

Asia Pacific Pension Asset Growth Outpaces Global Rise

Value of Asia Pacific sovereign and public sector pension funds rises 7% in 2016, higher than overall increases worldwide

Hong Kong, 4 September 2017 – Assets under management with Asia Pacific’s largest pension funds rose by 7% from a year earlier to \$3.7 trillion at the end of 2016, lifting the overall ranking of the region’s sovereign and public sector pension funds by asset size, according to [the latest global 300 research from Willis Towers Watson](#), (NASDAQ: WLTW), the leading global advisory, broking and solutions company.

In a return to growth following a 3.4% decline in 2015, based on asset size, Asia Pacific pension funds outperformed those of the world’s largest pension funds overall. The latter increased in value by 6.1% in 2016, representing a total of \$15.7 trillion, according to the research. Global pension funds have seen cumulative growth in assets since 2011 of 23.4%.

Among Asian sovereign and public sector pension funds in the research, China’s National Social Security Fund retained its previous position in the ranking at position 6. India’s Employees’ Provident moved up to position 21 (from 27), Taiwan’s Labor Pension Fund to position 35 (from 46), Taiwan’s Labor Insurance Fund to position 174 (from 193) and Vietnam’s Social Insurance Fund to position 185 (from 204). The research reveals that each of these funds had stronger asset growth – more than 10% – than their peers from the previous year’s figure.

Equities a growth driver for assets held

Jayne Bok, Head of Investments for Asia at Willis Towers Watson, said: “Positive market returns for all major asset classes, especially equities, helped boost pension assets last year, despite unexpected events that triggered high global market volatility. Asian funds with high allocation to equities performed well in 2016, largely driven by volatility.

“But in a highly competitive and fast-changing world, Asian funds with a long horizon should evaluate their equity portfolio characteristics to increase the chance of outperformance on a sustainable basis to meet their return objectives. Factors that matter include, for example, the extent of home bias, the degree of a portfolio resembling a market index, the constraint imposed, the structure of managers, and costs and implementation routes.”

According to the research, 31 Asia Pacific sovereign and public sector pension funds had combined assets of US\$3.7 trillion in 2016 and accounted for around 23.5% of all assets. In addition, the other sovereign and public sector funds (113 in other regions) had assets

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of US\$7.1 trillion and accounted for 44.9% of all assets. Private sector industry funds (58) and corporate funds (98) account for 13.5% and 18.1%, respectively, of assets in the research. The world's top 300 pension funds together now represent 43.2% of global pension assets, up from 42.5% in 2015, as estimated against figures from Willis Towers Watson's Global Pensions Asset Study.

Jayne Bok said: "[Our recent asset owner study](#), comparing practices across 15 leading pension funds and sovereign wealth funds globally, reveals that in fulfilling their goals and commitments, asset owners need to adapt to the ever-changing investment environment through improved cognisance and the ability to learn from their peers. The desire of asset owners to implement best-practice and sound governance across their organisation will be a key factor in their future success."

U.S. has highest share of AUM among top 300 funds, followed by Japan

By individual region in the top 300, North American funds showed the most noticeable annualised growth rate over the last five years, growing by 6.7% during the period. Funds from Europe and Asia Pacific regions showed annualised growth rates of 3.1 % and 2.8% respectively according to the research.

The research shows that a total of 28 new funds have entered the ranking over the last five years, with the U.S. contributing the most new funds (13) on a net basis. Germany and Mexico experienced the highest net losses over the period, losing a net four funds each. The U.S. has the largest number of funds among the top 300 (134), followed by the U.K. (26), Canada (18), Japan and Australia (both 16).

The research also shows that the U.S. continues to hold its position as the country with the largest share of pension assets across the top 300 funds, representing 38.6% spread across 134 funds. Japan retains its second place, accounting for 12.5% (12.0% in 2015) of the total assets in the rankings. Meanwhile, Canada has overtaken the U.K. as the fifth largest country by share of pension fund assets, accounting for 5.4% (5.3% in 2015). The U.K. now accounts for 4.8%, falling from 5.4% of total assets in 2015.

Lower-return environment to continue, so ability to innovate is key

Jayne Bok said: "If asset owners are to successfully capture the long-term premium, it is imperative that they continue to expand their skill-sets, particularly in a continued lower-return environment which looks set to remain a feature of the industry going forward. A central characteristic of leader funds has been on their ability to innovate, rather than to rely on practices which may have worked in the past, whether that be through more streamlined asset allocation, uses of factor strategies and other smart betas and better methods of accessing private markets. Increased interest in sustainability, both in

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integrated ESG practices and stronger stewardship practice, is one further innovation that was notable in 2016.”

According to the research, defined benefit (DB) assets increased by 5.6% in 2016, compared to 9.6% for Defined Contribution (DC) plans, 3.9% for reserve funds and an increase of 2.9% for hybrid funds. DB assets account for 65.5% of the disclosed total AUM, down from 65.9% in 2015, whilst DC assets have increased their share, rising from 21.5% in 2015 to 22.2%. Reserve funds remain relatively unchanged at 11.5% (11.7% in 2015), as do hybrid funds (0.8%, falling from 0.9% in 2015).

Top 20 pension funds

2016 Rank	2015 Rank	Fund	Market	Region	Assets (US\$ mn)
1	1	Government Pension Investment	Japan	Asia Pacific	\$1,237,636
2	2	Government Pension Fund	Norway	Europe	\$893,088
3	3	Federal Retirement Thrift	U.S.	N. America	\$485,575
4	4	National Pension	South Korea	Asia Pacific	\$462,161
5	5	ABP	Netherlands	Europe	\$404,310
6	6	National Social Security	China	Asia Pacific	\$348,662
7	7	California Public Employees	U.S.	N. America	\$306,633
8	9	Canada Pension	Canada	N. America	\$235,790 ⁽¹⁾
9	8	Central Provident Fund	Singapore	Asia Pacific	\$227,102
10	10	PFZW	Netherlands	Europe	\$196,461 ⁽¹⁾
11	11	California State Teachers	U.S.	N. America	\$193,871
12	13	New York State Common	U.S.	N. America	\$184,461
13	12	Local Government Officials	Japan	Asia Pacific	\$183,161
14	15	New York City Retirement	U.S.	N. America	\$171,574
15	14	Employees Provident Fund	Malaysia	Asia Pacific	\$165,464
16	16	Florida State Board	U.S.	N. America	\$153,942
17	17	Texas Teachers	U.S.	N. America	\$133,221
18	18	Ontario Teachers	Canada	N. America	\$130,642
19	20	GEPF	South Africa	Other	\$119,186 ⁽²⁾
20	19	ATP	Denmark	Europe	\$113,160
Total: Top 20					\$6,346,100

Fund data is as of 31 December 2016 except where shown. (1) As of 31 March 2017, (2) As of 31 March 2016

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Asia Pacific sovereign and public sector pension funds in the global 300 ranking

2016 Rank	2015 Rank	Fund	Market	Assets (US\$ mn)
4	4	National Pension	South Korea	\$462,161
6	6	National Social Security	Mainland China	\$348,662
9	8	Central Provident Fund	Singapore	\$227,102
15	14	Employees Provident Fund	Malaysia	\$165,464
21	27	Employees' Provident	India	\$110,348
35	46	Labor Pension Fund	Taiwan	\$80,523
147	136	Retirement Fund-KWAP	Malaysia	\$27,863
174	193	Labor Insurance Fund	Taiwan	\$23,904 ⁽³⁾
185	204	Social Insurance Fund	Vietnam	\$21,970
195	198	Government Pension Fund	Thailand	\$21,256 ⁽⁴⁾
196	192	Government Service Insurance	Philippines	\$21,228
197	200	Public Service Pension Fund	Taiwan	\$20,908 ⁽³⁾
277	276	Teachers' Pension Fund	South Korea	\$14,611
297	285	Government Employees Pension	South Korea	\$13,544
Total: Asia ex Japan			<i>14 funds</i>	\$1,559,544
32	29	Future Fund	Australia	\$92,046
72	75	QSuper	Australia	\$48,870
90	89	First State Super	Australia	\$42,743
133	129	State Super	Australia	\$30,057
141	146	Commonwealth Superannuation Corporation (CSC)	Australia	\$28,327
208	207	New Zealand Superannuation	New Zealand	\$19,397 ⁽⁵⁾
232	244	GESB	Australia	\$17,083
237	249	Super SA	Australia	\$16,867
Total: Australia and New Zealand			<i>8 funds</i>	\$295,390
Total: Asia Pacific ex Japan				\$1,854,934
1	1	Government Pension Investment	Japan	\$1,237,636
13	12	Local Government Officials	Japan	\$183,161
26	23	Pension Fund Association	Japan	\$100,123 ⁽¹⁾
30	-	National Federation of Mutual Aid	Japan	\$94,759
52	49	National Public Service	Japan	\$65,229
73	69	Organization for Workers	Japan	\$48,584
91	72	Public Schools Employees	Japan	\$42,368
107	104	Private Schools Employees	Japan	\$35,638
123	121	National Pension Association	Japan	\$32,511 ⁽³⁾
Total: Japan			<i>9 funds</i>	\$1,840,009
Total: Asia Pacific sovereign and public sector pension funds			31 funds	\$3,694,943

Fund data is as of 31 December 2016 except where shown.

(1) As of 31 March 2017, (2) As of 31 March 2016, (3) Estimate, (4) As of 30 September 2016, (5) As of 30 June 2016

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Willis 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 900 colleagues worldwide, assets under advisory of over US\$2.3 trillion and over US\$87 billion of assets under management.

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

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