



Poland Fact Sheet

The Changing Face of Retirement

The Aegon Retirement Readiness Survey 2013



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Introduction

Key Findings

- **Retirement associations are mostly negative:** People in Poland are equally likely to associate retirement with leisure (45%) and ill health (45%). The next most mentioned associations are poverty (36%) and insecurity (35%).
- **Over two-thirds have no retirement back up plan:** Despite nearly half (47%) of retirees in Poland retiring sooner than planned, 70% of working people have no back up financial plan for this eventuality.
- **The retirement situation has declined in Poland:** The Aegon Retirement Readiness Index (ARRI) shows a fall from 4.96 to 4.63 out of 10 for Poland, leaving them above only Japan and Spain.
- **Resistance to changes to retirement age:** Three-fifths (60%) think that people already work long enough and want no further change to official retirement age.
- **People expect a bleak retirement in the future:** Nearly three-quarters (72%) expect future generations to be worse off in retirement than current retirees, and only 7% expect them to be better off.

The Survey

The findings used in this report are based on the Poland responses of a twelve country study, in which 12,000 people were interviewed. Respondents were interviewed using an online panel survey and fieldwork was conducted in January and February 2013. The questionnaire dealt with a wide range of issues covering attitudes towards retirement preparedness, the role of the state and the employer in providing pensions, and the impact of the financial crisis on attitudes to issues such as investment risk and retirement planning.

In Poland we interviewed 900 employees and 100 fully retired people to provide a contrast between the responses of current workers and those already in retirement. All findings in this report are based on the Poland results unless otherwise stated. The survey did not include the unemployed, long-term incapacitated, homemakers, or the self-employed as each of these groups faces specific challenges in planning for retirement which requires specific public policy interventions. Instead, our objective in this survey is to provide a broader perspective based on the mainstream working population.

1. Retirement landscape

Poland, like many developed world countries, is in the middle of implementing pension reforms as part of a wider drive to put public finance on a more sustainable path ahead of a demographic shift towards a higher number of retirees.

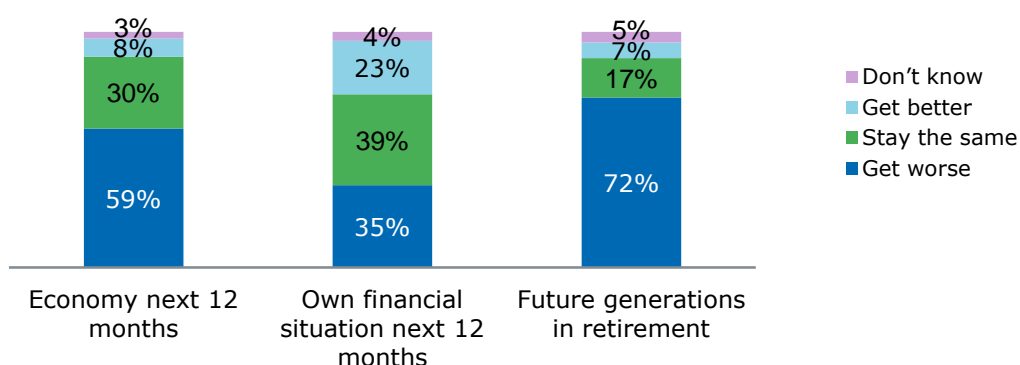
In order to keep in line with the EU's strict deficit rules, the Polish government is looking to Poland's €65bn in second pillar pensions savings to meet its targets, with the government slashing its contributions. This has raised concerns amongst pension experts in the country.

There has also been opposition to Prime Minister Donald Tusk's plans to increase retirement age, yet without lifting the retirement age, Poland's workforce would decrease by 4.9 million people, leaving one person in retirement for every two holding jobs, by 2040, according to government estimates. With the population at 38.2 million, Poland had a workforce of 16 million at the end of last year, according to an official statistical survey. Tusk wants to raise the retirement age to 67 for all Poles (from 60 for women and 65 for men) to help bring down state spending.

2. Aspirations and expectations for a changing retirement

Chart 1: Respondents are more optimistic about the present than the future, but few believe their financial situation is improving.

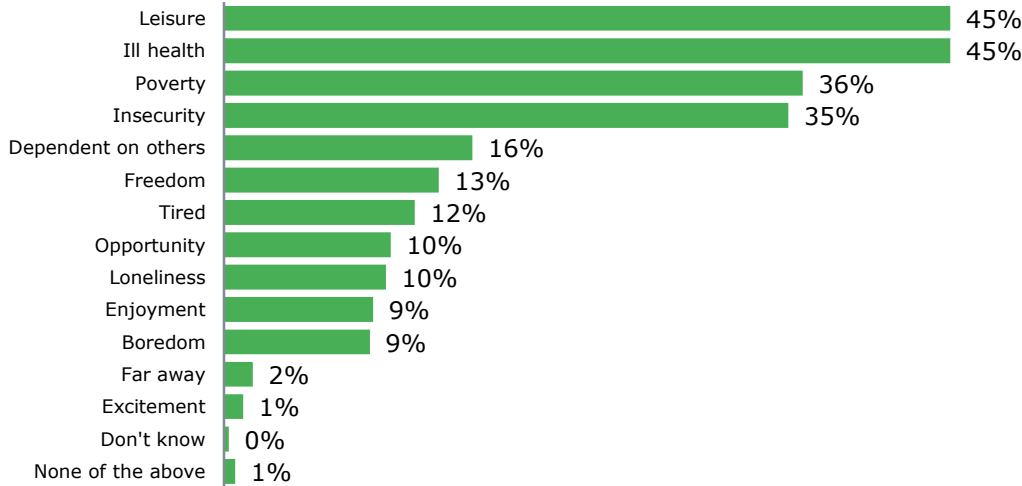
Q. Thinking ahead over the next 12 months, do you expect the economy in [COUNTRY] to...?
 Q. And thinking ahead over the next 12 months, do you expect your own financial situation to...?
 Q. Do you think that future generations of retirees will be better off or worse off than those currently in retirement?



In both this year's and last year's surveys, a large majority of respondents in Poland believe that the retirement situation for future generations will get worse: 72% this year say future generations will be worse off in retirement than current retirees. Nevertheless, there is slightly more optimism in evidence when people look at their own current financial situation, where 61% of people believe they will become better off or at least stay at the same level.

Chart 2: Unlike other countries surveyed, most of the top retirement associations are negative

Q. Which, if any, of the following words do you most associate with retirement? Please tick up to three words.



Polish respondents, more so than those in most other countries surveyed, associate retirement with negative things such as ill health (45%), poverty (36%) and insecurity (35%), although 45% do believe retirement is a time of leisure.

Poland is ranked near the bottom of the Aegon Retirement Readiness Index (ARRI), and with lower readiness than in 2012

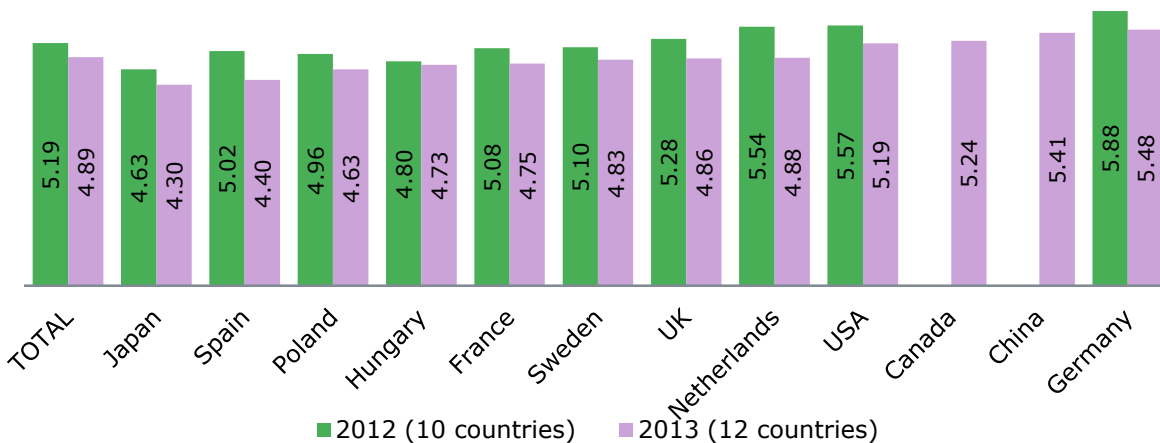
This is the second year that the ARRI has been conducted. The Index is based on answers to a series of questions:

- Three cover **attitudes**: whether employees accept personal responsibility for retirement income, whether they're aware of the need to plan for retirement, and whether they understand financial matters
- Three cover actual **behaviors**: the extent to which employees have retirement plans in place, whether they are adequately saving for retirement, and whether they are on course to achieve their required retirement income.

Responses are then correlated based on their importance in determining a respondent's saving profile, and each respondent is scored out of ten.

Chart 3: Aegon Retirement Readiness Index (ARRI) by country

Readiness Index created by weighting the responses to six questions related to retirement readiness according to statistical importance

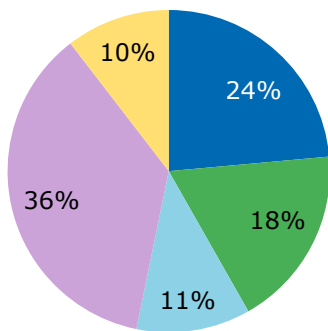


All countries saw their ARRI score fall this year, and Poland was no exception, with a rise in the number of respondents receiving low scores and a steep fall in the overall score. Noteworthy Poland findings from the questions comprising the ARRI include:

- Nearly half (46%) of respondents do not know if they are on course to achieve the income they will need in retirement, including 40% of those approaching retirement age (55-64 year olds).
- Respondents understand the need to plan for retirement, yet only 6% have 'very well developed' plans and 24% have no plan at all.
- A quarter (24%) are habitual retirement savers, but 48% are not currently saving towards their retirement, and a further 10% do not intend to start.

Chart 4: Only one-quarter of Polish employees are regularly saving for retirement

Q. Which of the following best explains your approach to saving for retirement? This can include money you contribute to any long-term investment including pensions, stocks and shares, investment-linked insurances, property, etc. Please select the option below that is closest to your view.



- I always make sure that I am saving for retirement
- I only save for retirement occasionally from time to time
- I am not saving for retirement now, although I have in the past
- I am not saving for retirement though I do intend to
- I have never saved for retirement and don't intend to

3. Dealing with the readiness shortfall

Nearly half retired sooner than they had planned to, for mostly negative reasons

Whilst retiring sooner than planned is associated with negative reasons such as unemployment and ill-health, the global findings show that retiring later is associated with positive factors such as people enjoying their careers and wanting to keep their brains active.

Chart 5: Retiring sooner or later than planned

Q. Would you say that you fully retired from all paid employment sooner or later in life than you had planned, or at the age you had planned to?

Q. Which, if any, of the following were important reasons in your retirement from all paid employment sooner than you had planned? Please tick all that apply.

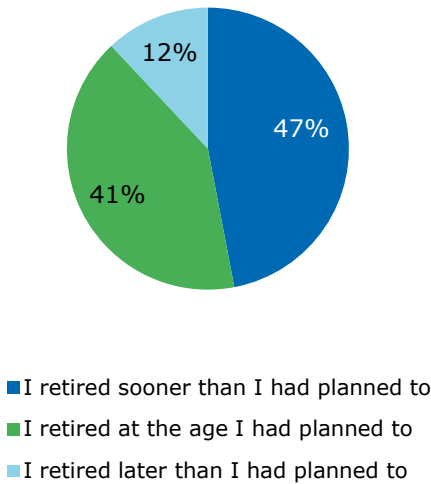


Chart 6: Reasons for early retirement

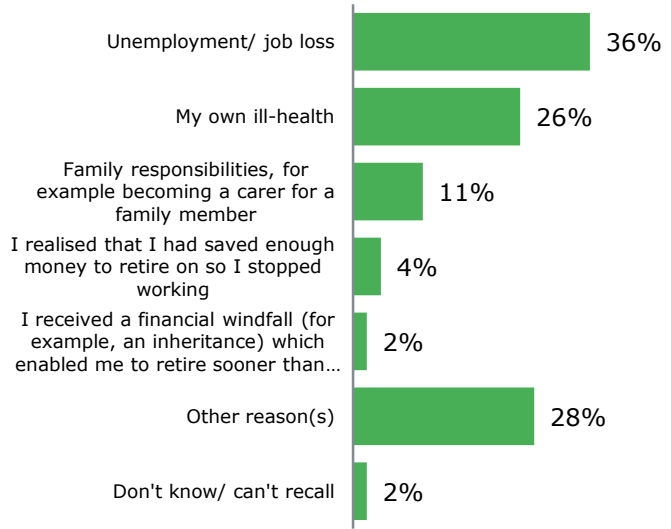
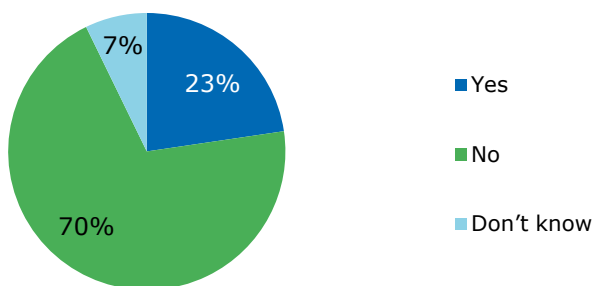


Chart 7: Despite nearly half of retirees retiring sooner than expected, over two-thirds of employees have no backup plan for retirement

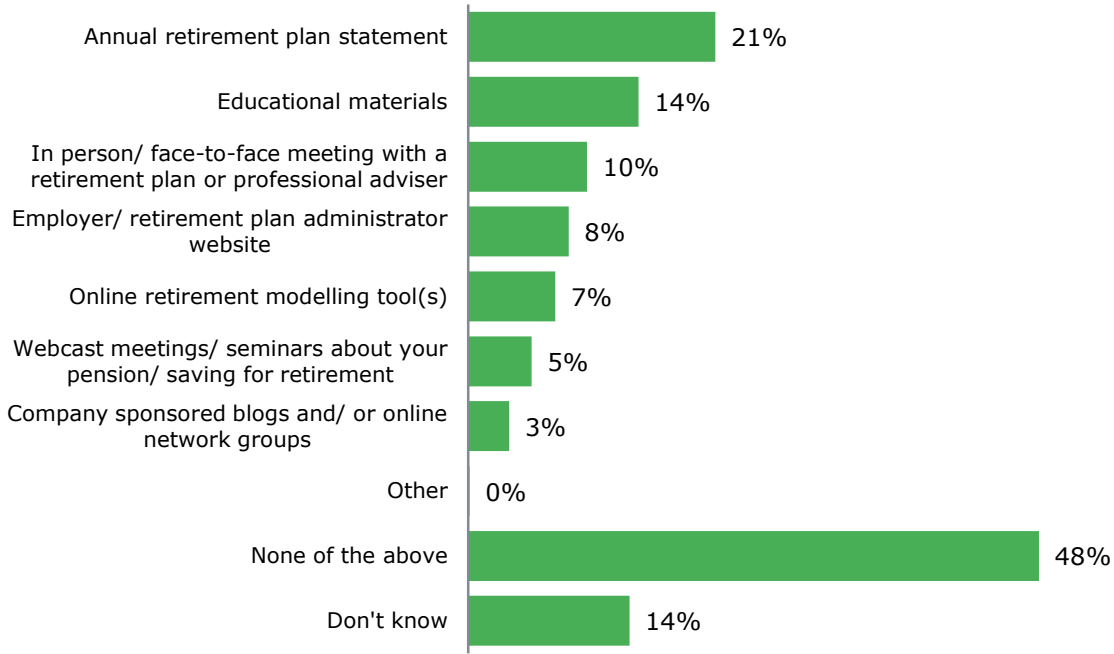
Q. In the event that you are unable to continue working before you reach your planned retirement age, do you have a 'backup plan' to provide you with an income



This finding is concerning because it suggests a lack of financial knowledge among respondents about what will be required to ensure a comfortable retirement: no backup plan means being dangerously exposed to poverty in old age if you find you can no longer work.

Chart 8: A majority of employees either receive no retirement planning services or do not know if they do

Q. Thinking of your current employer which, if any, of the following services does your employer (or their retirement plan administrator) offer to help you prepare for retirement?)

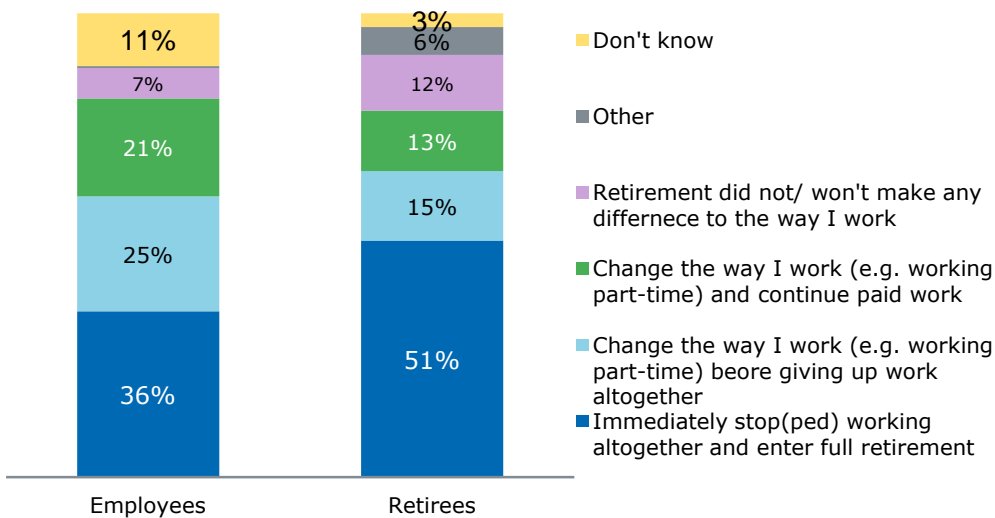


Annual retirement plans are the most commonly cited employer retirement benefit, but this is still only from a small minority (21%) of employees.

Chart 9: As with last year, the survey shows there is no longer as much of a retirement 'cliff-edge', many people envisage a phased retirement

Q. Looking ahead, how do you envisage your transition to retirement?

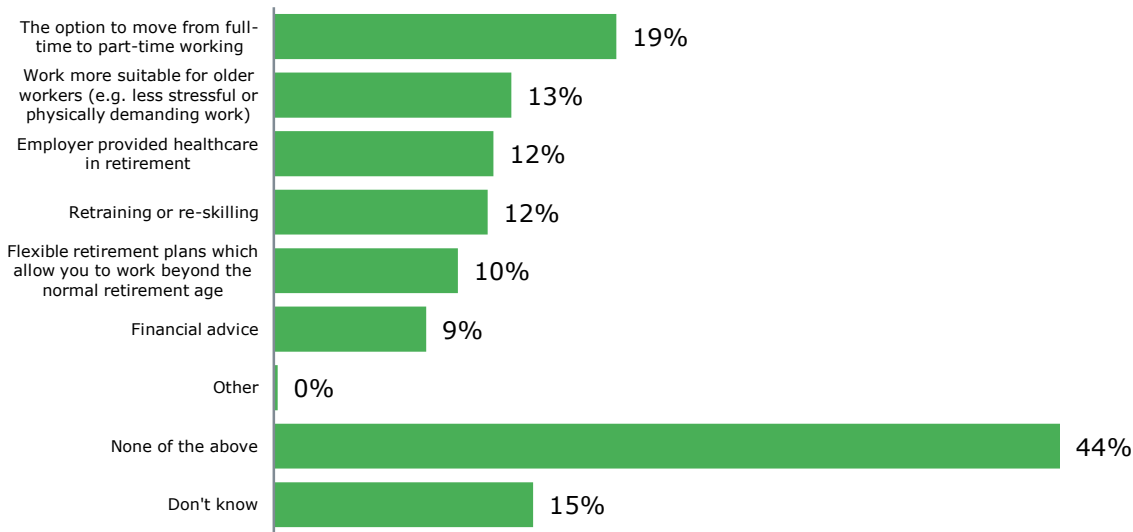
Q. Looking back, how did your transition to retirement take place? Please select the response closest to your view.



In this year's survey there is a stark contrast in Poland between current retirees, the majority (51%) of whom stopped working completely immediately on retirement, and current employees, only 36% of whom plan to do the same. This 'phased' retirement approach is slightly more popular with men than women, and especially popular with employees approaching middle age: 33% (26%) of 18-24 year olds expect to change the way they work before retiring, compared with 47% of 55-64 year olds and 43% of 35-44 year olds.

Chart 10: Provision of 'Phasing into' retirement services is not the norm

Q. Which, if any, of the following services does your employer offer to help employees phase into retirement?

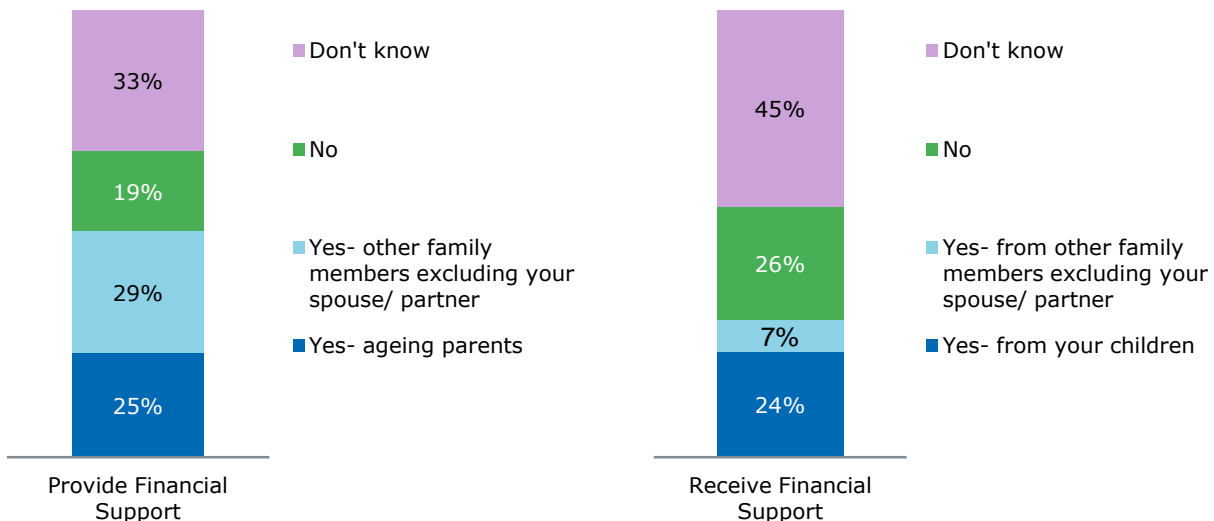


The survey questioned employees about the services their employers provide to help phase into retirement. A majority of employees feel they are not provided with any such services or do not know of them, though the results show that where retirement help is provided by employers, employees find the services useful.

Charts 11 & 12: Most people expect neither to give nor receive financial support in retirement

Q. Do you expect that you will need to provide financial support for your family (other than your spouse/ partner) while you are retired? Please tick all that apply.

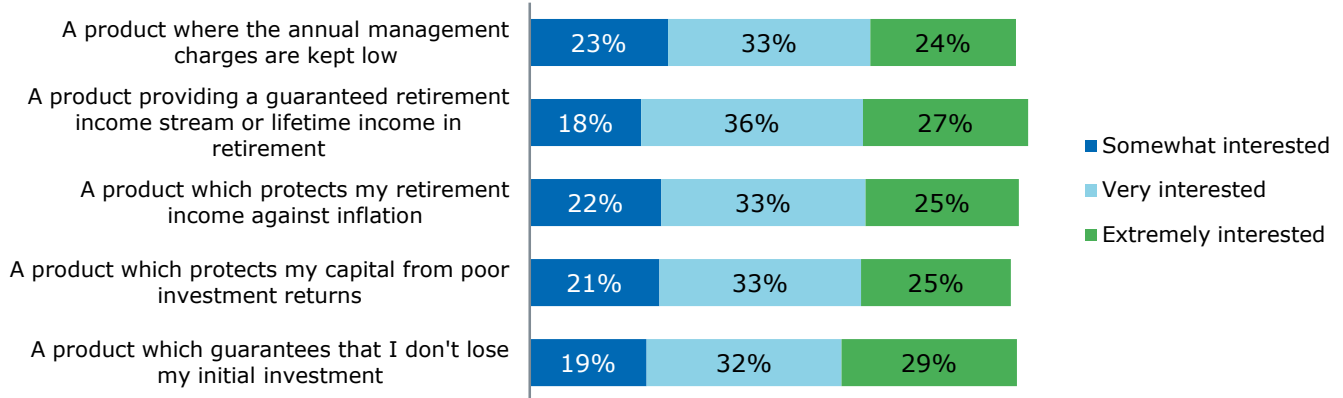
Q. Do you expect that you will need to receive financial support from your family while you are retired? Please tick all that apply (Percentages add to over 100 due to more than one response option being possible)



The findings show retirement is seen in Poland as somewhat of an independent life stage, but more than in many other countries people still expect to support or be supported by family in retirement.

Chart 13: Risk management is a top financial priority

Q. On a scale of 1 to 5 how interested are you in the following options



Popular financial products in the survey, both in this year's and last, are those which protect against risks such as inflation, poor returns, or capital loss. Other results also support this finding:

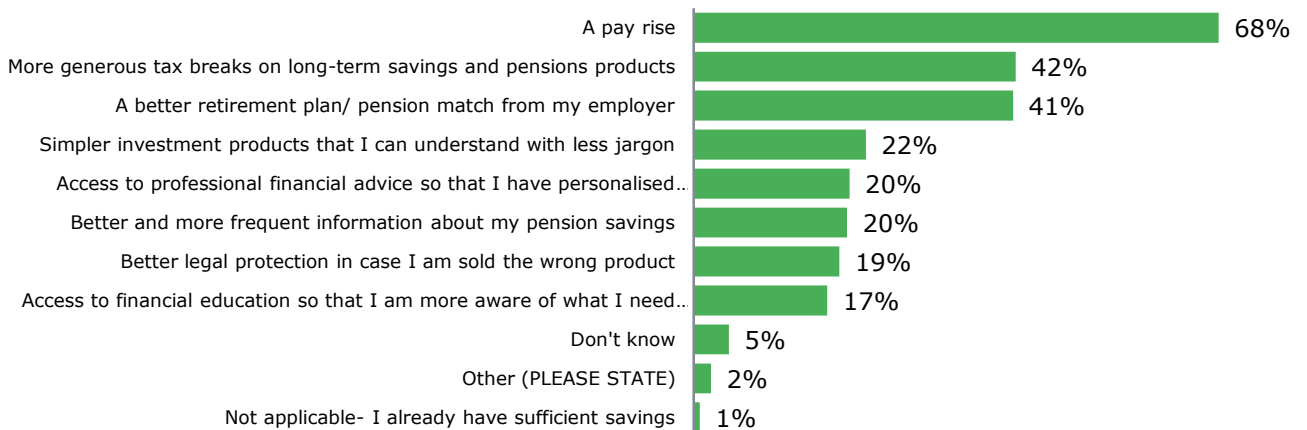
- 36% believe the financial crisis means they want to take fewer risks with their retirement savings.
- Of those using professional advice, 19% are provided with a service that makes recommendations on long-term investment risk and asset allocation. \

4. Sustainable solutions

How can retirement systems be made more sustainable in the future? The survey asked what can be done to make savings and pensions products more attractive, as well as how to better balance the role of the individual, the state and the employer.

Chart 14: People would be motivated to save for retirement by higher salaries and tax breaks

Q. Which, if any, of the following would encourage you to save for retirement?

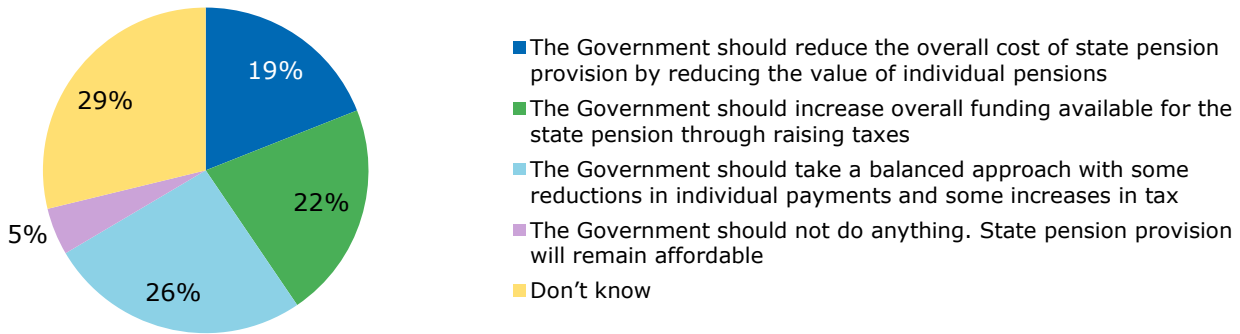


Alongside this finding on the importance of pay to encouraging saving, the survey also found:

- A lack of money to invest is putting off 48% from saving.
- The uncertain economy is a disincentive to save for 10%.
- A lack of trust in the financial services industry is discouraging only 8%.

Chart 15: Nearly half would accept at least some tax increases to pay for the state pension system

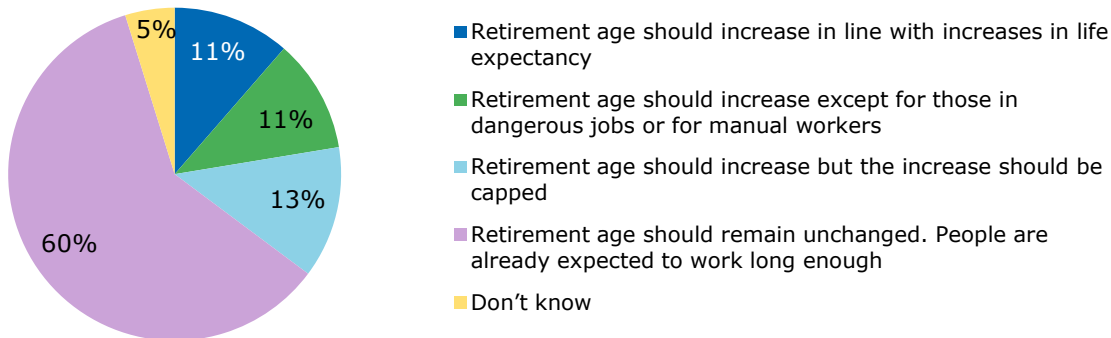
Q. With the cost of government pensions becoming a greater concern as people live longer which, if any, of the following do you think the Government should undertake?



Difficult decisions are inevitable when it comes to reforming pension systems. Few – only 5% in Poland – believe the state pension will remain affordable, and a large group (26%) believe a balanced combination of benefit reduction and tax rises are necessary to make the system sustainable.

Chart 16: A strong majority wants retirement age to remain unchanged

Q. To what extent do you believe that people should expect to work longer into old age as a way to offset the costs of people living longer?

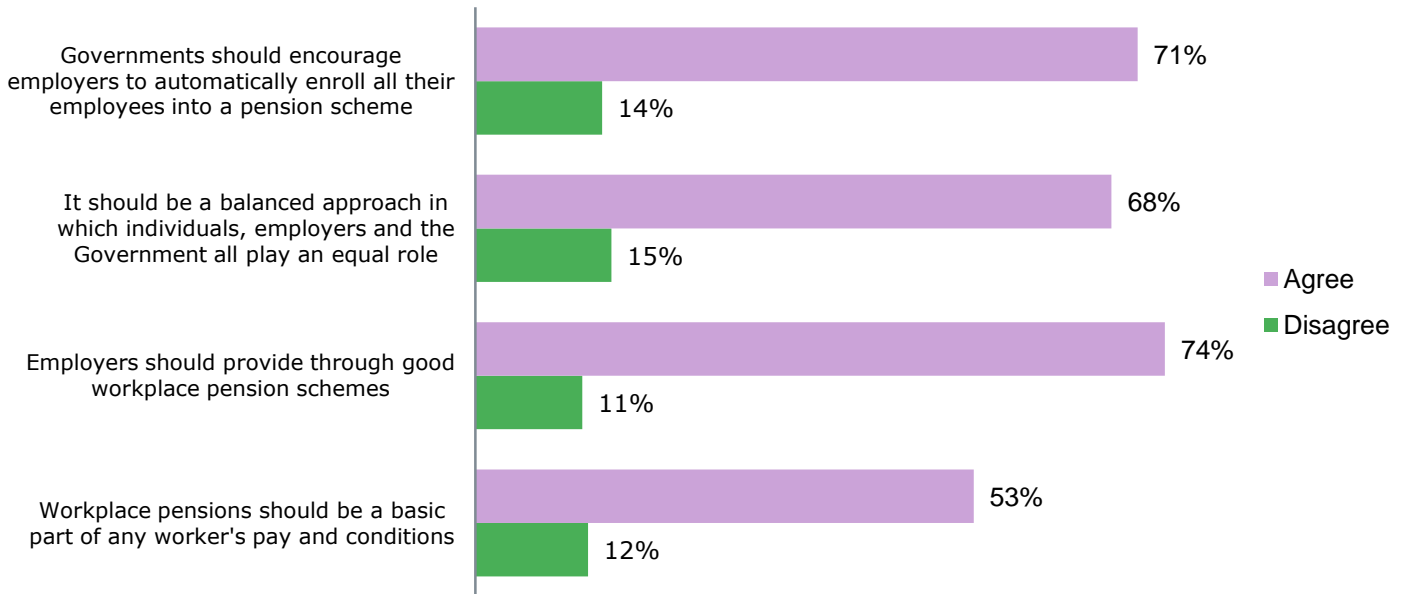


There is little ambiguity over the issue of increasing retirement ages: only a tenth believes in letting retirement age increase with life expectancy with no caveats, and 60% want no rise at all. This suggests that, although employees like the idea of carrying on working into old age, they do not wish to be compelled to do so.

Chart 17: Workers show support for the role of workplace pensions

Q. To what extent do you agree or disagree with the following statements about taking responsibility for funding people’s retirement? Please indicate on a scale from 1 to 5, where 1 means you strongly disagree and 5 means you strongly agree. (BASE: ALL)/

Q. Please indicate on a scale from 1 to 5 how strongly you agree or disagree with the following statements about your work, where 1 means you strongly disagree and 5 means you strongly agree. (BASE: NOT FULLY RETIRED)



The findings show that workplace pensions still have the support of the vast majority of respondents, as does the idea of auto-enrolling people into such a scheme. Elsewhere:

- Defined benefit schemes remain the most important source of retirement income for 60% of respondents; defined contribution schemes are the most important for just 4%.
- Respondents want to spread out sources of retirement income to minimize risk: 72% want to have as many sources of retirement income as possible.
- Two-fifths (41%) are worried that the global financial crisis means their employer is likely to cut back on workplace benefits.

5. Call to action

Lack of retirement readiness is an emerging global crisis for governments, employers, and individuals

- Although retirement systems vary by country, the shift in responsibility for a secure retirement to the individual is consistent among the countries surveyed. Similarly, individuals' lack of adequate preparation for retirement was found across the globe. Governments have a significant role in increasing individuals' awareness of this shift in responsibility and of the amount and nature of the government benefits on which the individual can rely in retirement.

In addition, governments and employers can facilitate the offering of tools and information to educate employees of all ages of the need to save, how to save effectively for major life events and also how to transition those savings into a secure retirement.

Most expect future generations to be worse-off in retirement than current retirees

- Increased longevity has resulted in the likelihood of multiple generations of family members in retirement whose financial security is compromised by cuts in government benefits and the economic downturn. The 'squeezed' generation that is trying to save for retirement is increasingly called upon to support parents and grandparents in retirement while also supporting adult children who may still depend on parental support. Governments, employers and individuals must acknowledge and facilitate efforts to address inter-generational burdens on the 'squeezed generation.' Governments must encourage the use of private sector products and services to address these burdens, and employers can provide or make available retirement planning tools and education to help individuals anticipate and plan to cover inter-generational burdens.

Delaying retirement offers an obvious solution, but obstacles remain

- Governments and employers can help employees by enabling longer working careers, and providing options for phased retirement and explaining what these are. Employees should also have a backup plan if forced into retirement sooner than expected. Governments and employers can increase awareness of the need

for a backup plan and facilitate the offering of products such as disability and life insurance which are designed to provide a continued source of income to families in the event of a family member's death or disability prior to the planned retirement and accumulation of sufficient savings.

Widespread retirement illiteracy worsens readiness

- Individuals are increasingly aware that they will need to bear some personal responsibility for their retirement; however, the amount and complexity of information can be overwhelming. Programs designed to address this inertia can help ensure that employees are automatically covered by their employer's retirement plan.

Governments have a responsibility to clearly communicate the expected government benefits. They must guide individuals to the tools and information to help individuals start saving throughout their careers to supplement the government benefits. Employers can serve as a one-stop source of information, tools and supplemental products to help their employees develop their own retirement plan and transition into retirement. Governments can facilitate and encourage the employer's role in providing or making available retirement planning tools and information to its employees through reduced regulatory burdens, safeguards from liability and tax incentives.

Wary about retirement-related risks, individuals seek solutions

- Providing retirement solutions and advice that help individuals de-risk their retirement can help avoid losses or erosion due to inflation. Financial products and plans may also help individuals in developing and financing a backup plan in the event they leave the workforce prior to their expected retirement date. However, in order to grow savings into something adequate for retirement some controlled risk may be necessary.



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Media Relations

Grzegorz Mathea, tel. +48 795 139 178

E-mail: grzegorz.mathea@aegon.pl