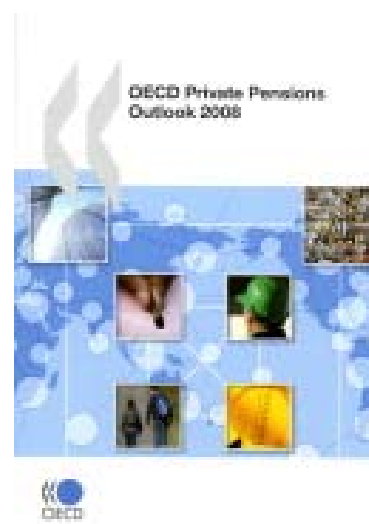


# Pension Country Profile: Turkey

(Extract from the *OECD Private Pensions Outlook 2008*)

The *OECD Private Pensions Outlook 2008* contains a set of country profiles which describe in a concise manner the design of private pension systems in individual OECD countries. This document is an extract from this publication. For further information on the *Outlook*, please see [www.oecd.org/daf/pensions/outlook](http://www.oecd.org/daf/pensions/outlook).



## Contents

Each Pension Country Profile is structured as follows:

➤ **How to Read the Country Profile**

This section explains how the information contained in the country profile is organised.

➤ **Country Profile**

The country profile is divided into six main sections:

- Demographics and macroeconomics
- Country pension design
- Pension funds data overview
- Reference information
- Overview of private pension system by type of plan and financing vehicle

➤ **Acronyms, Symbols and Conventional Signs**

➤ **Glossary**

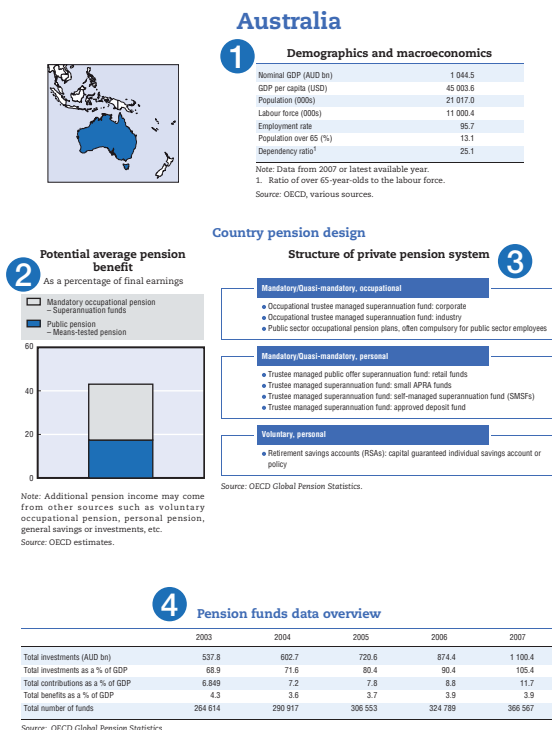
# How to Read the Country Profiles

This section provides country profiles, describing private pension arrangements in individual OECD countries. Each pension country profile is divided into six main sections:

- Demographics and macroeconomics
- Country pension design
- Pension funds data overview
- Private pension system's key characteristics
- Reference information
- Overview of private pension system by type of plan and financing vehicle

The figure below shows how the first three sections are organised on the first page of each country profile.

5. AUSTRALIA



Series database. Population figures are from the OECD Population and Labour Force database.

## Country pension design

This section is split into two parts:

### 2 Potential average pension benefit

This figure displays a broad estimate of the total pension income which an average-earning individual may receive from various sources (state, mandatory, and voluntary occupational pensions) after a full working lifetime. It is expressed as a percentage of the earnings the pensioner had just before retirement. These figures draw and expand on a microeconomic approach used in the publication *Pensions at a Glance*, looking at future individual pension entitlements under 2004 parameters and rules.

The pension incomes projected here, however, should be considered only as broad indications of what may happen, as they are conditional on a number of assumptions. It is assumed that individuals are covered by public pension plans throughout their careers. For the countries where occupational pension plans are common, average-earning individuals are assumed to be covered throughout their careers by occupational pension plans that are typical of market practice in that country. In countries where private pension accounts are compulsory, they are assumed to have participated in the compulsory system throughout their careers. Those with shorter, or periodically interrupted, careers should expect lower benefits than those which are set out in this figure.

A public pension can be an earnings-related pension (a pension computed by reference to a rate of emoluments, whether actual emoluments or not and whether final or average emoluments), a flat rate pension (a pension payable at a rate fixed otherwise than by reference to a rate of emoluments or to the rate of another pension), a minimum pension (the minimum level of pension benefits the plan pays out in all circumstances), a basic state pension (a non-earnings related pension paid by the State to

## Demographics and macroeconomics

**1** The first section presents a selection of key demographics and macroeconomics indicators that provide a sense of the size of the country and its economy. GDP figures are from the OECD Reference

individuals with a minimum number of service years), or a means-tested pension (pension granted to a person after examination of his/her financial state).

Data cover public pensions and other mandatory or quasi-mandatory private pension plans. Voluntary plans are also included if they cover at least 30% of the working population. Additional pension income may come from other sources, such as individual savings, but these are not included in the data.

For five countries, several projections are presented as private pension systems are in a particular state of change.

### 3 Structure of private pension systems

The second part displays a bulleted list summarising the structure of private pension systems according to the pension plans currently in place in the country.

## Pension funds data overview

4 The third section presents selected pension fund indicators from 2003 to 2007 from the *OECD Global Pension Statistics* project ([www.oecd.org/daf/pensions/gps](http://www.oecd.org/daf/pensions/gps)). For further data and analysis, readers can refer to Chapter 2 of this publication.

## Private pension system's key characteristics

The information provided in this section covers eight private pension system key characteristics:

- Overview
- Coverage
- Typical plan design
- Contributions
- Benefits
- Fees
- Taxation
- Market information

Depending on data availability, these characteristics are developed for each existing category of pension plan (mandatory vs. voluntary pension plan, occupational vs. personal pension plan). Information provided in this section refers to December 2007 or to the latest available year.

## Reference information

This section includes references to key legislation reforms, provides the name of regulatory and supervisory authorities and displays official statistical references and sources on private pensions.

## Overview of private pension systems by type of plan and financing vehicle

This last section gives a detailed description of the various private pension plans found in each country as well as the statistical data coverage of the *OECD Global Pension Statistics*.

The following figure gives an example of such an overview. The first two columns provide the name and the description of each pension plan. Pension plans included in the *OECD GPS database* are marked with a tick in the next column, excluding OECD estimates. Under the column headings “Type of plan” and “Financing vehicle” are given the correspondence of each pension plan with the OECD Classification by funding vehicle and by type (see OECD (2005), *Private Pensions: OECD Classification and Glossary*, OECD, Paris).

**Overview of private pension system by type of plan and financing vehicle**

|   | Included in OECD GPS database | Type of plan |                           |              |          | Financing vehicle |              |                            |                               |
|---|-------------------------------|--------------|---------------------------|--------------|----------|-------------------|--------------|----------------------------|-------------------------------|
|   |                               | Voluntary    | Mandatory/Quasi-mandatory | Occupational | Personal | Pension fund      | Book reserve | Pension insurance contract | Banks or investment companies |
| Occupational trustee managed superannuation fund: corporate                                 | ✓                             |              | ✓                         | ✓            |          | ✓                 |              |                            |                               |
| Occupational trustee managed superannuation fund: industry                                  | ✓                             |              | ✓                         | ✓            |          | ✓                 |              |                            |                               |
| Trustee managed public offer superannuation fund: retail funds                              | ✓                             |              | ✓                         |              | ✓        | ✓                 |              |                            |                               |
| Trustee managed superannuation fund: small APRA funds                                       | ✓                             |              | ✓                         |              | ✓        | ✓                 |              |                            |                               |
| Retirement savings accounts (RSAs): capital guaranteed individual savings account or policy |                               | ✓            |                           |              | ✓        |                   |              | ✓                          | ✓                             |

Source: OECD Global Pension Statistics.

# Turkey

## Demographics and macroeconomics



|                               |          |
|-------------------------------|----------|
| Nominal GDP (TRY bn)          | 856.4    |
| GDP per capita (USD)          | 9 309.2  |
| Population (000s)             | 70 586.3 |
| Labour force (000s)           | 23 523.0 |
| Employment rate               | 90.3     |
| Population over 65 (%)        | 7.1      |
| Dependency ratio <sup>1</sup> | 21.3     |

Note: Data from 2007 or latest available year.

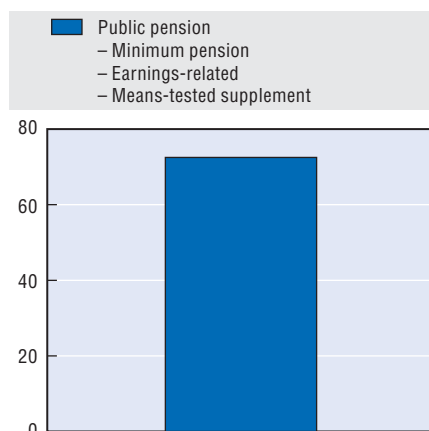
1. Ratio of over 65-year-olds to the labour force.

Source: OECD, various sources.

## Country pension design

### Potential average pension benefit

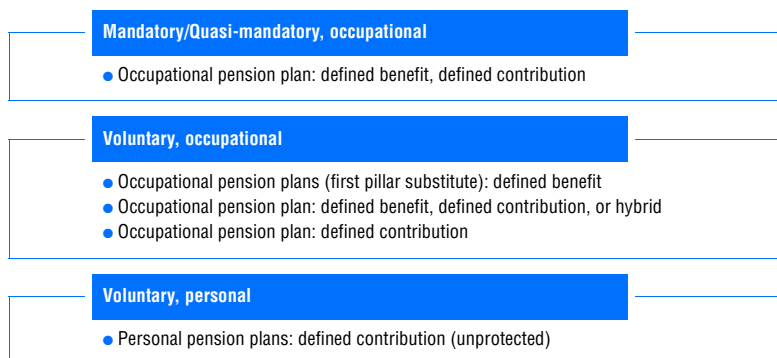
As a percentage of final earnings



Note: Additional pension income may come from other sources such as mandatory and voluntary occupational pension, personal pension, general savings or investments, etc.

Source: OECD estimates.

### Structure of private pension system



Source: OECD Global Pension Statistics.

## Pension funds data overview

|                                   | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|------|------|------|------|------|
| Total investments (TRY bn)        | ..   | 2.2  | 4.3  | 5.7  | 10.3 |
| Total investments as a % of GDP   | ..   | 0.4  | 0.7  | 0.7  | 1.2  |
| Total contributions as a % of GDP | ..   | ..   | ..   | ..   | ..   |
| Total benefits as a % of GDP      | ..   | 0.0  | 0.1  | 0.0  | 0.0  |
| Total number of funds             | ..   | 83   | 98   | 105  | 108  |

.. : means not available.

Source: OECD Global Pension Statistics.

StatLink <http://dx.doi.org/10.1787/518030583328>

## Private pension system's key characteristics

### **Occupational mandatory**

The Former Social Insurance Act excluded institutions in the financial services sector such as banks, insurance companies, reinsurance companies, the stock exchange, and chambers of commerce from the mandatory social security system. These institutions have set up their own defined benefit (DB) occupational pension plans, which are commonly known as first-pillar substitute funds.

The total number of people covered by such plans is estimated at around 350 000. The number of first-pillar substitute funds currently stands at 18. In accordance with the recent social security reform in Turkey, these funds will gradually be transferred to the National Social Security System.

There are also two occupational mandatory schemes for the armed forces and the mining industry.

### **Occupational voluntary**

#### **Overview**

Numerous private sector corporations run voluntary occupational pension funds that operate as either DB or DC schemes, or combinations of both. They serve to top up employee benefits available under the public social security system. They are managed by non-profit foundations and are supervised by the General Directorate for Non-Profit Organisations.

Additionally, a new occupational pension framework, which will allow the offering of occupational plans based on the individual account structure, has been established.

#### **Coverage**

Occupational plans are established on a voluntary basis by employers.

#### **Typical plan design**

The typical voluntary occupational pension plan in Turkey is DC in nature.

### **Personal voluntary**

#### **Overview**

A new system is the fully funded, voluntary DC account scheme, introduced in 2001. It is open to all adult participants, who take out contracts with a pension company. They may, in fact, open accounts with more than one pension company. Employers are allowed to contribute to the personal pension accounts of their employees.

#### **Coverage**

Anyone over the age of 18 may participate and there are no employment relationship requirements. By June 2008 participants accounted for about 6.5% of the total workforce.

#### **Contributions**

Contribution levels for participants are laid down in the contract with the pension company. Employers may make voluntary contributions to group pension contracts but are

not required to do so. As at the end of 2007, the average monthly contribution was TRY 112.4.

### **Benefits**

Members are entitled to retirement benefits when they reach the age of 56 and have been saving under the scheme for at least 10 years.

Benefits can take the form of a lump sum or a monthly annuity. The pay-out stage has not been reached yet.

### **Fees**

Savers pay the pension company an entry fee (which may be waived if the participant stays with the pension company for a certain period not exceeding 5 years) and a daily fund management fee of up to 0.010% (3.65% in annual terms), while contribution fees may not exceed 8%. Company-sponsored plans are liable to lower management fees. Fees are unregulated but quite low, due to the intense competition in the pension market. By the end of 2007, the average contribution fee was 3.3% and average annual fund management fee about 2.3%.

### **Taxation**

Participants may deduct contributions from their income tax base up to a ceiling of 10% of the gross monthly income. Total deductions in a year may not exceed the threshold of the annual minimum wage level. The total amount of employee and employer contributions for group pension plans is similarly capped. Employer contributions, including those to group contracts, are deductible as business expenses from the corporate tax base up to a ceiling of 10%, or TRY 7 020 (about USD 5 600) of an employee's annual salary. Investment returns are tax-exempt. As for benefits, where a participant withdraws benefits and has contributed to the system for less than 10 years, they are taxed at a rate of 15%. Where the participant has contributed for more than 10 years, but is under 56, benefits are taxed at a rate of 10%. If the participant has contributed for more than 10 years and is 56 or older, benefits are taxed at 3.75%. (The government has the power to increase tax deductibility by up to twice the current rates.)

## **Market information**

### **Occupational mandatory**

There are two mandatory occupational schemes – *Oyak*, for the armed forces, and *Amele Birliđi*, for the employees of the state-owned coal mining enterprise TTK. These schemes operate under separate legislation and combine defined benefit (DB) and defined contribution (DC) elements. They covered around 210 702 active participants and had assets under management of around TRY 5.7 billion (USD 4.4 billion) at the end of 2007.

### **Occupational voluntary**

There are some 200-250 voluntary occupational pension funds.

### **Personal voluntary**

Only licensed pension companies may offer personal private pension products. Funds are invested through pension mutual funds that serve as investment vehicles. Mutual

funds are founded by the pension companies, but should be managed by portfolio management companies, not by the pension companies, which pay them commissions.

There were some 1.7 million participants by the end of October 2008. There are currently 12 pension companies with 122 pension mutual funds. At end of October 2008 the total portfolio value of pension mutual funds amounted to approximately TRY 5.8 billion (USD 3.7 billion). The two largest funds in terms of total contributions are *Anadolu Hayat Emeklilik* and *GarantiEmeklilik ve Hayat*, which enjoy market shares of 21.4% and 19.6% respectively. There is clearly a high level of competition in the private pension market.

Individual participants may choose the pension company they wish and are entitled to change companies once a year. They also choose the funds that suit them and may switch between those offered by the same company up to six times a year. A pension company's provision must include at least three funds, with different portfolios for each.

## Reference information

### Key legislation

2001: the Private Pension Savings and Investment System Act (No. 4632), amended in 2007, lays down the terms and provisions of the personal private pension system.

### Key regulatory and supervisory authorities

The Undersecretariat of the Treasury: regulates and polices the individual account system, [www.treasury.gov.tr/](http://www.treasury.gov.tr/).

The Capital Markets Board of Turkey: regulatory and supervisor body that fosters the development of capital markets, ensures fair trading in the capital markets, and protects investors, [www.cmb.gov.tr/index.aspx](http://www.cmb.gov.tr/index.aspx).

The Pension Monitoring Centre: plays an important role in the daily monitoring of the system and in making information available, [www.egm.org.tr/about\\_EGM.asp](http://www.egm.org.tr/about_EGM.asp).

### Key official statistical references and sources on private pensions

The Pension Monitoring Centre, [www.egm.org.tr/about\\_EGM.asp](http://www.egm.org.tr/about_EGM.asp).

OECD, *Global Pension Statistics Project*, [www.oecd.org/daf/pensions/gps](http://www.oecd.org/daf/pensions/gps).

## Overview of private pension system by type of plan and financing vehicle

|   | Included in<br><i>OECD GPS<br/>database</i> | Type of plan |                                   |              |          | Financing vehicle |              |                            |                               |
|---|---|--------------|-----------------------------------|--------------|----------|-------------------|--------------|----------------------------|-------------------------------|
|   |   | Voluntary    | Mandatory/<br>Quasi-<br>mandatory | Occupational | Personal | Pension fund      | Book reserve | Pension insurance contract | Banks or investment companies |
| Occupational pension plans (first pillar substitute): defined benefit       |   |              | ✓                                 | ✓            |          | ✓                 |              |                            |                               |
| Occupational pension plan: defined benefit, defined contribution            | ✓   |              | ✓                                 | ✓            |          | ✓                 |              |                            |                               |
| Occupational pension plan: defined benefit, defined contribution, or hybrid |   | ✓            |                                   | ✓            |          | ✓                 |              |                            |                               |
| Occupational pension plan: defined contribution                             |   | ✓            |                                   | ✓            |          | ✓                 |              |                            |                               |
| Personal pension plans: defined contribution (unprotected)                  | ✓   | ✓            |                                   |              | ✓        | ✓                 |              |                            |                               |

Source: OECD Global Pension Statistics.



**Notes**

1. Statistics Canada (2004), *Pension Plans in Canada*, Pensions and Wealth Research Series, 1 January.
2. Statistics Canada.
3. The Reserve Fund is established with 5% of the pension company profits.
4. The TFR is a sort of severance pay scheme that the employer has to pay to an employee in the case of his dismissal or retirement. Every month the employer sets aside 6.91% of the gross salary of the employee; every year the accumulated stock of the TFR, which is accounted as a book reserve in the balance sheet of the employer, is appreciated according to a CPI-linked formula.
5. Minimum pension is equivalent to a 1997's monthly minimum wage updated in accordance with inflation.
6. The average monthly wage in Poland is PLN 2 869.69 (USD 1 025) before tax and social security contributions. The net wage is around 70% of the gross.
7. Contribution rates and information on rates of contracting out were obtained from the Department for Work and Pensions' report entitled *Employers' Pension Provision Survey 2005*.

## Acronyms, Symbols and Conventional Signs

|               |   |
|---------------|---|
| <b>AFP</b>    | Contractual Early Retirement Plan                                   |
| <b>AGIRC</b>  | <i>Association Générale des Institutions de Retraite des Cadres</i> |
| <b>ALM</b>    | Asset Liability Management  |
| <b>APRA</b>   | Australian Prudential Regulation Authority                          |
| <b>ARRCO</b>  | <i>Association des Régimes de Retraites Complémentaires</i>         |
| <b>ASSEP</b>  | <i>Association d'Épargne Pension</i>                                |
| <b>AVC</b>    | Additional Voluntary Contributions                                  |
| <b>CBFA</b>   | <i>Commission Bancaire, Financière et des Assurances</i>            |
| <b>CEE</b>    | Central and Eastern Europe  |
| <b>CONSAR</b> | National Commission for the Retirement Savings System               |
| <b>CPP</b>    | Canadian Pension Plan   |
| <b>CSSF</b>   | <i>Commission de Surveillance du Secteur Financier</i>              |
| <b>DB</b>     | Defined Benefit   |
| <b>DBO</b>    | Defined Benefit Obligation  |
| <b>DC</b>     | Defined Contribution  |
| <b>TyEL</b>   | Earnings-related provisions for private-sector workers              |
| <b>EEA</b>    | European Economic Area  |
| <b>EET</b>    | Exempt-Exempt-tax   |
| <b>EPI</b>    | Employee Pension Insurance  |
| <b>EPF</b>    | Employees' Pension Fund   |
| <b>FMA</b>    | Financial Market Authority  |
| <b>GDP</b>    | Gross Domestic Product  |
| <b>GPS</b>    | Global Pension Statistics   |
| <b>HMRC</b>   | HM Revenue and Customs  |
| <b>IBA</b>    | Income Base Amount  |
| <b>IKE</b>    | Individual Retirement Account                                       |
| <b>IRA</b>    | Individual Retirement Account                                       |
| <b>ITP</b>    | Collectively bargained pension plan for white-collar employees      |
| <b>KNF</b>    | Polish Financial Supervisory Authority                              |
| <b>LDI</b>    | Liability-Driven Investment   |
| <b>LO</b>     | Confederation of Trade Unions                                       |
| <b>MO</b>     | Mandatory Occupational  |
| <b>MP</b>     | Mandatory Personal  |
| <b>NHO</b>    | Confederation of Norwegian Business and Industry                    |
| <b>OFE</b>    | Open Pension Fund   |
| <b>PAMC</b>   | Pension Asset Management Company                                    |
| <b>PAYG</b>   | Pay-as-you-go   |

|               |  |
|---------------|--|
| <b>PEE</b>    | <i>Plan Épargne Entreprise</i>                               |
| <b>PERCO</b>  | <i>Plan d'Épargne pour la Retraite Collectif</i>             |
| <b>PERP</b>   | <i>Plan d'Épargne Retraite Populaire</i>                     |
| <b>PIP</b>    | Personal pension plan set up through life insurance contract |
| <b>PPE</b>    | Employee Pension Fund  |
| <b>PPM</b>    | Premium Pension Authority                                    |
| <b>PPRF</b>   | Public Pension Reserve Fund                                  |
| <b>PRSA</b>   | Personal Retirement Savings Account                          |
| <b>QMO</b>    | Quasi-Mandatory Occupational                                 |
| <b>RAC</b>    | Retirement Annuity Contract                                  |
| <b>S2P</b>    | State Second Pension   |
| <b>SAF</b>    | Swedish Employers' Confederation                             |
| <b>SEPCAV</b> | <i>Société d'Épargne Pension à Capital Variable</i>          |
| <b>SPS</b>    | Severance Pay System   |
| <b>SIMPLE</b> | Savings Incentive Match Plan for Employees                   |
| <b>SNA</b>    | System of National Account                                   |
| <b>SPMC</b>   | Supplementary Pension Management Company                     |
| <b>SSRF</b>   | Social Security Reserve Fund                                 |
| <b>SWF</b>    | Sovereign Wealth Fund  |
| <b>TFR</b>    | <i>Trattamento di Fine Rapporto</i>                          |
| <b>TQPP</b>   | Tax Qualified Pension Plan                                   |
| <b>UK</b>     | United Kingdom   |
| <b>US</b>     | United States of America                                     |
| <b>VO</b>     | Voluntary Occupational                                       |
| <b>VP</b>     | Voluntary Personal   |

## Symbols

|      |                      |     |                    |
|------|----------------------|-----|--------------------|
| 000s | Thousands            | JPY | Yen                |
| m    | Million              | KRW | South Korean won   |
| bn   | Billion              | MXN | Mexican peso       |
| AUD  | Australian dollar    | NZD | New Zealand dollar |
| EUR  | Euro                 | NOK | Norwegian krone    |
| USD  | United States dollar | PLN | Zloty              |
| CAD  | Canadian dollar      | SKK | Slovak koruna      |
| CZK  | Czech koruna         | SEK | Swedish krona      |
| DKK  | Danish krone         | CHF | Swiss franc        |
| HUF  | Forint               | TRY | New Turkish Lira   |
| ISK  | Icelandic krona      | GBP | British pound      |

## Conventional signs

n.a.: not applicable

n.d. / ..: not available

## Country ISO code

|                |     |                 |     |
|----------------|-----|-----------------|-----|
| Australia      | AUS | Korea           | KOR |
| Austria        | AUT | Luxembourg      | LUX |
| Belgium        | BEL | Mexico          | MEX |
| Canada         | CAN | Netherlands     | NLD |
| Czech Republic | CZE | New Zealand     | NZL |
| Denmark        | DNK | Norway          | NOR |
| Finland        | FIN | Poland          | POL |
| France         | FRA | Portugal        | PRT |
| Germany        | DEU | Slovak Republic | SVK |
| Greece         | GRC | Spain           | ESP |
| Hungary        | HUN | Sweden          | SWE |
| Iceland        | ISL | Switzerland     | CHE |
| Ireland        | IRL | Turkey          | TUR |
| Italy          | ITA | United Kingdom  | GBR |
| Japan          | JPN | United States   | USA |

## Glossary

Most of the definitions below draw on the publication *Private Pensions: OECD Classification and Glossary*. It can be downloaded at the following address: [www.oecd.org/dataoecd/0/49/38356329.pdf](http://www.oecd.org/dataoecd/0/49/38356329.pdf).

| Term  | Definition  |
|---|---|
| Active member                                   | A pension plan member who is making contributions (and/or on behalf of whom contributions are being made) and is accumulating assets or has accrued assets in the past and is not yet retired.  |
| Annuity   | A form of financial contract mostly sold by life insurance companies that guarantees a fixed or variable payment of income benefit (monthly, quarterly, half-yearly, or yearly) for the life of a person (the annuitant) or for a specified period of time. It is different from a life insurance contract which provides income to the beneficiary after the death of the insured. An annuity may be bought through instalments or as a single lump sum. Benefits may start immediately or at a pre-defined time in the future or at a specific age. |
| Asset allocation                                | The spread of fund investments among different investment forms.  |
| Asset manager                                   | The individual(s) or entity(ies) endowed with the responsibility to physically invest the pension fund assets. Asset managers may also set out the investment strategy for a pension fund.  |
| Basic state pension                             | A non-earning related pension paid by the State to individuals with a minimum number of service years.  |
| Beneficiary                                     | An individual who is entitled to a benefit (including the plan member and dependants).  |
| Benefit   | Payment made to a pension fund member (or dependants) after retirement.   |
| Book reserved pension plans                     | Sums entered in the balance sheet of the plan sponsor as reserves or provisions for occupational pension plan benefits. Some assets may be held in separate accounts for the purpose of financing benefits, but are not legally or contractually pension plan assets. Most OECD countries do not allow this method of financing. Those that do usually require these plans to be insured against bankruptcy of the plan sponsor through insolvency guaranty arrangement.  |
| Closed pension funds                            | Funds that support only pension plans that are limited to certain employees ( <i>e.g.</i> those of an employer or group of employers).  |
| Contribution                                    | A payment made to a pension plan by a plan sponsor or a plan member.  |
| Contribution rate                               | The amount (typically expressed as a percentage of the contribution base) that is needed to be paid into the pension fund.  |
| Deferred member                                 | A pension plan member that no longer contributes to or accrues benefits from the plan but has not yet begun to receive retirement benefits from that plan.  |
| Deferred pension                                | A pension arrangement in which a portion of an employee's income is paid out at a date after which that income is actually earned.  |
| Deferred retirement                             | A situation when an individual decides to retire later and draw the pension benefits later than their normal retirement age.  |
| Defined benefit (DB) occupational pension plans | Occupational plans other than defined contribution plans. DB plans generally can be classified into one of three main types, "traditional", "mixed" and "hybrid" plans.   |
| "Traditional" DB plan                           | A DB plan where benefits are linked through a formula to the members' wages or salaries, length of employment, or other factors.  |

| Term   | Definition   |
|--|--|
| "Hybrid" DB plan                                     | A DB plan where benefits depend on a rate of return credited to contributions, where this rate of return is either specified in the plan rules, independently of the actual return on any supporting assets ( <i>e.g.</i> fixed, indexed to a market benchmark, tied to salary or profit growth, etc.), or is calculated with reference to the actual return of any supporting assets and a minimum return guarantee specified in the plan rules.  |
| "Mixed" DB plan                                      | A DB plan that have two separate DB and DC components but which are treated as part of the same plan.  |
| Defined contribution (DC) occupational pension plans | Occupational pension plans under which the plan sponsor pays fixed contributions and has no legal or constructive obligation to pay further contributions to an ongoing plan in the event of unfavourable plan experience.   |
| Dependant  | An individual who is financially dependent on a (passive or active) member of a pension scheme.  |
| Dependency ratio                                     | Typically defined as the ratio of non-active age to those of active age in a given population.   |
| Final average earnings                               | The fund member's earnings that are used to calculate the pension benefit in a defined benefit plan; it is typically the earnings of the last few years prior to retirement.   |
| Fund member  | An individual who is either an active (working or contributing, and hence actively accumulating assets) or passive (retired, and hence receiving benefits), or deferred (holding deferred benefits) participant in a pension plan.   |
| Funded pension plans                                 | Occupational or personal pension plans that accumulate dedicated assets to cover the plan's liabilities.   |
| Funding  | The act of accumulating assets in order to finance the pension plan.   |
| Funding level  | The relative value of a scheme's assets and liabilities, usually expressed as a percentage figure.   |
| Funding rules  | Regulation that requires the maintenance of a certain level of assets in a pension fund in relation to pension plan liabilities.   |
| Gross rate of return                                 | The rate of return of an asset or portfolio over a specified time period, prior to discounting any fees of commissions.  |
| Group pension funds                                  | Multi-employer pension funds that pool the assets of pension plans established for related employers.  |
| Industry pension funds                               | Funds that pool the assets of pension plans established for unrelated employers who are involved in the same trade or business.  |
| Mandatory contribution                               | The level of contribution the member (or an entity on behalf of the member) is required to pay according to scheme rules.  |
| Mandatory occupational plans                         | Participation in these plans is mandatory for employers. Employers are obliged by law to participate in a pension plan. Employers must set up (and make contributions to) occupational pension plans which employees will normally be required to join. Where employers are obliged to offer an occupational pension plan, but the employees' membership is on a voluntary basis, these plans are also considered mandatory.   |
| Mandatory personal plans                             | These are personal plans that individuals must join or which are eligible to receive mandatory pension contributions. Individuals may be required to make pension contributions to a pension plan of their choice normally within a certain range of choices or to a specific pension plan.  |
| Minimum pension                                      | The minimum level of pension benefits the plan pays out in all circumstances.  |
| Multi-employer pension funds                         | Funds that pool the assets of pension plans established by various plan sponsors. There are three types of multi-employer pension funds: <i>a)</i> for related employers <i>i.e.</i> companies that are financially connected or owned by a single holding group (group pension funds); <i>b)</i> for unrelated employers who are involved in the same trade or business (industry pension funds); <i>c)</i> for unrelated employers that may be in different trades or businesses (collective pension funds).   |
| Net rate of return                                   | The rate of return of an asset or portfolio over a specified time period, after discounting any fees of commissions.   |
| Normal pension age                                   | Age from which the individual is eligible for pension benefits.  |
| Occupational pension plans                           | Access to such plans is linked to an employment or professional relationship between the plan member and the entity that establishes the plan (the plan sponsor). Occupational plans may be established by employers or groups thereof ( <i>e.g.</i> industry associations) and labour or professional associations, jointly or separately. The plan may be administered directly by the plan sponsor or by an independent entity (a pension fund or a financial institution acting as pension provider). In the latter case, the plan sponsor may still have oversight responsibilities over the operation of the plan. |
| Open pension funds                                   | Funds that support at least one plan with no restriction on membership.  |

| Term                               | Definition   |
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| Overfunding                        | The situation when the value of a plan's assets are more than its liabilities, thereby having an actuarial surplus.  |
| Pension assets                     | All forms of investment with a value associated to a pension plan.   |
| Pension funds                      | The pool of assets forming an independent legal entity that are bought with the contributions to a pension plan for the exclusive purpose of financing pension plan benefits. The plan/fund members have a legal or beneficial right or some other contractual claim against the assets of the pension fund. Pension funds take the form of either a special purpose entity with legal personality (such as a trust, foundation, or corporate entity) or a legally separated fund without legal personality managed by a dedicated provider (pension fund management company) or other financial institution on behalf of the plan/fund members. |
| Pension insurance contracts        | Insurance contracts that specify pension plans contributions to an insurance undertaking in exchange for which the pension plan benefits will be paid when the members reach a specified retirement age or on earlier exit of members from the plan. Most countries limit the integration of pension plans only into pension funds, as the financial vehicle of the pension plan. Other countries also consider the pension insurance contract as the financial vehicle for pension plans.   |
| Pension plan                       | A legally binding contract having an explicit retirement objective (or in order to satisfy tax related conditions or contract provisions the benefits cannot be paid at all or without a significant penalty unless the beneficiary is older than a legally defined retirement age). This contract may be part of a broader employment contract, it may be set forth in the plan rules or documents, or it may be required by law. In addition to having an explicit retirement objective, pension plans may offer additional benefits, such as disability, sickness, and survivors' benefits.   |
| Pension plan sponsor               | An institution ( <i>e.g.</i> company, industry/ employment association) that designs, negotiates, and normally helps to administer an occupational pension plan for its employees or members.  |
| Personal pension plans             | Access to these plans does not have to be linked to an employment relationship. The plans are established and administered directly by a pension fund or a financial institution acting as pension provider without any intervention of employers. Individuals independently purchase and select material aspects of the arrangements. The employer may nonetheless make contributions to personal pension plans. Some personal plans may have restricted membership.  |
| Private pension funds              | A pension fund that is regulated under private sector law.   |
| Private pension plans              | A pension plan administered by an institution other than general government. Private pension plans may be administered directly by a private sector employer acting as the plan sponsor, a private pension fund or a private sector provider. Private pension plans may complement or substitute for public pension plans. In some countries, these may include plans for public sector workers.   |
| Projected Benefit Obligation (PBO) | The actuarial present value of vested and non-vested benefits attributed to the plan through the pension benefit formula for service rendered to that date based on employees' future salary levels.   |
| Protected pension plan             | A plan (personal pension plan or occupational defined contribution pension plan) other than an unprotected pension plan. The guarantees or promises may be offered by the pension plan/fund itself or the plan provider ( <i>e.g.</i> deferred annuity, guaranteed rate of return).  |
| Public pension funds               | Pension funds that are regulated under public sector law.  |
| Public pension plans               | Social security and similar statutory programmes administered by the general government (that is central, state, and local governments, as well as other public sector bodies such as social security institutions). Public pension plans have been traditionally PAYG financed, but some OECD countries have partial funding of public pension liabilities or have replaced these plans by private pension plans.   |
| Rate of return                     | The income earned by holding an asset over a specified period.   |
| Replacement rate                   | The ratio of an individual's (or a given population's) (average) pension in a given time period and the (average) income in a given time period.   |
| Separate accounts                  | A pension fund that is legally segregated from both the plan sponsor and a financial institution that acts as the manager of the fund on behalf of the plan member.  |
| Single employer pension funds      | Funds that pool the assets of pension plans established by a single sponsor.   |
| Trust                              | A legal scheme, whereby named people (termed trustees) hold property on behalf of other people (termed beneficiaries).   |
| Trustee                            | A person or a company appointed to carry out the tasks of the trust.   |
| Underfunding                       | The situation when the value of a plan's assets are less than its liabilities, thereby having an actuarial deficiency.   |

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| Term                                 | Definition   |
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| Unfunded pension plans               | Plans that are financed directly from contributions from the plan sponsor or provider and/or the plan participant. Unfunded pension plans are said to be paid on a current disbursement method (also known as the pay as you go, PAYG, method). Unfunded plans may still have associated reserves to cover immediate expenses or smooth contributions within given time periods. Most OECD countries do not allow unfunded private pension plans.  |
| Unprotected pension plan             | A plan (personal pension plan or occupational defined contribution pension plan) where the pension plan/fund itself or the pension provider does not offer any investment return or benefit guarantees or promises covering the whole plan fund.   |
| Voluntary contribution               | An extra contribution paid in addition to the mandatory contribution a member can pay to the pension fund in order to increase the future pension benefits.  |
| Voluntary occupational pension plans | The establishment of these plans is voluntary for employers (including those in which there is automatic enrolment as part of an employment contract or where the law requires employees to join plans set up on a voluntary basis by their employers). In some countries, employers can, on a voluntary basis, establish occupational plans that provide benefits that replace at least partly those of the social security system. These plans are classified as voluntary, even though employers must continue sponsoring these plans in order to be exempted (at least partly) from social security contributions. |
| Voluntary personal pension plans     | Participation in these plans is voluntary for individuals. By law individuals are not obliged to participate in a pension plan. They are not required to make pension contributions to a pension plan. Voluntary personal plans include those plans that individuals must join if they choose to replace part of their social security benefits with those from personal pension plans.  |

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