

# The Value and Risk of Defined Contribution Pension Schemes: International Evidence

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## ABSTRACT

We use historical data on investment returns and labor income from 16 countries to quantify the value and risk of defined contribution pension plans, building frequency distributions of pension fund and pension replacement ratios for each country. We show that pension risk is substantial and find that pension fund ratios are lower and less variable than when the correlation between wage growth and investment returns is ignored, typically halving the median pension fund ratio. We also show that an all-equity fund is the dominant investment strategy across all countries, although sometimes a life-cycle strategy insures against downside risk.

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