

Key results

Despite uncertainties in the world economy and volatility in financial markets, pension funds experienced positive rates of return in most OECD countries in 2012 and 2013. During 2013, pension funds recorded high real investment rates of return, with an OECD weighted average at 9.7%. Public pension reserve funds experienced the same trend, with strong returns both in 2012 and 2013 on average.

After a gloomy year in 2011, good performance in stock markets and gains from bonds brought pension funds back on track to achieve positive returns in 2012 and 2013.

In 2012, OECD pension funds experienced on average a positive return of 5.7% in real terms. The best performing pension funds amongst OECD countries in 2012 were in Mexico (9.7%), Turkey (9.6%), the Netherlands (9.5%) and Belgium (9.3%). None of the reporting OECD countries had a negative real return in 2012.

The net investment rate of return varied considerably across national markets in 2013. 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 9.7%, ranging from 11.5% for the highest performer (the United States) to -7.6% for the lowest (Turkey). After the United States, the highest returns in 2013 were in Australia (10.3%), Canada (9.8%), New Zealand (9.5%) and Japan (8.9%). On the other hand, in only three countries, pension funds experienced negative investment returns in 2013 in real terms: Mexico (-1.5%), Denmark (-4.6%) and Turkey (-7.6%). 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. In the case of Denmark, pension funds had a negative real return in 2013, due to negative contributions from hedging instruments.

All PPRFs except one performed positively in 2012 and 2013, with an average (weighted by the assets managed at the end of the year) net investment rate of return of 5.1% and 7.0% in real terms respectively. Only Chile's Pension Reserve Fund experienced a negative return in 2012 (-4.8%). The highest performers in 2012 were in Portugal (21.0%), New Zealand (18.1%) and Sweden (13.4% for AP2).

2013 has also been a year of strong returns on average for PPRFs in real terms. Returns were positive in the 20 funds for which information was available. Real rate of investment return ranked from 0.6% in Mexico to 24.1% in New Zealand.

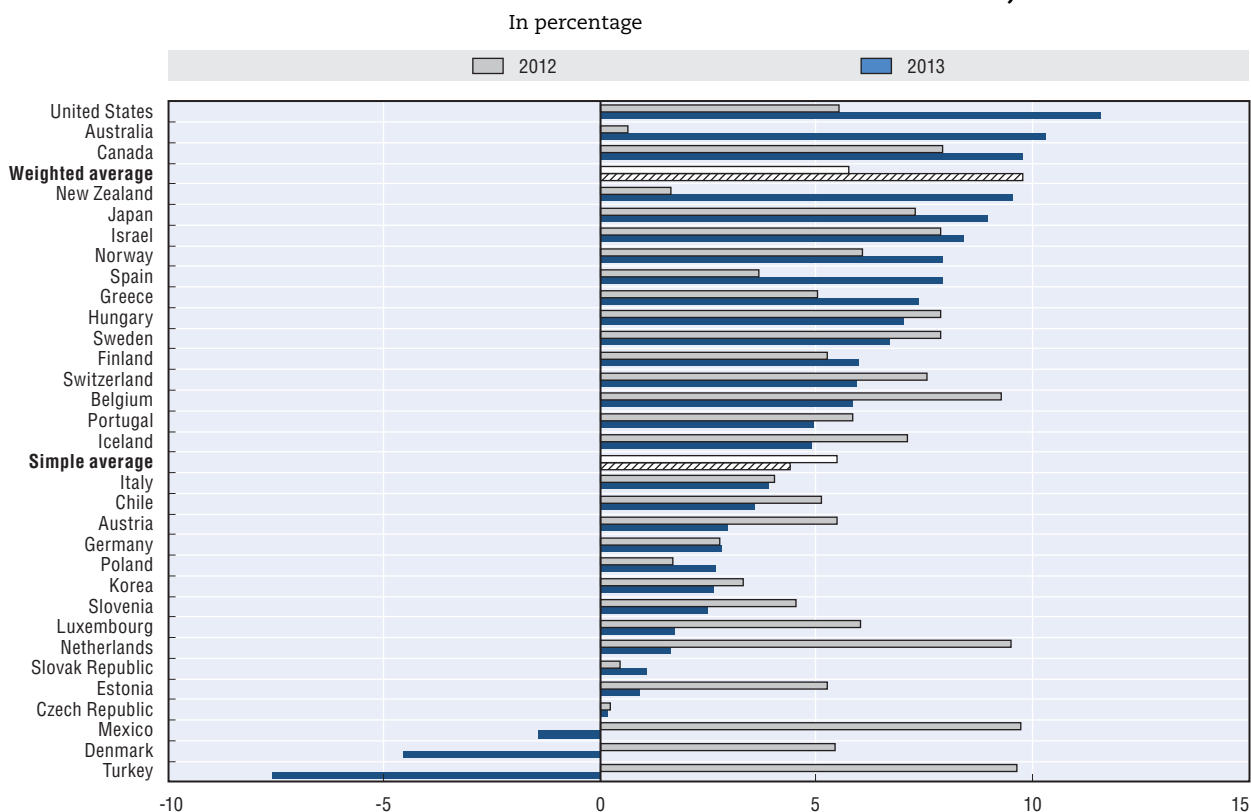
Definition and measurement

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 (2012), Israel, Korea, Sweden and Turkey (2013), 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.

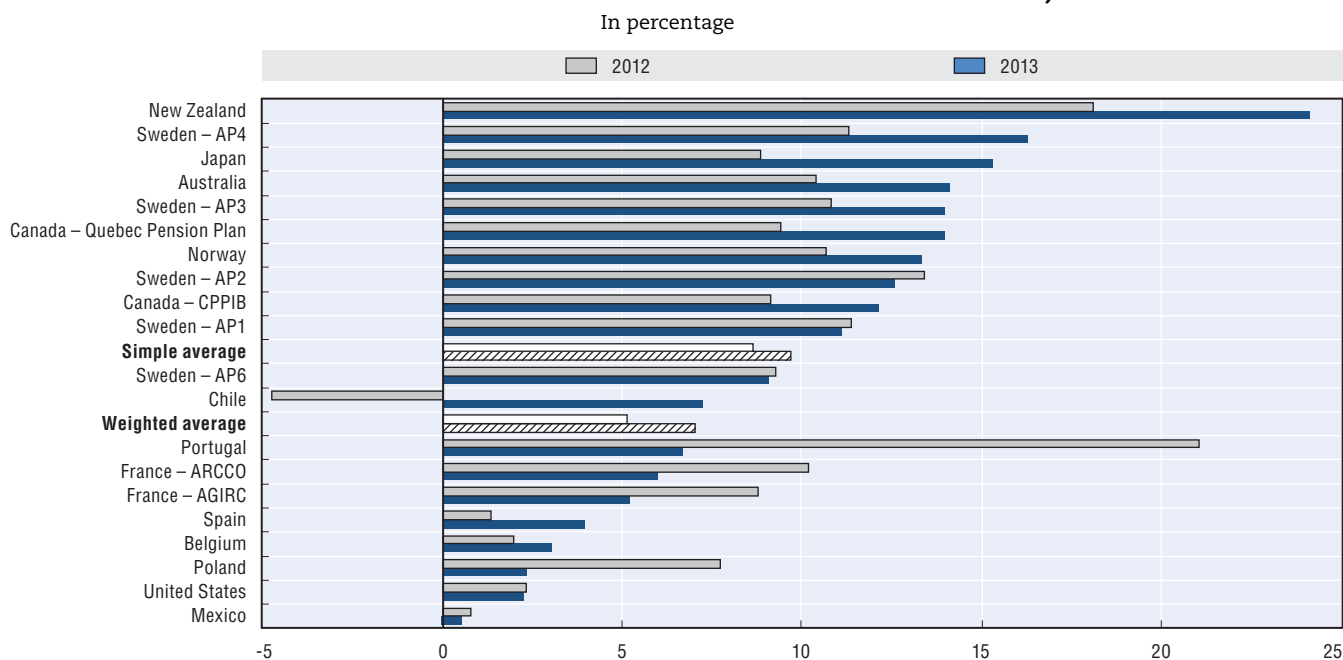
10.7. Pension funds' real net investment return in selected OECD countries, 2012-13



Source: OECD Global Pension Statistics.

StatLink <http://dx.doi.org/10.1787/888933300910>

10.8. PPRFs' real net investment return in selected OECD countries, 2012-13



Source: OECD Annual Survey of Public Pension Reserve Funds.

StatLink <http://dx.doi.org/10.1787/888933300921>



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