



Policy lessons for the design,
introduction and implementation of
non-guaranteed lifetime retirement
income arrangements

14 February, 2023

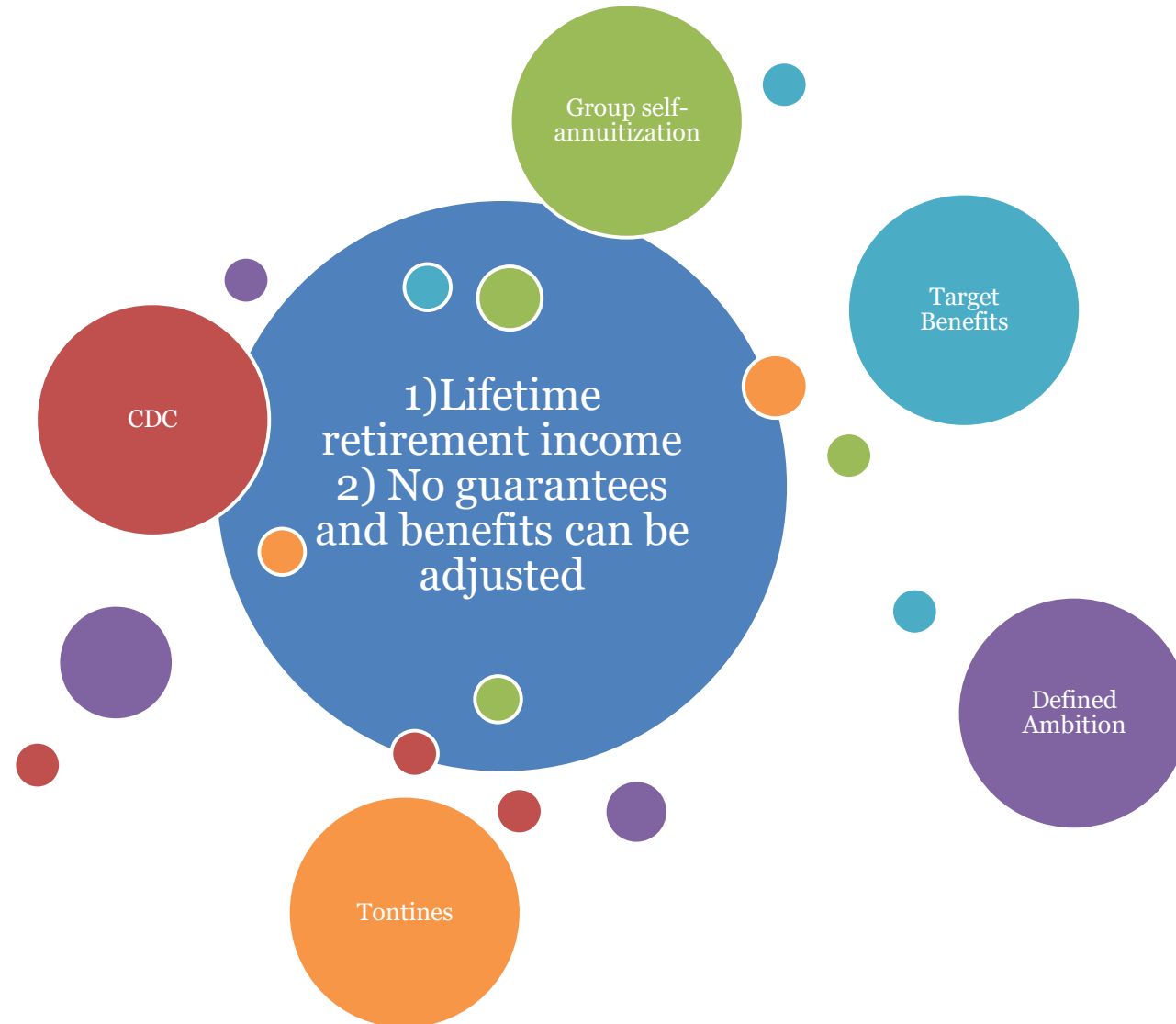


OECD Pensions Outlook
2022



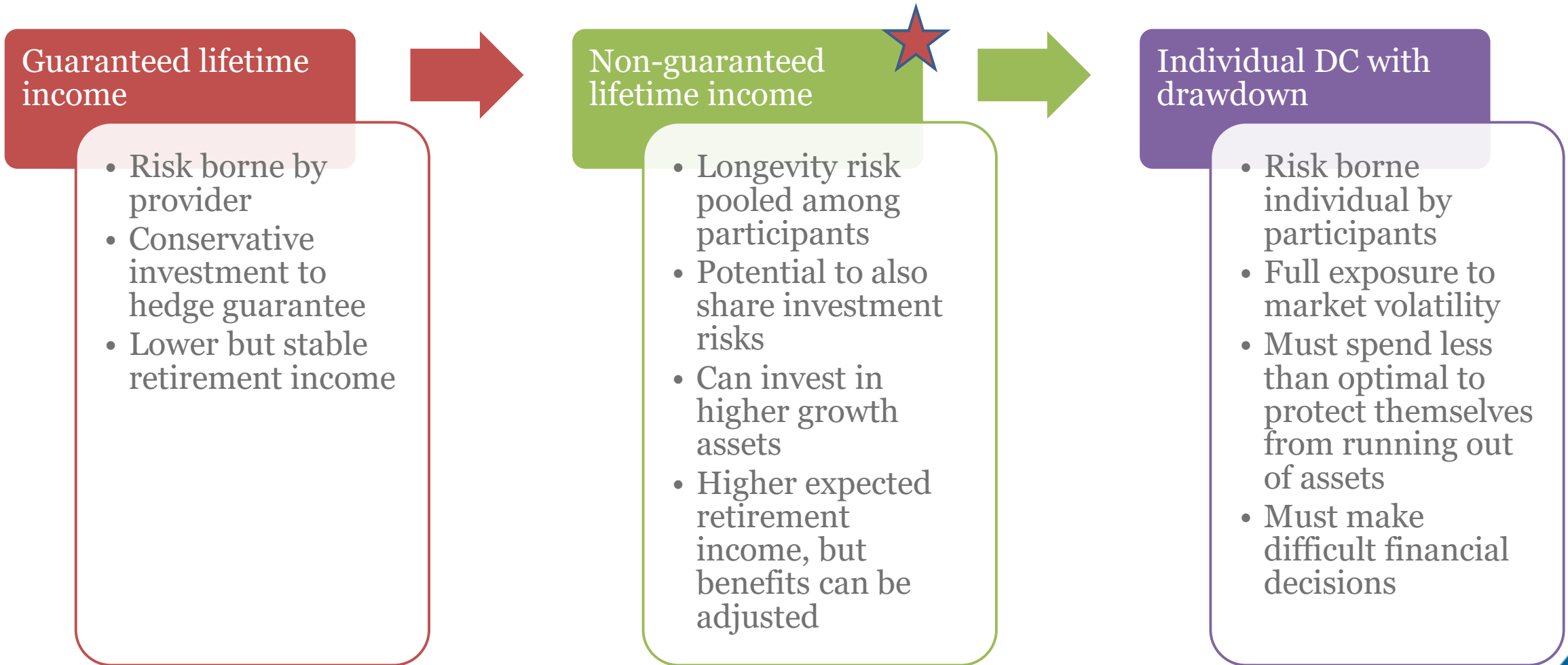


What are non-guaranteed lifetime retirement income arrangements?





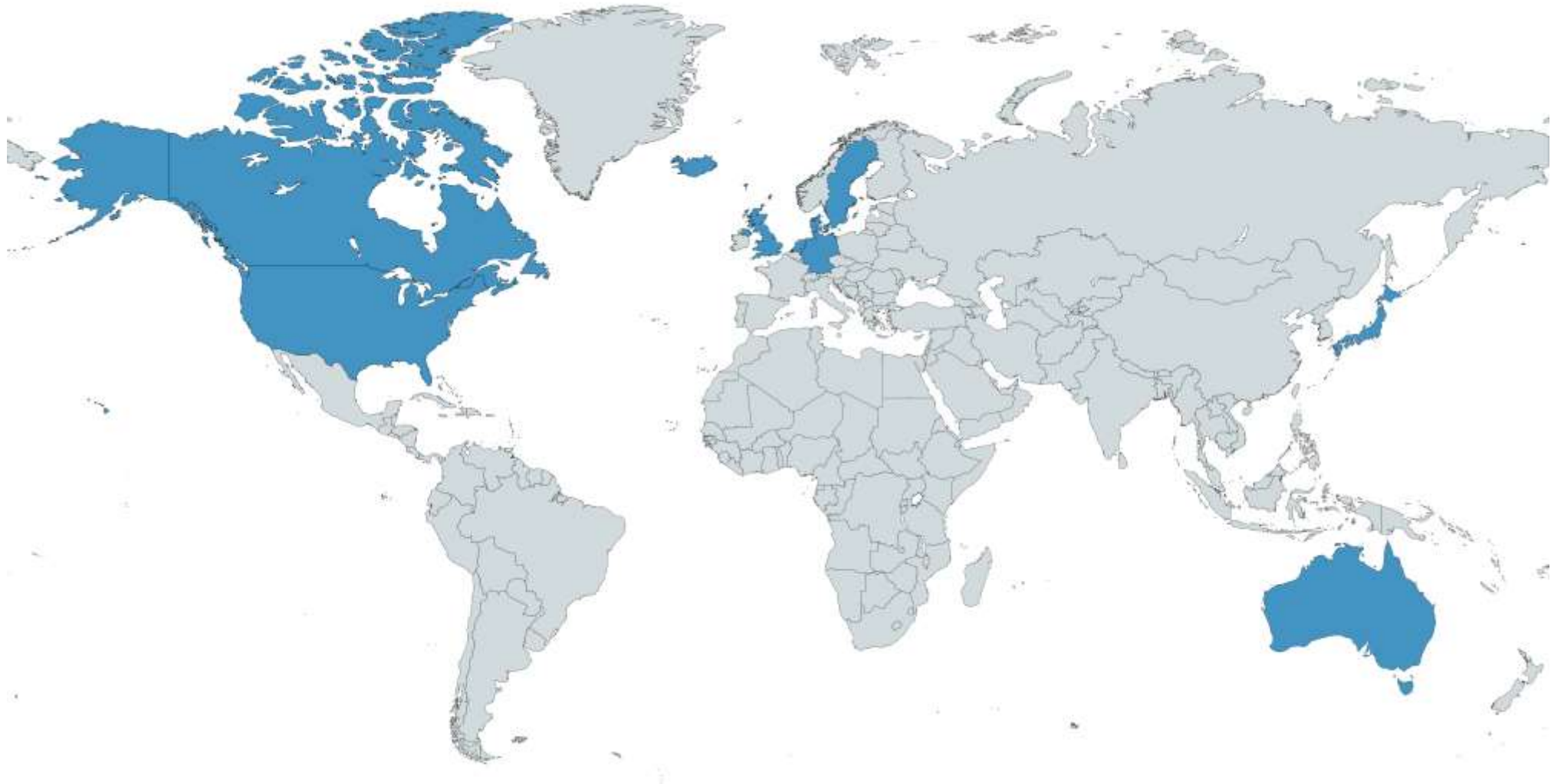
Why non-guaranteed lifetime retirement income?



➤ But many challenges to overcome for their design, introduction and implementation

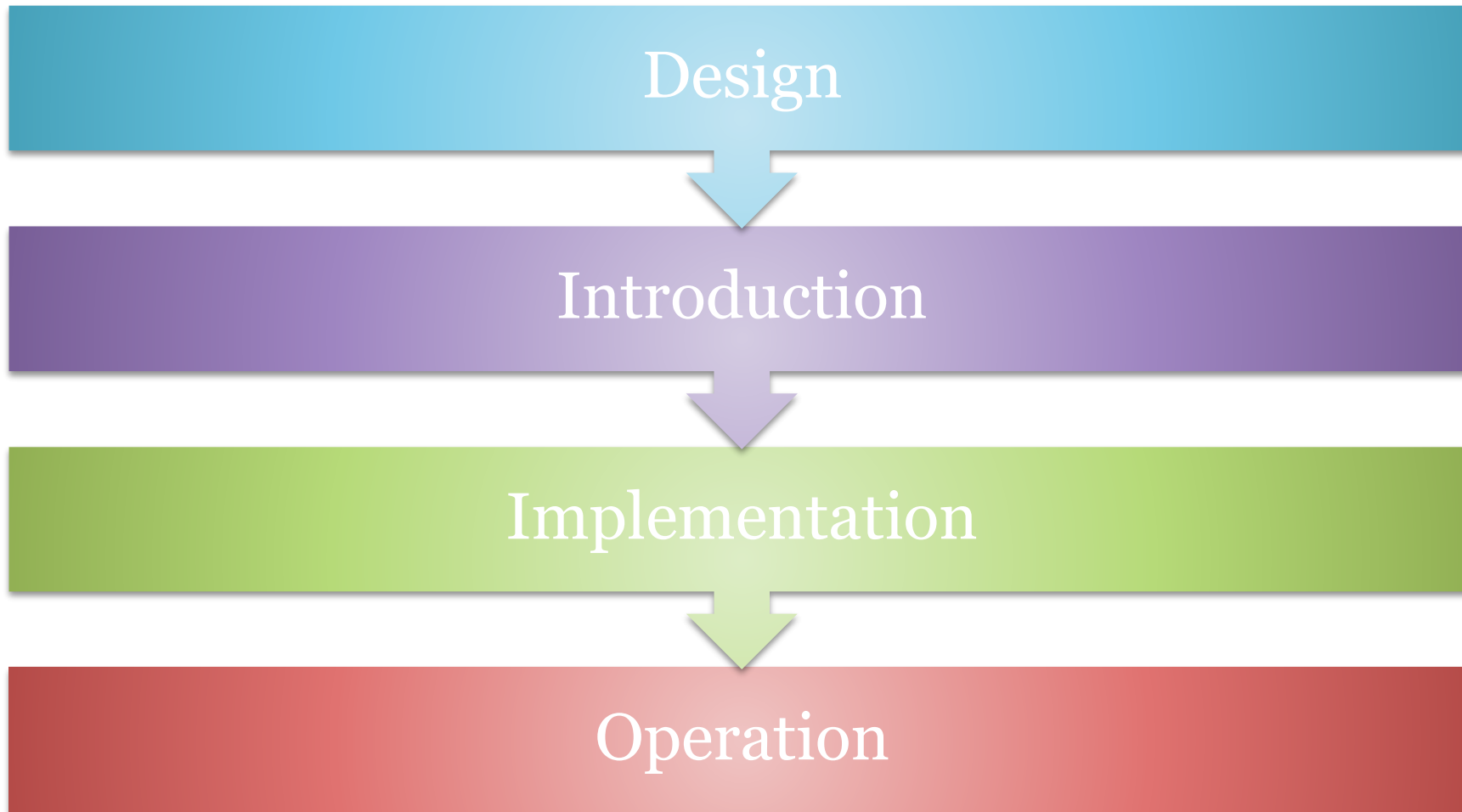


Several OECD member countries have non-guaranteed lifetime retirement income arrangements



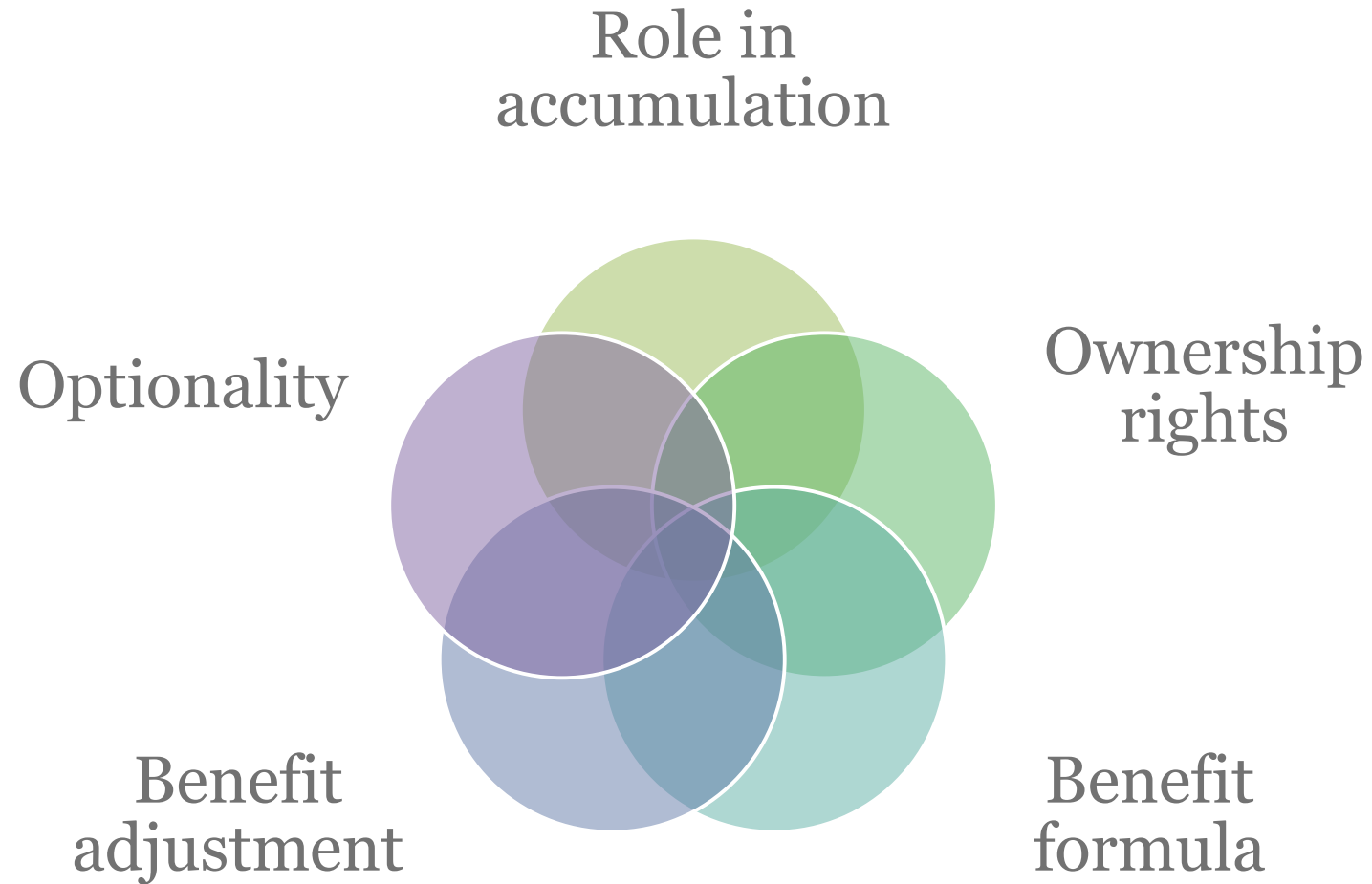


Stages of development





A wide variety of possible designs





Design needs to be aligned with policy objectives

	Period	Rights		Reference to define benefits			Basis to adjust benefits		Smoothing mechanism			Optionality		
Objective	Accumulation	Collective	Individual	Salary	Return	Assets	Funding ratio	Profit source	Buffer	Corridor	Recovery period	Investment	Withdrawal	Survivor/death benefits
Maximize retirement income	X	X		X	X		X			X				
Limit benefit volatility	X	X		X	X		X		X	X	X			
Limit inter-cohort transfers ('equity')			X		X	X		X		X				
Transparency			X		X	X		X						
Simplicity	X		X		X	X	X							
Limit members' decision making	X	X	X	X	X	X	X	X	X	X	X			
Individual flexibility			X			X		X				X	X	X



Necessary conditions for introduction

Accommodating legislative and regulatory frameworks

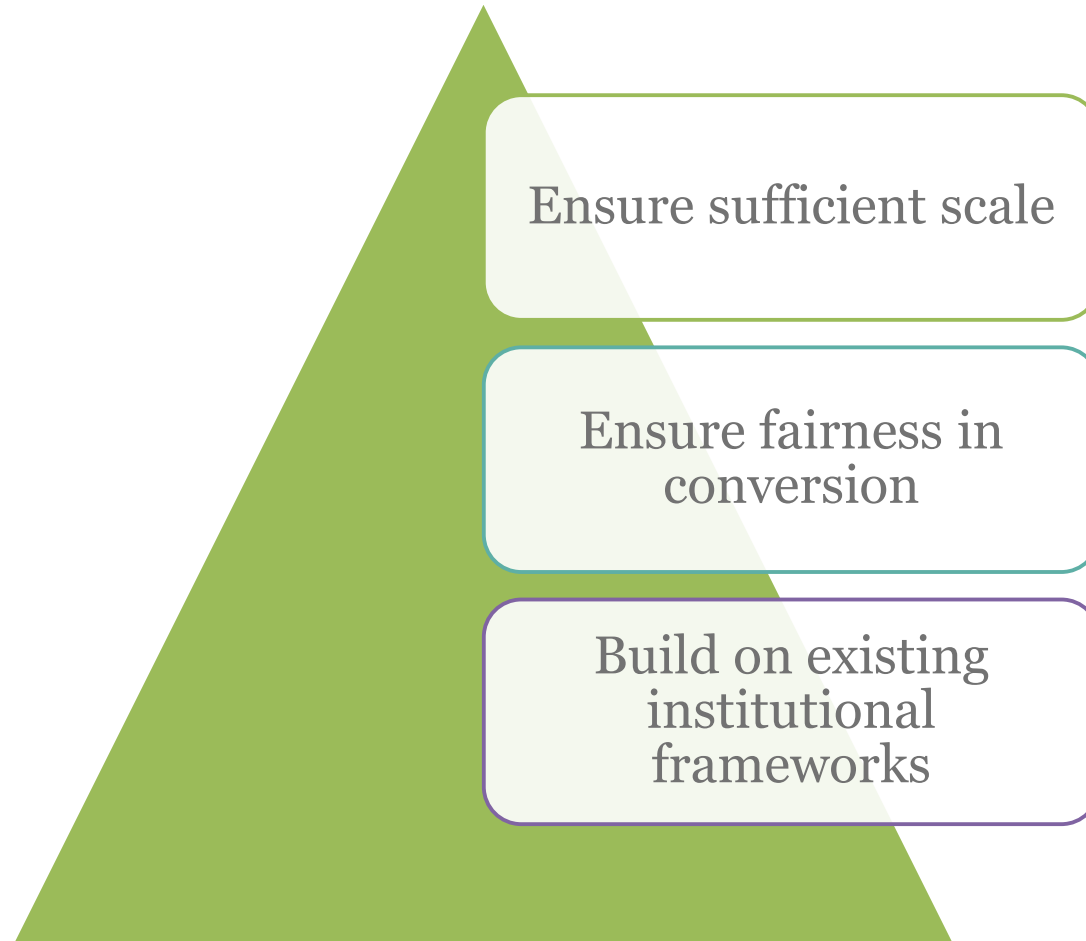
- Existing legal and regulatory frameworks need to be inclusive of them
- Legal and regulatory frameworks need to balance prescriptiveness and flexibility
- Legislative and regulatory requirements should remain coherent with the nature of non-guaranteed arrangements
- The application of existing rules may need to be reconsidered

Incentives

- Sponsors and providers need incentives to develop arrangements
- Individuals need incentives to participate



Overcome the practical challenges of implementation





Include elements to ensure successful long-term operation

Strong governance

- Participants should be represented in the governance of the arrangement
- Assumptions should be established in a robust and independent manner
- Assumptions and benefit adjustments need to be transparent

Effective communication

- Educational initiatives should target all relevant stakeholders
- Language used to explain longevity pooling should be carefully chosen
- Communication on reforms to introduce non-guaranteed lifetime retirement income arrangements need to make clear that benefits can be changed
- Individual benefit statements should explain how benefits could change



THANK YOU!

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