Building a better retirement world
Helping governments make pensions a priority
Setting the scene

Celebrating your 100th birthday was but a rare dream a century ago. Today, that dream will become reality for about 50% of all newborn girls. It is a great humanitarian achievement that increasing numbers of people around the world enjoy. But this achievement has a price.

Living longer means a rapidly increasing number of people will have a retirement that lasts as long as their careers. But how can governments ensure the financial well-being of retirees and their pension programs?

Serious challenges with long-term implications

What is financial well-being in retirement?

How, and who, will pay? How much do we need? How much can we afford long term?

Are governments adequately prepared?

Few countries have implemented pension and retirement solutions for their citizens and employees that sufficiently account for fundamental demographic changes.

It’s time to act

Shifting demographics and limited financial resources have accelerated the need for governments to act systematically, swiftly and decisively. The value of pension promises made to retiring baby boomers may be up to 100% greater than initially expected. This means that policymakers now need to consider not only the short- and long-term sustainability of their pension and retirement policies and systems, but to do so without delay.

Few countries have clear answers or have yet taken steps to effectively respond to, and prepare for, the new environment. Constant review, adjustments and reform are now required. As policymakers consider how to make pensions and retirement sustainable and whether pensions are best delivered by the public or private sectors or a mix of both, EY’s Government & Public Sector teams are helping drive transformational change. By providing assistance and support that will have lasting impact, we help to build a better retirement world – for our clients, our communities and our families.
Fresh challenges

The financial repercussions of people living longer have been debated for decades, yet most governments have yet to implement comprehensive, flexible and sustainable reforms to their pension and retirement systems. Added to the mix is the legacy of the global financial crisis, which continues to play out across borders and has left policymakers, fund executives and public- and private-sector employers with a vastly altered landscape.

Finance to the fore

Lower-than-expected investment returns and enduring volatility, as well as increased post-crisis regulatory transparency, help to explain the intensified domestic and global focus on pensions and retirement. With budgets and long-term liabilities in government and public sectors also now including pensions and retirement, the financial challenge has become ever clearer.

Moving onto the front pages

The funding gaps in social security, as well as unfunded retirement promises that are edging into the spotlight, have made pensions and retirement a popular subject for the mass media. With politicians – and voters – now increasingly aware of these challenges, policymakers are under greater pressure to address their concerns.

Retiring baby boomers make it real

Over the past decade, huge numbers of baby boomers have retired or have been actively preparing for their imminent retirement. No longer just a component of an actuarial diagram, these people expect pension and retirement payments from government social pension systems, public-sector pension funds or voluntary pension and retirement accounts. Adjusting the retirement age or revising automatic benefit increases will likely prove too little, too late.
These pension and retirement challenges require significant behavioral change from governments, public-sector employers and citizens to adjust their expectations in line with these five priorities.

### Financial adequacy
1. How much will different groups and generations of beneficiaries need for their financial well-being in retirement? How much will governments and public- and private-sector employers need to offer in retirement benefits in order to attract and retain employees?

### Financial sustainability
2. How much money can governments, private-sector plan sponsors, public-sector entities and beneficiaries afford to save over the long term to pay for pension and retirement?

### Investment performance
3. How can we maximize outcomes and predictability of investments of pension and retirement assets?

### Efficiency and effectiveness
4. How can we deliver on the promises efficiently and effectively for all?

### Political support
5. What is our long-term pension and retirement vision? What short-term trade-offs must be made in order to secure political backing for necessary reforms?

Government and public-sector employers need to design and implement customized answers to these questions – and fast – to avoid a pension and retirement crisis that will span generations.
Adjusting to the new reality

There is no easy answer
Pension and retirement solutions for governments and public sectors vary considerably within and between countries for historic, economic, social and political reasons. Nonetheless, it is vital for governments to proactively assess and address the challenges to reform their pension and retirement systems to build a better retirement world.

Asking the right questions is vital
It is important, then, to systematically and honestly ask the right questions. This will enable governments, as well as public- and private-sector leaders, to accept that the pension and retirement environment has evolved so they can react creatively and flexibly to these changes.

A diverse set of skills is needed
Policymakers need a diverse set of skills to adequately understand the underlying levers and answer the questions. Decisions and trade-offs come with significant uncertainty. Complementing domestic experience with international insights from professionals who have faced similar challenges will help reduce this uncertainty.
Route to reform

These nine key questions act as guidance to identify the burning issues and as a high-level checklist to map the impact of potential reforms. This will increase long-term sustainability and buy-in as the five key priorities are returned to balance.

1. Country context
Which contextual aspects, such as savings culture, other social and financial support measures or characteristics of financial markets, do we need to change?

2. Public confidence
How do we build and develop pension and retirement policy, systems and supervisory approaches that obtain and retain the confidence of all stakeholders?

3. Sustainability
What are the different stakeholder needs and economic long-term developments required to deliver sustainable and relevant solutions?

4. Long-term vision
Do we have a clear and concise long-term vision about social security and financial well-being in retirement, and how do we communicate, implement, deliver, supervise and adjust it as needed?

5. Professionalism
How do we establish, maintain and evolve adequate governance and management standards that will serve the best interests of pension program members while recognizing political, social and economic realities; conflicts of interest; and risks?

6. Informed decisions
How do we empower different stakeholders to make informed decisions for the long term using quality of information and advice via pragmatic, efficient and effective online and offline tools that help convert aspiration into action?

7. Predictability
What measures do we need to maximize predictability of policy, delivery, adjustment process, investment, pension and retirement outcomes for all stakeholders?

8. Ease of use
What solutions do we need to build, maintain, monitor, evolve and fund to efficiently and effectively deliver across the entire process while creating a positive experience for the different stakeholders?

9. Relevant pension and retirement outcomes for citizens, employees and members
What decisions are necessary, and when, in order to maximize the promised pension and retirement outcomes for citizens, public-sector employees, pension program members and customers?

10. Informed decisions
How do we empower different stakeholders to make informed decisions for the long term using quality of information and advice via pragmatic, efficient and effective online and offline tools that help convert aspiration into action?

11. Predictability
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13. Relevant pension and retirement outcomes for citizens, employees and members
What decisions are necessary, and when, in order to maximize the promised pension and retirement outcomes for citizens, public-sector employees, pension program members and customers?

Introducing EY’s global pension and retirement capability

EY has a globally connected network of experienced, multi-disciplinary professionals who are working with governments, as well as public- and private-sector pension providers around the world, to address complex problems and achieve leading practice in the sustainable delivery of retirement outcomes. We deliver professional services to governments, regulators and providers, helping to implement sustainable change in mature and emerging pension and retirement markets.

Our global pension and retirement network:

- Brings international experience and insight to our clients – combined with local knowledge and understanding
- Offers sustainable approaches – not just diagnosis of problems
- Brings an entrepreneurial, “can-do” attitude to mature and emerging pension and retirement markets
- Comprises people who understand pension and retirement as an industry and who have the technical skills to deliver the outcomes our clients seek
- Has a culture of teaming across borders – with our clients and inside the global EY organization
Our pension and retirement services

We understand the issues. We align different perspectives. We provide experience.

1. Pension and retirement policy, strategic delivery and industry supervision: we support design, review and strengthen
   - Supporting policy design and evolution
   - Assessing policy options
   - Supporting policy implementation and delivery

2. Strategic context for your pension and retirement business: we compare and contrast as well as design, evolve and adjust
   - Policy and regulatory framework
   - Strategic direction, including de-risking and funding
   - Application of good governance standards

3. Delivery of outcomes for your pension and retirement business: we assess, review, design, improve and assist in implementation
   - Investment management and operations
   - Business delivery, operating model and business processes
   - Regulation and compliance
   - Capital and funding management
   - Product management

4. Enabling areas for your pension and retirement business: we assess, review, design, improve and assist in implementation
   - People and organizational change
   - Technology and data
   - Enterprise risk management
   - Performance management and reporting
   - Management of third-party providers

5. Traditional EY services
   - Audit and assurance
   - Tax
   - Transactions and valuations

Selected experience

Pension and retirement policy strategies for citizens

Client objective
To improve the country’s pension delivery solution

Our contribution
EY is advising on software implementation, re-engineering and maintenance. We are also redesigning and digitizing services to streamline the delivery to users and to support and simplify the relationship between the organization and citizens.

To design a new sustainable pension system that transitions from defined benefits to defined contributions

EY assembled an international team of pension and political subject-matter resources to help. We assessed international markets to identify key features of a sustainable pension system and then designed one for the client country, with recommendations on how to implement it. We also led the technical and political implementation and transition.

To institute pension and retirement reform

EY led a four-year project to advise this government on insurance and pension reform. We worked alongside seven major global financial institutions, which provided ideas, personnel and financial support, as well as at different ministries, regulators and the central bank. We also provided details of international leading practices in insurance, asset management and pensions through our global subsector teams.
### Management of public sector pension and retirement solutions

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<tr>
<th>Client objective</th>
<th>Our contribution</th>
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<tbody>
<tr>
<td>To reform a military pension scheme</td>
<td>EY helped the client combine the rank and remuneration system for military personnel, including a change from a defined benefit to a defined contribution pension scheme. We provided technical knowledge, including benchmark information and calculated scenarios on remuneration systems. We also delivered project management to link initiatives together, as well as organizational advice aimed at building trust and support for future implementation.</td>
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<tr>
<td>To set up a shared services center for multiple public-sector pension funds</td>
<td>EY identified potential future cooperation and shared service back-office administration options across all funds, developing potential governance, management structure and business delivery solutions. We also assessed setup and operating costs, identified the benefits of the options and developed an implementation road map.</td>
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<tr>
<td>To improve performance of the investment operation and risk management of a public-sector pension fund</td>
<td>EY analyzed the current state of the investment strategy, operation, governance and the risk management framework and solution, as well as the asset and liability management frameworks and solution. We went on to design a new operating and delivery model, as well as a leading enterprise risk management solution that entails investment risk management. We also developed a detailed implementation and transition plan.</td>
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### Supervision of mandatory or voluntary pension and retirement approaches

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<td>To develop a strategic vision</td>
<td>EY assisted the government's newly formed pension agency to identify and agree key strategic building blocks for the short and long term for the agency and the private sector-delivered solution. We shared overseas market insights and facilitated a project between management and the board of directors to identify and agree the industry framework; the agency's strategic role, vision, strategy and operating model; and an evolution path that balances current regulation and political outcome promises.</td>
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<tr>
<td>To implement pension and retirement reform</td>
<td>EY assessed selected international pension markets and their pension and retirement context, as well as system evolution, to identify detailed features of a leading and long-term sustainable pension and retirement system. We then recommended how these features could be integrated locally and outlined the high-level impact of industry governance, key stakeholders including government and citizens, and the industry operating and supervision model, as well as political considerations.</td>
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<td>To reduce fees charged and improve investment performance for pension fund managers</td>
<td>EY developed a comprehensive and detailed business process and operating model to serve as reference for a detailed assessment of all private sector providers. We analyzed and compared and contrasted domestic results against overseas practices and insights to identify and recommend improvement measures on industry levels. We analyzed in detail the cost, benefits and stakeholder implications of four policy reform options and recommended a path to reduce industry cost and fees by more than 25% and improve investment performance and outcome predictability.</td>
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One team, one world

30 countries
33,800 professionals
3,619 partners
More than 1,400 Government & Public Sector professionals
(including Central and South America)

Europe, Middle East, India, Africa and CIS

21 countries
29,900 professionals
1,334 partners
More than 1,300 Government & Public Sector professionals

Asia-Pacific

32 offices
6,800 professionals
699 partners
More than 300 Government & Public Sector professionals

Japan

93 countries
84,200 professionals
3,669 partners
More than 4,500 Government & Public Sector professionals
(including Middle East, India, Africa and CIS)

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About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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