

The Changing Face of Retirement In Europe

May 2012



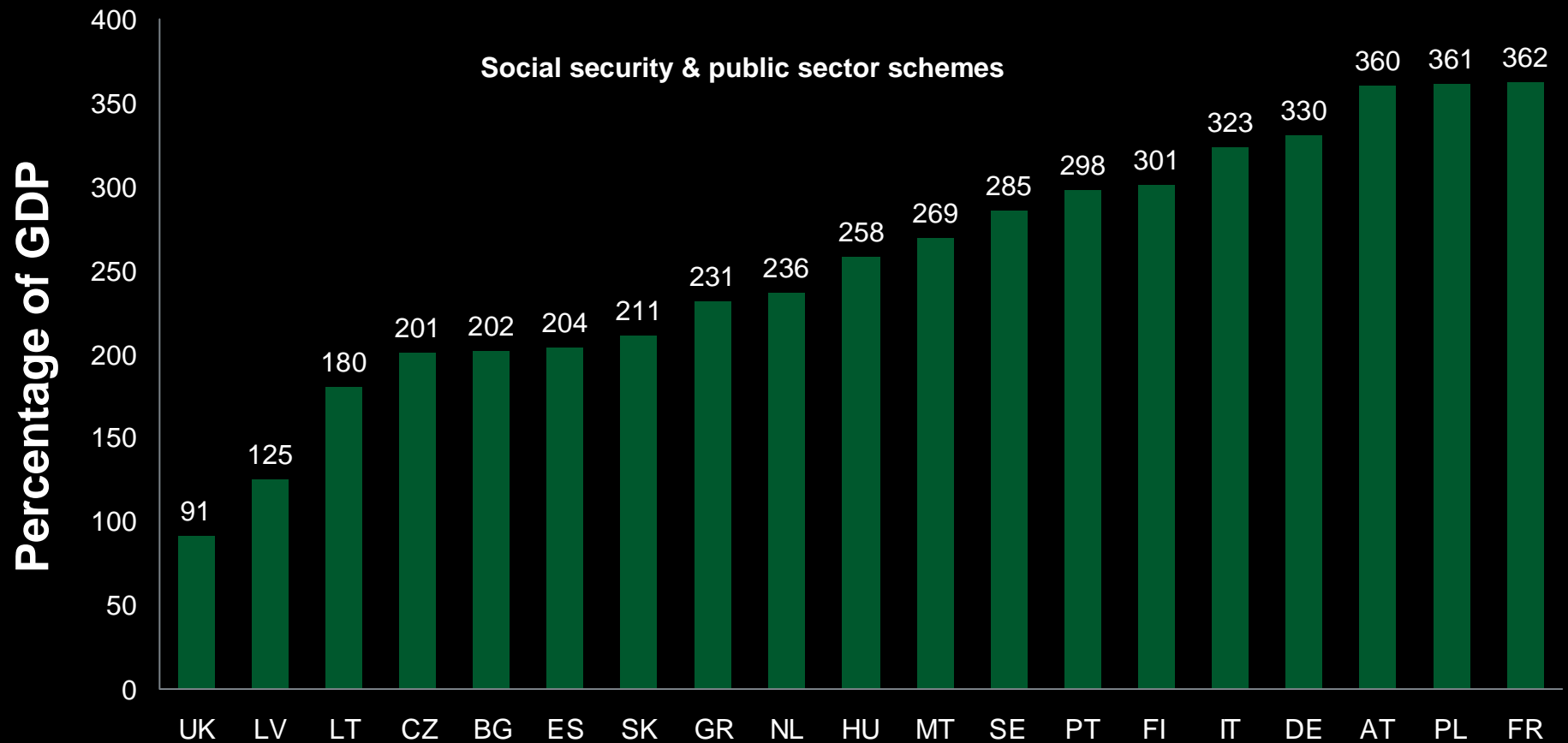
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Agenda

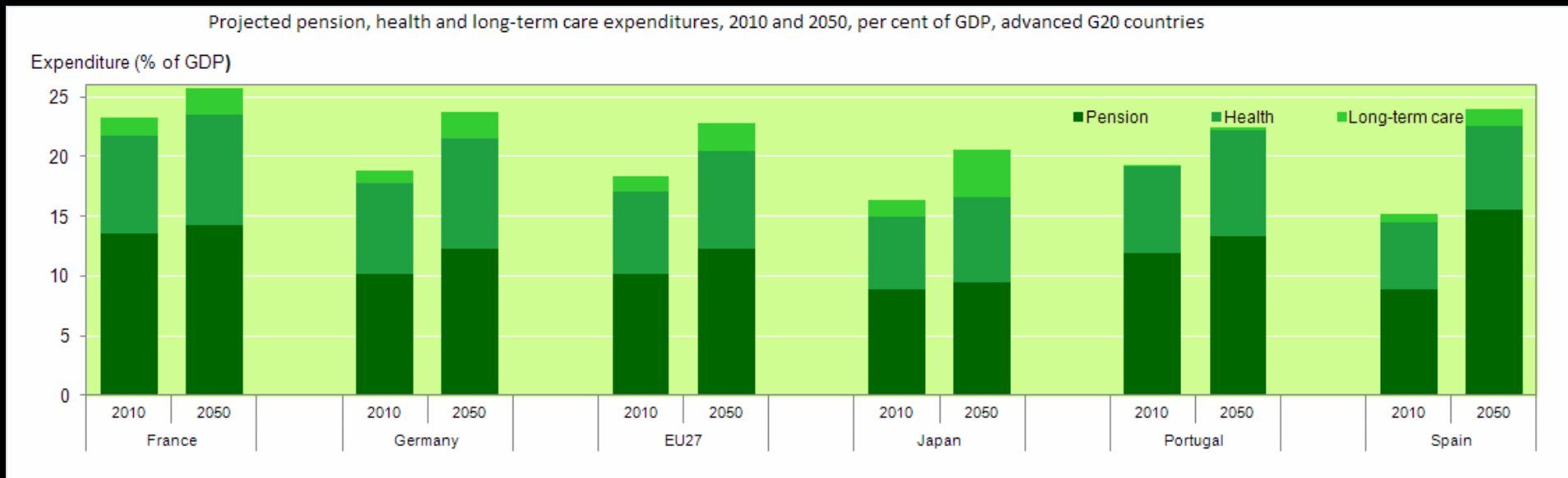
- The Future of Retirement in Europe
- Weighing the Policy Response
- Considering Portugal

Sizing Implicit Debt



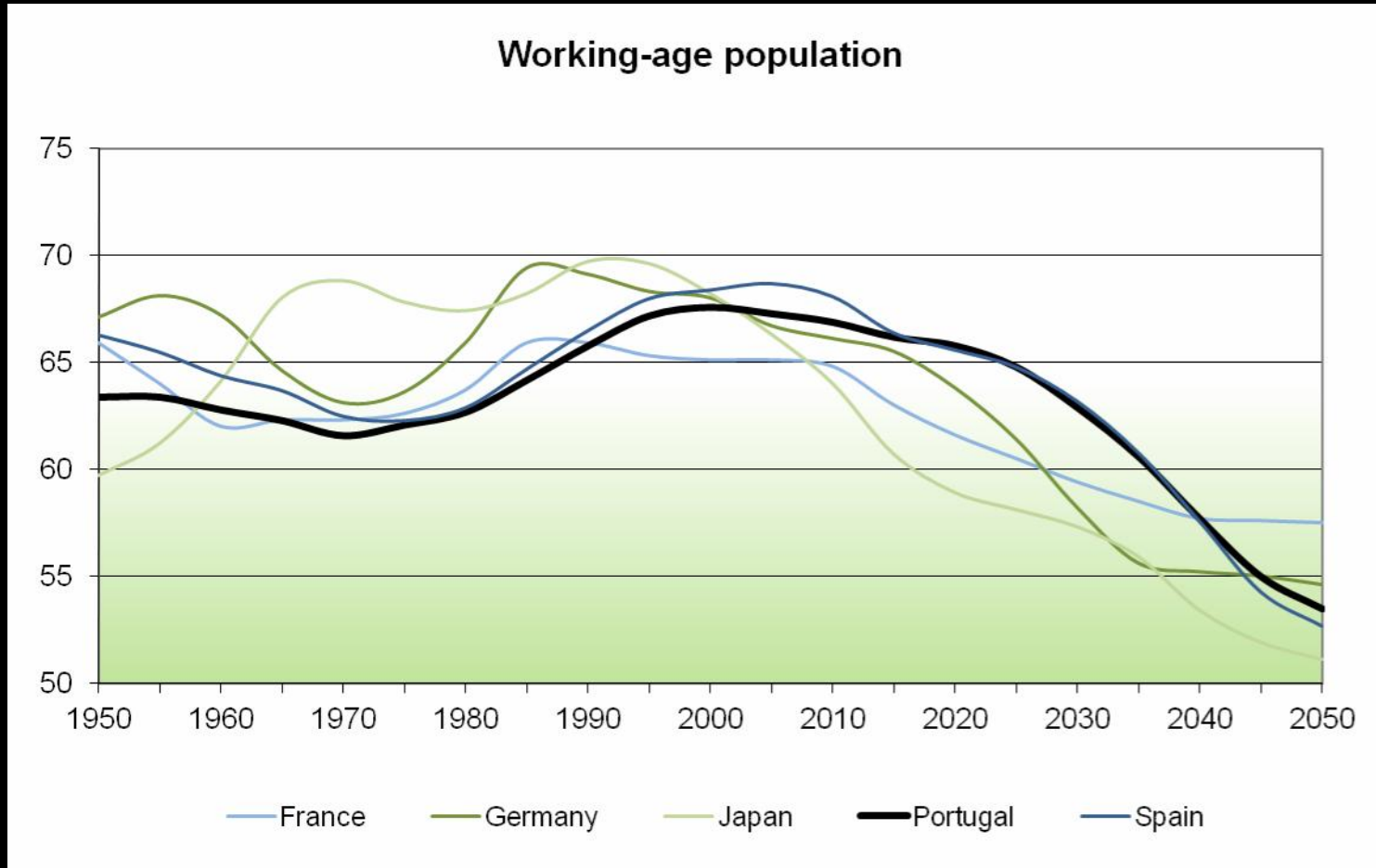
Source: Müller Freiburg University 2009

Increasing Levels of Implicit Debt



Source: OECD
09 May 2012

Declining Workforces – Pressure on GDP



Weighing the Policy Response

Downsize social security to a sustainable level

Channel retirement savings towards growth

Help people, help themselves

A Portuguese Response

Downsize Social Security

	EU Examples	Already applied in Portugal
Adjusting Pensions in Payment		
- Limit indexation	Ireland, Greece, Spain, UK	Yes
- Cap pensions	Greece	To a limited extent
- Introduce a longevity factor	Netherlands, Norway	Yes
Increase the Normal Retirement Age		
	Poland, Netherlands, UK, France, Ireland, Finland	No
Contribution Adjustments		
- Introduce cap	UK, Spain, Italy	No
- Increase contributions	Finland	No
- Limit benefits but not contributions	Switzerland, Greece	No
Adjust the Formula		
- Extend participation period	Austria, France, Luxembourg, Spain, Sweden, Italy	Yes
Tax on Pillar II		
	Ireland, UK	No

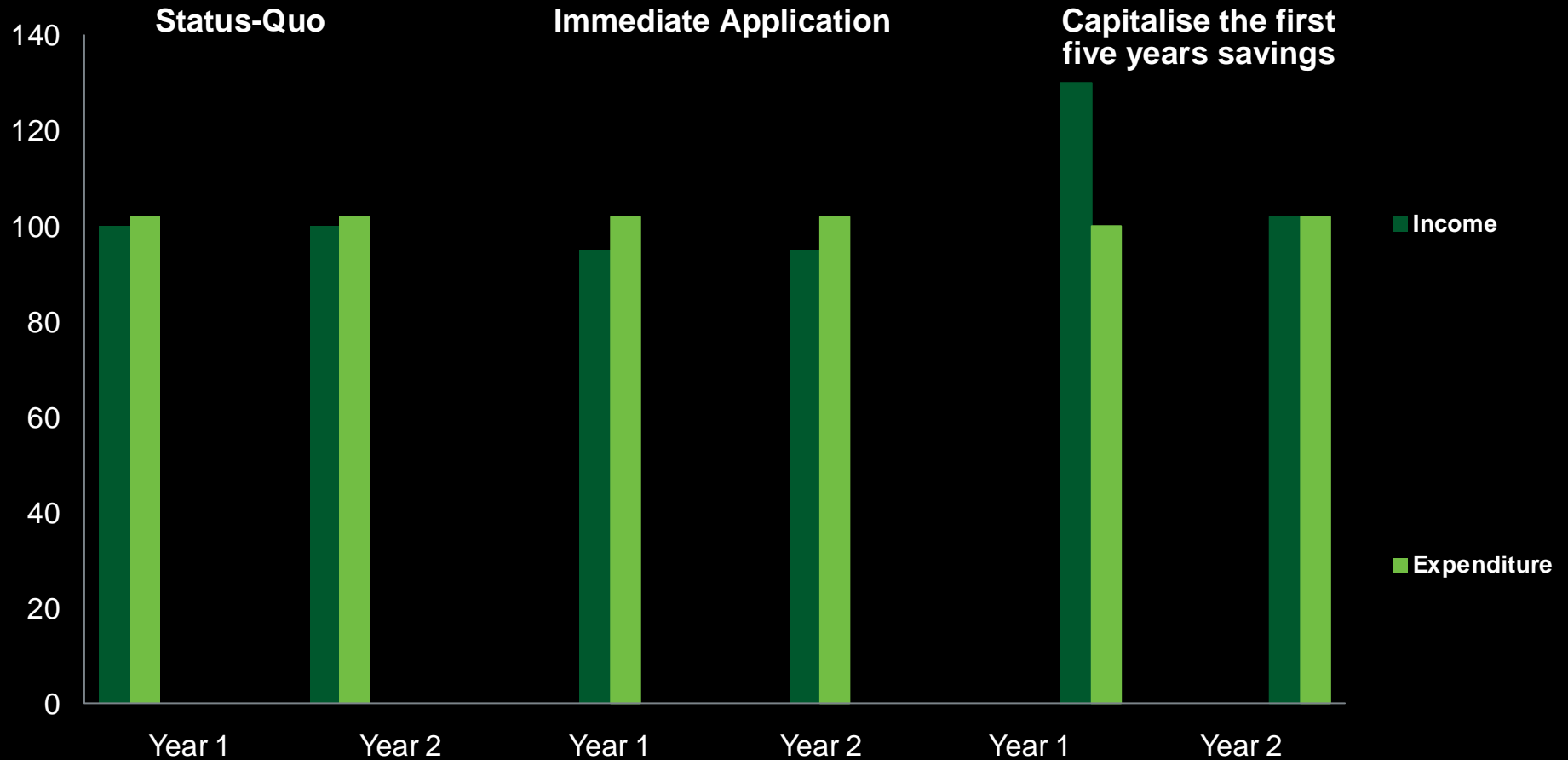
A Portuguese Response

Focus on the Cap Option

- What's the difference between a government and an employer?
 - Negotiation, and....
 - Accounting

A Portuguese Response

Focus on the Cap Option



A Portuguese Response

Channel Retirement Savings Towards Growth

Examples

Mandatory funded Pillar II schemes

Switzerland, The Netherlands, Sweden

Mandatory defined contribution systems

- Full choice
- Restricted choice

Australia, Hong Kong, New Zealand
Singapore

Auto-enrolment

UK

A Portuguese Response

Help People, Help Themselves

- The story so far with FCR (Fundo dos Certificados de Reforma)
 - Voluntary
 - Low take-up
 - Bond based returns
 - A centralised fund
- Lessons from elsewhere in considering the next step
 - Tax incentives take-up by the wealthy in the main
 - Mandatory or auto-enrolment
 - Phasing the introduction
 - Individual accounts encourages acceptance AND
 - Some luck helps....

QUESTIONS AND ANSWERS



