



Oranžová obálka

How important is the pension savings plan design?

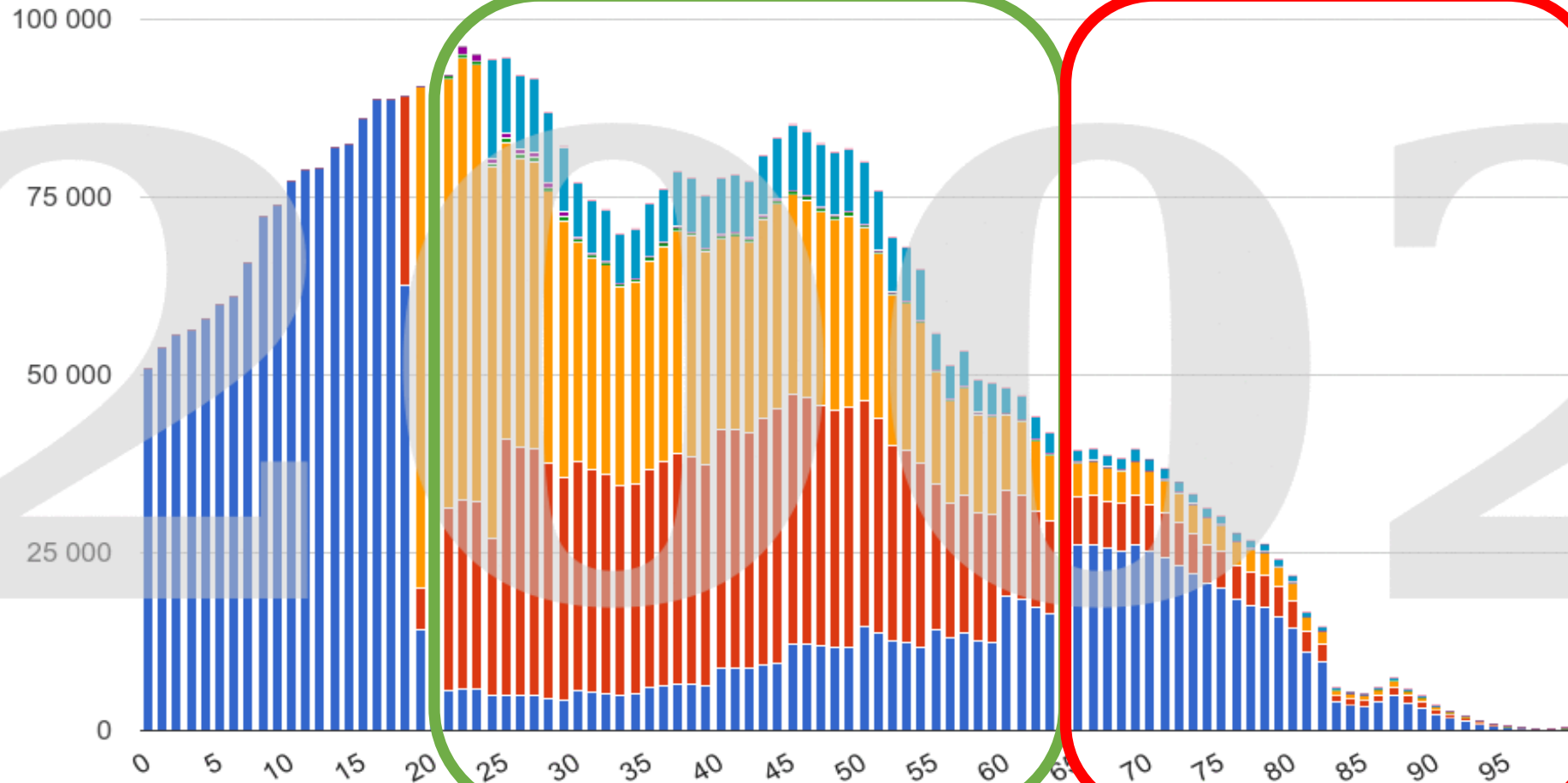
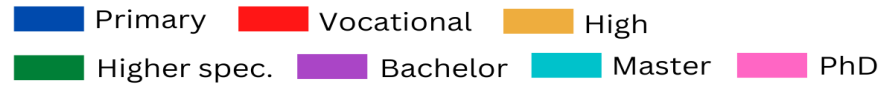
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November 3 – 4, 2022

Long-term objective Coping with the demography?

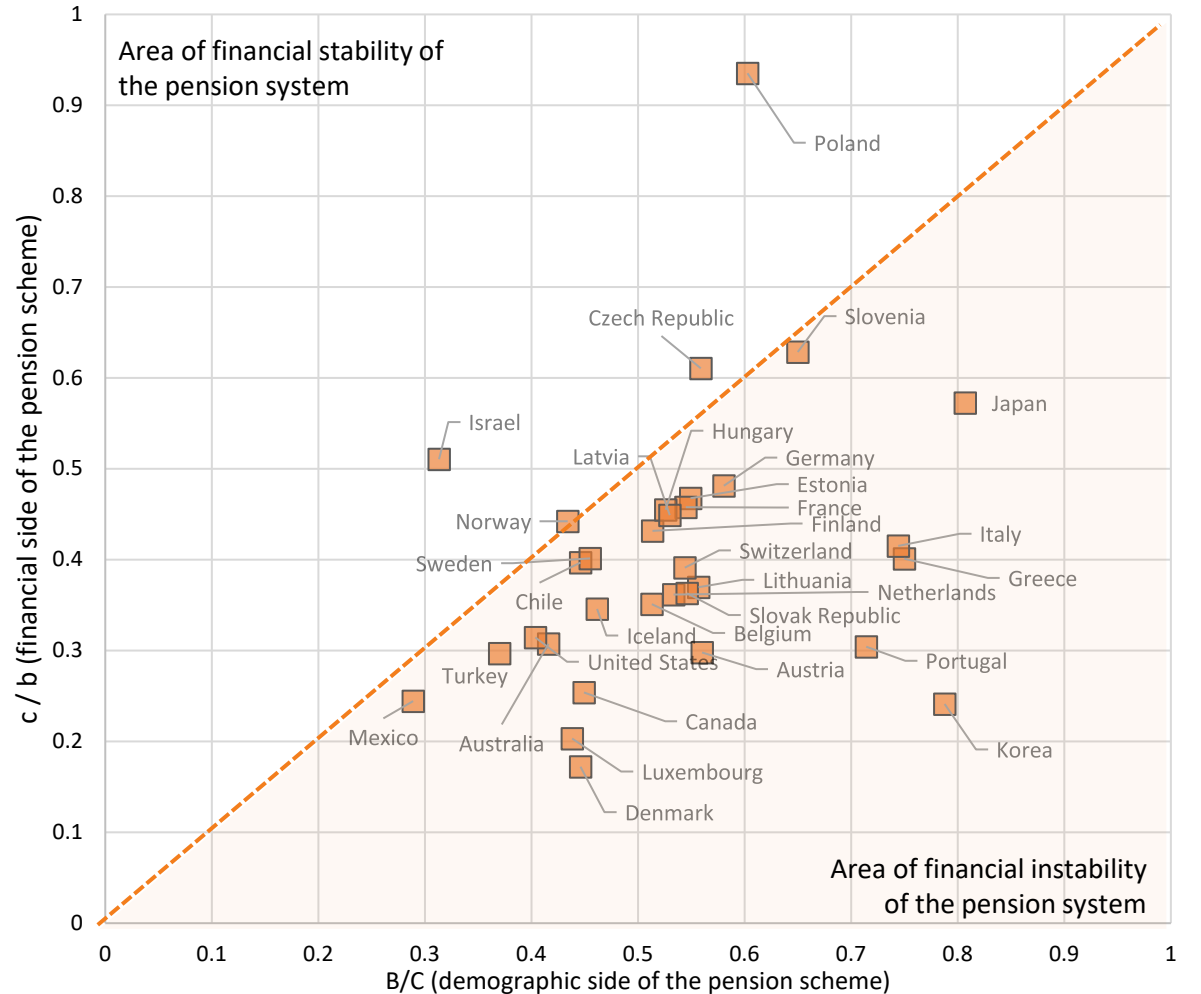
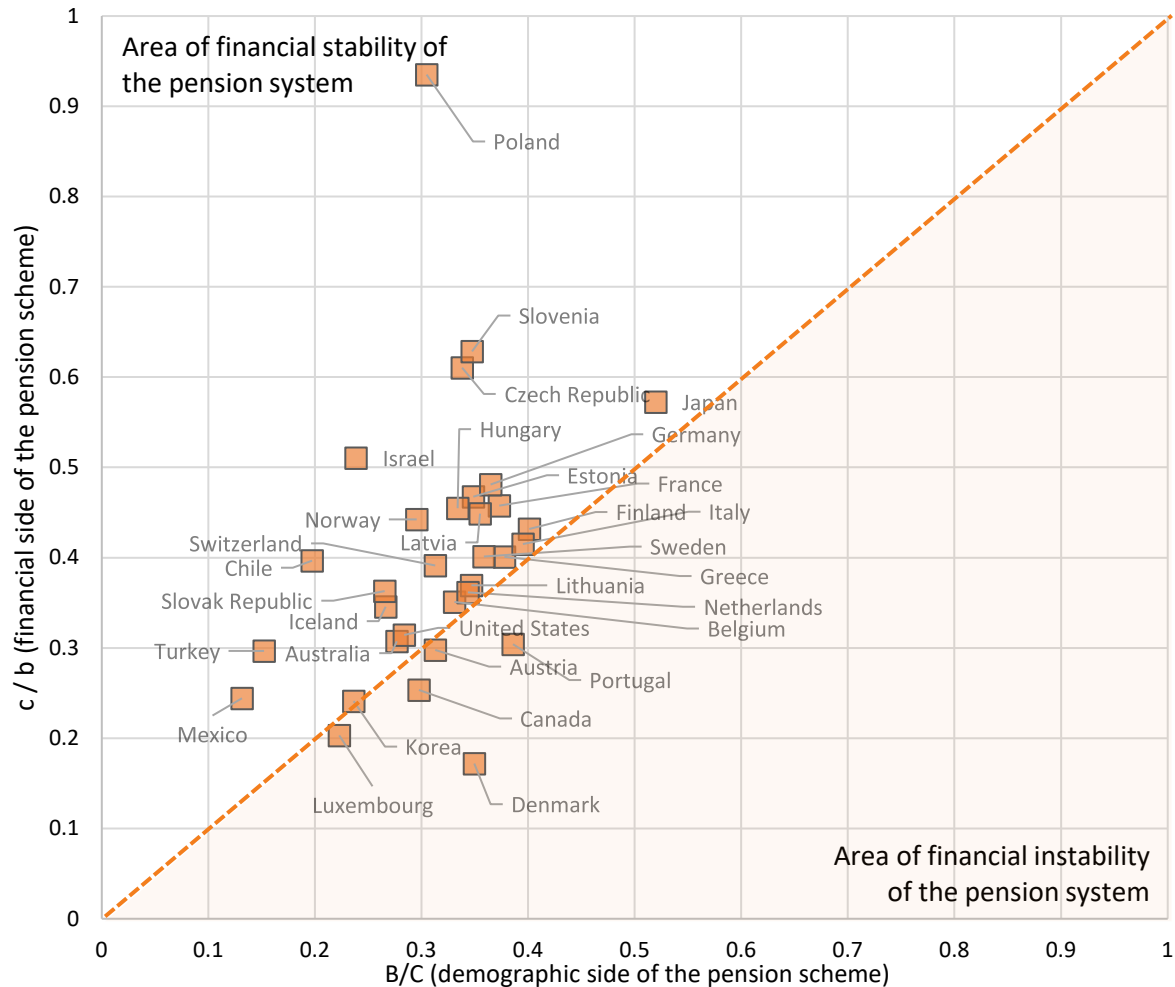
Age educational cohorts



Long-term objective

Easing the pressure on PAYG schemes?

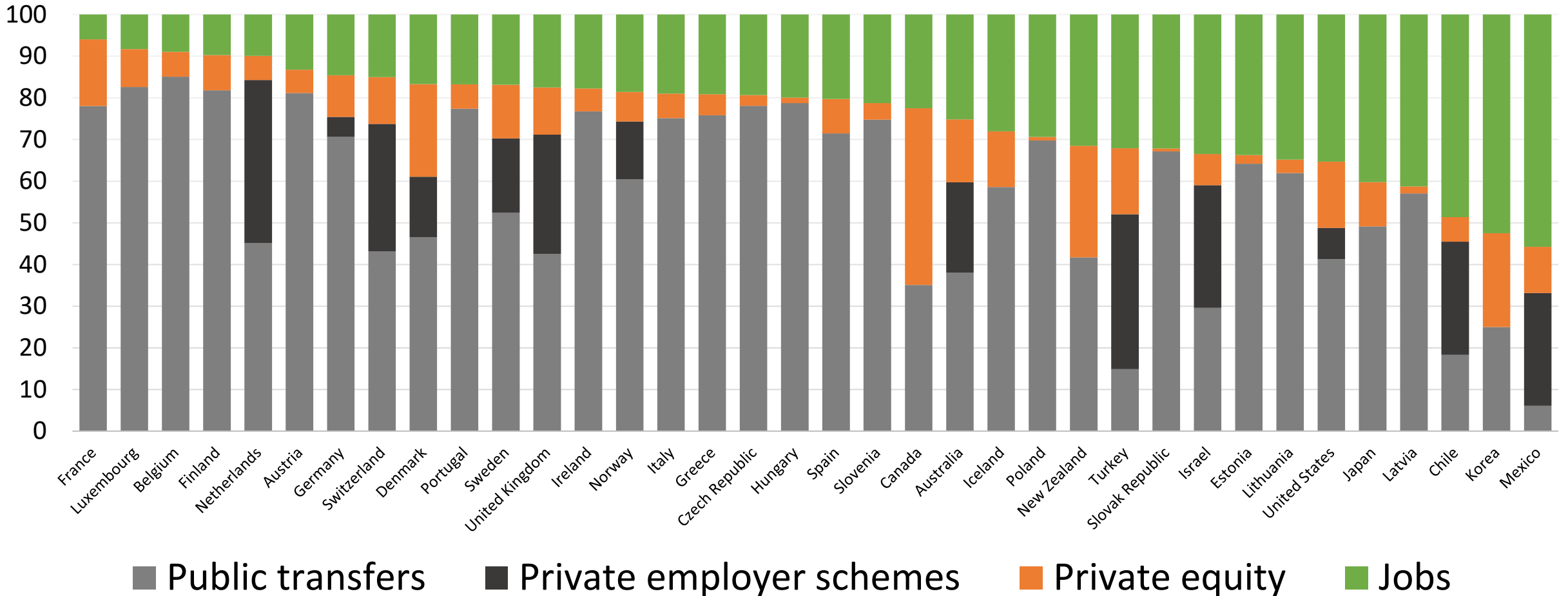
Financial (in)stability of OECD pension systems in 2020 and 2050 according to the Barr equation



Long-term objective

Diversifying the source of income?

Income structure of pensioners in OECD countries in 2020



Source: Own elaboration based on OECD data, 2021

Long-term objectives

VS.

Short-term risks

OECD Recommendation No. 1 (2022):

Design DC pension plans that are coherent with their long-term purpose and role in the pension system.

- The design should promote resilience against shocks and be stable to provide certainty and instils confidence over the long term.
- It should also be consistent with the other components of the pension system and its objectives and be coherent across the accumulation and pay-out phases.
- Policy makers should regularly assess current and potential retirement incomes taking into account broader economic and demographic factors and risks to assess whether DC plans are able to fulfil their role in meeting adequacy objectives.

Long-term objectives

VS.

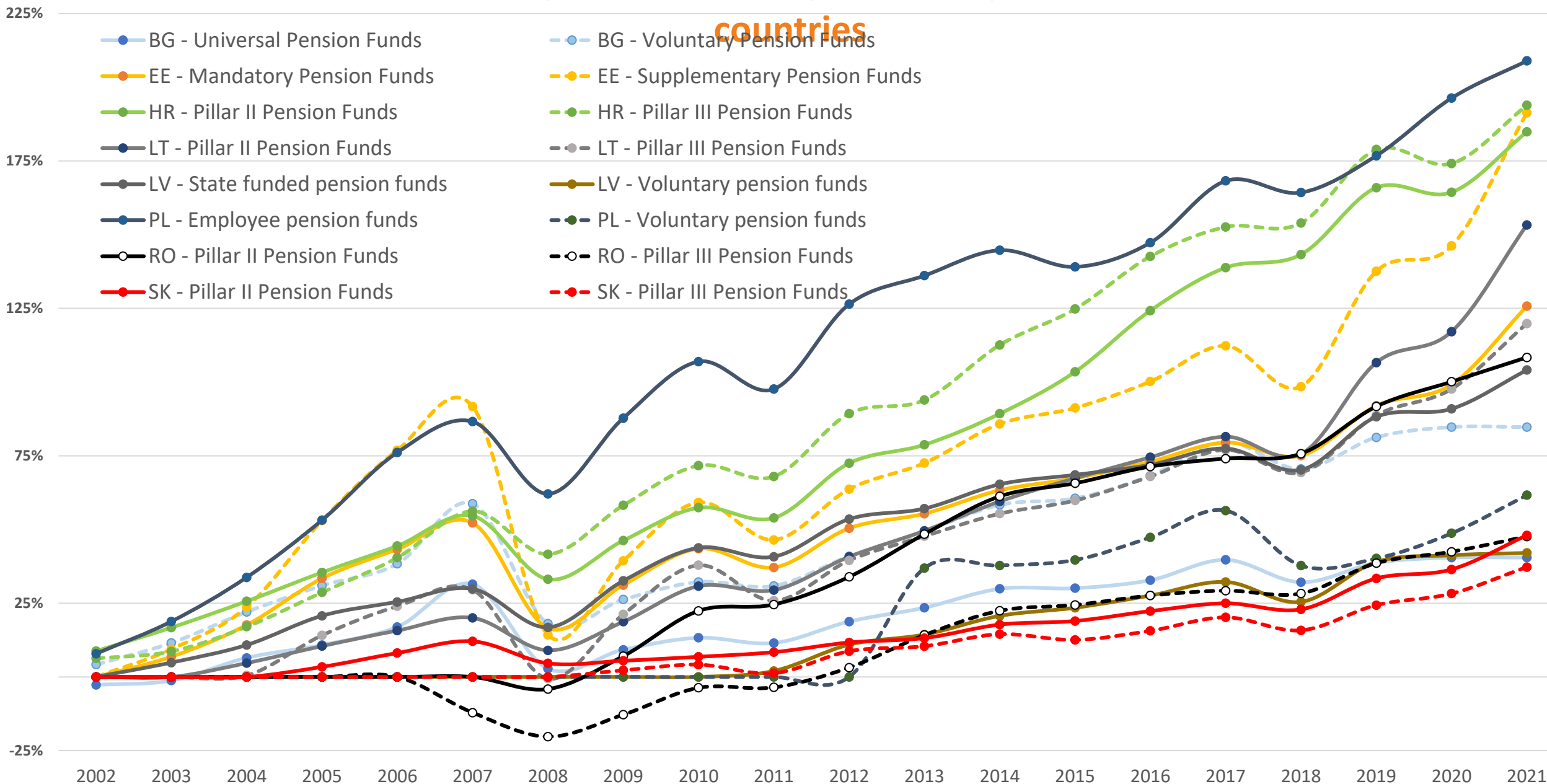
Short-term risks

Reality:

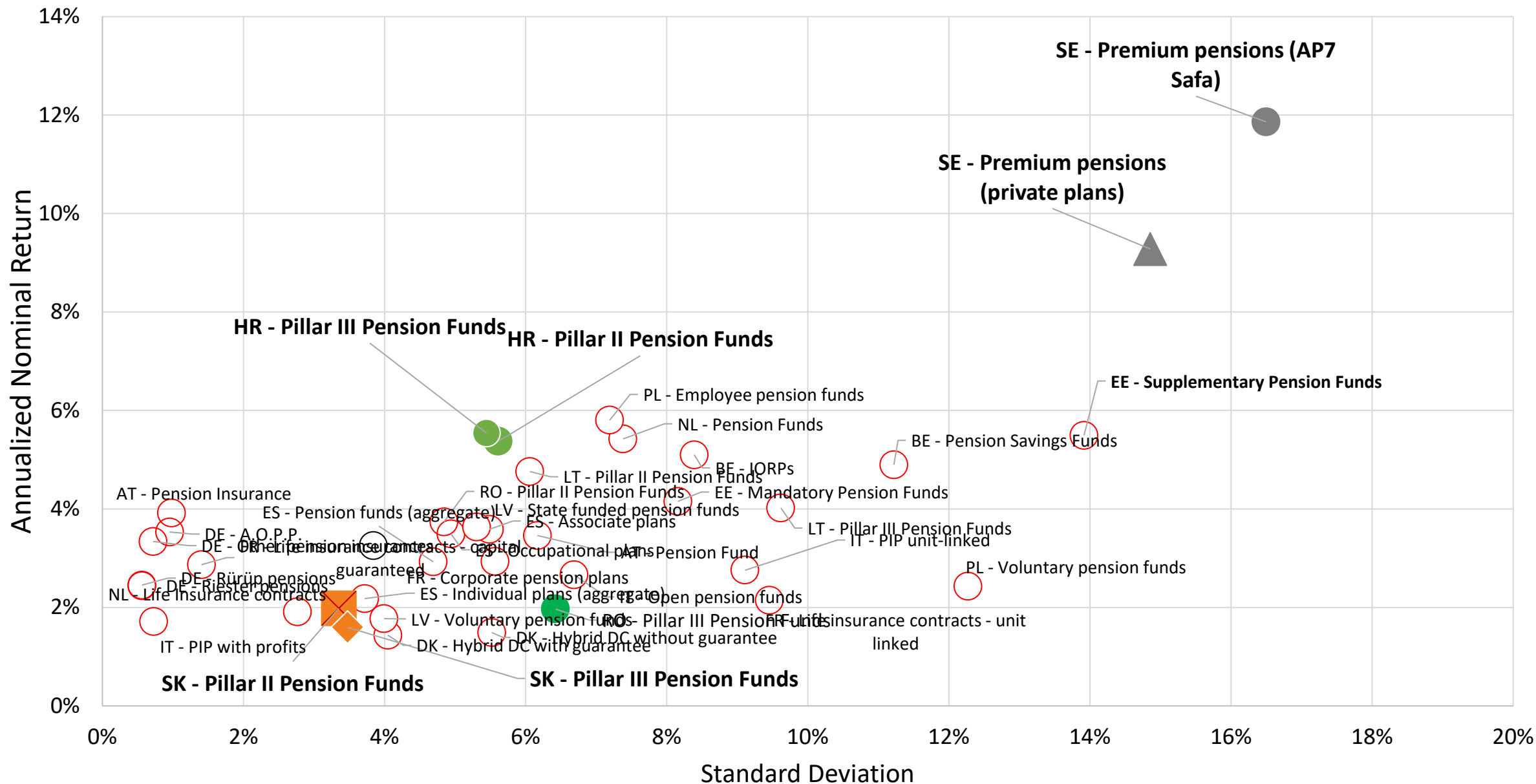
- Reform reversals from DC schemes (Poland, Hungary) – R1
- Opening the 1bis DC schemes (Slovakia) – R2
- Limiting contributions towards 1bis pillars as a response to economic shocks (Slovakia, Estonia, Lithuania, Romania) – R3
- Preference of short-term investment risks and active management (Slovakia, Lithuania) – R4
- Political interventions into the portfolio structures (Poland, Slovakia) – R5
- Frequent changes of the pension system set-up (design) resulting in lower awareness and high inertia of savers (all CEE countries) – R10

Cumulative nominal performance of private DC pension schemes in CEE

countries



Missing R5 – no low-cost and predefined solutions for DC savers

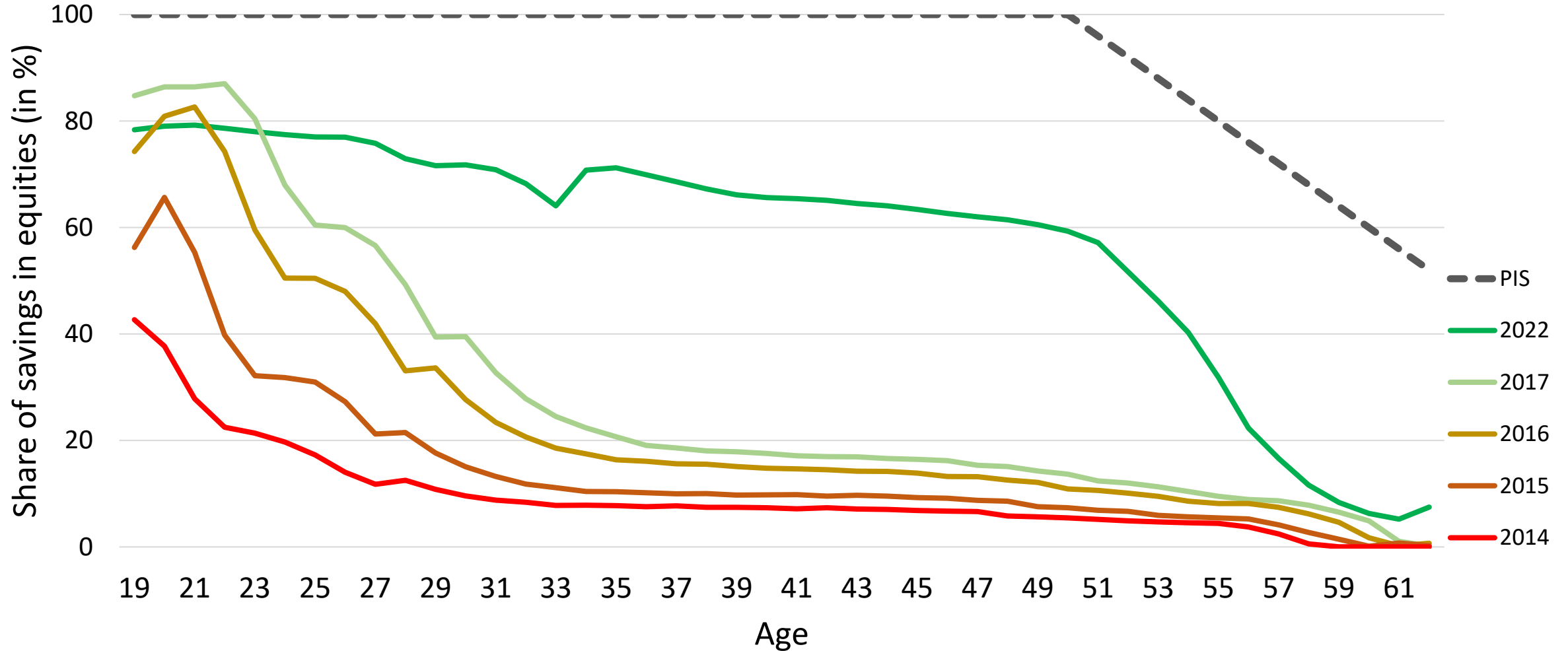


Source: Better Finance, 2022

Missing R6

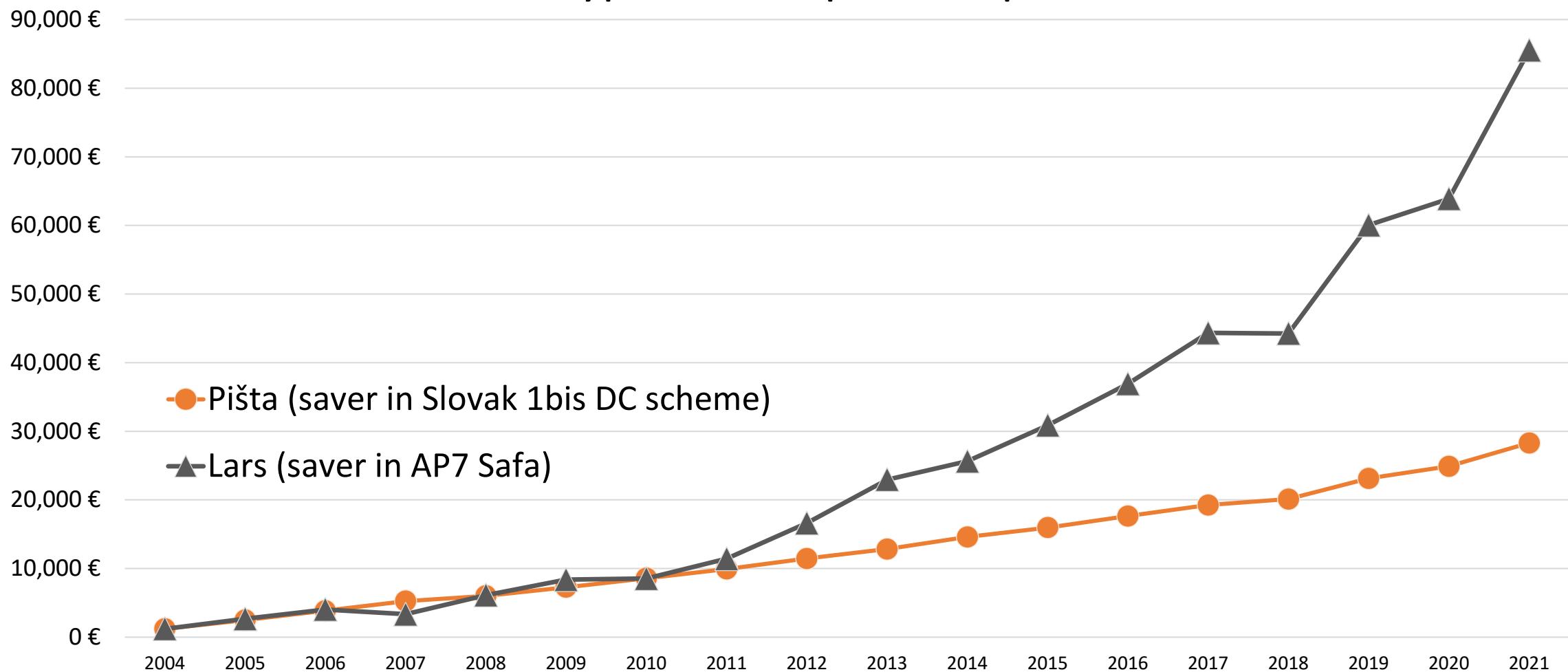
no defaults on investment strategy in Slovakia for 17 years

Share of pension savings in equities based on the age of savers in Slovakia



Long-term objective reality Lars (Sweden) vs. Pišta (Slovakia)

Hypothetical pension pot



Design matters – make it legislatively stable

Recommendation No. 11

„Constitutional recognition of a multi-pillar pension system with the key elements for DC schemes (contributions, participation, pre-defined investment strategy and payout phase) is an effective way to address short-termism.“

Thank you for the
attention.