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*Teresa Tatiana Czerwińska**

INVESTMENT PORTFOLIOS OF THE RETIREMENT PLANS' FUNDS IN OECD COUNTRIES – THE COMPARATIVE ASPECTS

INTRODUCTION

Retirement plans' funds as financial formations are of continuously growing importance in the financial market, restraining still on a state's role in assurance of providing retirement for its population. Accumulation of financial measures in the retirement plans' funds is of essential significance, if considered from social, macroeconomic and also microeconomic standpoints. In the macroeconomic aspect, accumulation of savings in retirement funds, contributes to economic growth throughout non inflationary financing of investment enterprises. On the contrary, in the microeconomic aspect, the measures accumulated in retirement funds provide for an investor's needs, after termination of his occupational activity. Globalization and integration of contemporary financial markets, offer an opportunity to work out a rational conception of utilizing financial resources, accumulated by retirement funds. Experience gained in many countries indicates that it is hard to overestimate the retirement funds' role in the financial market development process. Retirement funds' investment are to be perceived in both, quantity and quality aspects. As to the quantity feature, a high position of retirement funds' investment in the financial market is confirmed unambiguously by statistics. At present, the retirement funds in the international financial market (apart from banks and investment funds) became one of the most important financial organizations, dealing with the entrusted financial means management. On the other hand, if the quality aspect is considered, it is necessary to take into consideration an influence of retirement funds on operation and development of the contemporary financial market.

An objective of this study was the comparative analysis of the retirement funds' investments portfolios in selected OECD countries, with consideration to legal conditions thereof and indications of the above institutions' investment activity's development policy.

* Ph. D., University of Gdańsk.

1. ANALYSIS OF THE CONCEPTIONS, REGARDING CREATION OF THE RETIREMENT FUNDS' INVESTMENT POLICY IN SELECTED OECD COUNTRIES[1]

Legal regulations referring to retirement funds' investment activity should be considered in the following contexts:

- due protection of funds members' interests,
- retirement funds investment necessities, connected with intentions focused on optimizing the portfolios, due to the return rates and risks,
- stimulation of development of selected capital-consuming sectors of economy, i.e. the financial market, infrastructure.

In a majority of the analyzed OECD countries, retirement funds investment activity is subject to legal regulations. However, it has to be noticed, that there occurs fairly extensive diversification of the regulations as, in OECD countries, the retirement funds are in operation at various levels of legal solutions and regulations. A way of the retirement funds operating in the financial market results, first of all, from organizational and legal conditions of the retirement system as well as from its position in the financial system of a country in question.

Retirement funds may be subject to functioning in an open or a closed form. The open retirement fund is accessible for anybody with no restrictions imposed, whereas membership of the closed retirement fund is somehow restricted as, for example, open for specific groups of participants only, e.g. employees of a certain company. In a majority of countries, the closed and open retirement funds are subject to similar regulations as regards investment of resources. Moreover, in a part of the investigated countries, there remain in operation the funds, a membership of which is obligatory, and in the other part – voluntary. The most commonly, open retirement funds are based on compulsory membership, (i.e. in Poland, in Mexico), and the closed one are of a voluntary character i.e. in Austria, Great Britain, Denmark. The regulations concerning investment policy of the retirement funds with obligatory membership are generally more restrictive than those for the funds with voluntary membership. In a group of the countries, the open retirement funds are in operation within an obligatory retirement system, while the closed retirement funds accumulate only voluntary savings for additional hedging of retirement incomes.

The analysis of the concepts concerning restrictions on shaping the retirement funds investment policy in the selected OECD countries has revealed that

[1] Based on E. P. D a v i s, *Portfolio Regulation of Life Insurance Companies and Pension Funds*, The Pensions Institute, University of London, January 2001, Discusion Paper PI-0101.

in a majority of the countries there are imposed limitations in quantities, as regards the funds investment policy. The most significant regulations in respect of the retirement funds investment in the selected OECD countries are presented in Table 1. The regulations usually determine the following issues:

- categories of the assets permissible at establishing portfolio,
- limits of involvement in specific assets categories,
- maximal ratio of the retirement fund's capital employment in one subject or one issue,
- proportions of the portfolio financial instruments as regards the expected rate of return and risk.

In spite of serious diversification in regulations, which affect shaping the retirement funds investment activity, in a majority of the investigated countries there are dictated some minimal requirements to investment portfolio diversification. The portfolio diversification is forced through imposing the limits in specific assets' categories. Usually the regulations are defined in a form of maximal limits or requirements of minimal employment of assets in a given assets' category. The limits are being determined taking into consideration a risk, connected with a specific assets' category. The most commonly applied maximal range of the retirement fund's capital employment is specified in relation to the financial instruments considered to be of relatively high investment risk level as shares, derivatives, or to hardly liquid assets' categories, i.e. immovable / real estates.

For many investigated countries commonly applied are the regulations concerning investing in the state-own companies, which often generate conflicts of interests between the retirement fund management and its members. To restrain the conflict of interests in almost all investigated countries there were introduced limitations on investments in securities for all those enterprises, which remain financially connected with retirement funds. Maximal limits for investing in subjects connected, as regards capital, with retirement fund, are binding in Switzerland and in Italy, amounting to 30% and in Finland – 25%. Moreover, the regulations specify also the limit of retirement fund's employment in one subject or one issue of securities. Usually the limits restrain the retirement fund's capital employment to 5–10% of assets owned thereby, i.e. Austria, Spain, Great Britain.

In addition, in a majority of OECD countries there are imposed more restrictive limitations, concerning investing the retirement funds' assets in stocks unlisted in the regular stock market, in relation to the stocks being listed therein, e.g. in Belgium, Finland, Germany. Anyhow, some of OECD countries impose no limitations restraining investment in stocks; those are Ireland, Italy, Holland, Great Britain and the United States.

It's worthwhile to notice that in the investigated countries the limits have been put generally on investment in real estates. The applied regulation spectrum is very wide: starting from 0% up to 50% of assets, for example in Switzerland. In some countries the retirement funds are not allowed to be invested in real estates; it's Poland, Mexico (the limit is 0%), whereas in some countries only the direct funds' employment in investments in real estates is not admissible, as in Hungary. Generally the limits for investing in real estates are much lower than in case of investments in stocks, except for Switzerland and Denmark.

The subjects of limitations are mortgage loans as well (as in Belgium, Czechs, Finland, Germany, Portugal), for which the maximal retirement fund capital employment's limit is, for example, in Finland – 70% of assets. Whereas, in some of the investigated countries, granting mortgage loans by retirement funds is not permissible, as in Hungary, Mexico and Poland.

Investment limits comprise investing in bonds, bank deposits and bank securities as well (e.g. Germany, Italy, Portugal, Poland, Spain). The analyses have proved that the limits do not include investing in state treasury securities, and what is more, in some countries there are imposed limits of minimal retirement fund employment in such financial instruments. In Austria, the retirement funds are obliged to invest at least 35% of their assets in state treasury securities, bonds and other receivable securities, denominated in EUR. In Mexico the retirement funds are obliged to invest at least 51% assets in financial instruments, protecting against inflation results.

The regulations are referred also to direct employment of retirement funds' capital when it's located beyond the country of their operation. In some countries, the foreign investments volumes are restricted by a principle of capital adjustment of assets and liabilities, as in Denmark, Finland, Germany and Portugal, where at least 80% of liabilities should have a backing in assets, denominated in the same currency and in Italy, where a minimal required adjustment level is 33%. In a part of OECD countries there are no limitations to investing the entrusted to retirement funds measures abroad – as for example, in Great Britain, Holland, Ireland. However, there are the countries, where direct foreign investments of retirement funds are not allowed at all – as in Mexico. The most common in the legal regulations are separate limits connected with investing in OECD and other countries. Limits for investing in the countries other than that of OECD are usually much more restrictive or such investments are excluded from retirement funds investment capabilities. Only in some countries it is admissible to invest the retirement funds measures beyond the OECD Countries, as in Hungary, Italy, Holland, Norway (no limit), Portugal (20%), the Great Britain (no limit) and the United States (no limit).

Table 1. Regulations concerning shaping the retirement funds' portfolio in selected OECD countries

Country	Minimum diversification requirements	Self-investment / Conflicts of interest	Ownership concentration limits	Direct limits on foreign investments and other quantitative rules
1	2	3	4	5
Austria	None	Permitted, but requires the explicit approval of the Supervisory Board and limited to 10%.	None	At least 35% of the assets must be invested in mortgage bonds, government bonds, and debentures denominated in Euro. Non-Euro investments and foreign property limited to 50% of investments.
Belgium	Maximum 10% of the fund may be invested in stocks, bonds and notes of the same issuer. Maximum 20% in one single property.	Limited to 15%.	None	Localization requirement: all assets must be located in Belgium or EC countries, but may invested in securities issued by institutions authorised by a supervisory body similar to the Belgian Banking and Financial Commission. Direct limits: 5% in foreign investment funds, 65% in OECD equities. Investments in non-OECD equities not permitted.
Czech Republic	Investment in securities from the same issuer limited to 10% of the fund's assets. Bank deposit in one bank is limited to 10%. The value of one piece of real estate or one movable assets can not exceed the 5% of the fund assets.	Investment in shares of other pension funds is prohibited.	Pension funds assets can not include more than 20% of the nominal value of shares issued by the same company.	Foreign investment is permitted only in case of the securities traded in OECD markets. Mortgage and other loans are not permitted. Investment in shares and participation certificates of unit trusts is limited to 25%.
Denmark	"High-risk assets" (domestic and foreign shares and unlisted securities) limited to 40%. Property and investment trust holdings limited to 40%. Minimum of 60% in domestic debt.	Not permitted.	None	Minimum 80% – for EU currencies up to 50% of liabilities can be covered by assets denominated in Euro. Foreign investments – limited to 20%.

1	2	3	4	5
Finland	Assets should be diversified and decentralised within the diversified groups. Main limits: – 25% in one single investment in guaranteed loans or quoted shares – At most 15% in one single investment target.	Permitted, but limited to 25%. Maximum 15% in one single functional investment target, if the investment pertains to: a single piece of real estate, a building or a real estate corporation, debt obligations that are secured by mortgage on one investment target or that are secured by shares and holdings in a single real estate corporation.	Of the assets and obligations of the gross sum of the pension, liability may be invested at most: – 5% of quoted or of unquoted shares of a single corporation.	All assets must be located in EEA countries, but may be to some extent invested in countries comparable to EEA countries (OECD countries). Maximum 5% of the assets and obligations may be altogether invested in assets in OECD countries other than EEA countries. Maximum 20% of the assets and obligations may be denominated in currencies other than the euro.
Germany	Maximum 5% by the same issuer, except 30% of state loans, bank deposits and mortgage bonds.	Permitted, but limited to 2%.	No limit.	30% in EU equity, 25% in EU property, 6% in non-EU equity, 5% in non-EU bonds, 80% – currency matching.
Hungary	Funds may incest maximum 10% of its assets in securities issued by the same issuer (except for state bonds). Overall value of securities issued by an organisation belonging to the same banking group cannot exceed 20% of the invested fund assets. Direct investment in real estate is prohibited (MPF). Loan for fund members is limited to 5% (only VPF) not exceed 30%.	Funds may not have ownership in business organizations in which the founders of the fund, the employers of the fund members, the donors or service suppliers of the fund own more than 10% of the stakes.	Funds shall not directly own more than 10% of the registered capital or equity of a business organization for more than a year. Funds may own maximum 10% of the securities issued by the same issuer (MPF).	Voluntarily Pension Funds (VPF): limited to 20% of the fund's assets, and within investments made abroad the ratio of investments made in non-OECD countries shall not exceed 30%. Mandatory Pension Funds (MPF): limited to 30% of the fund's assets, and within investments made abroad the ratio of investments made in non-OECD countries stall. Investment in bonds issued by non-OECD countries is limited to 5%. Investment in shares issued in non-OECD countries is prohibited.

1	2	3	4	5
Ireland	None, but any of issue of securities can only represent up to a maximum of 10% of pension fund assets for purposes of proving solvency.	No limit, but company assets can only represent up to a maximum of 5% of assets for purposes of proving solvency. Disclosure of selfinvestment if in excess of 5% of total assets.	None	None
Italy	Yes, debt and equity securities issued by one issuer is limited to 15% of the fund. The limits in percentages of the fund's assets – Liquidity: 20%, – Shares of closed-end investment funds: 20%.	Permitted, but limited to 20% in case of one company, and 30% if more companies making contributions to the fund.	Holding of shares of closed-end investment funds is limited to 25% of the closed-end fund's assets.	The fund will be obliged to invest minimum 1/3 of the assets in currency in which the benefits will be denominated. Debt and equity securities of OECD countries not traded in regulated markets are limited to 50% of fund assets. Debt and equity securities of non-OECD countries traded in regulated markets are limited to 5%. Debt and equity securities of non-OECD countries traded in non-regulated market are prohibited.
Mexico	At least 65% of the funds' assets must be invested in securities that either have a maturity shorter than 183 days or have floating interest rates whose rate is revised in less than 183 days (except for funds that receive only voluntary contributions). Up to 5% of funds' assets can be invested in Government Repos. Up to 35% of the funds' assets can be invested in corporate bonds, and within that limit, up to 10% in instruments issued by private financial institutions. Up to 10% of the funds' assets can be invested in debt issued by any single issuer (except for credit institutions, Federal Government and the Central Bank). Up to 15% can be invested in debt issued by related entities.	Up to 5% (or under special authorization 10%) can be invested in securities issued by entities with which the fund manager has any kind of financial relationship.	Up to 20% of the amount outstanding of any single issue (except for credit institutions, Federal Government and the Central Bank).	Law does not permit investment in foreign securities. Pension funds can invest up to 10% of their assets in foreign currency denominated securities issued by the federal government or the Central Bank (e.g. Brady bonds). At least 51% of the funds' assets must be invested in inflation-linked or inflation protected securities (except for funds that receive only voluntary contributions). Issues must have been awarded certain ratings, specified by law, by two authorised rating companies.

1	2	3	4	5
Netherlands	Diversification is required, but no quantitative rules.	Limited to 5% of the fund assets until the level of technical provision, in case of exceeding assets, it can be 10% maximum	None	None
Norway	Diversification is required. Maximum of 0.5% of the portfolio can be invested in a single unsecured loan. Units in a single securities fund or a single investment firm may in the aggregate not exceed 10% of the assets covering the technical provisions.	Loans to the employer are permitted only if the loans are secured by pledge, and must not exceed 20% of the total assets. The fund is not permitted to own shares or equity in the company for which the fund is founded.	None	A minimum of 80% of assets must be denominated in the same currency as the pension fund's technical provisions (in the wide sense). This does not apply, however, if the pension fund in order to satisfy this requirement would have to hold net financial receivables in that currency to a value of 7% or less of its overall assets in other currencies. Limits covering technical provisions: – 35% in equities, – 30% in corporate bonds, – 30% in investment funds, – 30% joint limit in corporate bonds and investment funds, – 1% in unsecured loans.
Poland	No more than 10 % of the fund's assets shall be invested in a single kind of securities. Total value of the fund's investment in all securities of a single issuer or of two or more affiliated issuers shall not exceed 5% of the fund's assets.	OPF may not be invested in securities issued by a pension fund company or its shareholders, controlled, controlling or associated entities.	10%	5% of assets can be invested in foreign securities.

1	2	3	4	5
Portugal	Main limits: – 5% in instruments issued by one undertaking and loans granted to a single borrower, – 10% in a single piece of real estate.	– 20% in instruments issued by an loans made to companies that by themselves or together with the pension fund manager achieve a dominant position or form part of a group. – 25% in land or buildings used by the sponsors of the fund or by companies that together with the sponsor achieve a dominant position or form of a group.	Funds may not own more than 10% of the shares of an individual firm. Fund managers may not hold shares conferring them more than 20% of the company's voting rights.	At least 80% of the total fund has to be invested in instruments in currencies that are legal tender in Portugal. Overall limit of 20% Sublimits: - 10% in non-OECD bonds, - 3% in non-OECD stocks.
Spain	Investment in a single entity is limited to 10% of the fund's assets.	Limited to 10%.	Funds may not hold more than 5% of the market value of the securities issued by a single entity.	None for OECD countries. 90% of assets must be invested in organised, officially recognized markets; Deposits and other money market assets must be 1–15%.
Switzerland	Investment in debt instruments of a single entity (except government bonds, banks and insurance companies) is limited to 10% (5% for foreign assets). Investment in equity of a single company is limited to 10% (5% for foreign assets).	Limited to 30%.	None	There is an overall limit in foreign currency investments of 30% and the following sub-limits: – 30% in equities, – 20% in foreign currency bonds (30% for CHF bonds). There are also aggregate limits for domestic and foreign equity (50%), bonds (30%), and real estate and equity (70%). Investments in unlisted equities are not authorised. Investment in derivatives for hedging purposes only.
United Kingdom	General requirement for diversification and suitability.	Employerrelated investment is limited to 5%.	None	None
United States	General requirement for diversification.	Limited to 10%.	None	None

Source: [3], [4], [5], [6], [7], [8].

Table 2. Limitations referring to investments of retirement funds in selected OECD countries (as regards domestic categories of assets)

Assets / Country	Equity	Real Estate	Bonds	Investment funds	Loans	Bank deposits
1	2	3	4	5	6	7
Austria	50%	20%	No limit	No limit	10%	No limit
Belgium	65 (quoted) 30 (unquoted)	40%	No limit (corporate)	30%	40% (mortgage)	No limit
Czech Republic	25%	No limit	No limit	25%	0%	No limit
Denmark	40%	40%	No limit	40%	No limit	No limit
Finland	50 (quoted) 10 (unquoted)	40%	No limit	No limit	70 (mortgage loans, including real estates and buildings 10 (subordinated loans)	No limit
Germany	35% (quoted) 10% (unquoted)	25%	50%	30%	50% (mortgage) 50% (other)	50%
Hungary	50% (MPF) 60% (VPF)	0% (MPF) 10%(VPF)	40% (VPF, corporate) 50% (MPF, corporate) 10% (mortgage)	50%	0% (MPF) 5% (VPF)	No limit
Ireland	No limit	No limit	No limit	No limit	No limit	No limit
Italy	No limit	No limit	No limit	20%	No limit	20%

1	2	3	4	5	6	7
Netherlands	No limit	No limit	No limit	No limit	No limit	No limit
Mexico	0%	0%	35% (corporate); within that limit, up to 10% in banks and financial entities No limit (federal government); No limit (AAA corporates)	0%	0%	250,000 in local currency (Mexican pesos) and 25,000 US dollars in foreign currency.
Norway	35%	No limit	30%	30%	1% (unsecured loans)	No limit
Poland	40% (quoted), 7,5 % (secondary market)	0%	15% in municipality bonds, 5% (unquoted). No limit (government) 40% others (secured quoted)	10% (in close-ended funds) 15% (in open-ended funds)	5%	20%
Portugal	50%	45%	60% (corporate)	30%	25% (mortgage) 5% (other)	30%
Spain	No limit (quoted) 10% (unquoted)	No limit	No limit	No limit	10% (if no mortgage guarantee)	15%
Switzerland	30%	50%	No limit	No limit	No limit	No limit
United Kingdom	No limit	No limit	No limit	No limit	No limit	No limit
United States	No limit	No limit	No limit	No limit	No limit	No limit

Source: [3], [4], [5], [6], [7], [8].

2. RETIREMENT FUNDS AT THE INTERNATIONAL FINANCIAL MARKETS

To determine a role of the retirement funds at the international financial market and within a ground of a given country economy, the following issues have been subject to the analysis:

- total value of the retirement funds' investments portfolio,
- retirement funds investments' share in gross national product of a given country,
- retirement funds investments' share in capitalization of the domestic financial market.

The data analysis enabled to distinguish two principal groups of countries: the countries, where investment activity of the retirement funds, measured in relation to their gross national products is exceeding 50%, i.e.: the Great Britain, Switzerland, Holland, Island, United States, Canada, and the other countries, where that index is normally lower than 20%, i.e. Austria, Belgium, France, Germany, Italy, Norway, Poland.

The retirement funds investments portfolio share in capitalization of the domestic financial market was much diversified. Clearly, the highest investments values in relation to the domestic financial markets capitalization were presented by: Island (157% in 2000), Holland (103% in 2001) and Denmark (64% in 2001); such a situation is partly a consequence of comparatively low capitalization of the domestic financial market. However, in a part of the countries, i.e. in Finland, France, Germany, Italy, Spain – the investment portfolios' share in capitalization of the domestic financial market was, within a time of issue, relatively low, as not exceeding 15%.

In the countries characterized with a high rate of development of, so-called, private capital retirement security, the retirement funds are located in a group of the most significant institutional investors. For example in 2001, in their possession there were held the assets owned by institutional investors reaching about 55% in Holland, over 48% in Switzerland and over 33% in the Great Britain and the United States.[2] On the contrary, in other group of the countries, saving money within frameworks of retirement provision takes a form of, first of all, various types of insurance policies. Those are Germany, France and Italy. In the above mentioned countries the retirement funds' assets reach about 5% of the whole number of assets, owned by institutional investors.

[2] Global Financial Stability Report. Market Developments and Issues, World Economic and Financial Surveys, International Monetary Fund, Washington DC 2004, p. 87.

Table 3. Retirement funds investments' share in gross national product and capitalization of the selected countries financial markets

Country	Total value of investment (mln €)		Share in GNP (%)		Share in financial markets capitalization (%)	
	2001	2002	2000	2001	2000	2001
selected OECD countries						
Austria	8 346	9 559	3.9	4.4	29.7	26.8
Belgium	14 113	14 668	5.6	5.6	7.7	10.8
Czech Republic	1 678	2 434	2.6	3.3	18.4	22.3
Denmark	48 096	52 357	27.0	28.6	50.6	64.3
Finland	8 741	11 189	6.5	8.0	4.1	7.6
France	57 381	101 202	3.6	4.0	4.4	9.8
Spain	38 744	n/a	5.9	n/a	7.4	n/a
Netherlands	454 544	442 443	106.0	99.6	81.3	103.3
Island	6 985	8 956	82.3	99.3	157.4	133.9
Canada	408 245	366 033	51.9	47.6	59.8	60.5
Mexico	30 377	33 070	4.4	4.9	21.5	30.0
Germany	69 924	80 074	3.4	3.8	5.8	11.0
Norway	7 588	9 323	4.0	4.6	9.8	12.9
Poland	5 323	8 556	2.7	4.4	18.2	28.0
Portugal	14 668	17 299	12.0	13.4	28.7	37.8
Slovakia	2 440	4 376	10.7	21.0	23.5	46.2
United States	7 444 874	6 296 688	66.3	56.9	48.2	53.7
Switzerland	300 383	356 099	109.4	125.5	43.0	61.4
United Kingdom	1 170 838	n/a	73.3	n/a	48.4	n/a
Hungary	2 313	3 641	4.0	5.2	20.0	26.4
Italy	21 632	25 671	1.8	2.0	3.7	5.1
selected non-OECD countries						
Bulgaria	93	185	0.5	1.0	16.7	24.1
Estonia	137	1 074	2.0	14.7	7.0	49.1
Slovenia	22	88	0.1	0.4	0.6	1.5
EUR area	716 295	781 942	12.3	13.4	20.0	30.1

S o u r c e: The author's study, worked out basing on: *Global Pension Statistics Project: Data Update,* OECD.

According to the experience gained in many countries, introducing retirement funds to the financial market is a factor, accelerating the market development. Thus, it's worth to remember that restrictive limitations to the retirement funds investment activity are connected with negative consequences in development of the financial market i.e.:

• lowering the capital market liquidity – in relation with dynamic growth of measures accumulated in retirement funds one may expect reducing an amount of securities in free turnover;

• retirement funds used to invest, first of all, in the largest companies in the market (such a situation is caused by a limit allowing for employment of capital in one enterprise only) – what may contribute to arising a problem of revaluation of the enterprises securities;

• irregular development of the financial market – excessive stimulation of the selected market's segments at the cost of the others, preferences for investments in state-treasure securities are instrumental for restriction to retirement funds activity at the stock market, what in effect may impede the capital market development.

The research have proved that the retirement funds' portfolios show basic differences in proportions of allocating measures in shareholding and proprietary instruments, especially in shares and bonds. The dominative component of the retirement funds' investment portfolios in an overwhelming majority of countries are receivable securities, i.e. treasury bonds, treasury certificates of indebtness as well as bonds of companies. They often constitute more than 50% of retirement funds' investment portfolio, for example in Austria, Denmark, Poland, Mexico, Norway and Island.

Over 40% of assets are invested in stock and investment funds units by retirement funds in the United States (57%), Great Britain (65%), Belgium (70%), Canada (61%) and Switzerland (41%). The above countries belong to a group of countries characterized with highly developed capital market and many years practiced traditions of investment in stock market. However, in a majority of the investigated countries, a share of stock in the retirement funds' investment portfolio has not exceeded 25%.

The noteworthy is an insignificant share of real estates in the retirement funds' investment portfolios in a majority of the countries in issue; the above was an effect of, first of all, the legal restrictions. Exceptions therefrom were the retirement funds' portfolios operating in Finland (15%), Switzerland (10%) and Italy (16%). The same situation occurs in case of bank deposits; in a majority of the countries they included only a marginal part of the retirement funds' investment portfolios – reaching a range of some percent of the portfolios' values. As regards the retirement funds, due to a long investment time limit, deposits usually were treated as a liquidity management instrument, not the investment instrument. Exceptions from it there were the retirement funds' portfolios in the countries of comparatively low developed capital markets, included into a group of so-called emerging markets, i.e.: in Czechs, Estonia (14% of the portfolios), Bulgaria (27% of the portfolios), Slovakia (34% of the portfolios) and Slovenia (21% of the portfolios). In a situation of developing economies, deposits become often one of the basic elements of the investment portfolios structures, due to a necessity of protecting their capital against inflation and a high investment risk, resulting from unstable economic conditions.

Table 4. Structure of the retirement funds' investment portfolios in selected countries in 2002 (%)

Country	Cash & deposits	Bonds & treasures	Corporate bonds	Loans	Share	Real estate	Investment funds	Others
selected OECD countries								
Austria	2.0	74.5	n/a	0.5	13.4	0.4	n/a	9.2
Belgium	4.4	13.6	3.2	0.3	14.6	1.1	55.8	6.7
Czech Republic	14.8	49.9	n/a	n/a	6.2	0.9	n/a	28.2
Denmark	0.4	26.8	40.0	0.4	20.0	2.8	6.6	3.1
Finland	n/a	n/a	33.3	0.2	27.0	15.4	b.d.	24.1
Spain	4.7	37.2	20.9	0.0	19.6	0.2	4.3	13.0
Netherlands	3.0	0.0	44.0	8.1	37.0	5.0	0.0	2.9
Island	2.2	39.6	15.9	14.8	25.8	0.2	n/a	1.5
Canada	4.9	26.6	0.8	0.8	28.7	4.2	32.8	1.3
Mexico	0.2	85.4	14.4	0.0	0.0	0.0	0.0	0.0
Germany	2.3	41.4	n/a	25.6	15.8	6.4	8.1	0.4
Norway	4.6	28.8	33.8	3.9	19.2	5.8	0.0	3.9
Poland	4.2	66.8	1.2	0.0	27.8	0.0	0.0	0.0
Portugal	12.0	25.2	23.5	0.0	16.7	8.6	11.8	2.2
Slovakia	34.6	40.0	11.3	0.7	1.3	2.6	1.4	8.0
United States	10.6	6.5	7.4	0.3	33.1	1.1	24.1	16.8
Switzerland	7.1	26.8	0.0	4.9	26.5	10.5	15.2	8.9
United Kingdom	2.6	14.5	4.7	0.5	53.8	4.3	11.4	8.2
Hungary	4.4	68.1	5.2	0.0	8.7	0.0	5.8	7.8
Italy	9.1	33.0	0.5	n/a	5.8	16.4	4.3	30.9
selected non-OECD countries								
Bulgaria	27.8	62.2	7.0	0.0	0.2	2.8	0.0	0.0
Estonia	14.9	34.0	26.1	0.0	11.4	0.0	13.5	0.1
Slovenia	21.9	54.7	19.5	0.0	2.5	0.0	1.4	0.0

Source: As same as Table 3.

3. IMPLICATIONS OF THE RETIREMENT FUNDS INVESTMENT ACTIVITY REGULATIONS FOR POLAND

Many years experience in functioning of the retirement funds in the international financial market and six years in Poland has indicated a series of substantial problems, connected with interference of investment activity of the funds. On one hand – a need for regulations, concerning investment activity, results from obligatory character of the retirement funds in Poland first and foremost, as a superior, primary value is to guarantee safety for the entrusted means, even if achieved at a cost of their investment effectiveness. However, on the other hand, it is necessary to consider negative outcomes of restrictions, imposed on shaping the retirement funds' investment policy.

Firstly, any limits introduced into shaping the retirement funds' investment policy disable solving the problems of protecting them against risk. It is necessary to be aware, that some solutions, aimed at reducing the retirement funds' investment risk, generate another sorts of risk (Sinivas, Whitehouse, Yermo 2000), as, for example, a risk for the retirement funds' measures to get manipulated by people governing a state, who can make a use of the funds measures stream to achieve any of their temporary political objectives (for example financing public debts).

Secondly, enforcing so-called "naive" diversification, consisted in maximal differentiation of the investment portfolio, carried out without any examination of links between its specific constituents, seems to be not the best idea. The more advantageous appears so-called "reasonable" diversification, which is to consider relations between specific constituents of the investment portfolio (Jajuga, Jajuga 1994, p. 119). Indeed, only the "reasonable" diversification of the portfolio results in significant lowering of risk to the whole investment portfolio.

Thirdly, the modern portfolio theory indicates negative effects of implementing investment restrictions and limits, as they disturb relations between the return rate and risk, what negatively influences the funds investment effectiveness (Sinivas, Whitehouse, Yermo 2000).

Fourthly, the many stages system of legal regulations concerning investment activity is averse to formation of long lasting investment strategy of the retirement funds. The funds managers are focused mostly on satisfying the restrictive conditions referring to the portfolio structure, not on improvement of the investment effects.

The desired direction tends to liberalization of restrictions, concerning creation of the retirement funds' investment policy, in due measure to development of the financial market in Poland, through:

• extending a list of assets, which can be a goal for the retirement funds investments by, first of all, investments in real estates and infrastructure;

• preserving rigorous limits only in case of financial instruments, considered to be instruments of high investment risk – the suggested approach is in compliance with recommendations of the European Commission, which rather prefers applying conservative regulations as a guarantee of security for the invested retirement funds' measures than quantity limits, referring to the portfolio structure;[3]

• increase of the limit within a sphere of specific categories' assets, for example, for foreign investments in OECD countries – as in the other countries experience has proved that liberalization of the investment limits as regards retirement funds, is not automatically connected with employment of the funds in high risk financial instruments.

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Teresa Tatiana Czerwińska

PORTFELE INWESTYCYJNE FUNDUSZY EMERYTALNYCH W KRAJACH OECD – ASPEKTY PORÓWNAWCZE

Fundusze emerytalne, ze względu na specyfikę prowadzonej działalności, należą do instytucji zaufania publicznego o szczególnym znaczeniu. Zarządzają one ryzykiem, zapewniając ochronę ubezpieczeniową szerokiej rzeszy społeczeństwa. Ekonomiczna gwarancja realności ochrony ubezpieczeniowej uzależniona jest natomiast od właściwego zarządzania środkami stanowiącymi pokrycie funduszu ubezpieczeniowego. Biorąc pod uwagę rangę zarządzania środkami finansowymi funduszy emerytalnych szczególnego znaczenia nabiera kształtowanie polityki inwestycyjnej przez te fundusze.

Celem autorki publikacji jest analiza porównawcza rozmiarów i struktury portfeli inwestycji funduszy emerytalnych w wybranych krajach OECD oraz wskazanie kierunków rozwoju aktywności inwestycyjnej instytucji ubezpieczeniowych.