

From Pillars to Pagodas

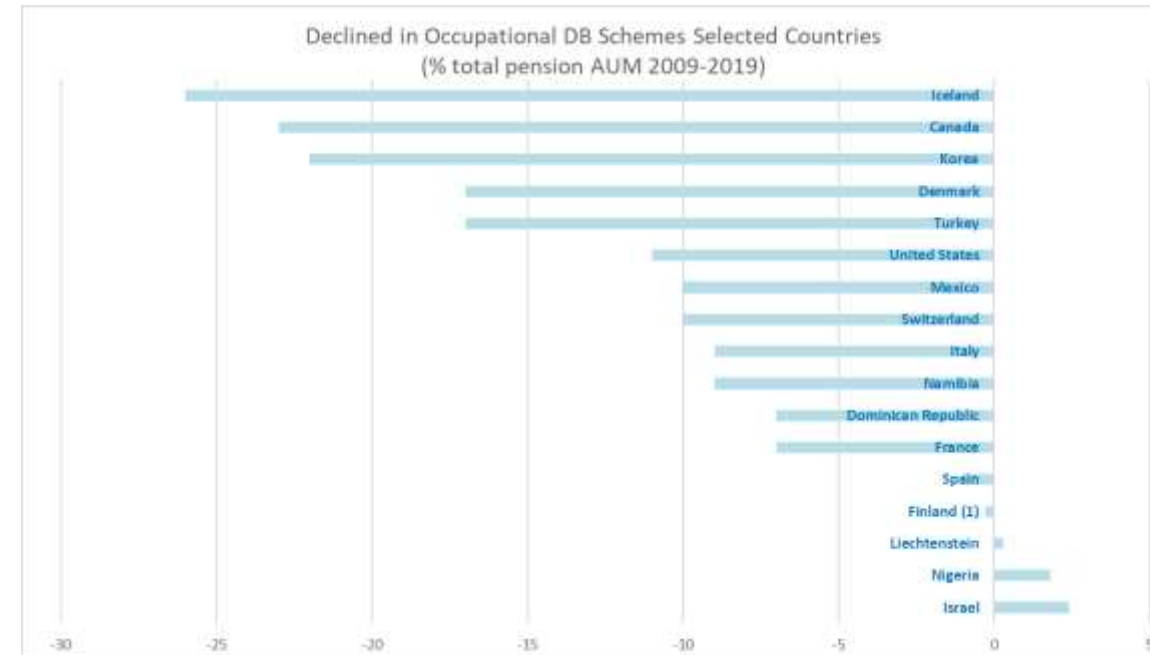
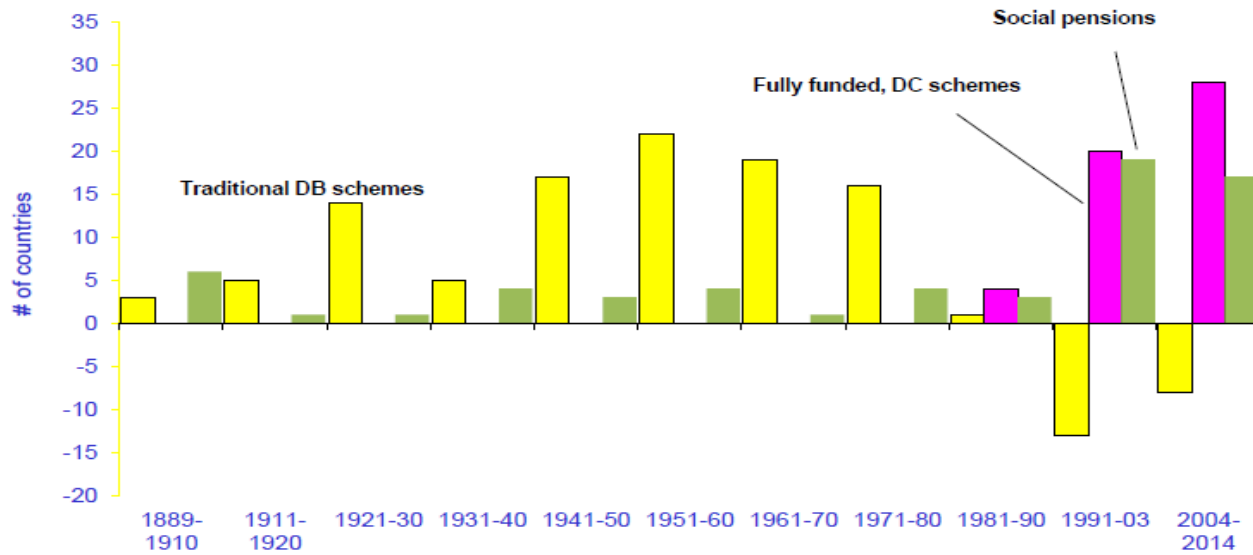
Introducing Flexibility into DC Pension Systems

Fiona Stewart

May 2021



Decline DB – Rise DC



Source: World Bank+ OECD Databases

2020 DC System 'Stress Test'

Pressure to access funds
Australia, India, Peru, USA

Coverage gaps + other
long-term pressures
revealed

Can DC systems survive
short-term (emergency) +
long-term (labor market)
shocks?





Lessons from Chile

- 2020 \$37bn withdrawals-15% total AUM / 1/3 accounts emptied
- DC pension fund returns have been respectable + costs come down...
- ...but still lack of trust in commercial providers
- Low contribution rate (10%) and density (50%) key challenge
- Retirement age not raised since 1981
 - life expectancy at retirement men 78 -86 (retire 65) women 81 -90 for women (retire 60)
- Over expectations what system would deliver
- 2008 Social protection reform not enough



Flexible Entry

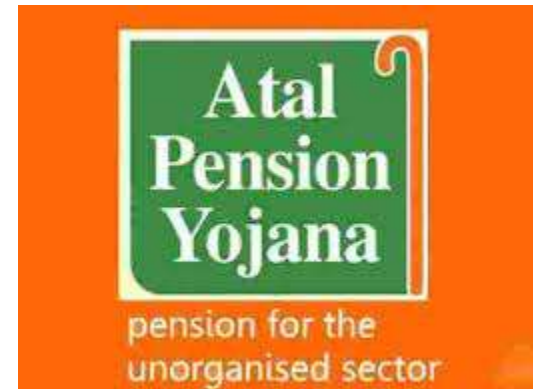
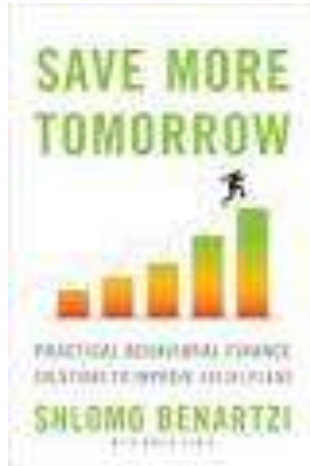
Flexible Contributions

Not 1 rate set for whole career

Increase with age/ income

Flexible to suit work patters

Subsidy for low- income workers



Access Innovation

- ‘Opt out’ options ‘gig workers’
- ‘Bundling’ products
- Top ups
- ‘Gamification’
- Behavioral Nudges



SOCIAL PROTECTION & JOBS

DISCUSSION PAPER

No. 1433 - JULY 2019

Extending Pension Coverage
to the Informal Sector in Africa

Melis Govan



Results and Conclusions



Platform work: More than just Uber !

▪ Local/physical vs. purely online tasks

e.g. Uber, Deliveroo or
Taskrabbit

e.g. Upwork or
Clickworker



▪ Micro vs. Macro tasks

e.g. shop reviews,
completing surveys

e.g. programming
software

Upwork



▪ Low skilled vs. High skilled tasks

e.g. Identifying photos,
checking shop prices

e.g. mathematical
solutions, legal advice

INNOCENTIVE



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PENSION  LAWYERS
ASSOCIATION

Top Ups

- Acorn = launched 2014 >3 million members / Save Up
- Digit = uses algorithms to analyze bank account + make small withdrawals 'won't notice'
- Chime = round up + automatic savings
- Qapital= rule-based round up +++ e.g. move money when football team wins
- Clarity Money= budgeting tool – saves 'wasted' money (unused subscriptions)



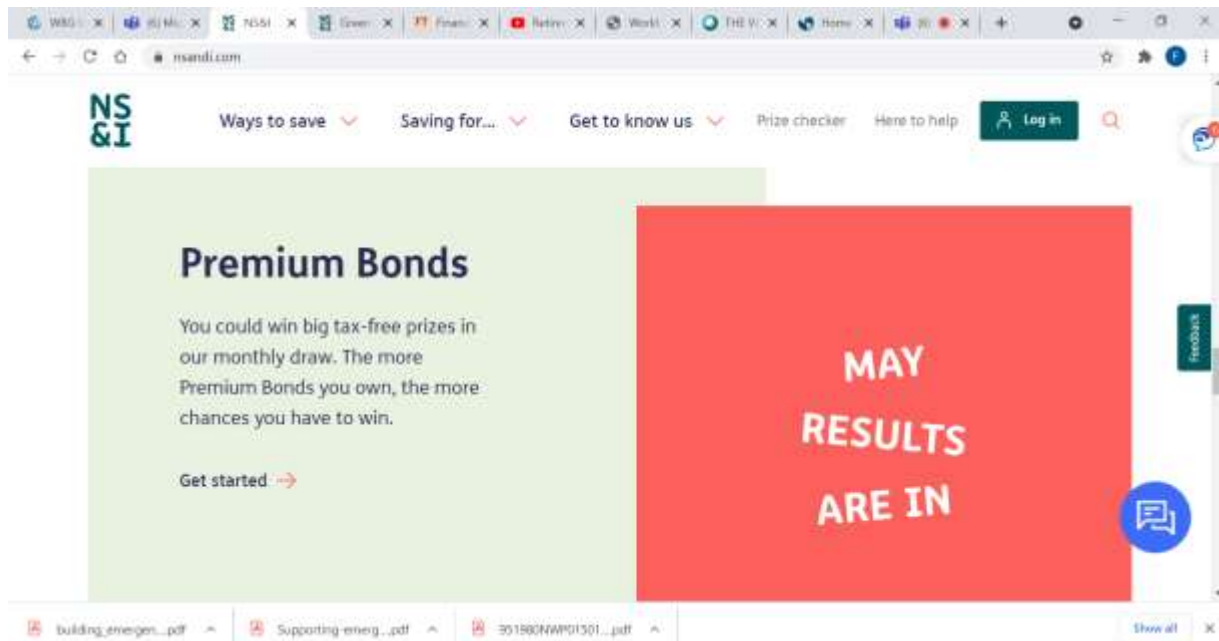
Reality check?



- Starbucks a day – 6% Replacement Rate
- Need x15 day – average Replacement Rate!

GAMIFICATION

- Rewards + incentives for gaming
- 'Lottery based' savings



Impact Investment Incentives

NS&I

Ways to save | Saving for... | Get to know us | Prize checker | Here to help | Log in

ABOUT US

Green saving – coming soon

We're offering a green savings product on behalf of government. Coming later in 2021.

building_emergen...pdf | Supporting-emerg...pdf | 951980NWP01501...pdf

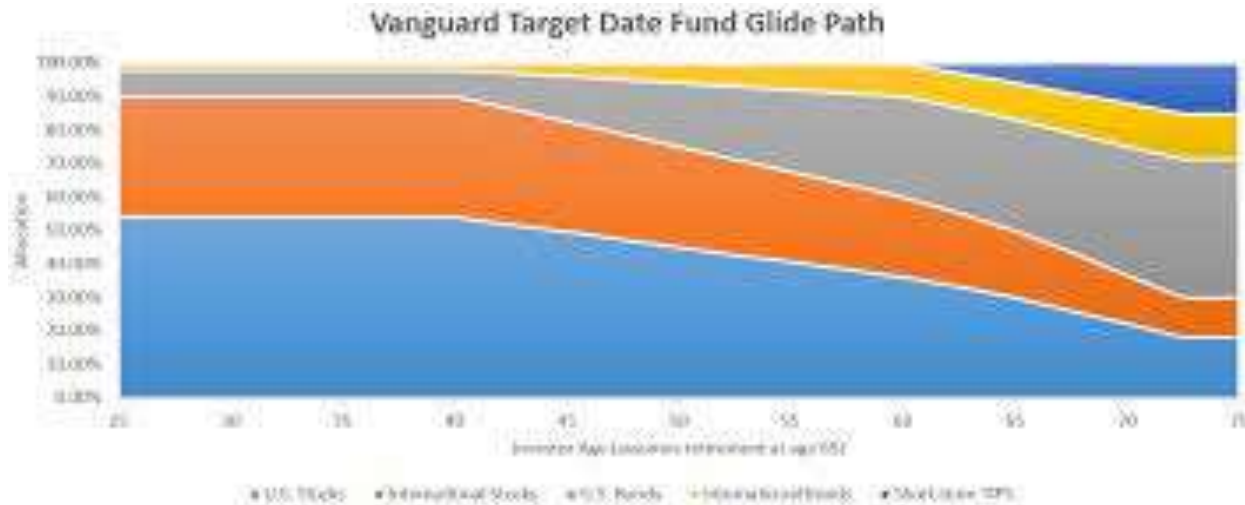
1 / 4 | 100% +

EY Building a better working world

Sustainable investing: the millennial investor

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Behavioral Economics



INTERVENTIONS WITH RESULTS

COLOMBIA
Redesign of pension contribution statements. In Colombia, 4 out of every 5 workers affiliated with the defined benefit pension system fail to obtain a pension. How can we encourage workers to verify the registration of their contributions to the pension system?

COLOMBIA
Email campaigns to increase contributions to the pension system. In Colombia, only 3 out of 5 self-employed workers contribute towards their pension. How to promote voluntary savings?

COLOMBIA
SMS to increase voluntary retirement savings. A large proportion of Colombian workers do not regularly contribute to the pension system, especially those with volatile or very low incomes. How to change this reality using SMS?

View more View more View more



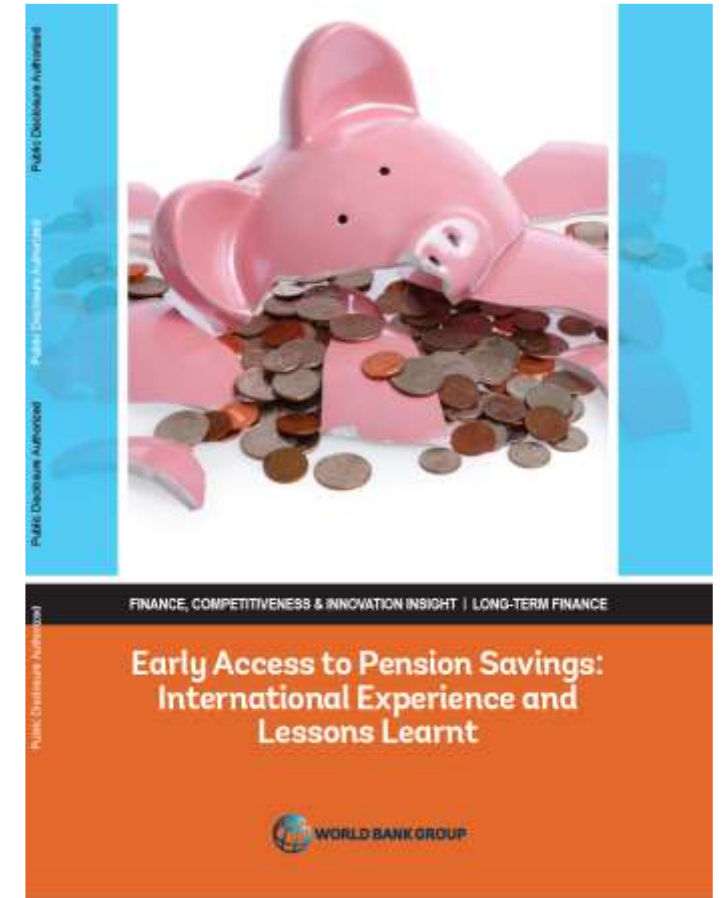
Flexible Exit

Flexible Benefits

The screenshot shows a web browser with multiple tabs. The active tab is titled "Will Co..." and the address bar shows the URL "ftadviser.com/pensions/2020/02/20/will-collective-defined-contribution-schemes-take-off/". The article title is "Will Collective Defined Contribution Schemes take off?" dated February 20, 2020. Below the title, it says "This article is part of Guide to Workplace Pensions". There are social media sharing icons for Twitter, Facebook, LinkedIn, Email, and Print. A portion of an image showing a person in a red and orange uniform with a "Royal Mail" logo is visible. To the right, there is a cover for a report titled "Asian Provident Funds Meeting Tomorrow's Challenges" under the heading "EQUITABLE GROWTH, FINANCE & INSTITUTIONS INSIGHT". The authors are Richard Jackson and Evan Ingles. Logos for GAI (Growth and Agriculture Institute), the Government of the Republic of Indonesia, and the World Bank Group are at the bottom.

Access Options

- Strictly defined hardship
- Specified purposes (education, first home purchase)
- Limited # / amount through working life
- Loan
- Separation short-term and long-term account



'Rainy Day' Accounts

How does the savings tool work?

- **1 Sign up**
The saver signs up at a dedicated Jars portal. This process takes 5-10 minutes.
- **2 Pick emergency savings target**
The saver selects the amount to save from each pay packet and sets their savings target. Editable defaults are offered as a starting point.
- **3 Set up emergency savings account**
The saver opens a new 'instant access' savings account. This will be their emergency savings jar, which sits alongside their existing pension pot.
- **4 Auto deposit into emergency jar**
Their chosen amount is deducted from their salary each pay period. At first this money goes into the emergency savings jar.
- **5 Auto rollover to pension pot**
Once their savings target is reached, the salary deduction is sent to the saver's pension pot, on top of their normal auto enrolment pension contributions.
- **6 Tap into emergency savings**
The saver can take money out of their emergency savings jar as often as they want. Whenever the balance drops below their savings target, this salary deduction starts going into the emergency jar again.



nest insight

Supporting emergency saving

Briefing paper 2 - early learnings from the employer experience

BlackRock **Money & Pensions Service** **JPMORGAN CHASE & CO.**

Building Emergency Savings Through Employer-Sponsored Rainy-Day Savings Accounts

by

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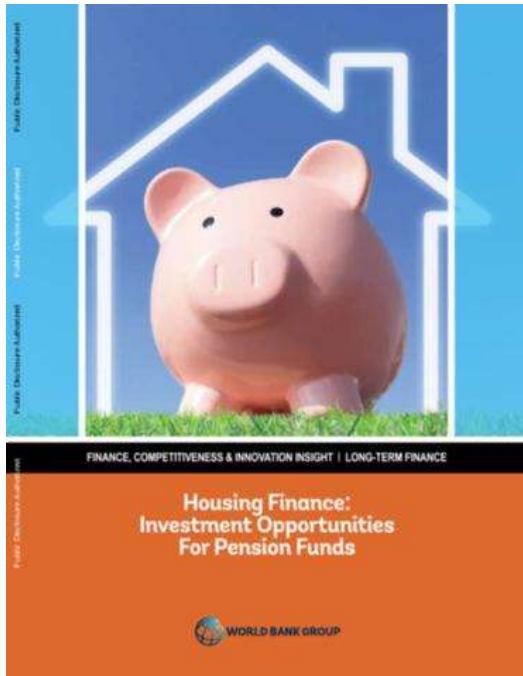
November 11, 2019

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Bundled products

Improve appeal of long-term saving accounts by linking with products that provide immediate benefits

- Link to life/ health insurance
- Link to loan (credit score)
- Link to mortgage





Flexible Investment

DC Collaboration

More flexibility / diversification needed for investments in lower interest rate environment

DC funds less access to long-term investment opportunities

- Lack scale

- Lack in-house capacity

- Mark to market challenge

Collaboration ways to open up opportunities



A Guide to Co-investment Options for Institutional Investors

Collaboration Models

Option	Control	Flexibility	Capability requirement	Barriers to establishment
1 Collaboration platform	High	High	Low	Low
2 Co-investment platform	High	High	Low/medium	Low/medium
3 Jointly owned fund manager	Medium	Medium	High	High
4 Specific investment instrument	Low	Low	High	Medium/high
5 Independent fund manager	Low	Low	Low	Medium
6 Listed company	Low	Low	High	High



Control

- The level and type of control over platform decisions.
- Direct member control or some control is delegated to the platform or its advisors.



Capability

- The ability of the platform to undertake key investment functions.
- Which investment functions are performed by members versus the platform.



Flexibility

- Flexibility to decide to participate in investment opportunities offered by the platform.
- Flexibility for the investment strategy to change over time.



Barriers to establishment

- Cost of establishment which might be **incurred upfront** or require an **ongoing commitment**.
- Establishment or procurement of capacity.
- Negotiation of terms in advance between members.

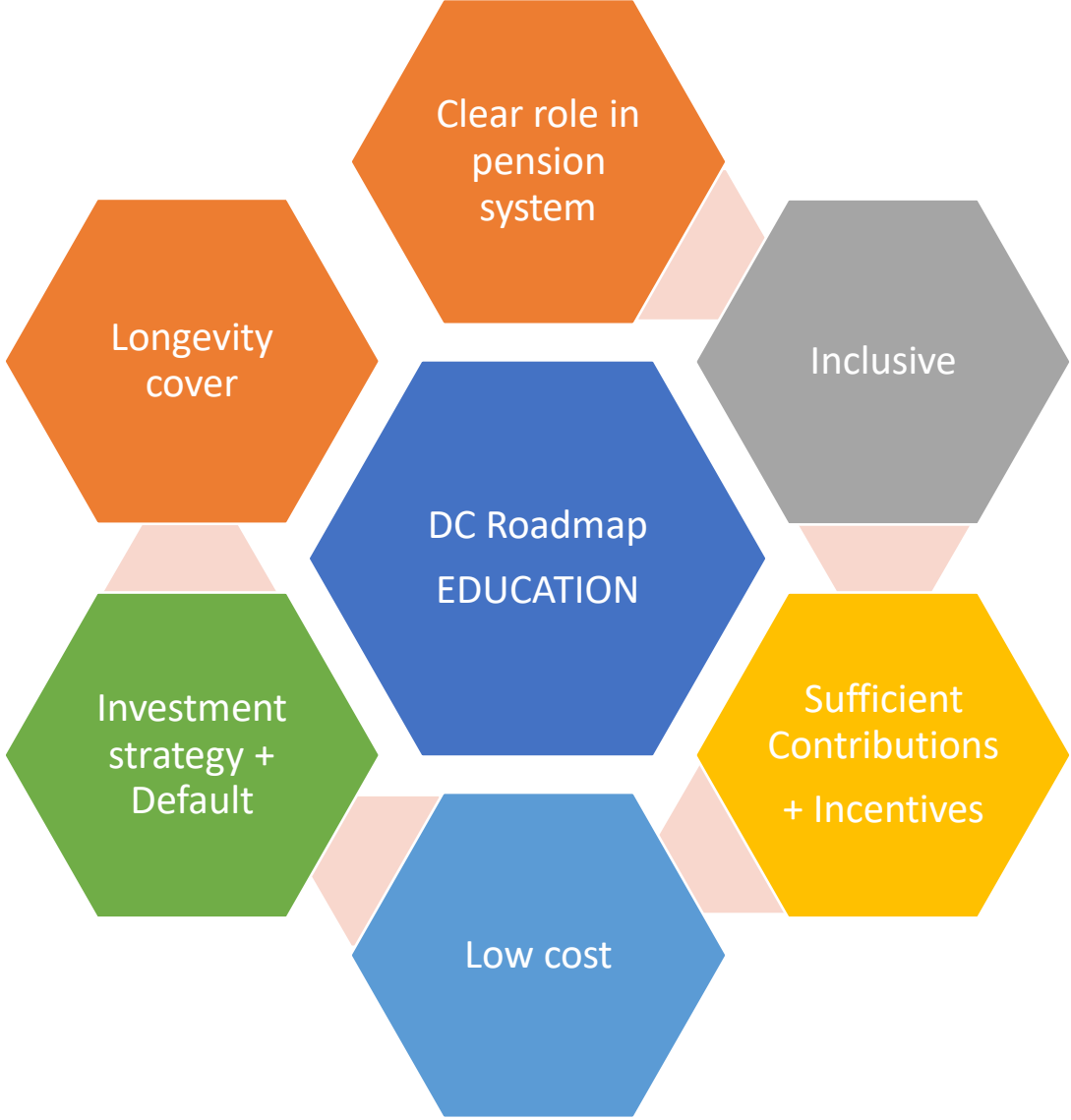
Collaboration Models



Mobilizing Institutional Investors to Develop Africa's Infrastructure

For Mutually Beneficial U.S.-Africa Investment Opportunities
www.mida-infra.org





DC ROADMAP

DC 'Pension Pagoda'

Central support of social pension

Savings 'layers' built from income and consumption

Flexible contributions

Flexible benefits



THANK YOU

PENSION  LAWYERS
ASSOCIATION

