



The New Social Contract: Empowering individuals in a transitioning world

Aegon Retirement Readiness Survey 2019
Poland Country Report

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Note: Percentages are shown to zero decimal places. Rounding percentages to the nearest whole number may result in slight differences; for example, the percentages in some charts summing to slightly under or slightly over 100 percent.

Foreword

Dear Readers,

Poland is getting older. This is something to be celebrated: the past several decades have seen average life expectancy levels rise, with lifespans now increasing by on average one year every five years. But how are we spending these extra years? Reductions in the age at which people are eligible to for social security coupled with increases in longevity mean that people in Poland are spending more time in retirement today than they have in previous generations. Our survey shows the importance we place on spending more time with friends and family in retirement, as well as our desire to travel. Our current retirees are already seizing these opportunities, as well as pursuing new hobbies, the survey finds.

This increased life expectancy in Poland, however, is one of the central drivers of an aging population. Teamed with decreasing birthrates and emigration of a younger workforce, Poland has one of the fastest-aging societies within the European Union. It is no surprise that our old-age dependency ratio, that is, the proportion of people aged over 65 compared to working age people, is outpacing the European Union average.

These demographic shifts require us to think about how we prepare for our longer retirements, how we can take advantage of the benefits we are granted, and importantly, how we address the challenges presented. The traditional social contract in preparing for retirement, relying heavily on the government and employers, has come under increasing financial strain in recent years. As a workforce shrinks relative to the population size, so do contributions to the social security system. For tomorrow's generation of retirees, there is no doubt that we must change our way of thinking about retirement so that we can secure the pensions of future generations. We must redress the balance of responsibility between government, employers and individuals to ensure the long-term sustainability of our pension system and help all people in Poland achieve a comfortable retirement.

Over the last eight years, the Aegon Center for Longevity and Retirement has surveyed more than 100,000 people in 15 countries spanning Europe, the Americas, Asia, and Australia. It has examined people's retirement-related aspirations, concerns, and preparations and yielded insights on how to improve their long-term financial security. The Aegon Retirement Readiness Index, an annual score measuring the level of retirement planning workers are undertaking, ranks Poland 12th of the 15 countries in the survey. Lower savings habits than seen globally push Poland towards the bottom of the table.

Our survey finds that only a quarter of people in Poland are habitual savers – that is, saying that they are always saving for retirement. This is far below the global average. People in Poland are less certain in their ability to reach their required retirement income than we see in other countries in the survey. However, in terms of concerns about life in retirement, people in Poland are more worried about declining physical health than running out of money. Given projected longer lifespans and one of the lowest public health expenditures in the European Union, looking after one's health throughout life is intertwined with the ability to afford, and live, a comfortable retirement. As responsibility for financial security and healthcare shifts ever more to individuals, governments and employers must support and empower them in making the right choices.

There is a clear need for financial education and active promotion of regular saving – and the government is already making strides here. The new workplace financial solution launched in Poland in 2019 – Employee Capital Plans (PPK) – is an important mechanism to drive saving for retirement through automatic contributions from an employee's salary. The role of enterprises is manifold: helping their employees save for retirement is an attractive proposition, particularly in a tight labor market.

What is paramount is how the three key players of the social contract – the individual, the employer and the government – are working together to empower individuals to play a greater role in their preparations for retirement as the country's demographics and pension systems are in a state of transition.



Marc van der Ploeg
CEO Poland

Introduction

The Aegon Center for Longevity and Retirement (ACLR) is proud to present findings from its eighth annual Aegon Retirement Readiness Survey, [*The New Social Contract: Empowering individuals in a transitioning world*](#). This survey is the result of a collaboration with nonprofit organizations Transamerica Center for Retirement Studies® (based in the US) and Instituto de Longevidade Mongeral Aegon (based in Brazil) and represents Aegon's long-standing commitment to building a greater understanding of how social, demographic and economic changes are impacting the sustainability of retirement systems around the world. This report explores the experience of retirement readiness in Poland, covering the country's evolving pension system and how individuals are living, working and aging in a way to best attain a comfortable retirement.

Social contracts between governments, employers, and individuals are central to retirement systems around the world. While social contracts forged during the 20th century across the world are crumbling under the pressures of rapid social and economic changes, Poland's current social contract is one far younger. Since the Solidarity party's sweep of elections in 1989, Poland's economic prosperity has thrived with the freeing of markets, opening of trade and privatization of industries. However, as individuals have been able to build more wealth than previous generations, the certainty of employment and financial security in old age is no longer guaranteed.

Despite recent increases in public spending and reductions in the retirement age, a financially secure retirement for people in Poland are by no means a guarantee. Indeed, with a strong reliance on the Social Insurance Institution (ZUS) and limited take-up thus far of private pensions, the need for a shift in thinking on retirement savings is clear. 2019 will see the introduction of auto-enrollment workplace pensions in Poland, where over the next three years employers will be mandated to create retirement savings plans for employees. Employers are set to play a bigger part in retirement planning, but simultaneously the closure of the second-pillar open pension plans (OFEs), with sums transferred into private savings plans, means the need for self-funded retirement savings is increasing.

In response to strains on current retirement systems worldwide, ACLR proposed a [*New Social Contract for Retirement: a blueprint for retirement in the 21st century*](#) in 2018 that brings the opportunity to modernize retirement systems around the globe. The new social contract should be flexible and adaptable, but sustainable and resilient to ever-changing times. It harnesses innovations based on behavioral economics, healthy aging, and other enhancers and detractors of retirement security – while applying lessons of experience. The new social contract comprises nine essential design features, one of which is “creating an age-friendly world”; one that emphasizes not just access to incomes, but also to lifestyles and vital services.

[*The New Social Contract: Empowering individuals in a transitioning world*](#) drills deeper into ACLR's call to action in 2019. This Poland report seeks to expand the financial plan for retirement into a holistic retirement plan specific to the country, including working, an active lifestyle, independent living and remaining in one's home (“aging in place”). Aging in place is underpinned by the emergence of a new concept of age-friendly communities. In this new community, fears of loneliness or ill-health are addressed as people can expect continued access to healthcare, sharing in future advances in medical science, as well as enjoying broader access to social care and age-friendly housing. Continued access to employment will also be a feature of the new retirement, as well as being able to access new digital services via the internet. It is only by creating communities that support people of all ages, whatever their needs, that today's workers can hope to realize their aspirations for a prosperous and enriching retirement.

Nine essential design features of the new social contract



1. Sustainable social security benefits

Preserve this fundamental source of guaranteed retirement income for today's and tomorrow's retirees.



2. Universal access to retirement savings arrangements

Ensure coverage for employed workers, the self-employed and those with parenting, caregiving, or other responsibilities.



3. Automatic savings and other applications of behavioral economics

Leverage automatic savings features and matching contributions to make it easier and more convenient for people to save and invest for retirement.



4. Guaranteed lifetime income solutions

Educate people on how to strategically manage their savings to avoid running out of money; raise awareness about ways to annuitize all or part of their savings.



5. Financial education and literacy

Improve people's basic understanding of financial matters, starting in early childhood through adulthood, to help people make informed decisions.



6. Lifelong learning, longer working lives and flexible retirement

Provide tools and resources for reskilling and keeping their skills up to date and options for phased retirement so that people can remain economically active for longer and transition into retirement on their own terms.



7. Accessible and affordable healthcare

Reinforce healthy aging through quality healthcare. Provide access to healthy work environments and workplace wellness programs at the employer level.



8. A positive view of aging

Celebrate the value of older individuals and takes full advantage of the gift of longevity.



9. An age-friendly world

Enable people to "age in place" (in their own homes) and live in vibrant communities designed for people of all ages to promote vitality and economic growth.

Key Findings

- **People in Poland want to enjoy the free time that their retirement will afford them.** Sixty-two percent want to travel, 61 percent want to spend more time with friends and family, and 53 percent want to pursue new hobbies.
- **Being healthy and fit is the top current life priority for people living in Poland, as reported by two-thirds of respondents,** followed by enjoying life and focusing on family. With public health spending in the country among the lowest in the EU, the strong drive to look after one's health throughout life is no doubt important for trying to achieve a comfortable retirement.
- **People in Poland expect to live to a median age of 80 years, with 75 of these years spent in good health.** This slightly overshoots the current Polish life expectancy at birth of 78, although this figure has risen considerably in the past several decades.
- **When it comes to living in retirement, declining physical health (63 percent) is the biggest retirement concern for people in Poland.** This is followed by running out of money (47 percent) and not being able to stay active (40 percent).
- **Two-in-five people in Poland (39 percent) say that they are stressed about their long-term financial planning on at least a monthly basis,** with women (45 percent), Generation X (44 percent) and Millennials (43 percent) more likely to feel this way.
- **People in Poland are much less confident about their ability to achieve a comfortable retirement than people in other countries surveyed (9 percent compared with 29 percent globally),** with levels low across all demographics.
- **Poland achieves a low ARRI score (5.4) this year, which puts it in 12th place of the 15 countries in the study.** The global average has moved up to a medium level this year (6.0), however Poland has fallen from 10th place (and a score of 5.5) in 2018.
- **Just a quarter of people in Poland (25 percent) are habitual savers (compared with 39 percent globally).** Workers should start early and save habitually. The introduction of the PPK over the coming few years could serve as a positive prompt to do so.
- **Just eight percent of workers in Poland are “retirement strategists”** – that is, those with a written plan for retirement. A further third (34 percent) have a non-written plan. Worryingly, over half (54 percent) of Poles have no plan for retirement at all.
- **Almost three-in-five Polish workers (58 percent) do not have a back-up plan in case they are unable to continue working before they reach their planned retirement age.** Less than three-in-ten (28 percent) currently have a backup plan in place.
- **Fewer people in Poland are currently engaging in health-related activities than the average across the countries in the study.** Sixty percent avoid harmful behaviors (60 percent globally), however they fall behind the global average in terms of eating healthily (53 percent compared with 60 percent), exercising regularly (45 percent compared with 53 percent) and thinking about their long-term when making lifestyle choices (39 percent compared with 47 percent).
- **Just a quarter of people in Poland are financially literate,** that is, they correctly answer the “Big Three” financial literacy questions as designed by Drs. Annamaria Lusardi and Olivia S. Mitchell. Financial literacy in Poland is lowest among women (21 percent), Millennials (20 percent) and those with lower than undergraduate education (19 percent).
- **People in Poland envision bathroom modifications (56 percent) and kitchen modifications (47 percent) as the home modifications needed to help them age in place).**
- **Access to hospitals (69 percent), affordable cost of living (64 percent) and convenient transportation (57 percent) top the list of features Poles think will be necessary to create an age-friendly community.** The top-rated feature, access to excellent healthcare and hospitals, is more popular in Poland than globally (69 percent compared with 59 percent).

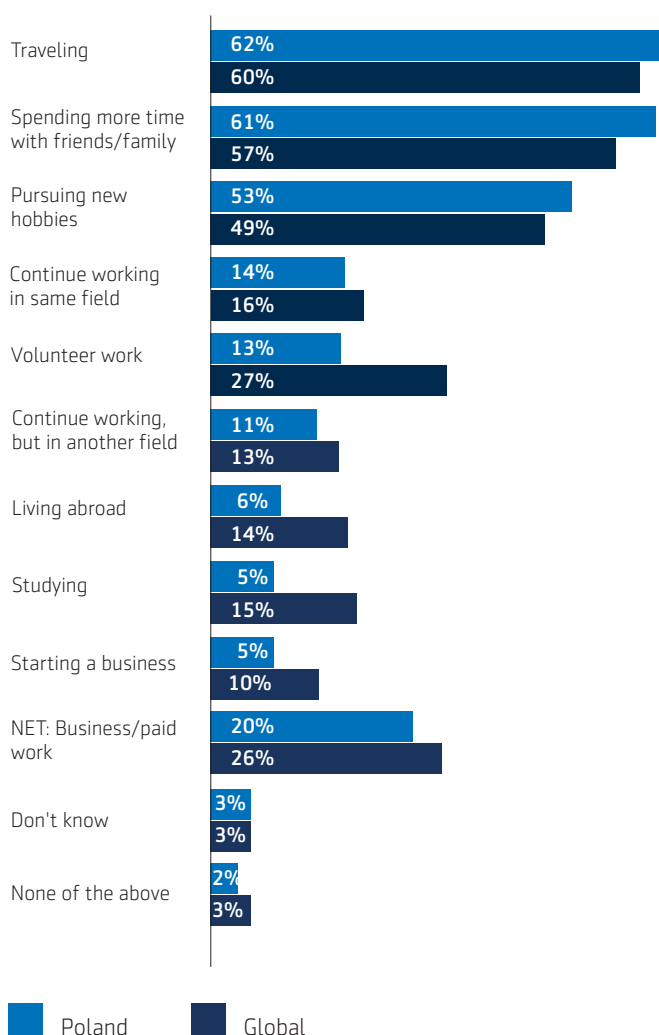
- **Few of Poland's current workers report that their employers offer services that help employees phase into retirement.** Just 16 percent of Polish workers say that they are given retirement plans that allow them to work beyond the usual retirement age (compared with 22 percent globally). Only 11 percent of Polish workers have access to retraining and education to keep their skills up-to-date.
- **Despite the government's recent changes to the pension system, over a third (35 percent) of people in Poland think that the government should increase overall funding available for social security.** Seventeen percent take an opposing stance, that the government should reduce the overall cost of social security (in line with the global average 16 percent).



Part 1. The future of retirement

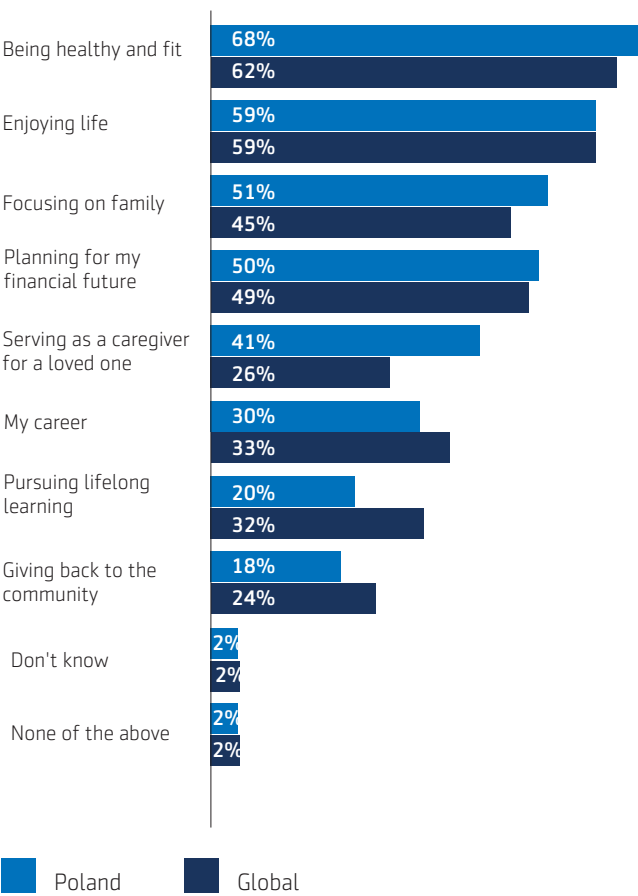
Improvements in healthcare, diets and health and safety regulations have helped to improve longevity around the world, gifting people with a new life stage: retirement. People in Poland want to enjoy the free time that their retirement will enable them to have. Sixty-two percent aspire to go traveling, 61 percent aspire to spend more time with friends and family, and 53 percent want to pursue new hobbies. Fewer people in Poland aspire to do volunteer work (13 percent) than people globally (27 percent), which may in part be due to the country's relatively nascent voluntary sector which has only properly developed over the past three decades.¹

Table 1: Traveling, spending more time with friends and family and pursuing new hobbies top the list of retirement aspirations held by people in Poland



These retirement aspirations reflect the life priorities of people in Poland. Their current life priorities are to be healthy and fit (68 percent), to enjoy their life, i.e., going on holidays, using their free time fully (59 percent) and focusing on family (51 percent). While most of these priorities revolve around enjoying the here-and-now, people in Poland are more likely to want to prioritize being healthy and fit than people in other countries (68 percent compared with 62 percent globally). With public health spending being among the lowest in the EU,² the strong drive to look after one's health throughout life is important when trying to achieve a comfortable retirement.

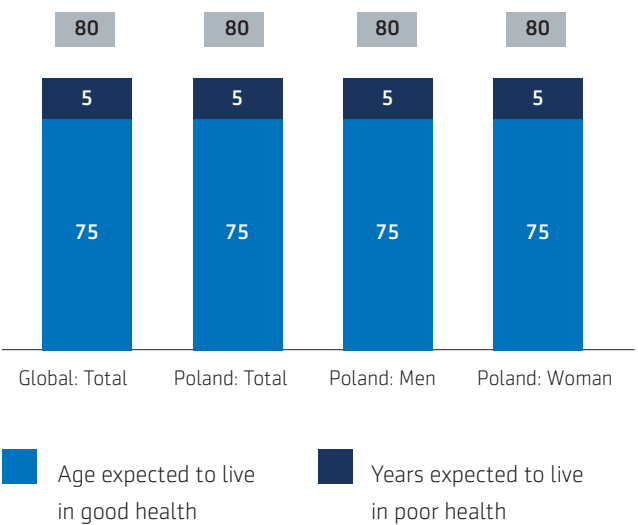
Table 2: Being healthy and fit, and enjoying life are the top life priorities held by people in Poland



People in Poland expect to live to a median age of 80 years, with 75 of these years spent in good health, in-line with the average of the countries surveyed. This slightly overshoots the current Polish life expectancy at birth of 78 – although it should be noted that this figure has been growing strongly over the past 30 years, up from 71 in 1991.³ Men and women expect to live to the same median age of 80 – however, World Bank figures show a strong differentiation. Women in Poland have a life expectancy at birth of 82, while for men this is 74. There is potential here for individuals' retirement plans to be mismatched to how long they could live for.

Declining physical health (63 percent) is a retirement concern of people in Poland, followed by running out of money (47 percent) and not being able to stay active (40 percent). With people living longer, making retirement funds last longer and ensuring people keep healthy for longer are likely to become more pressing priorities. Table 2 illustrates that looking after health is already on the minds of people in Poland – and taking steps to stay healthy in the present will be an important measure in efforts to maintain good health into retirement.

Table 3: People in Poland expect to live for 75 years (median) in good health and 5 years (median) in poor health, in line with the global average



62%

Say travel in an important retirement aspiration

63%

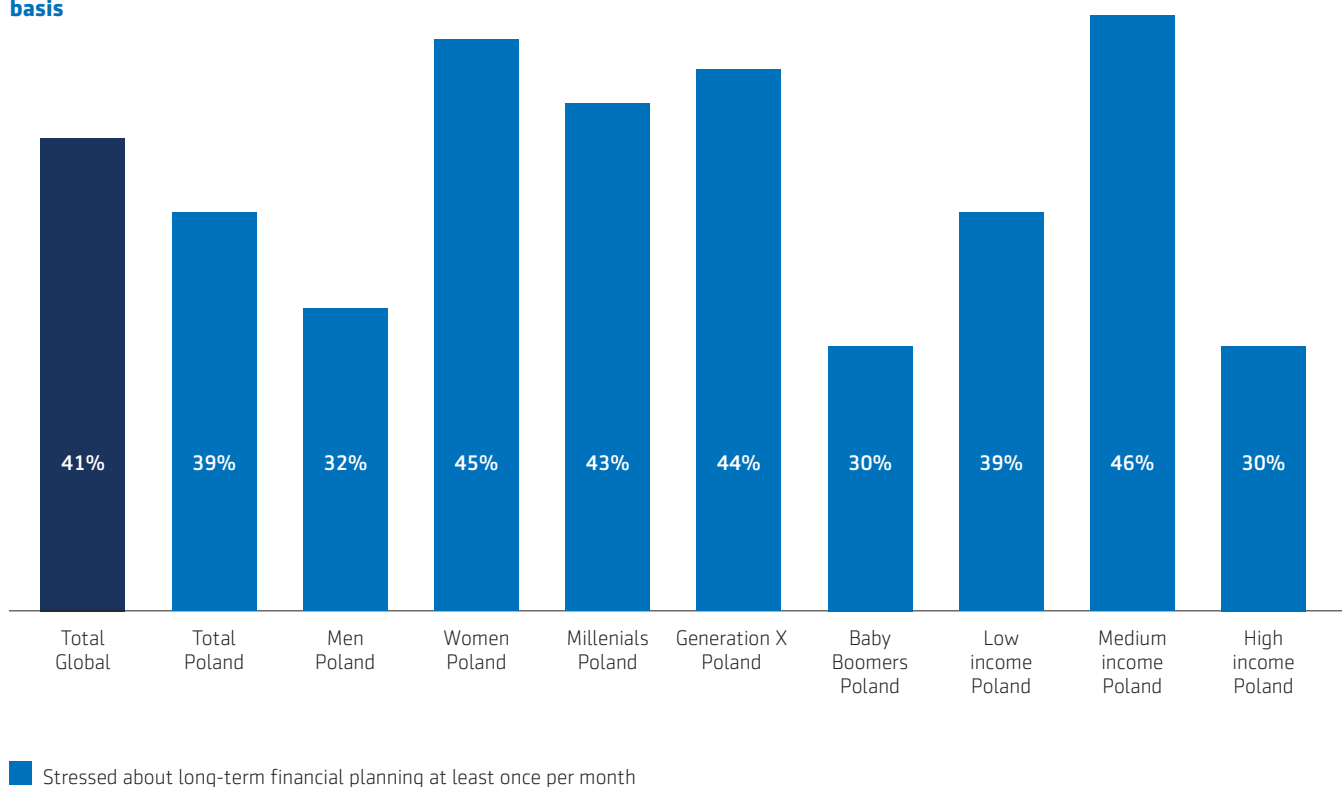
of people in Poland say declining physical health is a retirement concern



These concerns about retirement are already having an impact on the wellbeing of people in Poland in the present. Preparing for ever increasing lifespans and subsequently longer retirements is not without pressures. Two-in-five Polish people (39 percent) say that they are stressed about their long-term financial planning for retirement on at least a monthly basis, broadly in line with the global average (41 percent).

Traditionally women have tended to take more career breaks than men, often taking on a more prominent role in the home and focusing on childcare duties. This can create a barrier to the workplace, which can both impact access to retirement savings, and the amount of money available to put into retirement savings plans. It may not be surprising therefore that more women than men in Poland (45 percent compared to 32) are stressed about long-term financial planning at least once a month. Polish people with a low income (39 percent) and medium income (46 percent) are more likely to experience stress than those with a high income (30 percent). Millennials (43 percent) and Generation Xers (44 percent) are more likely to feel stressed about their long-term financial planning on a monthly basis than Baby Boomers (30 percent). Feeling less stressed when closer to retirement is a trend that is common across the countries in the study (global average: Millennials – 47 percent; Generation X – 44 percent; Baby Boomers – 35 percent).

Table 4: Two-in-five people in Poland are stressed about their long-term financial planning for retirement on at least a monthly basis



Part 2. Reimagining the ideal retirement plan

What retirement looks like in Poland has shifted considerably in the past several decades. Significantly, recent reductions in the retirement age – which in 2013 had been scheduled to increase to 67 for men and women by 2020 and 2040 respectively – now once again stand at 65 for men and 60 for women as per pre-policy reforms. Not only can workers now exit the workplace sooner, but their retirement savings will have to last for longer to supplement the years they will no longer be working. Meanwhile, the way in which workers save for retirement has been redeveloped over the past year, with its three pillars of retirement savings being reshaped by the current government.

Poland's pension reforms

Prior to the recent government reforms, the Polish pension system was formed of three pillars:

FIRST PILLAR: **ZUS**

Run by the Social Insurance Institution (ZUS) and based on notional DC accounts

SECOND PILLAR: **OFE**

The Open Pension Funds consists of pension funds where employee contributions are invested on the financial market

THIRD PILLAR:

PPE

Occupational Pension Schemes that are a tax qualified corporate pension plan

IKE/IKZE

Individual Retirement Pension/Individual Retirement Protection Accounts pension products for saving, although take-up here is limited

In 2019, a bill establishing the Employees' Capital Pension Schemes (Pracownicze Plany Kapitałowe – PPK) came into force.⁴ Operating as a **third pillar** long term savings system, the PPK is mandatory for employers and voluntary for employees with the view to improve the structure of Polish pension savings. It sits alongside the existing PPE system (employers already with a PPE system will not need to set up a PPK as long as a quarter of a firm's employees are in the PPE system), and will function as an auto-enrollment retirement savings plan for Polish workers.

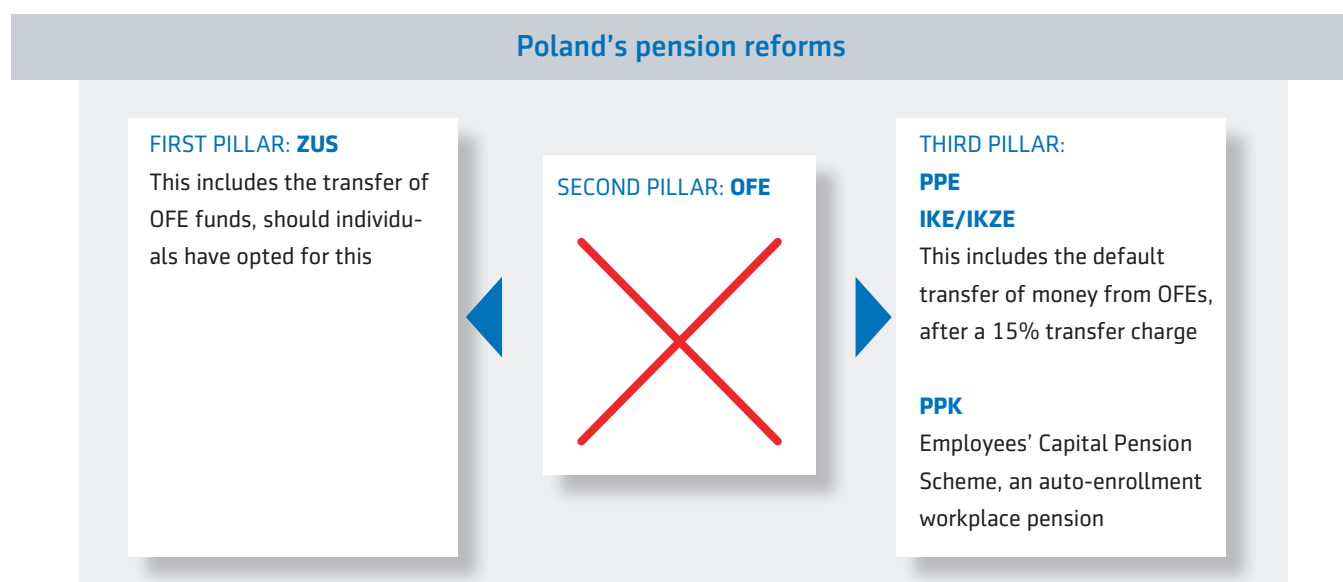
All employees under 55 will automatically be registered with the right to opt out, and those aged between 55 to 69 may opt in to the scheme.

From 1 July 2019, private companies with 250+ employees will contribute 1.5 percent of an employee's remuneration (and can make an additional 2.5 percent contribution voluntarily), and employees will contribute 2 percent (with the possibility of adding an extra 2 percent voluntarily). Participants receive a PLN

250 welcome payment from the government, as well as an annual payment of PLN 240. To encourage low-income workers to stay in the scheme, those earning below 120 percent of the national minimum wage can reduce their contributions to 0.5 percent. Firms with between 50 to 249 employees must implement schemes from 1 January 2020, and from July 2020 companies with 20-49 employees and from January 2021 all other companies and the public sector.

In April 2019, Prime Minister Mateusz Morawiecki announced that Poland's second pillar OFE funds would be closed.⁵ Savers' sums will be transferred into IKE retirement savings accounts, or savers can instead opt to switch savings into the ZUS, with sums written to their individual virtual accounts. Those transferring to the IKE will be charged a 15 percent transfer fee over the course of 2020-2021, due to the variance in the tax system of the two plans as those who transfer to the ZUS will be taxed upon withdrawal. Social security premiums (19.52 percent of gross wage) will hence be paid to the account and sub-account within the framework of the ZUS first pillar plan. At the time of writing, this bill is moving through parliament, with implementation likely to begin in Q1/Q2 2020. Significantly, the dissolution of the public OFE plan and transfer to the voluntary private IKE plane making a pension annuity no longer the standard but instead something that must be purchased. It is estimated that over 160 billion zlotys from OFE would be transferred to IKEs.

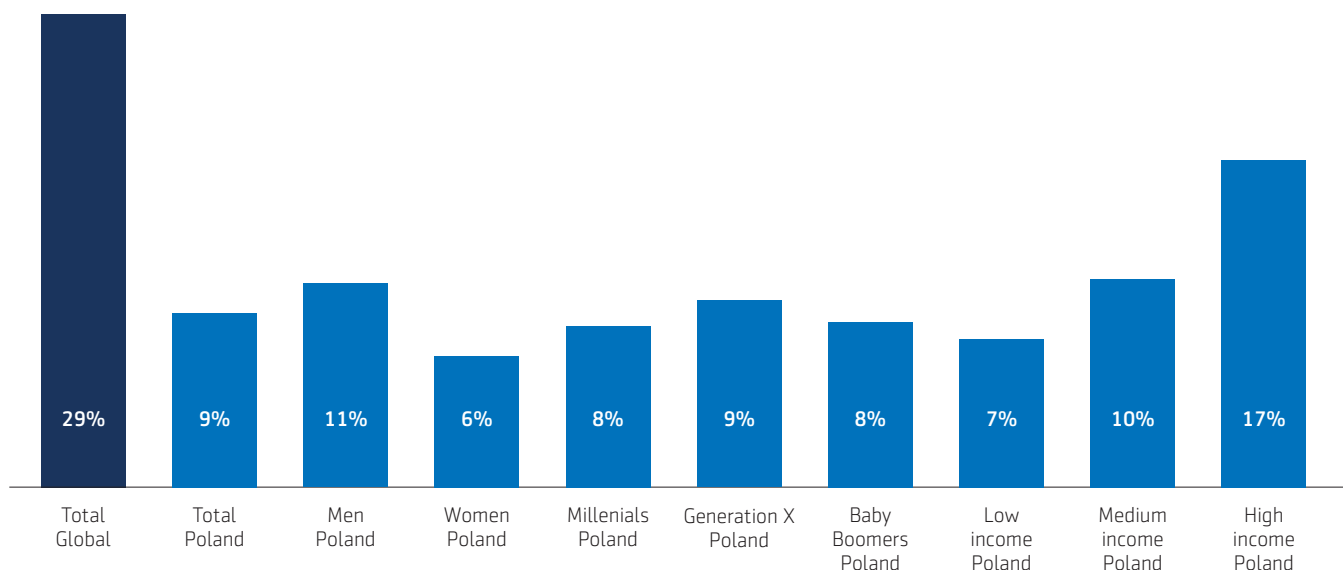
The new system currently being implemented



As it stands, people in Poland are much less confident about their ability to achieve a comfortable retirement than workers in other countries (9 percent compared with 29 percent globally). It should be noted that Poland currently ranks 32nd of the 35 OECD countries in terms of net pension replacement rates (that is, the ratio of net pension entitlement against pre-retirement earnings), standing at only 39 percent of pre-retirement earnings.⁶ Men (11 percent) and those with a high income (17 percent) are only slightly more confident, however across all demographics confidence is equally very low.

Poland has always scored below the global average in the survey's history, and the 9 percent of workers who are confident in their ability to retire comfortably is up from 2018 (Poland – 6 percent; Global – 25 percent) and even more so from 2015 (Poland – 4 percent; Global – 22 percent). While there has been a marginal improvement in Poland's score over the past several years, this is still a very small pool of workers who currently feel like they will be able to afford a comfortable retirement.

Table 5: Just 9 percent of workers in Poland are confident that they will achieve a comfortable retirement



■ Net confident about achieving a comfortable retirement income

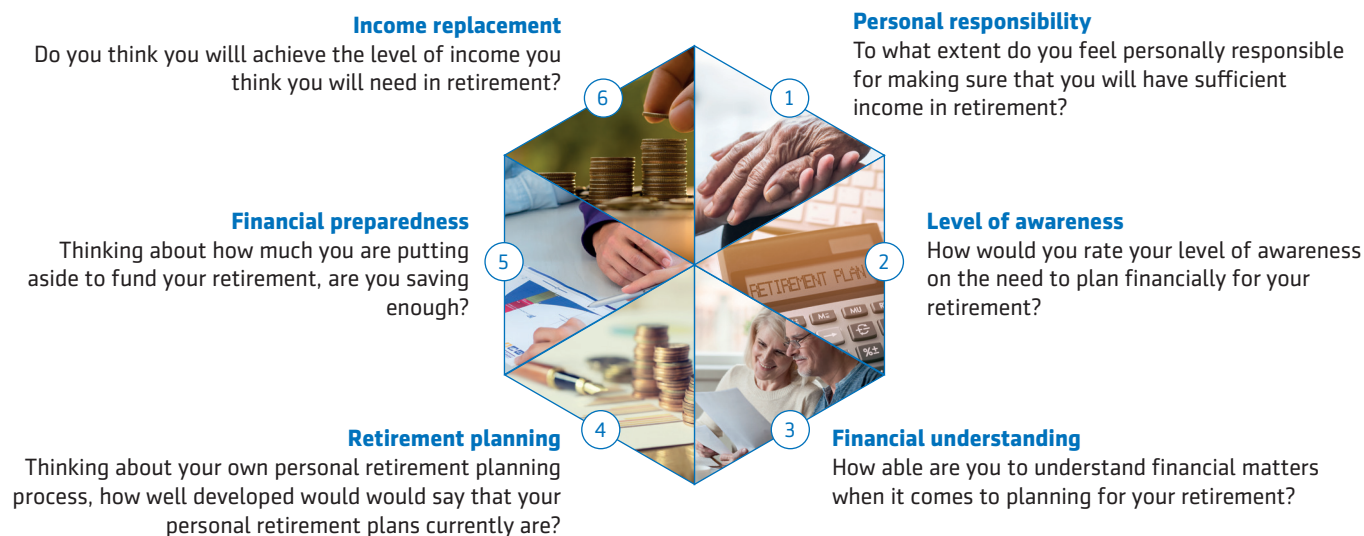
The changes outlined on pages 11 and 12 represent a greater shift in responsibility for retirement saving and income onto the individual. This is, of course, counteracted with the introduction of the PPK auto-enrolment plan, but the rollout of this is gradual, contribution levels relatively low and employees are not required to contribute themselves. As Table 5 shows, confidence in being able to fully retire with a lifestyle considered comfortable is extremely low in Poland, even among its high earners. In fact, only Japan had a lower percentage (8 percent) of workers who said that they were confident of retiring in a comfortable lifestyle. As more responsibility for preparing for retirement shifts to individuals, more must be done to empower workers to take on difficult and complicated financial decisions, to plan for their retirement and make sure that their health and wealth are sustained throughout retirement.

Aegon Retirement Readiness Index and the Role of Individuals

The role the individual takes in retirement preparation is gradually increasing, but still has further to go. The Aegon Retirement Readiness Survey (now in its eighth year) measures the level of retirement planning workers undertake as responsibility gradually shifts towards the individual. The ARRI provides an annual score based on responses to six separate questions: three broadly attitudinal (Questions 1,2, 3) and three broadly behavioral (Questions 4,5,6). These questions are illustrated in the diagram below.



What factors shape the ARRI score?



The ARRI ranks retirement readiness on a scale from 0 to 10. A high index score is between 8 and 10, a medium score between 6 and 7.9, and, a low score being less than 6. (For additional information about the ARRI and its methodology, please see Appendix 1.)

Poland achieves a low ARRI score (5.4) this year, which puts it in 12th place of the 15 countries in the survey. The global average has moved up to a medium level this year (6.0), however Poland has fallen from 10th place (and a score of 5.5) in 2018. Workers in Poland score lower than the global average on the attitudinal questions and fall notably behind on the behavioral questions. Particularly, workers in Poland score less well than workers in other countries when it comes to retirement planning (Question 4) and financial preparedness (Question 5) – that is, their retirement plans require developing, and they are not putting aside enough to fund their retirement. This is reflected in OECD statistics, which calculate the amount of household disposable income put into household savings in Poland in 2017 was -0.85 percent, meaning people in Poland are on average removing income from their net wealth rather than accumulating. By comparison, the European Union average is 3.25 percent.⁷

As the PPK auto-enrollment workplace pension plan is rolled out over the coming few years, this may help bolster Poland's ARRI score, as putting money aside for retirement will become automated for participating workers. While this may consequentially improve chances of achieving the ideal income replacement in retirement, there is a need in Poland to prioritize retirement planning. So far in Poland, there has only been limited penetration of workplace pension plans. Often with these plans, participants are provided materials, prompts and interactions that help to calculate potential retirement income needs and what could be done to try and reach these targets. With greater intervention here, workers in Poland may be able to prepare their plans better for retirement.

Table 6: Poland places 12th in retirement readiness

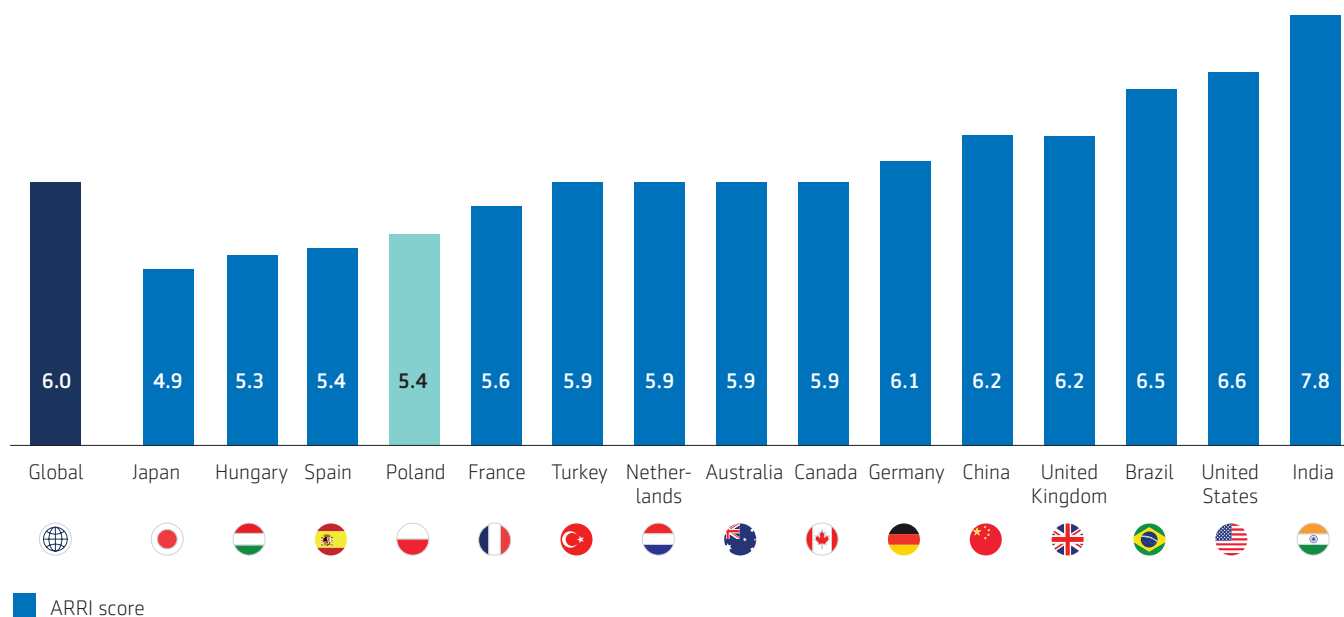


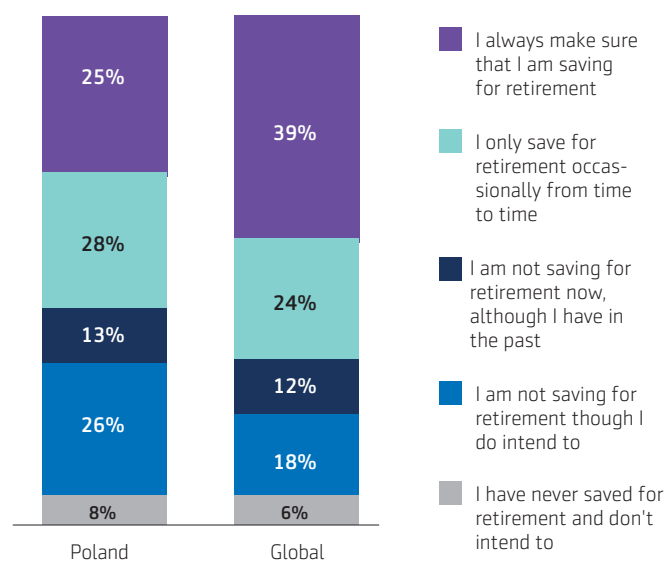
Table 6 indicates that workers in Poland achieve a low ARRI score absolutely and compared to the global score. While retirement systems in different countries may differ, there are actions that people can take that are universal. These are summarized in Aegon's Five Fundamentals for saving for retirement, as outlined below.

The Aegon Five Fundamentals for saving for retirement

1 | Start saving early, save habitually

Just a quarter of workers in Poland (25 percent) are habitual savers – that is, they always make sure they are saving for retirement (compared with 39 percent globally). Forming a saving habit (even if only a small amount is saved) is the best way to keep building up retirement savings. Starting early will allow workers to take full advantage of the benefits of compound interest. Workers should start early and save habitually, which the introduction of the PPK over the coming few years could serve as a positive prompt to do so. It is encouraging that a further quarter in Poland (26 percent) are not saving for retirement but do intend to.

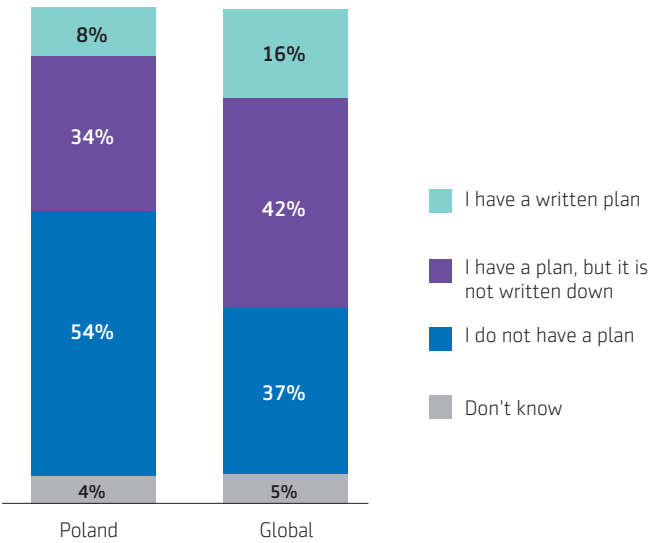
Table 7: Just a quarter of workers in Poland are habitual savers



2 | Develop a written retirement strategy

Just eight percent of workers in Poland are “retirement strategists” – that is, those with a written plan for retirement. A further third have an unwritten plan. Worrisomely, over half (54 percent) of workers in Poland have no plan for retirement at all. As can be seen in Table 9, having a plan in place for retirement is far less common in Poland than in other countries. Putting a plan for retirement down in writing is likely to formalize the process, help workers and people in general think through the process and visualize how much they are going to need. The process of actually committing the plan to writing is also likely to formalize it and help them commit to following it.

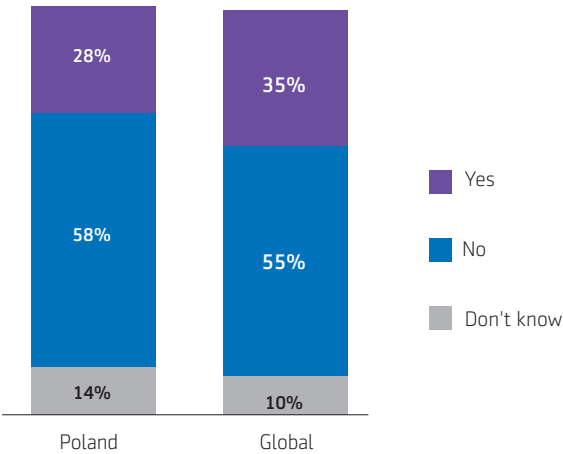
Table 8: Eight percent of workers in Poland are ‘retirement strategists’ with a written plan for retirement



3 | Create a back-up plan

Almost three-in-five Polish workers (58 percent) do not have a back-up plan in case they are unable to continue working before they reach their planned retirement age. This is worryingly high, given the consequential impact of leaving the workplace early – that is, stopping income payments to retirement savings. It is imperative that workers have a plan in place to see them financially through retirement in case unforeseen events force them out of work before their planned retirement date. Globally, 39 percent of fully-retired people retired sooner than planned. And globally, the key reasons fully-retired people retired sooner than planned was due to their own ill-health (34 percent) and due to unemployment or job loss (27 percent).

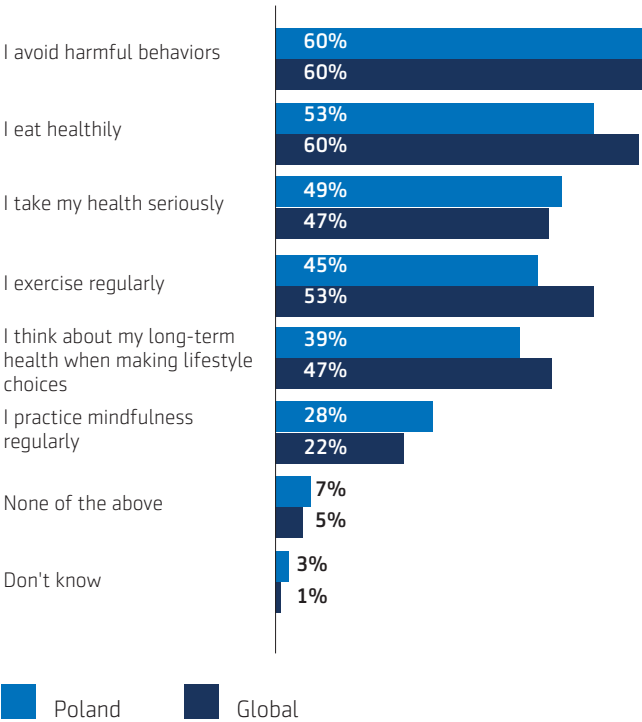
Table 9: Only a quarter of workers in Poland have a back-up plan in case they are unable to continue working before they reach retirement age



4 | Adopt a healthy lifestyle

Staying fit and healthy can help workers stay in the workforce longer, which can help them save more for retirement and start drawing down on retirement savings later. It also means that when they reach retirement age they will be better able to enjoy an active retirement and be less burdened by healthcare costs. Part 1 displayed Polish people’s concerns about their health in retirement, however only around half are engaging with health-related behaviors in the present. Sixty percent avoid harmful behaviors (drinking too much, smoking tobacco), 49 percent take their health seriously with having routine medical check-ups and perform self-checks, and 28 percent practice mindfulness regularly. There are several health-related behaviors that are less commonly undertaken in Poland than globally, such as eating healthily (53 percent compared with 60 percent globally), exercising regularly (45 percent compared with 53 percent) and thinking about their long-term health when making lifestyle choices (39 percent compared with 47 percent). As explored in Part 1, Polish people are concerned about declining physical health in retirement and their current health is ranked as a top priority. Considering this, adopting more health related behaviors could help people in Poland be healthy and reduce their worries about declining health in retirement

Table 10: Three-in-five people in Poland avoid harmful behaviors, while over half eat healthily



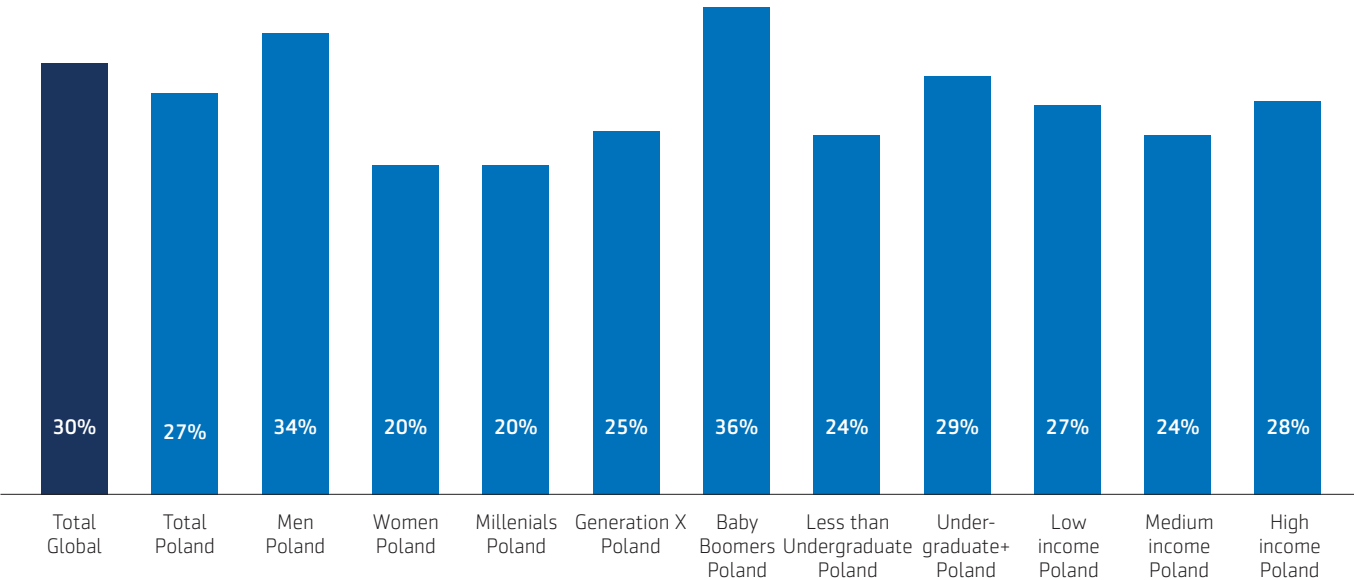
5 | Embrace lifelong learning

Being able to act upon the fundamentals of retirement readiness requires equipping people of all ages with new life skills. However pursuing lifelong learning is cited as a current life priority by only 20 percent of Polish people. It is important for all workers to keep their skills up to date so that they can adapt to changing labor markets.

With more financial planning responsibility for preparing for retirement shifting to the individual, it is imperative for everyone to have a solid understanding of financial matters. Using a framework developed by Drs. Annamaria Lusardi and Olivia S. Mitchell dating back to 2004, the survey measures financial literacy across the 15 countries. Lusardi and Mitchell created the “Big Three” questions that measure understanding of compounding interest, inflation, and risk diversification (see Appendix 2). Their questions test actual knowledge of the topics, rather than self-reported knowledge. The survey findings corroborate Lusardi and Mitchell’s research that financial literacy is low around the world, with only three-in-ten people (30 percent) answering all three questions correctly. In Poland however, this falls to just over a quarter (27 percent).

There are at-risk groups in Poland that perform worse than the national average: Women (20 percent) Millennials (20 percent). Millennials performed particularly poorly on the inflation-based question with only around half getting this correct (51 percent): older age groups would have lived through the runaway inflation of the late 1980s and thus be better versed in the concept (Generations X – 66 percent; Baby Boomers – 78 percent). More needs to be done to raise financial literacy levels to equip and empower individuals with the skills and knowledge that they need to take on more responsibility for their long-term financial planning. Understanding the basics and investing through a range of products and assets will help those in Poland build their savings in the long-term.

Table 11: A quarter of people in Poland correctly answer all ‘Big Three’ financial literacy questions

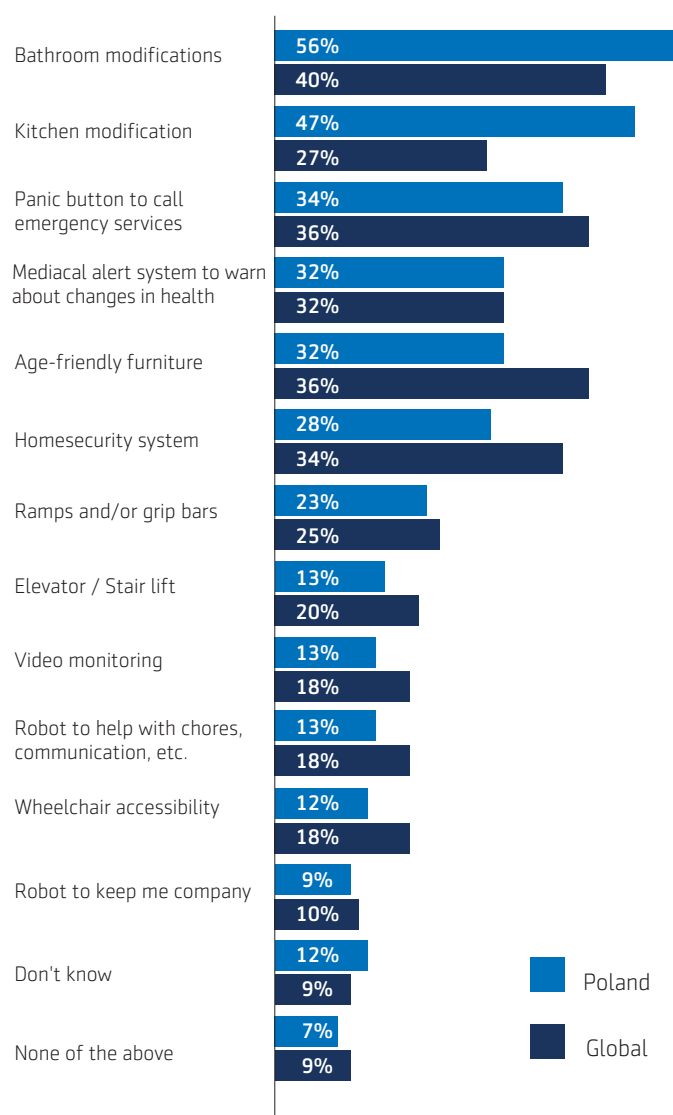


Part 3. Envisioning age-friendly communities

Compared to the other European Union countries, Poland's population is currently relatively young – but the median age is predicted to increase. From a median of 38.6 years in 2013, this is expected to increase to 41.4 by 2020 and 52.0 by 2050.⁸ As the population ages, more planning will need to go into how the wider community and individuals' homes are built to accommodate the elderly.

The ability to stay in one's own home as one grows old can be both emotionally significant and a way individuals can maintain independence – particularly in Poland where home-ownership levels are among the highest in Europe.⁹ The survey asked participants which features and devices people envision having in their home as they get older. For people in Poland, bathroom modifications (56 percent) and kitchen modifications (47 percent) top the list of features and devices people envision, with far greater popularity for these than the global average (40 percent and 27 percent respectively).

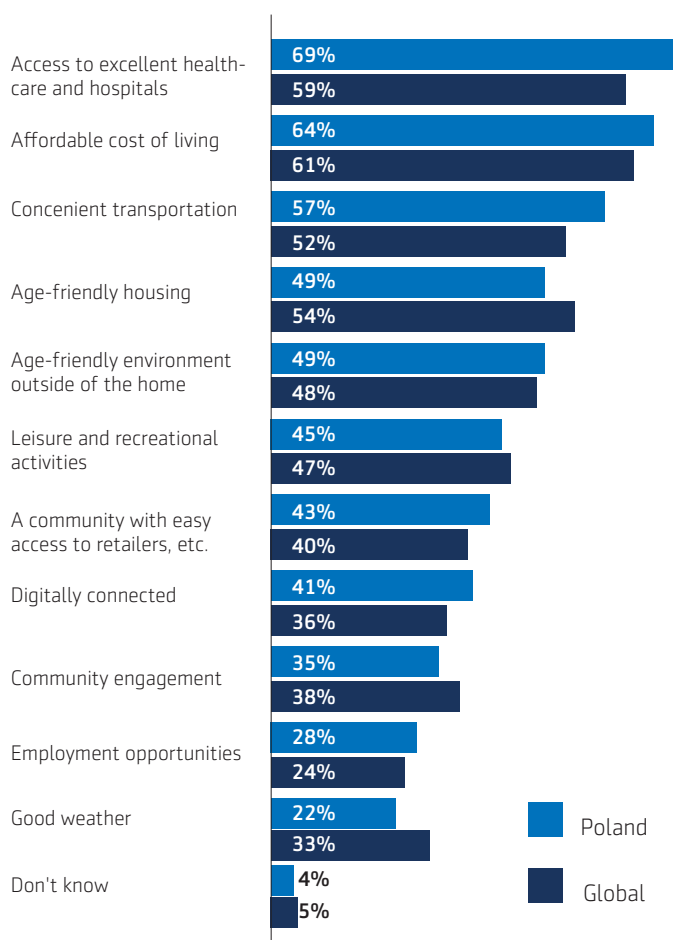
Table 12: Bathroom modifications and kitchen modifications form the top features people in Poland envision having in their home as they get older



Access to hospitals (69 percent), affordable cost of living (64 percent) and convenient transportation (57 percent) top the list of features Polish people think will be necessary to create an age-friendly community. The top-rated feature, access to excellent healthcare and hospitals, is far more in-demand in Poland than globally (69 percent compared with 59 percent). Although Poland has a state-led healthcare system, resourcing is low. Public healthcare expenditure totaled just 4.4 percent of Gross Domestic Product (GDP) in 2015; with only 2.3 practicing physicians per 1,000 people it has the lowest ratio in Europe. The government intends to increase expenditure and finance from central government resources, as well as measures to increase the quality of employment in the healthcare sector, however within the minds of the public we can see there are concerns over sufficiency.

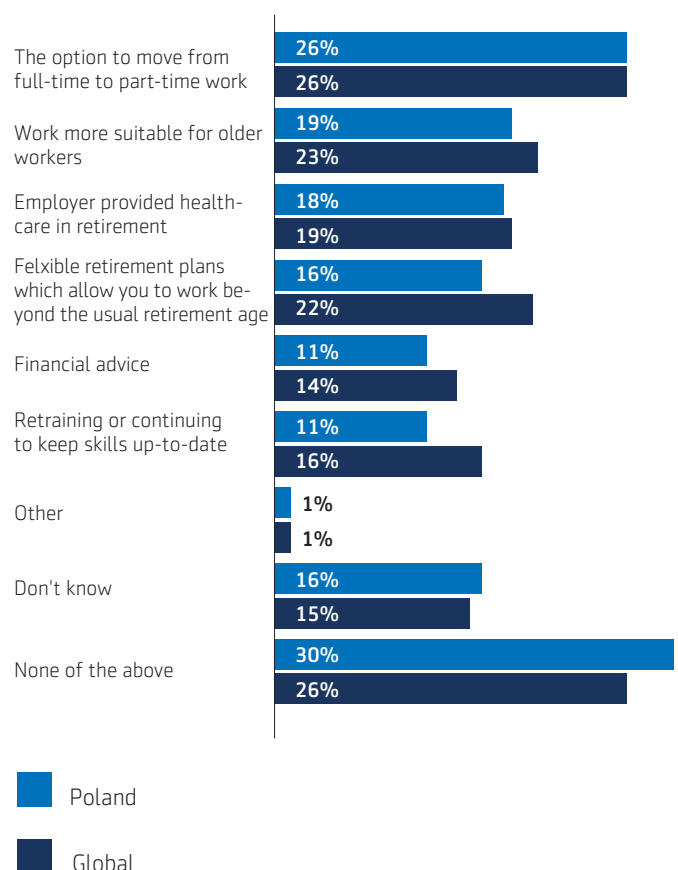
It should be noted that employment opportunities sits way down the list, with only 28 percent in Poland (and 24 percent globally) seeing these as necessary. This is despite the general consensus that people worldwide in the future will need to work longer and into retirement. However, it could be argued that Poland's reduction in the statutory retirement age may make growing older without working seem like the norm.

Table 13: Access to excellent healthcare and hospitals and affordable cost of living top the list of feature necessary to create an age-friendly community in Poland



Few of Poland's current workers report that their employers offer services that help employees phase into retirement. Just 16 percent of Polish workers say that they are given retirement plans that allow them to work beyond the usual retirement age (compared to 22 percent globally). Only 11 percent of Polish workers have access to retraining and education to keep their skills up-to-date. The option to move from full-time to part-time working is only available for a quarter of Polish workers (26 percent in Poland and globally). These are concerning figures given that people worldwide are living longer and will have to work longer to fund ever increasing years in retirement. With this in mind, there could be need in the country for strategies, incentive plans, and the removal of barriers to keep employees in the workforce longer.

Table 14: Just 16 percent of workers in Poland say that their employer offers them flexible retirement plans which allow them to work beyond the usual retirement age



Part 4. Working towards a New Social Contract

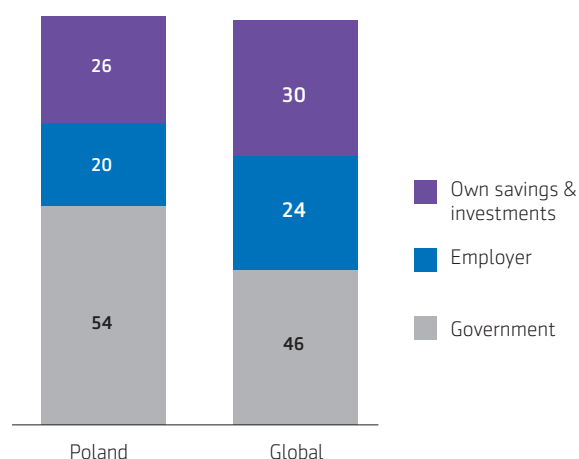
The population in Poland is aging: fertility rates per woman have slumped from 2.98 in 1960 to 1.32 in 2015 and life expectancy has increased since the end of the communist era. The country's old-age dependency ratio (those aged 65 relative to those aged 15-64) was almost a quarter in 2016 (23.7 percent) and this shows no sign of declining. Eurostat's 2015-based population projections put Poland's old-age dependency ratio in 2060 as 64.9 percent.¹¹ By comparison, the average old-age dependency ratio of the European Union member states was 29.6 percent in 2015, but is expected to increase to only 51.6 percent by 2060. Among the 28 EU nations, only Latvia (65.9 percent) and Greece (67.2 percent) are predicted to have higher dependency ratios within the next few decades.

Poland's population is projected to decline by 15 percent by 2050 and age dramatically at the same time. The proportion of the population aged 80 plus are projected to increase from four percent to 10.4 percent by 2050.¹² This puts pressure on the working age population supporting the social security system, and has huge implications around how retirement, healthcare and social care is funded. It also presents increased caregiving responsibilities for individuals, and asks questions about how communities and the built environment is placed to accommodate such a large increase in elderly people.

Importantly, people in Poland are aware that retirement funding in Poland is increasingly under pressure as the population ages. As it stands, the general outlook on retirement is negative in Poland.

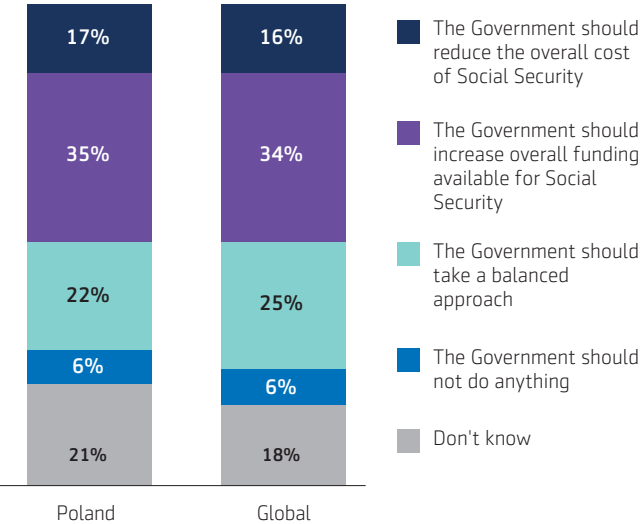
For funding their later years, Polish people expect over half (54 percent) of retirement income to come from the government (compared to 46 percent globally). A quarter (26 percent) is expected to come from their own savings and investments and a fifth (20 percent) from their employers. As Part 2 explored, Poland is on the cusp of a switch in responsibilities, with more responsibility on individual savings accounts and workplace savings plans (through IKEs and PPKs), and potentially away from government social security. A stronger interplay between all three social partners is required in Poland to improve individuals' ability to achieve retirement readiness.

Table 15: Over half of retirement income is expected to come from the government in Poland



Despite the government's recent changes (see pages 11 and 12), with the cost of social security becoming a greater concern as people live longer, over a third (35 percent) of people in Poland think that the government should increase overall funding available for social security (in line with the global average 34 percent). Seventeen percent take an opposing stance, that the government should reduce the overall cost of social security (again, in line with the global average 16 percent). Between these two positions, 22 percent of people in Poland think that the government should take a balanced approach (25 percent globally) with some reductions in individual payments and some increases in tax.

Table 16: Over a third of people in Poland think the government should increase overall funding available for social security as populations age



The Polish government should play a significant role in helping people to realize their retirement aspirations, through both the social security system in place and the wider orchestration of the mechanisms required to create a new social contract. With parliamentary elections due in October 2019, it will be important for the new government to focus on responsible long-term strategic support of both individuals and employers to maintain and uphold the new social contract.

Poland's employers are set to take an increasing role in helping individuals prepare for retirement. Over the next few years, employers will gradually implement pension plans which will automatically deduct savings from gross income, supplemented by employer contributions. As an example, the introduction of the UK's automatic enrollment program in 2012 has coincided with the country's continued improvement in its ARRI score since 2013 (experiencing a one-off blip in 2018).

There are other ways employers can help workers keep on top of their retirement plans and savings. While these are relatively sparsely offered so far globally, in some respects, employers in Poland are falling behind other countries in the survey. Eighteen percent of workers in Poland say that their employers offer annual retirement plan statements (global average: 20 percent), 16 percent are provided an annual income forecast (global: 16 percent) and 13 percent are provided with educational materials (global: 13 percent). Overall, 37 percent of workers in Poland say their current employers do not offer any services to prepare for retirement. These essential elements can help employees plan for the future and help project how much income they might have in retirement.

Table 17: One-in-three workers do not currently enjoy access to any retirement services



The level of personal savings individuals hold and build will need to be addressed to improve retirement readiness in the country. This can be achieved through a strong financial services market, providing a range of products for individuals to choose from when they reach retirement age. Today's workers will need access to financial products which ensure that their retirement savings last throughout their lifetime protecting their finances against a range of long-term risks such as longevity, inflation and investment risk. This is all the more significant given the limits of the existing third pillar pensions in Poland, which do not provide lifetime security. For all the benefits of the PPK of getting workers into the habit of saving, users get 25 percent of accumulated capital at turning 60, with the remaining 75 percent in 120 monthly instalments. At age 70, it follows, the capital will have run dry.

It is clear that no one party, be it the government, employers, individuals or wider industry, can improve retirement readiness on its own. Social partners must have aligned objectives to create an environment where individuals are empowered to take control of their ability to achieve a comfortable retirement.

Part 5. Recommendations

As recognized in Aegon's previous annual retirement readiness reports, a new social contract is needed to deliver a financially secure and healthy retirement in an aging society. Following are recommendations to guide individuals, employers, governments and other parties to the new social contract to achieve this more holistic approach, with a special focus on aging in place.

The Individual

Develop a plan to save for the envisioned retirement. From envisioning and establishing goals for retirement, as well as healthy and active aging, individuals can put together a plan which incorporates how and when they want to retire, their goals, where they want to live and how much money will be needed to achieve this.:

- **Establish a retirement savings goal and develop a written plan** that takes into account expected government retirement benefits, employer pension plans and additional personal savings needed to provide the desired income for life in retirement.
- **Take time to learn and understand the fundamentals of financial literacy:** Take advantage of online calculators and informational materials about saving, employer and government retirement benefits, as well as investment products that manage savings and investments to a desired goal. Financial professionals can provide needed guidance in all of the above and help develop a savings and investment strategy.
- **Save early and consistently.** Saving by payroll deduction into an employer retirement savings plan is the easiest way to achieve these goals.
- **Establish a backup plan** in the event that the desired savings are not achieved by the time of retirement. Life, disability and critical illness (e.g. cancer) insurance can provide income protection in the event of income loss due to unforeseen circumstances. Long-term care insurance can help insure payment for prolonged and expensive medical care.
- **Manage debt and establish an emergency savings account** to eliminate or minimize the need to dip into retirement savings to pay off debt or for unexpected emergencies.

- **Adopt a healthy and active lifestyle.** Maintaining a healthy and active lifestyle will help both to ensure that retirement goals can be reached, and minimize the chance of time out of the workforce for disability or ill-health, as well as forestall the need and expense of long-term care in older age.
- **Engage in life-long learning and keep skills up to date.** Maintaining and learning new skills can help prepare for changes in the workforce and for new and longer careers.

Employers

Employers have a significant role in helping individuals prepare for a secure retirement, particularly in the establishment of the PPK:

- **Establish a workplace retirement savings plan** for their workers. Design or accompany the workplace retirement savings plan with the following:
 - **Automatic enrollment and automatic escalation** features to address employee inertia by automatically enrolling workers into a plan (with an option to opt-out) and increasing the targeted savings percentage at predetermined points in the workers' career (e.g., salary increase; stipulated years of service).
 - **Make contributions above the minimum.** Assist and incentivize workers to save for retirement by contributing above the minimum of 1.5 percent of salary in PPK.
- **Prepare workers with information regarding, and the ability to, transition into retirement.** Provide workers with information regarding ages at which workers are eligible to receive benefits under any workplace retirement savings plan, as well as how to access information on social security and other government retirement benefits and remind workers of this information as they approach traditional retirement ages.
 - **Provide workers with flexibility to phase in or transition into retirement** by working in a reduced capacity or different job, without any adverse impact to workplace retirement benefits.
 - **Accommodate worker physical and mental limitations as they age** in much the same manner as employers accommodate workers with disabilities. Examples of accommodations for older workers include providing ergonomic equipment, easy access to exits and restrooms, increased lighting, etc.

- **Provide workplace benefits to help workers obtain financial and health security:**
 - **Life-long learning and skill training** to help them enhance current skills, as well as to learn new skills that will enable them to prepare for workforce changes and continue to add value to the workforce in the later stages of their career.
 - **Life, disability, long term care and other insurance** through the workplace. Offering income protection products through the workplace can facilitate access, often at a lower cost than similar insurance obtained outside the workforce and can form part of a sound financial retirement plan.
 - **Wellness and other programs to encourage healthy and active lifestyles**, such as exercise facilities, mindfulness training, and providing healthy food and snacks.

Governments

Governments have a significant interest in helping their citizens prepare for a secure and healthy retirement and therefore alleviate the budgetary pressures of worker income and health benefits over longer lifespans. Concrete actions that governments can take to help individuals achieve a secure retirement and a healthy and active lifestyle include:

- **Ensure sustainability of social security benefits** through necessary reforms to accommodate longer lifespans and the relative aging demographics (relative to workers entering the workforce).
- **Reform labor and workplace benefit laws** to accommodate older workers and to enable them to phase or transition into retirement without any adverse impact on their retirement benefits.
- **Mandate financial and health literacy to be included in school curriculum.** Learning about saving, investing and healthy lifestyles in school can help individuals understand the need for and to prepare for a financially secure and healthy and active life, including in older age.
- **Implement urban planning and infrastructure reform to enable individuals to age in place and engage in active aging:** This includes developing zoning and building designs to enable individuals to continue to age in place as they physically decline, and transportation plans to enable aging individuals to easily reach their jobs and participate in community activities, for example.
- **Foster innovation and technology to help people age in place:** Governments should reduce the regulatory burdens of, and incentivize, technological and product innovation designed for older individuals.
- **Promote a positive view of aging and an age-friendly culture:** Governments should lead in changing the societal view of aging individuals and retirees to create a positive

view of aging and an age-friendly culture. Through its programs and policies, governments can help promote the value of older individuals to the economy and society and fully integrate them into society.

Financial and medical professionals, educators and community groups

As partners in the social contract, financial professionals, educators and community groups must inform and help individuals understand financial matters and establish holistic retirement savings plans tailored to the transitioning world.

- **Teach financial literacy lessons:** Schools should promoting the need to start saving early and consistently for retirement, and otherwise preparing for a transitional world.
- **Financial professionals make path for achieving goals:** This includes helping clients develop a written retirement strategy and financial plan, including a backup plan, the “spend down” of retirement savings and covering long-term expenses.
- **Prepare a will, medical directive and power of attorney:** Plans should include structures to facilitate the orderly transfer of financial and medical decisions if the client’s mental health declines and in the event of death.
- **Medical professionals, educators and community groups assist individuals in gaining health literacy:** Teaching individuals how to eat a healthy and balanced diet, as well as the importance of exercise and physical movement. Adopting a healthy and active lifestyle at an early age can help people combat non-communicable diseases such as diabetes and heart disease that often afflict older individuals, and enable them to remain active longer.

1. ARRI Methodology

The 2019 ARRI is based on the sample of 14,400 workers, and has been developed to measure attitudes and behaviors surrounding retirement planning. Six survey questions (known as 'predictor variables') are used, three broadly attitudinal and three broadly behavioral:

1. **Personal responsibility** for income in retirement
2. **Level of awareness** of need to plan for retirement
3. **Financial capability/understanding** of financial matters regarding plans for retirement
4. **Retirement planning** – level of development of plans
5. **Financial preparedness** for retirement
6. **Income replacement** – level of projected income replacement

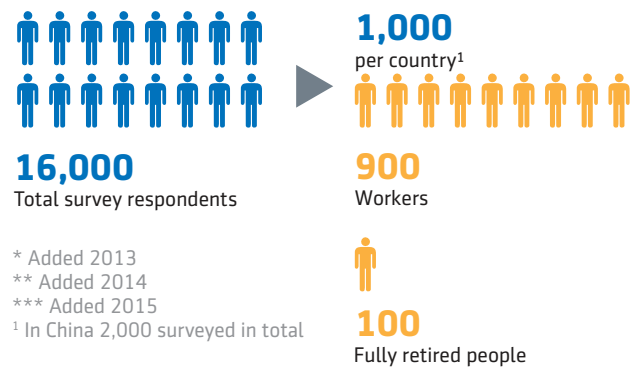
As well as these questions, a dependent variable question is asked which is concerned with approaches to saving, for which five broad saver types have been identified: habitual, occasional, past, aspiring, and non-savers.

In order to create the index, score the predictor variables are correlated with the dependent variable to obtain a measure of influence (known as an 'R' value). The mean scores of the predictor

variables are computed and each mean score is multiplied by its 'R' value. The results are summed and then divided by the sum of all correlations to arrive at the ARRI score.




Note on the effect of increasing the number of survey countries year-on-year

The first Aegon Retirement Readiness Survey, published in 2012, was based on research conducted in nine countries. A separate survey in Japan was conducted and reported on later that year. Therefore, 2012 is regarded as a 10-country study. In 2013, two new countries (Canada and China) were added bringing the universe to 12. In 2014, a further three countries (Brazil, India and Turkey) were added increasing the universe to 15. In 2015, the overall size of the survey was maintained at 15 countries although with the introduction of Australia and removal of Sweden. The countries in the survey have remained consistent since 2015.



2. Answers to the "Big Three" financial literacy questions

Correct answers to the "Big Three" financial literacy questions are highlighted in green below.

 <p>Question 1 – Suppose you had 100 Zloty in a savings account and the interest rate was 2 percent per year. After 5 years, how much do you think you would have in the account if you left the money to grow?</p>	<p><input checked="" type="checkbox"/> More than 102 Zloty</p> <p><input type="checkbox"/> Exactly 102 Zloty</p> <p><input type="checkbox"/> Less than 102 Zloty</p> <p><input type="checkbox"/> Do not know</p> <p><input type="checkbox"/> Refuse to answer</p>
 <p>Question 2 – Imagine that the interest rate on your savings account was 1 percent per year and inflation was 2 percent per year. After 1 year, how much would you be able to buy with the money in this account?</p>	<p><input type="checkbox"/> More than today</p> <p><input type="checkbox"/> Exactly the same as today</p> <p><input checked="" type="checkbox"/> Less than today</p> <p><input type="checkbox"/> Do not know</p> <p><input type="checkbox"/> Refuse to answer</p>
 <p>Question 3 – FL3 - Do you think that the following statement is true or false? "Buying a single company stock usually provides a safer return than a stock mutual fund."</p>	<p><input type="checkbox"/> True</p> <p><input checked="" type="checkbox"/> False</p> <p><input type="checkbox"/> Do not know</p> <p><input type="checkbox"/> Refuse to answer</p>

Notes

- ¹ GHK, [*Study on Volunteering in the European Union – Country Report Poland*](#). Study on behalf of the European Commission (Directorate-General for Education and Culture), February 2010
- ² European Commission, [*State of Health in the EU: Poland – Country Health Profile 2017*](#).
- ³ The World Bank, [*Life expectancy at birth, total \(years\)*](#), accessed July 2019
- ⁵ Polska Agencja Prasowa, [*POLICY OUTLINE: Poland will put OFF pension funds to savers' accounts*](#), 15 April 2019
- ⁶ OECD, [*Net pension replacement rates, 2016*](#) (Accessed July 2019)
- ⁷ OECD, [*Household savings*](#) (Accessed July 2019)
- ⁸ Statistics Poland, [*Population projection 2014-2050*](#), December 2014
- ⁹ Eurostat, [*Housing statistics – Tenure status*](#), June 2019
- ¹⁰ European Commission, [*Addressing the challenges of the healthcare system in Poland*](#), March 2018
- ¹¹ European Commission, [*The 2018 Ageing Report: Underlying Assumptions and Projection Methodologies*](#), November 2017
- ¹² Ibid Statistics Poland, [*Population projection 2014-2050*](#)

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Contact Information

Headquarters Aegon N.V.

Strategy & Sustainability

Mike Mansfield

Program Director – Aegon Center for Longevity and Retirement

Telephone +31 70 344 8264

Email: mike.mansfield@aegon.com

www.aegon.com/thecenter

Aegon Poland

Corporate Communications

Email: komunikacja@aegon.pl

