Employers should tap on behavioural science and emotions to keep explanations on saving simple – this also includes using tools like automatic enrolment, automatic escalation on savings, a one-time sweep of all eligible employees, employer matching of savings and professionally managed target date funds.

Mr Echegorri also highlighted the need for the oft-mentioned call for partnerships among regulators, employers and plan providers. "In addition, the competition in private pension industry and growth in voluntary savings will play a big role in reducing pressure on public pensions," he said.

International plans for mobility

Speakers also talked about the development of new models in pension plans, and the need for pension providers to change their mindsets in their approach to members.

Mr Neil Narale

Mr Neil Narale, Asia Business Leader, Retirement Consulting, Mercer said that with the rise of work mobility, the international pension plan (IPP) model, currently still rather new to Asia, could be "the way of the future".

There has been a 25% increase in mobility among MNCs in Asia in the last five years, with the rise of long-term expatriates and "global nomads" (those with no home country), and changes in work practices such as more rotational assignments, short-term overseas work and training.

Improving customer-centricity

Mr Wade Matterson, Practice Leader & Principal, Milliman, addressed the fact that pension providers should shift from a product-centric approach (ie how to sell one's retirement product) to thinking about how they could help people achieve their goals for retirement.

Mr Wade Matterson

This was where segmenting membership is important for providers. The process of advising clients is evolving rapidly, with different forms of advisory including robo advice – a huge topic in recent times, scaled advice (in bite-sized chunks) and comprehensive and holistic advice tailored to member needs and requirements.

Mr Matterson said that as pension managers start to engage their members in a more interactive way, they have to be very cautious on the algorithms and models being used in the market, bearing in mind to factor in risk capacity, behavioural finance, dynamic decision making and artificial intelligence approaches.

With these complexities, fund governance models have to change accordingly, as issues around data privacy and communications marketing become more important and require pensions providers' deeper involvement. "The technology is there for us to implement, but the challenge for the organisation is how we actually realign our structure to be more nimble and agile and embark on doing new things," he said.

Automated financial planning

Startups have been disrupting the insurance space while providing new competition, and even the staid domain of pensions is not spared, as Mr Philipp Kristian Diekhöner, SEA Innovation Partner of Die Denkfabrik described how financial planning and investment have been transformed by apps like Acorn and Smartly.

Mr Philipp Kristian Diekhöner

As the customer is looking out for an intuitive and pleasant experience and not back-end processes, Mr Diekhöner recommended that pension providers should make financial and retirement planning processes autonomous so that people need not give it a "second thought", in order to provide a situational offer that is tailored to an individual's specific needs, income and requests, empowered by software.

Speaking of the future, he said: "The individual advice part will only be a hygiene factor, and our industry will be relying on a paradigm where we can automate these financial planning decisions and offer advice whenever it is needed and demanded."

Fertility rates in Asia one of the lowest in the world

The pension issue in Asia is a growing concern and demographic trends are not helping either.

The fertility rates in Asia are some of the lowest in the world, with Taiwan and Korea at the bottom at about 1.03 and 1.21 respectively, while several countries in the region are in the world's top-10 longevity rankings – these include Macau (at no. 2), Japan (3), Singapore (4), Hong Kong (6) and Shanghai (10), said keynote speaker Dr Wolfgang Droste, Chief Advisor Asia, Life/Health Asia, Gen Re.

Highlights

- Existing pension schemes are unsustainable, given lower fertility rates and longer life expectancy;
- There is a need for personal responsibility and voluntary savings; and
- Pension providers should also explore new pension models, including international pensions systems and automated financial planning.

A case for mandatory social insurance

Dr Droste said regulators do recognise the political importance of health insurance and try to limit profitability (like in China, where profit in excess of 10% has to be refunded to policyholders) and also seem to consider universal access as critically important.

He noted the benefits of collective responsibility in Singapore and Germany's health insurance system and said his view was that some form of mandatory social insurance seems workable. He added that reimbursement programmes will be popular given that they are independent of inflation of medical costs, with results critically dependent on successful cost containment. However, given the tendency for medical practitioners in several Asian countries to charge rates unreservedly, control in the form of tariffs for medical procedures will be likely in future.

The 12th Asia Conference on Pensions & Retirement Planning was organised by *Asia Insurance Review* and sponsored by Principal Financial Group. It took place in Singapore and attracted some 100 participants.