

ALLOCATION OF PRIVATE PENSION ASSETS AND OF ASSETS IN PUBLIC PENSION RESERVE FUNDS

Key results

Pension providers and public pension reserve funds still invested mostly in traditional asset classes (primarily bonds and equities) at the end of 2016 and 2015 respectively. Proportions of equities and bonds varied considerably across countries but there is, generally, a greater preference for bonds.

In most OECD countries for which 2016 data were available, bonds and equities remained the two most important asset classes, accounting for over 80% of the portfolio of pension providers at the end of 2016 in 16 OECD countries. The combined proportion of bonds and equities relative to the total portfolio of pension providers at the end of 2016 was 99.2% for Chile, 97.4% for Mexico, 92.6% for Poland, 91.9% for Hungary, 91.4% for Greece, 91.1% for Norway, 90.4% for the Czech Republic, 89.4% for Luxembourg, 86.4% for Sweden, 83.9% for Latvia and the Netherlands, 82.5% for the Slovak Republic, 81.6% for the United States, 81% for Iceland and 80.5% for Slovenia. At the other extreme, this combined proportion was below or close to 50% for a few countries, including the United Kingdom (53.0%).

Proportions of equities and bonds varied considerably in the portfolio of pension providers across countries. Although there was, in general, at the end of 2016, a greater preference for bonds, the reverse was true in some OECD countries, such as Australia, where equities outweighed bonds by 51.1% to 10.2%; Finland by 37.1% to 30.6%; and the United States by 46.4% to 35.2% for instance.

Within the “bonds” category, public sector bonds, as opposed to corporate bonds, comprised a significant share of the combined direct (i.e. excluding investment via collective investment schemes) bond holdings of pension providers in many countries. For example, public sector bonds comprised 91.8% of total direct bond holdings in Hungary, 88.3% in Israel, 84.6% in the Czech Republic, and 82.2% in Turkey, but only 26.4% in Norway, 17.8% in New Zealand, and 11.9% in Poland.

Cash and deposits also accounted for a significant share of pension providers’ portfolios in some OECD countries. For example, the proportion of cash and deposits in total portfolio at the end of 2016 was as high as 23.3% for Estonia and 24.5% for Turkey.

In most OECD 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 amounts of the investments of pension providers although some exceptions exist. Real estate, for example, was a significant component of pension providers’ portfolios (directly or indirectly through collective

investment schemes) in Australia, Canada, Finland, Portugal and Switzerland (in the range of 5 to 20% of total assets).

Fixed income and equities were also the predominant asset classes within PPRF portfolios at the end of 2015. 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 2015, Norway’s Government Pension Fund invested 55.2% of its assets in equities and 40.1% in fixed income, while the figures for Sweden AP funds were on average around 45% for equities and 30% for fixed income (AP1, AP2, AP3 and AP4 funds), 42.0% and 21.5% for the Quebec Pension Plan. The reserves in the Canada Pension Plan Investment Board (CPPIB) were roughly evenly split between equities (32.3%) and fixed income (26.7%). On the other hand, reserve funds in Chile, Portugal and Poland for instance invested much more in bonds than equities in 2015.

The extreme cases are those of the Belgian, Spanish and US PPRFs, which are by law fully invested in government bonds.

Some PPRFs also started to invest in real estate and non-traditional asset classes like private equity and hedge funds. For example, the funds with the highest allocation to private equity and hedge funds were those in Mexico (45.6% in total in 2015) and Australia (23.5%).

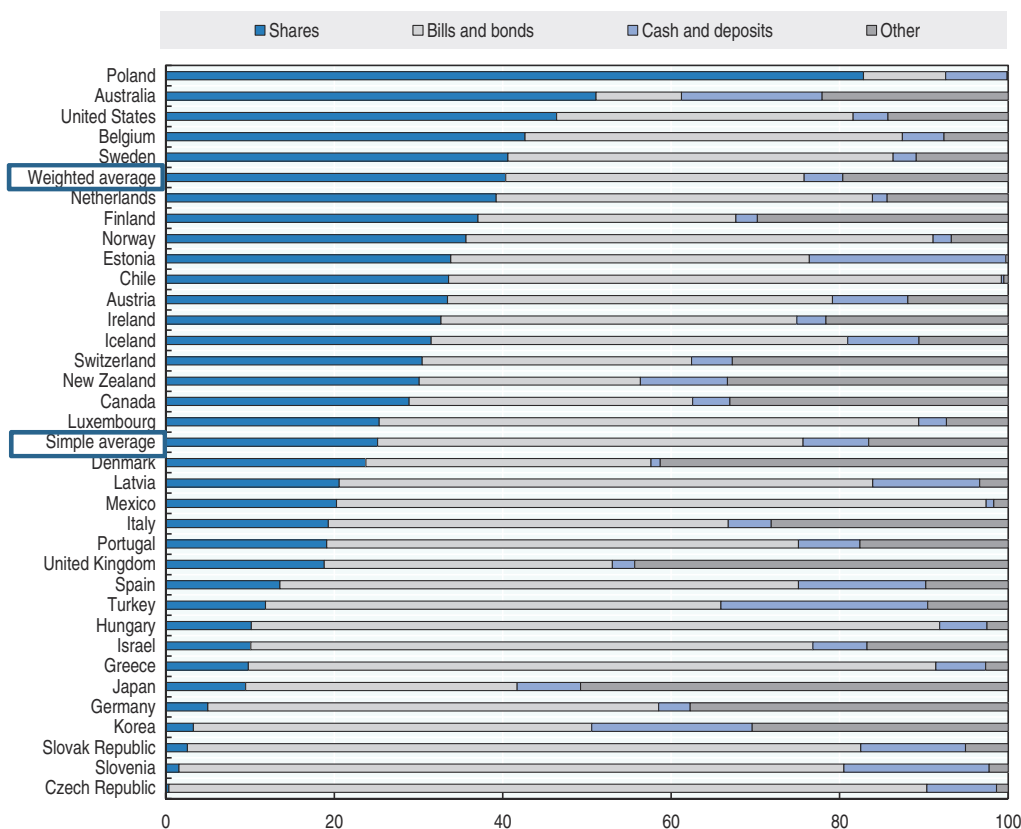
Definition and measurement

The term “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 shares, bills and bonds and cash and deposits, and indirect investment through Collective Investment Schemes (CIS). The OECD Global Pension Statistics exercise collects data on investments in CIS, as well as the look-through of these investments in cash and deposits, bills and bonds, shares and other. When the look-through was not provided by the countries, estimates were made assuming that CIS investment allocation in cash and deposits, bills and bonds, shares and other was the same as pension providers’ direct investments in these categories.

8.5. Allocation of private pension assets in selected OECD countries, 2016

As a percentage of total investment

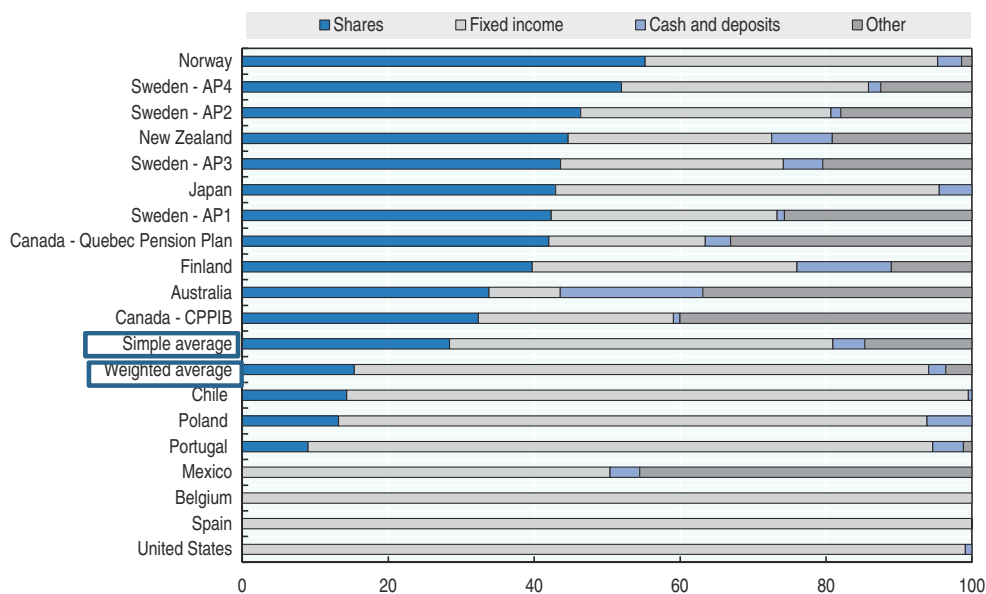


Source: OECD Global Pension Statistics.

StatLink <http://dx.doi.org/10.1787/888933634705>

8.6. Allocation of assets in public pension reserve funds in selected OECD countries, 2015

As a percentage of total investment



Source: OECD Annual Survey of Public Pension Reserve Funds.

StatLink <http://dx.doi.org/10.1787/888933634724>



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