



Insurance Research
Center (IRC)



MUISEF
İslam Ekonomisi ve
Finansı Enstitüsü

Private Pension Insurance: Automatic Participation in Türkiye

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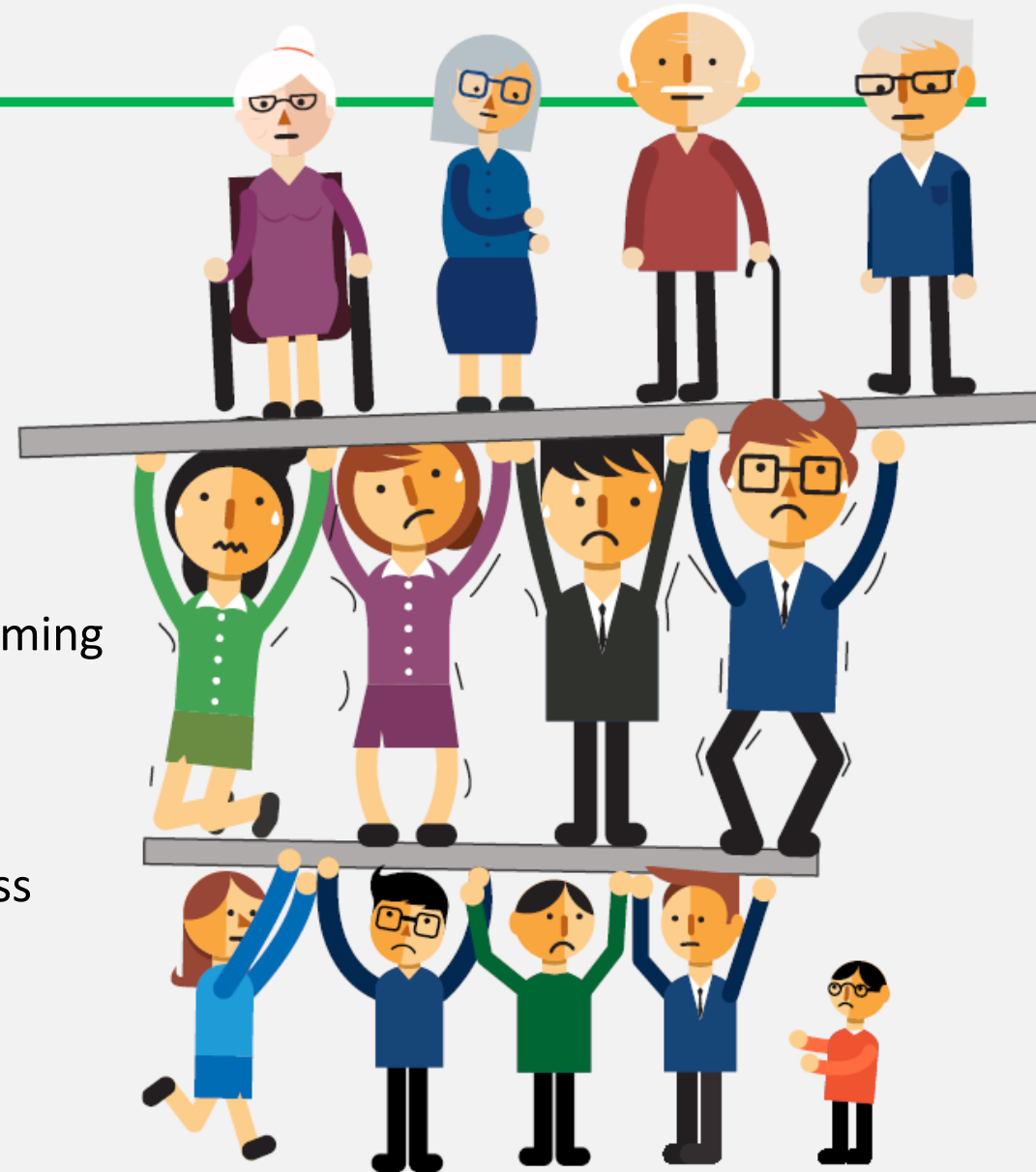
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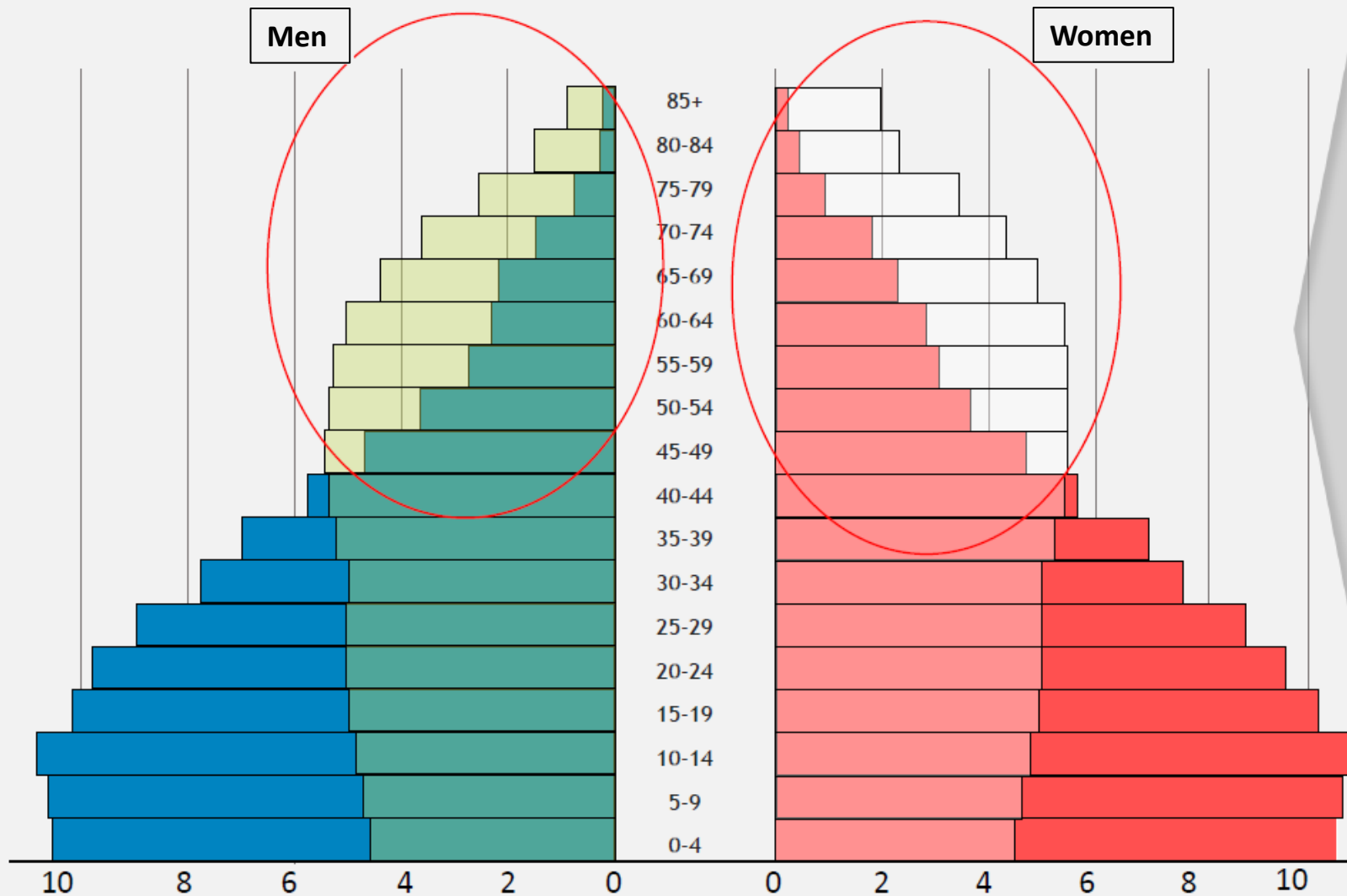
Individual Retirement System (IRS)

Demography is Changing

- The aging population and states pose risks for individuals.
- The social security system is not sustainable.
- In addition to the first tier, the other two tiers are becoming important: Automatic Participation is Essential
- Effective communication and providing accurate and detailed information to the public to increase awareness about risks and the system are critical.



Why Individual Retirement System?



THE PYRAMID IS REVERSING
According to Eurostat data, the world is rapidly aging. The population distribution, which has been decreasing from a younger population to an older one in the 2000s, will change rapidly until the year 2050. In 34 years, the largest population group will be between 45-60 years old.

Source: EUROSTAT

Why Individual Retirement System?

THE NUMBER OF WORKERS PER RETIREE

2020



1.6 WORKERS

2017



1.9 WORKERS

1980



3.3 WORKERS

1 RETIREE



Why Individual Retirement System?

Continuing to work for retirement

- Due to the insufficiency of their income, a significant portion of retirees continue to work.
- The percentage of people who continue to work despite being retired is over 30%.

Inadequacy of Retirement Income

- Turkey ranks 42nd out of 50 countries in terms of "Adequacy of Retirement Income"...
- The ratio of retirement pension payments has dropped to 50% after 2008.
- Financial difficulties during retirement and the retirement period are major concerns.



Reducing Youth Unemployment

- Maintaining the living standards in retirement, reducing the number of working retirees and young unemployed individuals, and contributing positively to employment.

Lack of Personal Savings

- A significant portion of current employees do not save due to income insufficiency.

Why Automatic Participation?

The Development of the Individual Retirement System

2003

IRS has been implemented

2013

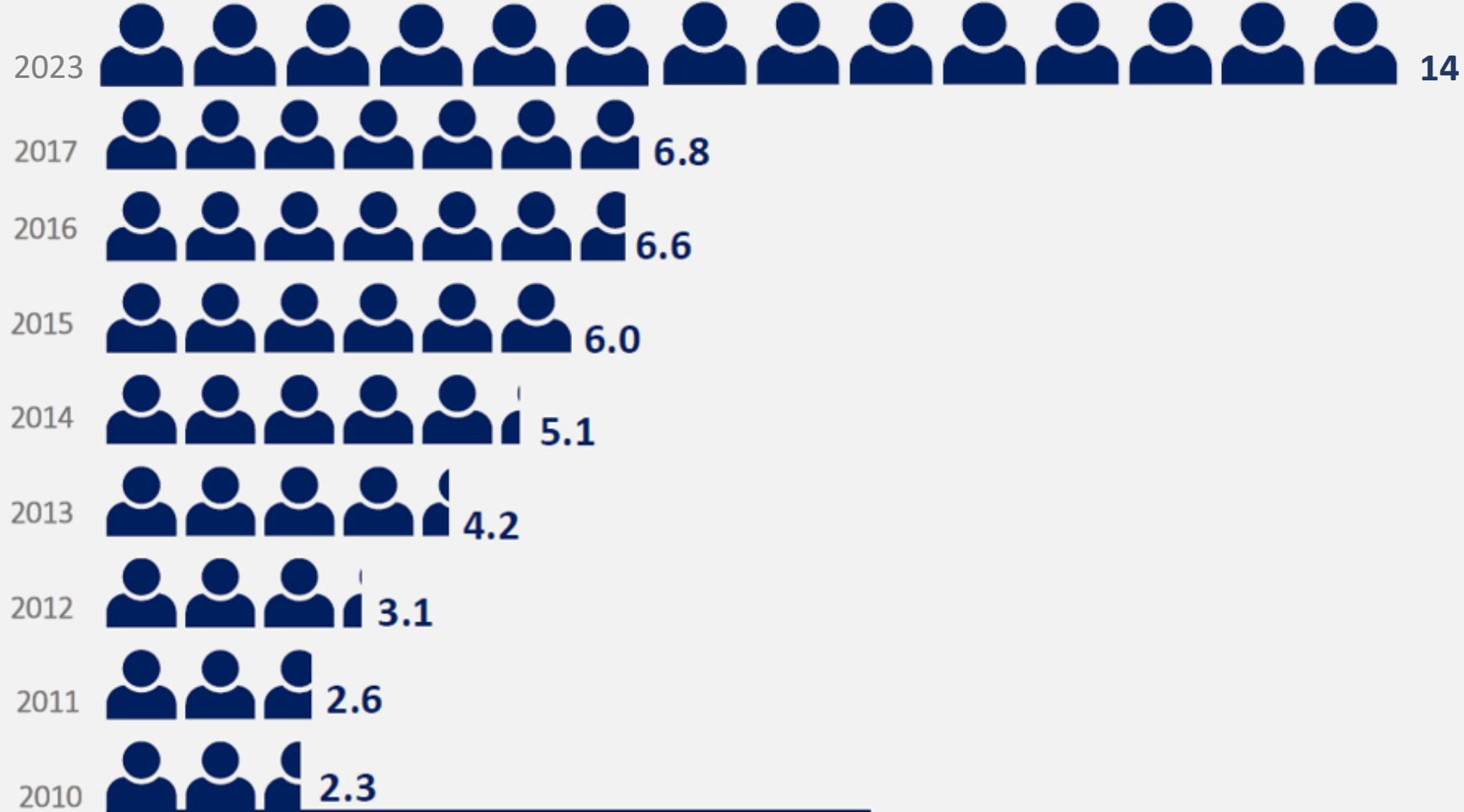
%25 government contribution

2017

Automatic Participation in IRS

Individual Retirement Statistics

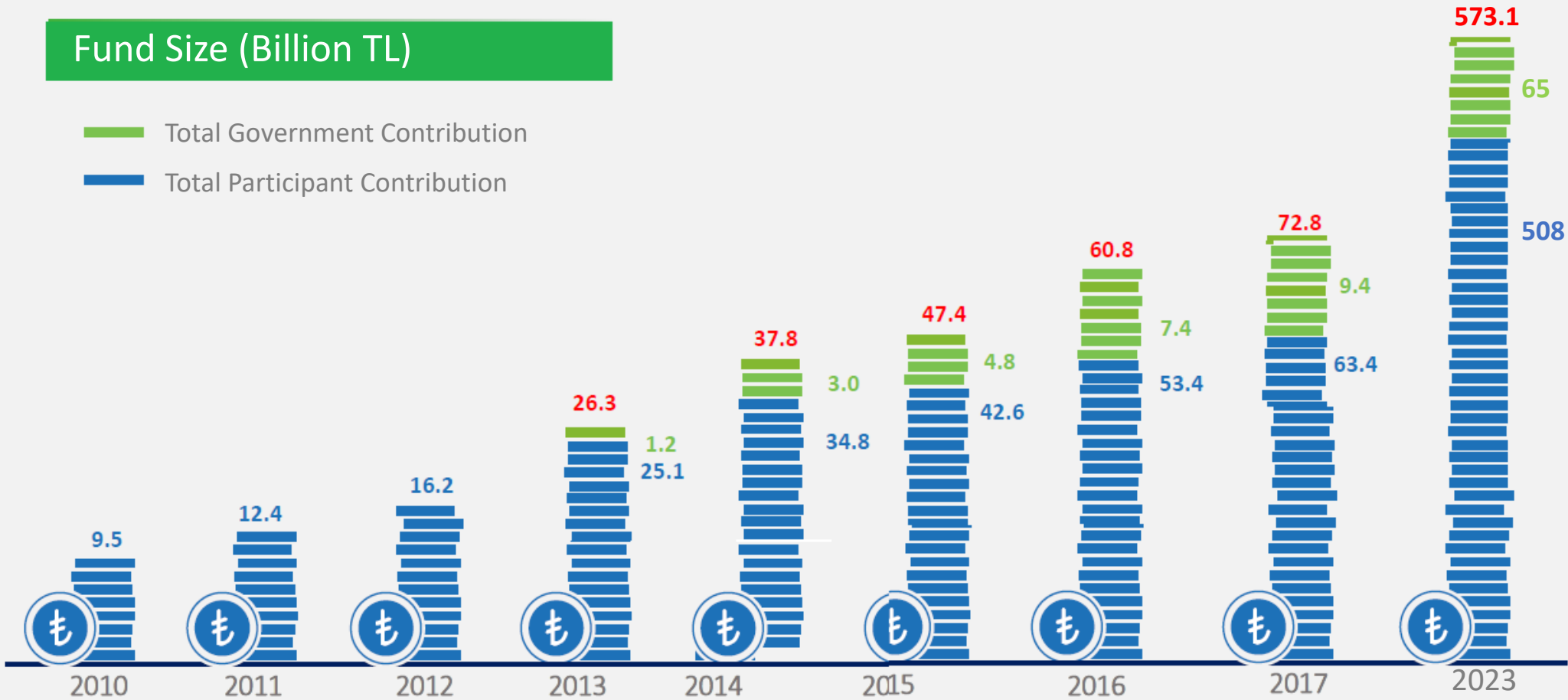
Number of Participants (Millions)



Individual Retirement Statistics

Fund Size (Billion TL)

- Total Government Contribution
- Total Participant Contribution



What is Automatic Participation in IRS?



RETIREMENT COVERAGE EXPANDS

Expanding the inclusiveness of the individual retirement system.



EMPLOYEES ACKNOWLEDGE THE SYSTEM

Employees haven't had enough exposure to the individual retirement system.



HOLDING BACK THE SAVINGS INERTIA

By facilitating entry into the system for employees through ease of use, it restrains individuals' inertia in saving.



INCREASED ENTRY DUE TO AWARENESS

Knowing how to enter the system provides an opportunity for individuals who either don't know how to enter or, despite having the knowledge, choose not to enter.

What is Automatic Participation in IRS?



ADDITIONAL SAVINGS OPPORTUNITY

Aims to enable employees to make additional savings for retirement

EXIT OPTION FROM THE SYSTEM

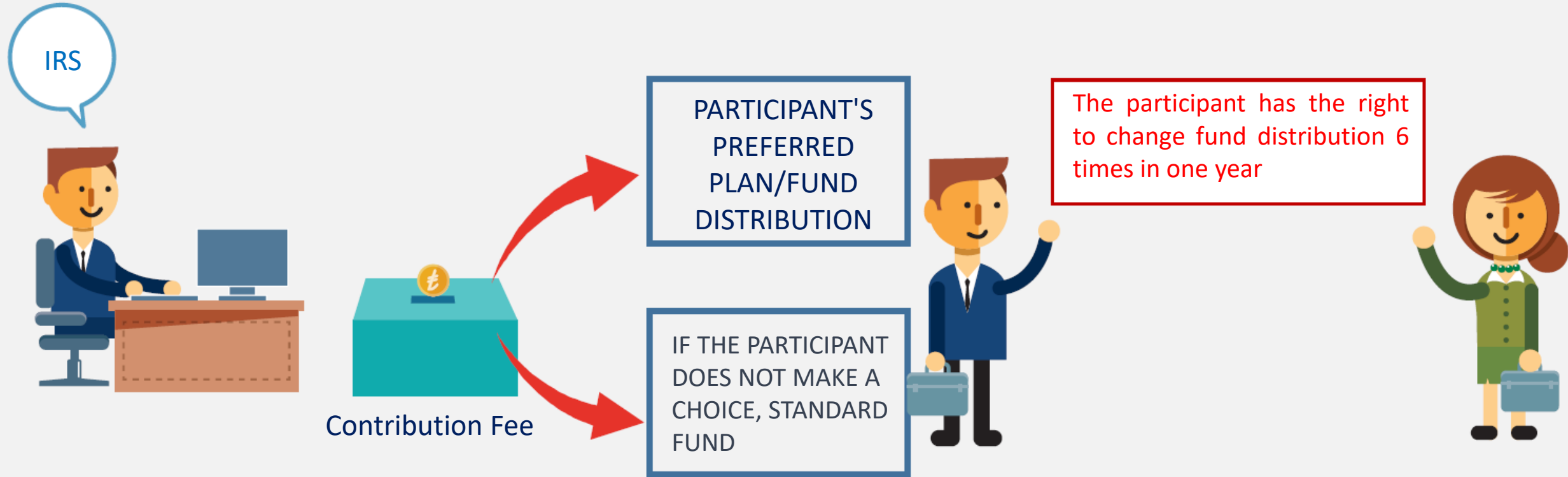
While ensuring automatic enrollment of employees in private retirement plans, an exit option is provided from the system."



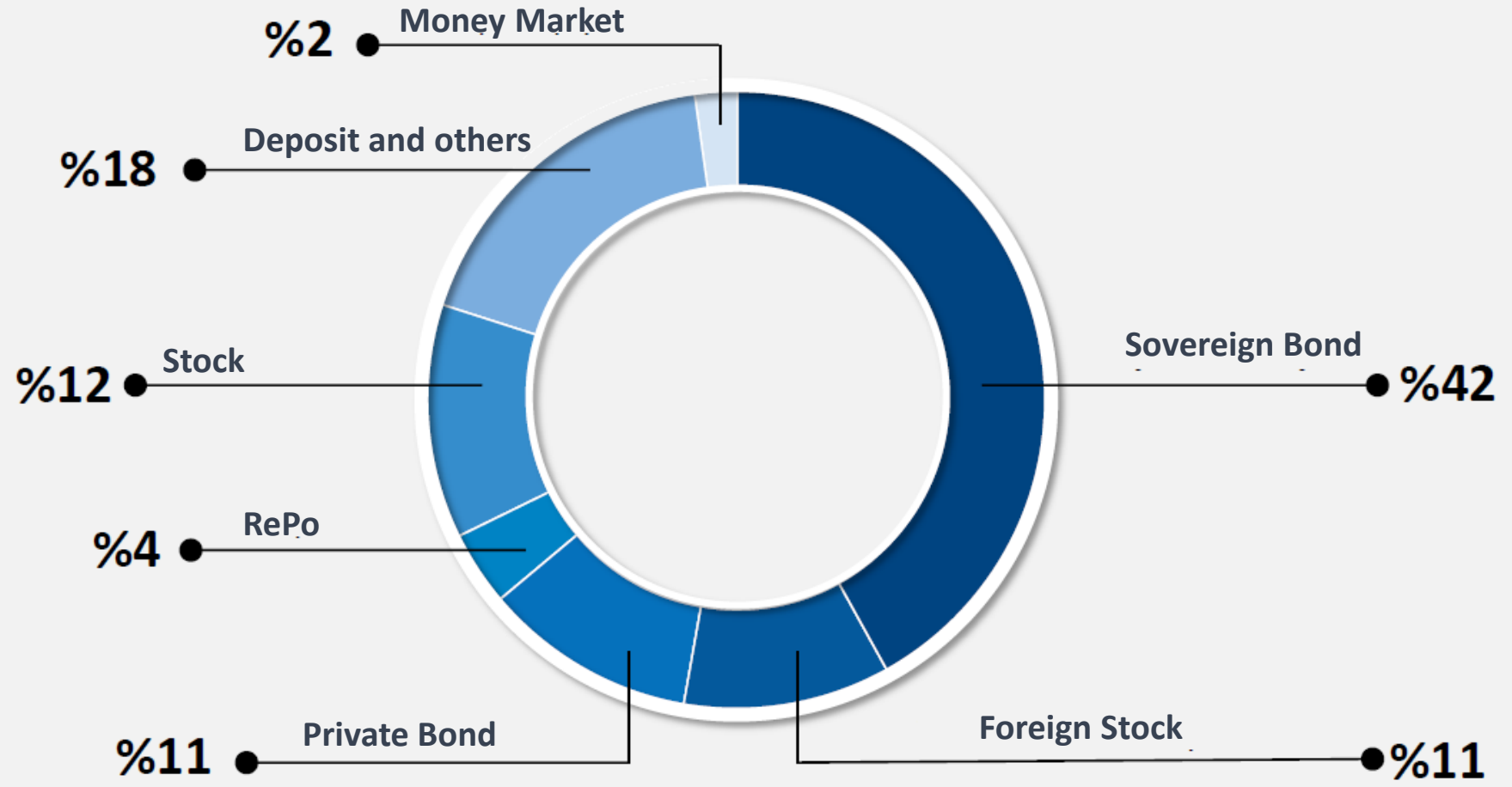
VOLUNTARY BASIS

By adhering to the principle of voluntarism, it places the responsibility of saving on employees

Participants' Fund Preferences in IRS

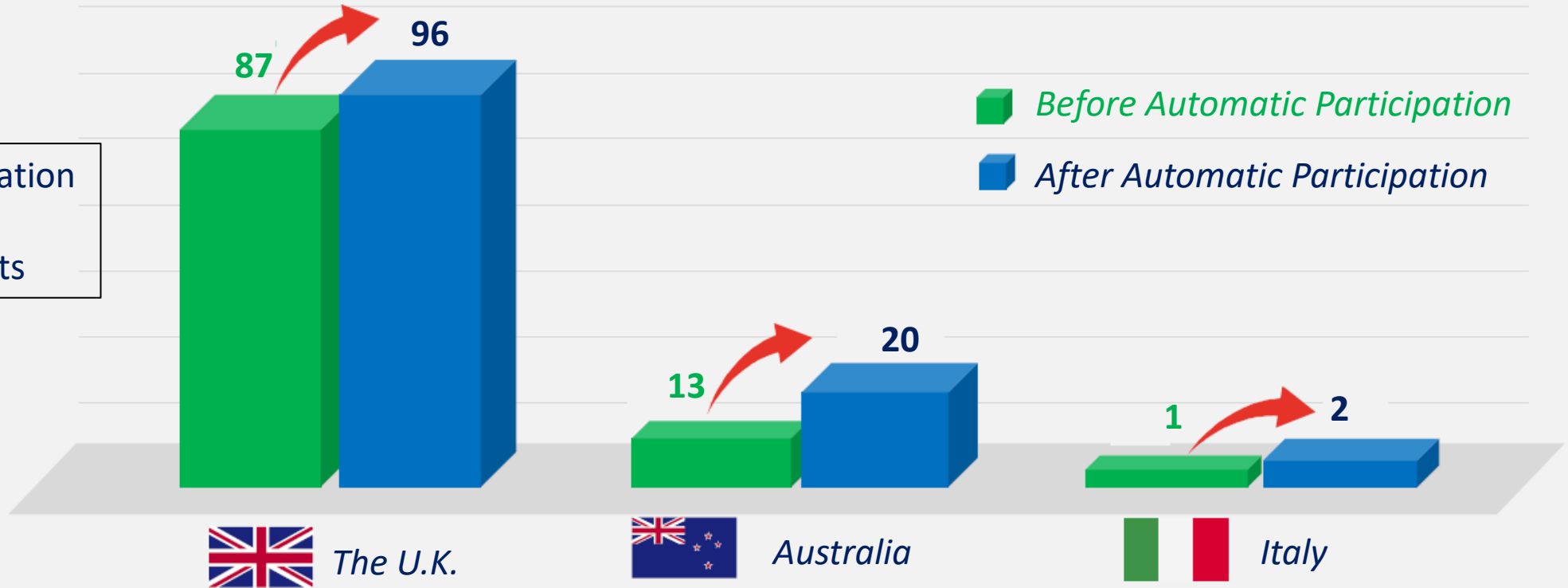


Participants' Fund Preferences



Automatic Participation: Case Studies

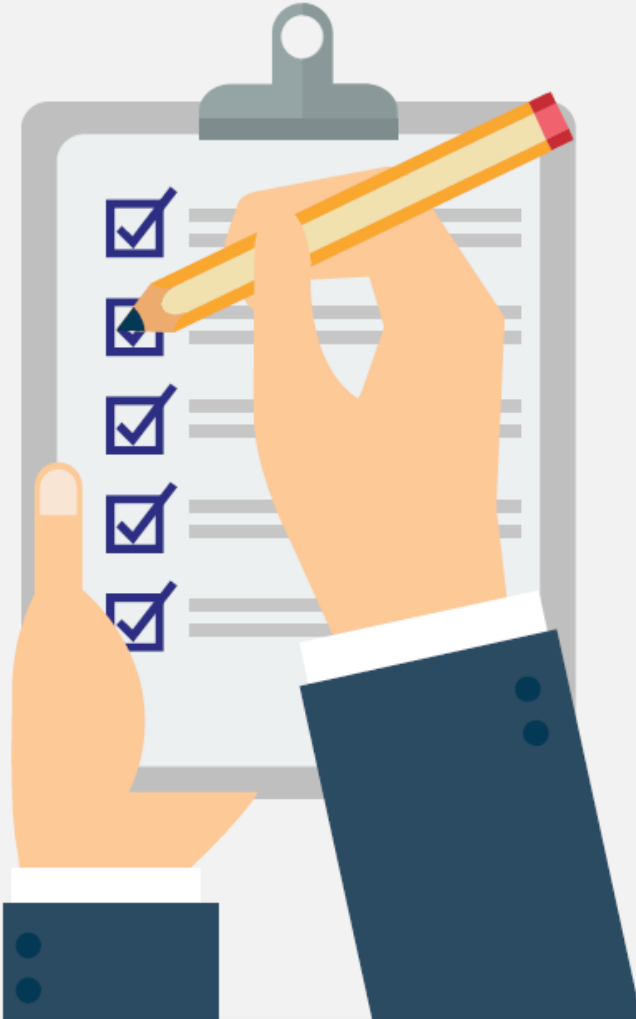
Fund Market to GDP



Automatic Participation increases total savings/investments

Automatic Participation System in Türkiye

Automatic Participation in Türkiye



A legal change was made for employees to be automatically enrolled in the individual retirement system



The implementation came into effect on January 1, 2017.



The law covers all employees under the age of 45 and those who are starting a new job.



In the employer's contribution-free system, employees are required to make a contribution equivalent to at least 3% of their base earnings.



After automatic enrollment, a withdrawal right is granted within 2 months, and the right to exit the system can be used at any time.

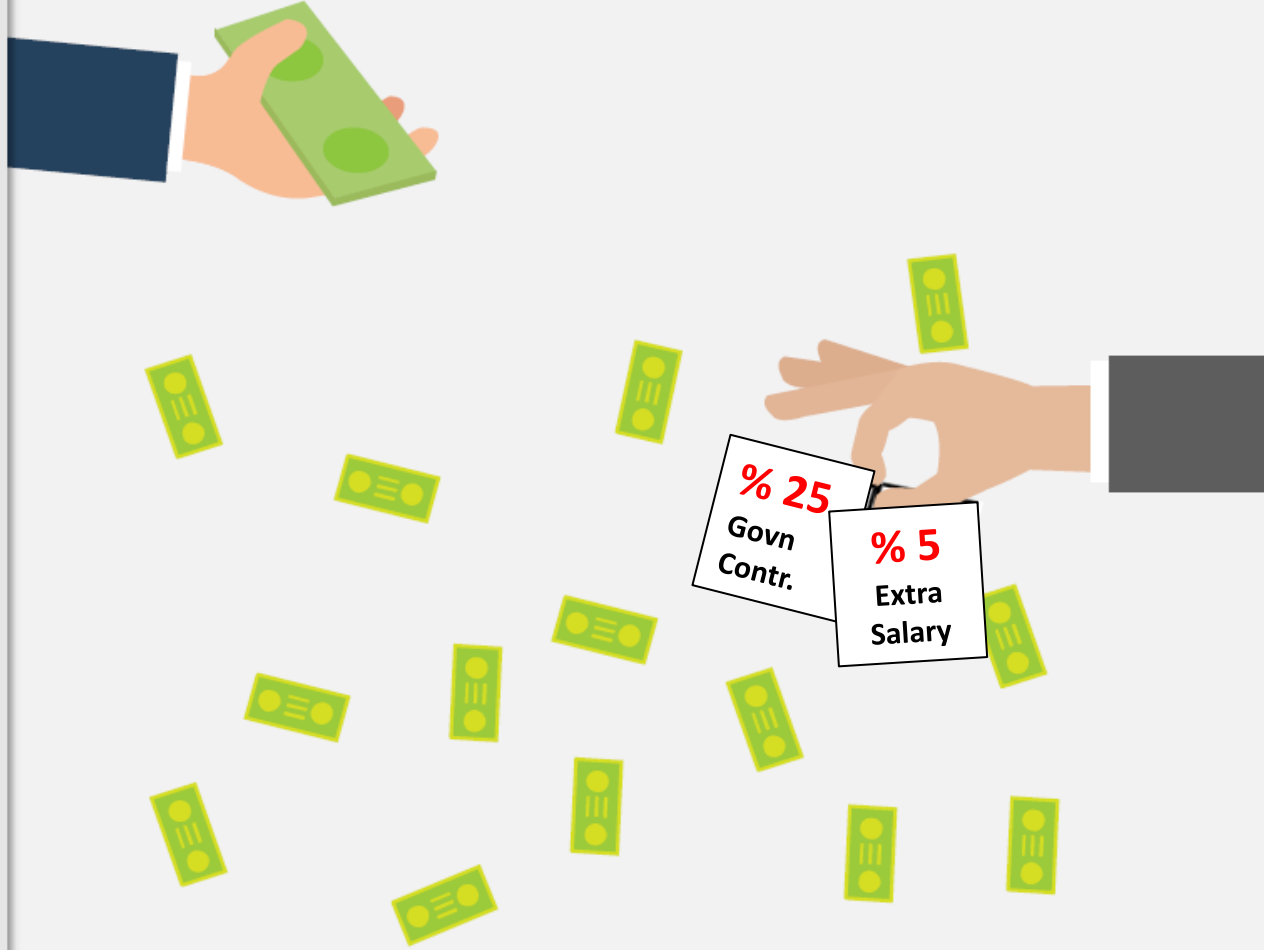
Automatic Participation in Türkiye Government Contribution

1.000 TL
GOVERNMENT SUBSIDY

When the withdrawal period has expired, participants remaining in the system receive a one-time **government contribution of 1000 TL**

%25
GOVERNMENT CONTRIBUTION

Just like in the existing system, in automatic enrollment, an additional **25% government contribution** is provided based on the contribution



%5
Extra Salary

If annual income insurance is obtained for retirement, an additional **5% government contribution** is paid on the savings.

AUTOMATIC PARTICIPATION

Government contribution entitlements are offered under the **same conditions as BES.**

Gradual Transition

Date	Private Sector	Public	Employee	Rate (%)
Jan 2017	1000+		2,190,527	15
Apr 2017	250-999	Law No. 5018	4,006,323	28
Jul 2017	100-249		1,514,052	11
Jan 2018	50-99		1,285,494	9
Jul 2018	10-49		2,701,698	19
Jan 2019	5-9		2,470,123	17
	Total Employees		14,168,218	100

How the System Works?

EMPLOYER AND PENSION COMPANY



Employees under the age of 45 are included in the plan

EMPLOYEES: Individuals under 45, covered under social security institution (4a / 4c) and pension fund participants.



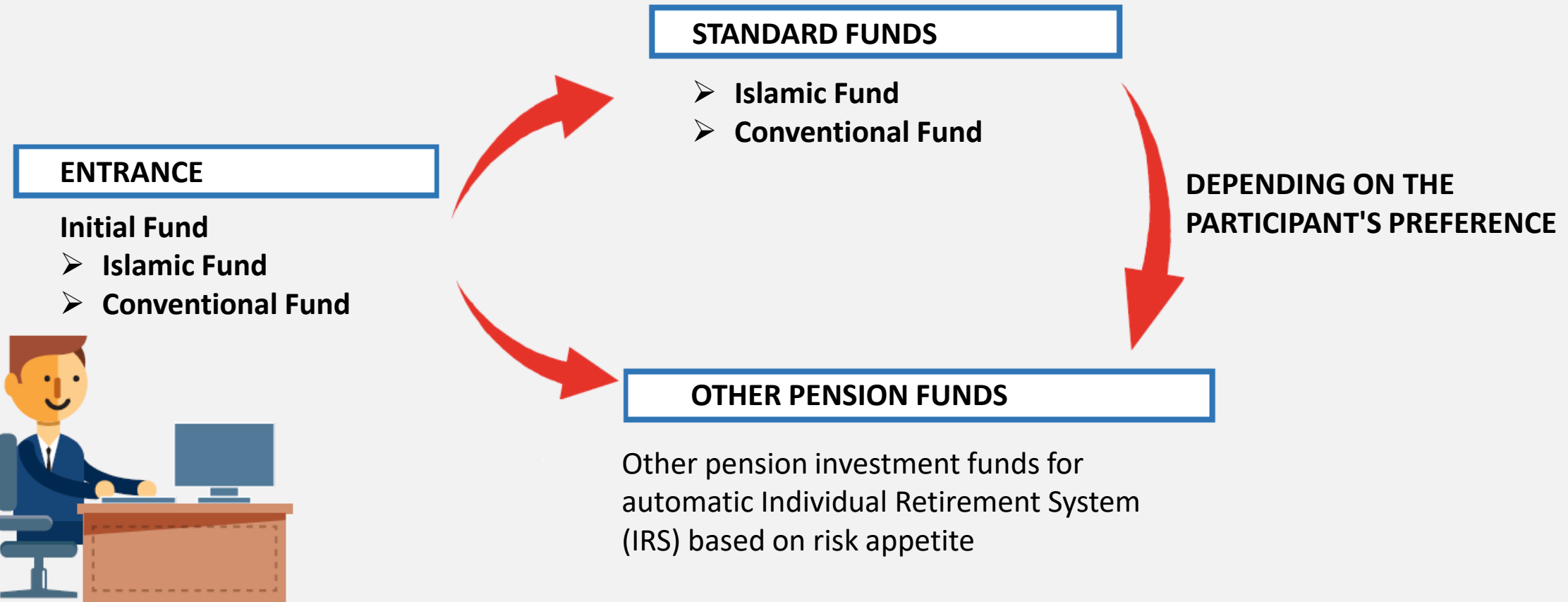
Employees prefer an interest-bearing or interest-free plan

GOVERNMENT CONTRIBUTION



At the end of the month, 25% on a contribution of 1,000 TL; in case of taking out annual income insurance upon retirement, an additional government contribution of up to 5% of the savings

How the System Works?



Conclusion



Automatic enrollment is an important tool in increasing the visibility of the system



Informing employees and the public will provide significant benefits



It will contribute to increasing savings at both the individual and macroeconomic levels.

Thank You
Q&A

For References and Further Questions

- Insurance Association of Türkiye
- Republic of Türkiye Ministry of Treasury and Finance
- Insurance and Individual Retirement Regulatory and Supervision Agency