

## ASSETS IN PRIVATE PENSION PLANS AND PUBLIC PENSION RESERVE FUNDS

### Key results

Substantial assets have been accumulated in most OECD countries to help meet future pension liabilities. The weighted average of OECD assets in private pension plans was equal to 83% of gross domestic product (GDP) in 2016 (using GDP as weights). Eighteen OECD countries have also built up public pension reserves to help pay for state pensions. For these countries, public pension reserves were worth 19% of GDP on average in 2015.

Assets in private pension plans reached USD 38.1 trillion in 2016 in the OECD area. The United States had the largest pension market within the OECD member countries with assets worth USD 25.1 trillion, representing 65.9% of the OECD total. Other OECD countries with large pension systems include Canada with assets worth USD 2.4 trillion and a 6.3% share of OECD pension market in 2016; the United Kingdom, USD 2.3 trillion and 6.0%; Australia, USD 1.5 trillion and 4.0%; Japan, USD 1.4 trillion, 3.6%; and the Netherlands, USD 1.3 trillion and 3.5%.

The OECD average asset-to-GDP ratio, weighted according to the GDP of each country, was 83.0% in 2016. Seven OECD countries achieved asset-to-GDP ratios higher than 100% – Denmark (209.0%), the Netherlands (180.3%), Canada (159.2%), Iceland (150.7%), Switzerland (141.6%), the United States (134.9%) and Australia (123.9%). These countries put in place private pensions a long time ago, and with the exception of Canada and the United States, have mandatory or quasi-mandatory private pension systems.

Pension assets were of varying importance relative to GDP in the other countries. Nine OECD countries had asset-to-GDP ratios below 100% but above 20%. These include countries that have introduced mandatory funded pension systems in recent years. Of these, Chile has the longest history and has accumulated assets worth 69.6% of its GDP. Growth prospects are also very positive in countries like Estonia and Mexico, countries that introduced mandatory private pensions in the late 1990s and early 2000s. Assets have grown rapidly since that point, reaching between 15% and 20% of GDP respectively at the end of 2016. These figures will continue growing over the coming years and decades as more people join the new retirement-income system and existing members make further contributions.

Some prefunding also occurs in state pension systems, which are normally financed on a pay-as-you go basis. Public pension reserve funds (PPRFs) are expected to play a major role in the future financing of some public pension systems, alleviating the impact of population ageing on the public purse. By the end of 2015, the total amounts of PPRFs assets were equivalent to USD 5.1 trillion for the 18 OECD countries for which data are available. The largest reserve was held by the US social security trust fund at USD 2.8 trillion, accounting for 54.7% of total OECD

assets, although the assets consist of non-tradable IOUs issued by the US Treasury to the social security trust. Japan's Government Pension Investment Fund was second at USD 1.1 trillion – 22.1% of the OECD total. Of the remaining countries, Korea, Canada and Sweden had also accumulated large reserves, respectively accounting for 8.5%, 4.8% and 2.9% of the total.

In terms of total assets relative to the national economy, on average, PPRF assets accounted for 13.9% of GDP in the OECD area in 2015. The highest ratio was observed for the Korean National Pension Fund with 32.8% of GDP. Other countries where the ratio was of a significant size included Luxembourg with 30.2%, Sweden with 29.5% and Japan with 25.8%. PPRFs in Australia, Belgium, Chile and Poland have been established relatively recently (between 2001 and 2006), explaining the low level of assets accumulated up to now. The expansion of this pool of assets should continue over the coming years, although some countries such as Spain have already started withdrawing some of the savings to cover social security deficits. The Irish National Pension Reserve Fund, converted in 2014 into the Ireland Strategic Investment Fund, does not qualify anymore as a public pension reserve fund as its mandate now goes beyond financing pay-as-you-go pension plans.

### 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).

Private pension plans are pension plans administered by an institution other than general government. They may be administered directly by a private sector employer acting as the plan sponsor, a private pension fund or a private sector provider. In some countries, these may include plans for public sector workers.

Funded public arrangements are pension plans which are managed by a public institution.

PPRFs are reserves established by governments or social security institutions to support public pension systems, which are otherwise financed on a pay-as-you-go basis. The assets in such reserve funds form part of the government sector, broadly defined.


### 8.4. Assets in private pension plans and public pension reserve funds in OECD countries and other major economies, latest year available

As a percentage of GDP and in millions of USD

|                              | Private pension plans, 2016                    |                                    | Public pension reserve funds, 2015             |                                   |
|------------------------------|--|------------------------------------|--|-----------------------------------|
|                              | % of GDP                                       | USD million                        | % of GDP                                       | USD million                       |
| <b>OECD members</b>          |  |                                    |  |                                   |
| Australia                    | 123.9  | 1 523 302                          | 7.3  | 90 026                            |
| Austria                      | 6.0  | 21 980                             | x  | x                                 |
| Belgium                      | 6.9  | 30 612                             | 5.2  | 23 439                            |
| Canada                       | 159.2  | 2 403 874                          | 17.0   | 249 215                           |
| Chile                        | 69.6   | 174 480                            | 3.6  | 8 112                             |
| Czech Republic               | 8.4  | 15 684                             | x  | x                                 |
| Denmark                      | 209.0  | 611 895                            | x  | x                                 |
| Estonia                      | 16.4   | 3 656                              | x  | x                                 |
| Finland                      | 59.3   | 134 867                            | 8.8  | 20 416                            |
| France                       | 9.8  | 230 184                            | 2.5  | 59 552                            |
| Germany                      | 6.8  | 223 906                            | 1.1  | 37 055                            |
| Greece                       | 0.7  | 1 254                              | x  | x                                 |
| Hungary                      | 4.3  | 5 105                              | x  | x                                 |
| Iceland                      | 150.7  | 32 359                             | x  | x                                 |
| Ireland                      | 40.7   | 118 322                            | x  | x                                 |
| Israel                       | 55.7   | 177 293                            | x  | x                                 |
| Italy                        | 9.4  | 165 238                            | x  | x                                 |
| Japan                        | 29.4   | 1 354 754                          | 25.8   | 1 137 247                         |
| Korea                        | 26.9   | 364 634                            | 32.8   | 436 950                           |
| Latvia                       | 12.7   | 3 340                              | x  | x                                 |
| Luxembourg                   | 2.9  | 1 659                              | 30.2   | 17 215                            |
| Mexico                       | 16.7   | 156 503                            | 0.1  | 1 511                             |
| Netherlands                  | 180.3  | 1 335 227                          | x  | x                                 |
| New Zealand                  | 24.4   | 45 109                             | 11.8   | 19 974                            |
| Norway                       | 10.2   | 36 899                             | 6.9  | 24 269                            |
| Poland                       | 9.3  | 41 038                             | 1.1  | 4 984                             |
| Portugal                     | 10.8   | 21 092                             | 7.9  | 15 350                            |
| Slovak Republic              | 11.2   | 9 523                              | x  | x                                 |
| Slovenia                     | 7.0  | 2 963                              | x  | x                                 |
| Spain                        | 14.0   | 164 241                            | 3.0  | 35 362                            |
| Sweden                       | 80.6   | 389 264                            | 29.5   | 147 883                           |
| Switzerland                  | 141.6  | 904 380                            | x  | x                                 |
| Turkey                       | 4.8  | 35 217                             | x  | x                                 |
| United Kingdom               | 95.3   | 2 273 713                          | x  | x                                 |
| United States                | 134.9  | 25 126 592                         | 15.4   | 2 812 510                         |
| <b>OECD</b>                  | <b>Simple: 50.0%</b><br><b>Weighted: 83.0%</b> | <b>Total:</b><br><b>38 140 159</b> | <b>Simple: 11.7%</b><br><b>Weighted: 13.9%</b> | <b>Total:</b><br><b>5 141 071</b> |
| Argentina                    | ..   | ..                                 | 10.3   | 50 689                            |
| Brazil                       | 22.9   | 439 507                            | x  | x                                 |
| China (People's Republic of) | 1.5  | 159 357                            | 2.7  | 294 820                           |
| India                        | 1.1  | 23 472                             | 4.6  | 101 247                           |
| Indonesia                    | 1.8  | 17 035                             | ..   | ..                                |
| Russian Federation           | 6.1  | 87 038                             | x  | x                                 |
| Saudi Arabia                 | ..   | ..                                 | ..   | ..                                |
| South Africa                 | 100.6  | 259 622                            | x  | x                                 |

Note: “..” means not available; “x” means not applicable; “Simple” means simple average; “Weighted” means weighted average. The line “OECD” shows the total assets in millions of USD, the simple and weighted averages of assets as a percentage of GDP (using GDP expressed in USD to build weights) calculated on the reporting countries in the OECD area.

Source: OECD Global Pension Statistics and Annual Survey of Public Pension.

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