Institutional Investors and Long-term Investment

PROJECT REPORT

May 2014

OECD

Project partners in 2012-2013:

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This brochure provides information about the OECD Project on Institutional Investors and Long-term Investment. It covers the first two years of activity following the launch of the project in February 2012.

Preface by Rintaro Tamaki, OECD Deputy Secretary-General

Institutional investors such as pension funds, insurers and sovereign wealth funds, due to the longer term nature of their liabilities, represent a potentially major source of long-term financing for illiquid assets such as infrastructure. Over the last decade, these investors have been looking for new sources of long-term, inflation protected returns. Asset allocation trends observed in recent years show a gradual globalisation of portfolios with an increased interest in emerging markets and diversification into new asset classes.

The crisis has had a lasting impact on the fund management industry and on the long-term asset allocation strategies of institutional investors. On the one hand, it has promoted more cautious investment strategies and a greater focus on portfolio risk management. On the other hand, the prolonged low-yield environment has heightened the need for return-enhancing strategies, pushing some investors to invest in alternative assets.

The willingness of institutional investors and the private sector more in general to finance major investment projects in any given country is heavily influenced by the perceptions of a country's investment climate and the broad suite of policy settings and institutions that underpin a country's economy and political processes. Through structural reforms, governments need to create a more favourable investment climate, build private sector confidence to invest and ensure that global savings are channelled into productive investments.

The role of institutional investors in long-term financing is also constrained by the short-termism increasingly pervasive in capital markets as well as structural and policy barriers such as regulatory disincentives, lack of appropriate financing vehicles, limited investment and risk management expertise, transparency, viability issues and a lack of appropriate data and investment benchmarks for illiquid assets.

Moving from the current mind-set to a longer-term investment environment requires a transformational change in both government and investor behaviours. Promotion of a public-private dialogue ensuring a co-ordinated approach between investors, the financial industry and the public sector will be a key element in developing this new "investment culture".

The OECD is ideally placed to do this. Partnering with some of the largest institutional investors in the world, the OECD has developed an ambitious project on "Institutional Investors and long-term investment". Through this project and its large network of investors and private sector representatives, the OECD aims to provide a platform for dialogue about long-term investment issues amongst international forums such as the G20 and APEC.

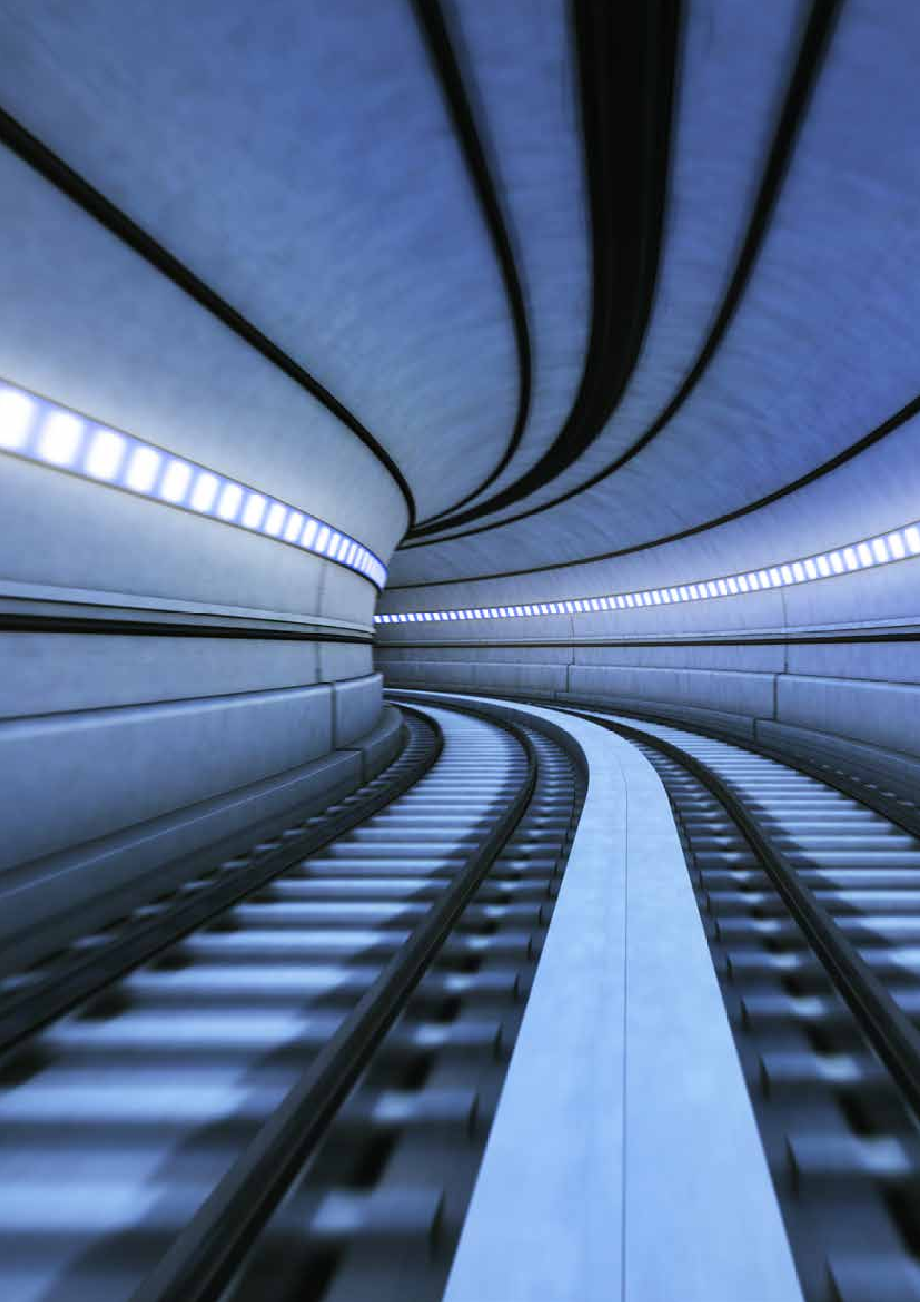


Table of contents

Taking the research and policy agenda forward

André Laboul, Head, OECD Financial Affairs Division

At the OECD we have been conducting analysis on institutional investors for many years based on our large network of financial authorities in charge of institutional investors. The OECD project on "Institutional Investors and Long-Term Investment" was launched in February 2012 to help broaden policy makers' knowledge and understanding of institutional investors' needs and challenges so that supportive legislation and regulation can be drafted and enforced where relevant.

In order to make this happen, institutional investors needed to be brought into the debate with policy makers. This is why the OECD decided to engage with some of the largest investors across the world, creating a network of institutions actively collaborating on our research and participating in events. Institutions already partnering with the OECD include the Canadian pension fund Canada Pension Plan Investment Board, the Club of Long-Term Investors, the Dutch pension fund asset manager APG, Guggenheim Partners and Oliver Wyman.

Building on this dialogue with investors and financial authorities, 2013 highlights include:

- Development of the G20/OECD High-Level Principles on Long-term Investment Financing by Institutional Investors, endorsed at the G20 sommit, St Petersburg ;
- G20/OECD High-Level Roundtable on Institutional Investors and Long-Term Investment, Paris, 28 May 2013;
- OECD/Euromoney Infrastructure Summit, Paris, 29 May 2013;
- APEC/OECD Seminar on Institutional Investors and Infrastructure Investment, Palembang, Indonesia 29 August 2013;
- Significant contributions to the EC Green Paper on the financing of long-term investment, the proposed European Long-term Investment Fund, and to different G20 initiatives such as the report on the pooling of institutional investors' capital, the survey on large pension funds, and the work on implementing the High-level Principles;
- Data collection on institutional investors and practical research on issues relating to long-term investment (i.e. regulation, infrastructure, pooling of capital etc.). Data is already being received from more than 80 large investors with an aggregate AUM of over US$ 9 trillion.

Much more can be done to promote further involvement by institutional investors in long-term investments. The OECD is providing numerous contributions to the G20 and APEC, taking a clear leadership on issues relating to institutional investors. This will call for further data and analysis on the various obstacles to long-term investment by institutional investors and the development of related policy recommendations. We welcome collaboration from investors and interested parties on this important project.

"The fallout from financial crisis has exposed the limitations of relying on traditional sources of long-term investment finance such as banks. Governments are looking for other sources of funds to support the long-term projects that are essential to sustaining a dynamic economy. There is huge potential among institutional investors to support development in a range of areas such as infrastructure, new technology and small businesses."

Angel Gurría, OECD Secretary-General
G20 Leaders' Summit, St Petersburg, September 2013

The OECD Project on Institutional Investors and Long-term Investment

Long-term investment is important because:

- Patient capital allows investors to access illiquidity premia, lowers turnover, encourages less pro-cyclical investment strategies and therefore a higher net investment rate of returns, and greater financial stability;
- Engaged capital encourages active voting policies, leading to better corporate governance; and
- Productive capital supports infrastructure development, green growth initiatives, SME financing etc., leading to sustainable growth.

The OECD Project on Institutional Investors and Long-Term Investment (the project) aims to facilitate long-term investment (LTI) by institutional investors such as pension funds, insurance companies, and sovereign wealth funds, addressing both potential regulatory obstacles and market failures. The project relies on close co-operation between OECD economies, some non-OECD economies, including G20 and APEC members, major investors, and other key stakeholders. Engaging institutional investors and policy makers will ultimately enable the OECD to develop effective policy recommendations at the highest political level.

Work on the project is organised in a series of modules such as data collection, governance, regulation and real assets (i.e. infrastructure). The project looks at both long-term investors (i.e. how institutional investors can be encouraged to act in their long-term capacity, providing stable, counter-cyclical financing and acting as engaged shareholders) and long-term investments (i.e. how to finance infrastructure and other real assets, given the constraints in government, corporate and financial sector balance sheets).

On institutional investment, expertise and oversight is provided through the OECD Insurance and Private Pensions Committee and the Committee on Financial Markets, working in close co-ordination with the International Organisation of Pensions Supervisors. The project also benefits from access to the OECD databases of pensions and insurance statistics and collaboration with an extensive network of institutional investors.

PROJECT DELIVERABLES

Data collection: **building on existing OECD databases** to monitor and analyse institutional investors' asset allocation on a micro level directly from institutional investors (data on assets, flows, performance etc.) with a specific focus on alternative investments such as infrastructure.

Policy analysis: **detailed and practical research** on institutional investors and LTI issues (infrastructure and green investment, regulation, governance and emerging markets) which will ultimately lead to the formulation of policy recommendations.

Events: **operational-level events**, either managed by the OECD or co-organised with partners, engage institutional investors and policy-makers (governments, regulators) on relevant issues; high-level policy events (CEOs/Ministers) present research results and generate support for recommendations (i.e. G20/B20).

ORGANISATIONAL STRUCTURE

Data collection on institutional investors

Regulation

Infrastructure and green investment

Governance

Emerging markets

"…it is important to bear in mind the difficulties in implementing the Principles and putting the various proposals into practice. This will require substantial further work and integration of effort across governments, supranational bodies such as the OECD, asset managers and of course, institutional investors"

Chris Hitchen, Chief Executive, Railway Pension Investments Limited, Consultation on the High Level Principles, 2013

G20-OECD work on Long-term Financing

G20 leaders have highlighted the importance of long-term financing, in particular infrastructure investment, to foster long-term growth and this a top priority of the Australian G20 presidency in 2014.

Meeting in Moscow on 15-16 February 2013, G20 ministers welcomed diagnostic reports provided by international organisations, assessing factors affecting long-term financing[1]. At this time, several international organisations were given mandates. The OECD was asked to:

- Develop G20/OECD High-level Principles on Long-term Investment Financing by Institutional Investors, subsequently endorsed by G20 leaders in September 2013. (http://www.oecd.org/daf/fin/principles-long-term-investment-financing-institutional-investors.htm)
- Conduct an Annual Survey of Large Pension Funds and Public Pension Reserve Funds, circulated to G20 leaders in October 2013.
- Prepare an analysis of different government and market-based instruments and incentives used for stimulating the financing of long-term investment, scheduled for delivery at the November 2014 summit in Brisbane.

G20 leaders endorsing the High-level Principles called on the OECD and other interested participants to identify approaches for their implementation by the next Summit. In addition to the implementation of the Principles in 2014, the OECD is taking the lead on six further reports to the G20 on various aspects of the investment agenda and providing contributions to five reports led by other international organisations.

G20/OECD Task Force on Institutional Investors and Long-term Financing

The G20/OECD High-level Principles on Long-term Investment Financing by Institutional Investors were developed throughout 2013 by the G20/OECD Task Force on Institutional Investors and Long-Term Financing. The Task Force operates under the aegis of the OECD Committee on Financial Markets and the OECD Insurance and Private Pensions Committee. The Task Force is open to governmental experts from OECD and selected non-OECD countries, including G20, FSB and APEC governmental members). The Task Force is currently following up on the call by G20 Leaders to identify approaches to the implementation of the High-level Principles.

G20/OECD TASK FORCE MANDATE

The Task Force on Institutional Investors and Long-term Financing:

- Monitors and studies market developments in the institutional investor sector;
- Supports the work of the two committees on the contribution of institutional investors to growth and development and on long-term investment issues;
- Contributes to related policy analysis and recommendations;
- Contributes to related initiatives in other fora, including the G20, the Asia-Pacific Economic Co-operation, and the Financial Stability Board;
- Co-operates and coordinates on these issues with other relevant OECD bodies (including the Corporate Governance Committee) and international organisations.
- Consult with other relevant stakeholders.

[1] See OECD contribution on the Role of Banks, Equity Markets and Institutional Investors in Long-Term Financing for Growth and Development.

APEC-OECD work on Long-term Financing

The Asia-Pacific Economic Cooperation (APEC) has grown to become one of the world's most important regional forums. Its 21 member economies are home to more than 2.7 billion people and represent approximately 53% of world real GDP and 44% of world trade.

Long-term investment, in particular, infrastructure investment was one of the main priorities of the APEC Indonesian presidency in 2013 and is of high importance for the Chinese presidency in 2014.

When APEC Finance Ministers welcomed the G20/OECD High-Level Principles at their September 2013 meeting in Bali, they asked the OECD to join the new APEC PPP (Public Private Partnership) Experts Advisory Panel, one of the main initiatives of the Indonesian presidency.

Under the aegis of the APEC, the OECD organised a Seminar on Infrastructure Financing in Palembang, Indonesia, on 29 August 2013.

An APEC Seminar on long-term and stable financing for infrastructure development co-hosted by the Chinese Ministry of Finance will be organised in June 2014 in Dalian, Liaoning China.

Research and data collection

Private investors in infrastructure: new instruments and techniques - Report for G20 (forthcoming 2014)

The report presents an overview of the different types of public assistance to private investors in infrastructure and of the new instruments and techniques that financial markets have developed in response to the recent financial and sovereign debt crisis.

This report is the first part of the wider project on the analysis of different government and market-based instruments and incentives used for stimulating the financing of long-term investment.

Pooling of institutional investors capital: Selected case studies in unlisted equity infrastructure - Report for G20 (2014)

This paper aims to provide clarity on some of the issues associated with the evolving field of infrastructure investment and highlights some of the new models that are being used to facilitate the flow of financing. The paper introduces the new initiatives that have developed in response to the drawbacks and early inefficiencies, highlighting specific case studies of co-investment platforms, government-led initiatives and revised unlisted infrastructure funds that are providing opportunities for institutional investors interested in investing in unlisted equity infrastructure assets.

Long-term finance for investment: Institutional investment and infrastructure finance in Indonesia (forthcoming 2014)

Indonesia, like other Asian emerging market economies plans to accelerate investment in infrastructure sharply in the coming years and to finance a large share of that investment through the financial markets. This report analyses the capability of the Indonesian financial system to support the high projected level of investment in infrastructure, stressing the key role of institutional investors and capital markets.

Institutional investors and infrastructure financing (2013)

This paper seeks to identify the main trends in long-term financial intermediation focusing on the role of institutional investors in providing long-term finance for growth and development. It highlights infrastructure as one specific sector that is facing major challenges in long-term financing.

Annual survey of large pension funds and public pension reserve funds: Pension funds' long-term investments - Report for G20 (2013)

The survey illustrates the role that large institutional investors can play in providing a source of stable long-term capital. The survey reviews trends in assets and asset allocation by 86 large pension funds and Public Pension Reserve Funds, which in total manage nearly USD 10 trillion in assets, more than one third of the total worldwide assets held by this class of institutional investors.

Pension fund investment in infrastructure: A comparison between Australia and Canada (2013)

This paper compares and contrasts the experience of institutional investors in Australia and Canada looking at factors such as infrastructure policies, the pension system, investment strategies and governance of pension funds. Australian pension funds have been pioneers in this field since the early 1990s, and their financial industry invented the label 'infrastructure investing' as such. The Canadian pension funds are often held as some of the world's leading infrastructure investors, especially for their 'Canadian model' of direct investing.

Long-term investment, the cost of capital and the dividend and buyback puzzle (2013)

The paper argues that interest rates are at extremely low levels to support banks, and the search for yield has pushed the liquidity driven speculative bubble from real estate, derivatives and structured products markets into the corporate debt market.

> "We recognize the scale of the challenge in changing short-term attitudes and behaviours that have become all too ingrained in business, investment and society. We are not looking at an immediate fix to the problem of short-termism. This will take time, persistence and commitment from all involved.
>
> Mark Wiseman, President and Chief Executive Officer, Canada Pension Plan Investment Board, 2013

The role of banks, equity markets and institutional investors in long-term financing for growth and development - Report for G20 (2013)

This report identifies the main trends in long-term financial intermediation focusing on the role of institutional investors in providing long-term finance for growth and development. It also highlights infrastructure as one specific sector that is facing major challenges in long-term financing.

The effect of solvency regulations and accounting standards on long-term investing: Implications for insurers and pension funds (2012)

This report reviews recent accounting and regulatory changes as well as a summary of the evidence gathered to date of their impact on long-term investing. It describes recent trends in asset allocation by pension funds and insurers across the OECD and identifies instances where the regulatory framework – particularly solvency rules – may have an effect on investment decisions.

Trends in large pension fund investment in infrastructure (2012)

This paper is based on a survey of some of the largest pension funds across different regions, accounting for over USD 7 trillion of assets under management. It looks at how much these investors have allocated to infrastructure, what is considered as infrastructure, where infrastructure fits in the total portfolio allocation, the approaches and forms of investment that have been taken, and recent trends in relation to infrastructure and asset allocation, regulation and green investment.

Global imbalances and the development of capital flows among Asian countries (2012)

Against a backdrop of huge potential demands for infrastructure investment in the Asian region, this note makes recommendations to help develop bond markets in Asia. It also makes proposals for facilitating the financial inclusion of SMEs which outnumber other types of business in Asia.

Infrastructure investment in new markets: Challenges and opportunities for pension funds (2012)

This report reviews the existing evidence on pension funds investment in infrastructure in "new" markets, including countries such as Brazil, Chile, China, India, Indonesia, Mexico and South Africa. The report examines the role of both domestic and foreign pension funds in infrastructure investment and provides a set of policy recommendations to facilitate such investments.

Comparing pension fund investment in infrastructure in Australia and Canada

Many governments have decided to encourage private investment in infrastructure to bridge the infrastructure gap. Private sector participation can bring additional capital but also end-user benefits from a more competitive environment in the form of lower costs, as well as the use of the private sector's technological and managerial competences in the public interest.

Yet at the same time, a number of failed public-private partnerships in infrastructure sectors demonstrate the challenges facing policy makers. Infrastructure investment involves contracts and regulatory frameworks which are more complex and of longer duration than in most other parts of the economy, operated under the double imperative of ensuring financial sustainability and meeting user needs and social objectives.

The challenges are even more acute when governments bring in institutional investors, such as pension funds, whose first responsibility is to provide adequate retirement income for their members. Infrastructure investments will only be made if investors are able to earn adequate risk-adjusted returns and if appropriate market structures are in place to access this capital.

Pension fund investment in infrastructure: A comparison between Australia and Canada compares and contrasts the experience of Australian and Canadian pension funds which have been pioneers in infrastructure investing since the early 1990s. These countries also have the highest asset allocation to infrastructure around the globe today. Important lessons can be learnt not only by investors but also by policy makers as political and regulatory stability are paramount for long-term investment strategies.

Institutional investors and green growth

The OECD Directorate for Financial and Enterprise Affairs and the Environment Directorate have been investigating how institutional investors have been involved in green initiatives and how to better engage investors in green infrastructure investments. One example is the G20/OECD Policy Note on Pension Fund Financing for Green Infrastructure and Initiatives which contributes to related G20 initiatives.

Reports relating to green growth published to date include:

G20/OECD policy note on pension fund financing for green infrastructure and initiatives (2012)

Pension funds represent a potential source of financing for long-term, green growth infrastructure. This policy note examines existing barriers and problems and puts forward proposals that policy makers may wish to consider when addressing the financing of green initiatives.

Institutional investors and green infrastructure investments: Selected case studies (2013)

The report examines the channels through which institutional investors can access green infrastructure, assesses the extent to which this is happening, and identifies barriers to scaling up these investment flows. Four case studies present utility-scale solar PV power generation in the United States, sustainable agriculture in Brazil, off-shore wind energy in the United Kingdom, and the securitisation of on-shore wind farms in Germany and France.

The role of institutional investors in financing clean energy (2012)

Even if governments were to improve the coherence and ambition of their climate policies, they cannot assume that capital will flow in the quantities needed and in the timeframe required. There are aspects of the investment environment that also need to be improved if clean energy is going to be an attractive proposition for some of the large pools of capital managed by institutional investors.

Defining and measuring green investment (2012)

This paper provides a comprehensive review of the concepts and definitions related to green investments currently in use. This research does not take a position on a specific definition but rather explores what is being generally used, identifying commonalities, inconsistencies and lessons to be drawn. The paper also examines how green investments are defined across different asset classes and provides some estimates of the size of these investments.

The role of pension funds in financing green growth initiatives (2011)

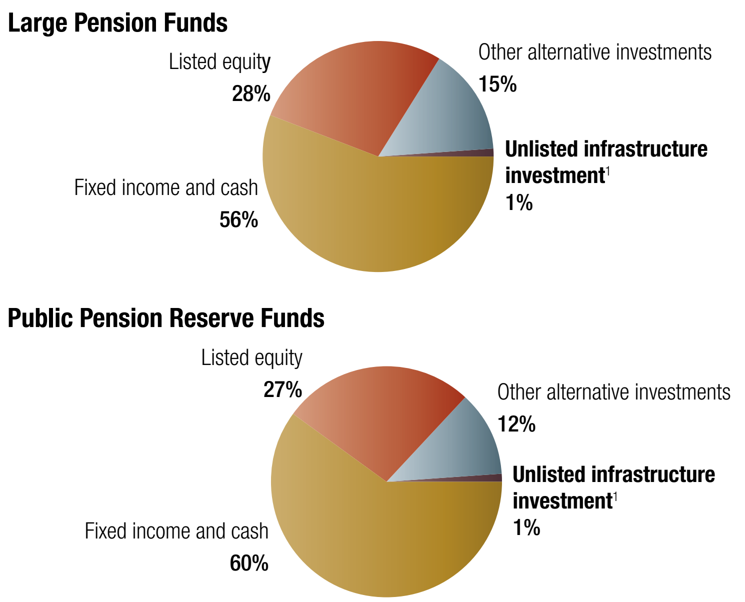
This paper examines some of the initiatives currently under way around the world to assist and encourage pension funds to help finance green growth projects. It informs current OECD work on engaging the private sector in financing green growth. Different financing mechanisms are outlined, and suggestions made as to the role governments in general, and pension fund regulatory and supervisory authorities in particular, can play in supporting pension funds investment in this sector.

Pension funds' long-term investments

Prepared for G20 Leaders, this survey illustrates the role that large institutional investors can play in providing a source of stable long-term capital. The survey reviews trends in assets and asset allocation by 86 large pension funds and Public Pension Reserve Funds (PPRFs), which in total manage nearly USD 10 trillion in assets, more than one third of the total worldwide assets held by this class of institutional investors.

Both pension funds and PPRFs exhibit similar asset allocation trends: decreasing equities, increasing fixed income and increasing alternatives/other over the last two years. Based on a group of 46 pension funds that populated data in both the 2010 and 2012 time periods, there is evidence that allocations to alternative asset classes, such as infrastructure and private equity, are slowly increasing.

FIGURE 1. AVERAGE ASSET ALLOCATION OF LARGE PENSION FUNDS (LPFs) AND PUBLIC PENSION RESERVE FUNDS (PPRFs), 2012



1 The value is a simple average of the share invested in unlisted infrastructure investments for all LPFs (respectively PPRFs) for which actual asset allocation was available in 2012, independently of their size in terms of assets.

Source: OECD.

The survey results show a still low level of investment in infrastructure on average among the surveyed funds, despite evidence of a growing interest by pension fund managers. This seems to confirm the existence of considerable barriers and disincentives which limit such investments and the relevance and need for policy makers to address them. If we consider total assets under management for the complete survey (i.e. 69 funds), infrastructure investment in the form of unlisted equity and debt was USD 72.1 billion in 2012, representing 0.9% of the total assets under management of the surveyed funds.

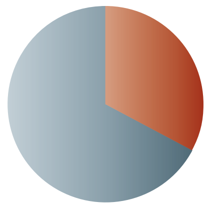
Thirty three pension funds reported an allocation to unlisted infrastructure equity. Total investment in unlisted infrastructure equity at the end of 2012 was USD 64.0 billion, which represented 3% of total assets of these funds. In 2011, this amount was USD 55 billion which corresponds to a nominal increase of 16.5% but a status quo when reported as a ratio to total assets[2]. However, some funds have ramped up their direct infrastructure exposures. Notably, Australia's Future Fund increased its total portfolio allocations to unlisted equity by 0.8 percentage points. Among pension funds, FUNCEF increased the infrastructure allocation by 2.3 percentage points. Still, the room for manoeuvre for most pension funds is still very large and there are clear opportunities for further increase in pension funds' investment in infrastructure.

The survey shows that data on long-term investment – and in particular infrastructure investment – by pension funds is readily available from the funds themselves. However, the methodologies and definitions used to classify such investments can differ widely, rendering comparisons and aggregation difficult. There is clearly a need to standardise definitions and classifications to facilitate monitoring.

[2] Figures may be understated given that for fixed income the majority of the funds do not report such details on their allocation and infrastructure unlisted equity is often included in other asset classes. Some funds also report their allocation to infrastructure through listed equity (i.e. infrastructure corporates), that for this survey, we have considered as indirect exposure.

USD 83 TRILLION
Assets managed by **institutional investors** in OECD countries in 2012

USD 22 TRILLION
Assets managed by **pension funds** in OECD countries in 2012



The 86 pension funds in the survey account for **more than 1/3 of total pension fund assets worldwide**

TABLE 1. LARGE PENSION FUNDS SURVEYED (USD BILLION)[1]

Country	Name of the fund or institution	Assets 2012
Netherlands	Stichting Pensioenfonds ABP (ABP)	**412,4**
United States	California Public Employees' Retirement System (CalPERS)	**248,8**
Singapore	Central Provident Fund[2]	**190,2**
Netherlands	Pensioenfonds Zorg en Welzijn (PFZW)	**171,0**
United States	California State Teachers' Retirement System (CalSTRS)[2,3]	**151,3**
South Africa	Government Employees Pension Fund (GEPF)	**143,7**
Denmark	Arbejdsmarkedets Tillægspension (ATP)[2]	**140,2**
Japan	Pension Fund Association[4]	**130,8**
United States	New York City Combined Retirement System	**130,0**
Canada	Ontario Teachers' Pension Plan Board (OTPP)	**127,9**
United States	Florida Retirement System Pension Plan[2,3]	**122,7**
Sweden	Alecta	**83,9**
Brazil	Previ	**81,4**
United States	Ohio Public Employees Retirement System (OPERS)	**80,4**
Netherlands	Pensioenfonds Metaal en Techniek (PMT)	**62,0**
Canada	Ontario Municipal Employees Retirement System (OMERS)	**61,8**
United Kingdom	BT Pension Scheme	**58,6**
United Kingdom	Universities Superannuation Scheme (USS)	**55,5**
Australia	AustralianSuper	**54,6**
United States	Massachusetts PRIM Board	**51,8**
Denmark	PFA Pension	**51,7**
Finland	Keva[2]	**46,3**
Chile	AFP Provida	**45,8**
United Nations	United Nations Joint Staff Pension Fund	**44,7**
Finland	Ilmarinen	**38,9**
Chile	AFP Cuprum	**33,3**
Brazil	Petros[2]	**32,6**
Australia	UniSuper[2,3]	**31,1**
Brazil	Fundação dos Economiários Federais (FUNCEF)	**24,5**
Australia	Sunsuper	**22,5**
France	*Établissement de Retraite Additionnelle de la Fonction Publique* (ERAFP)	**19,5**
Mexico	*Afore XXI Banorte*	**18,9**
Germany	BASF *Pensionskasse*	**15,4**
Israel	*Menora-Mivtachim*	**12,4**
Italy	COMETA	**9,7**
Peru	AFP Horizonte Peru	**9,0**
Turkey	*Ordu Yardımlaşma Kurumu* (OYAK)	**8,8**
Italy	FONCHIM	**5,0**
Russia	Lukoil - Garant	**4,5**
Spain	Fonditel	**4,5**
Brazil	*Fundação de Assistência e Previdência Social do BNDES* (FAPES)	**4,3**
Nigeria	RSA Fund[5]	**4,2**
Portugal	CGD *Pensões*	**2,1**
Spain	*Previsión Social, Empleados del Grupo Endesa, f.p.* (Endesa)	**1,8**
Nigeria	CPF Fund[5]	**1,6**

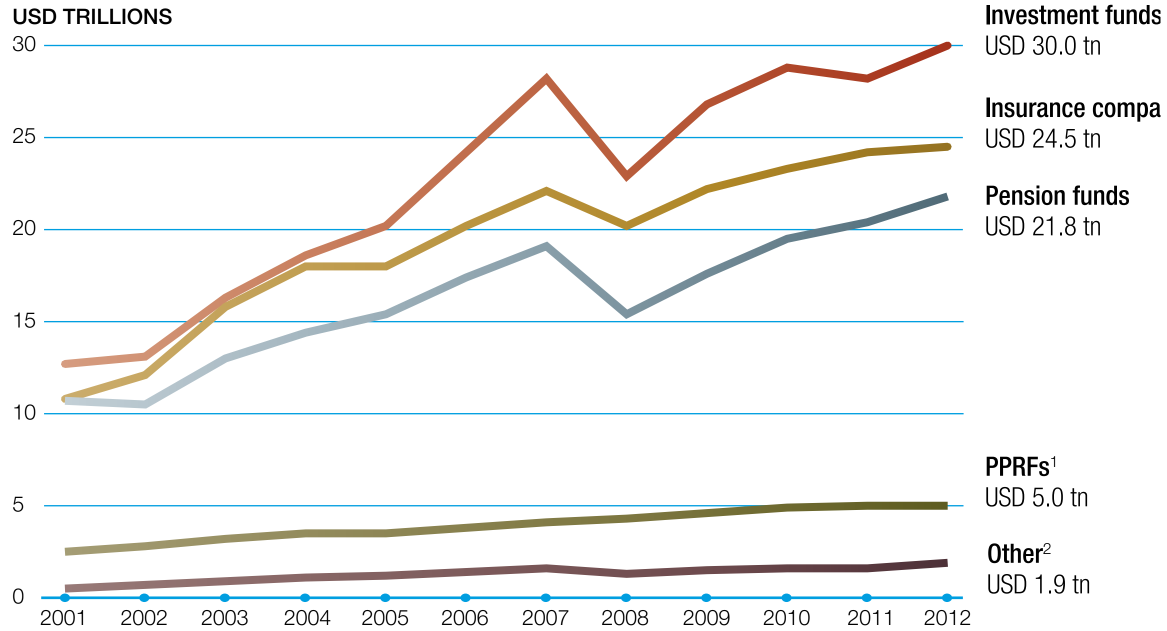
TABLE 1. LARGE PENSION FUNDS SURVEYED (USD BILLION)[1]

Country	Name of the fund or institution	Assets 2012
Spain	*Fondo de Pensiones de Empleados de Bankia* (Bankia)	**1,3**
Portugal	Banco BPI Pension Fund	**1,2**
Russia	VTB	**1,2**
Nigeria	AES Fund (5)	**0,7**
Portugal	*Fundo de Pensões Petrogal* (Petrogal)	**0,4**
Spain	*Santander Empleados Pensiones*, FP (Santander)	**0,1**
Portugal	*Fundo de Pensões Pessoal da Império-Bonança (Império-Bonança)*	**0,1**
Portugal	*Fundo de Pensões Fidelidade (Fidelidade)*	**0,1**
Portugal	*Fundo de Pensões do Pessoal da Mundial Confiança (Mundial Confiança)*	**0,0**
Portugal	*Fundo de Pensões Galp Energia (Galp Energia)*	**0,0**
Spain	*Comisiones Obreras* (CCOO)	**0,0**
Total		**3 057,3**

1. Data correspond to all forms of investment with a value associated to a pension fund/plan.
2. Data have been gathered from publicly available reports.
3. Data refer to the end of June
4. Data refer to the end of March.
5. In Nigeria, there are three types of pension schemes, namely, the Retirement Savings Account (RSA) Fund, which is contributory; the Closed Pension Funds; and the Approved Existing Schemes (AES). The largest pension fund from each of these three schemes has been selected.
Source: OECD.

Less than 1%
Allocations to **direct infrastructure investment** of pension funds in OECD countries surveyed in 2012

FIGURE 2. TOTAL ASSETS BY TYPE OF INSTITUTIONAL INVESTOR IN THE OECD, 2001-2012



PPRFs = Public Pension Reserve Funds.
Note: Book reserves are not included in this chart. Pension funds and insurance companies' assets include assets invested in mutual funds, which may be also counted in investment funds.
1 Data include Australia's Future Fund, Belgium's Zilverfonds (2008-2012), Canada Pension Plan Investment Board, Chile's Pension Reserve Fund (2010-2012), France's Pension Reserve Fund (2003-2012), Ireland 's National Pensions Reserve Fund, Japan's Government Pension Investment Fund, Korea's National Pension Service (OECD estimate for 2012), New Zealand Superannuation Fund, Government Pension Fund - Norway, Poland's Demographic Reserve Fund, Portugal's Social Security Financial Stabilisation Fund, Spain's Social Security Reserve Fund, Sweden's AP1-AP4 and AP6, Unites States' Social Security Trust Fund.
2 Other forms of institutional savings include foundations and endowment funds, non-pension fund money managed by banks, private investment partnership and other forms of institutional investors.
Source: OECD Global Pension Statistics, Global Insurance Statistics and Institutional Investors databases, and OECD estimates.

USD 1 TRILLION

New capital inflows to pension funds in OECD countries in 2012

TABLE 2. PUBLIC PENSION RESERVE FUNDS SURVEYED (USD BILLION)[1]

Country	Name of the fund or institution	Assets 2012
United States	Social Security Trust Fund	**2 732,3**
Japan	Government Pension Investment Fund	**1 298,1**
Norway	Government Pension Fund - Global[2]	**694,4**
Saudi Arabia	General Organisation for Social Insurance[3,4]	**448,0**
Korea	National Pension Service[3,5]	**302,9**
China	National Social Security Fund[5]	**175,9**
Canada	Canada Pension Plan Investment Board (CPPIB)	**173,6**
Sweden	National Pension Funds (AP1-AP4 and AP6)	**147,0**
India	Employees' Provident Fund Organisation[5,6]	**106,7**
Russian Federation	National Wealth Fund[5,7]	**88,6**
Australia	Future Fund	**85,7**
Spain	Social Security Reserve Fund	**83,1**
France	AGIRC - ARRCO[3,5]	**65,7**
Argentina	Sustainability Guarantee Fund	**50,0**
France	Pension Reserve Fund[5]	**47,9**
Canada	Quebec Pension Plan	**39,3**
Norway	Government Pension Fund - Norway	**27,8**
Belgium	Zilverfonds	**25,3**
Ireland	National Pensions Reserve Fund[5]	**19,4**
New Zealand	New Zealand Superannuation Fund	**17,2**
Portugal	Social Security Financial Stabilisation Fund	**14,4**
Indonesia	Jamsostek[8]	**14,1**
Chile	Pension Reserve Fund	**5,9**
Poland	Demographic Reserve Fund	**5,3**
Mexico	IMSS Reserve	**1,6**
Bosnia and Herzegovina	The Pension Reserve Fund of Republic of Srpska	**0,2**
Total		**6 670,2**

1 Data correspond to all forms of investment with a value associated to a pension fund/plan.
2 Norway's Government pension Fund - Global is a Sovereign Wealth Fund and not a Public Pension Reserve Fund, its mandate goes beyond financing pension expenditures.
3 Data refer to 2011.
4 Source: Asset international's Chief Investment Officer (aiCIO).
5 Data have been gathered from publicly available reports.
6 Data refer to March 2012, and include the Employees Provident Fund, the Employees Pension Fund and the Employees Deposit Linked Insurance Fund.
7 Russia's National Wealth Fund is a Sovereign Wealth Fund, and not a Public Pension Reserve Fund, because its mandate goes beyond financing pension expenditures.
8 The number is available on Jamsostek's webpage and refers to November 2012.
Source: OECD and various national sources.

Events

Since the launch of the project in early 2012, the OECD has organised, or co-organised with partners, close to 30 events. This page lists a number of these events. A full list of events and related materials can be found online at www.oecd.org/finance/lti.

25 April 2013, Paris, France

OECD roundtable on financing investment for the long-term: challenges, players, instruments

Topic: off-the-record discussion on financing for investment between OECD Committee members and selected representatives of the financial services sector (banks and rating agencies)
Participants: OECD Committee on Financial Markets comprising officials from OECD central banks, finance ministries and other financial authorities, who meet biannually to review structural, institutional, regulatory, and market developments in financial services in OECD countries and emerging economies.

28 May 2013, Paris, France

G20 Russian Presidency-OECD High-level roundtable on long-term investment: from problems to solutions

Topic: focus on different areas of research of the LTI Project, regulation, governance, infrastructure investment, G20 deliverables
Participants: senior representatives of pension funds, insurers and SWFs and policy makers.

29 May 2013, Paris, France

OECD/Euromoney infrastructure summit

Topic: focus on different areas of research of the LTI Project related to infrastructure financing, infrastructure as an asset class, project bonds and debt, new models for infrastructure financing, opportunities in renewable and emerging markets
Participants: institutional investors, financial industry representatives (banks, asset managers, rating agencies), policy makers.

6 June 2013, Paris, France

OECD roundtable on the investment strategies of insurers and long-term Investment

Topic: off-the-record discussion on insurers as long-term investors between OECD Committee members and selected representatives from the insurance sector
Participants: OECD Insurance and Private Pension Committee comprising officials from OECD national regulators, finance ministries and other financial authorities, who meet biannually to review insurance sector related issues in OECD countries and emerging economies.

29 August 2013, Palembang, Indonesia

APEC-OECD-Indonesia seminar on institutional investors and infrastructure financing in Indonesia

Topic: focus on infrastructure financing in Indonesia
Participants: representative from Indonesian government/central bank, local and international investors.

4 December 2013, Paris, France

OECD Workshop on infrastructure investment and credit risk

Topic: focus on the reliance of the pension fund sector on credit rating agencies
Participants: pensions funds and credit rating agencies.

13-14 March 2014, Tokyo, Japan

ADBI-OECD roundtable on capital market reform in Asia

Topics: focus on implications of quantitative easing (QE) tapering to Asia; global financial regulatory reforms; financial liberalisation in the de-globalisation phase; long-term investment for infrastructure development; and, disaster risk financing and the evolving role of insurance and financial markets.
Participants: regulators, policy makers, experts, practitioners, scholars and international organisations

7 April 2014, Amsterdam, The Netherlands

OECD-Risklab-APG workshop on pension fund regulation and long-term investment

Topics: focus on long-term pension investment strategies under risk-based regulation; riskiness and procyclicality in pension asset allocation; and regulatory challenges for long-term illiquid assets.
Participants: international investment, technical experts, regulatory bodies

Highlights from selected events

G20/OECD High-Level Roundtable on Long-term Investment: From Problems to Solutions

28 May 2013, OECD Conference Centre, Paris, France

High-level government officials, institutional investors, regulators, trade unions and representatives from international organisations and the private sector met in Paris on 28 May 2013 to examine opportunities and challenges in long-term investment. Participants discussed policy measures and initiatives to address the constraints to long-term investment by institutional investors identified by the OECD and the G20.

Discussion summary and key messages

Session 1: Impact of Regulation of Institutional Investors on Long-Term Financing

- Policy makers should carefully monitor the total impact of regulation on long-term investment and consider possible adverse effects, such as incentives for pro-cyclical investment strategies by institutional investors.
- There is a need for a comprehensive and integral policy approach including current and new financial markets reforms, tax, accounting and corporate governance. The policy should tackle regulatory arbitrage by companies, and ensure global implementation in a predictable manner, while reflecting the differences in development stages of countries.
- Regulatory reform should be calibrated to the specific risk categories of institutional investors and needs to consider the stage of development of capital markets and the governance and risk management maturity of institutional investors, as well as their expertise in infrastructure investment.

Session 2: Governance of and by Institutional Investors and the Investment Management Chain

- Greater transparency, along with a shorter investment chain and better alignment between savers and investors' incentives can be a solution to the growing short-termism in capital markets.
- For long-term investment, risk may not merely be defined as volatility, but rather should be based on longer-term metrics.

Compiled list of speakers from high-level events

Irfa Ampri, Vice Chairman of Fiscal Policy Agency for Climate Change Financing and Multilateral Policy, Ministry of Finance, Indonesia

Nick Ashmore, Deputy Director, National Pensions Reserve Fund, Ireland

Michela Bariletti, Director, Standard & Poor's

Chris Barrett, Ambassador and Permanent Representative of Australia to the OECD, Australia

Johan Bastin, Chief Executive Officer, CapAsia, Singapore

Philippe Benaroya, Managing Director, Co-Head of European Infrastructure Debt, BlackRock

Jean Bensaïd, Chief Executive Officer, CDC Infrastructure

Frédéric Blanc-Brude, Research Director, EDHEC Risk Institute-Asia

Adrian Blundell-Wignall, Special Advisor to the OECD Secretary-General on Financial Markets and Deputy Director in the OECD Directorate for Financial and Enterprise Affairs

Andrey A.Bokarev, Director, Department for International Financial Relations, Ministry of Finance, Russian Federation

Rory Brennan, Director, Infrastructure Australia

Sharan Burrow, General Secretary, International Trade Union Confederation (ITUC)

Toby Buscombe, Senior Alternative Asset Specialist, Mercer

Tim Cable, Director, Infrastructure Debt, Hastings Funds Management

Richard Carter, Director, Business Environment, BIS, UK

Ross Clare, Director of Research, Association of Superannuation Funds of Australia

Elizabeth Corley, CEO, Allianz Global Investors, Germany

Andrew Darling, Vice President, Infrastructure, Canada Pension Plan Investment Board

Damian Darragh, Financial Managing Director, Terra Firma

Andrew Davison, Senior Vice President, Infrastructure Finance Group, Moody's

Raffaele Della Croce, Lead Manager, Institutional Investment and Long-term Investment Project, OECD

Scott Dickens, Global Head of Structured Finance, HSBC

James J. Donelon, President, National Association of Insurance Commissioners, USA

Ronnie Downes, Deputy Head of Division –Budgeting and Public Expenditures, OECD

Damien Dunn, Australian Treasury, Chair of the OECD Task Force on Institutional Investors and Long-Term Financing

Christian Edelmann, Regional Head, Asia Pacific, Oliver Wyman

Richard Ensor, Chairman, Euromoney Institutional Investor PLC

Peter R. Fisher, Senior Managing Director, BlackRock

François Yves Gaudeul, Director, Infrastructure Debt, Allianz Global Investors

Ken Georgetti, President, Canadian Labour Congress

Kristina Gerteiser, Partner, Oliver Wyman

Benjamin Gilmartin, Associate Director, Infrastructure, HSBC

Rob van den Goorberg, Head of Investment Research, APG

Jaime Gornsztejn, Director, Brazilian Development Bank – BNDES

Ian Greer, Managing Director, Standard & Poor's

Örn Greif, Head of Debt Business Development, BNP Paris Securities Services

Steve Gross, Senior Managing Director, Macquarie Infrastructure and Real Assets

Andin Hadiyanto, Advisor to the Minister of Finance of Indonesia, and Alternate Chair of APEC Finance and Central Bank Deputies Meeting

Claus-Michael Happe, Head of Division, Multilateral Development Banks, Ministry of Finance, Germany and Co-Chair of G20 Study Group on Long-Term Investment Financing

Georg Inderst, Independent Adviser, Inderst Advisory

Mats Isaksson, Head of Corporate Affairs Division, OECD

Mark Johnson, Editor, Euromoney Conferences

Mark Johnson, Editor, Euromoney Conferences

Peter Johnston, Executive Director, Infrastructure, Hastings Funds Management

Ross Jones, President, International Organisation of Pension Supervisors (now retired)

Jean-Pierre Jouyet, CEO, Groupe Caisse des Dépôts, France

François Jurd de Girancourt, Partner, McKinsey and Company

Scott E. Kalb, Executive Director, Sovereign Investor Institute and Former Chief Investment Officer, Korea Investment Corp.

- Compensation should be in line with the investment horizon, and hence focus on long-term performance.'
- There is a need to rethink the fiduciary duty of institutional investors in order to better inculcate a long-term perspective.

Session 3: Policy Incentives and Instruments for Investment in Infrastructure by Institutional Investors

- Strong institutions and stable policy environments are vital and governments need to ensure these as preconditions for investment.
- Financial markets have a role to play through securitisation, long dated bonds and swaps, and foreign exchange markets.
- Credit enhancements in the form of guarantees from national or supranational bodies can play an important kick-start role in driving infrastructure investment.
- Consider risk segregation in the different phases of project, i.e. construction, development and operation.

Session 4: High-Level Principles of Long-Term Investment Financing by Institutional Investors

- Long-term financing should be seen as the means to an end and should be designed for the ultimate users of any service, and not necessarily the financial intermediaries.
- It is the role of governments to match the needs of their economies with the needs of institutional investors.
- LTI can take many forms besides infrastructure (i.e. equipment manufacturing, real estate).
- LT investing entails active ownership and value investing in private and public markets, and tends to be countercyclical.
- The OECD High-Level Principles provide a key input into the development of a sound policy environment for guiding long-term investment.
- The OECD is to set up a formal consultative network of institutional investors in response to the success of the public consultation process for the High Level Principles.

OECD/Euromoney Infrastructure Summit

29 May 2013, Intercontinental Hotel, Paris, France

Co-organised by the OECD and Euromoney, this event brought together institutional investors, financial industry representatives (banks, asset managers, rating agencies) and policy makers to discuss investment opportunities and financing solutions for investors.

Questions and issues considered during the panel discussions and workshops included:

- Infrastructure investment and the search for yield in a low interest rate environment
- Basel-III, Solvency 2 and the effect of regulation on infrastructure financing
- Why originate to distribute is necessary and securitisation is not a bad word in infrastructure
- Debt or equity? Fixed or floating? Invest directly or indirectly? Credit risk or liquidity premium?
- Lessons from Canada and Australia: what have the governments and regulators here done right?
- Pension fund investing: the effect of defined benefit vs. defined contribution plans
- Play safe with mature Brownfield assets or bear Greenfield construction risks?
- Infrastructure as asset class? No – it has to be classified under listed/unlisted debt/equity. Yes – it has specialized characteristics of its own and now offers sub asset classes.
- Is this the year of project bonds?
- From structuring PPPs to passing the litmus test: can this project be purely private and yet viable?
- The extinction of monoline insurers – good or bad? And how to assess credit risk and enhance creditworthiness now?
- Infrastructure investment from Brazil to Africa, the need to assess each project's own merits, and the risks and rewards of being ahead of the crowd in the emerging world
- The responsibility of governments and the private sector's way of mitigating and dealing with political risk
- The role of multilateral institutions like IFC and EBRD, and national development banks in kick-starting Greenfield projects in developing countries
- Renewable energy projects: the role of consistent government policies on incentives and subsidies, and the need to increase commercial viability

John Kay, Economist and Author of the Kay Review of UK Equity Markets and Long-Term Decision Making, United Kingdom

Christopher Kaminker, Economist, Environment Directorate, OECD

Angelien Kemna, Chief Investment Officer, APG, the Netherlands

Lim Chow Kiat, Managing Director and Group Chief Investment Officer, GIC, Singapore

Osamu Kawanishi, Environment Directorate, Organization for Economic Cooperation & Development

André Laboul, Head, Financial Affairs Division, OECD

Trevor Lewis, PPP Specialist, Asian Development Bank

Robin Li, Chief Investment Officer, Manulife Asset Management, Asia

Ernesto Lopez Mozo, Chief Financial Officer, Ferrovial

Bertrand Loubieres, Head of Specialised Product Group, BNP Parisbas

Stefan Lundbergh, Head of Innovation, Cardano

Cledan Mandri-Perrot, Lead Infrastructure Finance Specialist, World Bank

Nicolás Merigó, Chief Executive Officer, Marguerite Adviser

Martin Merlin, Head of Financial Services Policy, Internal Markets, European Commission

Scott Minerd, Global Chief Investment Officer, Guggenheim Partners

Patrick Mispagel, Associate Managing Director, Moody's

Torben Möger Pedersen, Chief Executive Officer, PensionDanmark

Mahmoud Mohieldin, Special Envoy for the President of the World Bank

Ashby Monk, Executive Director, Global Projects Centre, Stanford University

Cormac Murphy, Head of TENs and Infrastructure Division, European Investment Bank (EIB)

Ian Nolan, Chief Investment Officer, UK Green Investment Bank

Pier Carlo Padoan, OECD Deputy Secretary General and Chief Economist

Torben Möger Pedersen, Chief Executive Officer, PensionDanmark, Denmark

Chris Ostrowski, Head of Infrastructure, Euromoney Conferences

Hubert Pénot, Chief Investment Officer for EMEA, MetLife

Darrin Pickett, Portfolio Manager, Ontario Teachers' Pension Plan

Evgeniy Pogrebnyak, Managing Director, Department for Strategic Analysis, Bank for Development and Foreign Economic Affairs (Vnesheconombank)

Laurence van Prooijen, Senior Investment Officer, French PPP Taskforce, Ministry of Economy, France

Mark Rathbone, Asia Pacific Capital Projects and Infrastructure Leader, PricewaterhouseCoopers LLP

Dima Rifai, Managing Partner, Paradigm Change Capital Partners

Donald M. Raymond, Chief Investment Strategist, Senior Vice President, Canada Pension Plan Investment Board, Canada

Edoardo Reviglio, Chief Economist, Cassa depositi e prestiti (CDP), Italy

Aaron Russell-Davison, Global Head, Bond Syndication, Standard Chartered

Freddy Saragih, Director of Fiscal Risk Policy Office, MoF, Indonesia

Zenko Shinoyoma, Director, Infrastructure Finance Group, Japan Bank for International Cooperation

Mahendra Siregar, Vice Minister of Finance of Indonesia and G20 Sherpa for Indonesia

Yngve Slyngstad, CEO, Norges Bank Investment Management, Norway

Scott Sleyster, Chief Investment Officer, Prudential

William Streeter, Head of Debt, Asia, Hastings Fund Management, and Infrastructure Debt Advisor, Westpac

Davide Taliente, Managing Partner, Oliver Wyman Europe

Rintaro Tamaki, Deputy Secretary-General, OECD

John Thompson, Consultant, and formerly Head of the Financial Affairs Division, OECD

Konstantin Ugryumov, President, National Association of Pension Funds, Russian Federation

Lubomir Varbanov, Chief Investment Officer and Head of Global Equity, Infrastructure and Natural Resources, International Finance Corporation

Kenneth Waller, Director, Australian APEC Study Centre, RMIT University

Vanessa Wang, Managing Director, Asia Pacific Head of Pension Services, Citibank

Juan Yermo, Deputy Head, Financial Affairs Division, OECD (currently Senior Advisor at the OECD Secretary-General Office)

Li Yao, Chief Executive Officer, China-ASEAN Fund

Ksenia Yudaeva, Chief of the Presidential Experts' Directorate, Executive Office, Russian Sherpa in G20 to lead Russia's Presidency, Russian Federation

Dominik Zunt, Policy Officer, Directorate General Economic and Financial Affairs, European Commission

APEC/OECD Seminar on Enhancing the Role of Institutional Investors in Infrastructure Financing

29 August 2013, Palembang, Indonesia

Under the aegis of APEC, the OECD organised a high-level seminar on "Enhancing the Role of Institutional Investors in Infrastructure Financing" in Palembang, Indonesia, on 29 August 2013. The seminar was co-hosted by the Indonesian Ministry of Finance and supported by the Japanese government. Multilaterals such as the World Bank and the Asian Development Bank were involved in the seminar and a background paper on infrastructure financing in Indonesia was prepared.

Indonesia's Vice Minister of Finance, Mahendra Siregar, and OECD Deputy Secretary-General Rintaro Tamaki presided over the seminar which was attended by around 120 high level participants from both public and private sectors in the Asia Pacific region, as well as experts from financial institutions, international organisations, and academia. Participants examined the important role that can be played by institutional investors and sovereign wealth funds in providing long-term financing for infrastructure investment. The seminar also provided a platform for dialogue about infrastructure among international forums, particularly between APEC and the G20.

In discussing infrastructure financing, participants agreed that the issue should not be viewed as an aid or development issue. Rather, it is crucial to approach it from a perspective of how the region can work cooperatively to better channel all available funds from both public and private sources towards more productive investments in infrastructure, in order to promote stronger growth and development. Productive investment in infrastructure can be carried out through creating more transparent regulatory frameworks, better accessibility to capital, more supportive financial markets, and increased capacities in economies to absorb capital flows. In particular, based on work related to the OECD LTI project the panels deliberated on the vehicles and major initiatives to pool resources to finance infrastructure projects including green projects, and the need for a clear benchmark for measuring investment performance seen by many as one of the main barriers to invest in infrastructure.

"Almost every country has an infrastructure deficit and is struggling to finance the infrastructure it needs. Worldwide, the OECD estimates that over $50 trillion in infrastructure investment is needed by 2030. It should be easier to get infrastructure projects off the ground – and we can do that through attracting more private capital into them through sensible pricing policies and better regulatory practices. My hope is to bring policy-makers, financiers and builders together to identify practical ways to increase long-term infrastructure financing"

Tony Abbott, Prime Minister of Australia, World Economic Forum, Davos 2014

Join us in this project

A centre for international research, analysis and dialogue

The OECD has for many years led an international research and policy agenda on institutional investors. We are also the leading international organisation in terms of the collection and analysis of statistics and indicators on institutional investors with products such as Global Pensions Statistics, Global Insurance Statistics and the Institutional Investors Database.

This project brings together OECD in-house expertise on institutional investors (through work on financial markets and institutions, insurance companies, pension funds and debt management) with a broader policy agenda on long-term investment issues, covering a range of initiatives such as green growth, foreign investment and capital flows, corporate governance, private sector development and financial education.

The project involves close co-operation with national policy makers, private sector representatives and academia, as well as other international organisations and governmental bodies, such as the International Organisation of Pension Supervisors, the International Association of Insurance Supervisors, the International Organisation of Securities Commissions and the World Bank. The OECD's ability to convene high-level representatives from different stakeholder groups and its cross-thematic research capability are key project strengths.

The OECD welcomes private sector stakeholders to join us in this project. Participation in the project offers our partners:

- Access to a broad range of leading edge research on the barriers and solutions to long-term investing;
- The ability to contribute to the policy debate on long-term investing - on both a national and international level;
- Access to policy makers and regulators through regular meetings.

All project research and events are available online at www.oecd.org/finance/lti

For further information, please contact

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