

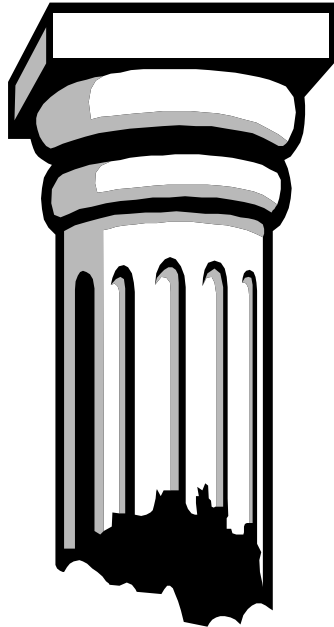


Pension Reform in Estonia

Current situation

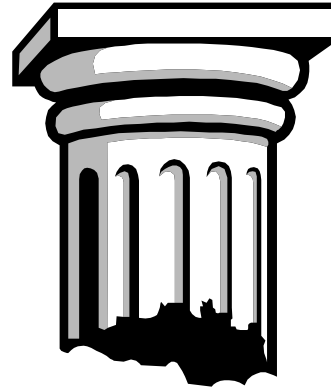


The 3 (4?) pillars



1st pillar

PAYG



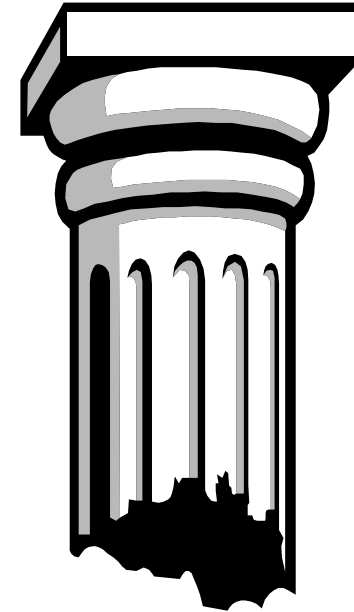
2nd pillar

Company pension

or

2nd pillar?

**Individual
capitalisation**



3rd pillar

**Individual
pensions**



1st pillar PAYG

- Today: only PAYG
- Pension age: M 63, W 57,5
- Pension age (> 2016) : 63
- Early retirement at age 60



II pillar framework

- **Quasi-compulsory**
 - compulsory for persons born > 1983
 - Choice on switching before July 2002
 - paying additional mandatory 2 % contributions
 - switching back not allowed
- **Size of contributions:**
 - 6% of payroll
 - employee - additional 2 % (withhold by employer)
 - employer - 4 % of 20% \Rightarrow 16% remains for I pillar



II pillar framework

- Accumulation: II pillar PFs similar as III pillar PFs
- 1 person - several PFs, collection to one
- switching all together
- Management companies (registered in Estonia)
 - capital requirement - EUR 3 mln
 - compulsory participation in PF- min 1 %
- 1 FMC - several PFs (different investment strategy)



Second pillar benefits

- **Benefits** from age 63 options:
 - compulsory annuity provided by life insurance companies (different types of annuity contracts)
 - mixed (minimum annuity + programmed withdrawal from PFs)
 - only programmed withdrawal (small sums)
- **Taxation:** EET scheme
 - minimum non-taxable monthly income level for I+II pillar benefits
 - ordinary tax rate 26%



Current situation in second pillar

- Applications for II pillar management company license
 - Today 4 applications
 - In future we hope at least 3 more



Flexible third pillar

- Two basic forms:
 - **pension funds** \Rightarrow DC
 - **pension insurance** \Rightarrow DC or DB
- Individual, not occupational scheme
- Favorable exit conditions (55, disability, before)
- Extremely favorable tax treatment
- No central guarantee fund nor state guarantees

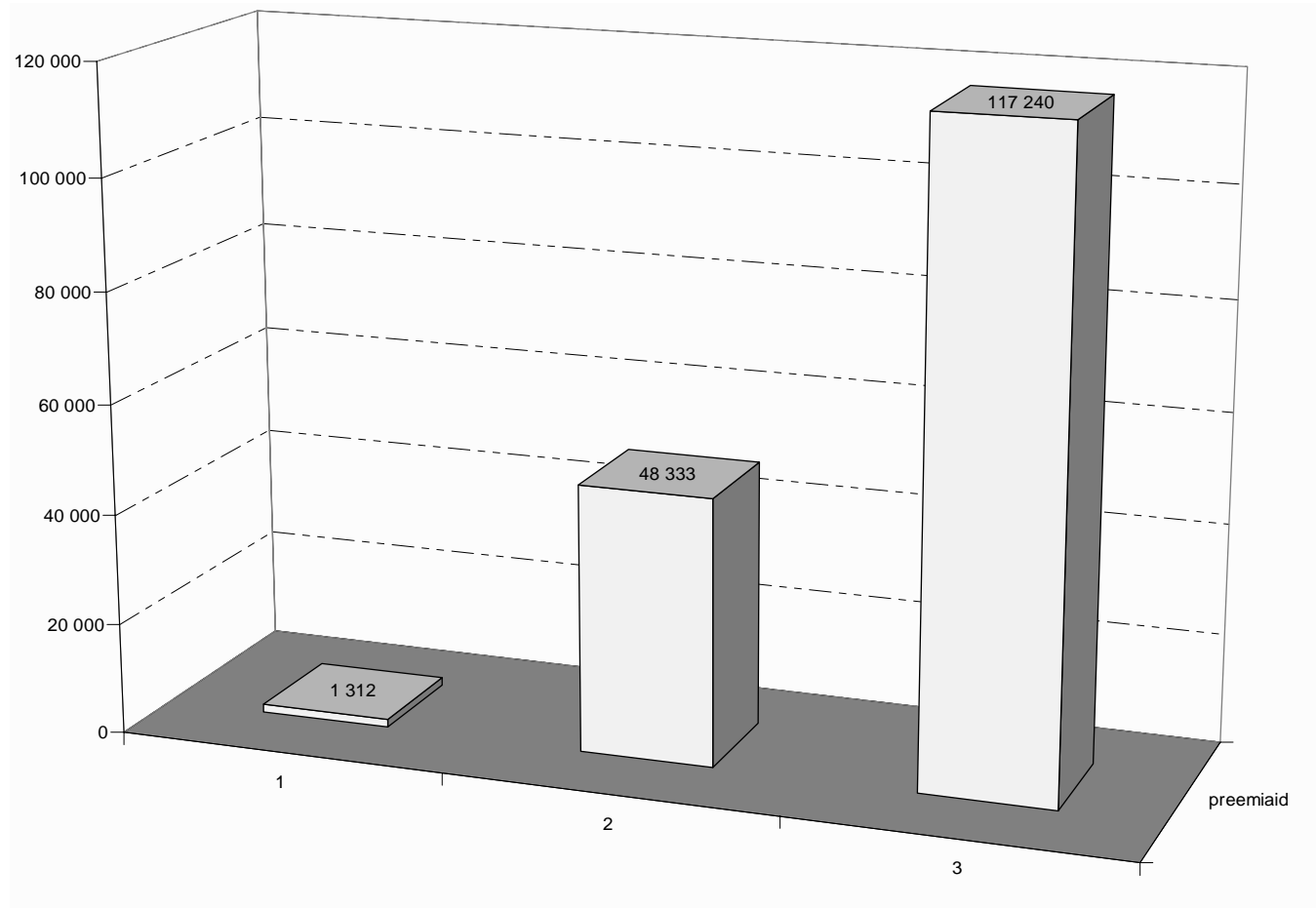


III pillar in practice

- **pension insurance**
 - 5 licensed life insurance companies of 6
 - 32 000 contracts
 - EEK 200 mln with 3 year

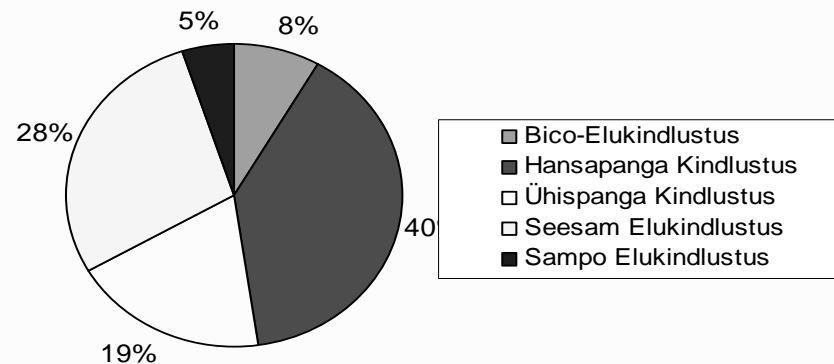


Amount of III pillar insurance premiums





Contracts in Force

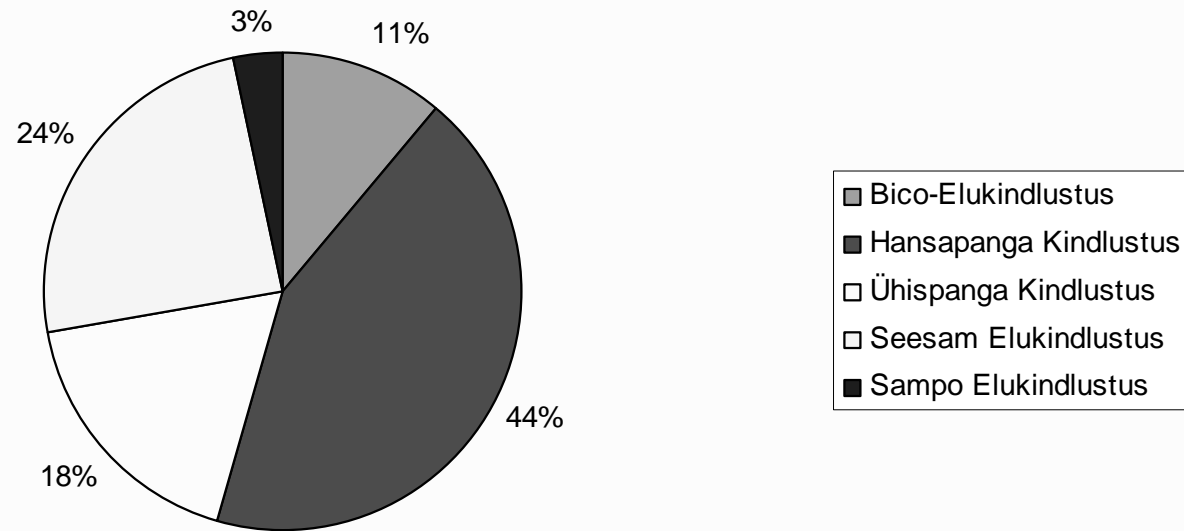


Two companies have together more than 50 % of contracts



III pillar in practice

Premiums accumulated





III pillar in practice

- **4 pension funds**

Hansa PF:

- 800 members;
- EEK 18,5 mln

Union bank PF:

- 270 members;
- EEK 10,1 mln



III pillar in practice

LHV PF:

- 130 members;
- EEK 1,9 mln

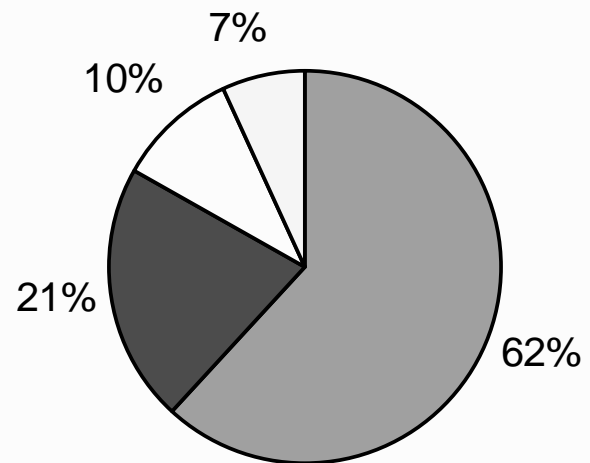
Sampo PF:

- 90 members;
 - EEK 4,7 mln
-
- Total: 1290 members and EEK 35,2 mln



III pillar in practice

Market share by members

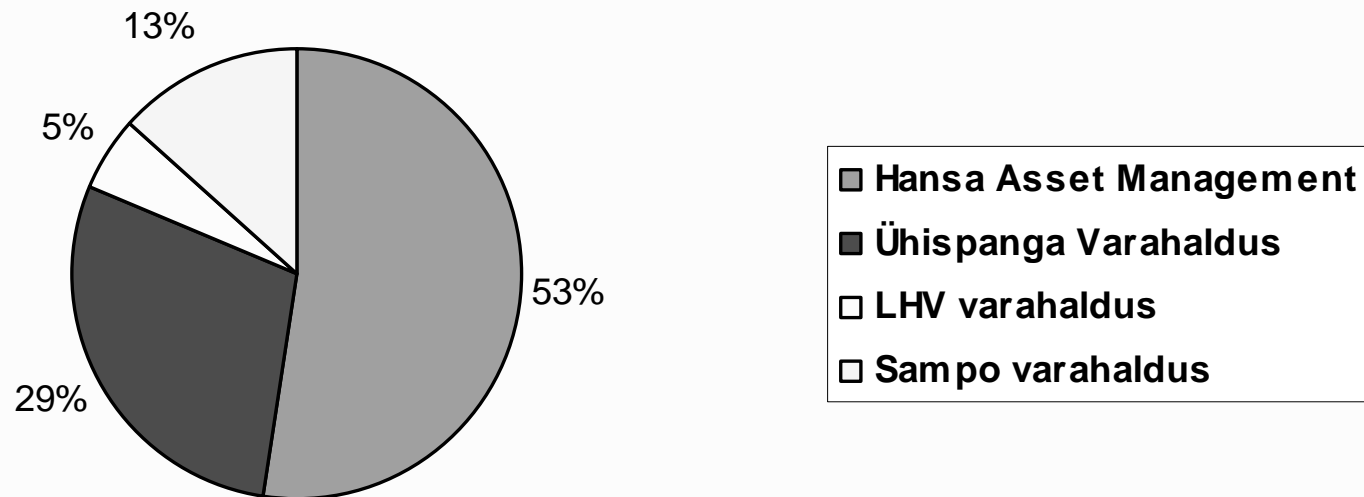


- Hansa Asset Management
- Ühispanga Varahaldus
- LHV varahaldus
- Sampo varahaldus



III pillar in practice

Market share by assets under management





Recent developments

- New United Financial Supervisory body
ESTONIAN FINANCIAL SUPERVISION
AUTHORITY