

# Insights from Worldwide Private Pension Systems



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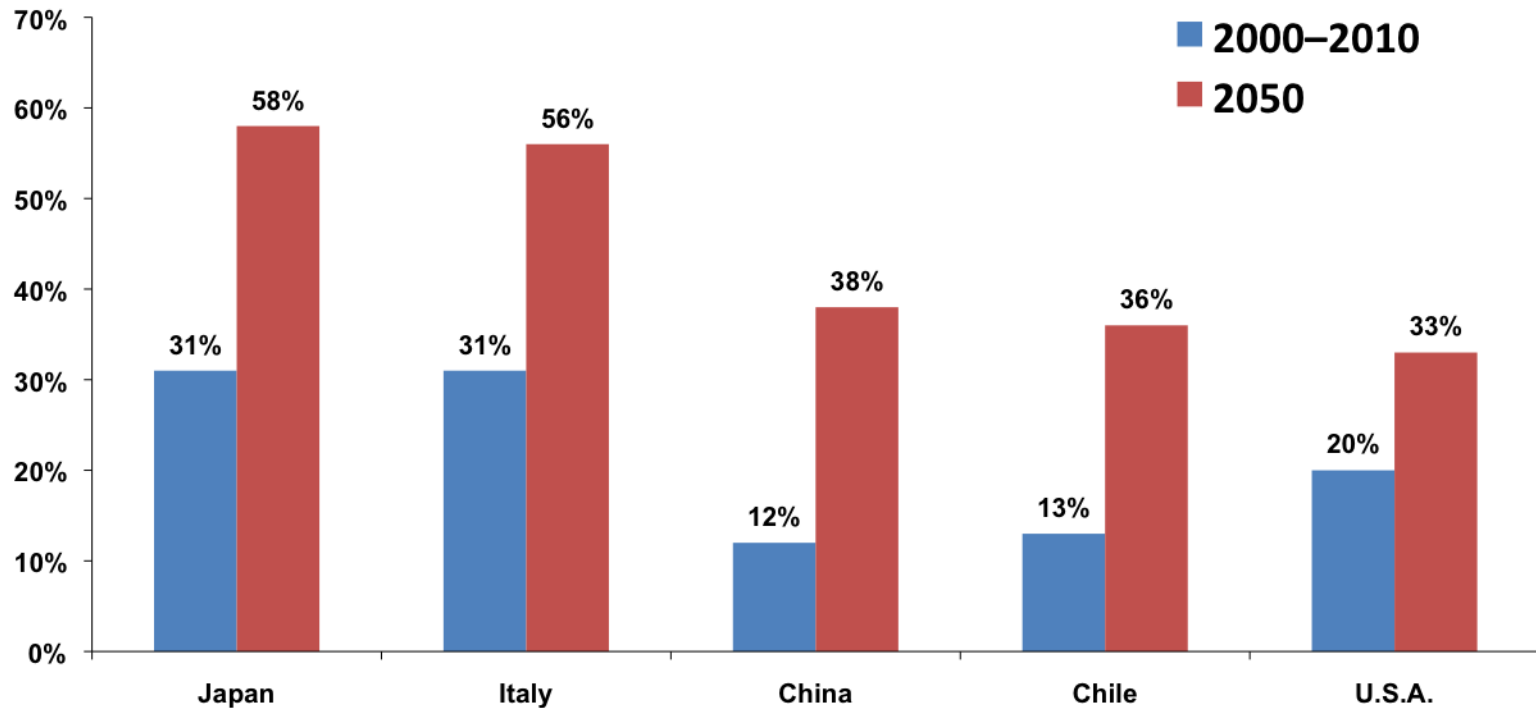
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# Shifting Demographics

Across the developed and developing world, aging demographics are causing major shifts in population segments, changing dramatically the worker to retiree ratio

Percent of the population over the age of 60



Sources: U.S. Census Bureau International Database (updated 2007), UN World Population Prospects (2004)

# U.S. Retirement System

## **Government Program**

Social Security – PAYGO: Employer pays 6.2%; Employee pays 6.2% (4.2% in 2011) on up to \$106,800 in earnings; and progressive benefit structure (replaces 71% of average lifetime earnings for the lowest household lifetime earnings quintile)

## **Employer-Sponsored Plans**

DB and DC retirement plan designs and employer-sponsored IRAs; employer and employee contributions; limits on DB final benefits and DC annual contributions

## **Personal Tax-Advantaged Retirement Saving**

IRAs – contribution limits are lower than in employer-sponsored plans; before-tax and after-tax contribution opportunities (based on income and employer-sponsored retirement plan coverage)

# Australian Retirement System

## **Government Program**

Age Pension – Currently, individuals can receive up to \$19,000AUD per year or nearly \$31,000AUD for married couples; benefits are phased out based on income and assets (means tested)

## **Employer-Sponsored Plans**

Superannuation – individual accounts with mandatory employer contribution of 9%; since 2003, government contributions for lower-income workers; mainly DC

## **Personal Tax-Advantaged Retirement Saving**

Individuals may make additional voluntary contributions into their superannuation account

# European Retirement System

## **Government Program**

Majority of European countries have old age pensions that provide a minimum standard of living – the public pension is set up as notional DC accounts in four nations

## **Employer-Sponsored Plans**

Occupational pensions, personal pensions, stakeholder pensions – DB and DC; mandatory DC more prevalent than voluntary DC

## **Personal Tax-Advantaged Retirement Saving**

Personal accounts, Investment Savings Accounts (ISAs)

# Retirement Systems in Europe: Key Words

**Diversity**

**Subsidiarity**

**Coordination**

**Safety**

**Solidarity**

**Mobility**



# U.K. Retirement System

## **Government Program**

Basic State Pension – PAYGO based on National Insurance Contributions

State Earnings-Related Pension (SERP or S2P) – PAYGO, except can currently “contract out”

## **Employer-Sponsored Plans**

Occupational pensions – DB and DC

Personal pensions, stakeholder pensions (required for 5 or more employees) – DC  
Automatic enrollment with employee opt-out, mandatory employer contributions begins in 2012

National Employment Savings Trust (NEST) – quasi-government run, participant-directed investment vehicle rolls out in 2012, testing begins in 2011

## **Personal Tax-Advantaged Retirement Saving**

Personal accounts, Investment Savings Accounts (ISAs)

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