Key results

Assets in retirement savings plans and in public pension reserve funds are invested mostly in traditional asset classes (primarily bonds and equities). Proportions of equities and bonds vary considerably across countries but there is, generally, a greater preference for bonds.

In most countries, bonds and equities were the two main asset classes in which pension assets were invested at the end of 2020, accounting for more than half of investments in 35 out of 38 OECD countries, and in four reporting non-OECD G20 jurisdictions. The combined proportion of bonds and equities was the highest (relatively to the size of the portfolio) in Chile (97.8%), Estonia (96.9%) and Mexico (96.5%). Pension assets may have been invested in these instruments either directly or indirectly through collective investment schemes (CIS). For some countries, the look-though of the investments of collective investment schemes was not available, such as for the Slovak Republic (where 31.5% of assets were invested in CIS), Sweden (67.7% of investments) and the United States (32% of investments). Only the direct investments in bonds and equities were known for these countries (e.g. 62.5% for the Slovak Republic, 27.1% for Sweden, 54.6% for the United States). 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 at end-2020. Although there was in general a greater preference for bonds, the reverse was true in 11 OECD countries and in South Africa where equities outweighed bonds (e.g. by 41.8% to 14.7% in Australia, by 74.4% to 20.6% in Lithuania).

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 at end-2020. For example, public sector bonds accounted for 89% of total direct bond holdings in Israel and the Czech Republic but only 22% in Norway and 14% in New Zealand.

Cash and deposits also accounted for a significant share of pension assets in some OECD countries and in Indonesia at end-2020. For example, the proportion of cash and deposits was 28.7% of pension assets in Indonesia, 19.4% in Korea and 15% in Australia. Pension funds in Australia held more assets in cash and deposits in 2020 than in 2019 (12.7%) to face potential outflows from COVID-19 related early withdrawals.

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 at end-2020 despite some exceptions. Real estate was a significant component of the portfolios of pension providers (directly or indirectly through collective investment schemes) in some countries such as Canada (11.9% of total assets) and Switzerland (20.1%).

Fixed income and equities were also the predominant asset classes within PPRF portfolios. The 22 reporting PPRFs invested 46.2% of their assets in fixed income and 30.2% in listed equities on average. There was a stronger appetite for listed equities in some reserve funds, which probably reflects their greater investment autonomy and long-term investment outlook. For example, at end-2018, Norway’s Government Pension Fund invested 55.3% of its assets in equities and 41.5% in fixed income. New Zealand Superannuation Fund also invests more than half of its portfolio in listed equities, compared to 14.7% in fixed income. Japan’s Government Pension Investment Fund has sought to diversify its asset allocation and achieve better risk-adjusted returns, reducing the proportion of assets invested in bonds to 47% while increasing the share of listed equities to 47% of its portfolio by the end of the financial year 2019. By contrast, reserve funds in Chile, Poland and Portugal for instance invested much more in bonds than listed equities.

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. For example, over 20% of the reserves of the Canada Pension Plan are invested in private equity. In Finland, the State Pension Fund (VER) held 6% of its assets in REITs, unlisted real estate and infrastructure investments at end-2018.

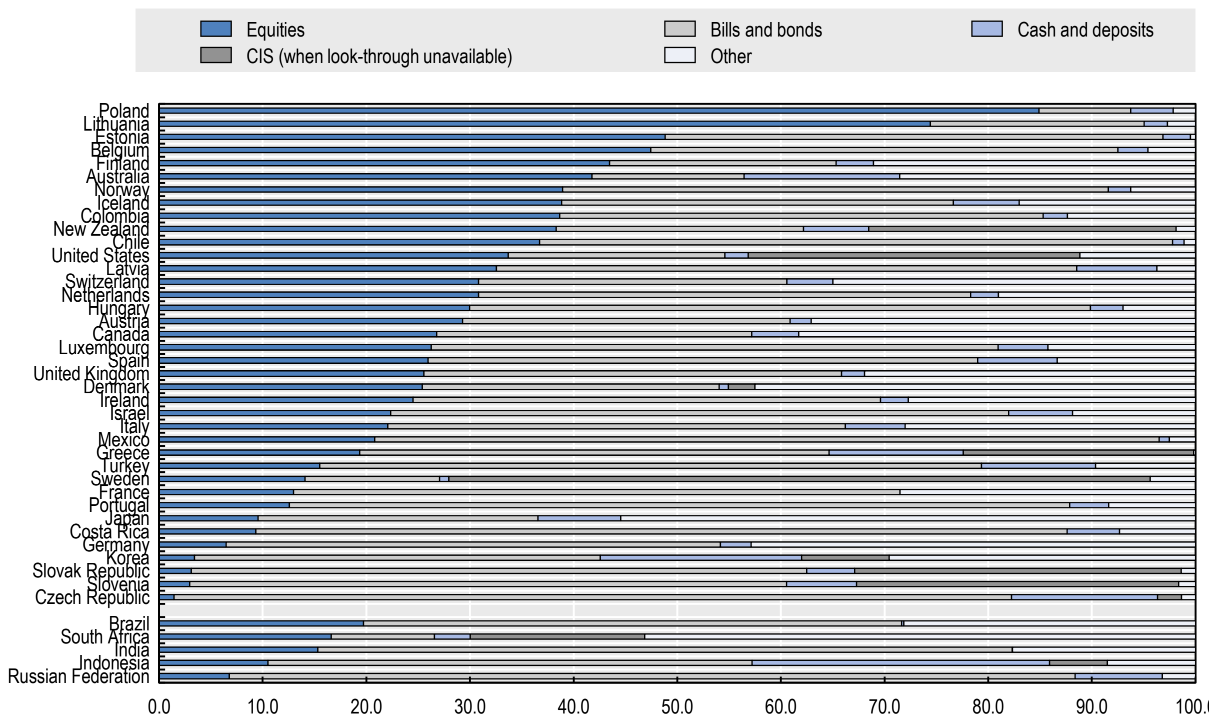
Definition and measurement

The term “retirement savings plans” refers to private pension arrangements (funded and book reserves) and funded public arrangements (e.g. ATP in Denmark).

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 retirement savings plans in selected asset classes and investment vehicles, 2020**

As a percentage of total investment

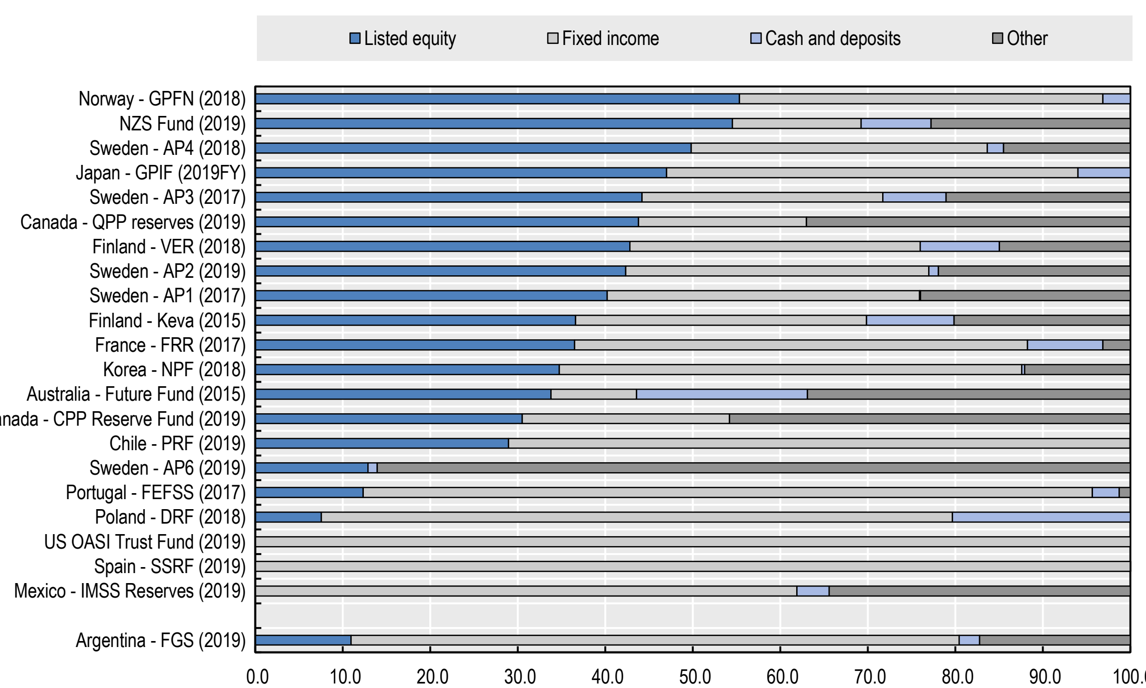


Source: OECD Global Pension Statistics.

StatLink https://stat.link/c7r0h2

Figure 9.4. **Asset allocation of selected reserve funds (latest year available)**

As a percentage of total investment



Source: OECD Annual Survey of Public Pension Reserve Funds; Annual report of the Korean NPF; and official websites.

StatLink https://stat.link/b1kzu2

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