2021 PAN-EUROPEAN PENSION SURVEY: KEY FINDINGS

PENSION PRIORITIES IN EUROPE

How are Europeans preparing financially for retirement and what do they really expect from their pensions? Following a first survey in 2019[1], Insurance Europe has again asked European citizens their views, this time interviewing over 16 000 people in 16 countries.

The EU pension landscape

Well-functioning, affordable and sustainable pension systems are one of the cornerstones of a modern society. Yet, with the old-age dependency ratio (people aged 65 and over relative to those aged 20 to 64) in the EU projected to almost double between 2019 and 2080[2], pension systems across Europe are facing major challenges.

Pensions are high on the political agenda and individuals are increasingly being called on 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
2 The 2021 Ageing Report, European Commission

Key survey findings

1. The EU pension savings gap persists; more than a third of respondents are not saving for retirement
2. Almost a fifth of respondents said COVID-19 had a negative impact on their pension savings
3. Security and safety remain by far the most important priorities
4. Pension savers continue to prefer to receive information digitally rather than on paper
5. In all survey areas, there are significant differences between countries
6. Responses are influenced by personal circumstances such as age, gender, marital status, level of education and employment

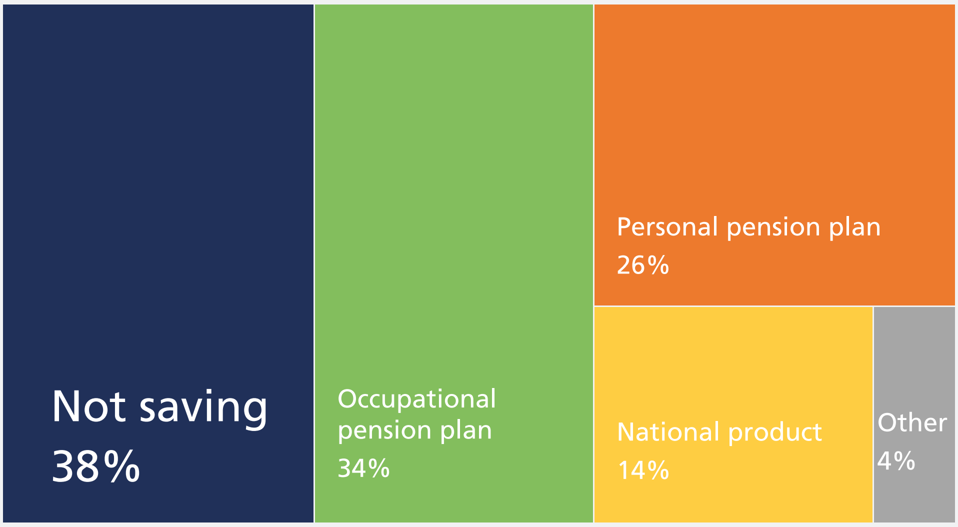
About the survey

- Date: July and August 2021
- Respondents: 16 799
- 16 countries: Austria, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland
- A representative sample:
  - 50% female, 50% male
  - Aged from 18 to 70
  - Different employment statuses
  - Different education levels
  - Different personal circumstances

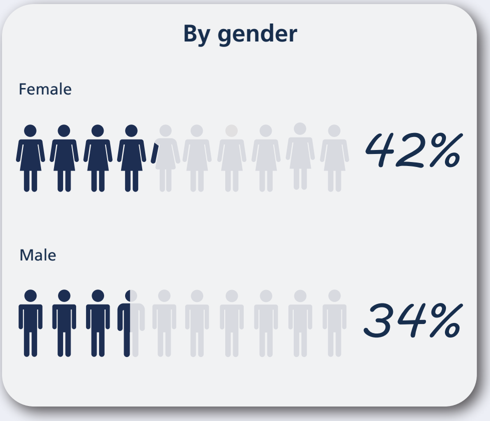
The EU pension savings gap

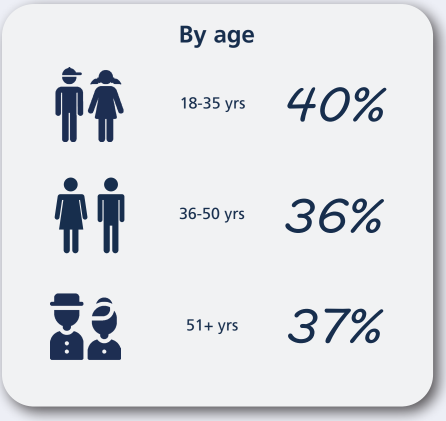
More than a third of survey respondents (38%) were not saving for retirement, with 30% of those not saving saying they could not afford to.

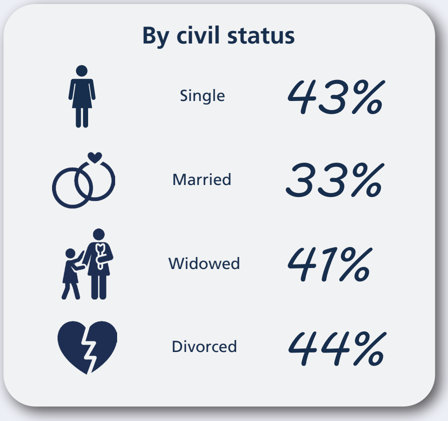
Are you saving for retirement through a supplementary pension?

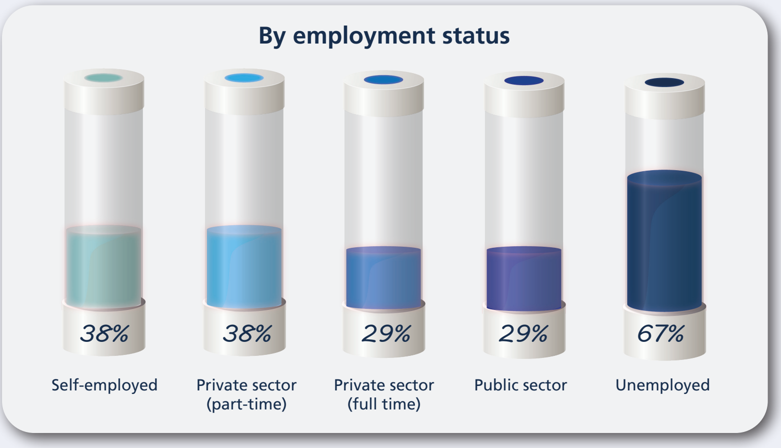


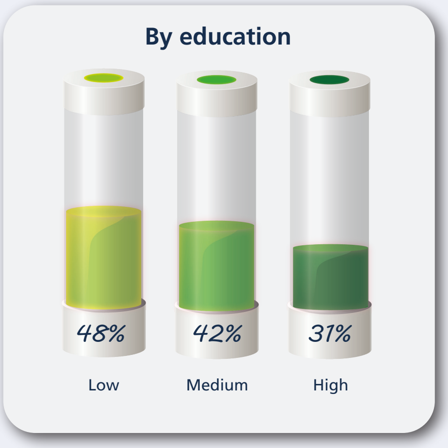
Respondents not saving





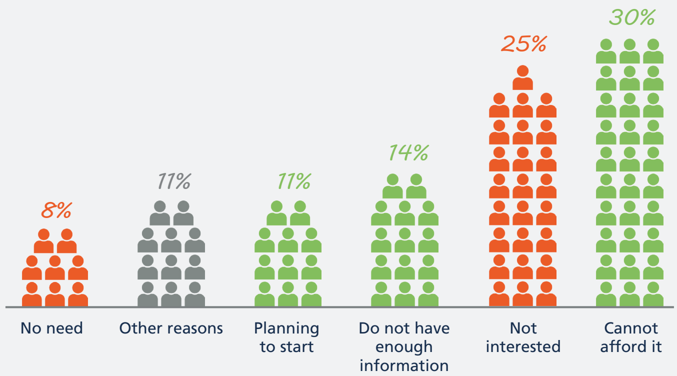






55% of those not saving said they were planning to or would be interested if they could afford to or could get more information, but a quarter were not interested.

Would you be interested in starting to save for retirement?



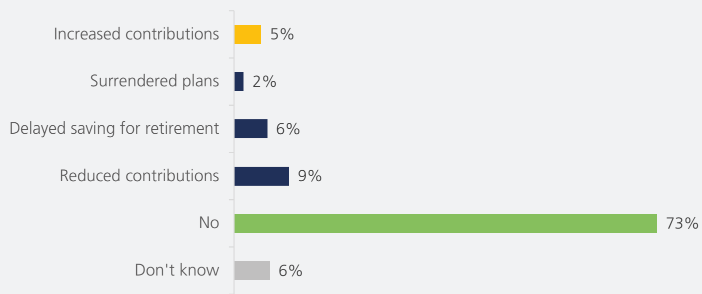
The impact of COVID-19

A fifth of respondents said that COVID-19 has had an impact on their pension savings. In total, 17% of respondents were negatively affected by COVID-19 (reduced or stopped contributions, or delayed saving). Broken down by employment status and by age:

- COVID-19 had a negative impact on more self-employed (26%) and unemployed (21%) people
- More younger people — 20-year-olds (20%), 30-year-olds (18%) — were affected

The way pension savings have been affected by the pandemic varies significantly across Europe. This can be explained by differences in levels of government financial support and by whether or not local regulation allows savers to access their savings before retirement age.

Saving status affected by COVID-19?



Pension saving priorities

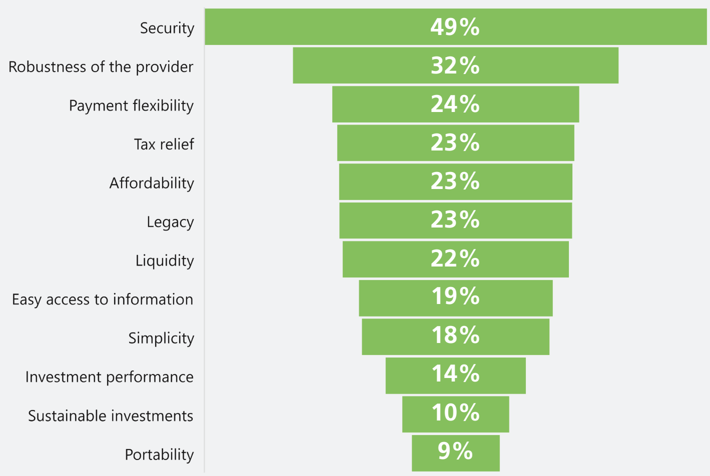
Individual circumstances, such as age, employment status, gender and individual preferences affect people's priorities when saving for retirement.

Among our survey respondents, by far the highest priority was the security of the money invested (49%). Also important was the robustness of the provider (32%), the ability to increase/decrease or stop/resume contributions (24%) and the tax treatment of pension savings (23%).

Least important to them were the sustainability (10%) and performance (14%) of investments, as well as the ability to move savings between European countries, ie, portability (9%).

Security and safety remain by far the most important priorities

Pension saving priorities



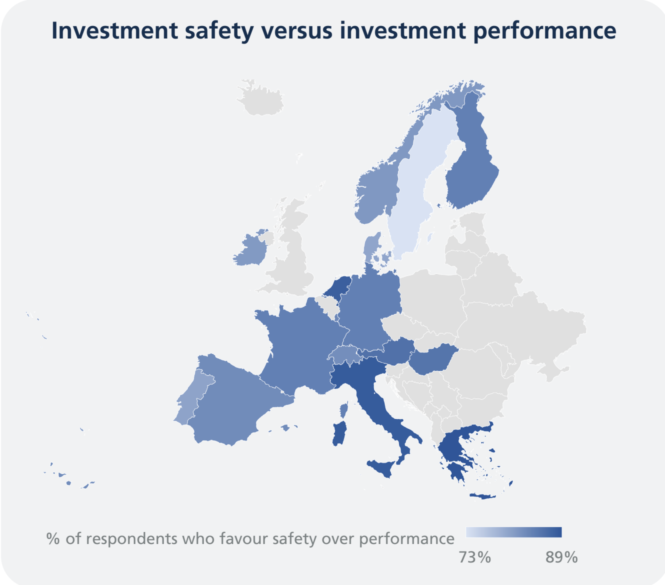
Safety, performance & protection against risks

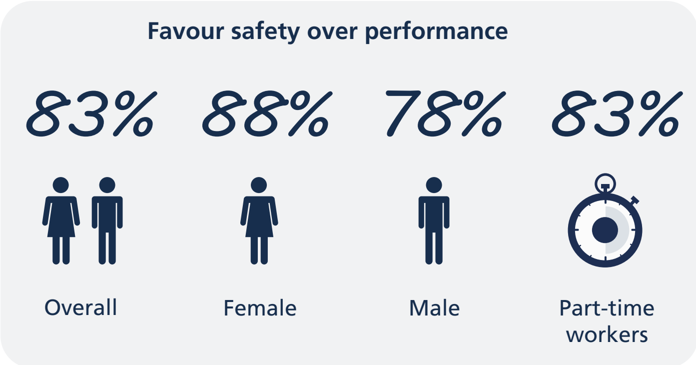
Pension savings — and the way these are protected — can take different forms. What marks out the products offered by insurers is their ability to offer financial protection against a broad range of risks: financial investment, longevity, mortality and morbidity (ill health).

When saving for retirement, survey respondents overwhelmingly (83%) chose investment safety over performance.

The appetite for safety is higher among women (88%) than men (78%).

A significant proportion of respondents expressed interest in purchasing additional coverage for biometric risks: mortality (47%), longevity (45%) and morbidity (39%).





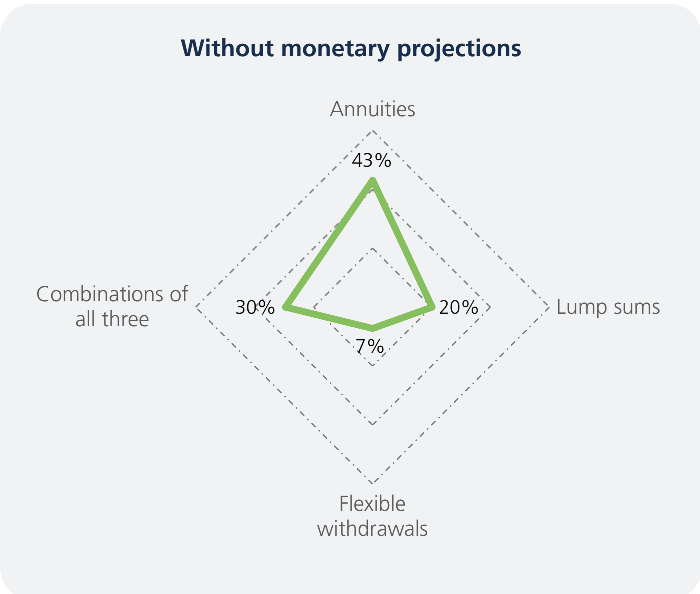
Pension pay-outs

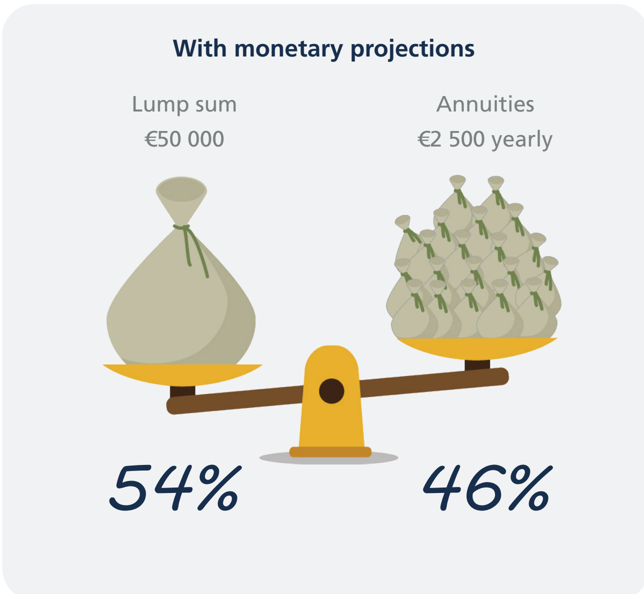
How people would like to receive their pension savings at retirement depends on whether they favour immediate liquidity or are afraid of outliving their savings (longevity risk). What marks out insurers in the pay-out phase is their ability to provide their customers with a broad range of options, and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

When not given projections of likely amounts, 43% of respondents said they would prefer an annuity, 20% chose lump sums and 7% preferred drawdown payments.

A significant share of respondents (30%) indicated their preference for a mixed pay-out combining different options to provide flexibility in the decumulation phase.

However, when projections were given, there was a preference for lump sums (54%) over annuities (46%).





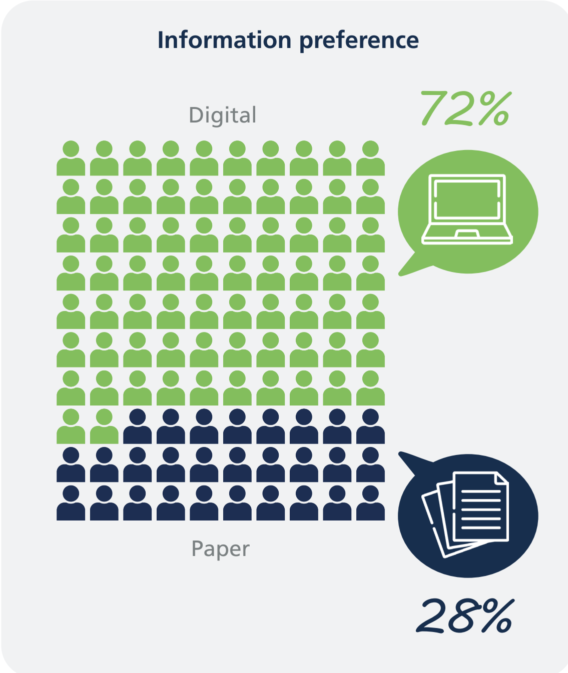
The differences in pay-out preferences show how much projections can nudge people into certain choices and demonstrate the strong bias people tend to have towards larger monetary figures. It may also show that people have unrealistic expectations about, for instance, the cost of covering longevity risks, 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.

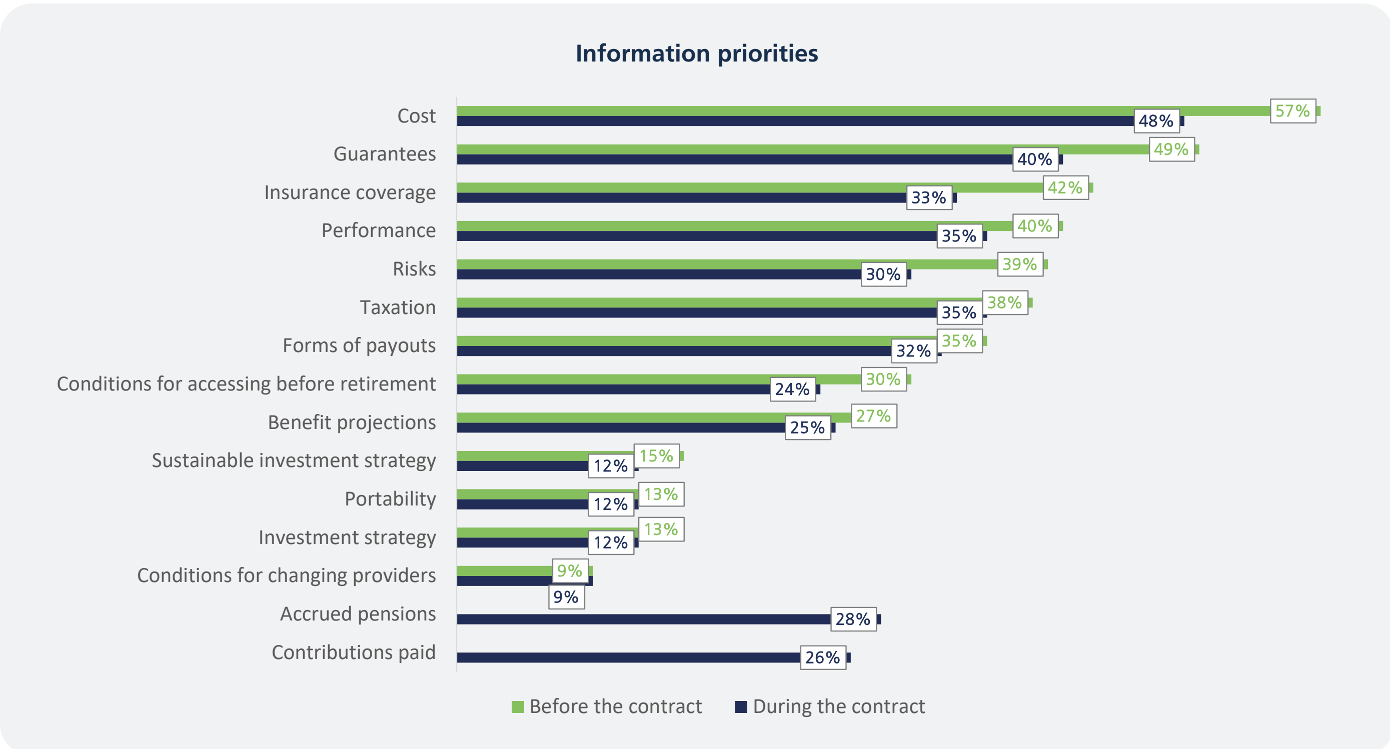
Information preferences

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.

72% of survey respondents preferred to receive information on pension products digitally rather than on paper, confirming the strong appetite for digital disclosure already expressed in the 2019 Survey.

The information that interested respondents most was on costs, both before signing a contract (57%) and once a contract is in force (43%). Also of interest was information on guarantees, insurance coverage and investment performance. They were least interested in information on investment strategies, pension portability and pension switching.





Insurance Europe recommendations

Against the background of a pandemic that has increased the existing pension gap still further, insurers wish to help identify how best to increase retirement saving and offer the following recommendations:

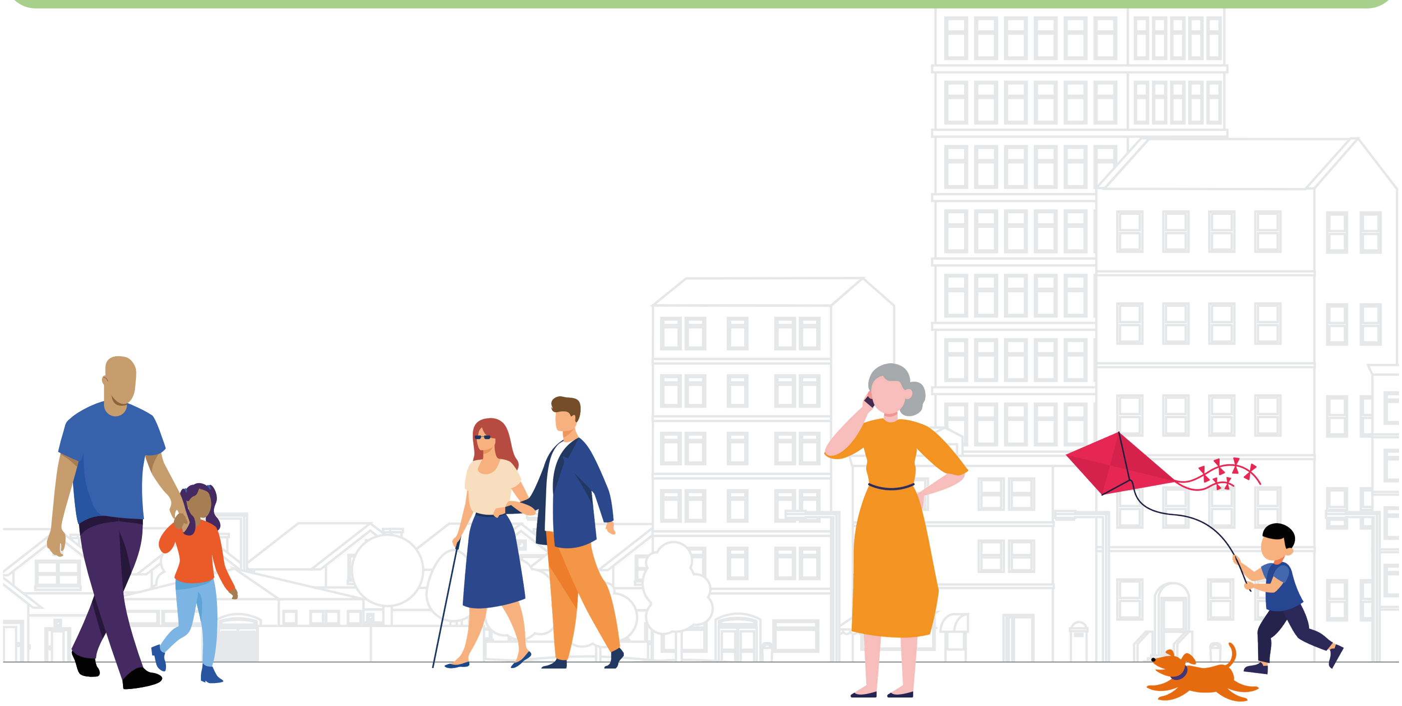
- It is vital to further **raise awareness of the need to save for retirement** and to **improve levels of financial literacy** so that individuals can make the most appropriate decisions for their own circumstances. Insurance Europe supports the recent EU focus on digital pension information and welcomes the discussions taking place in the context of the EU Capital Markets Union on the role of pension tracking services.

- The survey confirms the **need for pension policies to be consumer-centric**, based on evidence of users' demands and needs, so any initiatives should always be subject to extensive consumer testing.

- 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 Solvency II, does not prevent insurers from fulfilling their important role** in tackling the pension savings gap.

- Europeans overwhelmingly support a digital approach to pension information. It is important that **regulation allows providers to engage in innovative ways** with their customers.

- The survey confirmed 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.



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 almost €1 000bn annually — or €2.7bn a day — in claims, directly employ nearly 950 000 people and invest over €10.4trn in the economy.