2023 PAN-EUROPEAN PENSION SURVEY: KEY FINDINGS

PENSION PRIORITIES IN EUROPE

Are Europeans saving for their retirement? How is inflation impacting their pension planning? And what do they really expect from their pensions? Following the first two iterations of the survey in 2019[1] and 2021[2], Insurance Europe has again asked European citizens their views, this time interviewing nearly 16 000 people in 15 countries.

The EU pension landscape

Effective, affordable and sustainable pension systems are essential for successful modern societies and economies. But European pension systems are under strain; the old-age dependency ratio (people aged 65 and over relative to those aged 20 to 64) in the EU is projected to double between 2023 and 2080[3].

Pensions are high on the political agenda and individuals are increasingly being asked to take responsibility for their future retirement income via supplementary pensions. Insurers are major providers of pension products and therefore have an important role to play in tackling the pension savings gap.

1 2019 Pan-European Pension Survey, Insurance Europe, February 2020
2 2021 Pan-European Pension Survey, Insurance Europe, November 2021
3 Population projections in the EU, Eurostat, March 2023

Key survey findings

1. The EU pension savings gap persists; more than a third of respondents are not saving for retirement
2. Women tend to save less and expect to receive a lower percentage of their final salary in retirement than men
3. Around 40% say current economic conditions have had a negative impact on their saving plan for retirement
4. Security and safety still remain by far the most important priorities
5. Pension savers clearly prefer to receive information digitally rather than on paper
6. In all survey areas, there are significant differences between countries
7. Responses are influenced by personal circumstances such as age, gender, marital status, level of education and employment

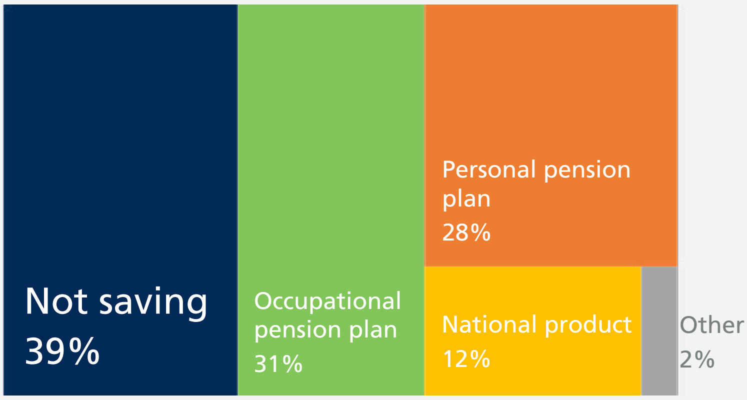
About the survey

- Date: June to August 2023
- Respondents: 15 789
- 15 countries: Austria, Belgium, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Slovakia, Spain, Switzerland
- A representative sample:
  - 49.1% female, 50.7% male, 0.2% did not specify
  - All over 18 years old
  - Different employment statuses (excluding retired people)
  - Different education levels
  - Different personal circumstances

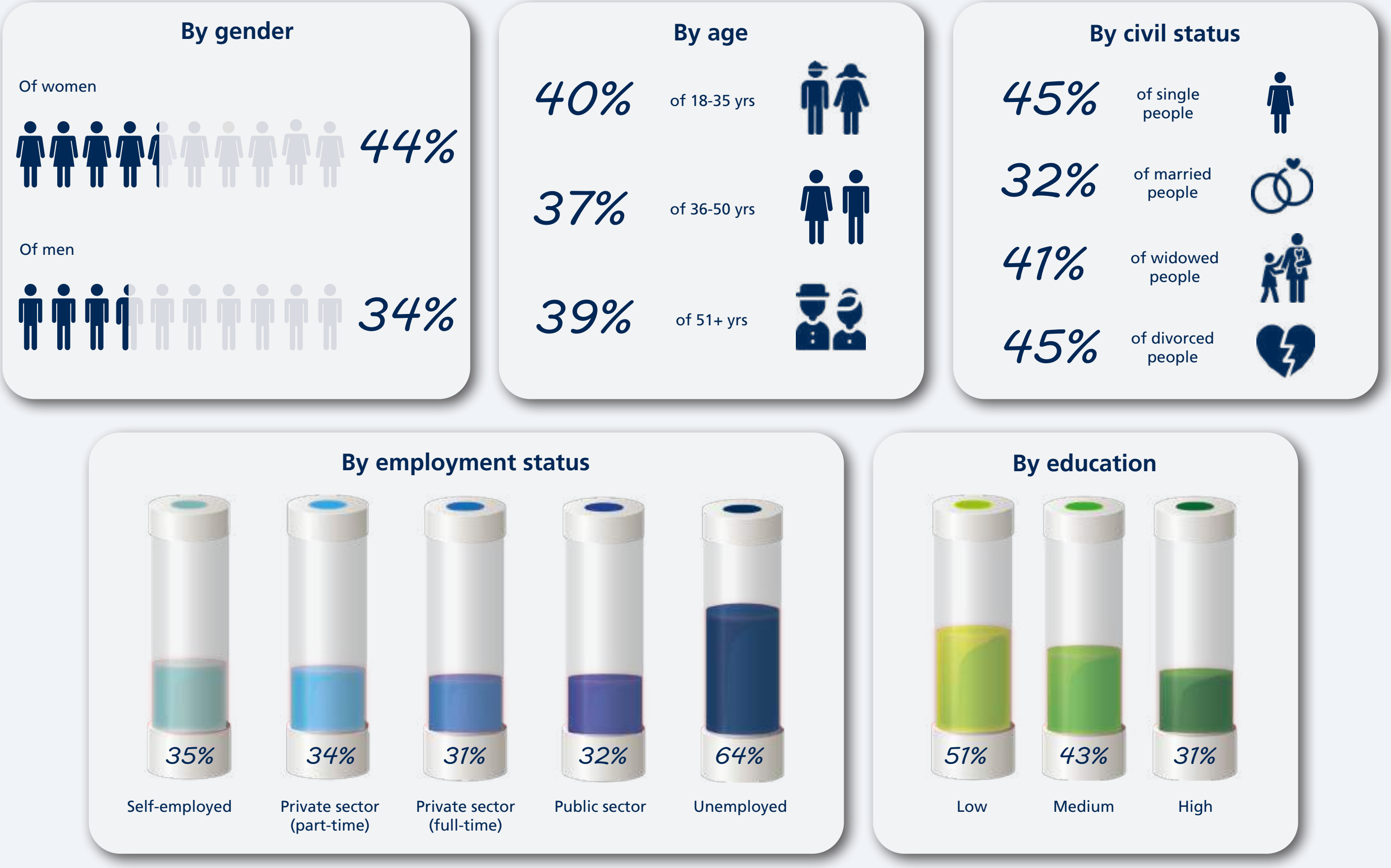
The EU pension savings gap

More than a third of survey respondents (39%) are not saving for retirement, with 32% of those not saving saying they do not have sufficient money to do so. This result is consistent with the responses to the previous two editions of the survey.

Are you saving for retirement through a supplementary pension?

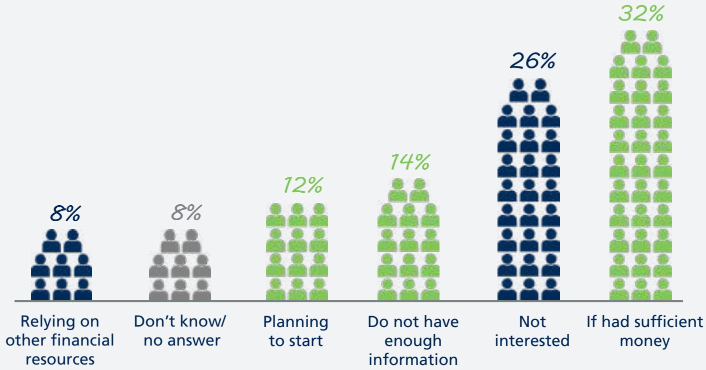


Respondents not saving
(as % of all respondents)



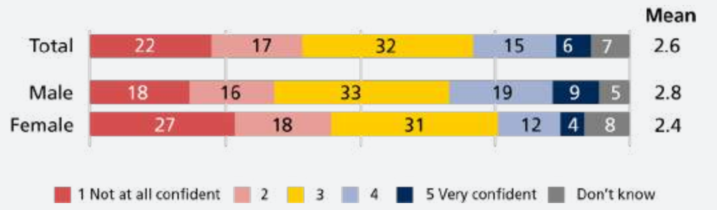
Of those who say they are not saving, 58% say they would be interested in doing so in the future. That 58% is split between those who are planning to start saving (12%), those who would be interested if they had sufficient money to do so (32%) and those who would be interested if they could get more information (14%).

Would you be interested in starting to save for retirement?



Survey respondents are not optimistic about the standard of living that their mandatory public and occupational pensions will offer them after retiring. When asked to rate how confident they are of maintaining a comfortable standard of living on the basis of their mandatory public and occupational pensions on a scale from one ("not at all confident") to five ("very confident"), the average response is 2.6, so rather unconfident.

Confidence in maintaining a comfortable standard of living in retirement with your mandatory public and occupational pensions



The survey results confirm that there is a persistent gender gap in pension protection:

- The percentage of women not saving for retirement is 44%, compared to 34% of men.
- The percentage "not confident at all" that they will be able to maintain a comfortable standard of living post-retirement based on their mandatory public and occupational pensions is 27% for women, compared to 18% for men.
- Men think they will receive 54.7% of their final salary from their mandatory public and occupational pension schemes after retirement, whereas women expect to receive 52.1%.

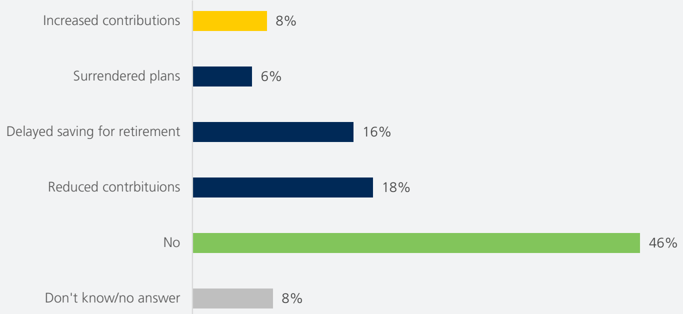
Respondents recognise the importance of supplementary savings; 58% think they will need individual supplementary savings to maintain a comfortable standard of living after retirement. However, a significant share of respondents (16%) say they "do not know".

Impact of current economic conditions

Almost half (48%) of respondents say that current economic conditions (high cost of living/inflation) has had an impact on their saving plan for retirement.

In total, 40% have been negatively affected by the current economic environment, meaning that they reduced contributions (18%), surrendered their saving plans (6%) or delayed saving (16%), while 8% increased their contributions. The remaining respondents have not been affected or did not express an opinion.

Saving status affected by high cost of living or inflation?

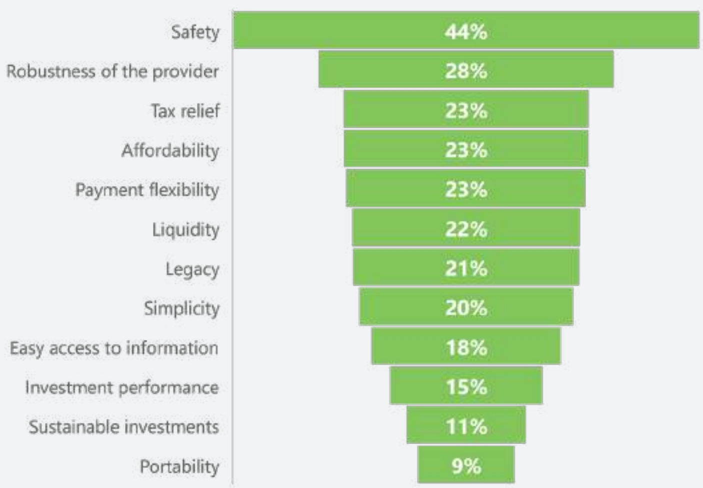


Pension saving priorities

Individual circumstances, such as age, employment status, gender and individual preferences, affect people's priorities when saving for retirement.

Among survey respondents, by far the highest priority is the safety of the money invested (44%). Also important is the robustness of the provider (28%). Least important are the performance (15%) and sustainability (11%) of investments, as well as the ability to move savings between European countries, ie, portability (9%).

Pension saving priorities



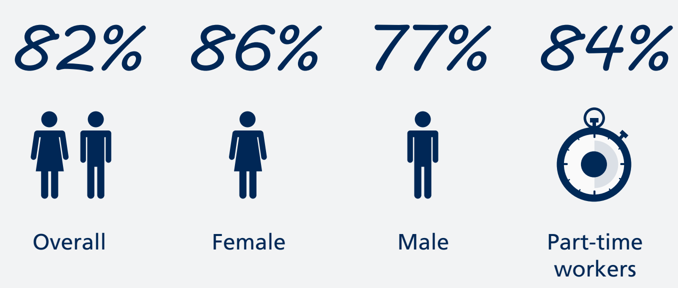
Safety remains by far the most important priority

Safety, performance & protection against risks

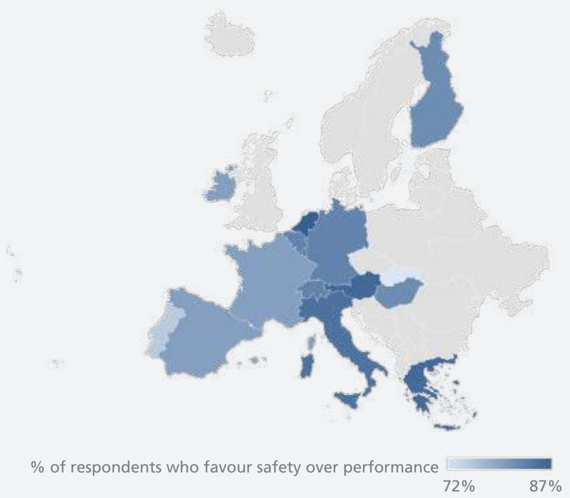
Pension savings — and the way these are protected — can take different forms. What marks out the products offered by insurers is their ability to offer financial protection against a broad range of risks: financial investment, longevity, mortality and morbidity (ill health).

When saving for retirement, survey respondents overwhelmingly (82%) choose investment safety over performance. The appetite for safety is higher among women (86%) than men (77%). When given the possibility of choosing multiple options at once, a significant proportion express interest in purchasing additional coverage for biometric risks: mortality (41%), longevity (41%) and morbidity (30%).

Favour safety over performance



Investment safety versus investment performance



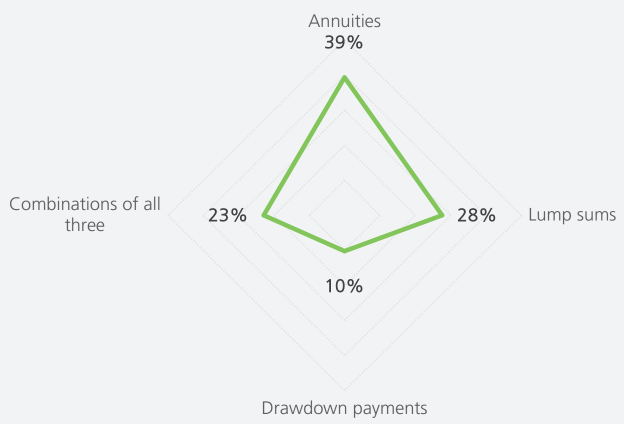
Pension pay-outs

How people would like to receive their pension savings at retirement depends on whether they favour immediate liquidity or are afraid of outliving their savings (longevity risk). What marks out insurers in the pay-out phase is their ability to provide their customers with a broad range of options and their ability to offer annuities protecting against longevity risks.

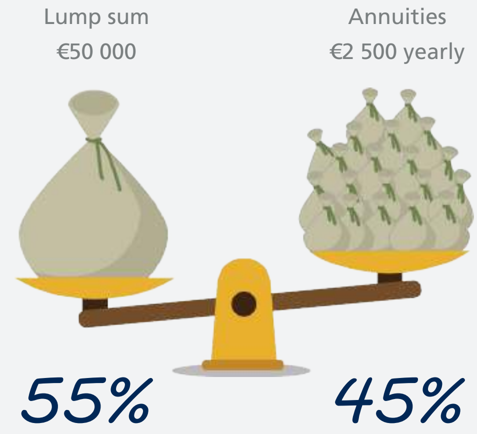
When not given projections of likely amounts, 39% of respondents say they would prefer an annuity, 28% choose lump sums and 10% prefer drawdown payments. A significant share of respondents (23%) indicate their preference for a mixed pay-out combining different options to provide flexibility in the decumulation phase. However, when projections were given, there is a preference for lump sums (55%) over annuities (45%).

The differences in pay-out preferences show how much projections can nudge people into certain choices and demonstrate the strong bias people tend to have towards larger monetary figures. It may also show that people have unrealistic expectations about, for instance, the cost of covering longevity risks, indicating that more financial education is needed to help improve retirement planning in order to ensure that people do not run the risk of outliving their pension savings.

Without monetary projections



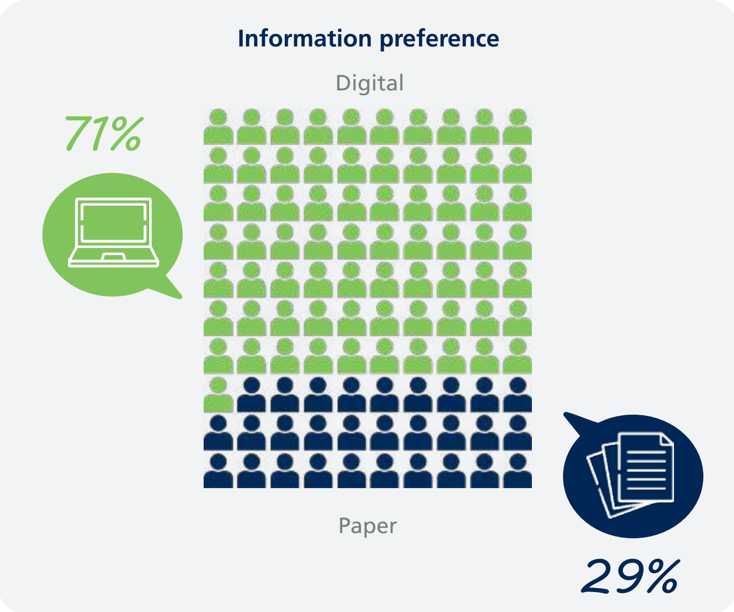
With monetary projections

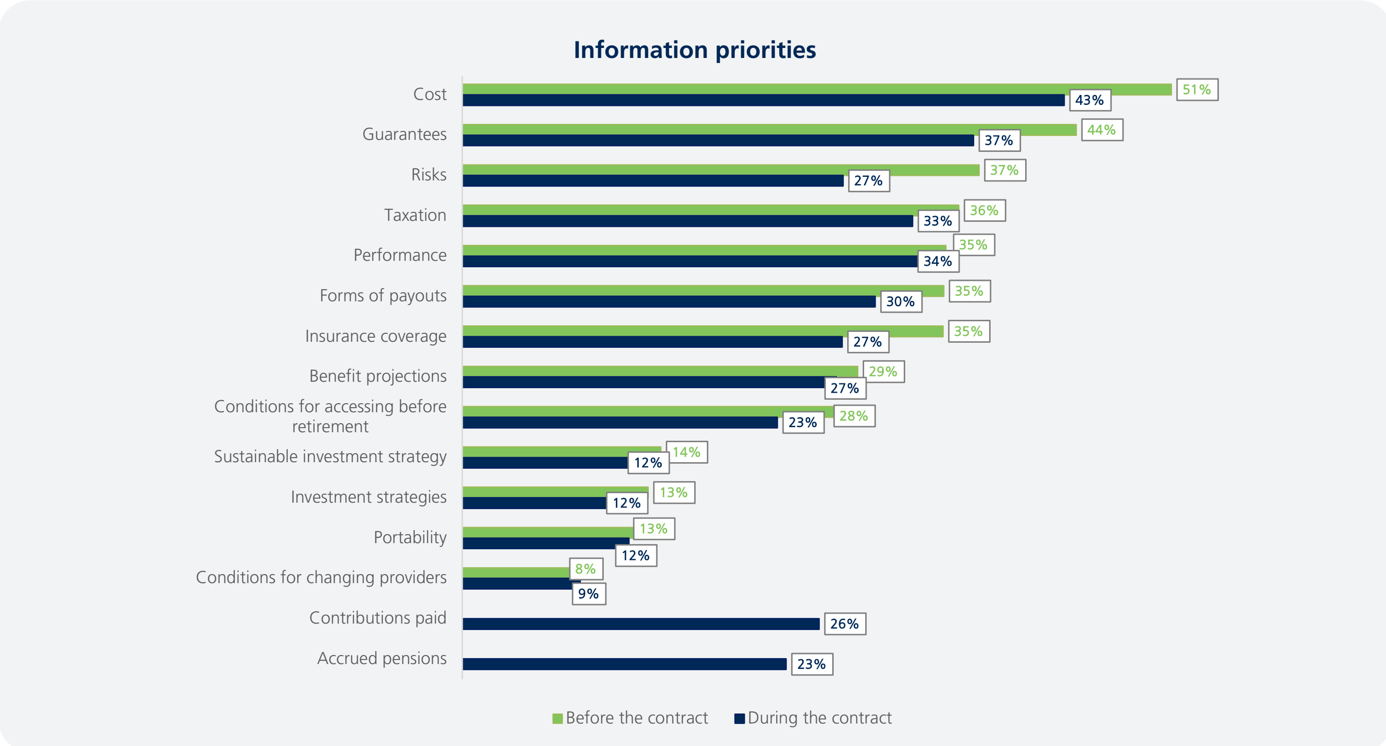


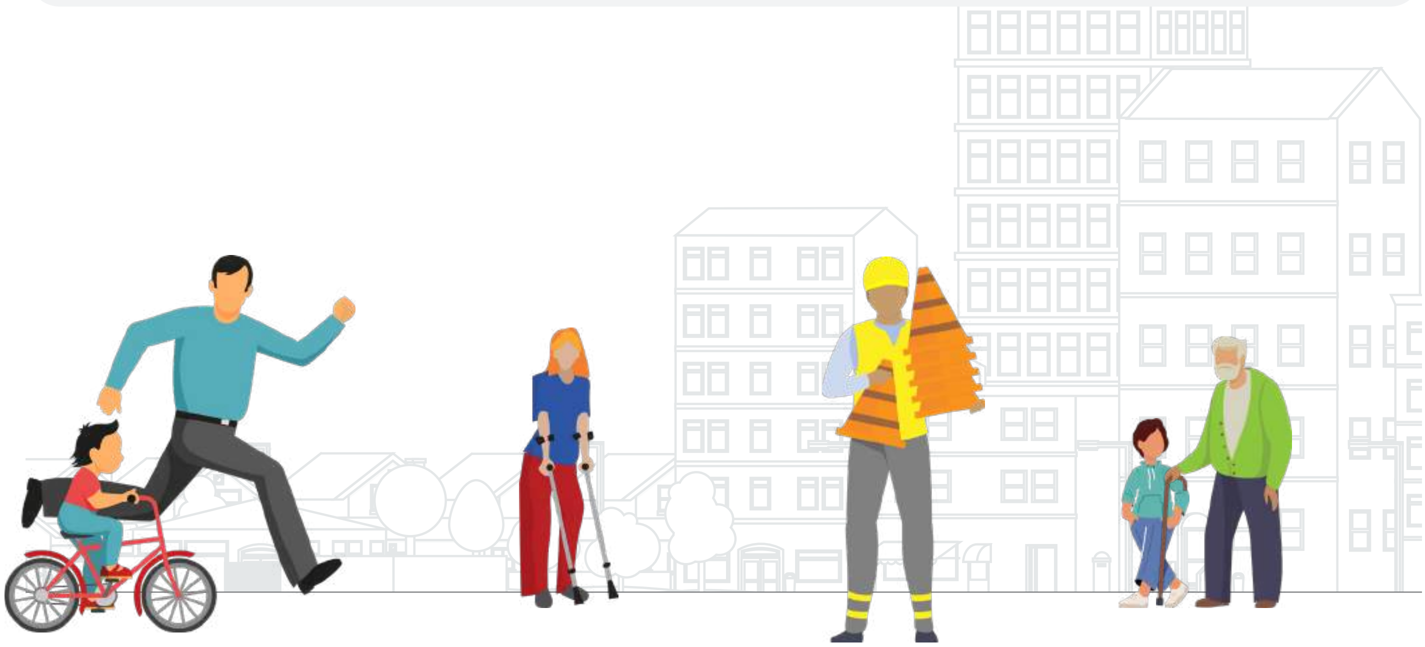
Information preferences

Pension savers require high quality, appropriate information to help them make informed decisions, particularly now that more responsibility for retirement income is shifting to them. 71% of survey respondents prefer to receive information on pension products digitally rather than on paper, confirming the strong appetite for digital disclosure already expressed in the previous two surveys.

The information that interests respondents most is on costs, both before signing a contract (51%) and after a contract is in force (43%). Also of interest is information on guarantees (44% before and 37% after), risks (37% and 27%) and investment performance (35% and 34%). Respondents are least interested in information on conditions for changing providers (8% and 9%) and options available when moving to another country (13% and 12%).







Insurance Europe recommendations

Insurers wish to help identify how best to increase retirement saving and offer the following recommendations:

Policymakers should help to further develop multi-pillar pension systems

- Not everyone is aware of the need to save for retirement. Awareness-raising efforts therefore need to continue, as well as efforts to improve levels of financial literacy so that individuals can make the most appropriate decisions for their own circumstances.
- The development and uptake of pension tracking systems should be enhanced to improve citizens' awareness of their future entitlements and help them make the best choices.
- It is important to make sure that no undue regulatory burdens and obstacles are placed on supplementary pension products that prevent insurers — as key providers of second- and third-pillar pensions — from continuing to offer supplementary pensions. For example, it is vital to avoid the regulatory framework lengthening the distribution process with additional questionnaires, tests, assessments and disclosures.
- Auto-enrolment should also be considered as a way to incentivise people to save, but this decision should be made at national level, based on national realities.

Regulation should make it possible for insurers to keep playing their fundamental role of protection

There is a clear appetite for the protection offered by the financial guarantees, annuities and biometric coverage traditionally offered by insurers. It is crucial that regulation, and in particular the Solvency II Directive and the new Retail Investment Strategy, do not prevent or discourage insurers from fulfilling their important role in offering protection.

National circumstances require country-specific solutions

The survey confirms the diversity inherent in retirement saving across Europe. Pensions come in a variety of forms and are influenced by a broad range of factors. As a result, there is no one-size-fits-all approach to tackling all the challenges.

Pension policies need to be consumer-centric

Policies should be based on evidence of users' demands and needs, so any initiatives should always be subject to extensive consumer-testing.

Disclosure requirements need to be simpler and more targeted to avoid overloading consumers with information

When defining the information requirements for pension products, policymakers should consider what information respondents consider relevant. For instance, with respect to the Pension Benefit Statement, the survey indicates that benefit projections are not considered a fundamental piece of information either before buying the product or after. Regulators should avoid overburdening consumers with excessive information, which — far from providing clarity — contributes to confusion.

Pensions should be brought into the digital era

As the survey reveals a strong preference for receiving information in a digital format by default (71%), rather than on paper by default, policymakers should take steps to ensure that this reality is reflected in the regulatory framework.

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.