

Pension fund assets rose in 2020 despite the shock of COVID-19

- Pension fund assets exceeded USD 35 trillion at end-2020, increasing despite COVID-19 in almost all countries except those facing significant early withdrawals
- Earnings in financial markets underlie the growth in assets
- Equities and bonds accounted for nearly 75% of pension fund investments on average at end-2020
- The outlook for pension funds is relatively positive for Q1 2021

Pension fund assets exceeded USD 35 trillion at end-2020, increasing despite COVID-19 in almost all countries

Preliminary data for 2020 show that **pension funds held over USD 35 trillion of assets worldwide at end-2020**, exceeding 2019 levels despite the headwinds due to COVID-19 (Table 1). Pension fund assets grew by nearly 9% in the OECD area – although less than the double-digit growth rate in 2019 – to reach USD 34.2 trillion at end-2020. Outside the OECD area, pension fund assets amounted to USD 0.8 trillion at end-2020 in a group of 31 jurisdictions, just over 1% more than at end-2019.

Pension Funds in Figures provides a short preview of the characteristics of pension funds in OECD countries and in a selection of non-OECD jurisdictions. This seventh issue shows indicators based on preliminary data for 2020 and an early forecast of pension fund assets as of end Q1-2021. An Excel file of the underlying data is available at www.oecd.org/daf/pensions/pensionmarkets. This factsheet was made possible by close co-operation between the OECD, the International Organisation of Pension Supervisors, the World Bank and the various national bodies that provided data and comments.

A more developed analysis on the whole private pension system will be published in the 2021 edition of Pension Markets in Focus, forthcoming in October.

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Table 1. Assets in pension funds and all retirement savings vehicles in 2020 (preliminary)

OECD countries	Pension funds			All retirement vehicles	Selected other jurisdictions	Pension funds			All retirement vehicles
	% change	in USD million	% of GDP	% of GDP		% change	in USD million	% of GDP	% of GDP
Australia	-1.2	1,754,578	128.7	131.8	Albania	23.9	36	0.2	0.2
Austria	2.8	30,639	6.6	..	Armenia	47.0	708	6.0	..
Belgium	3.9	51,488	9.3	37.5	Brazil	10.8	187,751	13.1	26.6
Canada	5.3	1,584,689	95.5	174.1	Bulgaria	10.6	10,921	14.8	14.8
Chile	-5.2	208,482	75.8	..	Croatia	6.2	20,810	34.5	34.5
Colombia	5.4	86,742	29.8	29.8	Dominican Republic	15.4	11,783	15.5	..
Costa Rica	13.1	21,657	37.0	37.0	Egypt	10.0	5,635	1.5	1.5
Czech Republic	6.8	25,347	9.6	9.6	Georgia	127.8	360	2.4	2.4
Denmark	20.0	224,054	58.4	238.9	Ghana	20.2	3,823	5.7	5.7
Estonia	11.5	6,506	19.5	21.5	Guyana	10.1	387	6.7	6.7
Finland	3.8	163,463	56.1	..	Hong Kong, China	13.6	189,815	54.3	54.3
France	83.8	71,785	2.6	11.2	India	36.8	75,138	2.8	..
Germany	4.2	330,804	8.1	..	Indonesia	8.0	21,682	2.0	..
Greece	5.5	2,016	1.0	..	Jamaica	-5.7	4,674	33.5	33.5
Hungary	5.8	6,393	4.0	5.6	Kosovo	1.1	2,453	29.3	29.3
Iceland	15.4	44,916	194.3	205.6	Macau (China)	19.1	4,509	18.5	18.5
Ireland	0.8	154,615	34.4	..	Malawi	20.1	1,320	16.4	16.4
Israel	7.5	300,489	69.8	..	Maldives	12.2	888	23.7	23.7
Italy	7.4	198,371	9.8	12.7	Namibia	3.9	10,700	89.9	101.8
Japan	0.5	1,536,059	29.5	..	North Macedonia	15.4	1,783	13.5	13.5
Korea	15.5	234,874	13.3	..	Pakistan	15.2	222	0.1	..
Latvia	9.0	748	2.1	19.5	Peru	-5.7	48,040	23.1	23.1
Lithuania	15.9	5,723	9.5	9.5	Romania	21.0	19,684	7.4	7.4
Luxembourg	1.1	2,262	2.9	..	Russia	3.1	86,050	6.0	6.0
Mexico	18.1	236,096	20.4	..	Serbia	3.9	493	0.9	0.9
Netherlands	8.0	2,060,775	210.3	..	Suriname	0.9	286	13.0	..
New Zealand	13.1	79,786	33.9	33.9	Thailand	3.0	42,198	8.1	..
Norway	10.2	49,900	12.5	..	Trinidad and Tobago	1.7	7,617	35.3	37.7
Poland	-3.7	39,782	6.5	..	Ukraine	11.0	123	0.1	..
Portugal	5.6	28,280	11.4	..	Uruguay	19.8	16,053	30.6	30.6
Slovak Republic	11.3	16,192	14.4	14.4	Zimbabwe	>200	1,348	10.1	..
Slovenia	4.8	3,701	6.5	7.9	Total	1.2	777,291	8.3	..
Spain	1.9	144,011	10.5	14.4					
Sweden	n.a.	24,198	4.0	95.0					
Switzerland	6.2	1,188,905	149.1	..					
Turkey	33.7	23,069	3.4	..					
United Kingdom	8.1	3,241,225	118.5	..					
United States	8.9	20,063,229	95.8	164.8					
OECD Total	8.7	34,245,851	63.5	..					

Notes: ".." means not available, "n.a." means not applicable. See the accompanying Excel file for country-specific details.

Source: OECD Global Pension Statistics; Bank of Japan; Korean Ministry of Employment and Labour; Swiss Occupational Pension Supervisory Commission.

Pension fund assets continued to rise in 2020 in almost all countries. This increase was supported by capital gains in financial markets and government measures that helped members to continue participating in their pension plans. Some of the strongest asset rises in nominal terms occurred in Georgia (over 100%) where participation in a 2nd pillar pension scheme has become mandatory since 1 January 2019, and France (84%) where insurance companies have started creating and transferring pension business to FRPS (i.e. a newly authorised vehicle that is a pension fund).

Only 5 out of 68 jurisdictions reported a decrease in pension fund assets: Australia (-1.2% between end-June 2019 and end-June 2020), Poland (-3.7%), Chile (-5.2%), Jamaica (-5.7%) and Peru (-5.7%). While investment losses in financial markets contributed to this decline in Australia (at end-June 2020), Jamaica and Poland, pension funds in Chile and Peru experienced significant outflows as members took advantage of the repeated opportunities granted during the COVID-19 outbreak to withdraw part of their savings from their individual accounts.

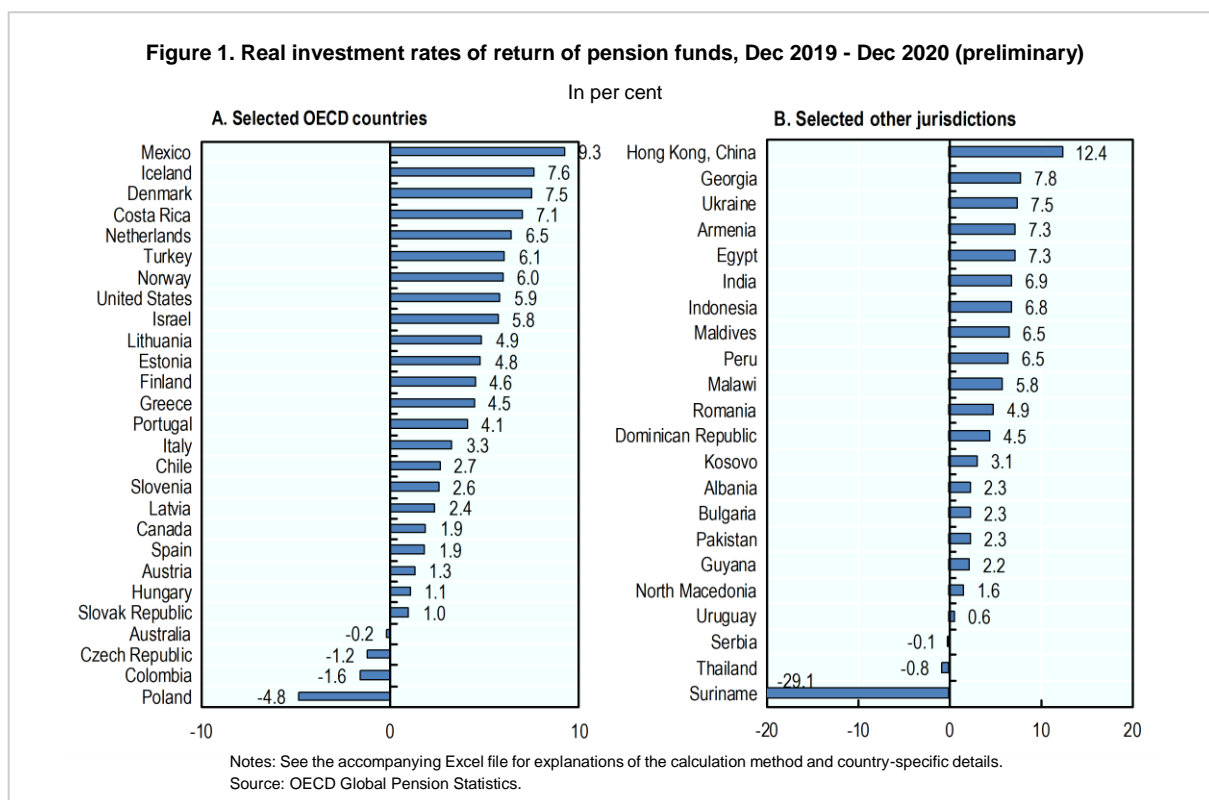
The amount of assets in pension funds varies greatly by country, **with seven countries in the OECD area responsible for more than 90% of pension fund assets:** the United States (USD 20.1 trillion), the United Kingdom (USD 3.2 trillion), the Netherlands (USD 2.1 trillion), Australia (USD 1.8 trillion), Canada (USD 1.6 trillion), Japan (USD 1.5 trillion) and Switzerland (USD 1.2 trillion).

Significant differences remain across countries between the level of assets in pension funds relative to the size of the domestic economy. Assets exceeded the size of the domestic economy in five countries: the Netherlands (210.3%), Iceland (194.3%), Switzerland (149.1%), Australia (128.7%) and the United Kingdom (118.5%). In contrast, pension fund assets remained much smaller in countries such as Albania, Greece and France, accounting for 0.2%, 1% and 2.6% of GDP respectively.

In some countries, retirement savings are accumulated in vehicles other than pension funds. Examples include provisions in employers' books (e.g. Austria, Germany, Sweden); pension insurance contracts (e.g. Belgium, Denmark, France, Sweden); and, vehicles offered and managed by banks, investment companies or other entities (e.g. Belgium, Denmark, the United States). For example, **more assets were accumulated in Belgium, Denmark, France and Latvia in these other vehicles than in pension funds in 2020.** Denmark has the largest amount of pension assets relative to GDP when considering the whole funded private pension system (238.9% of GDP). The 2021 edition of Pension Markets in Focus, coming out in October, will cover these issues further.

Earnings in financial markets underlie the growth in assets

Pension funds achieved positive investment returns in most reporting jurisdictions in 2020 overall, despite the sharp fall in stock prices in Q1 2020 in major financial markets, the rise in unemployment and the shrinkage of GDP (Figure 1). Pension funds in Hong Kong (China) and Mexico experienced the highest investment performance in 2020, at 12.4% and 9.3% respectively. Pension funds also recorded a real investment rate of return over 5% in 17 other jurisdictions, including Denmark (7.5%), the Netherlands (6.5%) and the United States (5.9%). The investment performance of pension funds was lower, but still positive, in 23 other jurisdictions.



Pension funds suffered investment losses in only 7 of the 49 reporting jurisdictions. Australia (over June 2019-June 2020), the Czech Republic, Colombia, Poland, Serbia, Suriname and Thailand.

The rebound of financial markets after Q1 2020 helped pension funds in many jurisdictions to recover from losses in the first quarter. This rebound was boosted by sectors that thrived during the pandemic (e.g. tech

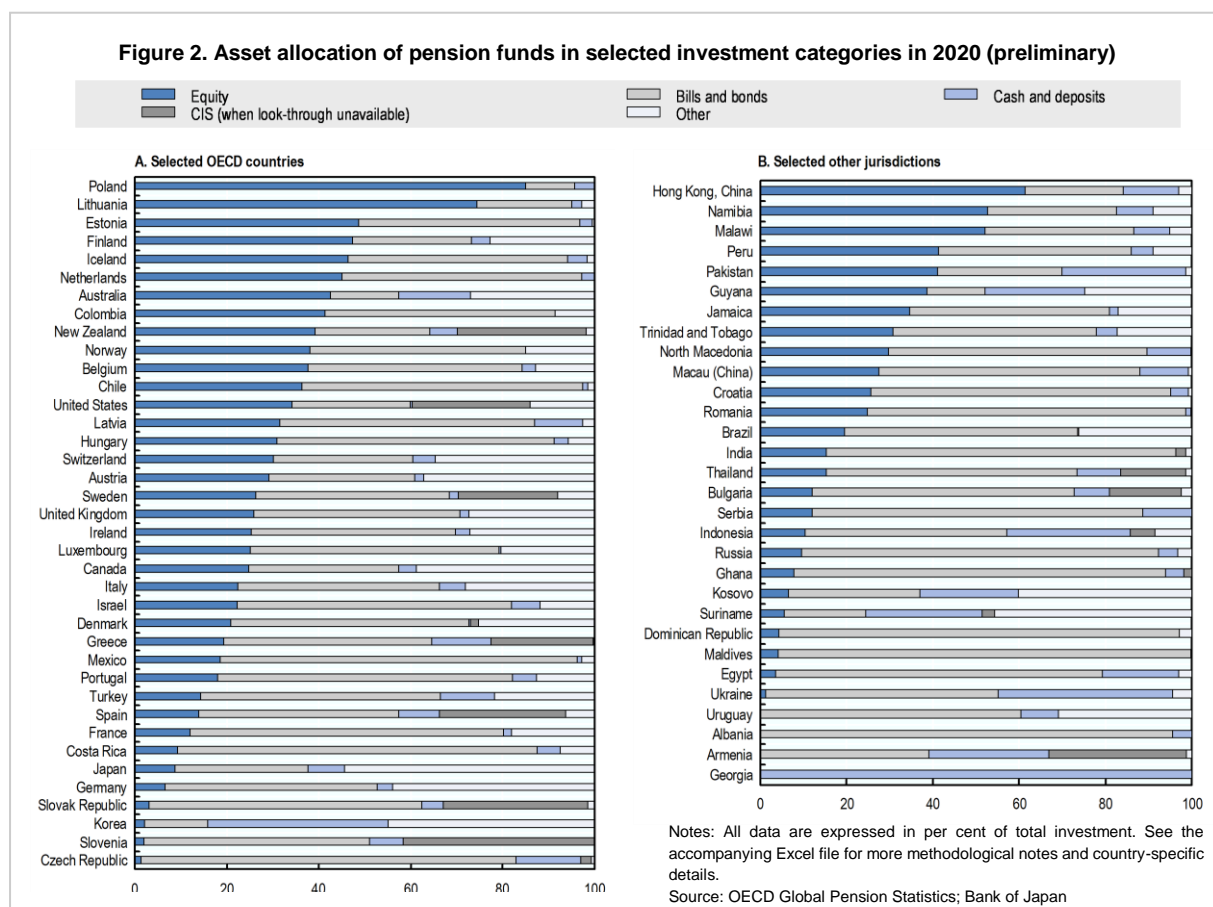
companies), stimulus from Central Banks to keep borrowing costs low (e.g. decline in interest rates), and positive prospects (development of vaccines and their approval by health authorities). In some jurisdictions, such as the Netherlands, pension funds also earned gains from their interest rate hedges as interest rates dropped.

The low or negative investment performance experienced by pension funds in some jurisdictions may have different explanations. Some pension funds investing conservatively (e.g. in the Czech Republic) may have been less adversely affected by the sharp fall in financial markets in Q1 2020 but may have also missed the windfalls of recovering markets. The upswing also happened at different speeds across financial markets. While the S&P 500 rose by 16% in 2020, the stock index of the 20 largest companies on the Warsaw Stock Exchange was still down 8% at end-2020 compared to end-2019, potentially accounting for the overall negative investment performance of pension funds in Poland. Pension funds achieved a positive nominal return in Colombia (0%), the Czech Republic (1.1%), Serbia (1.1%) and Suriname (10.8%) but below inflation (1.6% in Colombia, 2.3% in the Czech Republic, 1.3% in Serbia and over 50% in Suriname).

Equities and bonds accounted for nearly 75% of pension fund investments

Pension funds were mostly invested in equities and bonds at the end of 2020. These instruments together accounted for 74% of the investment of pension funds on average, directly or indirectly through collective investment schemes, among the 68 reporting jurisdictions. Bonds alone represented 50% of pension fund investments on average.

The asset mix of pension funds varies across jurisdictions (Figure 2). Equities accounted for more than 50% of the investments of pension funds in Hong Kong (China), Lithuania, Malawi, Namibia and Poland, while pension funds invested almost none of their assets in equities in Armenia, the Czech Republic or Georgia for instance.



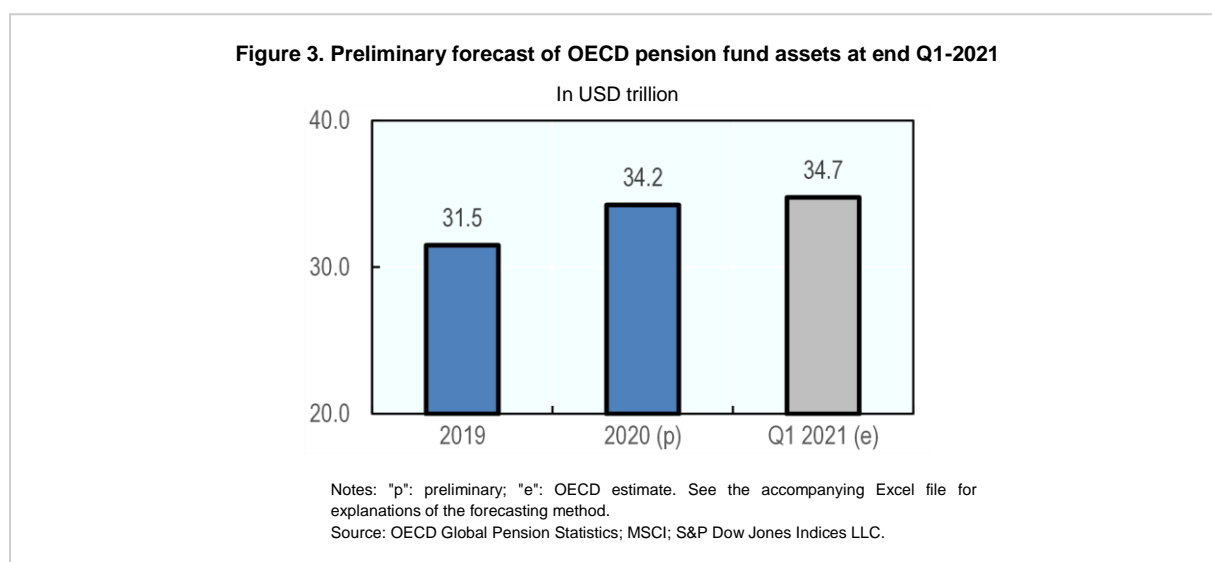
In some jurisdictions, pension funds held a significant share of their assets in deposits (e.g. in Georgia) or alternative investments such as loans or real estate (e.g. in Canada and Germany). In Georgia, all the assets were held in bank deposits and current accounts before the newly introduced mandatory scheme started its investment operations in other asset classes. Pension funds in Canada and Germany had some of the highest proportions of assets invested in instruments other than bonds, equities, cash and deposits, at 39% and 44% respectively.

While pension funds generally maintained their asset allocation relatively similar to 2019, some jurisdictions observed a switch to cash and other liquid options to face potential outflows from early withdrawals due to COVID-19. Pension funds in Australia increased the share of their assets in cash and deposits by nearly 3 percentage points between end June-2019 and end June-2020, as funds prepared for potential outflows coming from the COVID-19 related early release initiative and some plan members may have switched to cash and other conservative options. Likewise, pension funds in Peru sold some local long-term fixed income securities to increase their cash holdings and be able to meet early withdrawal requests from plan members.

Low and declining interest rates also led some pension funds to adjust their asset allocation in 2020. Because of the declining interest rates, pension funds in the Czech Republic diverted over 8 percentage points of their assets in cash towards bonds (especially government bonds). Croatia's pension supervisor also reported an increase in pension funds' investments in riskier assets such as equities as a result of the low interest rate environment.

The outlook for pension funds is relatively positive for Q1 2021

Preliminary forecasts based on financial market developments suggest a positive outlook for pension fund assets. Major stock markets fared well in Q1 2021 as COVID-19 vaccines were rolled out (e.g. in the United Kingdom and the United States) and hopes of a global economic recovery rose. Pension fund assets in Q1 2021 may therefore continue to rise and could reach USD 34.7 trillion in the OECD area, all else being equal (Figure 3).



However, uncertainties remain. The COVID-19 outbreak is far from over as new variants emerge in different parts of the world and many people are still to be vaccinated. COVID-19 and the related policy responses could still impact trends in financial markets and pension fund assets. Some experts also fear that stock prices may be overvalued, which could lead to a potential price correction in the future.¹

¹ [Investor anxiety mounts over prospect of stock market 'bubble' | Financial Times \(ft.com\)](https://www.ft.com/content/1c1c1c1c-1c1c-1c1c-1c1c-1c1c1c1c1c1c)

Other factors may also influence the investment performance and asset levels of pension funds. Inflation may be a concern going forward. Following large expenditure bills in the United States, some pundits anticipate higher inflation in the future, and bond prices have started to decline. The materialisation of higher inflation could pose a risk for the investment performance of pension funds in real terms, depending on the extent to which their portfolios are invested in inflation-linked securities or hedged against inflation risk. However, most experts believe that higher permanent inflation is nothing to worry about.

METHODOLOGICAL NOTES TO BE TAKEN INTO CONSIDERATION WHEN INTERPRETING THE DATA

General: Data are collected from national pension authorities within the framework of the OECD Global Pension Statistics (GPS) project. This exercise covers all funded pension plans where assets are accumulated in pension funds, through pension insurance contracts or other vehicles. These plans may be publicly or privately administered, mandatory or voluntary, occupational or personal, for public or private-sector workers. Employers' book reserves are also in the scope. The classification of pension plans and the related definitions are available in *Private Pensions: OECD Classification and Glossary*, accessible at www.oecd.org/daf/pensions. Data are preliminary and may be revised in the 2021 edition of the report *Pension Markets in Focus* (forthcoming).

Data for 2020 refer to the end of 2020, except for: Australia where data refer to June 2020; Canada (pension funds), the United Kingdom, the United States (individual retirement accounts) and Ukraine where data refer to end Q3-2020; Belgium (pension insurance contracts), Canada (other than pension funds), Iceland (pension insurance contracts), Slovenia (pension schemes supervised by the Insurance Supervision Agency), Sweden, Brazil (open pension entities) and Russia (Pension Fund of the Russian Federation) where data refer to 2019.

Data on pension funds refer to: 2nd pillar pension funds in Estonia, PERCO/company PER and IORPs in France, Pensionskassen and Pensionsfonds supervised by BaFin in Germany, occupational retirement pension savings in Korea, voluntary plans in Latvia, personal plans in Mexico, personal plans in Turkey, mandatory pension funds in Armenia, whole funded pension system and alternative regime schemes in Costa Rica, NPS schemes in India, employer pension funds and financial institution pension funds in Indonesia, private pension schemes registered with the Securities and Exchange Commission of Pakistan, defined contribution provident funds in Thailand, non-state pension funds in Ukraine and occupational pension schemes in Zimbabwe. This note focuses on pension funds (except the last column of Table 1).

Country-specific and other methodological notes for Table 1 and Figures 1 to 3 are available in the accompanying Excel file at: www.oecd.org/daf/pensions/pensionmarkets.