

# Top pension funds reach **12 trillion**

Total assets of the world's largest 300 pension funds grew by over 14 per cent in 2007 to around US\$12 trillion, adding around US\$1.5 trillion to the previous year's figure, according to Pensions & Investments (P&I) and Watson Wyatt research. The P&I/Watson Wyatt global 300 ranking, conducted in conjunction with Pensions & Investments, a leading US investment newspaper, also shows that increases in assets occurred in most major countries and that the size of this pool of assets has more than doubled in a five-year period.

# dollars



The world's largest pension funds continue to benefit from a high profile as global demographic challenges remain front of mind. As a result, many large pension funds have prioritised their funding arrangements, helping them to grow despite adverse market conditions in the latter part of last year. These persistent extreme investment conditions have also increased scrutiny on risk management, as funds contemplate a new framing of risk in light of the continuing financial crisis and the robustness of their own governance arrangements.

According to the P&I/Watson Wyatt survey, the US remains the country with the largest market share of global pension fund assets, accounting for 43 per cent. Its share has, however, been eroded (54 per cent in 2002) due to a weak dollar and various significant developments in sovereign funds elsewhere. Japan has the second largest market share at 14 per cent. This is largely because of the Government Pension Investment Fund of Japan, which is still at the top of the ranking – a position it has held for the past five years, with assets at over US\$1 trillion. The UK, Netherlands and Canada all have the third largest market shares at 6 per cent. In terms of asset size, North American and European funds have grown steadily in the past five years, at compound annual growth rates<sup>1</sup> of

13 per cent and 21 per cent respectively. In contrast, funds in Asia-Pacific showed notable growth for the first time in three years, but growth of 21 per cent since 2002 is significant.

The survey shows that assets in Australia have grown at the fastest rate over a five-year period – 27 per cent in US\$ terms and 17 per cent in local currency terms – contributing to greater representation in the top 300: 11 funds compared with four in 2002. During the same period, Canadian, Swedish and Dutch funds in the survey grew at 22 per cent, 19 per cent and 18 per cent in US\$ terms respectively.

In 2007, the top 20 funds grew at a slower rate than the remaining funds for only the second time since 2002. However, during the past five years, the top 20 funds have grown at 19 per cent compared to 17 per cent for the remaining funds. These top 20 funds amount to US\$4.4 trillion, constituting over 15 per cent of global pension assets<sup>2</sup>, with each fund holding more than US\$100 billion. Sovereign funds<sup>3</sup> continue to feature strongly in the ranking, having grown at 24 per cent during the past five years. These funds constitute 23 per cent of assets and total US\$2.8 trillion.

It is expected that large pension funds, notably the top sovereign funds, will continue to grow and be successful if they remain

adaptable and prioritise excellent governance and risk management. By doing so, they can build long-term investment frameworks that can accommodate shorter-term monitoring and decision making, and longer-term journey planning. Additionally, they will be able to take advantage of new investment content offering higher efficiency and to focus on better management of their 'food chain' to ensure their various activities add up to a value proposition. As their societal influence increases, these leader funds will be expected to set the standard in all aspects of investment so as to be able to deliver against growing liabilities in unstable financial conditions.

**Figure 1 | Statistics from the Pensions & Investments/Watson Wyatt Global 300 survey**

Market share (%)			
Rank	Country	2007	2002
1	US	43	54
2	Japan	14	13
3	UK	6	9
4	Netherlands	6	6
5	Canada	6	4

Sovereign funds in the ranking			
Rank	Fund	Market	Total assets
1	Government Pension Investment	Japan	\$1,072,429
2	Government Pension	Norway	\$370,985
3	National Pension <sup>†</sup>	Korea	\$231,966
4	Postal Savings Fund	Taiwan	\$129,397
5	Canada Pension <sup>^</sup>	Canada	\$123,903
6	GEPF	South Africa	\$103,644
7	Central Provident Fund	Singapore	\$94,964
8	Employees Provident Fund	Malaysia	\$94,659
9	National Social Security	China	\$70,731
10	Fondo de Reserva Seguridad	Spain	\$66,504
11	FRR	France	\$49,973
12	Future Fund <sup>*</sup>	Australia	\$44,354
13	Employees' Provident <sup>*</sup>	India	\$43,116
14	Local Government Pensions	Finland	\$35,278
15	AP Fonden 3	Sweden	\$34,765
16	AP Fonden 2	Sweden	\$34,503
17	AP Fonden 1	Sweden	\$33,423
18	AP Fonden 4	Sweden	\$31,562
19	National Pensions Reserve	Ireland	\$30,847
20	Zilverfond	Belgium	\$22,594
21	State Pension	Finland	\$17,574
22	KWAP	Malaysia	\$14,554
23	AP Fonden 7	Sweden	\$13,573
24	Government Pension Fund	Thailand	\$12,554
25	FEFSS	Portugal	\$11,083
26	New Zealand Superannuation <sup>**</sup>	New Zealand	\$10,069

Ranked by US dollars, in millions.

<sup>†</sup> Estimate, <sup>^</sup> at 31 March 2008, <sup>\*</sup> at 31 January 2008, <sup>\*</sup> at 31 March 2007, <sup>\*\*</sup> at 30 June 2007

<sup>1</sup> The growth measure used throughout unless otherwise stated.

<sup>2</sup> Estimate based on the P&I/Watson Wyatt global 300 ranking and Watson Wyatt Global Pension Asset Study.

<sup>3</sup> As established by national authorities for the meeting of pension liabilities. We acknowledge that there are many other state-sponsored funds established – we have attempted to restrict this to funds specifically sponsored by national authorities.