Global Pension Statistics Project: Measuring the Size of Private Pensions with an International Perspective

I. Background – processing high quality statistical data worldwide

The scale and pace of pension reform worldwide has created a significant need for the development of comprehensive, comparable pension statistics that can capture the many dimensions of pension systems and assist governments in assessing their programmes and reforms. Indeed, there are presently only scattered bodies of data available on subjects such as retirement income adequacy and trends in coverage, funding and investment.

In order to fill this significant data gap in pension statistics, in 2002 the OECD Financial Markets Division (within the Directorate for Financial and Enterprises Affairs), initiated a statistical project with the aim to set up an analytical database of global pension statistics and indicators. The OECD ad hoc Task Force on Pension Statistics (TFPS) was created in 2002 in order to support this project and to provide methodological support for its practical organisation.

Although significant strides have already been made in pension data collection and reporting, great variability remains across, and even within, OECD countries.

Among key issues impacting pension data quality that the statistical project will address are the:

- lack of comprehensive administrative data for key indicators;
- lack of timely data to monitor the financial activity of the international pension industry;
- lack of uniformity and transparency in data sources and measures.

II. Finding a common language

One of the key obstacles to the work of any international forum is language. Making sure that the basic terminology used is shared by all the members of the forum is a prerequisite to dialogue. Only once all members are speaking the same "language" can progress and coherent discussion occur. This is particularly true for the area of private pensions. Even though many OECD countries are experiencing similar fiscal pressures and demographic trends, the structure and language of reference can vary significantly.

Thus, one of the first tasks of the Working Party on Private Pensions was the creation of a taxonomy and glossary of private pension systems terminology. This task has been complicated by the proliferation of definitions for even the most basic distinctions in pensions, such as those between public and private pensions and between defined benefit and defined contribution plans. The development of a common language has been the foundation upon which the Working Party has initiated the development of a set of international standards for the regulation of private pensions.

The development of a taxonomy has also been a critical step in the statistical data collection process that is being developed by the Working Party.

III. What are the goals and objectives of the Working Party's statistical collection project?

The Working Party's statistical project will significantly improve the reliability and comparability of core pension data and ultimately provide an important tool to support programme performance assessment and policymaking effectively.

The statistical project will develop a comprehensive system of international pension statistics, collected from primary sources (*e.g.*, supervisory authorities, central banks, statistical offices and ministries), using coherent statistical concepts, definitions and methodologies. Data will be collected on an ongoing basis so that trends can be readily identified and analysed. The statistical collection will provide a valuable device for measuring and monitoring the pension industry, and permit inter-country comparisons with current statistics and indicators on key aspects of retirement systems across OECD countries. This system will be extended to non-OECD countries at a later stage.

Within the framework of this project, data collected pertain to assets, liabilities, income, expenditure and membership. This project takes advantage of the analytical activities of the OECD's Working Party on Private Pensions (WPPP), in particular the approved OECD T*axonomy of* Pension *Plans and* Pension *Funds and* Pension *Entities*.[1]

IV. Results from the first data collection round

For this first round, 26 countries[2] have participated and answered the statistical questionnaire on pensions approved by the OECD Working Party on Private Pensions (WPPP) in April 2003. The assistance and support of the Task Force's participants in this endeavour was critical and this exercise has provided the OECD with a substantial amount of comparative data, which will be phased into the Secretariat's analytical work. Concerning the remaining OECD countries[3] for which the information is still missing, good progress towards filling in the questionnaires has been achieved and the OECD Secretariat anticipates including these countries soon in this unique exercise.

Private Pension Statistics: *overview of pension activity*

Membership

In the countries that provided information on pension fund membership (either for 2001 or 2002), active members (*i.e.* working or contributing individuals) represent, on average, close to 58 per cent of the total number of pension funds' members. Almost all members are active in countries that have created pension funds very recently, such as Spain and Italy, whereas in the Netherlands, active members represent only 39.1 per cent of the total.

The ratio of the number of active members – working or contributing to pension funds – to the total number of members rose from 2001 to 2002 in all of the countries that provided such information for both years, with the exception of Mexico.

Total assets

In 2001, the total outstanding investment of autonomous pension funds in OECD countries amounted to USD 7.546 billion. This represents an aggregate of 45.8 per cent of the total GDP in those countries and 42.1 per cent of their domestic listed shares' market capitalisation (Figure 1, Annex Table 1).

In 2002, total investment of pension funds decreased by 9.0 per cent in the countries for which statistics are available. Accordingly, the ratio of total investment to GDP decreased to 39.8 per cent in those countries. Conversely, and resulting from a dramatic year-on-year fall in domestic shares' market capitalisation, the ratio of total pension funds investment to domestic shares' market capitalisation rose to 45.7 per cent.

The economic weight of pension funds varies significantly across countries. In most countries, total investments amount to around 5 per cent or less of GDP. Conversely, it amounts to 50 per cent or more of GDP in Canada, the United States, the United Kingdom and in Iceland. It even exceeds GDP in the Netherlands and Switzerland. Denmark is in an intermediate position (27.1 per cent of the GDP). For those last countries, Denmark included, pension funds amount to more than one half of the market capitalisation of domestic shares.

Countries showing high ratios of total pension funds investment to GDP tend also to exhibit high ratios of market capitalisation to GDP, as evidenced in Figure 1 (2001 data). Countries in which big listed companies have developed an international shareholder basis, such as Sweden and Finland, have, however, witnessed strong growth in their local stock exchange as well.

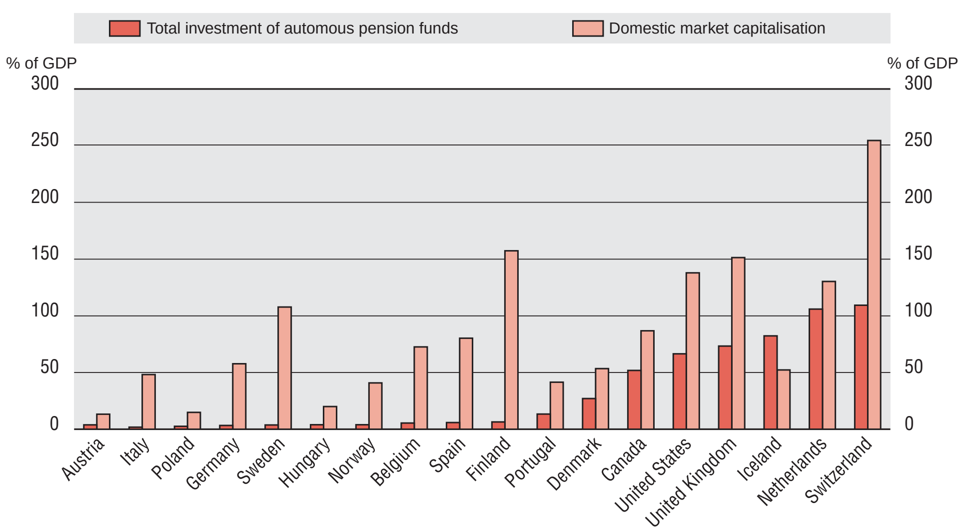
Structure of assets

The aggregate total investment of pension funds in OECD countries is predominantly invested in shares (39.7 per cent) (Figure 2, Annex Table 2). The second asset class consists of bills and bonds (21.8 per cent), followed by mutual funds (13.8 per cent).

The breakdown of assets according to the type of investment product varies widely across countries:

- In the majority of countries, bills and bonds rank first in asset allocation. In Denmark, Hungary, Iceland, Mexico, Poland, Bulgaria, Estonia and Slovenia, it accounts for over a half of total investments.

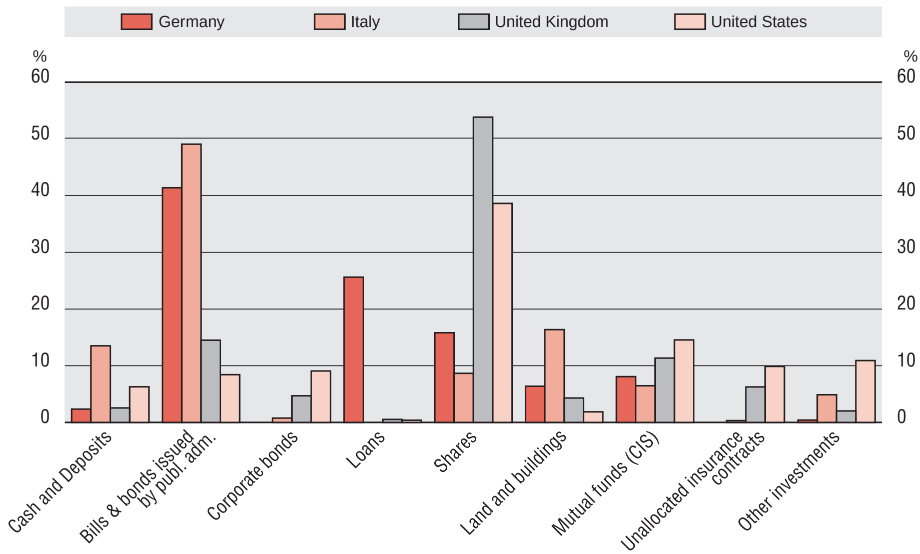
Figure 1. **Weight of pension funds total investments in the economy compared with stock exchange size**



Source: OECD.

Figure 2. **Asset structure of pension funds in selected countries**

Per cent of total assets



Source: OECD.

- In three countries, equity shares account for 40 per cent or more of assets: the Netherlands, the United States and the United Kingdom (where they account for 53.8 per cent despite the stock market's downturn).
- In Belgium and Canada, mutual fund shares are predominant in the asset structure.
- In most countries, cash and deposits, loans, lands and buildings only account for relatively small amounts.

Looking forward

Further improvements are already in sight:

- To further harmonise and standardise the information, the OECD will continue to investigate and review, among other topics, assets' and liabilities' valuations methods across countries, the calculation of return on investment and costs and fees.
- To develop additional indicators, and to enlarge the project to all funded pension plans progressively, the OECD will collect micro-data.

- With a view to improve the completeness of the set of indicators, and as autonomous pension funds do not represent the totality of pension plan activity in other OECD countries, the OECD will continue its efforts to obtain additional information on non-autonomous pension funds, pension insurance contracts and other financing vehicles for pension plans.
- To extend the project's geographical coverage, additional countries will be invited to join this unique dataset.

OECD Global Pension Statistics collection will thus be both matched with and oriented by practical needs. Work is however underway for improving even further – and extending – cooperation with private financial agents,[4] so as to ensure that, within the scope of this project, the requirements for pension statistics and analytical data of all economic agents are met.

V. Contact Information

For further information on the Global Pension Statistics Project, please contact: Jean-Marc Salou, Administrator in the Financial Affairs Division, who is managing this project (tel: +33 1 45 24 91 10, e-mail: *jean-marc.salou@oecd.org*); or André Laboul, Head of the Financial Affairs Division, Directorate for Financial and Enterprise Affairs (tel: +33 1 45 24 91 27, e-mail: A*ndre*.L*aboul@oecd.org*); or access the OECD private pension website, *http://www.oecd.org/daf/pensions*

Notes

1. The document can be found at the Website *www.oecd.org/daf/pensions*.
2. OECD and selected non-OECD Countries (statistical source): Austria (FMA-Financial Market Authority), Belgium (Office de Contrôle des Assurances), Canada (Statistics Canada), Denmark (Danish Financial Supervisory Authority), Finland (Insurance Supervision Authority), Germany (Federal Financial Supervisory Authority), Hungary (Hungarian Financial Services Agency), Iceland (Financial Supervisory Authority), Italy (Commissione vigilanza fondi pensione – COVIP), Japan (Ministry of Foreign Affairs), Korea (Korea Life Insurance Association), Mexico (CONSAR), Netherlands (Statistics Netherlands), Norway (Kredittilsynet), Poland (Insurance and Pension Funds Supervisory Commission of Poland), Portugal (Instituto de Seguros de Portugal), Slovak Republic (Ministry of Labor, Social Affairs and Family; Ministry of Finance of the Slovak Republic), Spain (Banco de Espana; Ministry of Economy), Switzerland (Office fédéral de la statistique), Sweden (Finansinspektionen (the Swedish Financial Supervisory Authority)), Turkey (Undersecretariat of Treasury, T.C. Basbakanlik Hazine Mustesarligi), United Kingdom (National Statistical Office – ONS), United States (Department of Treasury; the Federal Reserve System; Department of Labor). Non-OECD: Bulgaria (Financial Supervision Commission), Estonia (Financial Supervision Authority), Slovenia (Slovene Insurance Supervision Agency; Slovene Security Market Agency).
3. Australia, Czech Republic, France, Greece, Ireland, Luxembourg.
4. This project is currently financially supported by some grants both from the public and private sectors, namely ABI (American Benefits Institute), Allianz Dresdner Assets Management, COVIP, the European Bond Commission, ING Groep, Pioneer Investments and the Portuguese Pension Supervisory Authority.

Annex

Pension Statistics

The statistical exercise covers an extensive range of indicators. At this stage of the data collection, most of the relevant information was collected on autonomous pension funds, the fund type for which most of the detailed information was provided. However, autonomous pension funds do not represent the totality of pension plans' activities. It would thus be important to obtain additional information, in particular on book reserve systems and pension plans with certain protections (like, for instance, the pension insurance contracts as called in the taxonomy).

The reader will find below tables showing four selected indicators on the absolute size of pension funds and the weight of pension funds in the economy and financial markets:

- T*he absolute size* (Table 1): the absolute size measure the importance of autonomous pension in terms of total investments in dollars and euros.
- T*he weight of pension funds in the economy and financial markets* (Table 1): the weight of pension funds total investments in the economy and financial markets, measured respectively, as a share of GDP and as a share of market capitalisation, give evidence of the importance of private pensions relative to the size of the economy and financial markets.
- The *structure of assets* (Table 2).

Table 1. **Weight of pension funds in the economy and financial markets**

	Total investments (million dollars)		Total investments (million euros)		Share of GDP (percent)		Share of market capitalisation (percent)	
	2001	2002	2001	2002	2001	2002	2001	2002
OECD Countries								
Austria[1]	7 474	9 009	8 436	8 594	3.9	4.4	29.7	26.8
Belgium	12 639	13 824	14 265	13 187	5.6	5.6	7.7	10.8
Canada	365 607	344 968	412 649	329 074	51.9	47.6	59.8	60.5
Czech Republic	1 503	2 294	1 696	2 188	2.6	3.3	18.4	22.3
Denmark	43 073	49 344	48 615	47 070	27.1	28.5	50.6	64.3
Finland	7 828	–	8 835	–	6.5	–	4.1	–
Germany[2]	62 621	75 466	70 678	71 989	3.4	3.8	5.8	11.0
Hungary	2 071	3 431	2 338	3 273	4.0	5.2	20.0	26.4
Iceland	6 256	8 441	7 061	8 052	82.3	100.5	157.4	133.9
Italy	19 373	24 194	21 865	23 079	1.8	2.0	3.7	5.1
Korea	–	10 315	–	9 840	–	2.2	–	4.8
Mexico	27 204	31 167	30 704	29 731	4.4	4.9	21.5	30.0
Netherlands	407 070	–	459 446	–	106.0	–	81.3	–
New Zealand	7 598	8 950	8 575	8 538	14.8	15.1	42.8	41.2
Norway	6 796	8 787	7 670	8 382	4.0	4.6	9.8	12.9
Poland	4 767	8 063	5 381	7 692	2.7	4.4	18.2	28.0
Portugal	–	16 303	–	15 552	–	13.4	–	37.8
Spain	34 697	–	39 162	–	6.0	–	7.4	–
Sweden[3]	8 397	10 150	9 478	9 682	3.8	4.2	3.6	5.7
Switzerland[4]	269 010	335 605	303 623	320 142	109.4	125.5	43.0	61.4
United Kingdom	1 048 551	–	1 183 466	–	73.3	–	48.4	–
United States	6 667 300	5 934 300	7 525 169	5 660 880	66.5	57.2	48.2	53.7
Euro area[5]	**551 701**	**–**	**600 101**	**–**	**12.4**	**–**	**18.7**	**–**
Total[6]	**7 546 386**	**6 867 991**	**8 494 779**	**6 564 262**	**45.8**	**39.8**	**42.1**	**47.5**
Selected non-OECD countries								
Brazil	–	47 317	–	45 137	–	9.3*	–	37.3
Bulgaria	83	174	94	166	0.5	1.0	16.7	24.1
Estonia	122	1 012	138	965	2.0	14.7	7.0	49.1
Slovenia	20	83	23	80	0.1	0.4	0.6	1.5
Hong Kong, China	24 495	27 682	27 647	26 406	15.0	17.1	4.8	6.0

Table 1. **Weight of pension funds in the economy and financial markets** (*cont.*)

	Total investments (million dollars)		Total investments (million euros)		Share of GDP (percent)		Share of market capitalisation (percent)	
	2001	2002	2001	2002	2001	2002	2001	2002
Selected non-OECD countries								
Indonesia	3 219	4 437	3 633	4 233	2.3	2.5	14.1	14.8
Kazakhstan	1 210	1 727	1 366	1 648	5.5	7.8*	–	–
Singapore	–	56 497	–	53 894	–	63.9*	–	55.3
Thailand	8 676	10 176	9 793	9 707	7.5	8.8*	24.1	22.5

1. Excluding book reserve within sponsoring companies.
2. Only "Pension kassen" are included.
3. Including Pension foundations, "bigger friendly societies" and "small friendly societies".
4. 2001 and 2002 are data of 1999 and 2000, respectively.
5. Austria, Belgium, Finland, Germany, Italy, the Netherlands and Spain.
6. Austria, Belgium, Canada, Czech Republic, Denmark, Germany, Hungary, Iceland, Italy, Mexico, New Zealand, Norway, Poland, Sweden, Switzerland and the United States.

Source: OECD.

Table 2. **Structure of assets of pension funds in 2002**

	Cash and deposits	Bills and bonds issued by public adminis-tration	Corporate bonds	Loans	Shares	Land and buildings	Mutual funds (CIS)	Unallocated insurance contracts	Other investments
OECD Countries									
Austria	2.0	74.5	–	0.5	13.4	0.4	–	–	2.9
Belgium	4.4	13.6	3.2	0.3	14.6	1.1	55.8	2.6	4.1
Canada	4.9	26.6	0.8	0.8	28.7	4.2	32.8	0.0	1.3
Czech Republic	14.8	49.9	–	–	6.2	0.9	–	–	23.6
Denmark	0.2	27.6	31.3	0.1	27.6	2.8	6.7	0.0	3.7
Finland[1]	–	–	35.0	0.4	13.7	7.0	–	–	25.6
Germany	2.3	41.4	0.0	25.6	15.8	6.4	8.1	0.0	0.4
Hungary	4.4	68.1	5.2	0.0	8.7	0.0	5.8	0.0	7.8
Iceland	2.2	39.6	15.9	14.8	25.8	0.2	0.0	0.0	1.5
Italy	13.5	49.1	0.8	0.0	8.6	16.4	6.5	0.3	4.9
Korea	1.3	6.0	39.3	5.0	0.5	–	–	–	43.8
Mexico	0.2	85.4	14.4	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands[1]	0.0	0.0	36.2	8.1	47.8	4.8	0.0	0.0	3.1
Norway	4.6	–	–	3.9	19.2	5.8	–	–	65.0
Poland	4.2	66.8	1.2	0.0	27.8	0.0	0.0	0.0	0.0
Portugal	12.0	25.2	23.5	0.0	16.7	8.6	11.8	0.0	2.2
Spain[1]	4.7	37.2	20.9	0.0	19.6	0.2	4.3	0.0	13.0
Switzerland[2]	7.1	26.8	–	4.9	26.5	10.5	15.2	–	2.8
United Kingdom[1]	2.6	14.5	4.7	0.5	53.8	4.3	11.4	6.2	2.0
United States	3.9	5.2	5.6	0.2	23.9	1.2	9.0	6.1	46.1
Selected non-OECD countries									
Brazil	44.2	14.9	2.2	3.9	15.9	6.7	11.6	0.0	0.6
Bulgaria	27.8	62.2	7.0	0.0	0.2	2.8	0.0	0.0	0.0
Estonia	14.9	34.0	26.1	0.0	11.4	0.0	13.5	0.0	0.1
Slovenia	21.9	54.7	19.5	0.0	2.5	0.0	1.4	0.0	0.0
Hong Kong, China	12.5	23.9	–	–	42.4	–	–	–	–
Indonesia	70.9	0.1	11.9	0.7	4.1	6.0	1.3	0.0	6.9
Kazakhstan	9.7	48.8	33.7	–	5.0	–	–	–	–
Singapore	2.7	96.4	0.0	0.0	0.0	0.2	0.0	0.0	0.7

1. 2001 data.
2. 2000 data.
Source: OECD.