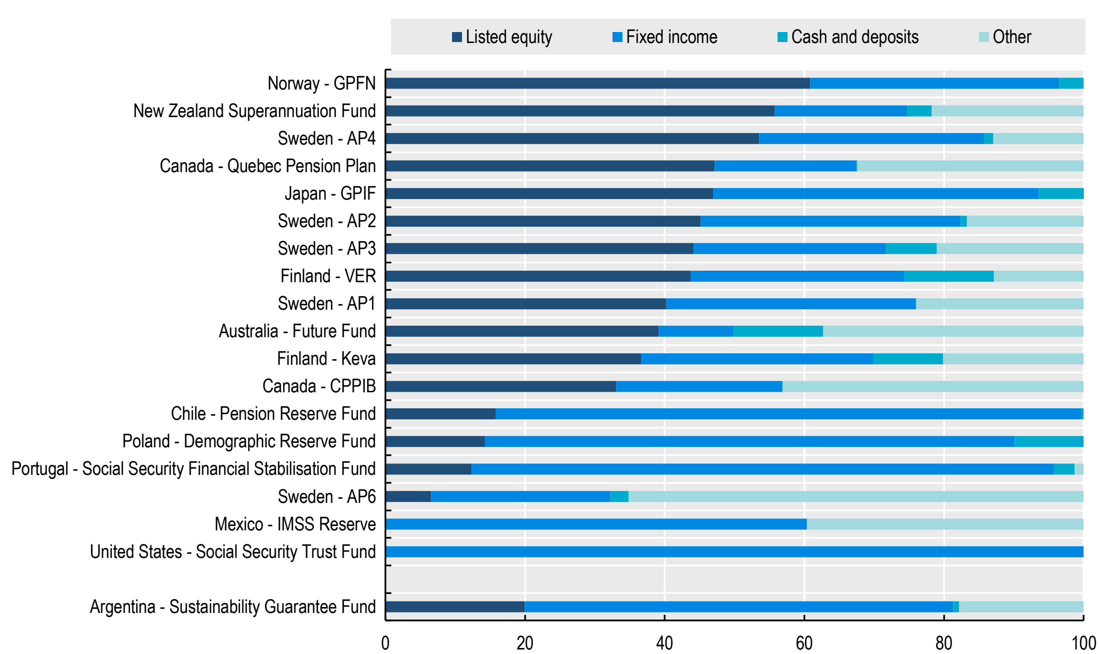


Source: OECD Global Pension Statistics.

StatLink https://doi.org/10.1787/888934042447

Figure 9.4. **Allocation of assets in public pension reserve funds in selected countries, 2017 or latest year available**

As a percentage of total investment



Source: OECD Annual Survey of Public Pension Reserve Funds.

StatLink https://doi.org/10.1787/888934042466

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