

Key results

Real investment rates of return (net of investment expenses) of retirement savings plans were positive on average in 2020 in the OECD (4%) but lower than in 2019. Pension providers in many jurisdictions recovered investment losses they incurred in the first quarter of 2020 when financial markets rebounded. Looking over the longer term, the investment performance of pension plans over the last 15 years was positive in real terms in 20 out of 23 reporting countries, with Colombia achieving the strongest average annual return (5.3%), followed by Canada (4.7%). All reporting public pension reserve funds have also achieved positive investment performance over the long term.

Pension plans managed to obtain a positive real investment rate of return, net of investment expenses, in 2020 in the OECD area (at 4% on average) but lower than in 2019 (at 8%). Some of the largest pension markets (e.g. Canada, the Netherlands, Switzerland and the United States) even recorded gains above 5% in 2020. Providers of personal plans in Mexico were the top performers in 2020 (9.3%), followed by pension funds in Iceland (8.7%) and pension funds and providers of pension insurance contracts in Denmark (8.7%). Overall, retirement savings plans recorded investment gains in 30 out of 34 reporting OECD jurisdictions and all reporting non-OECD G20 jurisdictions (i.e. India, Indonesia and the Russian Federation) in 2020.

Following a drop in the first quarter of 2020, global equity markets recovered during the rest of the year, enabling pension providers in many jurisdictions to recover investment losses from the first quarter. This rebound was driven by sectors that thrived during the pandemic (e.g. tech companies), stimulus from Central Banks to keep borrowing costs low (e.g. decline in interest rates), and positive prospects during the year (development of vaccines and their approval by health authorities). Falling interest rates may have led to positive returns on corporate and government bonds with long duration. In some jurisdictions, such as the Netherlands, pension funds also earned gains from their interest rate hedges as interest rates dropped.

However, retirement savings plans recorded investment losses in real terms in 2020 in a few jurisdictions due to a relatively low investment return of conservative investments (e.g. in the Czech Republic) or the relatively slow upswing of some domestic equity markets (e.g. in Poland).

Pension providers in most countries obtained positive investment returns over the long-term. 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 average annual real investment rates of return were positive in 20 out of 23 reporting countries for which such calculation was possible. Colombia recorded the strongest average annual investment

performance (5.3%), followed by Canada (4.7%). By contrast, the 15-year average annual real investment rate of return of retirement savings plans was slightly negative in Latvia (-0.3%), the Czech Republic (-0.4%) and Estonia (-0.7%).

The possibility to harness financial markets and earn investment income is one of the reasons that can lead countries to prefund the liabilities of a public scheme, such as Luxembourg. It may also be the main source of funding of public pension reserve funds, such as in Australia where investment income has been the only source of revenues of the Future Fund since 2008.

If some PPRFs may have experienced a negative investment rate of return in real terms in a given year (e.g. -1.1% for Spain's Social Security Reserve Fund in 2019), all reporting PPRFs have achieved to earn positive investment income over the longer time period (e.g. 10-year period from December 2009 to December 2019, and 15-year period from December 2014 to December 2019). New Zealand Superannuation Fund recorded the strongest real return on average over the 10-year period (11.3%) and over the 15-year period (8.6%) among all reporting PPRFs.

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).

The average nominal net investment returns of retirement savings 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.

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

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. Geometric average annual investment rates of return of retirement savings plans in 2020 and over longer time periods (%)

	Nominal				Real			
	2020	5-year average	10-year average	15-year average	2020	5-year average	10-year average	15-year average
Australia	-0.5	6.0	7.5	6.2	-0.1	4.7	5.6	3.9
Austria	2.5	3.5	3.7	2.9	1.4	1.8	1.8	1.0
Belgium	4.1	5.1	5.7	5.1	3.7	3.5	4.1	3.3
Canada	6.3	6.4	6.9	6.4	5.6	4.7	5.3	4.7
Chile	5.7	6.8	6.4	6.8	2.7	4.0	3.2	3.4
Colombia	9.0	9.3	7.4	9.5	7.2	5.4	3.6	5.3
Costa Rica	9.1	8.3	9.2	9.4	8.1	6.7	6.5	4.6
Czech Republic	1.1	0.9	1.4	1.7	-1.2	-1.4	-0.4	-0.4
Denmark	9.2	6.1	6.3	5.4	8.7	5.4	5.3	4.0
Estonia	4.0	3.3	3.0	2.1	4.8	1.3	1.3	-0.7
Finland	4.7	5.3	..	..	4.5	4.5	..	..
Germany	2.9	3.4	3.7	3.8	3.2	2.3	2.5	2.5
Greece	2.1	4.6	..	..	4.5	4.7	..	..
Hungary	3.9	5.0	..	..	1.1	2.2	..	..
Iceland	12.6	8.1	8.6	7.3	8.7	5.3	5.5	2.6
Ireland	5.0	6.6	..	..	6.0	6.3	..	..
Israel	5.0	5.5	5.4	5.6	5.8	5.3	4.8	4.3
Italy	2.8	2.5	3.1	2.9	3.0	1.9	2.2	1.7
Japan	-1.3	..	..	..	-0.1	..	..	..
Korea	3.0	..	..	..	2.5	..	..	..
Latvia	2.3	2.5	2.8	2.7	2.8	0.8	1.3	-0.3
Lithuania	5.4	3.8	4.1	..	5.2	1.7	2.4	..
Luxembourg	2.8	2.7	3.5	2.9	2.3	1.4	2.1	1.2
Mexico	12.7	7.3	6.7	6.7	9.3	3.0	2.8	2.6
Netherlands	7.5	7.3	7.6	6.1	6.5	5.7	5.9	4.4
Norway	7.5	6.0	5.9	5.7	6.0	3.7	3.9	3.5
Poland	-2.3	2.6	..	..	-4.4	0.6	..	..
Portugal	3.9	3.3	3.4	3.3	4.1	2.7	2.5	2.1
Slovak Republic	2.7	2.8	2.3	..	1.1	1.1	0.7	..
Slovenia	2.4	3.5	4.5	..	3.5	2.6	3.5	..
Spain	1.3	2.4	3.5	..	1.8	1.6	2.6	..
Switzerland	4.3	4.5	4.3	3.3	5.1	4.3	4.5	3.1
Turkey	19.6	14.5	10.1	11.9	4.3	1.0	-0.6	1.8
United States	8.1	5.9	4.9	3.1	6.7	3.9	3.1	1.2
India	13.4	..	..	..	8.4	..	..	..
Indonesia	8.7	8.6	8.2	..	7.0	5.6	3.9	..
Russian Federation	5.1	6.4	..	..	0.2	2.3	..	..

Note: “..” means not available. The 2020 and the last 5, 10 and 15-year annual averages are calculated over the periods Dec 2019-Dec 2020, Dec 2015-Dec 2020, Dec 2010-Dec 2020 and Dec 2005-Dec 2020 respectively, except for Australia (from June to June) and Japan (March 2019-March 2020).

Source: OECD Global Pension Statistics.

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Table 9.4. Geometric average annual investment rates of return of PPRFs in 2019 and over longer time periods (%)

Country	Public pension reserve fund	Nominal				Real			
		2019	Dec 2014-Dec 2019	Dec 2009-Dec 2019	Dec 2004-Dec 2019	2019	Dec 2014-Dec 2019	Dec 2009-Dec 2019	Dec 2004-Dec 2019
Australia	Future Fund	14.3	8.8	9.7	..	12.2	6.9	7.5	..
Canada	CPP Reserve Fund	12.6	10.5	10.5	8.4	10.1	8.5	8.6	6.5
Canada	QPP reserves	10.6	8.7	9.7	..	8.2	6.7	7.9	..
Chile	Pension Reserve Fund	19.9	8.1	7.2	..	16.4	4.9	3.9	..
Finland	Keva	12.8	5.8	6.8	..	11.8	5.1	5.4	..
Finland	VER	13.8	5.5	6.2	5.5	12.8	4.8	4.8	4.0
France	FRR	9.7	3.8	4.8	4.0	8.1	2.8	3.6	2.7
Japan	Government Pension Investment Fund	-5.2	0.9	3.7	3.0	-5.6	0.5	3.2	2.7
Korea	National Pension Fund	11.3	5.3	5.6	5.6	10.5	4.1	3.8	3.4
Korea	Government Employees Pension Fund	9.3	4.5	..	..	8.5	3.3	..	..
Luxembourg	FDC	14.2	4.8	5.5	..	12.3	3.3	3.8	..
Mexico	IMSS Reserve	8.3	6.6	5.8	6.4	5.4	2.5	1.8	2.2
New Zealand	New Zealand Superannuation Fund	21.1	11.3	13.0	10.8	18.9	9.9	11.3	8.6
Norway	Government Pension Fund – Norway	12.4	7.7	8.7	7.7	10.9	5.1	6.5	5.5
Spain	Social Security Reserve Fund	-0.3	0.2	3.0	3.3	-1.1	-0.7	1.8	1.6
Sweden	AP1	15.1	7.3	8.1	7.0	13.1	5.8	6.9	5.7
Sweden	AP2	15.9	7.4	8.4	7.3	13.9	5.9	7.2	6.0
Sweden	AP3	17.6	8.5	8.7	7.3	15.6	6.9	7.4	6.0
Sweden	AP4	21.7	9.3	9.9	8.2	19.6	7.7	8.6	6.9
Sweden	AP6	8.2	9.7	7.5	6.8	6.3	8.2	6.2	5.5
Switzerland	AHV Central Compensation Fund	10.8	3.8	4.0	..	10.6	3.7	4.1	..
United States	Social Security Trust Fund	2.8	3.0	3.6	4.1	0.5	1.2	1.8	2.0

Note: “..” means not available. Returns are calculated over March 2019-March 2020, March 2015-March 2020, March 2010-March 2020 and March 2005-March 2020 for Japan.

Source: OECD Annual Survey of Public Pension Reserve Funds, Annual Reports and Financial Statements of reserve funds.

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