



Top Global Pension Fund Assets Exceed \$15 Trillion

September 8, 2015

Top pension fund assets almost double in 10 years

ARLINGTON, Va.--(BUSINESS WIRE)--Sep. 8, 2015-- Total assets of the world's largest 300 pension funds grew by over 3% in 2014 (compared to around 6% in 2013) to reach a new high of over \$15 trillion, according to *Pensions & Investments (P&I)* and Towers Watson research. Ten years ago, total assets at the world's largest pension funds grew by 27% to reach \$8.4 trillion and move above the previous high of \$6.6 trillion, reached in 2003.

[The Towers Watson global 300 research](#), conducted in conjunction with *P&I*, a leading U.S. investment newspaper, shows that by individual region, North America had the highest five-year combined compound growth rate, around 8%, compared to Europe (over 7%) and Asia Pacific (around 4%). The research also shows that the world's top 300 pension funds now represent around 43% of global pension assets.¹

According to the research, defined benefit (DB) funds account for 67% of total assets, down from 75% five years ago. During 2014, defined contribution (DC) assets grew the most, by almost 5%, followed by DB plans assets (almost 4%) and reserve funds² (over 1%), while hybrid plan assets decreased by over 2%.

"Despite significant asset growth over the past decade, there is a growing feeling that the investment industry has not focused enough on the end beneficiaries' needs or on managing costs in the 'investment food chain,'" said Steve Carlson, head of Investment, Americas, at Towers Watson. "Instead, it has focused on relative returns over total returns and has allowed excessive risk to build up in portfolios while costs have increased to a level that is far higher than can be justified in aggregate. The top funds are moving to address this and related issues. Given the shift to DC plans, where the end beneficiary comes first, we can expect a very different industry in 10 years' time or sooner."

According to the research, the U.S. remains the country with the largest share of pension fund assets, accounting for around 38%, while Japan has the second-largest market share with around 12%. The Netherlands has the third-largest market share with 7%, while Norway and Canada are fourth and fifth largest, respectively, with around 6% share each. The research shows that 25 new funds entered the ranking during the past five years, and on a net basis, the countries that contributed the most new funds were South Korea and the U.K. (two funds), and Australia, France, Peru, Russia, the U.S. and Vietnam (one fund). During the same period, Germany and Japan had a net loss of three funds from the ranking. The U.S. has the largest number of funds in the research (128), followed by the U.K. (27), Canada (19), Australia (16), Japan (15) and the Netherlands (13).

"The gradual reduction of extraordinary measures from central governments, which has underpinned equity markets since the financial crisis, is now being felt. Without quantitative easing tailwinds, markets are arguably back to functioning normally, which will reinforce many big funds' belief in the value of being well diversified, particularly at times of stress, which we are again seeing. As such, we expect mature funds to accelerate diversification away from equities and into other asset classes as they continue to de-risk their portfolios and focus on total returns," said Carlson.

Sovereign pension funds³ continue to feature strongly in the ranking, with 27 of them accounting for 28% of assets and totaling around \$4.2 trillion. The 114 public sector funds in the research had assets of \$6.0 trillion in 2014 and account for 39% of the total. Private sector industry funds (60) and corporate funds (99) account for 14% and 19%, respectively, of assets in the research.

"Many large funds have been making significant changes to the way they invest. This is in line with a single-minded approach of working hard in added-value spaces to find the extra returns that no longer come from the market. In the process, they are increasingly thinking about diversification in the context of all return drivers and adding the necessary governance or outsourcing to ensure success," said Carlson.

Top 20 pension funds (USD millions)

| Rank | Fund | Country | Total assets | Defined benefit | Defined contribution |
|------|-------------------------------|-------------|--------------|-----------------|----------------------|
| 1. | Government Pension Investment | Japan | \$1,143,838 | \$1,143,838 | |
| 2. | Government Pension Fund | Norway | \$884,031 | | |
| 3. | National Pension | South Korea | \$429,794 | \$429,794 | |
| 4. | Federal Retirement Thrift | U.S. | \$422,200 | | \$422,200 |

| | | | | | |
|-----|-----------------------------|--------------|-----------|------------------------|-----------|
| 5. | ABP | Netherlands | \$418,745 | \$418,745 | |
| 6. | California Public Employees | U.S. | \$296,744 | \$294,951 | \$1,793 |
| 7. | National Social Security | China | \$247,361 | | |
| 8. | Canada Pension | Canada | \$228,431 | ¹ \$228,431 | |
| 9. | PFZW | Netherlands | \$215,006 | ¹ \$215,006 | |
| 10. | Central Provident Fund | Singapore | \$207,872 | | \$207,872 |
| 11. | Local Government Officials | Japan | \$194,696 | \$194,696 | |
| 12. | California State Teachers | U.S. | \$186,954 | \$186,409 | \$545 |
| 13. | Employees Provident Fund | Malaysia | \$184,697 | | \$184,697 |
| 14. | New York State Common | U.S. | \$178,252 | \$178,252 | |
| 15. | New York City Retirement | U.S. | \$158,702 | \$158,702 | |
| 16. | Florida State Board | U.S. | \$154,657 | \$145,819 | \$8,838 |
| 17. | Ontario Teachers | Canada | \$133,282 | \$133,282 | |
| 18. | Texas Teachers | U.S. | \$128,933 | \$128,933 | |
| 19. | GEPF | South Africa | \$123,204 | ² \$123,204 | |
| 20. | ATP | Denmark | \$122,028 | | \$122,028 |

¹ As of March 31, 2015

² As of March 31, 2014

Sovereign pension funds (USD millions)

| Rank | Fund | Country | Total assets | Defined benefit | Defined contribution |
|------|--------------------------------------|--------------|--------------|------------------------|----------------------|
| 1. | Government Pension Investment | Japan | \$1,143,838 | \$1,143,838 | |
| 2. | Government Pension Fund | Norway | \$884,031 | | |
| 3. | National Pension | South Korea | \$429,794 | \$429,794 | |
| 4. | National Social Security | China | \$247,361 | | |
| 5. | Canada Pension | Canada | \$228,431 | ¹ \$228,431 | |
| 6. | Central Provident Fund | Singapore | \$207,872 | | \$207,872 |
| 7. | Employees Provident Fund | Malaysia | \$184,697 | | \$184,697 |
| 8. | GEPF | South Africa | \$123,204 | ² \$123,204 | |
| 9. | Future Fund | Australia | \$89,170 | | |
| 10. | Employees' Provident | India | \$80,741 | ^{2, 3} | \$80,741 |
| 11. | National Wealth Fund | Russia | \$75,344 | ⁴ | |
| 12. | Labor Pension Fund | Taiwan | \$64,784 | \$21,117 | \$43,667 |
| 13. | Public Institute for Social Security | Kuwait | \$58,895 | ^{1, 3} | |
| 14. | Fondo de Reserva Seguridad | Spain | \$50,377 | | |
| 15. | FRR | France | \$45,012 | | |
| 16. | AP Fonden 3 | Sweden | \$40,717 | | |
| 17. | AP Fonden 4 | Sweden | \$37,128 | | |
| 18. | AP Fonden 2 | Sweden | \$37,018 | | |
| 19. | AP Fonden 1 | Sweden | \$35,980 | | |
| 20. | AP Fonden 7 | Sweden | \$29,329 | | |
| 21. | Ireland Strategic Investment | Ireland | \$25,410 | ¹ | |
| 22. | Zilverfond | Belgium | \$25,116 | | |
| 23. | State Pension | Finland | \$21,296 | \$21,296 | |
| 24. | New Zealand Superannuation | New Zealand | \$18,306 | ⁵ | |
| 25. | Social Insurance Funds | Vietnam | \$17,283 | | |
| 26. | FEFSS | Portugal | \$16,340 | | |
| 27. | Fonds de Comp./Securite Sociale | Luxembourg | \$16,250 | | |

1. As of March 31, 2015
2. As of March 31, 2014
3. Estimate
4. As of Jan. 1, 2015
5. As of June 30, 2014

Towers Watson Investment

Towers Watson's Investment business is focused on creating financial value for institutional investors through its expertise in risk assessment, strategic asset allocation, fiduciary management and investment manager selection. It has over 800 associates worldwide, assets under advisory of over US\$2.2 trillion and over US\$75 billion of assets under management.

About Towers Watson

Towers Watson (NASDAQ: TW) is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 16,000 associates around the world, the company offers consulting, technology and solutions in the areas of benefits, talent management, rewards, and risk and capital management. Learn more at towerswatson.com.

¹ Estimation is based on the P&I/Towers Watson global 300 ranking and Towers Watson Global Pension Asset Study.

² Reserve funds are set aside by a national government to guarantee pension payments and are characterized by no explicit liabilities and hence are neither DB nor DC.

³ 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.



View source version on businesswire.com: <http://www.businesswire.com/news/home/20150908005982/en/>

Source: Towers Watson

Towers Watson

Media Contact:

Ed Emerman, +1 609-275-5162

eeerman@eaglepr.com