Meeting the Global Retirement Challenge

2018 OECD/IOPS Global Forum on Private Pensions
Beijing, China

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Prudential Financial Solutions Since 1875

A Fortune 500 financial services company with global operations of varying size and focus

- **Wholly Owned Operations**
  - United States
  - Mexico
  - Chile & Peru
  - Brazil
  - Argentina
  - Nigeria*
  - Ghana*
  - Kenya*

- **Strategic Partnerships (JVs)**
  - Mexico
  - Argentina
  - Brazil
  - India
  - Japan
  - China
  - Taiwan
  - Chile & Peru
  - Nigeria*

- **Separate Account**
  - United States
  - Brazil
  - Argentina

* Target markets
Global Retirement Challenge: A Perfect Storm

- Rising Life Expectancy
- Public Pension Systems Under Stress
- Individuals Are Not Saving Enough

Inadequate Income in Retirement

- Gig Workforce (~35-50%) Numbers Growing
- Most Companies Offer No Retirement

Lack of Coverage

- Lower Birth Rates
- Population Aging
- Rising Life Expectancy

Sustainability
Global Challenge: Public expenditure on old-age benefits

*Public expenditure on old-age benefits: Public expenditure on old-age pensions and survivor benefits, as a % of gross domestic product.*

**Sources: Pensions at a Glance 2017 (OECD and G20 Indicators) by OECD**
Global Challenge: Incomes of people 66+

**Poverty rate, 66+ (%) 2014**

- OECD: 12.5
- Korea: 45.7
- Australia: 25.7
- Mexico: 25.6
- Israel: 21.2
- United States: 20.9
- Switzerland: 19.4
- Japan: 19.0
- United Kingdom: 13.8
- Sweden: 10.0
- Portugal: 9.7
- Germany: 9.5
- Italy: 9.3
- Canada: 9.0
- Greece: 8.2

**Incomes of people 66+ (% of avg. incomes, 2014)**

- OECD: 88
- Korea: 69
- Australia: 71
- Mexico: 89
- Israel: 100
- United States: 95
- Switzerland: 82
- Japan: 90
- United Kingdom: 83
- Sweden: 86
- Portugal: 95
- Germany: 89
- Italy: 99
- Canada: 91
- Greece: 97

*Poverty rate, 66+: Share of the population older than 65 with less than 50% of the median household income (adjusted for household size).

**Incomes of people 66+ % of avg. incomes: Incomes of older people from work, capital and transfers. Disposable incomes (i.e. net of income tax and social security contributions), adjusted for differences in household size.*

***Sources: Pensions at a Glance 2017 (OECD and G20 Indicators) by OECD***
Global Challenge: Labour Market Exit Age

In almost every country, women exit the workforce earlier than men by 2~3 years. In Korea, women working longer exiting at age 72.2

<table>
<thead>
<tr>
<th>Country</th>
<th>Men</th>
<th>Women</th>
<th>vs</th>
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<tbody>
<tr>
<td>OECD</td>
<td>65.1</td>
<td>63.6</td>
<td>&lt;</td>
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<tr>
<td>Korea</td>
<td>72.0</td>
<td>67.5</td>
<td>&gt;</td>
</tr>
<tr>
<td>Mexico</td>
<td>71.6</td>
<td>68.8</td>
<td>&gt;</td>
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<tr>
<td>Japan</td>
<td>70.2</td>
<td>66.5</td>
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<tr>
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<td>69.3</td>
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<td>61.3</td>
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</tr>
<tr>
<td>Greece</td>
<td>62.0</td>
<td>60.2</td>
<td>&gt;</td>
</tr>
</tbody>
</table>

* Unit: years, 2016
** Labour market exit age: The age at which a person stops working. He or she might start receiving a pension before or after this point in time.
*** Sources: Pensions at a Glance 2017 (OECD and G20 Indicators) by OECD
Global Challenge: Shift from Defined Benefit to Defined Contribution

* Sources: Willis Towers Watson and secondary sources / Global Pension Asset Study 2018

** P6: The six countries with the largest pension assets among OECD countries - Australia, Untied States, UK, Netherlands, Canada, Japan
Retirement market in South Korea, today and tomorrow

Now

- Individual Annuity: 329 tril (29%)
- IRP
- DC
- DB
- National Pension: 621 tril (56%)

Future

- Individual Annuity
- IRP
- DC
- DB

Retirement Pension

- 168 tril (15%) in 2017
- 460 tril in 2028

Pension market in Korea is expected to grow 9% annually for next decade.

Sources: Financial Statistics Information System by Financial Supervisory Service in Korea / Based on 2017 12. Reserves

** Retirement pension market in 2028 was forecasted by Prudential Of Korea and Willis Towers Watson
Solutions

How can Governments and Industry Partners work together to break barriers and help individuals live well in retirement?
Solutions: Insurers Are Key

Insurance companies assume risks that individuals cannot so society can be stronger as a whole

The Competitive Advantage of Insurers

• Leverage expertise in ALM, risk management, actuarial
• Offer protection to fill gaps at lower cost, less complex
• Understand solutions for customers
Solutions: Insurers Are Key

1. **Promote greater understanding of longevity risk and the need for protection against increased longevity through Lifetime Income products.**

*Resources: GettyimagesKorea*
Solutions: Insurers Are Key

Encourage consumers to purchase appropriate level of longevity protection

*Resources: GettyimagesKorea*
Solutions : Insurers Are Key

3. Simplify products, improve customer experience, and create products that fit individual needs

& Innovate responsibly

*Resources : GettyimagesKorea*
Solutions: **Government Is Key**

**Regulatory Policy** ① Encourage effective solutions

- **Support flexible pricing, repricing and new product regulation**
- **Align insurance and pension regulations**
- **Ensure capital/solvency regimes support long duration products**

*Resources: GettyimagesKorea*
Solutions: Government Is Key

Regulatory Policy ② Promote savings

- Allow appropriate asset classes for growth & income
- Incentivize individual and employer-based savings
- Encourage individuals to save not squander retirement assets

*Resources: GettyimagesKorea*
Solutions: Government Is Key

Education and Research

Support research, innovation and bringing solutions to market

Promote financial literacy and financial wellness

*Resources: GettyimagesKorea*
Solutions: Prudential Guaranteed Income For Tomorrow

Four simple steps for Customers

Step 1: Learn
You determine if GIFT will help fill any gaps you may have in your retirement strategy.

Step 2: Enroll
You enroll in GIFT and start by contributing as little as $100 per month — either through transfers from your bank account or after-tax payroll deductions.

Step 3: Manage
You use a secure Prudential website to monitor GIFT and start, stop or modify your contributions any time.

Step 4: Receive
You will automatically begin receiving your guaranteed lifetime income once you reach your Income Start Date chosen at the time you enroll in GIFT.
Solutions: Prudential Guaranteed Income For Tomorrow

- GIFT is a long term, flexible premium deferred income annuity contract.

- GIFT allows the owner to make a series of smaller Purchase Payments over an extended period of time or a lump sum or a combination of both.

- Each Purchase Payment is used to buy an incremental annuity income payment that will begin on the income start date selected by the owner at issue.

- Payments are guaranteed for the owner/annuitant’s lifetime.

- A death benefit is paid to the beneficiaries if death occurs before the income start date.

- Annuity income payments continue to a beneficiary if death occurs on or after the income start date if payments during lifetime are less than the purchase payments paid into the contract.
The biggest risk???
Doing nothing
Thank You

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감사합니다