

Private Retirement Plans in selected APEC economies

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Common themes across many countries

- A decline in traditional family based support
- Increasing female participation in the work force
- Ageing populations
- Membership of private retirement plans is low
- Governments are reforming pension systems
- Capital markets are generally small but ...
 - Pension assets will grow
 - The role of regulators will become more important
- The state of play in each country varies

Issues relating to the development of private retirement plans

- **Design issues**

- The role of social security/social insurance
- Who bears the risk? Growth in individual responsibility
- The level of contributions/benefits? What is the goal?
- The mix of contributions (employer/employee/Government)
- Lump sum or pension
- When can the benefit be accessed?

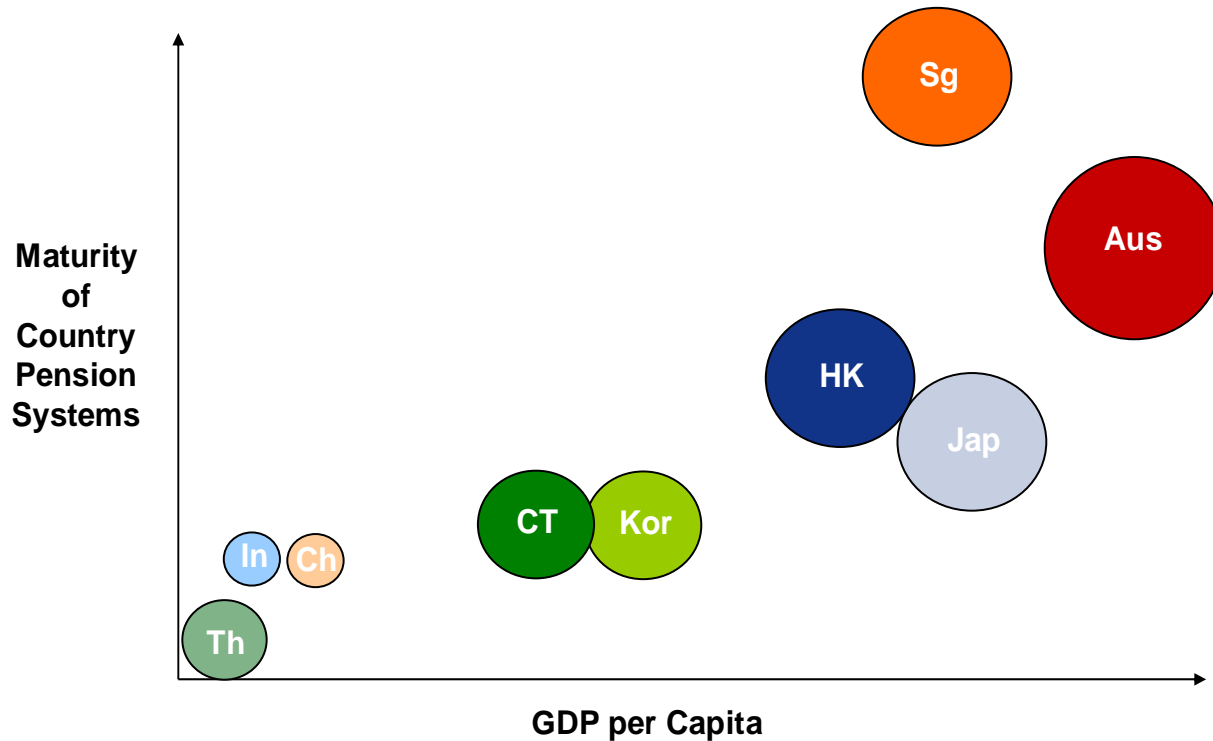
Issues relating to the development of private retirement plans

- **Government decisions**
 - Compulsion or not? Can it be enforced?
 - Tax incentives – where?
 - Funding or solvency requirements in the (independent) fund
 - Provision of confidence
 - Investment restrictions
 - Retirement (access) ages

A comparison across Asia today

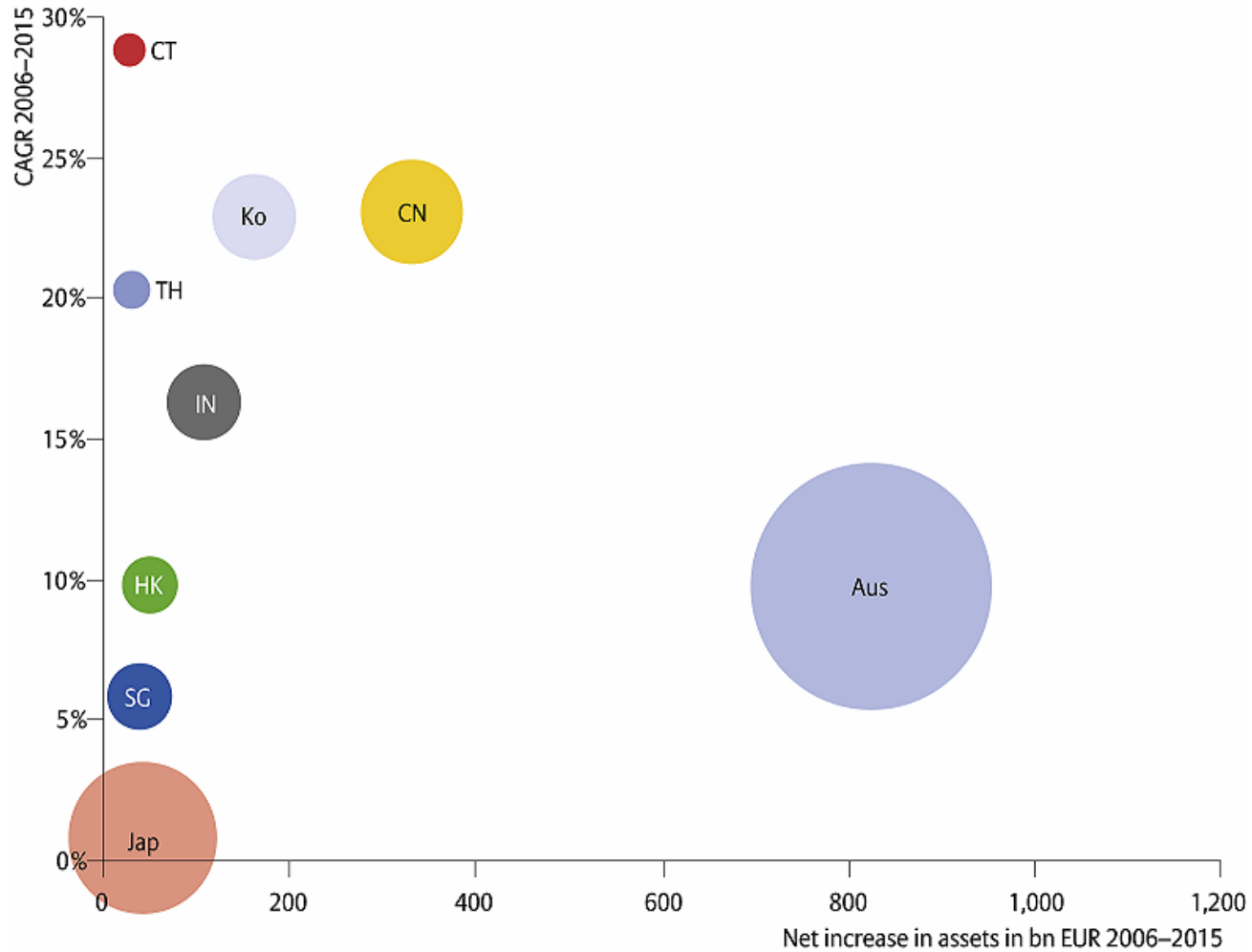


Asia's Market Potential



Thailand, India, China, Taiwan and Korea are potential key markets for Life Insurers.

A comparison across Asia, projected to 2015



The size of the bubbles reflects the estimated asset volume in 2015

Source: Allianz, Asia-Pacific Pensions 2007

Requirements for pension funds: a review

- **Some shortcomings in licences**
 - Business plan
 - Risk management policy
 - Investment policy
- **Disclosure to the regulator/authority**
 - How much detail is provided?
 - Are regulators then willing or able to respond?
- **Reporting to members**
 - Communication is important
 - Compensation arrangements

Future trends

- **Retirement plans will grow because**
 - Mandatory schemes (eg Hong Kong, Thailand)
 - Clearer incentives (eg China, Philippines)
 - Greater security
 - Growing awareness
 - Improved infrastructure
 - Economic growth
 - Improved regulation
 - Banks \Rightarrow Insurance companies \Rightarrow Retirement plans

The need for a strong infrastructure

- **Infrastructure**

- Transparent and robust legal framework
- Investment fund managers
- Administrators
- A range of financial markets
- Strong professional bodies
- Government support

The need for stronger regulators

- **Range of regulators**
 - Prudential role – looking after the retirement plans
 - Markets
 - Consumer protection
- **Desirable characteristics of the regulator**
 - Sufficient resources: people and IT
 - Efficient
 - Able to respond in a timely manner
 - A robust approach
 - Operationally independent

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