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## Private Pension Insurance: Automatic Participation in Türkiye

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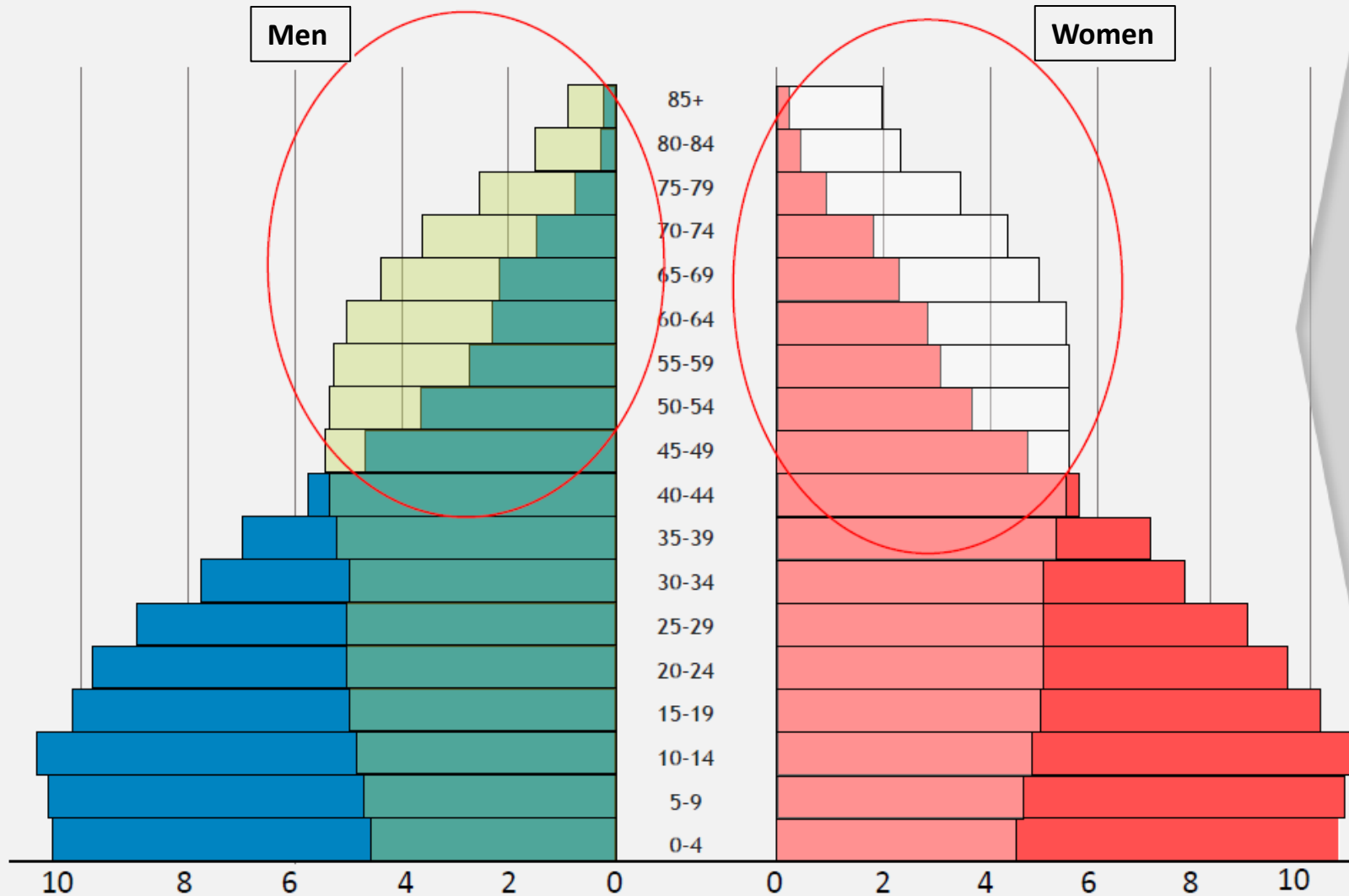
# Individual Retirement System (IRS)

# 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.

Men (2000)  
 Men (2050)

Women (2000)  
 Women (2050)

Source: EUROSTAT

# Why Individual Retirement System?

## THE NUMBER OF WORKERS PER RETIREE



2020



1.6 WORKERS

2017



1.9 WORKERS

1980



3.3 WORKERS

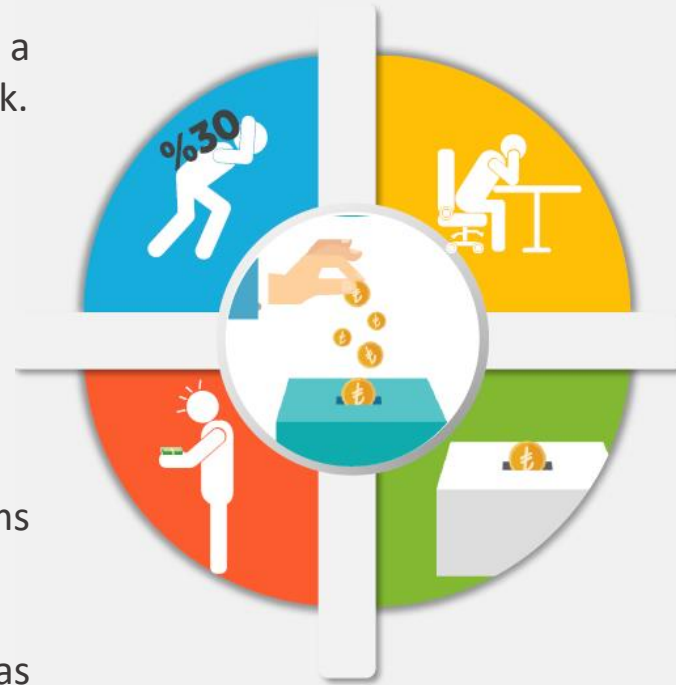
# Why Individual Retirement System?

## 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

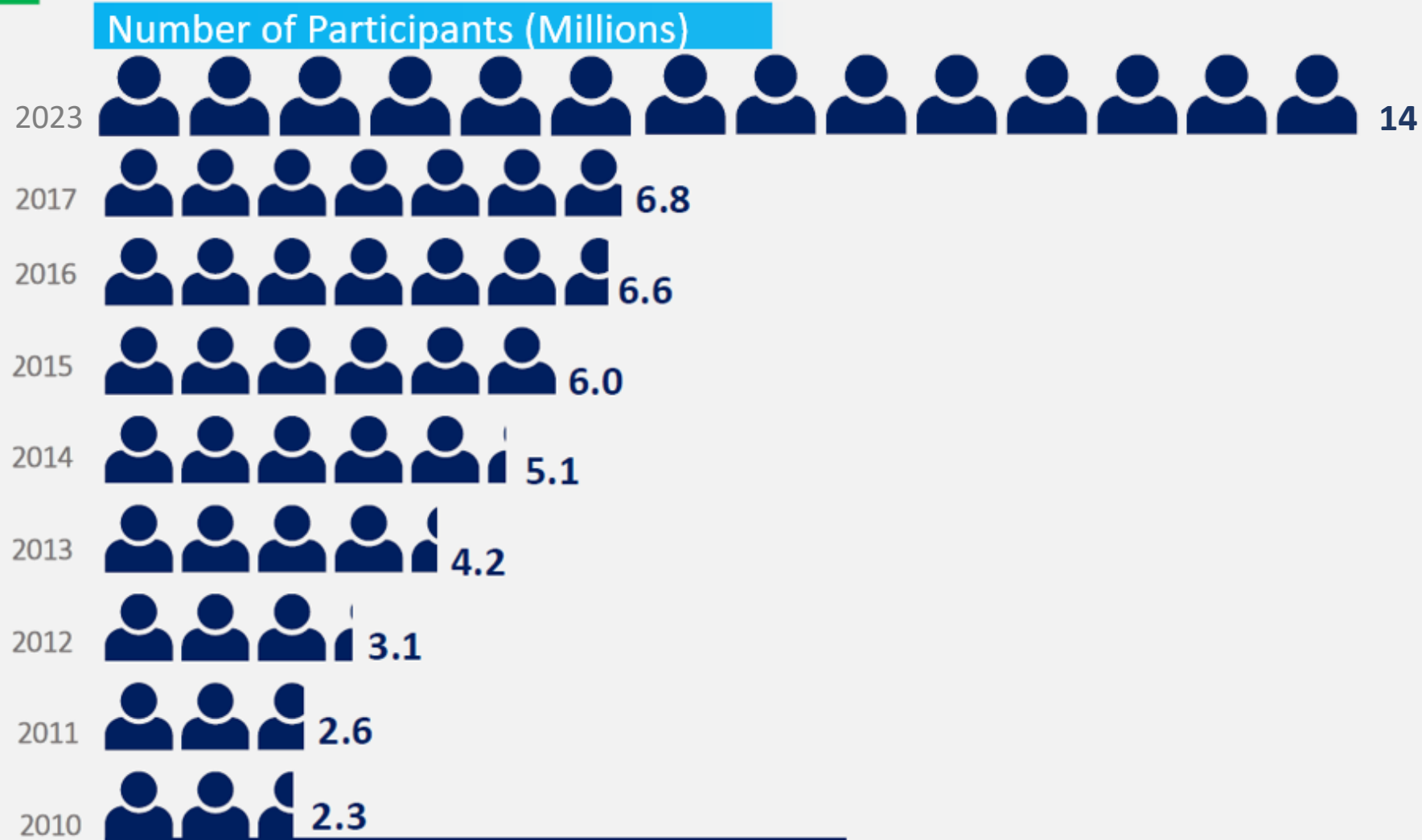
2013

%25 government contribution

2017

Automatic Participation in IRS

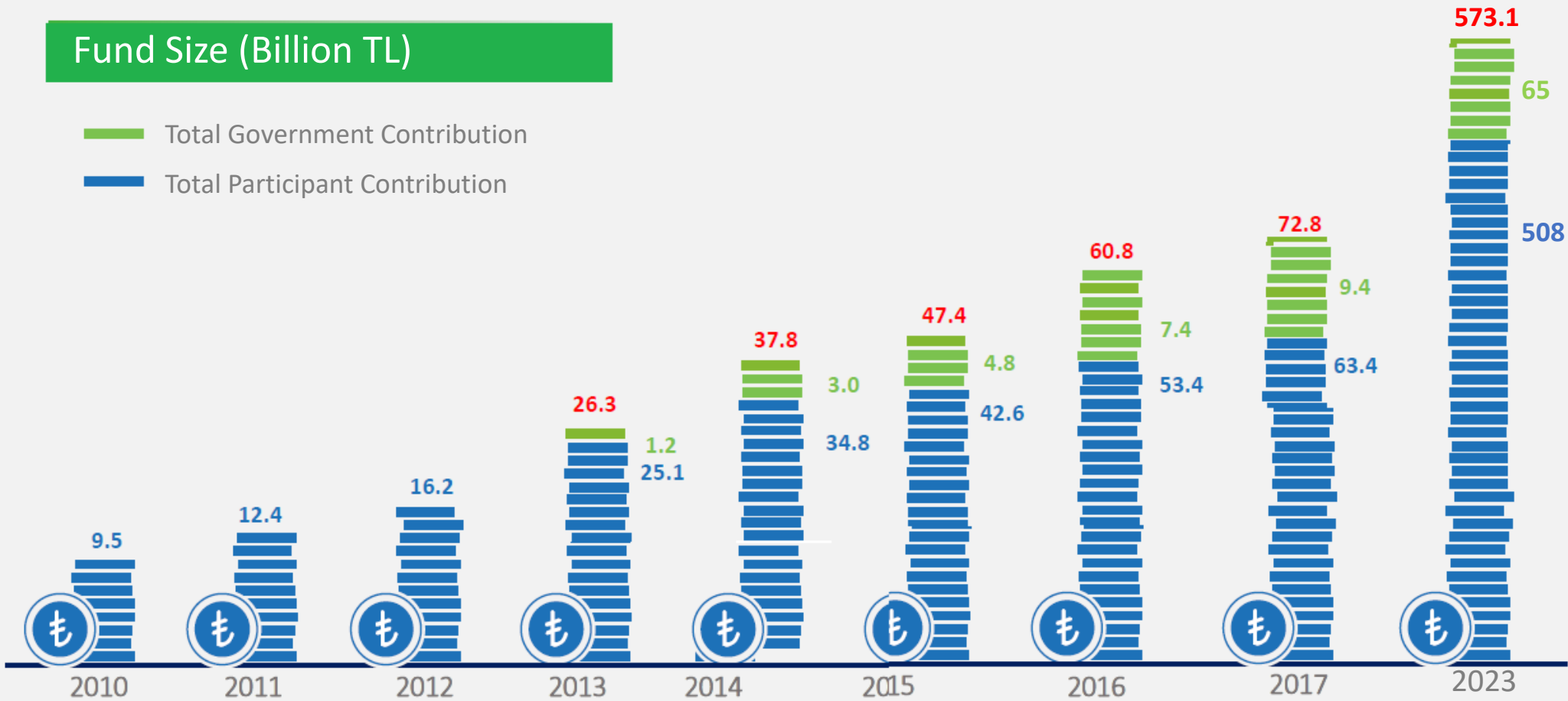
# Individual Retirement Statistics



# 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

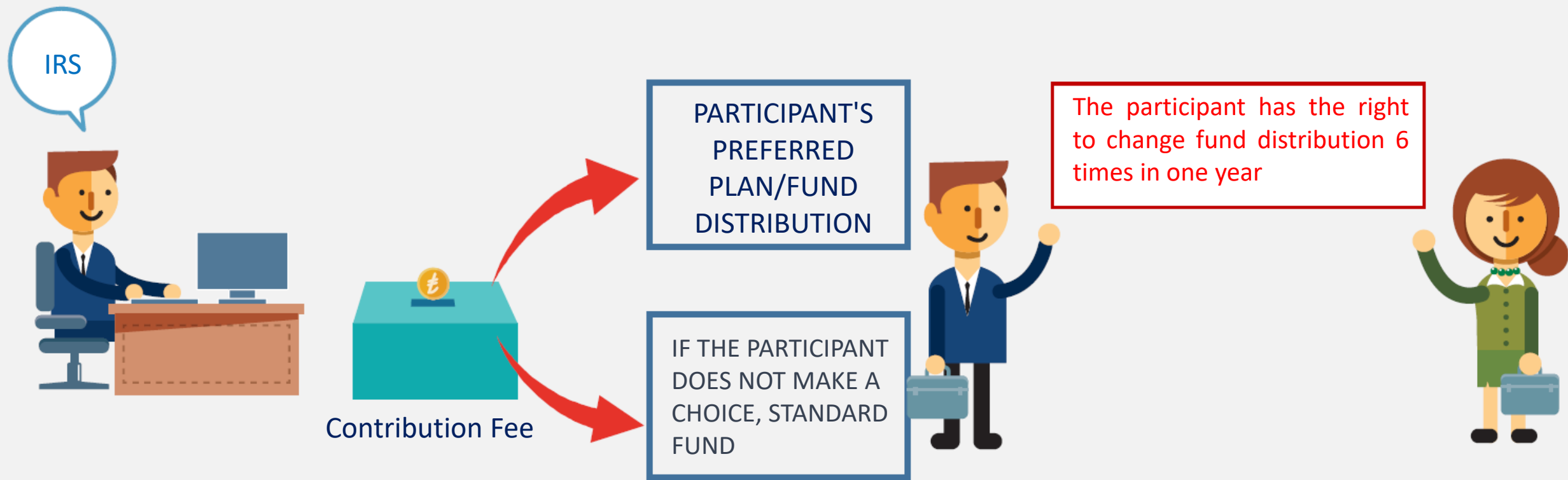
While ensuring automatic enrollment of employees in private retirement plans, an exit option is provided from the system."



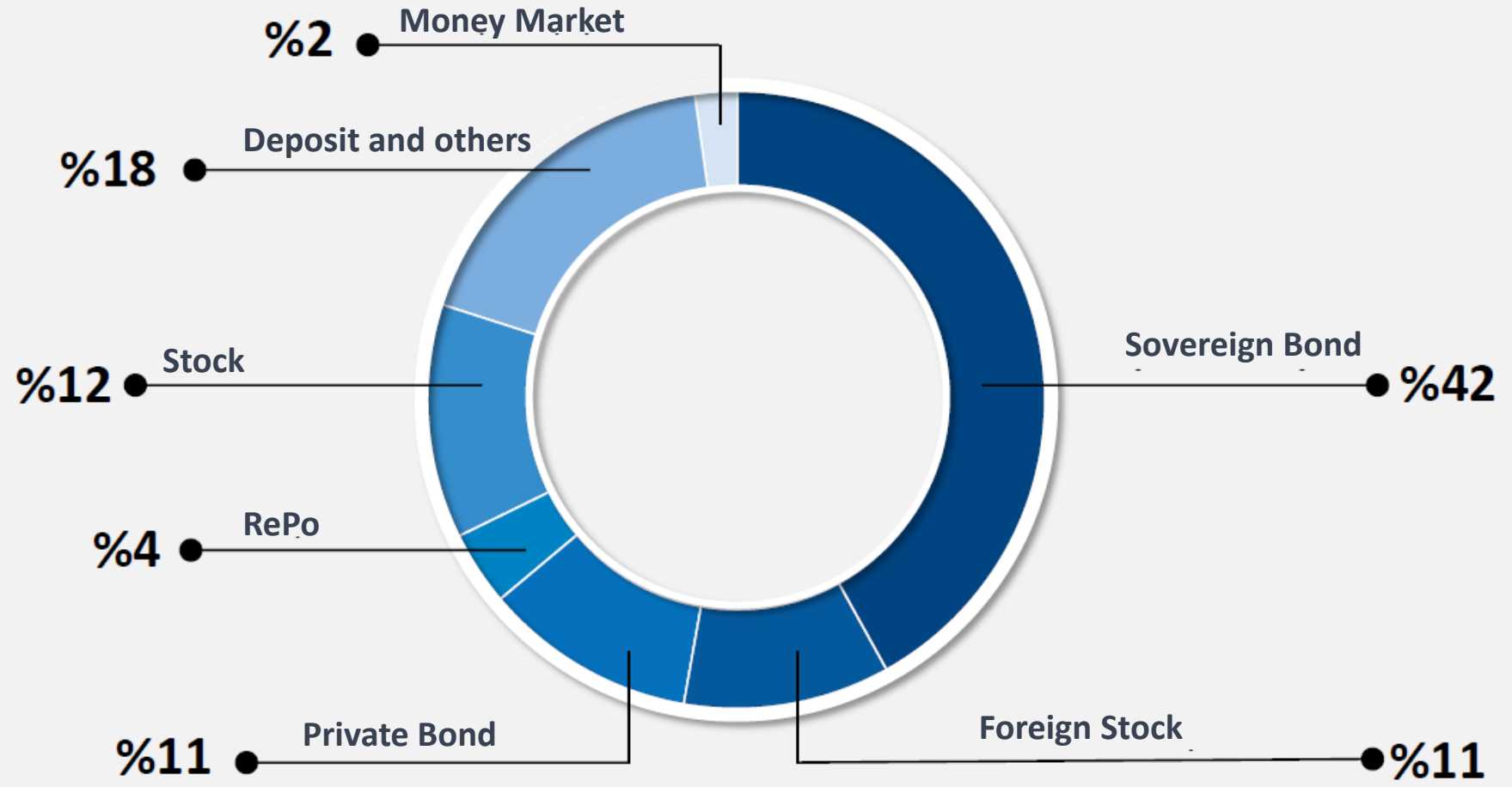
## VOLUNTARY BASIS

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

# Participants' Fund Preferences in IRS

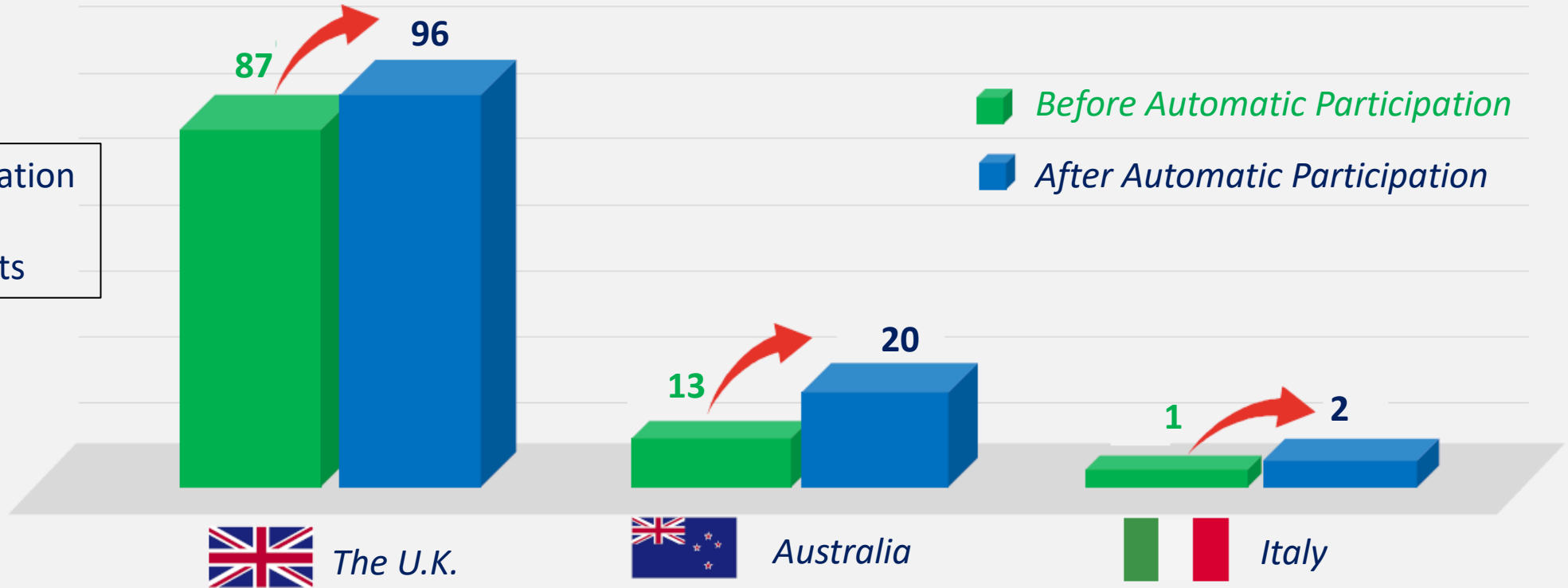


# Participants' Fund Preferences



# Automatic Participation: Case Studies

Fund Market to GDP



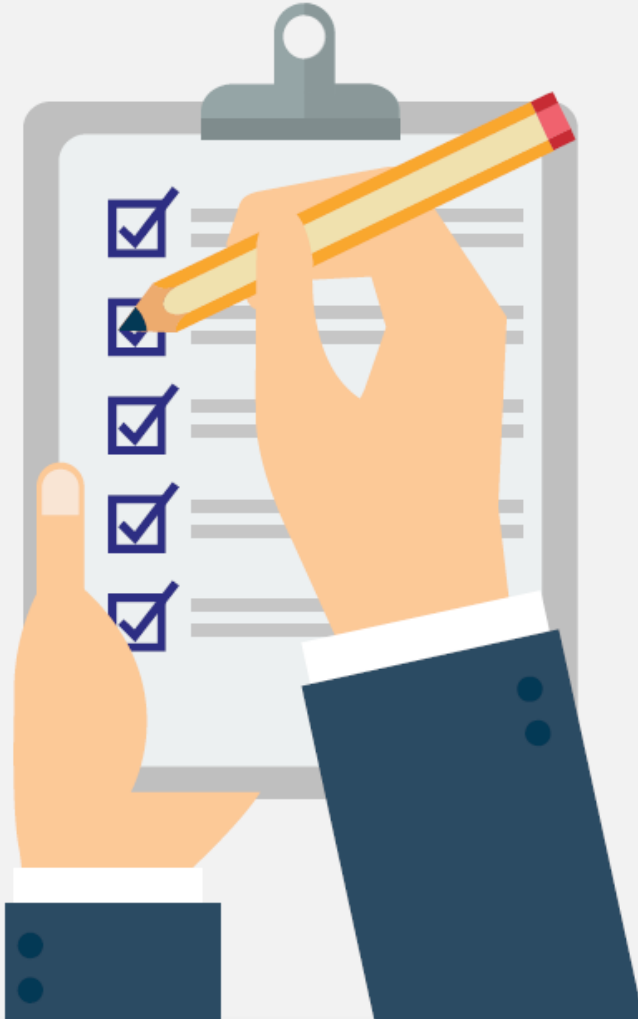
Automatic Participation increases total savings/investments

Source: OECD Pension Outlook 2014



# 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.

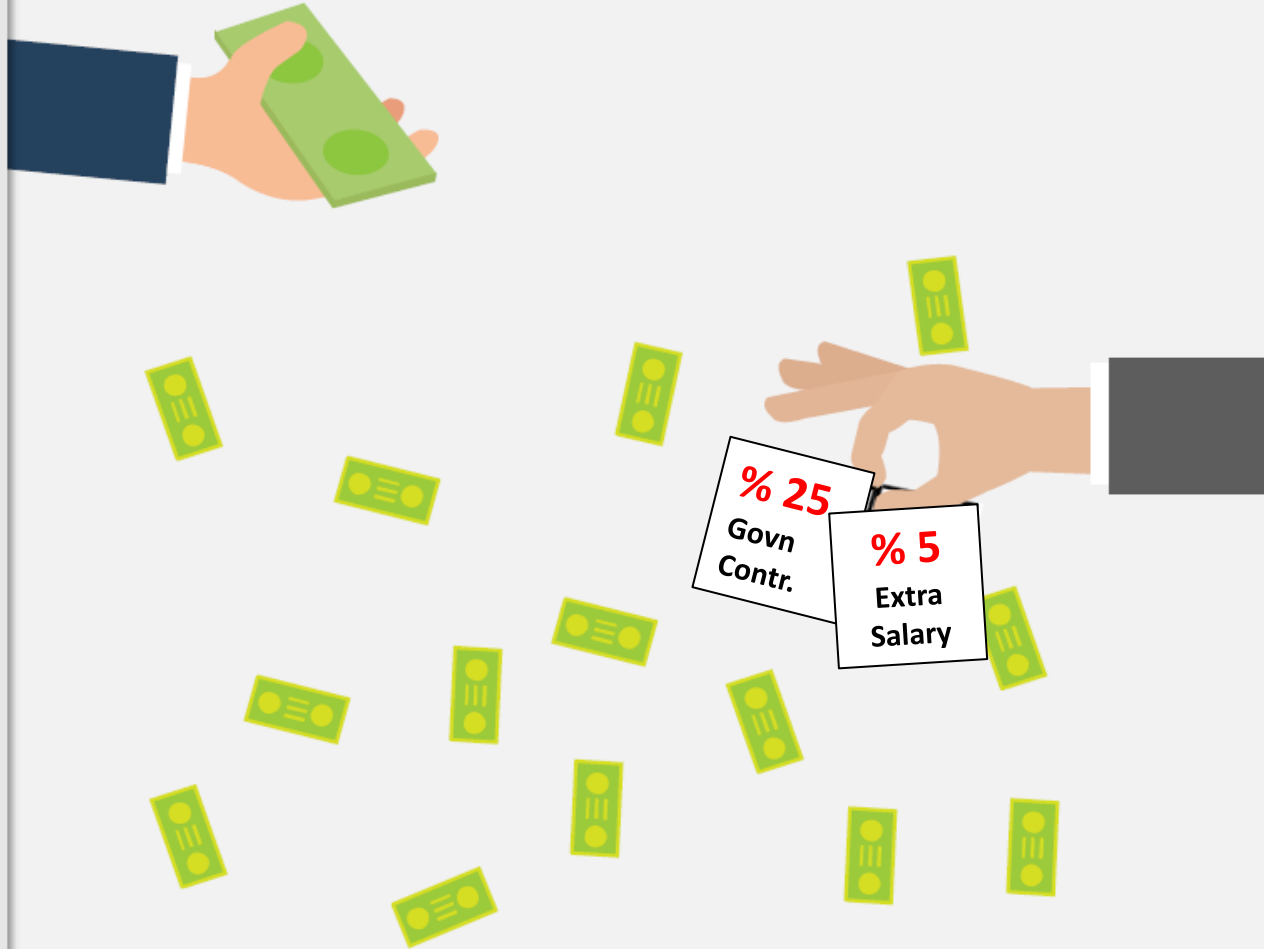
# Automatic Participation in Türkiye Government Contribution

**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.



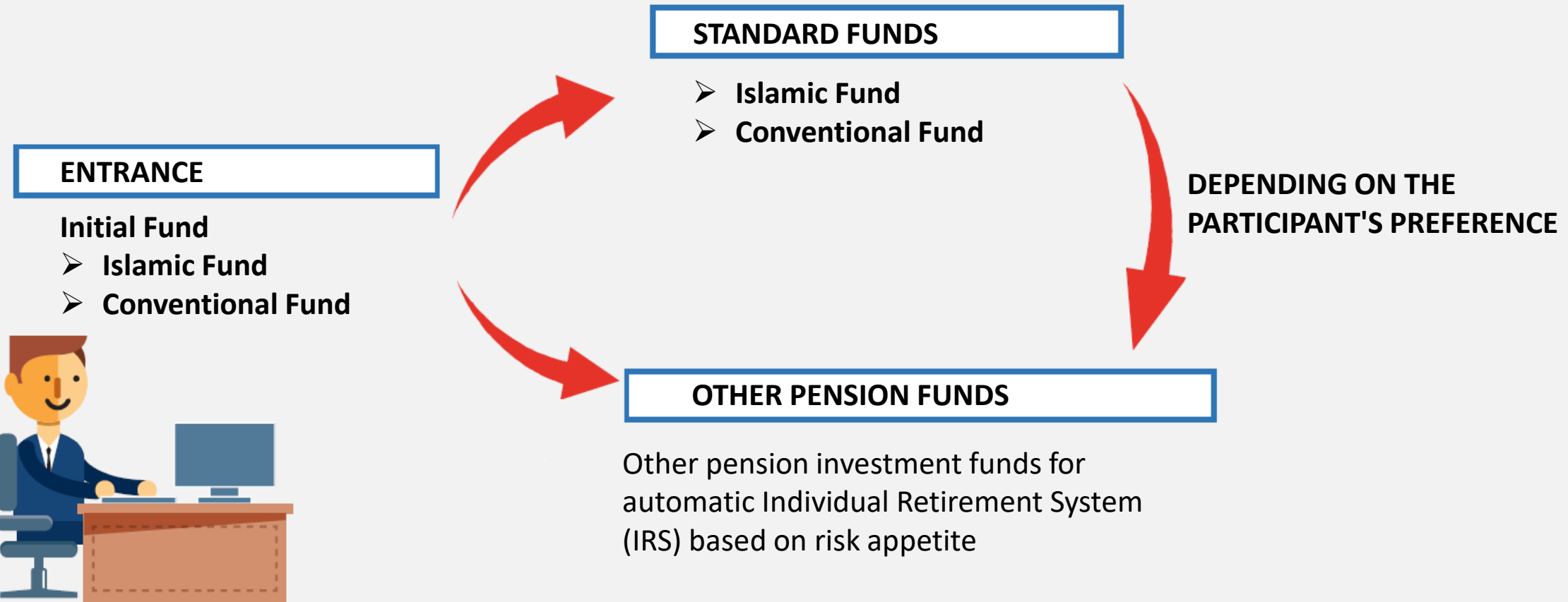
Employees prefer an interest-bearing or interest-free plan

## 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

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