HOW SWEDISH PENSIONS SHAPED THE EQUITY MARKET

A historical study of institutional changes and strategic actions since 1913

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Swedish Corporate Governance Institute

TABLE OF CONTENTS

ABBREVIATIONS

AP1–AP4, AP7	Allmänna pensionsfonder — the public pension buffer funds (AP1–AP4) and the premium-pension default manager (AP7)
AMF	AMF Pensionsförsäkring AB (the name derives from Arbetsmarknadsförsäkringar) — a collectively agreed occupational pension provider
ATP	Allmän tilläggspension — the public earnings-related supplementary pension introduced in 1960
CMU	Capital Markets Union
CSRD	Corporate Sustainability Reporting Directive (EU)
DB / DC	Defined benefit / defined contribution
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
FIDA	Financial Data Access regulation (EU)
FIVE	Financing Innovative Ventures in Europe — Franco-German report (2026)
GDP	Gross domestic product
IDD	Insurance Distribution Directive (EU)
ICGN	International Corporate Governance Network
IORP (II)	Institutions for Occupational Retirement Provision (Directive)
IPO	Initial public offering
ISK	Investeringssparkonto — investment savings account (2012)
ITP	Industrins och handelns tilläggspension — white-collar occupational pension
KPA	KPA Pension — occupational pension provider (public sector)
LO / SAF	Landsorganisationen (Trade Union Confederation) / Svenska Arbetsgivare-föreningen (Employers' Association)
MiFID (II)	Markets in Financial Instruments Directive (EU)
OECD	Organisation for Economic Co-operation and Development
PAYG	Pay-as-you-go
PE / VC	Private equity / venture capital
PEPP	Pan-European Personal Pension Product
PPM	The premium pension (premiepension); historically Premiepensionsmyndigheten
SCB	Statistiska centralbyrån — Statistics Sweden
SFDR / SRD II	Sustainable Finance Disclosure Regulation / Shareholder Rights Directive II (EU)
SIU	Savings and Investments Union (EU, 2025)

SME	Small and medium-sized enterprise
SOU	Statens offentliga utredningar — Swedish Government Official Reports
Solvency II	EU prudential regime for insurers (Directive 2009/138/EC)
SPP / STP	Svenska Personal-Pensionskassan (pension provider) / Särskild tilläggspension (blue-collar occupational pension)
TFEU	Treaty on the Functioning of the European Union
UCITS	Undertakings for Collective Investment in Transferable Securities

EXECUTIVE SUMMARY

This report asks through what processes Swedish pension capital came to occupy a structural position in, and thereby help shape, the Swedish listed equity market. Given that this role was neither an explicit aim nor an anticipated effect of the reforms that produced it, this report presents new perspectives on a current debate. Tracing the pension system's evolution from the 1913 people's pension to today's multi-pillar arrangement, it shows that the present structure, with pension capital as a significant source of long-term, domestically anchored capital supply to the equity market, is recent, emergent, and in important respects unintended. It can be seen as a product of welfare-driven reforms, contingent political settlements, and the decisive shift from defined-benefit to defined-contribution design in the 1990s.

The outcome is nonetheless a measurable success: total pension assets of roughly 145 percent of GDP, far above the European average, at work in one of the EU's deepest equity markets. It is worth noting that the shaping and development of the Swedish pension system took place within a strong long-run equity-return environment: Swedish listed equities delivered robust real returns across the three to four decades in which the funded pillars were built and expanded. This is offered not as a cause of the system's development but as a feature of the setting in which it occurred. The equity-oriented design took shape against favourable market conditions rather than in spite of them. Read against the EU's Savings and Investments Union (SIU) and the Franco-German FIVE report, which hold Sweden up as a model, the history suggests that the way forward runs along two lines: 1) further improvement within Sweden, and 2) development within the EU that draws on the Swedish experience for the benefit of all parts of the Union as pension system design remains primarily a national competence.

Key findings include:

- **Historical transformation:** the shift from the ATP system (Allmän tilläggspension, the public earnings-related supplementary pension introduced in 1960) to today's defined-contribution (DC) structure tied pension outcomes and pension capital to the equity market. Before 1990, some nine tenths of AP Fund capital sat in housing credits and bonds; today listed equities dominate the buffer funds and the premium-pension default.
- **Welfare first:** every major expansion of the system was driven by retirement security; the management of the capital and its market effects were at best secondary concerns in the founding debates. The equity market role is the unintended consequence of welfare reforms.
- Choice architecture matters: the premium pension design constitutes an attempt to structure choices. Behavioral economics research shows active fund choice collapsing after launch, default funds becoming the de facto system, and the number of fund options degrading choice quality. These findings prefigure the 2022 procured fund marketplace and make defaults, automatic enrolment through collective agreements, and quality-assured fund selections the most portable parts of the Swedish experience. The role of the social partners is central here: because roughly 90 percent of employees are covered by collectively agreed occupational pensions, auto-enrolment is achieved through collective agreement rather than statute, and the trade unions' long practice of educating members on pension saving has been a notable source of trust in the system (Government Offices of Sweden, 2025).
- **European context:** pension policy is in its fundamentals a national competence (Art. 153(4) TFEU). What can travel through EU jurisdictions is

the design of market infrastructure. What cannot be enacted from above is the complex political settlement dynamics on which the Swedish outcome rests. Conversely, a successful European capital market under the SIU requires that pension systems are included as central components, both in each member state and at the EU level. Without this principle, the likelihood of success is materially reduced. It should also be recalled that Sweden built its funded pillars during decades of favourable market conditions. Member States introducing similar arrangements today will need to take account of the more uncertain economic and geopolitical environment in which that build-up would now begin.

For policymakers, the dual role of the pension system (securing retirement and participating in the market) underscores the importance of coherent regulations that balance pension adequacy and appropriate risk-taking with the functioning of equity markets. Design choices should be made in deliberate awareness of the European market environment. There are, however, no quick-fix solutions. The Swedish outcome was the cumulative effect of a century of layered reform and contingent political agreements; what it offers other systems is a set of design principles to be adapted patiently to national circumstances, not a template that can be transplanted at speed.

1. BACKGROUND AND CONTEXT

The Swedish pension system has evolved over the last century from a basic social safety net into a sophisticated multi-pillar framework. Today it not only guarantees income security for retirees but also constitutes an influential institutional investor in the Swedish equity markets. Its dual function of social protection and capital allocation makes it a cornerstone of both Sweden's welfare state and its capital market system, moving pensions from savings into investments. A more detailed understanding of how this intricate foundation developed is critical to further evolving the roles of actors in the pension industry as active participants and investors in the equity market.

Europe is facing profound changes, driven largely by the geopolitical situation, climate challenges, and rapid technological development. These create major investment needs to promote long-term growth and competitiveness, as recognized by Draghi and Letta in their recent reports (Draghi, 2024; Letta, 2024). The European Commission's 2025 strategy for a Savings and Investments Union (SIU) highlights the need to channel citizens' savings into productive investments while ensuring adequate retirement income in the face of demographic change. For pension systems this is directly relevant since supplementary and occupational pensions are identified as critical to financial security and as drivers of deeper capital markets, with EU initiatives including auto-enrolment, pension dashboards and tracking systems, and reviews of IORP II and PEPP.

In this context, the Swedish pension system will not develop in isolation in the coming decades, but within the broader EU framework. Reforms in Sweden, such as the procurement-based Premium Pension Fund Marketplace and modernized AP Fund investment rules, have produced tangible results: a comparatively large pool of pension capital at work in the public equity market, aligned with EU ambitions for long-term savings to serve both retirement security and the financing of the EU's green and digital transitions, as well as its wider competitiveness agenda (Draghi, 2024). The way forward should therefore be considered along two lines: opportunities to improve further within Sweden, and opportunities to develop within the EU, drawing on the Swedish experience in ways that can benefit all parts of the Union. The pension system's role in the equity market going forward must therefore be understood not only in a national context but also from an EU-level strategic perspective within the SIU, where pensions, capital markets, and competitiveness are increasingly interconnected in order to build scale and competitiveness on a global level.

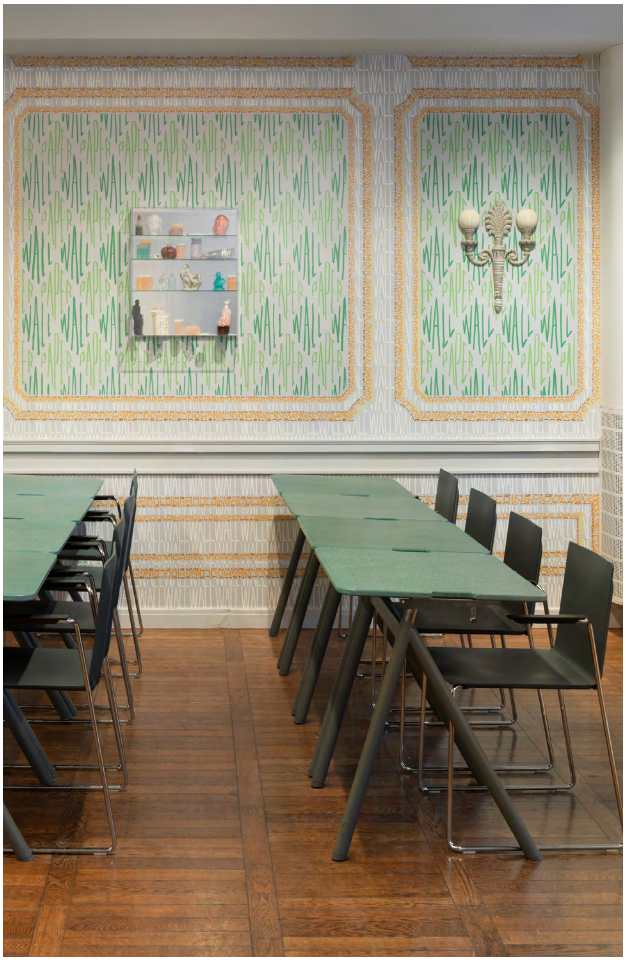
The report is structured as follows. This first chapter sets out the context, namely the European reform debate and the basic architecture of funded and unfunded pensions. Chapter 2 states the purpose, the research questions, and the sources on which the study draws. Chapter 3 introduces the Swedish equity market and the pension industry that operates within it, and chapter 4 traces the history of the system across three phases, foundations (1913–1960), growth (1960–1990), and modernization (1990–2025), closing with the shift from collective to individual choice set in motion by the 1999 reform. Chapter 5 presents the findings. It sets out first the empirical conclusions about how, when, and why pension capital came to shape the equity market, and then three organising concepts distilled from that history, namely evolutional layering, position oscillation, and institutional role reversal, through which the report reads the actors and mechanisms involved. Chapter 6 places the Swedish case in its European context and asks how far it can be transferred, and chapter 7 draws the conclusions.

1.1 Layers of funding and benefits

To understand the historical developments of the pension system, understanding its basics is necessary. Retirement provision in the EU is conventionally organised into three pillars. Pillar I is the public pension, usually financed on a pay-as-you-go (PAYG) basis, meaning that pensions paid to current retirees are funded directly from the contributions of today's workforce rather than from accumulated savings. Pillar II comprises occupational pension plans, jointly financed by employers and employees and more often funded, that is, financed from contributions that are accumulated and invested over time. Pillar III consists of individual, mostly voluntary retirement products and earmarked private savings, frequently supported by tax incentives. This tripartite division also holds for the Swedish pension system. In Sweden the public pillar also contains a tax-financed guarantee pension, which provides a floor for those with little or no earnings-related pension. The full guarantee level is well below the average wage, so for most retirees the earnings-related income pension and the collectively agreed occupational pension dominate. It is this weighting towards earnings-related and funded components that ties retirement incomes to the capital market.

Within funded systems a further distinction matters for the argument in this report. Under defined-benefit (DB) schemes the pension is a predetermined promise, typically tied to final salary and years of service, regardless of investment performance. Under defined-contribution (DC) schemes, the contribution is fixed, and the pension depends on the investment return on accumulated savings. As the historical narrative below shows, Sweden's decisive shift from DB to DC in the 1990s is a key factor tying the pension system to the equity market.

One term requires care, because it carries two distinct meanings in this report. In the Swedish historical narrative, "supplementary pension" refers to the public, earnings-related top-up introduced in 1960 (ATP, tilläggspension), a pay-as-you-go addition to pillar I. In the European and SIU context and in the FIVE report discussed below "supplementary pension" instead denotes the funded second and third pillars that sit on top of the public system. Where the sense is not obvious from context, this report uses "ATP" for the former and "funded supplementary (pillar II/III)" for the latter.



1.2 The European baseline

The infrastructure outlined above explains why Sweden is put forward as an example in the European debate. The EU pension landscape remains dominated by PAYG pillar I systems, so the pool of funded supplementary pension assets is comparatively small: on the order of 25 percent of EU GDP, against roughly 150 percent in the United States. Only three EU Member States combine a (partly) funded public pension with large, well-established funded occupational and private schemes: Denmark, the Netherlands, and Sweden. Sweden's total pension assets reached approximately EUR 764 billion at the end of 2023, close to 145 percent of GDP, far above the European average of around 41 percent and broadly comparable to North America (FIVE, 2026; OECD, 2025b). Estimates vary with the definition used. The Swedish Ministry of Finance, on a narrower basis, puts pension assets at some 118 percent of GDP against an EU average of about 32 percent (Government Offices of Sweden, 2025). On either basis, Sweden lies far above the EU average. It is this depth of funded, equity-oriented pension capital rather than any single reform in isolation that underpins the relationship with the equity market that this report sets out to explain.

Questions about the relationship between pensions and surrounding capital markets are made urgent by the current policy debate. The SIU agenda has been given concrete shape, in several though not all of its parts, by the Franco-German report Financing Innovative Ventures in Europe (FIVE), published in January 2026. Its diagnosis is that Europe cannot finance innovation at scale because it lacks deep pools of funded retirement capital, and it reaches for Sweden as its principal proof that a pay-as-you-go country can transition to a funded hybrid and achieve substantial capital-market benefits.

The scale of that benefit frames what this report sets out to explain: Sweden recorded 823 IPOs between 2016 and 2023 (against 130 in France and 84 in Germany) and now hosts the largest number of listed companies in the EU, with an equity market capitalisation of around 175 percent of GDP in 2024 (FIVE, 2026), more than twice the EU average. It has the highest per-capita venture-capital investment in the Union and has produced four of the EU's fourteen deca-billion-dollar companies founded in the past fifty years. Pension-fund commitments, including those of non-domestic pension funds, accounted for roughly 30 percent of Swedish private-equity and venture-capital fundraising between 2007 and 2023, against about 15 percent EU-wide (FIVE, 2026; OECD, 2025a).

Where FIVE works backward from the financing gap, this report works forward from the history; the two analyses meet on the same terrain from opposite directions. Put differently, this report does not follow the money; it follows decisions and actions over time, on the premise that the capital allocations FIVE observes are themselves the downstream effect of earlier legal and institutional mechanisms.

2. PURPOSE AND RESEARCH QUESTIONS

The project investigates how the interaction between institutional changes and the strategic actions of firms has shaped the Swedish pension system, and the corresponding impact on the relationship to the Swedish equity market. The aim is twofold. Its descriptive-explanatory aim is to provide an integrated legal-historical account of how Swedish pension provision and the equity market came to be mutually constitutive over the period 1913–2025: how successive layers of public, occupational, and private pension arrangements were built, how the capital they generated was channelled, and through what legal and institutional mechanisms the pension capital and system became a structural feature of the equity market. Its critical aim is to use that account to interrogate the assumption that the Swedish configuration represents a functional "model" whose components can be transplanted to other jurisdictions. The purpose is therefore not only to reconstruct a sequence of reforms but to historicize it: to show that an arrangement now treated as a settled and exportable success was the contingent, and in important respects unintended, outcome of particular political and institutional agreements.

The study is organised around one central question: through what contingent legal-institutional processes did Swedish pension capital and the pension system come to be constitutive of the Swedish equity market, given that this role was neither an explicit aim nor an anticipated effect of the reforms that produced it? Three sub-questions follow:

- **Descriptive.** How did the structure of the Swedish pension system, and the allocation of the capital it generated, change across the period 1913–2025?
- **Explanatory.** Through what mechanisms (legal, regulatory, organizational, and behavioral) did pension capital come to occupy a structural position in the equity market?
- **Critical.** By what process did an unintended effect come to be understood as a functional necessity and an exportable model, and what does the contingency of the Swedish case imply for the transplantation logic of EU-level reform?

The study rests on a database of primary and secondary archival sources on key actors and events in the Swedish pension industry, complemented by interviews with executives. The methodology, theoretical framework, and reflexivity are set out in Appendix A.

The report focuses on the domestic relationship between the Swedish pension system and the Swedish listed equity market, understood primarily as Nasdaq Stockholm. It does not assess Swedish pension-capital investment globally, nor does it evaluate investments outside listed equity markets, such as infrastructure, real estate, private equity, venture capital, or other unlisted shares. Swedish pension institutions are internationally diversified and active across these asset classes; the question pursued here is narrower, namely how the design of the Swedish pension system helped shape the domestic listed equity market.

3. THE PENSION SYSTEM AND THE EQUITY MARKET

WHAT IS "THE PENSION SYSTEM"?

In this report, ***pension capital*** denotes the assets accumulated to meet future retirement commitments across all three pillars: the public buffer and premium-pension funds (AP1–AP4, AP7 and the procured premium-pension funds), the collectively agreed occupational schemes and their providers (e.g. Alecta, AMF, Skandia), and individual pension products and earmarked long-term savings. The ***pension industry*** denotes the firms and institutions that manage this capital, whereas the ***pension system*** is used as a term for the legal and institutional arrangement that surrounds and defines the industry and its associated capital.

3.1 Pension capital in the shaping of the equity market

Pension capital has become a decisive presence in the Swedish equity market. By virtue of its scale and long-term horizon it provides liquidity, supports corporate financing, and acts as a stabilizing anchor during volatility. This report treats that presence not as an external force acting on a market that exists independently of it, but as one element of the same legal and institutional order that constitutes the market itself. In principle, pension systems can operate on equity markets through five channels:

1. liquidity and market depth;

2. long-term capital supply, including long-horizon capital for infrastructure and innovation;

3. corporate governance and stewardship;

4. stability across market cycles; and

5. alignment with broader policy goals such as the green and digital transitions.

The extent to which the Swedish evidence substantiates each of these, strongly for capital supply and long-term anchoring, less so for active stewardship (see chapter 5.1), is examined and qualified in the conclusions.

The Swedish equity market is considered advanced in a European context, especially relative to the size of the domestic economy. It plays a central role in corporate financing, household savings, and international capital allocation. "Depth" here is used in a specific sense: a large market capitalization relative to the economy (around 175 percent of GDP, well above the EU average), a high number of listed companies (the largest in the EU), and active primary-market issuance and turnover. It is this combination of size, breadth of listings, and liquidity, rather than any single measure, that the report means by a "deep" or "advanced" market (FIVE, 2026; OECD, 2025a). Retail breadth reinforces this depth: the Swedish Ministry of Finance reports that financial instruments and products make up roughly 90 percent of households' financial assets (the lowest cash and deposit share in the EU) and that around 70 percent of Swedes hold investment funds directly, rising to virtually all when state and occupational pensions are included (Government Offices of Sweden, 2025). Its distinctive features are the comparatively high participation of households and the high number of traded small and medium-sized enterprises, facilitated by regulatory reforms and innovations that have supported a strong equity culture (OECD, 2025a). The primary exchange is Nasdaq Stockholm, including the growth segment First North (Nasdaq Nordic, 2024). The smaller marketplaces NGM and Spotlight Stock Market perform a complementary function for small companies but are not analysed separately here. Equity financing is highly developed across the chain from early-stage venture rounds to large public offerings (Chambers, 2024).

The investor base is diverse. Institutional investors such as pension funds, insurers, and investment funds represent a substantial share of ownership. Roughly two million individuals, around a fifth of the population, directly own listed shares, an access facilitated by low-cost online brokerages such as Avanza and Nordnet. Investment conglomerates, notably Investor AB, Industrivärden and L E Lundbergföretagen (Lundbergs), serve as long-term anchor shareholders, and foreign investors constitute the single largest ownership category. By market value, ownership of Swedish listed companies divides into foreign investors (37.4 percent), Swedish financial corporations (32.4 percent), non-financial corporations (13.9 percent), households (11.7 percent), general government (3.2 percent), and non-profit institutions serving households (1.5 percent). Within the financial-corporations sector, investment funds hold 13.1 percent of total market value and insurance corporations and pension funds a further 7.4 percent, while the AP buffer funds, classified as social security funds, hold 2.5 percent (SCB, 2026).

Sweden's strong equity culture is the product of deliberate policy choices and market-driven innovation. The abolition of the stamp duty on share transactions (1991) lowered participation barriers, and the investment savings account (ISK, 2012) simplified taxation and provided predictable rules for investment income. The roots of this culture run deeper than the ISK. Tax-favoured equity saving was promoted from the late 1970s through the tax-saving funds (skattesparfonderna, 1978) and, from 1984, the broad-based allemansfonderna, while investor education bodies such as Aktiespararna helped normalize share ownership. The tax-saving funds were introduced in part to broaden ownership as a defence of private capital against the proposed employee funds (löntagarfonderna), so the equity culture grew partly out of political conflict rather than design. By the time the funded premium pension was designed in the 1990s, a large share of the population already held equity funds, which made a substantial equity exposure in the mandatory system politically acceptable in a way it could not have been a generation earlier. In combination with financial literacy initiatives and the structure of the pension system itself, these reforms embedded equity ownership in the mainstream of household savings (Financial Times, 2024; The Times, 2025). The stamp-duty episode carries a lesson of its own. The tax on share transactions was introduced in 1984 and extended in 1986, and within a few years a large share of trading in Swedish equities had migrated to London. Turnover recovered only after the tax was abolished, a reminder, not least for European policymakers, that transaction taxes tend to relocate liquidity rather than merely raise revenue. The Swedish Ministry of Finance has itself presented the ISK and the funded pension system as complementary components of one capital-formation story, grouping tax-incentivized retail savings and institutional pension investment as the two principal domestic sources of capital supplied to the equity market; it notes that almost 40 percent of Swedes now hold an ISK, with balances equal to roughly 30 percent of GDP (Government Offices of Sweden, 2025). Retail participation is wider than the ISK alone, running also through endowment insurance (kapitalförsäkring) and, in practice, private saving via closely held companies.

By the mid-2020s this equity culture had translated into measurable market leadership. Nasdaq Stockholm became the largest venue for new listings in the European Union and one of the largest worldwide, raising approximately USD 7 billion across roughly twenty initial public offerings in 2025. Capital raised in secondary issues by companies already listed came on top of this and, as in most years, exceeded the amount raised through new listings. This is ahead of every other European exchange and home to several of the continent's largest offerings that year, while the wider market sustained an equity-market capitalization of around 175 percent of GDP, more than twice the EU average (Bloomberg, 2025; The Economist, 2025). Surveying the same phenomenon, The Economist described Stockholm as "Europe's new capital of capital" (The Economist, 2025). Such valuations and the trading depth they reflect are, however, cyclical: the listing surge of 2024–2025 followed several thinner years, and the long-run significance of pension capital for this market rests less on any single bumper year than on its stabilizing, long-horizon presence across cycles.

FIGURE 1

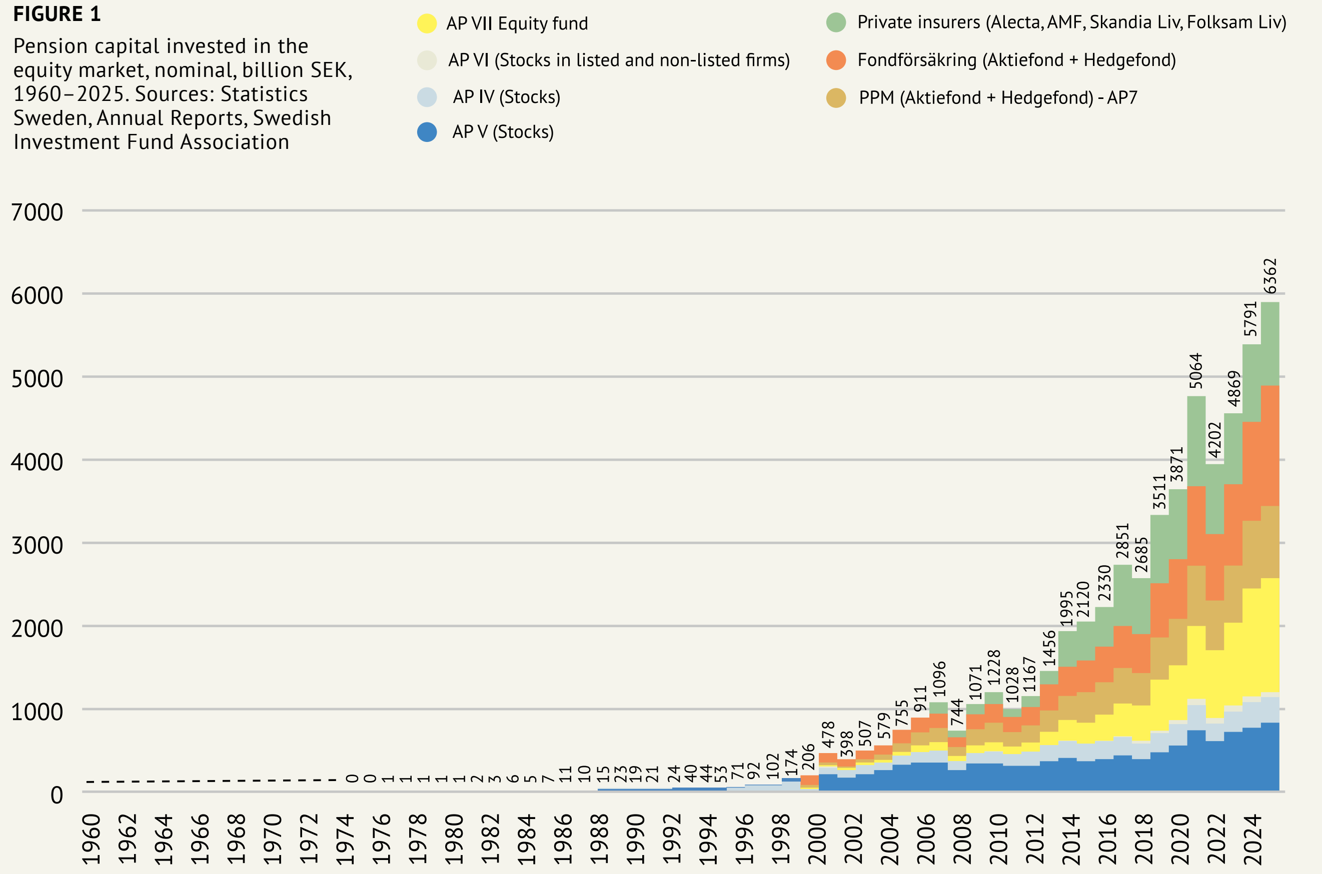
3.2 A primer on the pension industry

Pensions, and the business solutions that pension companies offer, are central to a modern society. The solutions provide security for individual customers, and the firms also function as investors and providers of long-term asset management. At its core, the business addresses two scenarios: a customer may live a long life, and will need income in old age, or may die early, in which case surviving family members need support. Because the products are complex and difficult for most customers to evaluate, pension firms operate under extensive regulatory oversight.

Two product areas dominate. Traditional pension insurance with guarantees combines risk coverage

FIGURE 1

Pension capital invested in the equity market, nominal, billion SEK, 1960–2025. Sources: Statistics Sweden, Annual Reports, Swedish Investment Fund Association



with savings capital managed centrally on behalf of the entire customer collective, with returns consisting of a guaranteed rate plus a variable bonus. Unit-linked products, permitted since 1990, allow customers to allocate savings across registered funds with no guaranteed return. Until 1990, customers had virtually no savings choice when the 1990 reform transferred both choice and investment risk to the customer, which is a design shift identified as decisive. There are two main customer groups: individuals and corporations providing occupational pensions under collective agreements. The customers are reached directly or through intermediaries such as employers' HR functions, independent agents, financial advisors, and the pension administration platforms ("valcentraler"). The end-to-end business comprises product development, sales and advice, administrative servicing, investment and asset management (including duration matching over decades), and risk management built on collective risk sharing. The Swedish Pensions Agency (Pensionsmyndigheten) administers the public pension, including the premium pension and the default fund arrangements, and is responsible for paying out pensions and informing savers. The main regulator is Finansinspektionen, within the EU frameworks issued under EIOPA; a separate insurance supervisor existed from 1904 until 1991. Five to ten companies command around 80 percent of the market, several with antecedents dating back more than 150 years; see the fact box in chapter 4.3. The industry was an early technology adopter, and the jointly run minpension.se portal[1], BankID[2], and mobile access have steadily increased interactivity in a historically low-frequency relationship business.

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[1] minpension.se is a not-for-profit portal, jointly run by the state and the pension industry, that gives savers a consolidated overview of their total pension.

[2] BankID is the bank-operated national electronic identification system used for secure login and signing in Swedish public and financial services.

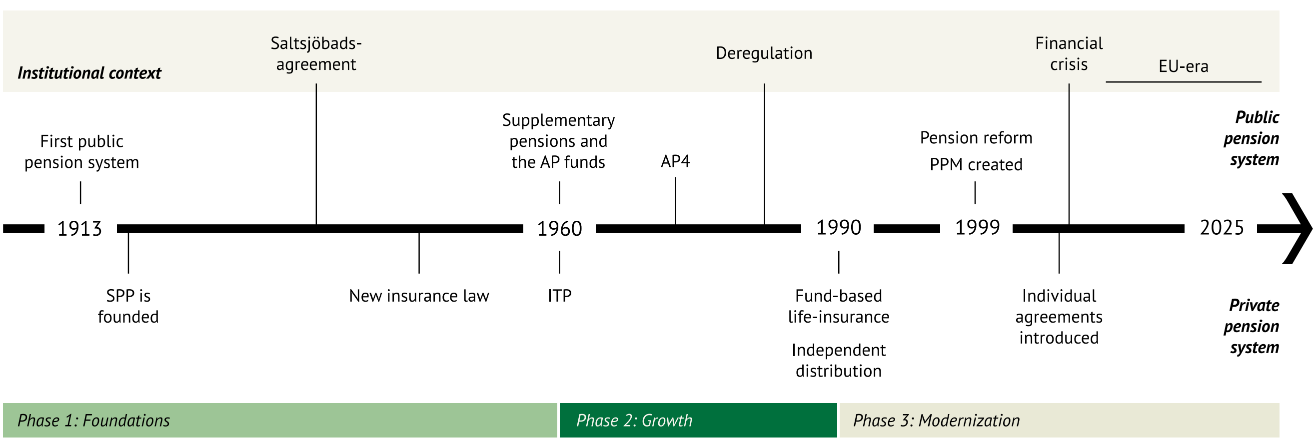
4. THE HISTORY OF THE SWEDISH PENSION SYSTEM

To understand the key components of the Swedish pension system and its role in the equity market, their creation and development must be placed in historical context. Since the 1913 introduction of the first universal public pension, the system has evolved through a combination of regulatory reforms and private initiatives, shaped by political pressures, demographics, and international developments. We divide the period into three phases: foundations (1913–1960), growth (1960–1990), and modernization (1990–2025). This outline is used simply to organise the narrative, not as a claim that the history fell into natural developmental stages. The labels are not meant to imply that later periods are more mature or that the sequence was directed toward its present endpoint.

FIGURE 2

Throughout its development, the pension system was repeatedly tested by crises. The early-1920s interest-rate crisis tested the viability of private pension provision; the 1990s financial crisis accelerated broader market-oriented reforms; the dot-com collapse and the 2008 financial crisis exposed weaknesses in choice architecture, advice, and risk allocation; and more recent volatility reinforced the importance of defaults, transparency, and governance. These crises did not create the Swedish pension–equity relationship, but they repeatedly stress-tested and reshaped it.

FIGURE 2 Timeline of key events.



4.1 Foundations: the first pension system (1913–1960)

The introduction of the first Swedish pension system in the early 20th century was motivated primarily by welfare concerns. How the funds were to be managed, and their role in capital and equity markets, was at best a secondary concern.

The period between 1913 and 1960 is marked by revolutionary economic and political change in Swedish society. Sweden's industrial transformation began in the late 19th century, quickly reshaping the nation's economy, and resulting in a growing class of industrial workers, who after reforms in 1909, now had the ability to vote. With broad support from the working classes, the Social Democratic Party was voted into government control in 1932, a position they would hold for more than forty years. During their reign, they transformed Sweden into a high-tax nation, with a broad social safety net, but where much of the labour policies were outsourced to agreements between the unions and employer representatives according to the so-called "Swedish model".

The 1913 law on public pension insurance

A Swedish public pension system was first proposed in 1884, but it took almost three decades before legislation passed parliament. The 1913 law on public pension insurance (lagen om allmän pensionsförsäkring, prop. 1913:126) was unique even by European standards in extending retirement benefits to almost all members of the population, regardless of work history. The system was tax-financed; every worker above 16 paid an annual fee graded by income (from two kronor, up to ten kronor, roughly 8 percent of income at the top), and upon reaching 67, or becoming unable to work, an individual received a yearly pension related to the fees paid, with a guaranteed minimum for those who had paid nothing. A persistent feature of the early system was that benefits were too low to live on; many pensioners in the 1940s still relied on poor relief (Molin, 1965).

The funds were managed by the retirement insurance fund (Pensionsförsäkringsfonden), whose investment strategy was regulated in law. At least one sixth of funds had to be invested in bonds or instruments issued by the Swedish state, and at most a quarter in loans to firms committed to public-health causes (SOU 1934:18). In 1933 the SEK 626 million managed by the fund was divided between loans to municipalities (46 percent), other loans (16 percent), government bonds (17 percent), other bonds (8 percent), and other assets (13 percent) (SOU 1934:18). In the decade 1924–1933 the average real return was 6.5 percent per year. Through repeated revisions, a division emerged between a guaranteed base pension (grundpension) and an income-dependent additive part (SOU 1945:46).

FIGURE 3

FIGURE 3

Real returns (%), Retirement Insurance Fund, 1918–1933. Source: SOU 1934:18; CPI from Statistics Sweden.

Saltsjöbadsavtalet and the Swedish model

One important development of the period was the creation of the so-called Swedish model of cooperation between employers and employees. In the 1930s a social norm emerged favouring agreements over direct government interference; it was cemented by the Saltsjöbaden Agreement of 20 December 1938 between LO and SAF. The deal has served as the basis for several similar agreements, including those on collective pension benefits, and still remains in effect, most recently amended in 2022.

The private actors: SPP and the 1948 insurance law

Only a few years after 1913, private actors emerged in the pension system. Driven by the goal of good insurance coverage for white-collar workers, the Wallenberg and Söderberg families pushed for a private pension arrangement for employees of the firms they controlled, resulting in the creation of SPP in 1917. The plan was defined-benefit (a predetermined promise tied to salary) with retirement ages of 62 for men and 57 for women. The first decade was tough, as SPP barely survived the interest-rate crisis after the early-1920s depression. The firm recovered however, and when occupational pensions were introduced in 1960 it became the first manager of the new funds.

A second key development was the 1948 insurance company law (SFS 1948:433), the outcome of a debate over state ownership of the insurance industry sparked by concerns over costs, uses of customer funds, and low returns. The law established principles of solvency, separation of duties, policyholder influence, and reasonable profit. Also, importantly for this study, it extended what types of assets insurance companies could buy, allowing increased equity investment.

Summary

By the end of the Second World War the Swedish pension system was, by international standards, advanced. But the capital was largely used for government purposes (in 1933 almost two thirds of the retirement insurance funds sat in government or municipal papers) and the system had limited impact on the broader equity market. Benefits remained too low and largely unconnected to income, setting the stage for the defining debate of the 1950s. Despite these limitations, fundamental movements in this period set the stage for future developments considering the role of actors, layers available for flow of funds, and changes in positions of institutions.

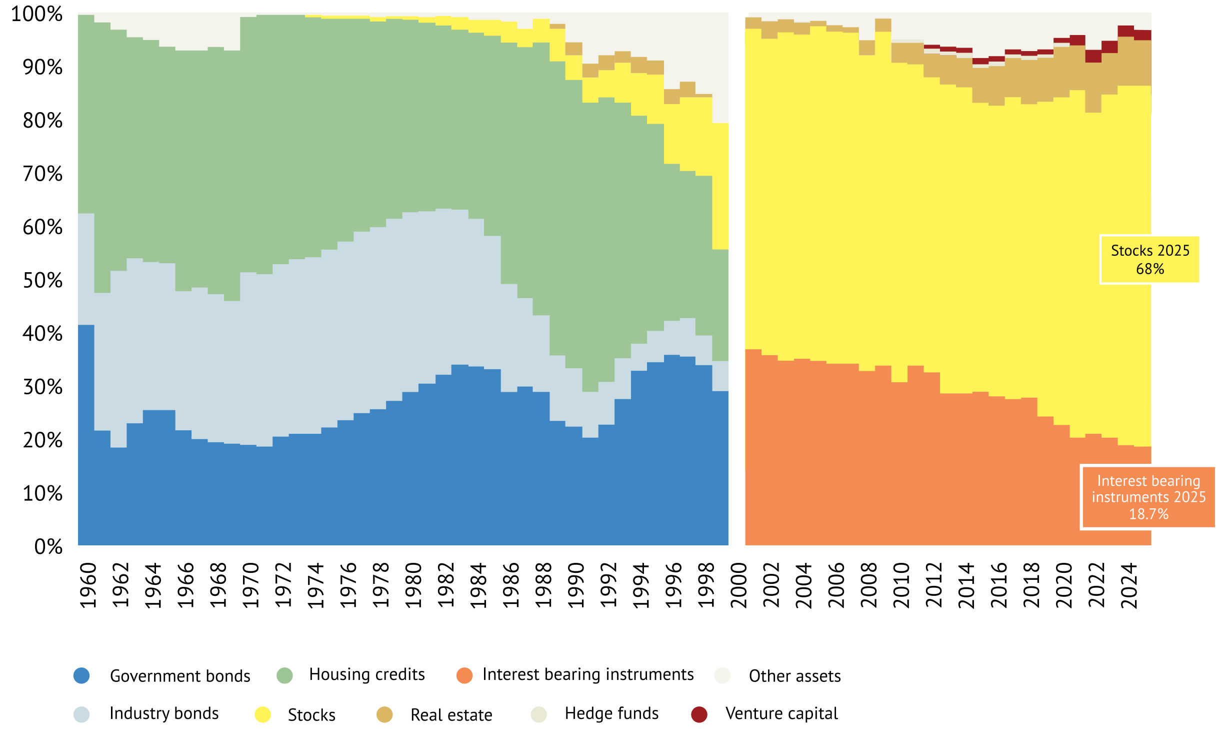
4.2 Growth: supplementary pensions and the AP funds (1960–1990)

The introduction of supplementary pensions and the AP funds in 1960 connected the old system to its current form. During the postwar decades the state exercised direct control of financial markets through regulation and state-owned firms, and the pension funds came to play an important role in this state-operated system, first in the Million Homes Program (miljonprogrammet, a state initiative to build one million new homes) and later as a source of capital for firms. The era unfolded against high growth in the 1960s, instability in the 1970s, and the market-oriented turn of the 1980s, which began with treasuries in 1982 and culminated in the removal of currency regulations in 1989 (Englund, 1999; Larsson & Söderberg, 2017).

The battle over supplementary pensions

Pension reform was one of the defining political conflicts of the 1950s. The system was ill-equipped for higher incomes, and the key issue was how to connect benefits to earnings. A 1957 inquiry (SOU 1957:7) proposed a supplementary pension (tilläggspension) financed by employer fees and managed by newly created AP funds. The question of whether

FIGURE 4
Assets owned by AP funds, by type, 1960–2025. Source: Statistics Sweden, AP fund annual reports



the system should be mandatory was put to a referendum in which no option won a majority: the social-democratic mandatory alternative received 45 percent, the two voluntary options a combined 50.3 percent. The government nonetheless proceeded; the second chamber deadlocked 115–115, and only in January 1959 was the deadlock resolved when one opposition member abstained. In May 1959 the proposition (prop. 1959:100) passed by 115 votes to 114, entering into force on 1 January 1960. The episode is worth recording in detail because it shows that the system was born out of maximal political conflict, not consensus. This is a point to which we will return in the findings.

The emergence of the AP funds

Alongside raising benefits, the 1960 law created the AP funds to manage the substantial capital of the new system. The fund was divided into three boards handling fees from private employees, government employees, and the self-employed. Their investment strategy followed the proposition's "bond market option": primarily centering on bonds issued by the state, municipalities, power plants, large industrial companies, and mortgage institutions, with risk reduction as the stated motive. The political usefulness of the funds was demonstrated when the government launched the Million Homes Program (miljonprogrammet), a state initiative to build one million new homes, in 1965, of which the funds became a major source of financing. In 1968 finance minister Gunnar Sträng ordered an inquiry into whether the funds' role could be expanded; the result (SOU 1972:63) was a fourth AP fund, launched on 1 January 1974 and defined not by who paid the fees but by how it invested. The new fund was allowed to buy shares, but because of its structure (with no direct fees funding it) it remained relatively small.

FIGURE 4

The AP funds and the equity market

While the funds were an important part of the debate surrounding the 1960 law, their management was not its focus. In the summary arguing why the new scheme was needed there is no mention of the management of the funds, nor of the system's potential impact on the equity market (SOU 1957:7, pp. 17–20). Apart from a few pages on firms' self-financing, the use of the funds is almost entirely absent from the inquiry. The introduction of the system had no significant effect on turnover or the index of the Stockholm Stock Exchange, which is unsurprising as the funds could not buy shares, but true even after the fourth fund's creation. The funds' impact ran through the capital market instead: they represented 35 percent of total

Swedish capital-market investment in 1960–64, 47 percent in 1965–69, and 52 percent in 1970–74, declining as the housing programme ended and government borrowing expanded.

FIGURE 5

Occupational pensions (ITP)

The year 1960 was also marked by drastic change on the private side. On 1 January 1960 an agreement between the white-collar union and employer representatives introduced occupational pensions (ITP), with firms committing set amounts per employee to a fund managed by SPP (SOU 1985:63). In its early decades the ITP capital was managed in the manner of traditional life-insurance reserves, that is, predominantly in bonds and other fixed-income instruments carrying a guaranteed return, with equities becoming a material part of occupational portfolios only later. The blue-collar STP scheme and the founding of AMF followed in 1973. This date matters for the European debate, since FIVE places the origin of the Swedish occupational pillar in 1973, a decade late, and thereby detaches it from the 1960 settlement that in fact produced it. It should also be noted that well-established life insurance and savings firms (currently known as e.g. Folksam, Skandia, and Länsförsäkringar), founded in the 19th and 20th centuries quickly made moves to enter the evolving pension industry with product offerings for security and savings.

Summary

Between 1960 and 1990 the relatively basic early system became the large and complex structure underlying the contemporary one. The supplementary pension, the AP funds, and collectively agreed occupational pensions all date from this period. While their impact on the equity market remained limited for decades, the funds financed politically prioritised projects, became the key actor on the capital market, and were optimally situated to impact the equity market once the financial market was liberalised. As a continuation from the foundational phase, further bricks were here put in place to channel the flow of capital, and also keeping with the patterns of institutions and firms changing roles and positions given the context and conditions.

4.3 Modernization: reforms, consolidation, and the EU (1990–2025)

After 1990 it became clear that the supplementary pension system would not be sustainable, and the industry evolved towards more flexible institutions, firms, products, and solutions. Against the backdrop

FIGURE 5
Share of capital market per type of investor, 1960-1991. Source: Statistics Sweden.

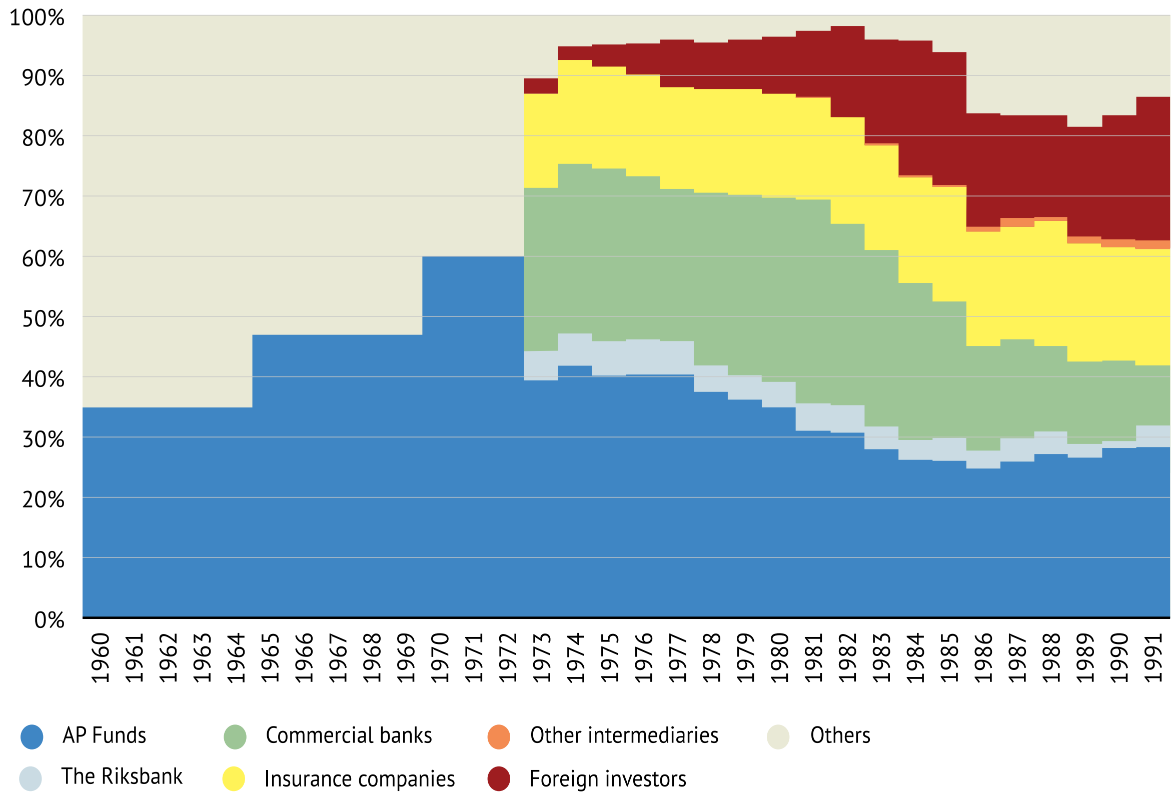
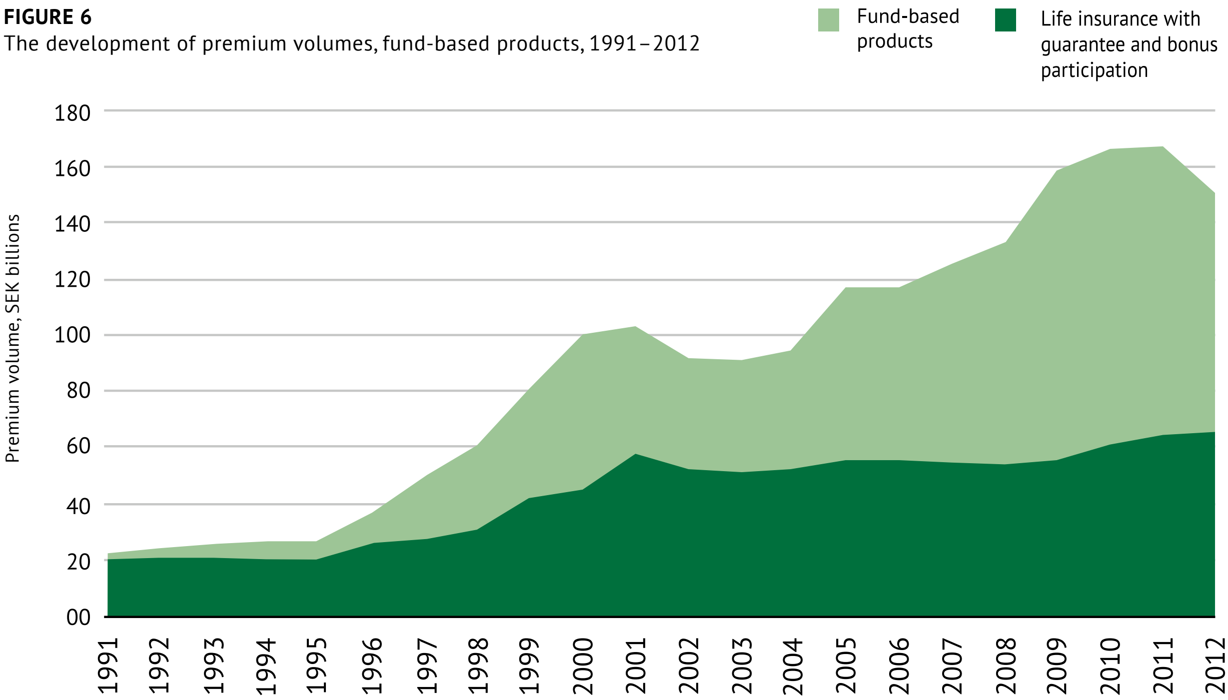


FIGURE 6
The development of premium volumes, fund-based products, 1991–2012



of the early-1990s financial crisis and a rapidly ageing population, a sequence of reforms fundamentally altered the system. The reforms changed the industry's actor dynamics, product range, consumer choice and the allocation of pension capital.

The 1990 reforms: fund-based insurance and independent distribution

Two 1990 reforms had a major impact on the industry's relation to the equity market. The fund-based (unit-linked) life insurance regulation, inspired by the mutual-fund boom of the 1980s and by US and UK precedents, broke the model under which each life company managed assets internally: external and even international funds could now be linked to the pension agreement, rapidly shifting the offerings from purely internal to externally influenced and steadily expanding the number of funds on the market. In the same year, the abolition of the old distribution agreement (distributionsöverenskommelsen, in effect a cartel arrangement governing how insurance products were distributed authorized independent distribution) opened the market to brokers, agents, investment advisors, and asset managers. Together the reforms introduced sharply greater competition and transformed industry structure.

FIGURE 6

The 1999 reforms: from defined benefit to defined contribution

The 1999 reforms went further. The public system became defined-contribution rather than defined-benefit: pensions were now determined by lifetime contributions rather than best earning years. The system was divided into an income pension (16 percent of pensionable income, notionally defined-contribution and pay-as-you-go), a premium pension (2.5 percent, individually invested in funds), and a guarantee pension providing basic protection. The premium pension (PPM) allowed beneficiaries to choose among hundreds of funds; the ATP system was wound down; and the AP funds were restructured. AP1–AP4 served as buffer funds for the income pension, and AP7 as the default manager within the premium pension. The reform thus preserved a pay-as-you-go core: the income pension remains PAYG, with the buffer funds absorbing demographic swings, while the funded premium pension was added on top.[3] From the late 1990s the funds' assets shifted decisively away from government and housing bonds and towards equities, reaching roughly 60 percent in shares shortly after the reform and 68 percent by 2025. The driving motive was fiscal sustainability rather than capital-market development: the Swedish Ministry of Finance has since characterised the 1990s reform as a response to a public pension system that was no longer fiscally sustainable, rather than an attempt to use a partly funded system

[3] How Sweden financed the double burden, that is, paying current pensioners while a new funded tier accumulated, is the question other systems most often ask. The transition was eased on several fronts. The ATP buffer funds, deliberately over-funded from 1960, had reached 38 percent of GDP by 1995 and pre-funded part of the shift. The bulk of contributions remained pay-as-you-go, with only a small carve-out, 2.5 percent of pensionable income, directed to the funded premium pension, which limited the transition cost. Transition rules were calibrated by birth year for the cohorts born between 1938 and 1953, each receiving a pension calculated partly under the old rules and partly under the new. The most detailed public reconstruction of this financing is set out in the FIVE report (2026).

FACT BOX

CHANGING ACTORS: OWNERSHIP AND CONSOLIDATION IN THE PENSION INDUSTRY

Nine companies form the core of the Swedish pension and life-insurance industry; with the smaller actors below they control about 95 percent of the market. Many of these current company groups are founded on historical remnants of previous organisations established in the 19th century, well before the pension industry started to evolve.

Customer-owned mutuals.

Skandia: the product of mergers since 1850, after a global expansion now Nordic-focused.

Folksam: rooted in union collaboration and established as Samarbete in 1908 and merged with Folket 1925; acquired Förenade Liv (2001), KPA (2010), and Salus Ansvar (2012).

Länsförsäkringar: a federation of regional insurers, merged with Wasa in 1998 (itself a 1985 merger of Valand, Vegete, Skånska Brand, and Allmänna Brand).

Bank-owned providers.

SEB: acquired Trygg Hansa's life division in 1997 to form SEB Trygg Liv. Handelsbanken: entered by acquiring RKA (Ränte – och Kapitalanstalten) in 1990; bought SPP in 2001 after its separation from Alecta, sold it to Storebrand in 2007.

Swedbank: life - and pension operations grew out of a collaboration with Folksam (Sparfond and Sparliv) which was dissolved 1995.

Nordea: founded 1988 as Livia and then rebranded to Nordea.

Futur: formed 1999, then the Swedish operations of Danica (Danske Bank), now owned by independent venture capital investors.

Collectively governed occupational providers.

Alecta (formerly SPP; administration duties separated into Collectum in 2005) and AMF are the primary providers of collectively agreed pensions.

Administrative management vehicles.

Administrative functions have gradually been separated from the provision of savings and risk products. Collectum (for ITP) and Fora (for blue-collar workers) are prominent examples; similar organisations operate in the public-sector schemes.

Challengers and independent distribution.

Nordnet and Avanza (internet brokers with growing pension businesses since 2010); Movestic (founded in the Kinnevik group, now owned by Chesnara). Since 1990, independent agents (Söderberg & Partners, Max Matthiessen, Säkra and the networks Hjerta and Tydliga) compare and propose solutions across providers.

to build a vibrant capital market, adding that in hindsight the reforms appear more deliberate than they were at the point of decision, with no grand strategy to turn Sweden into a capital-market hub (Government Offices of Sweden, 2025). This independent characterisation by the responsible ministry aligns closely with the central argument of this report.

Occupational pensions, salary exchange, and private savings

The occupational system established in 1960 continued to evolve through gradual redesign in the processes of collective bargaining. Salary exchange (löneväxling) into pension savings improved flexibility and generated add-on products. Private pension saving grew for a long period supported by tax deductibility; after that deduction was phased out following extended debate, demand shifted further towards salary exchange under the occupational pension frameworks. In addition, from 2007 onward the processes for vetting and approving pension providers under the collective agreements have been structured through the active management of e.g. the administrative managers Collectum and Fora.

Digitalization and transparency

With the new system individual choice increased, and with it the need for information. The summary of pension benefits in the annual Orange Envelope and the jointly run minPension service platform (operated by approximately 30 actors including the state and the pension companies) improved the availability of pension data, making it easier for individuals to follow their pensions, manage choices, and understand prospective pay-outs.

EU regulations

From around 2015, much institutional evolution shifted from local agreements to an EU-centric process: the Swedish context is increasingly focused on interpreting and implementing existing frameworks rather than creating domestic rules. Solvency II (launched 2009 and implemented from 2016 onward) regulates capital requirements, enterprise risk management processes, and reporting across three pillars and is the most comprehensive regulatory change in the industry's lifetime. The Insurance Distribution Directive (IDD) governing sales and distribution of products, and IORP II for occupational pensions followed. In the future, the Financial Data Access regulation (FIDA) will push the boundaries of open data sharing in the pension industry. The direction of influence should not be read as one way only. It matters that Sweden takes an active part in shaping these EU frameworks, rather than merely implementing them, and the experience documented in this report is an asset in that work.

Summary

The modern era produced further mechanisms connecting the pension industry and its capital with the equity market: the DC transition, PPM, unit-linked insurance, and platforms facilitating transparency. The evolutional layering continued here, a development which would have been very difficult without the events happening in the foundational and growth eras. Also here, even more evidence is observed concerning the oscillation and reversal of position of actors. The end of the period displays a contrary force, with more structural decisions made top-down from the EU level rather than by local institutional agreements.

4.4 Summary: The Swedish pension system, capital allocation and the evolution of individual choice

The reforms described above did not merely move capital; they moved decisions. The 1999 reform transferred investment risk and investment choice from the collective to the individual, making the design of the choice environment a first-order feature of the system. However, in order to understand the effect of later developments, it is crucial to look at the entire evolution across the 100+ years outlined in the historical study presented here. This way we can better understand concepts such as evolutional layering, position oscillation, and institutional role reversal (see 5.3 for elaboration). An established body of behavioral economics research, partly conducted on the Swedish premium pension itself, shows that this design, far more than individual preferences, determined where pension capital was allocated. This chapter summarises some relevant research and draws out its significance for the report's argument.

The premium pension as a natural experiment

When the premium pension was launched in 2000, the infrastructure was deliberately designed to promote choice. Participants could select up to five funds from a menu of roughly 450 (later expanding towards 800), and an extensive advertising campaign, public and private, was designed to promote active choice. A default fund existed but was not promoted. About two thirds of participants made an active choice in the launch year. Cronqvist and Thaler (2004) document the results: active choosers chased past returns, concentrated in equity (with marked home bias and heavy technology exposure at the top of the dot-com market), and paid materially higher fees than the default; the most popular actively chosen fund subsequently lost a large share of its value, while the low-fee, broadly diversified default performed comparatively well.

The aftermath proved at least as instructive. Once the launch campaign ended, active choice collapsed: among new entrants the share making an active selection fell to low single digits within a few years and those who had chosen rarely revisited their portfolios. The nudge towards activity proved temporary; the default proved permanent. The AP7 default (since 2010 structured as the Såfa life-cycle fund) with equity exposure of up to 87 percent and leverage in younger generations thereby became the de facto premium pension for the overwhelming majority, and one of the largest equity investors in the system.

Choice overload, mis-selling, and the procured marketplace

Behavioral research has also shown that very large menus degrade decisions: participation and choice quality decline as fund menus grow (Iyengar, Huberman and Jiang, 2004). The premium pension illustrated the point at scale. An open platform of several hundred funds proved difficult for savers to navigate and, in the 2010s, vulnerable to aggressive telemarketing and outright fraud by a small number of fund providers. The policy response culminated in the Act (2022:760) on the procurement of funds and the creation of a procured Premium Pension Fund Marketplace under the Fund Selection Agency (Fondtorgsnämnden). This can be interpreted as a redesign of the infrastructure from maximizing the number of options to structuring and quality-assuring them, with procurement driving fees down. The reform thus encodes, in legislation, lessons that the behavioral literature had drawn from the system's own first two decades.

The administering authority's (Pensionsmyndigheten) own analysis confirms the pattern from inside the system. It reports that savers who actively pick their own premium-pension funds have on average achieved worse value development than the AP7 Såfa default. Only around an eighth (about 13 percent) of active choosers have outperformed it over time, and that, among active choosers, value development deteriorates as the number of funds chosen rises (Pensionsmyndigheten, 2026). That the regulator reaches the same conclusion as the academic literature (more choice, worse outcomes) lends unusual weight to reading the 2022 procurement reform as a deliberate correction of the system rather than a mere tidying of the fund list.

5. FINDINGS AND CONCLUSIONS: LAYERS, ACTORS' POSITIONS, AND ROLE DYNAMICS

We divide our findings into empirical and theoretical parts; the relation to the EU is treated in chapter 6. Consistent with the constitutive approach set out in Appendix A.2, these findings are read not as an account of the pension system acting upon a pre-existing equity market, but as the gradual co-production of the two by a common legal and institutional order. Where this report uses the plainer language of pension capital "shaping" the market (including in its title and chapter headings) that term is shorthand for this constitutive relationship, not a claim that pension capital only acted on a market that pre-existed it.

5.1 Empirical findings

Regulations and private initiatives produced radical change

The Swedish pension system has gone through several fundamental transformations over the 112 years since 1913. On the public side, the key developments are the 1960 introduction of supplementary pensions and the AP funds, and the 1999 reforms that introduced the premium pension and dramatically reformed the AP funds, shifting their exposure away from government and housing bonds and towards the equity market. On the private side, the 1960 agreement to form ITP dramatically expanded the funded occupational side and established SPP (later restructured as Alecta) at the centre of the market. The 1990 unit-linked reform did the same for individual products.

The role of pension capital in the equity market is recent

Before 1990, nine-tenths of the AP Funds' capital sat in housing credits, government bonds, and industry bonds; the fourth fund did not substantially alter this. Only in the 1990s, and with a large jump after 1999, was capital reallocated toward equities, with almost 60 percent of fund ownership shortly after the reform, and 68 percent in 2025. Current allocation data substantiate how far the reorientation has gone: listed equities now account for more than half of the buffer funds' portfolios and up to 87 percent in the AP7 default; total equity exposure represents roughly half of occupational portfolios; and equity funds make up close to 60 percent of ISK assets (OECD, 2025b). Two features matter for the equity market specifically: a pronounced domestic bias (the buffer funds allocate a quarter to a third of equity portfolios to Swedish securities although Sweden is under 1 percent of global market capitalization[4]) and a willingness to commit long-term capital to illiquid assets, reflected in the pension funds' share of private equity and venture capital fundraising cited in 2 (roughly double the EU average). Two further observations belong here. First, the growth of the buffer funds is today driven by investment returns rather than by new money. Since 2009 the funds have paid out more to the pension system than they have received in contributions, so the accumulation of assets largely reflects value growth on capital contributed decades ago. Second, the funds' placement rules remain a powerful policy lever. A shift in the AP funds' mandates towards global index allocations would have a material effect on the Swedish capital market, a point worth keeping in mind in any future review of the rules.

[4] This home bias is only partly return driven and reflects the funds' origins as domestic institutions, the matching of Swedish pension liabilities in the domestic currency, familiarity and lower information costs, and, for a period, an explicit remit to support the domestic capital market.

Reforms were enacted primarily to extend citizen welfare

The major public-pension expansions and system-defining reforms were driven primarily by retirement security and fiscal sustainability rather than by an objective to develop the equity market. The creation of the AP funds is a case in point. The policymakers' desire was to tie benefits to incomes, which required a massive expansion of resources and hence funds to manage them. Yet, beyond ensuring a basic rate of return, how the capital was to be invested was not a key topic of the debate. The near-absence of fund management and equity-market considerations from the preparatory work (SOU 1957:7) is, under the conditions set out in Appendix A, evidence of the reform's welfare-centred purpose.

From conflict to consensus: how a contingent settlement became durable

The system's endurance is in itself a finding. The supplementary-pension question of 1957–1959 was an episode of maximal political conflict: a three-way referendum, a deadlocked chamber, a one-vote decision. Broad cross-party support was not a precondition of the system but an achievement constructed afterwards: by the 1994 five-party agreement on the reformed public pension, and again in the 2017 cross-party agreement, the fundamental principles had been deliberately insulated from short-term party competition. This negotiated insulation, rather than any technical feature, appears to be a central explanation for the system's durability, and supplies the mechanism behind the path dependence (Appendix A). The observation is corroborated from a practitioner standpoint by Thomann (2026), who concludes that the system "did not emerge through foresight, but through a crisis" and that the lesson most worth transferring is political rather than technical; his account should nonetheless be read with the same source-critical care as the other policy documents used here. This matters because the Swedish system is often described through consensus, while one of its central expansions was born out of conflict. Its later stability was therefore an institutional achievement rather than an initial condition

Design, not preferences, directed the capital

The premium pension became one of the world's largest natural experiments in pension choice architecture, and its lesson is among the most policy-relevant in this report. The behavioral evidence assembled in chapter 4.4 adds a final empirical conclusion: the channelling of pension capital into equities operated through defaults, automatic enrolment, and menu design far more than through active individual demand. As chapter 4.4 documents, active choice collapsed after launch and the state default became the de facto system, a lesson the 2022 procurement reform codified. Much of the default capital is, moreover, managed on an indexed basis, which further weakens any reading of the resulting allocation as an expression of active saver preferences. This finding links the macro-level claim that design choices made for welfare reasons produced the equity-market outcome to its micro-foundations. This makes defaults, automatic enrolment through collective agreements, low-cost procurement, and curated menus among the most transferable parts of the Swedish experience for national pension reforms undertaken within the SIU framework.

The wider behavioral toolkit in the Swedish system

Seen through this lens, the Swedish system embeds a broader set of behavioral mechanisms than the premium pension alone. The collectively agreed occupational pillar functions as automatic enrolment. Roughly nine in ten employees are covered through their employment without any individual decision. This is the same design whose power was demonstrated for 401(k) plans by Madrian and Shea (2001), which underpins later contribution-escalation designs (Thaler and Benartzi, 2004) and which the SIU now recommends to Member States. The Orange Envelope[5] and minPension operate as salience and simplification devices, improving the information environment in which choices (or non-choices) are made. And the procured occupational marketplaces run by the social partners (via the "Valcentraler") have used default options and procurement to compress fees across the market.

A cornerstone — but a recent and emergent one

These findings sit in tension with any framing of pension capital as a long-standing cornerstone of the equity market, and the reconciliation should be stated plainly: the cornerstone role is real, but recent and largely emergent. It followed from post-1990 design choices, not from any founding intention. Two qualifications follow. First, the depth of the Swedish equity market is multi-causal: pension capital is one cornerstone among several, alongside the stamp-duty abolition (whose introduction and effects are discussed in chapter 3.1), the ISK account, low-cost brokerages, and a foreign investor base that remains the largest ownership category. The study establishes pension capital's growing weight and long-horizon, domestically anchored character, but does not isolate its marginal causal contribution; the relationship should be read as a strong association rather than a demonstrated single cause. Second, the analysis supports the capital-supply and long-term-capital dimensions of engaged ownership far more securely than the active-stewardship dimension, which is treated in chapter 5.1 and revisited among the further-assessment points in chapter 7 rather than a finding. Pension capital is, in this sense, one element of a wider ecosystem whose components reinforce one another rather than acting in isolation (see chapter 3.1).

These findings should not be read as a claim that Swedish pension capital is primarily invested in Swedish listed equities. Swedish pension institutions are internationally diversified, and AP1–AP4 allocate only around one quarter to one third of their equity portfolios to domestic securities. The argument is instead that the Swedish pension system, through its legal design, institutional scale, defaults, and long-term capital formation, helped shape the domestic listed equity-market ecosystem.

[5] The Orange Envelope (orange kuvert) is the annual public-pension statement sent by the Swedish Pensions Agency.

5.2 Significance for the argument of this report

The evidence carries four implications.

1. It supports the report's constitutive reading: where pension capital went was determined by legal design and default routes, not by an unusually equity-loving Swedish saver. The comparative point is made by Thomann (2026), who shows that Swedes and Germans save similar shares of income while allocating them entirely differently.
2. It qualifies the seventh of the position oscillations identified in chapter 5 (collective versus individual responsibility): the formal movement towards individual choice was, in practice, moderated by defaults that "recollectivized" most decisions.
3. The nudging embedded in the system supplies a concrete example of the "mechanisms for flow" in evolutional layering: the products, defaults and information channels through which institutional change is absorbed by the market over time.
4. It sharpens the transplantation question: defaults, automatic enrolment, and procured menus are the most portable elements of the Swedish experience. These are design principles rather than political settlements, although it was the latter that created the stability within which the former could operate, but their performance depends on trust in the default provider and on institutional context, and they are therefore a starting point for EU-level lesson-drawing, not a turnkey model.

5.3 Observed mechanisms

These are offered as preliminary concepts distilled from this single, in-depth study of the Swedish case rather than as fully specified theory; each merits testing against other national developments before being generalized. Based on the 112-year evolution, we advance three concepts, best understood as a legal-historical extension of the literature on gradual institutional change (Streeck and Thelen, 2005; Mahoney and Thelen, 2010; Pierson, 2004).

Evolutional layering

The concept specifies the legal arenas and "mechanisms for flow" through which layering is actually accomplished: products, services, and solutions through which market actors absorb institutional change, with actors serving as drivers and links between layers. The 1913 base, the 1960 ATP laid over it, the 1990 modernization through regulations, and the 1999 premium-pension and occupational tiers constitute textbook layering; the behavioral tools of chapter 5 (defaults, envelopes, marketplaces) are concrete mechanisms for flow. In order to understand the actual implementation and integration of regulatory decisions and institutional agreements, the co-development, framing, and introduction of actual products and services deserves particular attention, because it determines how much of the Swedish experience is transferable (Funk & Hirschman, 2014).

Position oscillation

Across phases we detect seven dualities between which institutional logic moves: conflict and collaboration (Saltsjöbadsavtalet); force and alliance (the design working groups); narrow and system-wide (ITP's stages); one-sided and two-sided communication (minPension); internal development and co-creation (unit-linked products and independent distribution); local ownership and EU governance (IDD, MiFID); and collective decisions and individual responsibility (PPM). The last, as the behavioral evidence shows, is moderated in practice by defaults. This observation reveals an interaction between institutional and organizational forces (D'Aunno et al., 2000).

Institutional role reversal

A strong form of conversion is observed at the level of actors themselves: firms as guarantors of social safety and government as venture capitalist (the AP funds' evolution); disruptive regulators and conservative businesses (the unit-linked reform); employees as investors and pension firms as passive administrators (ITP); government expanding choice and commercial firms limiting options (PPM and the procured marketplace).

Even though the key purpose of this report is not to extend theory, we put forward, as a contribution to further research, the application of our findings to refine theoretical frameworks such as industrial architecture (Burton & Galvin, 2022; Dinçkol et al., 2023), strategic political management (Oliver & Holzinger, 2008), and organizational adaptation to institutional change (Fox-Wolfgramm et al., 1998).

6. THE SWEDISH PENSION SYSTEM IN A EUROPEAN PERSPECTIVE

While Sweden's pension system is nationally distinctive, it operates within a wider EU context. The SIU strategy, launched in March 2025, sets out a comprehensive agenda to mobilise citizens' savings and channel them into productive investment: encouraging retail participation, developing funded supplementary pensions (auto-enrolment, tracking systems, more efficient IORP and PEPP frameworks), mobilising institutional capital, and integrating markets and supervision. Swedish reforms, such as the procured fund marketplace, modernized AP Fund mandates and financial-literacy infrastructure, align closely with several, though not all, of these elements. Seen through the SIU's own framing, Sweden is a national counterpart to the European agenda. How far that framing should be adopted, rather than examined, is the question to which this chapter turns.

6.1 The division of competence: pensions as a national matter

Any account of the Swedish system in a European perspective must begin from the fact that pension policy is, in its fundamentals, a national competence. Under Article 153(4) TFEU, EU action shall not affect the right of Member States to define the fundamental principles of their social security systems. The design of the public pension, its financing, benefit structure, retirement ages, and the mandate of reserve funds such as the AP funds is decided in Stockholm, not Brussels. The Union's instruments operate at the edges and on the market side: coordination rules for mobile workers, IORP II's prudential harmonisation, the optional PEPP, and the SIU itself as a capital-markets agenda framed as encouragement and benchmarking. This is not a technicality. If the "Swedish model" cannot be legislated at Union level even in principle, the transplantation question is necessarily one for national politics. Here, each Member State must construct its own settlement. The FIVE report implicitly concedes as much by addressing its pension recommendations to Member States rather than to the EU legislator. What can travel through EU law is market infrastructure; what cannot travel, because it cannot be enacted from above, is the political settlement on which the Swedish outcome rests.

6.2 Two levels, one system

The two levels are nonetheless complementary, and the complementarity points to how the use of pension capital in Sweden can be further improved. The Union level supplies what no single Member State can: market scale, integration, and supervisory convergence. The national level holds every lever that actually channels the capital: the AP funds' mandates, the premium-pension design and its procured marketplace, the tax treatment of long-term saving, and the occupational pillar. Improvement is therefore best conceived as national design choices made in deliberate awareness of the European market environment: mandate design that exploits an integrating market for diversification and long-horizon assets while retaining domestic anchoring as a deliberate choice; cost discipline through procurement, whose effectiveness grows with the size of the investable market; and careful stewardship of the cross-party insulation that no European instrument can supply. The dependency also runs the other way: a successful EU capital

market under the SIU requires pension capital to be included as a central component. Without it, the likelihood of success is materially reduced.

6.3 Drawing contemporary lessons (and their limitations)

This report shows that what the Swedish experience offers other systems is not a ready-made template but a set of design principles for patient, national adaptation. It is the product of a century of layered and contingent reform, not something that can be transplanted at speed.

The SIU and FIVE agenda is not the only discourse drawing lessons from successful equity markets. A parallel argument, advanced by investor bodies such as the ICGN (Sisson and Brejdak, 2026), proposes that competitiveness rests on governance quality rather than lighter regulation. Notably, this governance-first position reaches almost the opposite prescription to the deregulatory strand of the competitiveness debate while resting on the same premise: that the institutional features of a strong market are functional components that can be identified and reproduced elsewhere. The historical account offered here relativizes both: Sweden's deep and comparatively trusted market emerged from a particular sequence of contingent settlements, not from a deliberate strategy of either kind. A direct Sweden–Germany comparison sharpens the point: with broadly similar savings rates, tax burdens, and inflation, more than 70 percent of Swedes save in funds or equities against around 20 percent of Germans, and Swedish equity market capitalization stands at several times the German level relative to GDP (Thomann, 2026). Thrift, taxation, and macroeconomic conditions are held broadly constant, so the divergence is consistent with an important role for where capital is allocated, who bears investment risk, and the institutional and legal design governing those choices, including the behavioural design documented in chapter 5, rather than with differences in national saving behaviour. The Swedish business sector frames the same lesson from the demand side: the country's own enterprise federation argues that deep institutional capital is necessary but not sufficient, and must be matched by credible exit routes, specialized talent, and globally competitive scaling conditions if it is to translate into venture and growth outcomes (Confederation of Swedish Enterprise, 2026).

This reading is reinforced by a current European Commission staff discussion paper on German pension reform (Pálvölgyi et al., 2026). Diagnosing a system in which the funded second and third pillars contribute only around ten percent and under one percent of pension payout respectively, it identifies the very mechanisms isolated here as the levers Germany must now build: a low-cost, government-mandated default fund, the removal of the mandatory capital guarantee that had pushed subsidised "Riester" savings into low-yielding safe assets, and auto-enrolment in occupational schemes. The contrast in execution is instructive: the operating cost of the Swedish ITP occupational scheme is cited at 0.34 percent, against a one percent cost cap proposed for Germany's new retirement-savings account. This supports this report's contention that pooling at scale and procurement, rather than national thrift, drive the fee compression on which funded adequacy depends. The Swedish premium pension illustrates the same mechanism at the retail end: by procuring funds for a captive, large-scale pool of savers, the Swedish Pensions Agency and the Fund Selection Agency have driven the capital-weighted fee in the premium pension down to about 0.12 percent, and the average Swedish equity-fund fee to 0.9 percent against an EU average of 1.4 percent (Government Offices of Sweden, 2025). Crucially, the same analysis frames these reforms as integral to the Savings and Investments Union, estimating that Germany's new accounts alone could deepen EU capital markets by around EUR 8 billion. That the DG ECFIN analysis provides additional support for treating the inclusion of funded pension capital as a condition for deepening EU capital markets corroborates, from the opposite direction, this report's claim that a successful SIU requires pension capital to be included as a central component.

7. CONCLUSIONS

The three research questions set out in chapter 2 are addressed in turn: the descriptive question mainly in chapter 4, which traces the system's evolution from 1913 to 2025; the explanatory question chiefly in chapter 5, which identifies the legal, regulatory, and behavioral mechanisms involved; and the critical question chiefly in chapter 6, which examines how a contingent domestic outcome came to be read as a transplantable model in the EU debate.

The historical evolution of the Swedish pension system exemplifies how pension arrangements can come to function as both protectors of retirement security and long-term owners in equity markets even where, as here, that dual role was not the primary design principle in the first place. Looking ahead, the relationship runs in both directions: a successful EU capital market under the SIU is likely to require that pension capital is included as a central component. Without it, the likelihood of success is materially reduced. National pension policy can in turn draw on the deeper, more integrated market the SIU aims to create. This conclusion underscores the importance of coherent regulation and proactive engagement to ensure that pension capital continues to benefit both citizens and the broader economy.

If this history is read with an eye to whether the Swedish outcome can be reproduced elsewhere (a question posed directly by the FIVE report), five structural features stand out as important enabling conditions. They are offered not as policy prescriptions but as features that our analysis suggests helped enable the Swedish outcome, and they connect directly to the concepts set out in the findings above.

• **A balanced transition that preserved the pay-as-you-go core.** Sweden did not abandon PAYG; it added a funded component on top of a public pillar that still delivers the majority of average pension income, keeping the reform politically durable while the funded layer accumulated.

• **A strong collective dimension in pooling and management.** Capital was pooled at scale through large, professionally managed funds rather than dispersed across small accounts. This creates the institutional substrate behind the mechanisms for flow, and the basis for professional management at scale, for procurement-driven fee compression, and for the capacity to carry long-horizon equity exposure.

• **A genuine equity orientation, enabled by the absence of permanent capital guarantees.** The move from DB promises to DC vehicles removed the guarantee structures that elsewhere tilt portfolios toward bonds; the link between pension capital and equities is largely a post-1990 phenomenon because it followed from this design choice, alongside the liberalisation of investment mandates and capital market reforms.

• **A choice architecture that channels rather than presumes engagement.** Defaults, automatic enrolment through collective agreements, and eventually curated and procured menus did the allocational work that individual choice alone demonstrably could not. These are the most portable elements of the Swedish experience.

• **A reform path that solved the transition-financing problem.** The supplementary-pension contributions set in 1960 were pitched above immediate need, building AP reserves that amounted to a substantial share of GDP by the mid-1990s and cushioned the double burden of transition. FIVE identifies this as the central lesson for PAYG-reliant states.

A final qualification concerns the adequacy and distributional risks that attend an equity-tilted, default-based system, and that the present report largely brackets. The DG ECFIN discussion paper on Germany cited above (Pálvölgyi et al., 2026) is instructive here precisely because it is candid about these risks: it warns that a larger funded third pillar "could amplify the impact of unequal labour market success on pensions," potentially widening gender gaps and leaving precarious and low-income workers worse off, and it stresses the greater exposure to financial-market risk and geoeconomic fragmentation that funded schemes carry. It also notes that funded provision improves adequacy only over the medium to long-term and only for those with time to accumulate, serving as a reminder that Sweden built its AP reserves in more favourable demographic conditions than today's reformers face.

Two observations follow for the Swedish case. First, the headline equity market success documented here does not translate mechanically into superior retirement incomes: Sweden's net theoretical replacement rate (around 67 percent) sits close to Germany's (69 percent), consistent with this report's argument that the equity-market role was a welfare-secondary, emergent by-product rather than a deliberate adequacy strategy. Second, the distributional consequences of a default-based defined-contribution system across income groups and cohorts (already listed above as a priority for further assessment) should be read as a live caveat to the "model" framing, not merely as future work.

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APPENDIX A. METHODOLOGY AND THEORETICAL FRAMEWORK

A.1 Data

The backbone of the project is a relational database populated with primary and secondary archival sources pertaining to key actors and events in the Swedish pension industry, 1913–2025. First, previous accounts of industry formation were harvested from secondary literature (books, dissertations, academic articles) and used, after prioritisation, to form a preliminary timeline informing further collection. Second, primary data on key events was collected from industry actors, the state (including parliamentary debates), and actors responsible for policy formation (including preparatory work for key official investigations). A number of interviews were performed with senior informants with extensive experience of different stages of the industry's evolution. The principal written sources are the Swedish Government Official Reports (SOU) series and government bills, annual reports of the AP funds and pension providers, industry and supervisory statistics, and the secondary literature.

A.2 Theoretical framework

The study combines two bodies of theory. The first is historical institutionalism, in particular the literature on gradual institutional change: layering, conversion, drift, displacement, and exhaustion (Streeck and Thelen, 2005; Mahoney and Thelen, 2010), with path dependence supplying the expectation that early contingent choices become self-reinforcing (Pierson, 2004). Swedish pensions are close to a paradigm case: the 1913 base, the 1960 ATP laid over it, and the 1999 tiers constitute textbook layering, while the redirection of the AP funds from retirement reserves to instruments of housing policy and later equity-market actors is a clear instance of conversion. The three concepts advanced in the report are a legal-historical extension of these categories. The second body is critical legal history. Following Gordon (1984), the study rejects the evolutionary-functionalist assumption that an autonomous economy generates needs to which law adapts; on the constitutive view adopted here, company law, listing rules, securities and tax law, and pension mandates are themselves part of what constitutes the equity market. Where the report uses the language of capital "influencing" the market or reforms "responding" to pressure, those formulations are objects of analysis rather than explanations. The behavioral literature drawn on in chapter 5 (Thaler and Sunstein, 2008, and the premium-pension studies) supplies micro-foundations consistent with this stance: choice outcomes are produced by legally designed choice environments.

A.3 Methods

The reliance on a single national case is deliberate. Depth in one case allows the tracing of mechanisms that larger comparative designs cannot observe, and the familiar objection that a single case cannot ground generalization understates both the value of context-dependent knowledge and the capacity of a well-chosen case to test general propositions (Flyvbjerg, 2006). Three complementary methods do the inferential work. Within-case process tracing establishes the causal mechanisms linking reforms to shifts in capital allocation. An analytic narrative reconstructs the key political settlements: the Saltsjöbaden norm, the ATP conflict of 1957–1959, and the 1990s reform wave as contingent outcomes of identifiable actors and decision points. Critical genealogy traces how a contingent result came to be represented as a functional model, including in the present EU debate. Reconstructing how an arrangement came to be treated as authoritative is understood here as a method in its own right rather than as background to the legal analysis (Orford, 2013). In short, the report does not follow the money; it follows decisions and actions over time. One evidentiary move warrants justification: the argument from silence concerning SOU 1957:7. Such an argument is probative only where the documentary genre would be expected to address the matter had it been salient, the record is reasonably complete, and the silence is patterned; these documents are accordingly read as artefacts of a particular knowledge practice rather than as transparent windows on intention (Riles, 2006); the preparatory inquiries are precisely the venue in which fund-management considerations would have surfaced, which is what makes their absence evidence of the reform's welfare-centred purpose.

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