



CARIBBEAN  
ACTUARIAL  
ASSOCIATION



# GLOBAL POST RETIREMENT SOLUTIONS

*This presentation has been prepared for the 2023 Caribbean Actuarial Association (CAA) Conference.*

*The CAA wishes it to be understood that opinions put forward herein are not necessarily those of the CAA and the CAA takes no responsibility for those opinions.*



## Overview of Global Pension Systems

Review of the Global Pension Index 2022



## Review of Post Retirement Products

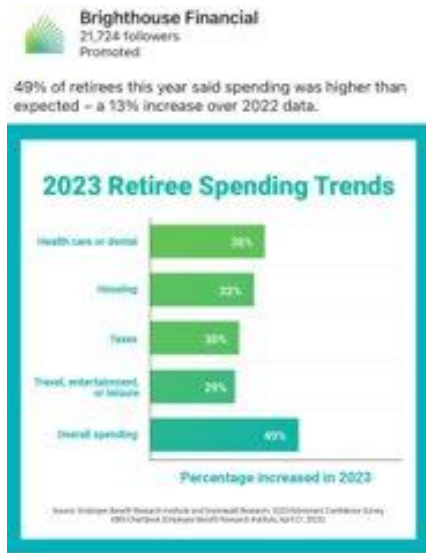
We will look at the global challenges within the post retirement space and what products are available to address these challenges.



## What Global Best Practices can be Applied

Review of key learnings for Caribbean Stakeholders

# World Demographic Realities



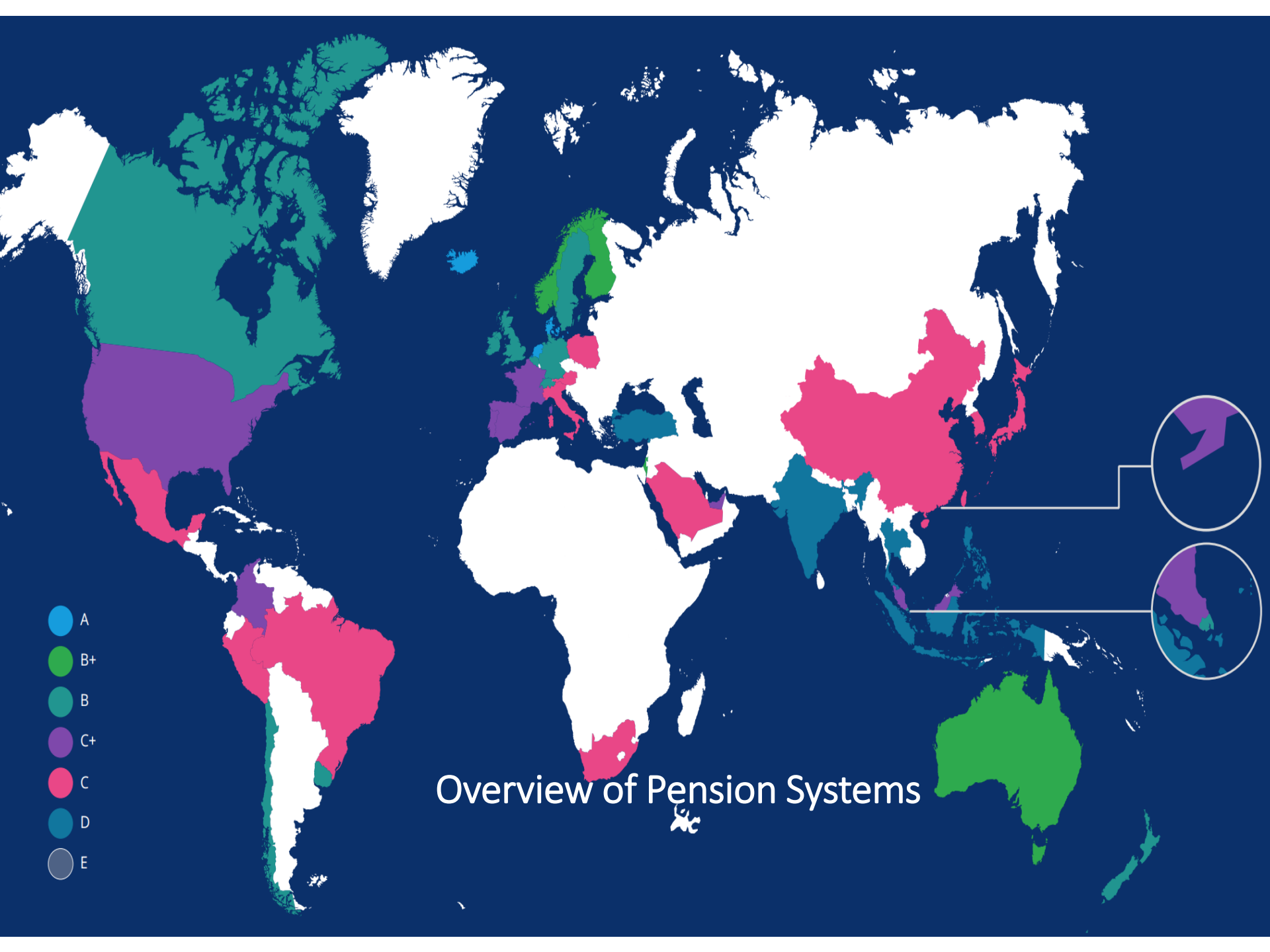
**More Americans Are Working Into Their 80s. What's Keeping Them in the Workforce.**

As the baby boomers age, it's becoming more common for people to



- A
- B+
- B
- C+
- C
- D
- E

# Overview of Pension Systems



# Pension Sustainability Poll

Given what you know about your nation's fiscal health, population demographics and economic situation, how confident are you in the adequacy and sustainability of existing pension systems?

- A. Our system meets basic needs today and into the future
- B. Our system is adequate today but will be strained sometime soon
- C. The current system is inadequate and requires supplemental income
- D. Our system provides little beyond basic safety net benefits
- E. I am not familiar enough with the adequacy or sustainability of our current pension system



# How confident are you in the adequacy and sustainability of existing pension systems?

0

Our system meets basic needs today and into the future

0

Our system is adequate today but will be strained sometime soon

0

The current system is inadequate and requires supplemental income

0

Our system provides little beyond basic safety net benefits

0

I am not familiar enough with the adequacy or sustainability of our current pension system





# Global Pension Outliers

Population demographics and public policy are the largest factors in retirement security

- The Netherlands #2 of 47
- France #22 of 47
- Japan #35 of 47



17.5m  
Dutch



68m French



125m  
Japanese

# Australia Superannuation

Australians rely on a 3-part Retirement Pension: Govt Age is very limited and funded with general tax revenue; The Superannuation is a defined contribution plan that is mandatory for all Australian employers; employees can top up their Super

- Government Age Pension (means tested)
- Guaranteed Super (compulsory ER provided)
- Voluntary Super (salary sacrifice & personal contribution)



**3.5 T**  
Assets Under Management



**A\$27,500**  
Pre-tax Contribution limit



**36%** of ASX Super owned



**8.7m**  
Participants



**A\$102 B**  
Paid out  
YE June 2023



**341K**  
Employers



**31yrs**  
Founded in 1992



# Canada Pension Plan

Some Canadians also have access to a 3-part Retirement Pension: OAS is very limited and funded with general tax revenue; The CPP/QPP is the compulsory retirement savings plan for all Canadians; GIS provides a safety net

- Old Age Security
- Canada Protection Plan (CPP) / QPP
- Guaranteed Income Supplement



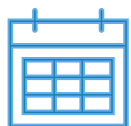
**2.3 T**  
Assets Under Management



**C\$31,510**  
Contribution limit



**1.3m**  
Employers



**CPP**  
Established in 1965



**25.3m**  
Eligible employees



Administered by the Canada Revenue Agency



**10.5%/12.3%**  
ER / EE Contribution Split


# NEST UK

National Employment Savings Trust (NEST) is a defined contribution workplace pension scheme in the United Kingdom. It was set up to augment the State Pension and facilitate automatic enrolment.


- Automatic Enrolment
- Low Costs 0.3% AMC, 1.8% per contribution
- Tax Relief multiplier of 20%
- Portability & Contribution flexibility
- 8% Minimum Contribution (3% Employer, 5% Employee)




**23.6B**  
Assets Under Management




**£406**  
Average p/m Contribution




**9.8%**  
Nest 2040 Fund



**34k**  
Third Party Administrators



**1m+**  
Employers



**11.7m**  
Members



**11yrs**  
Founded in 2012


# USA Secure 2.0

Most Americans rely on private sector sources of retirement security:


- Social Security Income (SSI)
- ERISA Investment options:
  - Defined Benefit Pensions (Corporate, Union, Municipal)
  - Defined Contribution programs:
    - 401(k), 403(b), 457(b), ESOPs, ESPP, etc.
    - IRAs: Trad, Roth, SEP/SIMPLE




**37.8 T**  
In Total Retirement Assets



**\$30,000**  
Combined max annual Contribution




**60m**  
Americans own IRAs




**625K** 401(k) plans cover 60m ppl



**ERISA**  
Became law in 1974



**48.6m**  
Currently retired Americans



**\$9T**  
In Retirement Annuities

# CAA Market Area

	Funding contr. ER / EE / total	Ret age	Work req	Safety net?	Life exp (w)
Barbados	6.75% / 6.75% / 13.5%	67	10 years	Y	80.3
DR	7.1% / 2.87% / 9.97%	60	30 years	Y	77
Grenada	4% / 4% / 8%	60	10 years	N	74.9
Haiti	6% / 6% / 12%	55	20 years	Y	65.5
Jamaica	2.75% / 2.75% / 5.5%	65	10 years	Y	75.9
Saint Lucia	5% / 5% / 10%	65	15 years	N	77.3
The Bahamas	5.9% / 3.9% / 9.8%	65	10 years	Y	75.7
Trinidad & Tobago	8.8% / 4.4% / 13.2%	60-65	15 years	Y	76



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# Pension & Post-Retirement Challenges Poll

Again, based on what you know of your nation's existing pension and post-retirement solutions, what do you feel is the biggest challenge to long-term sustainability of retirement security?

- A. Economic stability, interest/inflation and market volatility
- B. Availability of products spanning the income and risk spectrum
- C. Complexity/cost of policy & investment administration limiting options
- D. Government & Regulatory requirements hampering innovation
- E. Consumer resistance to assuming more of the accumulation burden





# What do you feel is the biggest challenge to long-term sustainability of retirement security?

1

Economic stability, interest/inflation and market volatility

0

Availability of products spanning the income and risk spectrum

0

Complexity/cost of policy & investment administration limiting options

0

Government & Regulatory requirements hampering innovation

0

Consumer resistance to assuming more of the accumulation burden

# Post Retirement Challenges



## Sequencing Risk

The risk of earning less than expected on the investment account or a market crash when your account balance is at its highest.



## Consumption

The risk of underestimating the amount of goods and services needed in retirement.



## Inflation

The risk of unforeseen price increases of those goods and services. This covers both general increases in inflation of the goods and services as well as spikes in inflation.



## Longevity

The risk of living longer than expected. And ensuring you have sufficient money to cover your life expenses.

# Products for Post Retirement

## Canada

- Registered Retirement Savings Plan (RRSP)
- Tax Free Savings Account (TFSA)
- Others: IPP, FHSA, LIRA, RRIF, LIF, Seg Funds, etc.

## United Kingdom

- Pension Transfer, Annuity & Drawdown
- Life-wrapped funds
- ETFs, REITs
- ISAs, SIPPs, FISAa, IFISAs

## United States

- Retirement Annuities: Variable, RILA, Fixed Deferred, Fixed Indexed, Structured Settlements, CDA, IOVA
- TDFs, Mutuals, ETFs, Hedges & REITS

## Australia

- Fixed Income Annuities
- Investment/Index Linked Annuities
- GMWBs are pending for 2024



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# Best Practices / Lessons Learned

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In this world nothing is certain, except death, taxes and.....annuities.

- Hybrid Arrangement with multiple products and product diversity
- Fostering Auto-Enrolment and other Behavioural Finance Strategies
- Technology facilitates product creativity & complexity
- Increase the financial literacy of retirees
- Government, Employer and Individual support during Accumulation
- Asset Allocation – in plan annuities, ETFs, TDFs, alternatives





**Thank you.  
Questions?**

