

### Key results

Average funding ratios of defined benefit pension plans varied greatly across countries at the end of 2013. For the countries that report such data to the OECD, funding levels improved in 2013 relative to 2012, with the exception of Germany where pension funds' overfunding position slightly declined. Funding levels are calculated using national (regulatory) valuation methodologies and hence cannot be compared across countries.

A significant part of OECD pension assets is still in defined benefit and other plans which offer return or benefit guarantees. Funding levels reflect very different situations in a selection of OECD countries at the end of 2013. Pension funds in Belgium, Finland, Germany, the Netherlands, Norway, Portugal and Spain were overfunded that year, with an average funding ratio around or above 110%. In contrast, pension funds were underfunded at the end of 2013 in Canada, Iceland, Ireland and the United States. For Iceland, the very low funding ratio of 46% refers to pension funds for public sector workers. Since the start of the global financial crisis, the Icelandic government has not made additional contributions to these plans.

Funding levels remained stable between 2012 and 2013 in Finland, Norway, Portugal and Spain. In Belgium, the Netherlands and the United States, pension funds have improved their funding position, increasing the average funding ratio by 6 percentage points in Belgium (from 129% to 135%), by 8 percentage points in the Netherlands (from 102% to 110%) and by 7 percentage points in the United States (from 65% to 72%). The opposite trend can be observed in Germany, where pension funds saw their overfunding position slightly decline between 2012 and 2013 by 4 percentage points (from 119% to 115%).

Funding levels are calculated using national (regulatory) valuation methodologies and hence cannot be compared across countries. Differences in methodology are

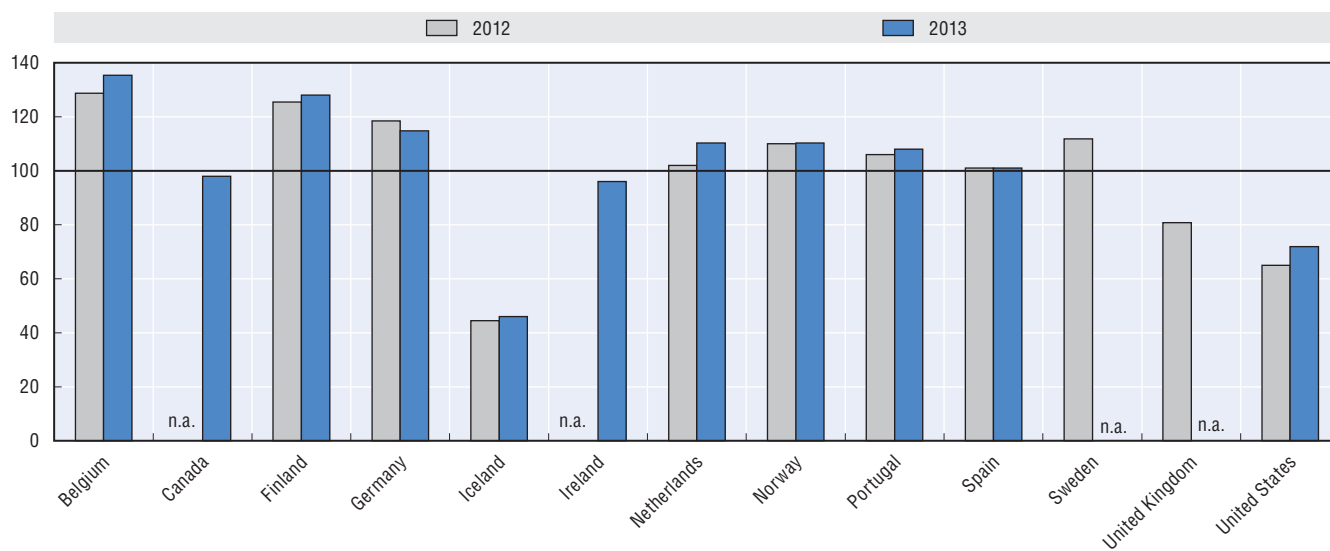
substantial as some countries like Germany and Spain use fixed discount rates while others like the Netherlands and Sweden use market rates. Discount rates have a major impact on funding levels, a 1% decline in the discount rate causing a roughly 20% increase in a pension fund liabilities. Since 2012, the Netherlands and Sweden apply a new methodology for setting the discount rate. Pension funds in the Netherlands can use an ultimate forward rate (UFR) for long maturities as the discount rate, based on long-term assumptions about growth and inflation. In Sweden, the regulator sets a floor on discount rate.

### Definition and measurement

The level of funding, that is, the ratio of pension plan assets to liabilities, is estimated using country-specific methodologies. Methodologies differ across countries with respect to the formula used, the discount rate (e.g. a market discount rate, or a fixed discount rate), or with the way future salaries are accounted for (e.g. liabilities can be based on current salaries or on salaries projected to the future date that participants are expected to retire). In addition, some countries calculate a funding ratio for each pension funds and calculate an average (simple or weighted) thereafter, while other countries only calculate an aggregate funding ratio for the whole pension fund industry.


### 10.11. Average funding ratio of DB pension plans in selected OECD countries, 2012-13

In percentage



Note: n.a. = Not available.

Source: OECD Global Pension Statistics.

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