Key results

After a year of positive returns in 2010, pension funds experienced negative rates of return in more than half of the OECD countries in 2011. During 2011, pension funds experienced a negative real investment rate of return of -1.3% on average. Public pension reserve funds experienced the same trend, with positive returns in 2010 and a null performance in 2011 on average.

In 2009 and 2010 buoyant stock markets brought good returns for pension funds and public pension reserve funds after the steep declines at the height of the global financial crisis. Renewed uncertainty in the world economy in 2011 reversed the positive trend in stock markets and impacted negatively on many pension funds and reserve funds, especially those most exposed to equities. Performance was also hampered by bond portfolios in pension funds and reserve funds most exposed to the European sovereign debt crisis. On the other hand, pension funds and reserve funds with high exposure to sovereign bond safe havens benefited from major revaluation gains.

In 2010, OECD pension funds experienced on average a positive return of 1.7% in real terms. The best performing pension funds amongst OECD countries in 2010 were in New Zealand (11.0%), the Netherlands (8.8%), Chile (8.3%) and Canada (7.9%). On the other hand, in countries like Greece and Japan, pension funds experienced, on average, negative investment returns (respectively, -7.8% and -5.2%). The negative figure for Greece was due to the collapse of the Athens Stock Exchange Market, as well as the drop in price of Greek bonds.

The net investment rate of return varied considerably across national markets in 2011. On the basis of the weighted average across OECD countries, for the countries for which information is available, pension funds experienced an annual, real rate of investment return of -1.3%, ranging from 12.1% for the highest performer (Denmark) to -10.8% for the lowest (Turkey). The performance of Danish pension funds was driven to a large extent by gains on bond investments and interest hedging operations. After Denmark, the highest returns in 2011 were in Australia (5.2%), the Netherlands (4.3%), Iceland (2.3%) and New Zealand (2.3%). On the other hand, in countries like Italy, Japan, Spain, the United Kingdom and the United States, pension funds experienced average investment returns in the range of -2.3% to -3.6%. Nine other OECD countries saw pension fund returns of worse than -4% in real terms. As the real net investment return is the combination of the nominal performance of pension funds and inflation, a low figure can be accounted for by either low gains and income or inflation.

Most PPRFs performed positively in 2010, with an average (weighted by the assets managed at the end of the year) net investment rate of return of 3% in real terms. Only three reserve funds experienced negative returns during that year in Portugal (-2.4%), Ireland (-4.2%) and Chile (-8.4%). The highest performers in 2010 were in Norway (12.2%), Canada (11.4% for Quebec Pension Plan) and New Zealand (11.0%).

2011 has been a year of null returns on average for PPRFs in real terms. Returns were negative in 16 funds out of the 23 for which information was available. Real rate of investment return ranked from -38.2% in Ireland to 9.9% in Chile. The extreme negative figure for the National Pension Reserve Fund in Ireland is due to the reductions in the valuations of the ordinary and preference shares of Allied Irish Banks and Bank of Ireland held by the fund. This part of the fund experienced a negative nominal return of -58.1%, while the discretionary portfolio delivered a positive return of 2.1%.

Definition and measurement

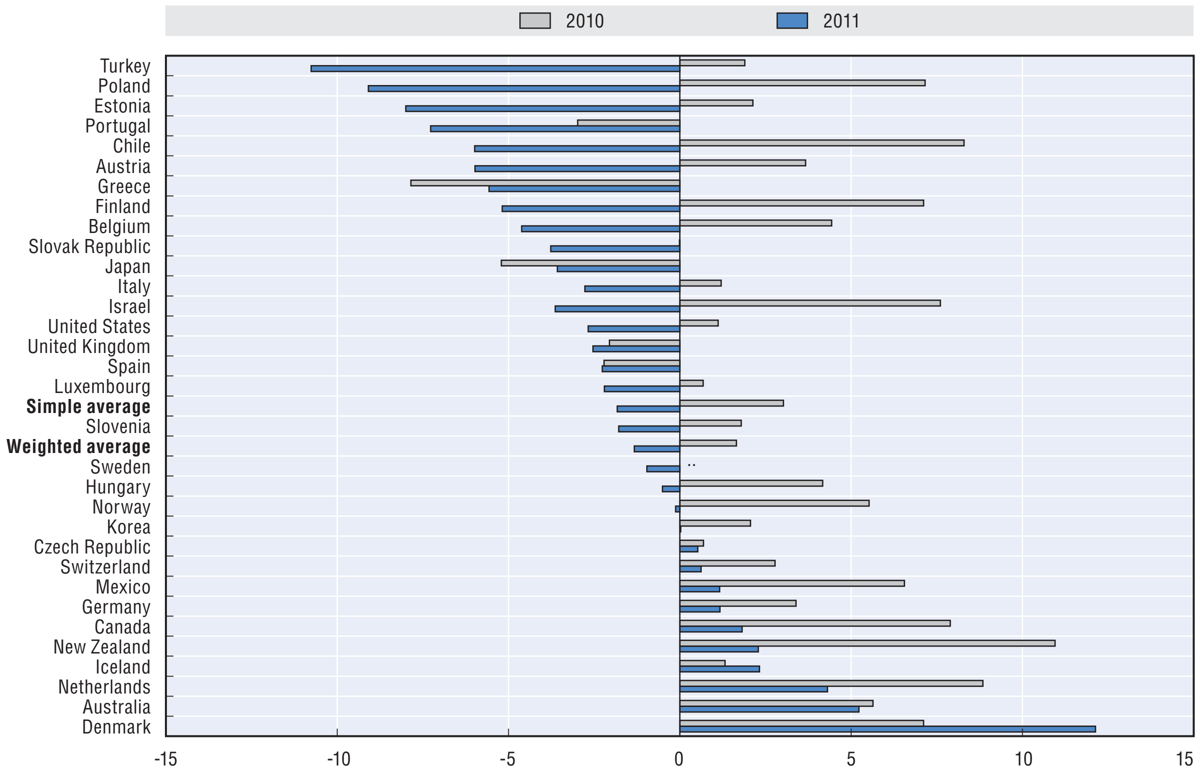
Real (after inflation) returns are calculated in local currency after investment management expenses.

The average nominal net investment returns for pension funds are the results of a calculation using a common formula for all countries, except for Austria, Israel, Korea, Sweden and the United States, for which the nominal returns have been provided by the countries, using their own formula. The common formula corresponds to the ratio between the net investment income at the end of the year and the average level of assets during the year.

For PPRFs, nominal returns have been provided by the funds directly, using their own formula and methodology.

8.9. Pension funds' real net investment return in selected OECD countries, 2010-11

Percentage

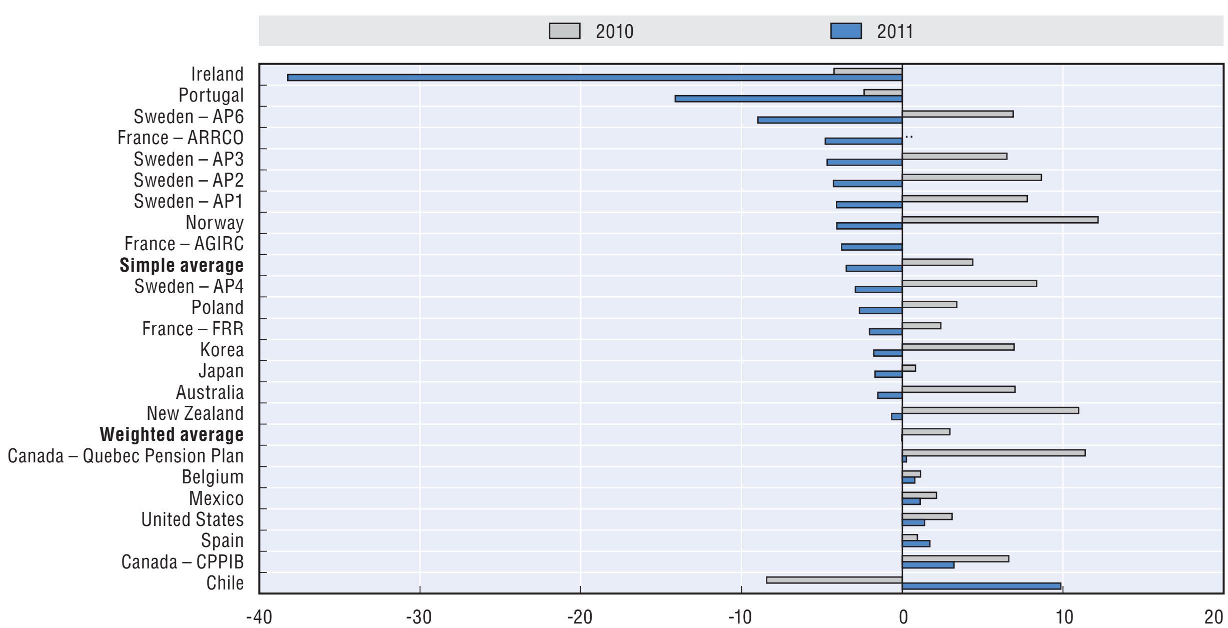


Source: OECD, Global Pension Statistics.

StatLink http://dx.doi.org/10.1787/888932908193

8.10. PPRFs' real net investment return in selected OECD countries, 2010-11

Percentage



Source: OECD, Global Pension Statistics.

StatLink http://dx.doi.org/10.1787/888932908212

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