The European Network for Research on Supplementary Pensions

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Paper abstracts in order of presentation

Thursday 20th September

Dr Áine Ní Léime, NUI Galway, Ireland

Gender and attitudes to extended working life and pensions for worker in different occupations

Policies designed to reform pensions and extend working life (EWL) were introduced in many countries including Ireland in response to concerns about demographic ageing and the sustainability of pensions. EWL policies include pension reforms encouraging the privatisation and individualisation of pensions, increasing the age at which people are entitled to the state pensions, increasing the number and amount of contributions required to qualify for the state pension and plans to introduce auto-enrolment. Such policies assume that homogeneous workers face similar choices about whether to extend working lives. Yet, working longer may be difficult for women and for workers in physically onerous jobs or those in low-paid precarious employment.

This paper provides an inter-occupational and cross-national dimension to the limited existing body of Extended Working Life and pension research, comparing the experiences, outcomes and plans of older teachers, healthcare workers, construction workers and academics in Ireland. It analyses intra-cohort distinctions among women and men that emerge when considering factors such as educational opportunities, family formation, and occupation. Its lifecourse framework draws on data from qualitative fieldwork comparing the implications of EWL policies for different groups of older workers: in precarious versus secure occupations and in occupations with different physical demands. Analysis of interview data from sixty men and women (ten male and ten female teachers, ten female health care workers, ten male cleaners/construction workers, ten male and ten female academics) reveal work-life trajectories typically leading to poorer financial and health outcomes approaching retirement for those in low-paid, precarious physically-demanding jobs and great difficulties in contributing regularly to pensions. Most workers oppose EWL because of concerns about health and ability to work, normative beliefs about retirement age, the rules governing occupational pension schemes and the desire to live healthy years in retirement. The likely gender implications of the findings for pension reform and for EWL policy and future research are considered.
Dr Roman Raab, European Commission Joint Research Centre, Italy

Retirement and Informal Care-giving: Behavioural Patterns among Older Workers

This paper uses panel data from the Survey of Health, Aging and Retirement in Europe (SHARE) to study the effect of care-giving on retirement. The findings suggest that care- and support-giving contributes to the retirement decision, in particular for men. While the frequency of care activities is more influential in the male retirement decision, the most important factor for both genders turns out to be out-of-household care.

Prof Michał Michalski, Adam Mickiewicz University, Poznan, Poland

Family (In)stability and Its Consequences for Relationships, Welfare and Intergenerational Transfers

The focus of the paper is on the condition of the family in the West in the context of the functioning of socio-economic order and its ability to offer social security.

Current transformations of social structure, especially in regard to family life: formation of marriages, divorces, structure and stability of family environment call for thorough attention as they determine demographic and socialization outcomes. It becomes more and more evident on the background of growing body of data suggesting that these phenomena influence – among others – intergenerational transfers, welfare systems and their future stability and effectiveness.

According to the thesis of the paper, family instability – together with its structure – influence wide variety of elements such as fertility, socialization, present and future welfare and well-being of children and parents. According to available data it is justified to say that it hinders inclusion, weakens not only intra- but also intergenerational communication and condition of pension and welfare systems.

It means that in the short and long run some of the most important relationships within society profoundly change. It results in serious modification of intergenerational and intergenerational solidarity and responsibility and in the end influences the quality of intergenerational contract.

The paper combines different findings from economics, demography, sociology and psychology and puts them in the framework characteristic to cultural studies.
Irrational Expectations Concerning Future Social Security Benefits: United States, Canada, and Ireland

Expectations play a major role in both macroeconomic and microeconomic theory. While a number of surveys have asked questions concerning workers’ expectations as to their future social security benefits, these expectations have not been the subject of extended analysis. This study examines survey data on workers’ expectations as to their future social security benefits in the United States, Canada and Ireland. Because social security benefits are an important source of retirement income for most people in these countries, workers’ expectations as to their future social security benefits presumably play an important role in their consumption, saving and portfolio investment decisions. In all three countries, while we find heterogeneity in the expectations of workers, in some surveys, a surprisingly high percentage of young workers expect that they will not receive future social security benefits. The findings do not fit the models of rational expectations or of rational inattention. While the most obvious explanation for such pessimism in the United States is the projected financial shortfall in 2034, we find such pessimism in a U.S. survey in 1996 and in surveys in Canada, where recently benefits were increased. Young age and financial illiteracy as two causes of unrealistic expectations as to future social security benefits. The rational and behavioral expectations models can be combined in a theory of marginal rational expectations, where people’s expectations as to future social security benefits are affected by behavioral biases and financial illiteracy but improve with age. Underestimating future social security benefits may not lead to greater retirement readiness as a reaction to the perceived reduced generosity of social security because many young workers are not engaged in saving for retirement, but that area merits further investigation.

Has the European Semester become a driver for national pension policy?

The European Union’s ageing societies poses major policy challenges for pension systems. Since both the economies and the societies of Member States are increasingly integrated, the success and failure of national pension policies and reforms has an ever-increasing impact beyond national borders and on the smooth running of the European Monetary Union. This means that pensions are increasingly becoming a matter of concern in the EU, and have earned a place on the European Commission’s policy agenda. On one hand, planning for policy harmonisation, and the Europe 2020 growth and jobs strategy, calls for
deeper integration and coordination of economic and budgetary policies. On the other hand, although the EU acts in the regulatory domain regarding pensions, the subsidiarity principle and member state autonomy over taxes, limits the EU’s power regarding social security. Instead of direct intervention in pension policy, the European Union encouraged the diffusion of ideas about reforms with its open method of coordination (OMC) mode of policymaking. More recently, the European Semester process has contained a focus on pension reform.

This paper is a comparative study of recent pension system reforms in the Netherlands and Ireland to analyse how the European Semester influences pension reform in each country. The purpose of this study is to examine the way pension reform is framed in the European Semester process, through analysing the Annual Growth Surveys (AGS), and the Country Specific Requirements (CSR) for the Netherlands and Ireland. As a theoretical lens to understand the discursive processes in the AGSs and CSRs, this paper employs discursive institutionalism (DI). While institutionalism is concerned with how institutions shape and influence outcomes, DI concerns ideas, and how they are communicated through discourse. By identifying the form and type of ideas that flow from the EU to its Member States as well as identifying which ideas are implemented as this paper establishes the contribution of the EU to pension reform in the Netherlands and Ireland. We argue that there is a divergence in effectiveness between cognitive and normative ideas in EU discourse, and we demonstrate that cognitive ideas are privileged over normative ideas. Cognitive ideas that directly link ageing populations and precarious public finances lead to direct reform of pension systems. In contrast, normative ideas of addressing a gender gap in pensions, or assessing pension system performance do not carry through to domestic policy in the same way.

Dr Maria Clara Murteira, University of Coimbra, Portugal

Old-Age Income Security through Sound Macroeconomic Policy

This paper emphasizes that economic policies which limit the possibility of securing the generosity of public pensions are a political choice (hence, not unquestionable). Debates about the sustainability of pension systems often focuses on demographic variables and the pressures they exert on expenditure, thereby diverting the attention from the economic variables which affect the revenue side of the pension budget. However, good economic performance is a fundamental tool to provide the necessary resources to reinforce social security budgets. Thus, the economic policy approach is a major issue in the pension debate, as the pattern of income creation and distribution in society decisively influences available choices for pension policies.

In order to illustrate the reasoning, the analysis builds on the decomposition of the “pension burden” of public schemes and its application to the Portuguese case. The data shows that demographic aging has been occurring at a slow and gradual pace. In each and every decade between 1960 and 2000, the pace of economic growth has been enough to more than offset
the impact of demographic aging on the pension burden. Since 2000, the trend has been reversed due to the poor performance of the economy since joining the euro: thereafter, the rate of economic growth became insufficient to offset the effect of demographic aging. The problem has been further aggravated during the period when the Memorandum of Understanding with troika (EC, ECB and IMF) was in force, since austerity policies then enacted led to the decrease in real GDP between 2010 and 2013. To provide an in-depth analysis, the pension burden is also decomposed into its structural determinants. The long term pattern of change (from 1960 to 2016) of demographic and macroeconomic variables (the old-age dependency ratio; real GDP per worker; labour force participation rates, and the decomposition of trend and cycle components of changes in participation rates; and employment rates) is then scrutinized and its impact on the burden of public pension schemes assessed.

The paper concludes that the rising financial pressures on PAYG pension scheme in Portugal should be ascribed, not only to demographic developments, but mainly to the current model of economic policy (particularly dysfunctional for peripheral countries), which has been responsible for persistently high unemployment, low labour force participation rates, and wage increases under labour productivity.

Dr Bastiaan Starink, Research Fellow Netspar; Competence Centre for Pension Research, Fiscal Institute Tilburg, Tilburg University, Netherlands

Pension reforms in the Netherlands this millennium: a trade-off between Adequacy, Affordability and Accountability?

The Dutch pension system is said to be one of the best in the world. The ingredients for the quality seem to be the semi-mandatory participation, external funding, high solvency requirements and a good balance between an unfunded first pillar and a funded second pillar. However, after decades of relatively minor changes in the system, the system changed quite drastically the last two decades. The introduction of IAS19 and other accounting standards, increasing life expectancy, lower interest rates and volatile financial markets put pressure on the affordability of the Defined Benefit systems. But also societal changes such as an increased number of free lancers, contract workers and self employed let to a lower participation level. The increased demand for transparency and accountability showed elements of risk-sharing and fairness that are seen to be out of date. Younger generations tend to disqualify the current system which comes with a risk of lower support and, eventually, wanting to drop out. These events call for changes in the system or, at least, changes in the perception of the system. This is the exact reason that the Dutch government wants to change the pension system as of 2020.

In this paper I shall address the following aspects:

- An overview of the relevant aspects of the Dutch pension system;
• A description of the most important changes in the system, their motives and consequences;
• An overview of the proposed changes of the system per 2020, including the pro’s and con’s.

Special attention will be given to the potential conflict of interest between the more economic principle efficiency and the more legal concept of fairness.

Yogesh Jaiyawala, Waterford Institute of Technology, Ireland

Exploring the preferences and assessing the means of using housing equity in retirement for elderly Irish

Generating sufficient retirement income for current and future retirees has become a significant challenge for the exchequer of many developed nations including Ireland. According to the Census 2016, Ireland has one of the lowest net pension replacement rate (<45%) in the EU and significantly higher home ownership rate (>95%) amongst elderly Irish. With private pension coverage rate at 47% which is well below the policy maker’s desired target of 70%, the existing retirement income pillars need a fresh perspective.

Many countries experience this challenges of maintaining current levels of pension provision as a bulwark against income poverty among the retired population. These countries are considering the policy instrument of using accumulated equity in residential property as a source of consumption for ‘cash poor and property rich’ retirees. Such policy instrument represents the deployment of retirement income pillar that has not been used widely to date except having some niche market in the UK and US in the form of equity release products.

This paper explores the issues around using a residential property as a source of retirement income for existing retirees in Ireland. Two focus groups with elderly home owners in Dublin and Waterford were conducted to gather primary data on several themes such as preference of mediums for withdrawing housing equity, bequeath motives, importance of living in community, and so forth. Theme bases analysis of these focus group could lead to a better understanding of the forces at play and the levers that might be used to guide them. Social and financial motives play a part in household decision making on this matter and the paper will examine these motives and their significance for policymakers. Further, wide use of such a policy instrument involves several stakeholders: government, employers, householders and financial service suppliers. It has a long lead time in terms of achieving outcomes. Thus this research seeks to contribute to this knowledge base and the related policy framework over the long term.
Friday 21st September

Dr Susan Kuivalainen, Finnish Centre for Pensions, Finland

Keynote speaker

Dr James Kolaczkowski, University of the West of England, UK

The Importance of Occupational Pensions in Society: Developing the Roles of Employers and Trustees

Employers and trustees can do more to realise the potential of UK government initiatives in occupational pensions, which should deliver greater benefit to society as a whole. The paper will present the wider purpose of an occupational pension scheme in society, beyond commercial interests in the employment relationship. The roles of employers and trustees will be addressed in two policy areas. Firstly, the introduction of automatic enrolment, and secondly, in relation to the adequacy of regulatory powers to protect pensions during corporate restructurings. Suggestions will be made in relation to how the roles of employers and trustees can be better framed and improved upon to address current failings in these areas.

Since 2012 automatic enrolment has been gradually introduced in the UK, the legal compulsion for both employers and employees to contribute to pension savings is now part of the UK employment relationship. With the legal minimum level of contributions continuing to increase, its success is of particular interest to policy makers. Notably through the publication of a government review1 and a commitment to an annual workplace pensions report2. Research is also being conducted into the future sustainability of the policy, for example by the Pensions Policy Institute Research Series3 which has identified the importance of employee perceptions and the roles of small to medium sized employers in the process. The roles of employers and trustees will be analysed with regard to their capacity to promote the policy aim of improving pension savings for an ageing population.

The detrimental effects of company restructurings or insolvencies have recently brought into question the adequacy of the regulatory framework. Notably following the collapse of the retailer BHS and the facilities management and construction services company Carillion. A White Paper was published in March 20184 which proposes to introduce legislation to widen the powers of the Pensions Regulator and to introduce a new criminal offence for wilful or grossly reckless behaviour of directors in relation to defined benefit schemes. This is a popular policy response with voters affected by pension scheme failure. However,

3 Pensions Policy Institute, ‘How Will Automatic Enrolment Affect Pension Saving?’, July 2014
4 Department for Work and Pensions, Protecting Defined Benefit Pension Schemes, White Paper, Cm 9591, March 2018
employers are likely to challenge any proposals which appear to restrict corporate activity. The roles of employers and trustees are analysed with respect to their potential to engage effectively with the Regulator to develop a stronger regulatory environment, for the benefit of scheme members.

Prof Yves Stevens, KU Leuven, Belgium; Dr Joanna Ratajczak, Poznan University of Economics and Business, Poland

Three worlds of female pension. The case of Belgium and Poland

In the classical male breadwinner model there is a dependency of women on men for their old age provision. Literature shows that there are various types of breadwinner models leading to different dependencies for women. The socio-economic reality of (financial) dependency of women in old age is highly determined and conditioned by regulation. With this article we try to delineate the breadwinner model and its effect on women’s pensions in both Belgium and Poland. The research question at hand is to what extent do the pension regulations reflect the strong male breadwinner model and what are the socio-economic outcomes (of such regulations) for female beneficiaries in Belgium and Poland? In this article we will highlight that women are the most vulnerable group of beneficiaries within the old-age security with relatively higher poverty risk than male beneficiaries.

Maureen Maloney, Dr Alma McCarthy, NUI Galway, Ireland

Pension communication complexity: An analysis using a bounded rationality framework

According to Barr and Diamond (2009, P. 8), “People often fail to make choices that maximize their long-term well-being or that of their families, and often make no explicit choice at all — a common result where excessive choice or excessive complexity becomes overwhelming.” Some empirical research evaluated the impact of excessive choice in relation to the number of investment funds (Huberman and Jiang, 2006; Papke and Poterba, 1995) and suggested that more choices results in inertia. However, there is little empirical research that evaluates the excessive complexity of pension communication on individual pension decisions. Maloney and McCarthy (2017) developed a bounded rationality framework building on the work of Simon and Kahneman and Tversky (Kahneman, 2011, 2003). They identified individualisation, segmentation and targeting as possible techniques to frame information to assist employees to make reasoned pension decisions. Subsequent case study research indicated that the framing effects identified by Maloney and McCarthy (2017) are not sufficient to promote reasoned decisions. This research extends their framework, building on cognitive load theory (Kalyuga, 2011; Sweller, 2016) and adds simplicity to the other communication techniques. This is measured using evidence-based
criteria classified as readability, legibility and content explaining how they can be used to increase or reduce intrinsic and extraneous cognitive load. An evaluation of all written communication given to employees at three case study organisations over a one-year period found that much of it is written at a reading level above what a high school graduate can understand, using font sizes that are difficult for a person with average eye sight to read, providing information that is irrelevant to the decision to either join a pension plan or increase contributions. In summary, pension communications adds to cognitive load making it difficult for occupational pension plan members to make reasoned decisions.

Prof Dana Muir, University of Michigan, USA

The Intersection of Communication and Behavioral Economics: Strategies for Discouraging Defined Contribution Leakage

United States 401(k) plans have been held out as one of the success stories that prove defaults and nudges can successfully prevent decisional errors and encourage behavior that aligns with public policy while retaining individual power of choice. This project shows that may be true for three of the four default settings used by many 401(k) plans; but the fourth default setting, which I term automatic retention, fails. That failure often results in savers taking affirmative actions to move assets out of 401(k) plans. Frequently those assets are moved (rolled over) to Individual Retirement Accounts (IRAs) with the ultimate result being a threat to the perceived effectiveness of the first three default settings in building long-term wealth.

The behavioral economics literature on defaults and nudges suggests that inertia and status quo bias should cause savers to leave their assets in the employer-sponsored plans. The thesis of this project is that certain types of communications external to the plans can overcome this inertia, often to the detriment of the plan participant. This project argues that boundary conditions cause the default setting to be slippery in this context. As such, it distinguishes the slipperiness of this default setting with the stickiness of the other default settings used in 401k plans. The project considers three possible interventions to mitigate the popularity of rollovers: direct regulation, expansion of fiduciary obligation, and encouraging positively deviant employer actions.

Dr Michal Polakowski, Poznan University of Economics and Business, Poland

Development of non-mandatory funded pensions. A public finance perspective

The old age pensions are under strain. Both domestic and international actors have been advocating for a significant reform which would reduce spending in the coming decades. A significant role in this process has been played by the World Bank (with its important 1994
‘Averting the old-age crisis’ publication) or OECD, but also pension industry, that is a section of a financial sector interested in providing funded ‘pension products’.

A solution proposed by these actors was funded, non-mandatory pensions. The purpose of this paper is to explore the relationship between the reforms of public, mandatory pensions and development of non-mandatory pensions. The paper analyses reforms in France, Italy, Germany, Ireland, and Poland since 1990.

The hypothesis of this paper is that apart from the countries where the non-mandatory schemes have already been widespread (such as Ireland), the development of this type of schemes has been limited. The main reason for such reduced interest of policy-makers follows the same rationale as in the case of mandatory pensions retrenchment, namely, the focus on the condition of public finance. As the development of funded, non-mandatory pensions require extensive tax incentives (which constitute forgone tax revenues), the governments under fiscal strain prefer to abstain from this type of policies.

The paper traces the debates regarding private provision of funded pensions and policies which follow them in five cases. It focuses especially on the arguments in public debates referring to the impact of funded pensions on public finance.

Dr Micheál Collins, University College Dublin

Private Pensions and the Gender Distribution of Fiscal Welfare

Fiscal supports to encourage and facilitate individuals participating in private pensions are a recurring, and expanding, element of many countries approaches to pensions policy. These fiscal welfare tools are expensive, in revenue forgone terms, and have been continually found to have regressive distributive outcomes.

This paper considers the effectiveness of the current suite of private pension taxation supports in Ireland from a gender perspective. In doing so it compares the performance of the current system in encouraging pension contributions by both males and females and examines if a ‘gender pensions contribution gap’ exists. It also considers the distribution of current private pension supports by gender, bringing a new equity lens to an area of substantial recurring fiscal welfare.
Incentives for additional saving for retirement in occupational pension schemes – individual perspective

Tax treatment of occupational pension schemes can be an important tool in encouraging private pension provision. There are many possible pension tax regimes, depending on whether contributions into the scheme, investment returns earned and benefits paid out are taxed or exempt from tax. A common system in OECD countries is EET, where contributions and investment returns are exempt from income tax and benefits are taxed. This is considered attractive from the member’s perspective, as the tax relief is given immediately when contributions are paid, whereas the tax is applied to benefits which will be paid in distant future. However, other tax regimes are also in use. In Poland the current system is TEE (contributions are taxed whereas investment returns and benefits are exempt), and this system is likely to be used in the new occupational schemes which are due to be introduced in Poland from January 2019. Aim of this paper is to compare the different tax regimes as an incentive to save in the new pension schemes in Poland from the member’s point of view, analysing benefits and replacement rates that could be achieved as well as post tax income throughout the scheme membership for different categories of workers. Incentives for additional saving for retirement in occupational pension schemes – individual perspective

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Dr Ulrike Spangenberg, Umeå Forum for Studies on Law and Society, Sweden

Tax subsidies for private and occupational pension schemes: a case of discrimination?

The paper discusses the legitimacy of tax subsidies or tax incentives for private and employer-provided pension schemes in the light of constitutional and European requirements to prohibit indirect gender discrimination.

Most countries across the European Union show a striking gender gap in pensions, in some countries as high as 46%. The shift from statutory to private and employer-provided pension schemes increases the risk that the gap may even further rise. This development is often explained by differences in access to private or occupational pensions schemes, caused by gendered income differences and labour market structures, insufficient consideration of care work or a lack of corrective mechanisms in general. The role of taxation is less considered, although numerous countries use tax expenditures to create incentives or supplement old age provisions. The use of tax expenditures is also advocated by the European Union.

The gender impact of tax expenditures has rarely been analysed to date, due to a lack of awareness but also a lack of sufficient data. However, existing research suggests, that tax expenditures benefit men and women differently, as a result of gender gaps in income and wealth, career and working patterns, labour market structures and the division of care work.

From a legal perspective, therefore, the question arises of the extent to which such tax subsidies are legally permissible. National and European legal norms prohibit in particular discrimination based on sex. Although tax expenditures regularly apply to men and women equally, discrimination may occur in the form of indirect discrimination. The prohibition of indirect discrimination is not only enshrined in numerous national constitutions, but in European gender equality law. It prohibits even apparently neutral provisions, criterions or practices, that would put a person at a particular disadvantage compared with other persons, unless that provision, criterion or practice is objectively justified by a legitimate aim, and the means of achieving this aim are appropriate and necessary.

The legal analysis based on German tax provisions for supplementary private and occupational pension plans shows by way of example that specific features of these provisions do not comply with the prohibition of indirect discrimination, which is enshrined in the German constitution. At the same time, the question arises as to what extent European Equal Treatment Directives, in particular, 2006/54/EC, that implements the prohibition of indirect discrimination in employment and occupation, give rise to requirements for the non-discriminatory design of tax expenditures for private or occupational pension plans.
Magdalena Ogórek, University of Katowice, Poland

Abuses, misconducts and wrongdoings connected with private retirement plans in Poland

Within the period of time dated back from approx. 2010 until 2015 on Polish financial market (in sections related with a specific kind of private retirement plans), as there was later uncovered and investigated an enormously large amount of wrongdoings - cases where intercessors were notoriously perpetrating a crime of misselling private pension plans (in the form a systematic savings programs preliminary) on a massive scale - described by advisors as risk free, with capital guarantee even up to hundred percent of its initial amount, with guaranteed, high rate of return, easy to withdraw from (in the case of certain circumstances, when there will occur an urgent need to improve or maintain one’s liquidity), as almost fee-less products hybrid of an investment, savings plan and insurance – all aimed at creating after commonly 30 years, a special asset-base for the one’s retirement, all labelled in an imprecise, unclear way, missing key information. Intercessors, repeatedly deliberately misrepresented the contract’s clauses to a very high degree (though clauses – terms of contracts were itself constructed and written in an ambiguous way, giving only a blurred image of a financial product, leaving many aspects unprecise – later to be explained and interpreted solely by agencies and binding on consumers, i.e. their creators; what is more, at the same time, intercessors were offering consumers misleading information about its suitability and a supposed wide span of its benefits to a customer, who was interested in private retirement plan.

Moreover, most of the contracts of them were described in contracts and additional documentation as also almost risk-free, fee- less, very liquid, with guaranteed or almost certain high rate of return, with a promise of a constant growth, even with a graphic illustrations (charts, graphs) which were directly suggesting that constant growth is the only option possible and at the same time there is no, or almost any possibility of loss during the whole period, as well as with the additional benefits, i.a. in a form of initial capital protection, all very vaguely, ambiguously defined, representative example calculations suggesting in a very convincing way constant growth over the whole period, until the very maturity of a private investment plan.

As it was later uncovered, mostly due to a large number of consumer’s complains that were sent to the Office, shown misleading, ambiguous language of contracts and other wrongdoings, misconducts, abuses incorporated in the terms of contracts, in their very substance, which all were infringement of consumers rights and many of them suffered extensive losses of their initial capital, predominantly caused by termination fees in high up to ninety percent of it, and other fees mentioned in the terms of contracts. Systematic savings (retirement) programs seemed to consumers as convenient, beneficial, highly profitable and attention-grabbing alternative, as another form of an additional private pension asset base, which were praised as entirely safe, very liquid, without any financial risks – all together very tempting for an average consumer.

Brought to the public attention by consumers and then the Office, and investigated and later enforced by the Office, in the form of the legally binding Decision of the President of
the Office, ordering the perpetrator (company) to stop conducting that specific kind of wrongdoing(s), change the terms of contracts and its clauses that were abusive, to pay financial penalties and to entitle consumers to withdraw from the contract on the conditions ordered by the President in his Decision. The Office found that (mentioned in article) intercessors and agencies were unlawfully misleading their clients, concluding contracts for a long-term retirement-oriented investment fraught with high risk products, not necessarily corresponding to savings (for retirement) needs.

The aim of the article, is to analyze and show how the Office binding Decisions changed the situation, how they were issued (ordered), what infringements of consumers rights the Office has detected and uncovered, and how severe the penalties was, who they were imposed o, how did those companies reacted, and how did it affected consumers and the general terms and substance of private pension plans in this form.

Prof Marek Szczepanski, Poznan University of Technology, Poland

The likely impact of improving pension participation and adequacy in the new Employee Capital Plans (PPK) in Poland”

The Polish government announced its intention to require that employees be enrolled in new supplemental, defined contribution (DC) retirement vehicles (or equivalent plans). The new plans will be known as Employee Capital Plans (PPK - Pracownicze Plany Kapitalowe). Employees aged 19 to 55 would have to be automatically enrolled in a PPK or equivalent plan but could opt out within three months, and those over 55 could enroll voluntarily. Employee contribution to the plan (PPK) will be mandatory 2% of pay, Employer contribution: mandatory 1.5% of pay and government contribution: 5% of pay (capped at 30 times national average earnings) and one-off PLN 250 “welcome contribution”. New Employee Pension Plans should be introduced from January 1st, 2019 first in big companies (at least 250 employees), next in SME and in Public Sector.

The cognitive goal of the research, which results will be presented in the article, is to indicate the opportunities and threats related to the introduction of the new Employee Capital Plans (PPK), and in particular to answer the question whether the construction of the new retirement plan and related fiscal incentives will significantly increase the level of participation in additional occupational pension schemes people with medium and low incomes, and to what extent participation in the PPK may increase the adequacy of future pension income in Poland.
Dr Kamila Bielawska, University of Gdansk; Dr Sylwia Pienkowska-Kamieniecka, University of Warmia and Mazury; Dr Joanna Rutecka-Gora, Warsaw School of Economics

The Willingness to Participate in the Supplementary Employment-Related Pension Plan in the Light of the Pension Awareness of Poles Survey

Starting from 2019, the new employment-related capital plans (PPK) will supplement the forms of long-term saving for old age in Poland. PPK will operate on the auto-enrolment basis and will be financed jointly by employers, employees and state budget. Using the Pension Awareness of Poles Survey conducted in 2016 on 1006 respondents, we use two logistic regression models to analyse the willingness to accept the contribution to pension plan at a cost of lower remuneration and attitude of respondents to retirement. We find out that the older and the better educated respondents are, the more they are willing to accept the contribution to pension plan. Interestingly, persons who believe that the public pension replacement rate will be relatively high (70% of current earnings), prefer increase in earnings than contribution to the pension plan. It may suggest, that they are satisfied with the expected pension level or/and having additional financial resources for retirement or prefer to decide personally about the current ratio of savings to consumption. We also analysed the mental attitude of the respondents to the retirement, i.e. whether they think about the retirement. The results show that the odds ratio increase with age and the level of education. Respondents who more often think about retirement are convinced that the supplementary pension plans should be sponsored by the employer or jointly by the employer and the state budget. The characteristics such as young age, low level of education, lack of knowledge about the expected level of public pension, reduces the willingness of thinking about retirement and the standard of living in old-age.