

Key results

Real investment rates of return (net of investment expenses) of funded and private pension plans were negative on average in 2018 in the OECD (-3.2%). Pension plans suffered investment losses in 26 out of 31 reporting OECD countries, with the largest losses recorded in Poland (-11.1%) and Turkey (-9.4%). However, looking over the longer term, the investment performance of pension plans over the last 15 years was positive in real terms in 15 out of 18 reporting countries, with Canada achieving the strongest average annual return (4.8%), followed by Australia (4.7%). The real investment rates of return in 2018 was negative for 6 out of 14 public pension reserve funds (PPRFs). All reporting public pension reserve funds however achieved positive investment performance over the long-term.

The year 2018 was the worst on record (in terms of financial performance) for funded and private pension plans in a number of reporting countries since the 2008 financial crisis.

Real investment rates of return (net of investment expenses) of pension plans were negative on average in the OECD in 2018 (-3.2%). Pension plans suffered investment losses in 26 out of 31 reporting OECD countries, and in Russia among reporting non-OECD G20 jurisdictions. The largest losses in 2018 were recorded in Poland (-11.1%) and Turkey (-9.4%). However, some countries managed to observe positive real investment returns in 2018 such as Australia. Australian superannuation funds achieved a strong real investment rate of return (5.6%), calculated however over the financial year (June 2017-June 2018) instead of the calendar year.

As the real net investment return is the combination of the nominal performance of the plans and inflation, a low figure could be accounted for by either low gains or inflation. Among OECD countries, funded and private pension plans experienced positive returns in nominal terms in Chile (1.5%), the Czech Republic (0.4%), Israel (0.6%), Turkey (9.0%), but lower than inflation (2.6% in Chile, 2.0% in the Czech Republic, 0.8% in Israel and 20.3% in Turkey).

Poor financial results of pension plans in 2018 may be the result of the downturn on equity markets in the last quarter of 2018. Some of the major stock indices fell sharply in 2018 compared to 2017, suffering sometimes one of the worst declines since the 2008 financial crisis (e.g. S&P500).

The long-term nature of retirement savings means one needs to look at long-term returns. Average annual returns were all positive in nominal terms over the last 5, 10 and 15 years among reporting countries and remained positive in most of them after adjusting for inflation. Over the last 15 years, the annual average returns of pension plans were positive in 15 out of 18 reporting countries for which such calculation was possible. Canada recorded the strongest average annual return (4.8%) among OECD countries,

followed by Australia (4.7%). By contrast, the annual average return of funded and private pension plans was close to 0% in the Czech Republic and slightly negative in Estonia (-0.7%) and Latvia (-1.0%) in real terms.

PPRFs performed slightly better in 2018 than funded and private pension plans, with an average net investment rate of return of 1.9% in real terms (among the reporting PPRFs). The highest performer in 2018 was New Zealand Superannuation Fund with a real return at 10.8% (over the period June 2017-June 2018). By contrast, almost all AP funds in Sweden recorded a negative real investment rate of return in 2018, and so did Luxembourg's reserve fund and Finland's VER. However, over a longer time period (5, 10 or 15-year period), all reporting reserve funds achieved positive average annual investment returns (both in nominal and real terms).

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).

Real (after inflation) returns are calculated in local currency before tax but after investment management expenses.

The average nominal net investment returns of funded and private pension plans are the results of a calculation using a common formula for all the countries except a few ones (e.g. Ireland, Israel) for which values have been provided by the jurisdictions using their own formula or are from national official publications. The common formula corresponds to the ratio between the net investment income at the end of the year and the average level of assets during the year.

For PPRFs, nominal returns come from annual reports or have been provided by the funds directly, using their own formula and methodology.

Table 9.3. **Nominal and real geometric average annual investment rates of return of funded and private pension plans in 2018 and over the last 5, 10 and 15 years**

In per cent

	Nominal				Real			
	2018	5-year annual average	10-year annual average	15-year annual average	2018	5-year annual average	10-year annual average	15-year annual average
Australia	7.8	8.7	6.6	7.3	5.6	6.7	4.4	4.7
Austria	-5.3	2.7	3.8	3.1	-7.1	1.2	1.9	1.2
Belgium	-3.2	4.3	6.0	5.3	-5.4	2.8	4.1	3.3
Canada	2.7	6.5	7.5	6.6	0.7	4.7	5.7	4.8
Chile	1.5	6.5	7.4	6.7	-1.0	3.1	4.7	3.3
Czech Republic	0.4	0.8	1.4	2.1	-1.6	-0.5	-0.1	0.0
Denmark	-0.5	4.9	5.9	5.8	-1.3	4.2	4.6	4.2
Estonia	-2.3	2.3	4.2	2.6	-5.5	0.7	2.2	-0.7
Finland	-1.5	4.5	..	..	-2.6	3.9	..	..
Germany	1.9	3.5	3.9	4.0	0.4	2.5	2.7	2.5
Greece	-0.8	3.8	..	..	-1.4	4.1	..	..
Hungary	-1.7	5.0	..	..	-4.3	3.6	..	..
Iceland	5.6	6.4	7.2	7.6	1.8	4.2	3.7	2.7
Ireland	-5.2	..	..	..	-5.9	..	..	..
Israel	0.6	4.1	7.1	..	-0.2	4.2	5.8	..
Italy	-1.7	2.2	3.2	3.2	-2.8	1.7	2.0	1.7
Korea	3.3	3.6	4.1	4.0	2.0	2.3	2.2	1.7
Latvia	-4.4	1.5	3.6	2.8	-6.7	0.0	2.2	-1.0
Lithuania	-4.3	3.1	..	..	-6.0	1.7	..	..
Luxembourg	-3.4	2.5	3.7	..	-5.2	1.5	2.0	..
Mexico	-0.3	4.2	6.4	..	-4.9	0.0	2.3	..
Netherlands	-1.2	6.1	7.7	6.1	-3.1	4.9	6.0	4.4
Norway	-0.1	4.9	6.2	5.9	-3.4	2.3	4.0	3.7
Poland	-10.0	..	..	..	-11.1	..	..	..
Portugal	-1.1	2.8	3.3	3.7	-1.8	2.2	2.2	2.2
Slovak Republic	0.0	1.8	1.7	..	-2.0	1.1	0.4	..
Slovenia	-0.5	5.0	5.1	..	-1.9	4.3	3.8	..
Spain	-3.1	2.2	3.4	..	-4.3	1.6	2.1	..
Switzerland	-3.0	3.1	4.2	3.3	-3.6	3.1	4.2	2.9
Turkey	9.0	9.1	9.1	..	-9.4	-2.1	-0.2	..
United States	-4.9	2.3	4.8	2.6	-6.7	0.8	3.0	0.5
Brazil	5.9	..	..	..	2.1	..	..	..
Indonesia	3.8	9.5	..	..	0.6	5.0	..	..
Russia	2.8	6.4	..	..	-1.4	-0.7	..	..
South Africa	4.9	8.1	9.2	9.5	0.5	2.6	3.6	4.0

Note: “..” means not available.

Source: OECD Global Pension Statistics.

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Table 9.4. **Nominal and real geometric average annual investment rates of return of Public Pension Reserve Funds in 2018 and over the last 5, 10 and 15 years**

In per cent

Country	Public Pension Reserve Fund	Nominal				Real			
		2018	5-year annual average	10-year annual average	15-year annual average	2018	5-year annual average	10-year annual average	15-year annual average
Australia	Future Fund	5.8	8.6	9.4	..	3.9	6.7	7.1	..
Canada	CPPIB	8.9	11.2	10.1	8.2	7.2	9.4	8.3	6.4
Canada	PSP Investments	7.1	..	..	..	5.4	..	..	..
Canada	Quebec Pension Plan	4.2	9.1	..	..	2.2	7.3	..	..
Chile	Pension Reserve Fund	9.1	7.7	3.2	..	6.3	4.2	0.6	..
Finland	VER	-3.4	4.4	..	..	-4.5	3.8	..	..
Japan	GPIF	1.5	4.4	5.0	3.6	1.2	3.5	4.6	3.3
Luxembourg	FDC	-2.3	4.2	4.5	..	-4.1	3.2	2.8	..
New Zealand	New Zealand Superannuation Fund	12.4	13.1	14.4	11.0	10.8	11.9	12.7	8.8
Sweden	AP1	-0.7	7.2	8.6	..	-2.7	6.1	7.5	..
Sweden	AP2	-1.3	6.9	8.9	..	-3.3	5.8	7.7	..
Sweden	AP3	0.6	7.8	8.5	..	-1.4	6.7	7.4	..
Sweden	AP4	-0.2	8.2	9.9	..	-2.2	7.0	8.7	..
Sweden	AP6	9.6	9.4	7.8	..	7.4	8.3	6.7	..

Note: “..” means not available.

Source: OECD Annual Survey of Public Pension Reserve Funds; Annual reports.

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