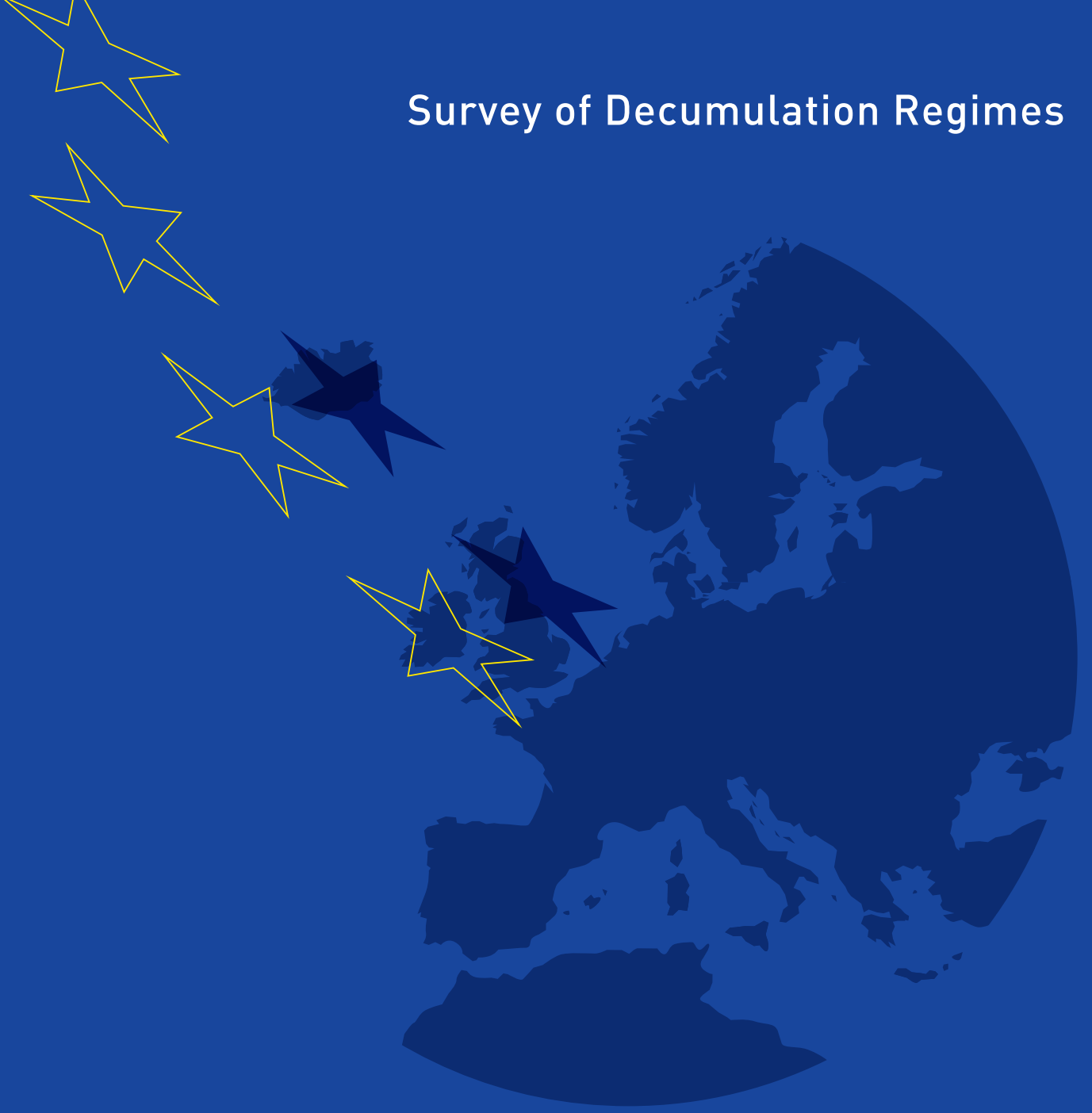


Survey of Decumulation Regimes



Foreword

The Actuarial Association of Europe (“AAE”) has carried out a survey amongst its Member Associations on the subject of Decumulation, meaning the method by which an individual can access his/her entitlement to retirement benefits.

This survey serves two purposes. One being to inform the European Commission’s Directorate General for Employment, Social Affairs and Inclusion (“DG Employment”) about the decumulation landscape in the European Union and the other being to provide a directional steer on best practice and main common challenges within the various markets for retirement benefits.

This survey provides factual information on the different decumulation systems in the European Union including the current gaps in these systems. It also provides guidance on what a best practice decumulation system might look like.

The survey shows that more work needs to be done on product development, to support individual decumulation requirements, and on providing information and advice on these possibilities.

Based on the outcome of this survey the AAE believes there is a market for different solutions for different needs. These solutions should be supported by an adequate regulations framework and - more in general - that tax incentives are required to encourage and reward individuals for saving for retirement.


The Actuarial Association of Europe (“AAE”) believes that this survey could contribute to a better insight into the decumulation landscape and a better understanding of the markets in the European Union that provide retirement benefits decumulation products.

The AAE is ready to work with the European Commission, the European Parliament and other stakeholders to assist in further developing the necessary conditions for an adequate European decumulation landscape.



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Chairperson of the AAE

December 2014



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† deceased 28 November 2014

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1. Executive Summary.....

1.1 Background to survey

Following a meeting between representatives of The European Commission's Directorate-General for Employment, Social Affairs and Inclusion (DG Employment) and the AAE it was agreed that DG Employment would find it useful for the AAE to survey its member organisations. The primary aim of this survey was to inform DG Employment about the decumulation landscape in the EU. Secondary aims were to provide a directional steer on best practice and the main common challenges within markets.

This report provides a summary of the findings from this survey. 16 AAE member organisations contributed to the survey. The contents of this report are based on the responses within the surveys. The taskforce has placed reliance on this information with no further cross-checking. Whilst some caution needs to be taken in forming views given that not all member organisations contributed, the 16 members that did respond covered a good cross-section of the AAE's total membership.

1.2 Survey content

The survey collected the following information:

1. Background information on current arrangements
2. Qualitative views on the suitability of current arrangements
3. Ideal decumulation system

The survey responses provide factual information on the different decumulation systems in the EU. The more qualitative responses provide a picture of current gaps in the decumulation systems in the EU and guidance on what a best practice decumulation system might look like.

1.3 Current Gaps

Member organisations were asked what individual needs are not met under the current arrangements. The key common theses within the feedback were:

1. Insufficient funds accumulated – due to lack of consumer understanding on the need and lack of tax incentives
2. Lack of products that offer more flexibility than annuities but provide investment and longevity guarantees (e.g. deferred and variable annuities, income drawdown with guarantees)
3. Lack of information and advice on decumulation issues and risks that consumers need to consider
4. Lack of products that address extreme or special life circumstances
5. Lack of guidance or advice to consumers on which products best meet their needs and how to decumulate based on their own individual circumstances

1.4 Best practice

The survey did not specifically define what is best practice but rather asked “what is an ideal system”. There were differences from country to country, however, there were some strong common themes within the feedback:

1. **Choice:** Consumers should have a range of decumulation products to choose from i.e. consumers should not be forced by, for example legislation or lack of competition, into just one solution.
2. **Different solutions for different individual needs:** For example a range of products are required to meet different needs at different life-stages. A specific issue mentioned in a number of countries was that the age at which decumulation is allowed from private provision vehicles should not be tied to the age at which state pension becomes payable.
3. **Good regulation:** Decumulation solutions need to be regulated and this regulation needs to be stronger where guarantees are provided. Clarity is required between the role of the government, in framing regulation (and tax incentives), and the needs of individuals.
4. **Access to good advice:** Access to good quality advice is required to help individuals plan their retirement.
5. **Tax incentives:** There is common agreement that tax incentives are required to encourage and reward individuals for saving for retirement.

1.5 Best practice

Those member states that have traditionally depended very heavily on state pensions for decumulation tend to be those that reported the largest gaps between their current decumulation regime and best practice. This is natural, and reflects that historically the state has largely been able to meet consumers’ financial needs in retirement. What is less clear from the survey is whether some of the needs in these countries, such as long term care, are supported by the state with less of a requirement for individuals to fund these needs through retirement income.

The member states that have had a greater reliance on occupational and private pension provision tend to have more developed decumulation markets. These tend to be closer to the reported best practice requirements. However, almost all member states still have areas where gaps between current and best practice exist.

2. Introduction.....

2.1 AAE Taskforce on Decumulation

The European Commission's Directorate-General for Employment, Social Affairs and Inclusion (DG Employment) has highlighted that decumulation of pension assets as a key strategic issue. In response the AAE Pensions Committee has established a taskforce ("AAE Decumulation Taskforce") to inform DG Employment in particular, and other EU institutions in general, of issues relating to the decumulation phase of pension arrangements.

2.2 Survey

Following a meeting between representatives of DG Employment and the AAE it was agreed that DG Employment would find it useful for the AAE to survey its member organisations. The primary aim of this survey should be to inform DG Employment about the decumulation landscape in the EU. Secondary aims were to provide a directional steer on best practice and the main common challenges within markets.

The AAE Decumulation Taskforce has compiled a survey in response to this request. This report provides a summary of the findings from this survey.

16 AAE member organisations contributed to the survey:

Member Organisations (by territory)	
Catalunya	Lithuania
Croatia	Norway
Estonia	Portugal
France	Serbia
Germany	Spain
Hungary	Sweden
Ireland	Switzerland
Italy	UK

The contents of this report are based on the responses within the surveys. The taskforce has placed reliance on this information with no further cross-checking. Whilst some caution needs to be taken in forming views given that not all member organisations contributed, the 16 members that did respond covered a good cross-section of the AAE's total membership.

EIOPA has also recently published a fact-finding report on decumulation. There is some overlap between this survey and that report. However, there are also some significant differences:

- I) It is the aim of this survey to consider all financial vehicles used for decumulation of assets in retirement, e.g. state pensions, employer and individual arrangements, pension and non-pension money. The scope of the EIOPA report was restricted to decumulation from schemes to which the IORP directive applies, although additional information on non-IORP pension money was provided by a number of member states.
- II) It is the aim of this survey to provide an overview of the decumulation landscape. The EIOPA report provides more detailed information at a member state level (particularly for IORPs).

- III) This survey provides commentary and conclusions on the challenges faced in the decumulation market and a directional steer on best practice. The EIOPA report is more focussed on compiling the facts on the decumulation arrangements currently in place.

2.3 Structure of Survey

The survey was divided into three main sections:

1. Information on current arrangements: Information on the form of current decumulation arrangements in the member's home state.
2. Suitability of current arrangements: More qualitative questions on the appropriateness and effectiveness of current decumulation arrangements in the member's home state.
3. Ideal decumulation system: Seeking views on what the ideal decumulation system might look like.

A copy of the survey questions is contained in the Appendix.

2.4 Definitions

For the purpose of this survey, we employ the following definitions:

"Retirement benefits" are financial arrangements that are promised to or purchased by an individual during their working lifetime and can be accessed after they have stopped working. The ability to access these benefits may be subject to eligibility criteria, e.g. being over a certain age, being not in employment, etc. The benefits may be cash paid to the individual or their beneficiaries, or benefits in kind available to them.

"Decumulation" means the method by which an individual accesses their entitlement. This is distinct from "accumulation", which is stage that the individual builds up his/her entitlement. Any overlap between these concepts also comes within the remit of this survey, e.g. a 'life-styling' strategy of derisking an investment portfolio as an individual reaches the decumulation phase is considered to be part of the method by which the individual accesses their entitlement.

3. Current Arrangements.....

3.1 Structure of Section

This section of the survey collected information on the current decumulation arrangements within each member state. Information was collated within different sections:

- State pensions
- Employer sponsored arrangements
- Individual private retirement arrangements
- Other products used to finance retirement benefits
- Advice
- Any other comments

3.2 State Pensions

FORM OF BENEFIT

All countries offer some form of defined benefit state pension. In most countries this is salary related, but not all - Ireland is a fixed amount, Italy is a combination of salary related and defined contribution, Norway and Sweden appears to use a prescribed annuity rate applied to accumulated contribution.

Most countries offer disability, and spouses/dependents pensions.

There are two main approaches to state pension increases.

- According to an index, generally wage related - this is the more common approach
- Discretionary: e.g. Ireland, Spain

Swedish system is noteworthy with increases being determined with reference to affordability given current funding position of fund backing state pension. In Switzerland indexation is every two years as stipulated by the government and is based on a combination of salary and inflation index.

ELIGIBILITY CRITERIA

Most countries have an employment criteria with a lower amount paid to those with no/low career income, with additional eligibility criteria around minimum age, minimum contribution history and minimum service. Exceptions generally exist for certain types of retirement such as early or ill health with these subject to meeting certain medical criteria.

Some rules are in place that people must have lived in a country or paid contributions in country e.g. Sweden, Ireland, France.

In most countries state pensions the max pension is received based on full working lifetime of contributions. Retirement ages at which income starts are generally increasing (slowly).

TAXATION

Generally state pensions are taxed as income with some countries having tax breaks or different rates applying at different pension amounts. In some of the newer accession states, state benefits are not taxed.

Germany is transitioning from a non-taxed to a taxed as income status.

3.3 Employer Sponsored Pensions

FORM OF PROVISION: MANDATORY VS. VOLUNTARY

Generally there is no obligation for an employer sponsored arrangement (Hungary Sweden, Spain, Croatia, Serbia). Norway is an exception and UK is implementing auto-enrolment. Some countries insist that employee has access to a scheme e.g. Ireland, Germany.

In some countries there are mandatory retirement related requirements but these tend to be lump sum at retirement payments e.g. Italy & Lithuania.

In addition to any mandatory employer arrangements most countries offer the possibility of a reasonable choice of voluntary arrangements. Some countries offer defined benefit options but defined contribution is increasingly the more popular option.

In some countries there are multi-employer/industry schemes which members can join.

ELIGIBILITY CRITERIA

In almost all countries decumulation is permitted from state pension age. In addition many countries allow decumulation to start at earlier years (all above age 50) sometimes subject to individual being in ill health or disabled (subject to meeting medical conditions).

In some countries a minimum period prior to decumulation starting is required e.g. Hungary, Norway.

TAXATION

Effectively most countries operate an EET system (i.e. contributions exempt from tax, fund growth exempt from tax, benefits taxed).

Mostly benefits are taxed either as income or at another (generally lower) rate. Lump sums, subject to certain maxima, are generally tax free.

FORM OF BENEFIT

Generally there is a guaranteed minimum income amount (e.g. from an annuity). In many countries income payments are fixed or increase according to an index e.g. CPI or in Switzerland a combination of price and wage inflation. In many other countries income payments vary according to the performance of the underlying fund.

PAYMENT PROTECTION GUARANTEES

Countries with defined benefit benefits operate a priority order system on scheme insolvency. Priority orders differ between countries but generally pensioners in payment are the top priority. In some countries if the employer becomes insolvent or runs into difficulties e.g. Ireland, then future increases may be removed. Some countries operate compensation schemes for when benefits are not met e.g. Switzerland, Germany, UK. Compensation can be limited to maximum amounts.

In many countries guarantees are provided by insurance companies and here protection is through the prudential supervision of these companies by insurance regulators.

In some countries there are no guarantees or "lifeboats" e.g. Hungary, Serbia.

SOLVENCY/CAPITAL REQUIREMENTS FOR THE PROVIDER OF BENEFITS

In many cases benefits are provided by insurance companies and funding requirements are as per Solvency I / II.

Defined benefit schemes generally operate a funding plan basis i.e. schemes can be underfunded but with a recovery plan in place. Generally there is no requirement for any additional capital. In the UK there are debt on the employer and minimum funding requirements for defined benefit schemes. Italy has minimum funding requirement of 4% of technical provisions.

In Hungary there are no funding requirements.

3.4 Individual Private Retirement Arrangements

FORM OF PROVISION

All countries offer private pension provision of some sort.

ELIGIBILITY CRITERIA

Minimum age for accessing individual private pension is generally 50-55. In many countries the rules on minimum age for accessing individual pension pot are same as for employer sponsored.

In some countries such as Germany and Hungary minimum period criteria applies.

TAXATION

Generally benefits are taxed as income, as per employer sponsored schemes. Lumps sums are generally tax free, subject to maximum criteria.

FORM OF BENEFIT

Variability of benefit payments is generally the same as for employer sponsored schemes.

PAYMENT PROTECTION GUARANTEES

Again extent to which benefits are guaranteed is similar to employer sponsored schemes. Some countries such as Sweden have some minimum return on assets criteria.

SOLVENCY/CAPITAL REQUIREMENTS FOR THE PROVIDER OF BENEFITS.

Again solvency capital requirements are similar to employer schemes. Life insurance policies must meet Solvency I/II requirements or equivalent solvency regulation applicable to insurance companies. Non-insurance policies have no additional capital requirements.

3.5 Other Products used to finance retirement benefits

FORM OF PROVISION

Property is a common alternative vehicle for funding retirement. Savings (money on deposit) and investments are also common.

TAXATION

Taxation of non-pension benefits normally follows TEE taxation principle.

PAYMENT PROTECTION GUARANTEES

There are generally no guarantees on alternative retirement assets except for capital guarantees and deposit protections schemes on cash deposits.

3.6 Advice

There is generally limited advice available on decumulation options.

- Employers may provide support in employer sponsored schemes.
- Product providers are common sources of information but obviously this advice is likely to be less independent.
- There are smaller numbers of independent advisers or product providers.

In a number of countries, e.g. Ireland, there are statutory requirements for disclosure of information to members at retirement, with the aim of allowing them to make informed decisions. This must be funded by the employer (or through the employer's scheme) or product provider for individual products.

Payments for advice are either banned or paid by individuals. Although not widely used independent advisers are regulated where they are used. There are also rules on the disclosure of information.

3.7 Other comments received in survey in respect of current arrangements

Almost all countries offer lifetime annuities with or without guaranteed payment periods, with a significant number also providing death benefits. Almost all markets offer some form of lump sum benefit which is tax free subject to certain limits.

There are some new developments occurring in the market such as variable annuity and income drawdown solutions. The income drawdown with guarantees/variable annuities are very popular in the US but have not been so popular in Europe, hampered by, amongst other things, the financial crisis and low interest rates. In particular only France and the UK has a sizeable market of drawdown solutions that also include longevity guarantees, although these solutions are starting to emerge in France and Germany.

4. Suitability of current arrangements

4.1 Product / Market Constraints

PERCEIVED BARRIERS TO ENTRY

A number of countries highlight regulatory requirements as a barrier to develop new products and enter the decumulation market with capital requirements highlighted by a number of countries.

Another implicit barrier in some markets is the immaturity of the market leading to lower demand and less commercial benefit from entering the market.

AVAILABILITY OF ASSETS TO BACK PRODUCT LIABILITIES

Many countries are highlighting a lack of supply of both very long dated government bonds and inflation linked government bonds for backing products like annuities.

PRICE REGULATION

There are virtually no price regulations in the decumulation market.

4.2 Behaviour and take-up of decumulation products

DOMINANT SOURCE OF DECUMULATION ARRANGEMENTS

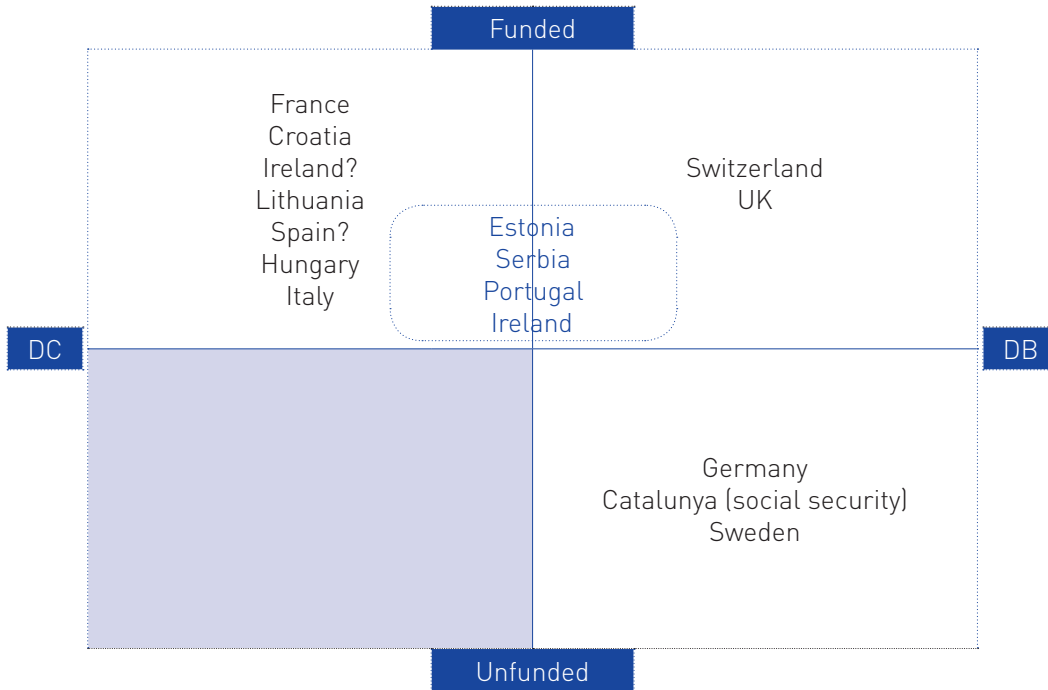
In almost all countries the state continues to be the dominant provider of decumulation e.g. state pensions.

Dominant Provider of Decumulation Solutions in each Member State:
State vs. Non-State

State	Non State
Croatia	France
Lithuania	Ireland
Sweden	Portugal
Spain	Estonia
Catalunya	UK
Hungary	
Italy	
Serbia	
Germany	

State pensions are generally unfunded whereas non-state pensions are generally funded.

Non-state provision – DB vs DC, Funded vs Unfunded:

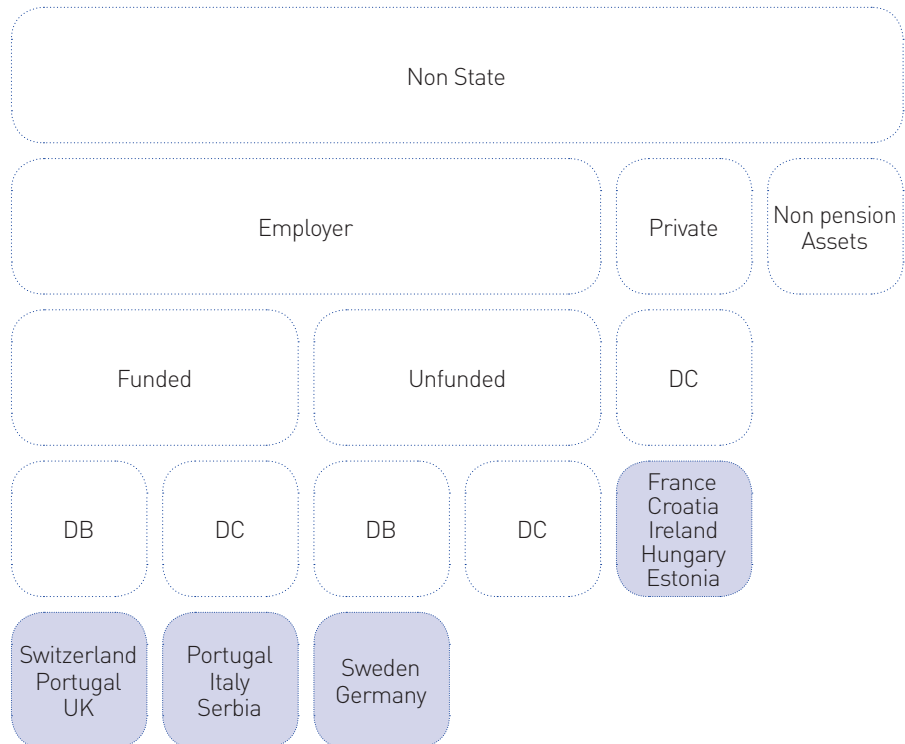


(It is possible that responses may be based on different criteria: number of members/ size of assets)

NON STATE: OCCUPATIONAL VS. PRIVATE ARRANGEMENTS

VS. NON PENSION ASSETS:

Generally employer sponsored arrangements are more important than individual arrangements, however, in some countries it is the other way around (generally the newer countries to the EU)



AGE AT WHICH PEOPLE GENERALLY CEASE FULL-TIME EMPLOYMENT

Most people continue to retire between ages 60 and 65 with a trend towards higher starting ages.

CURRENT GROSS REPLACEMENT RATIO FOR AN AVERAGE EARNER/LOW EARNER

A wide range of views on current and preferred replacement rates with the target for more developed Western EU states being around 60-70%. It is clear that current and target replacement rates differ by income band.

Lowest reported replacement rates reported in the survey were from Ireland and France at 35% for average earners.

Not surprising that the discrepancy between males and females continue to be large.

OTHER SOURCES OF INCOME TO FUND RETIREMENT

Property and bank deposits are most common source of income to fund retirement (other than pension assets). In many some countries equity release/reverse mortgages are not common or have not been successful.

LIFE-STYLING STRATEGIES TO TRANSITION FROM ACCUMULATION TO DECUMULATION

There appears to be a real split in the use of life styling / generation funds to transition from accumulation to decumulation. In some countries it is very popular, e.g. France, Ireland while in others it is hardly used at all e.g. Switzerland, Spain, Hungary.



5. What is the ideal decumulation system?

5.1 What individual needs are not met under the current arrangements?

There are a range of areas identified where individual needs are not being met under current arrangements:

1. **Insufficient funds accumulated** – due to lack of consumer understanding on the need and lack of tax incentives
2. **Lack of products that offer more flexibility than annuities but provide investment and longevity guarantees** (e.g. deferred and variable annuities, income drawdown with guarantees)
3. **Lack of information and advice on decumulation issues and risks that consumers need to consider**
4. **Lack of products that address extreme or special life circumstances**
5. **Lack of guidance or advice to consumers on which products best meet their needs and how to decumulate based on their own individual circumstances**

5.2 What would the ideal decumulation system look like?

There were differences from country to country, however, there were some strong common themes within the feedback. The most common feedback on what the ideal arrangement would look like include the following areas:

1. **Choice:** Choice is the common theme when countries were asked what the ideal product would look like, i.e. consumers should not be forced by, for example legislation or lack of competition, into just one solution. Choice is needed to meet individuals' different needs (see 2. below). However, it is often the case that people want choice but are unsure how to use it. This highlights the need for good regulation and access to good advice (see 3. and 4. below).
2. **Different solutions for different individual needs:** Across most countries there is a clear message that different solutions are required for different consumers with different needs. For example a range of products are required to meet different needs at different lifestages, and individual circumstances will determine the need for bequest options in addition to income requirements. A specific issue that was mentioned in a number of countries was that the age at which decumulation is allowed from private provision vehicles should not be tie to the age at which state pension becomes payable.
3. **Good regulation:** There is a common view that providers of decumulation solutions need to be regulated and that this regulation needs to be stronger where guarantees are provided. This is interesting versus comments to a previous question that indicated that regulations were barriers to new entrants and new products. It is clear that the ideal decumulation system needs to incorporate a role for the government. However, further clarity is required between the role of the government, in framing regulation (and tax incentives), and the needs of individuals.
4. **Access to good advice:** Access to good quality advice is required to help individuals plan their retirement. There is a need to ensure consumers better understand the decumulation challenge and that solutions are designed that meet their needs.
5. **Tax incentives:** There is common agreement that tax incentives are required to encourage and reward individuals for saving for retirement. Different countries have different views on exactly what tax incentives are required.

APPENDIX: Survey Questions

ACTUARIAL ASSOCIATION OF EUROPE

DC RETIREMENT BENEFITS DECUMULATION SURVEY

Guidance notes for completing this survey:

▶ THE AIM OF THIS SURVEY IS TO PROVIDE INFORMATION ABOUT THE DC DECUMULATION LANDSCAPE IN EACH MEMBER ORGANISATION'S JURISDICTION. THIS AIM IS SPLIT INTO THREE SECTIONS:

1. What currently exists?
2. Is it suitable?
3. If not, what would the ideal system be?

▶ FOR THE PURPOSE OF THIS SURVEY, WE EMPLOY THE FOLLOWING DEFINITIONS:

- "Retirement benefits" are financial arrangements that are promised to or purchased by an individual during their working lifetime and can be accessed after they have stopped working. The ability to access these benefits may be subject to eligibility criteria, e.g. being over a certain age, being not in employment, etc. The benefits may be cash paid to the individual or their beneficiaries, or benefits in kind available to them.

- "Decumulation" means the method by which an individual accesses their entitlement. This is distinct from "accumulation", which is stage that the individual builds up his/her entitlement. Any overlap between these concepts also comes within the remit of this survey, e.g. a 'life-styling' strategy of derisking an investment portfolio as an individual reaches the decumulation phase is considered to be part of the method by which the individual accesses their entitlement.

▶ WE APPRECIATE THAT, DUE TO THE COMPLEXITY OF FINANCIAL ARRANGEMENTS, WE CANNOT EXPECT COMPLETE ANSWERS THAT COVER ALL POSSIBLE SITUATIONS. WHEN ANSWERING QUALITATIVE QUESTIONS, PLEASE USE YOUR JUDGMENT TO GIVE DETAILS THAT COVER THE MAIN ASPECTS AND MOST IMPORTANT POINTS OF THE SYSTEM IN YOUR JURISDICTION.

▶ EQUALLY, WE REALISE THAT SUCH ARRANGEMENTS CAN BE CHANGED FROM TIME TO TIME. PLEASE ANSWER THE QUESTIONS BASED ON THE ARRANGEMENTS THAT ARE CURRENTLY IN FORCE, BUT PLEASE INDICATE IF THESE ARE LIKELY TO CHANGE IN THE FUTURE AND HOW THIS MIGHT AFFECT YOUR ANSWER.

Section 1 – Current arrangements

State provisions

1.1 What retirement benefits does the state/government provide?

(e.g. lump sum, defined benefit annuities, annuities purchased with accumulated assets, programmed withdrawal of accumulated assets etc.)

Answer:

1.1 What eligibility criteria must be met by an individual / their beneficiaries in order to decumulate these benefits?

(e.g. qualifying age, means testing, habitual residence, etc.)

Answer:

1.3 How are the decumulated benefits taxed? (e.g. as income / with specified tax breaks / not taxed in the decumulation stage / etc.)

Answer:

1.4 In what sense are the benefits fixed or variable? (e.g. the government has committed to increase state pensions in payment in line with a measure of inflation each year / past practice suggest pensions will be increased at capped inflation / pensions can increase and decrease at the discretion of the government / etc.)

Answer:

Employer sponsored arrangements

1.5 Under regulations, what retirement benefits is it obligatory for employer arrangements to provide?

Answer:

1.6 In addition to the above, under regulations, what retirement benefits is it possible for employer arrangements to provide? In practice, which of these are most common?

Answer:

1.7 What eligibility criteria must be met by an individual / their beneficiaries in order to decumulate these benefits?

Answer:

1.8 How are the decumulated benefits taxed?

Answer:

1.9 In what sense are the benefits fixed or variable?

What does this depend on?

Answer:

1.10 In what sense are the benefits guaranteed? i.e. under what circumstances would benefits not be received as expected? (e.g. pensions are guaranteed while the employer or scheme remains solvent, but in the case of both employer and scheme being insolvent, the government underwrites a reduced level of approximately 90% of benefits)

Answer:

1.11 What are the solvency/capital requirements (if any) for the providers of these benefits? (e.g. minimum funding requirements, debt on employer legislation, Solvency II, etc.)

Answer:

Individual private retirement arrangements

1.12 What retirement benefits is it possible for individual private arrangements to provide? In practice, which of these are most common?

Answer:

1.13 What eligibility criteria must be met by an individual / their beneficiaries in order to decumulate these benefits?

Answer:

1.14 How are the decumulated benefits taxed?

Answer:

1.15 In what sense are the benefits fixed or variable?

What does this depend on?

Answer:

1.16 In what sense are the benefits guaranteed? i.e. under what circumstances would benefits not be received as expected?

Answer:

1.17 What are the solvency / capital requirements (if any) for the providers of these benefits?

Answer:

[Other products used to finance retirement benefits](#) - Please briefly outline details of other products (if any) that are used by individuals to finance their retirement benefits (e.g. property investment, non-retirement savings, benefits in kind) and answer the following questions relating to them:

1.18 How are these products decumulated?

What restrictions are there on such decumulations?

Answer:

1.19 How are the decumulated benefits taxed?

Answer:

1.20 In what sense are the benefits guaranteed? i.e. under what circumstances would benefits not be received as expected?

Answer:

Advice

1.21 What are most common sources of advice used by individuals considering decumulation? (e.g. Independent Financial Advisors, State, Employer, Product providers, Individual's own research, etc.).

Answer:

1.22 Who pays for this advice (e.g. subsidised by employer / State, provided free to individuals by brokers who receive commission from providers, etc.)?

Answer:

1.23 Are there any guidelines / restrictions around the nature / quality / extent of advice?

Answer:

Other comments

1.24 Please give any other comments specific to the current decumulation arrangements in your jurisdiction which are not covered by the above questions.

Answer:

Products

Please complete the following table:

1.25 What common product choices (for non-state/government pensions) are available for consumers at retirement?

Please tick (X) the appropriate boxes!

Type of Product / Benefits	Providers	Pension Fund			Insurance Company		Other Institutions (Please Specify)
		Mandatory	Occupational	Private	For Profit	Non Profit / Mutual	
Lump Sum							
Annuities (for each annuity indicate whether the option exists for payments to continue on the death of the main life insured (e.g. joint life annuities))	Lifetime annuity with no death benefit						
	Lifetime annuity with guaranteed payment period						
	Lifetime annuity with material death benefit						
	Fixed term annuity						
Drawdown of pension fund assets	Programmed withdrawals with no guarantee if still alive when no more pension fund assets						
	As above but with guarantees that payments continue if still alive when no more pension fund assets						
	Ad-hoc withdrawals can be taken whenever person wants						
Other types of products	Please specify						

Section 2 – Suitability of current arrangements

Product / Market Constraints

1.1 What retirement benefits does the state/government provide?

(e.g. lump sum, defined benefit annuities, annuities purchased with accumulated assets, programmed withdrawal of accumulated assets etc.)

Answer:

2.1 Are there perceived barriers / incentives to entry to the market for providers of Decumulation products?

Answer:

2.2 Are there supply constraints with respect to assets (e.g. long term government debt) backing products like annuities?

Answer:

2.3 Is there price regulation of annuity markets and/or drawdown markets?

Answer:

Behaviour and take-up of decumulation products

2.4 What is the dominant source of decumulation arrangements (highlight one option for each question)

i) state vs. non-state

Answer:

ii) for non-state: employer sponsored pensions vs. individual private pension arrangements vs. non-pension assets

Answer:

iii) funded vs. unfunded

Answer:

iv) defined benefit vs. defined contribution

Answer:

2.5 At what age do people generally cease full-time employment?

Answer:

2.6 What is the current Gross Replacement Ratio for an average earner/ low earner?

Answer:

2.7 To what extent do individuals use other sources of income to fund retirement (equity release/reverse mortgages, non-pension assets etc)?

Answer:

2.8 To what extent are investment strategies like life-styling (or other innovations) adopted to transition from accumulation to decumulation?

Answer:

Relative importance of pension funds

2.9 Significance of Public Pension Arrangements

a. What is the typical age for the State pension to start?

Answer:

b. Number of pensioners of age 65+ (supplied by pillar I.) / total number of population of age 65+.

Answer:

c. Type of available arrangements of first pillar schemes

(mark X if appropriate)

	Obligatory for all employee	Voluntary
Pay as You Go		
Funded DC		
Funded DB		
Mixed		

2.10 Significance of pension funds outside the public system

a. What is the scale of pension provision in the country? If details not available give indication of size.

Type	Number of Schemes	Number of active members	Asset size
PYGO			
Funded DC			
Funded DB			
Mixed			

b. Significance of decumulation within the funds.

Number of pensioners as a % of total number of members	
Total payments out for pensions versus annual contributions paid into the funds in that year of	

Section 3 – What would the ideal decumulation system look like?

At a high level, what regulatory changes would you make to the current decumulation arrangements in order to make them more suitable?

You might like to consider:

3.1 What individuals needs are not met under the current arrangements?

Answer:

3.2 What would the ideal decumulation system look like broken down in the following areas:

- Flexibility and availability of products

Answer:

- Tax incentives

Answer:

- Regulation of providers

Answer:

- Other considerations

Answer:

ACKNOWLEDGEMENTS:

LOUISE EVANS

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ESKO KIVISAARI

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The Actuarial Association of Europe

The Actuarial Association of Europe (AAE), founded in 1978 under the name of Groupe Consultatif Actuariel Européen, is the Brussels-based umbrella organisation, which brings together the 37 professional associations of actuaries in 35 countries of the EU, together with the countries of the European Economic Area and Switzerland and some EU candidate countries.

The AAE has established and keeps up-to-date a core syllabus of education requirements, a code of conduct and discipline scheme requirements, for all its full member associations. It is also developing model actuarial standards of practice for its members to use and it oversees a mutual recognition agreement, which facilitates actuaries being able to exercise their profession in any of the countries concerned.

The AAE also serves the public interest by providing advice and opinions, independent of industry interests, to the various institutions of the European Union - the Commission, The Council of Ministers, the European Parliament, ECB, EIOPA and their various committees - on actuarial issues in European legislation and regulation.



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