

Securing Lifelong Retirement Income: Global Annuity Markets and Policy

EDITED BY

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and Noriyuki Takayama

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Preface

As the world ages, millions of savers and investors are beginning to wake up to the fact that they face longevity risk. This refers to the possibility that an individual, or indeed, an entire cohort of people, might live much longer than expected and hence become exposed to the chance of running out of retirement money. This volume focuses on how insurers and other financial market players can help protect against this critical and increasingly important financial and demographic challenge, taking an international focus.

As this book points out, there are three main ways to protect against longevity. Traditional societies relied on large, multigenerational families, but reliance on one's children is a less attractive option than it was in the past. State provision was mainly a twentieth-century phenomenon and, as we note, faces substantial challenges in many nations. Last is the insurance industry which can cover the long lives of some retirees by pooling survival risk across the population, including those who live less long. The particular question this volume addresses is whether and how more general and formalized private longevity insurance provision can be provided, and is being offered, through annuity products. We are delighted to represent the vigorous debate currently underway by academics, financial experts, regulators, and plan sponsors, all seeking to define a new future for mechanisms to help protect against outliving one's wealth.

Previous research studies published by the Pension Research Council and the Boettner Center of the Wharton School of the University of Pennsylvania have focused on pensions and retirement adequacy around the world. In this volume, as in our many others, we have relied on many fine contributors, coeditors, and commentators. In the present instance, John Piggott and Noriyuki Takayama provided the impetus to turn a rich set of conversations and ideas into a high-quality research volume worthy of the Pension Research Council series. The Senior Partners and Institutional Members of the Pension Research Council are also very much appreciated for their intellectual and financial support. The Institute of Economic Research at Hitotsubashi University in Tokyo hosted an early meeting for the researchers, under the direction of Professor Takayama. Additional support was provided by the Pension Research Council, the Boettner Center for Pensions and Retirement Research, and the Ralph H. Blanchard Memorial Endowment at the Wharton School of the University of Pennsylvania. The manuscript was expertly prepared and carefully edited by Andrew Gallagher and Matt Rosen, with help from Irene Shaffer.

vi Preface

On behalf of these institutions and individuals, we thank all of our fine collaborators and supporters for their help and intellectual guidance in these times of financial turmoil.

Olivia S. Mitchell

Pension Research Council
Boettner Center for Pensions and Retirement Research
The Wharton School

Contents

<i>List of Figures</i>	ix
<i>List of Tables</i>	xii
<i>Notes on Contributors</i>	xiv
<i>Abbreviations</i>	xvii
1. Turning Wealth into Lifetime Income: The Challenge Ahead	1
<i>Olivia S. Mitchell and John Piggott</i>	
Annuity Markets Around the World	
2. The Swedish Annuity Market: Where it is and Where it's Headed	13
<i>Edward Palmer and Bo Larsson</i>	
3. Market Structure and Challenges for Annuities in India	32
<i>Mukul G. Asher and Deepa Vasudevan</i>	
4. Annuities and their Derivatives: The Recent Canadian Experience	50
<i>Moshe A. Milevsky and Ling-wu Shao</i>	
5. The United States Longevity Insurance Market	63
<i>Anthony Webb</i>	
6. Too Much Risk to Insure? The Australian (non-) Market for Annuities	81
<i>Hazel Bateman and John Piggott</i>	
7. Pension Payouts in Chile: Past, Present, and Future Prospects	106
<i>Jose Ruiz and Olivia S. Mitchell</i>	

viii Contents

8. The Private Life Annuity Market in Germany: Products and Money's Worth Ratios	131
<i>Barbara Kaschützke and Raimond Maurer</i>	
9. Annuity Markets in Japan	159
<i>Junichi Sakamoto</i>	
10. Compulsory and Voluntary Annuity Markets in the United Kingdom	171
<i>Edmund Cannon and Ian Tonks</i>	
11. Payouts in Switzerland: Explaining Developments in Annuitization	195
<i>Monika Büttler and Stefan Staubli</i>	
<i>End Pages</i>	214
<i>Index</i>	219

List of Figures

Figure 2.1	Share of private and occupational pension for those retired in 1992	22
Figure 2.2	Form of private pension withdrawal (1992)	23
Figure 3.1	Types of annuities	36
Figure 4.1	Money's worth ratio (MWR) for annuities purchased at age 65 with no guaranteed periods	54
Figure 4.2	Adjusted money's worth ratio (MWR) for annuities purchased at age 65 with no guaranteed periods	55
Figure 5.1	Fraction of workforce covered by pension plan of given type over time	67
Figure 6.1	Components of retirement income provision	86
Figure 6.2	Value of retirement benefits: lump sum and income stream (1997–2008)	94
Figure 6.3	Value of private retirement income streams (1989–2008)	94
Figure 7.1	Growth of the Chilean AFP pension system	108
Figure 7.2	Time pattern of affiliates and retirees in the Chilean AFP system	108
Figure 7.3	Chilean retirees by type, over time	109
Figure 7.4	Fraction of retirees taking an annuity, phased withdrawal (PW), or temporary withdrawal (TW)	112
Figure 7.5	Phased withdrawal and annuity payments in Unidad de Fomento (UF) units: simulation over the life cycle. Panel (A): single male who retires at age 65 (no dependents); Panel (B): single female who retires at age 60 (no dependents)	114
Figure 7.6	Time path of Chilean minimum pension guarantee (MPG) levels and minimum monthly earned income (in Unidad de Fomento)	115
Figure 7.7	Time path of annuities purchased (RV) and phased withdrawal benefits (RP) elected in the Chilean pension system	116

x List of Figures

Figure 7.8	Time path of Chilean pension values according to payout method elected	117
Figure 7.9	Time path of commissions for annuity sales in Chile	118
Figure 7.10	Proportion of Chilean AFP member retirees electing the lowest cost annuity quote by access channel utilized	121
Figure 7.11	Distribution of age at death of Chilean population and annuity purchasers conditional on attaining age 25. Panel (A): males; Panel (B): females	123
Figure 8.1	Development of average annuity payout rates for German voluntary single immediate life annuities 1997–2006. Panel (A): age 60, without period-certain payout guarantee; Panel (B): age 65, without period-certain guarantee; Panel (C): age 70, without period-certain guarantee; Panel (D): age 70, with period-certain guarantee	141
Figure 8.2	Survival probabilities for annuitants aged 60 and 70. Panel (A): annuity is purchased at age 60; Panel (B): annuity is purchased at age 70	145
Figure 8.3	Standard deviation of money’s worth ratio averages, products without period-certain guarantees, German voluntary annuity market, range of entry ages, 1997–2006. Panel (A): annuitant; Panel (B): population	149
Figure 8.4	Year-by-year development of money’s worth ratios for 65-year-old annuitants in the German voluntary annuity market. Panel (A): male aged 65 without period-certain guarantee; Panel (B): male aged 65 with period-certain guarantee; Panel (C): female aged 65 without period-certain guarantee; Panel (D): female aged 65 with period-certain guarantee	151
Figure 9.1	Framework of the retirement income security system in Japan	160
Figure 10.1	Growth in annuity sales 1994–2006	172
Figure 10.2	Six-firm concentration ratio in the compulsory purchase market	176
Figure 10.3	Composition of life insurers’ assets	177

List of Figures xi

Figure 10.4	Annuity rates in the compulsory market (65-year-old male)	178
Figure 10.5	Annuity rates in the voluntary market (65-year-old male)	179
Figure 10.6	Money's worth for compulsory annuities for a 65-year-old male	186
Figure 10.7	Money's worth for voluntary annuities for a 65-year-old male	187
Figure 11.1	Annual cash-out rates in autonomous pension funds and collective funds	203
Figure 11.2	Evolution of money's worth ratios over time	206
Figure 11.3	Cash-out rates and accumulated pension wealth in the second pillar	211

List of Tables

Table 1.1	Demographic profiles of selected countries (current and projected)	3
Table 2.1	Distribution of tax-deductible pension saving (2008)	16
Table 2.2	Number of pensions and type of benefit received (2008)	18
Table 2.3	Estimated multinomial model for persons of age 55–67 drawing private voluntary benefit during some years during 1992–2007	25
Table 3.1	Labor force and demographic indicators in India	33
Table 3A.1	Annuity products offered in India	38
Table 3A.2	Mortality tables and life expectancy calculations for India	40
Table 4.1	Typical guaranteed lifetime withdrawal benefit (GLWB) product features	59
Table 5.1	Annuity sales by product types for the period 1996–2008 (dollars in billions)	69
Table 5.2	Immediate annuity qualified and non-qualified sales 2001–6	71
Table 6.1	Account-based pensions in Australia: minimum drawdowns by age	88
Table 6.2	Private retirement benefits in Australia (2009)	89
Table 6.3	Retirement income product coverage by sex and age in Australia (2006)	90
Table 6.4	Evolution of the tax-transfer treatment of retirement benefits	92
Table 6.5	Patterns of annuity purchase in Australia (2001–9)	96
Table 7.1	Characteristics of alternative payout modes under the Chilean retirement system	112
Table 7.2	Time path of requests for annuity quotes under the Chilean SCOMP system	119
Table 7.3	Annuity quotes accepted in Chile based on ranking of benefit offered	120

List of Tables xiii

Table 7.4	Money's worth ratios for Chilean payout annuities derived in prior studies	125
Table 7.5	Updated money's worth ratios for Chilean payout annuities	125
Table 8.1	Main studies on money's worth ratios (MWRs), surveyed countries, and time periods	134
Table 8.2	Structure of the typical annuity product in the German market	139
Table 8.3	Structure of the data sample for calculation of money's worth ratios in the German voluntary annuity market	140
Table 8.4	German voluntary annuity market money's worth ratios averages from 1997 to 2006 for products with and without period-certain guarantees	148
Table 8.5	Money's worth ratios for the year 2006, based on minimum, average, and maximum quotes	153
Table 9.1	Duration of annuity payments in Japan	164
Table 9.2	Age at which annuity payments start in Japan	165
Table 9.3	Reliable financial vehicles to save for retirement	165
Table 10.1	Scenarios for the size of the annuity market (estimated annual flows, £ billion)	174
Table 10.2	Money's worth ratios (MWRs) in the UK compulsory market for 65-year olds	185
Table 11.1	Demographic trends in Switzerland	201
Table 11.2	Money's worth ratios for the Swiss second pillar in 2009	205

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xvi Notes on Contributors

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Abbreviations

ABS	Australian Bureau of Statistics
AEW	Annuity equivalent wealth
AFTS	Australia's Future Tax System
ALDA	Advanced life deferred annuity
APRA	Australian Prudential Regulatory Authority
ATO	Australian Taxation Office
AVS	First-pillar welfare scheme
BLS	Bureau of Labor Statistics
CLHIA	Canadian Life and Health Insurance Association
CMI	Central Mortality Investigation Bureau
CPI	Consumer price index
CREF	College Retirement Equities Fund
CRRA	Constant relative risk aversion
DA	Deferred annuity
DAV	Deutsche Aktuarvereinigung
DB	Defined benefit
DC	Defined contribution
DCA	Dollar cost averaging
EPF	Employees' Pension Fund
EPI	Employees' Pension Insurance
ER	Early retirement
ETF	Exchange traded fund
FaHCSIA	Department of Family, Housing, Community Services and Indigenous Affairs
FDC	Funded defined contribution
FPF	Farmers' Pension Fund
FRBM	Fiscal Responsibility and Budget Management
FSA	Financial Services Authority
GDV	Gesamtverband der Deutschen Versicherungswirtschaft
GLWB	Guaranteed Lifetime Withdrawal Benefit

xviii Abbreviations

GSA	Group Self Annuitization
IA	Immediate annuity
IAI	Institute of Actuaries of India
ILO	International Labor Organization
INE	Instituto Nacional de Estadísticas
IRA	Individual Retirement Account
IRDA	Insurance Regulatory and Development Authority
IRS	Individual retirement saving
LIC	Life Insurance Corporation of India
LIF	Life Income Funds
LPiA	Lifetime payout income annuity
LPP	Federal Law on Occupational Retirement, Survivors and Disability Pension Plans
LRIF	Locked-In Retirement Fund
LSRB	Lump-Sum Retirement Benefit Plans
LTC	Long-term care
MAA	Mutual Aid Association
MPG	Minimum pension guarantee
MWR	Money's worth ratio
NDC	Notional defined contribution
NP	National Pension
NPF	National Pension Fund
NPS	New Pension Scheme
NR	Normal retirement
OECD	Organisation for Economic Co-operation and Development
PASIS	<i>pension asistencial</i>
PAYGO	Pay-as-you-go
PFRDA	Pension Fund Regulatory and Development Authority
PW	Phased withdrawal
PWER	PW at the early retirement age
PWNR	PW at the normal age
RBL	Reasonable Benefit Limits
RCLA	Ruin Contingent Life Annuity
RCV	Residual capital value

Abbreviations xix

RMLA	Reverse mortgage loan annuity
RRIF	Registered Retirement Income Fund
RRSP	Registered Retirement Saving Plan
SAFP	Superintendencia de Administradoras de Fondos de Pensiones
SCOMP	<i>sistema de consultas y ofertas de montos de pensión</i>
SEK	Swedish kronor
SG	Superannuation Guarantee
SPIA	Single premium immediate annuity
SSA	Social Security Administration
S2P	State Second Pension
SWiP	Systematic withdrawal plan
TAP	Term allocated pension
TFR	Total fertility rate
TIAA	Teachers Insurance and Annuity Association
TIPS	Treasury inflation-protected securities
TQPP	Tax-Qualified Pension Plans
TW	Temporary withdrawal
UF	Unidad de Fomento
VA	Variable annuity
WRAMAF	Workers' Retirement Allowance Mutual Aid Fund