

Q1 2021 overview of the investment and pension fund sector

The value of the assets of public funds grew by 1.9% or 113 million euros in the first quarter of 2021 to stand at 6.11 billion euros in total at the end of the quarter. The growth was slower than the 5.7% seen in the final quarter of 2020, primarily because of changes in mandatory pension funds, whose assets make up around 88% of the total volume of assets of public funds. This was because monthly one-off payments to people of or close to retirement age started in February 2021, and this mainly reduced the volumes of mandatory pension funds that follow a conservative strategy. Equally though the funds for the conservative strategy have only a small part of the total assets of the second pillar, with 3.7% at the start of the quarter and 3.1% at the end of it. The payouts meant that the assets of the second pillar grew by 1.6% or 83.5 million euros in total in the quarter, having grown by 5.2% or 260 million euros in the previous quarter. In the first quarter, 2731 people stopped making payments into the second pillar and 152,675 people have applied to withdraw their money from the second pillar, but this will only impact the volume of funds from September.

Key indicators

	Q4 2020	Change	Q1 2021
The value of the assets of public funds	6.03 billion €?		6.11 billion €
Share of second pillar funds	87.9%	?	87.7%
Number of unit holders in public funds (not including pension funds)	15 061	?	16 964
Number of unit holders in pension funds (first and second pillars total)	927 268	?	929 222
Number of public funds operating	50	?	50

The assets of voluntary pension funds also continued to grow. There were 2717 new third pillar pension accounts opened in the quarter and the volume of assets grew by 9.5% or 24.3 million euros. Even so there was a steep drop in interest in joining the third pillar from the previous quarter, when 76,202 new pension accounts were opened and the volume of assets grew by 40.7 million euros. The steep growth in accounts in the previous quarter arose primarily to take advantage of tax benefits.

The assets of equity funds grew by 2.87 million euros and the number of shareholders rose by 1184. In the first quarter of 2020, the number of shareholders rose by 292, meaning that there has been a notable increase in interest from investors in equity funds over the year. The assets of real estate funds grew by 1% or 2.6 million euros and the number of shareholders rose by 719.

Main development trends and risks

- Applications to leave the second pillar at the end of the first round of applications from 1 January to 31 March 2021 covered 24% of the total volume of second pillar funds at around 1.3 billion euros. The volume of applications to leave was smaller than forecast in 2020, but it is still a substantial part of the portfolios of pension funds. The applications can however be withdrawn until one month before exit, meaning that applications submitted by 31 March 2021 can be withdrawn until 31 July 2021. The liquidity stress tests run by Finantsinspektsioon found that the pension funds are well placed to ensure sufficient liquidity in September 2021.
- The value of fund assets in the real estate fund market has increased as real estate prices in general have risen. As several mandatory and voluntary pension funds have invested in Estonian real estate funds, the impact of higher prices may extend beyond the real estate sector.

