

## Pension funds

May 2023

Pension funds are **set up to provide retirement incomes**. There are **four types of pension funds**:

**Public sector funds:** Funds that cover public sector workers, such as government employees and teachers, in provincial or state sponsored plans.

**Sovereign funds:** Funds controlled directly by the state.

**Private independent funds:** Funds controlled by private sector organizations that are authorized to manage pension plans from different employers.

**Corporate funds:** Funds that cover workers in company sponsored pension plans.

These are funded by contributions from employers, employees, and the Government in certain cases. The funds are managed by professional asset managers. Pension funds are generally **focused on achieving long-term investment returns that can support the payment of retirement benefits** for their members. The world's top **300 pension funds were worth over \$23 trillion<sup>1</sup> by mid 2022**. Following top 15 funds contributes 38%.

#	Name	Country	Brief description	Assets under Management (AUM) in USD	Annualized Rate of Return (Approx.)
1.	Government Pension Investment Fund (GPIF)	Japan	Manage and invest the Reserve Funds of the Government Pension Plans entrusted by the Minister of Health, Labour and Welfare	\$1730 billion	3.4% (FY2001-FY2022)
2.	Government Pension Fund - Global (GPFG)	Norway	Manages the surplus revenues from Norway's oil and gas sector. The GPFG is managed by Norges Bank Investment Management	\$1437 billion	5.5% (FY2007-FY2022)
3.	National Pension Service (NPS) - South Korea	South Korea	Manages the fund of the Retirement pension scheme for citizens	\$797 billion	5.7% (FY2023)
4.	Federal Retirement Thrift Investment Board (FRTIB)	USA	Manages the Thrift Savings Plan (TSP), which is the retirement plan for federal government employees	\$774 billion	3.5% to 8% for different products over last 10-15 years
5.	ABP	Netherlands	Manages pension fund for employees in the government and education sectors	\$630 billion	7% (FY2001-FY2022)
6.	California Public Employee Retirement System (CalPERS)	USA	Manages the retirement benefits of public employees and retirees in California	\$496 billion	6.9% (FY2003-FY 2023)

<sup>1</sup> <https://www.wtwco.com/en-US/News/2022/09/worlds-largest-pension-funds-reach-new-us-doller-23-point-6-trillion-record>

7.	Canada Pension Plan Investment Board (CPPIB)	Canada	Manages the fund of the Retirement pension scheme for citizens	\$426 billion	8.1% (FY2017-FY 2022)
8.	China's National Social Security Fund (NSSF)	China	Government-run investment fund established to provide a reserve of funds for China's social security system.	\$406 billion	-
9.	Central Provident Fund Board (CPF Board)	Singapore	Manages the mandatory social security savings scheme in Singapore	\$374 billion	3% to 4% (FY2022 - to be validated)
10.	PFZW	Netherlands	Manages pension capital of over 2 million people.	\$316 billion	8% (FY2010-FY2020)
11.	California State Teachers fund (CalSTRS)	USA	Manages the Pension fund for public education employees in Texas	\$314 billion	7.8% (FY2002-FY2022)
12.	New York State Common Retirement Fund (NYSCRF)	USA	Manages the retirement benefits to state and local government employees in New York	\$267 billion	5%-9%
13.	New York City Retirement	USA	Manages public pension plan for the employees of New York State government	\$266 billion	3%-12%
14.	Local Government Officials fund	Japan	Manages Pension Fund Association for Government Officials	\$248 billion	-
15.	Employees Provident Fund (KWSP-EPF) <sup>2</sup>	Malaysia	Manages retirement benefits in accordance with the Employees Provident Fund Act 1991	\$242 billion	4%-6% dividend rate over last 10 years

Pension funds can invest in a range of assets, including equities, fixed-income securities, real estate, alternative investments, money market and index funds. The major investment areas of the top pension funds like Government Pension Investment Fund (GPIF), Government Pension Fund - Global (GPIF), Canada Pension Plan Investment Board (CPPIB), California Public Employees' Retirement System (CalPERS) includes **lower risk instruments such as government bonds, fixed income instruments, infrastructure funds**, along with some investment in **higher risk investments such as investment in hedge funds and equities** in both developed and emerging markets. In addition, some of them have started **investing in ESG specific funds and instruments** through **green bonds and social impact bonds**.

<sup>2</sup> <https://www.kwsp.gov.my/investment-highlights>