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National Pension Service :
Current State and Tasks Ahead

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Dr. Hyung Pyo Moon
Chairman & CEO of the National Pension Service

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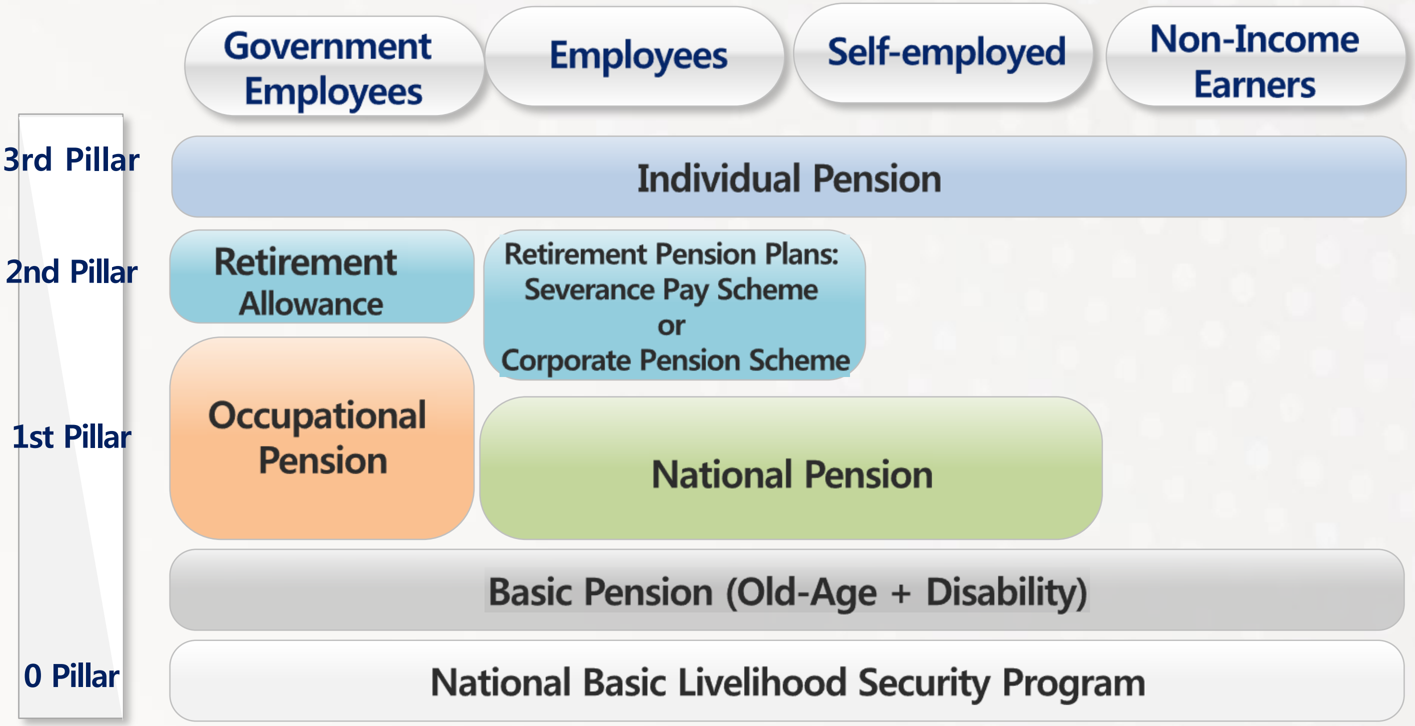
Current State of NPS

Korea’s Multi-Pillar Retirement Income Model



Government Employees

Employees

Self-employed

Non-Income Earners

3rd Pillar

Individual Pension

2nd Pillar

Retirement Allowance

Retirement Pension Plans: Severance Pay Scheme or Corporate Pension Scheme

1st Pillar

Occupational Pension

National Pension

Basic Pension (Old-Age + Disability)

0 Pillar

National Basic Livelihood Security Program

- The National Pension composes the first pillar, the Public Pension scheme with the Basic Pension (enforced on July, 2014), and serves as **an essential pillar of post-retirement income security for Koreans**.

National Pension Scheme – Overview

Introduction	The National Pension implemented in 1988 Majority of Korean population covered by 1999
Eligibility	All residents between 18 to 59 years of age (Those who are covered or entitled to receive under Occupational Pensions are excluded.) * Non-income earning spouses are excluded.
Pension Benefits	Old-Age Pension, Disability Pension, Survivor Pension ,Lump-sum Refund, and so on
Contribution	9% of monthly income (4.5% each paid by employer and employee)
Old-Age Pension Benefits	Average income replacement rate with 40 years of coverage: 40% * Income redistribution function (Minimum 35% to 100%)

National Pension Scheme - Coverage

Economically Active Population

Unit : 10,000 persons

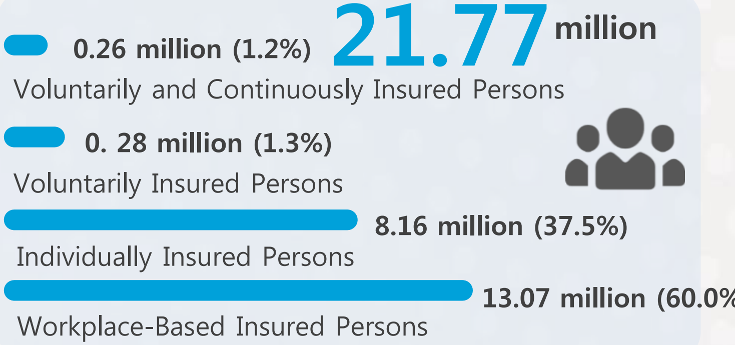
15 years or older	Economically Active			Economically Inactive
	Total	Employed	Unemployed	
4,309	2,706 (62.8%)	2,614	92	1,602 (37.2%)

- 80.5% of the active population, or 4 out of 5 persons, is covered by the National Pension.

As of Aug, 2016

Number of Insured Persons

21.77 million



0.26 million (1.2%)
Voluntarily and Continuously Insured Persons

0. 28 million (1.3%)
Voluntarily Insured Persons

8.16 million (37.5%)
Individually Insured Persons

13.07 million (60.0
Workplace-Based Insured Persons

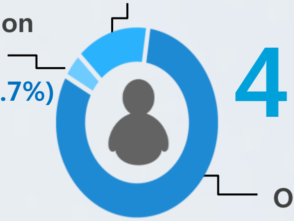
Total Population

Unit: 10,000 persons

Total	17 years or younger	18 to 59 years	60 years or older
5,165	801	3,286	997

- 40.3% of people aged 60 or older, or 2 out of 5 persons, receive National Pension benefits.

Number of Beneficiaries



4.02 million

Survivor Pension
0.63 million (15.7%)

Disability Pension
0.07 million (1.7%)

Old-Age Pension
3.32 million (82.6%)

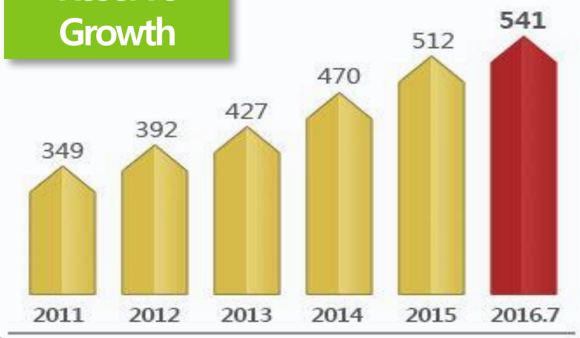
Financial Status of the Fund

- **(Financing)** **Partially-funded scheme.** Contributions received are accumulated in a separate fund which is used to make future benefit payments.

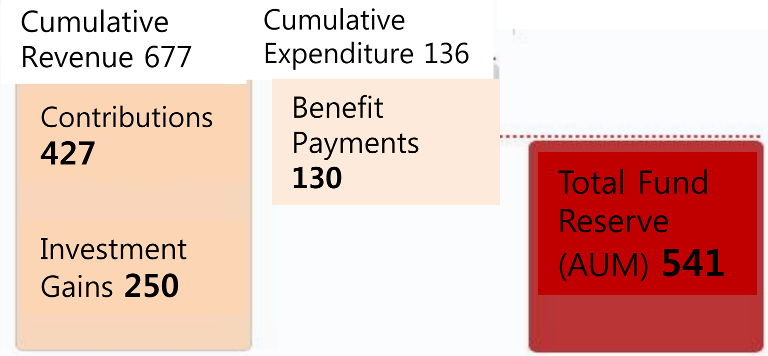
As of Jul. 2016
Unit: KRW 1 trillion

Fund Reserve Growth

Unit: KRW 1 trillion



Composition of Reserves



Cumulative Revenue 677

Contributions **427**

Investment Gains **250**

Cumulative Expenditure 136

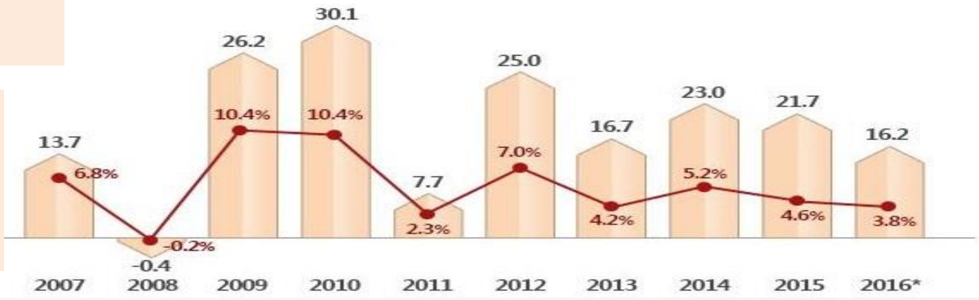
Benefit Payments **130**

Total Fund Reserve (AUM) **541**

(As of Jul. 2016
Unit: KRW 1 trillion)

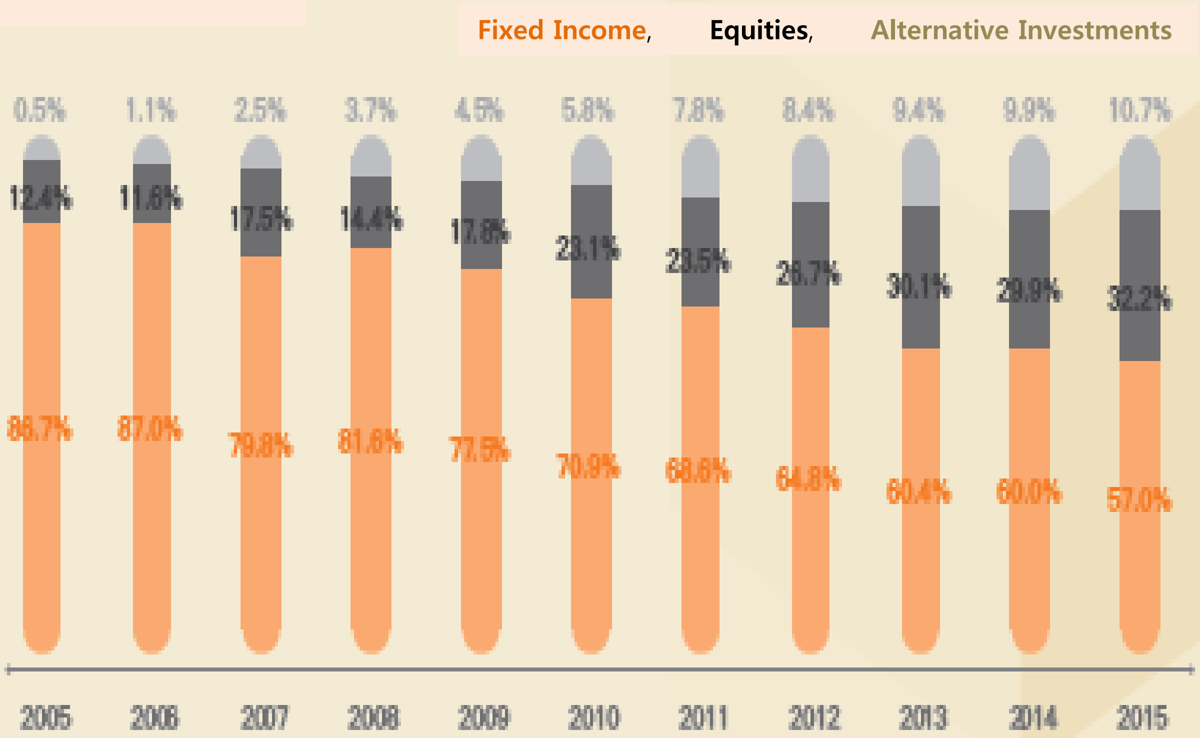
Cumulative Investment Gain
1988 to 2016 (present)
250.4

Annualized Cumulative Return
1988 to 2016 (present)
5.8%



Ⅰ. Current State of NPS

National Pension Fund – Investment Portfolio



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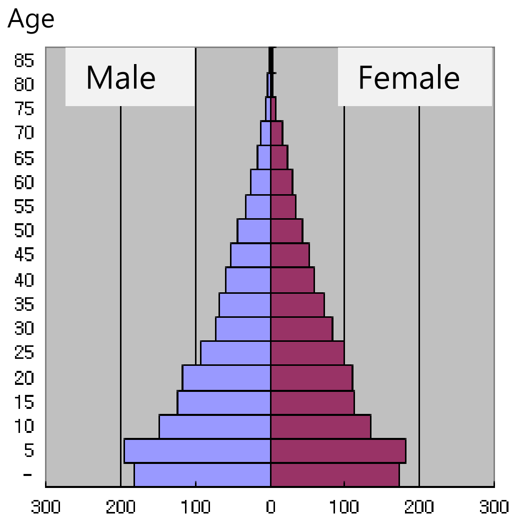
Challenges Ahead

Changes in Population Structure

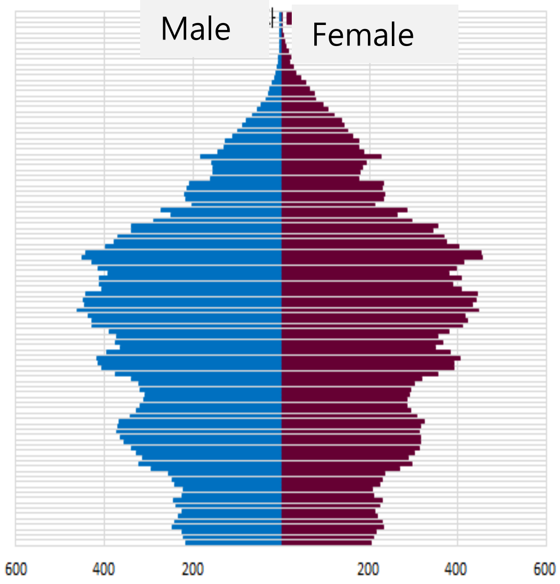
- The Korean population pyramid has rapidly changed in 55 years, from a **triangular shape in 1960 to an urn shape in 2015.**

1960



Unit: 10,000 Persons

2015

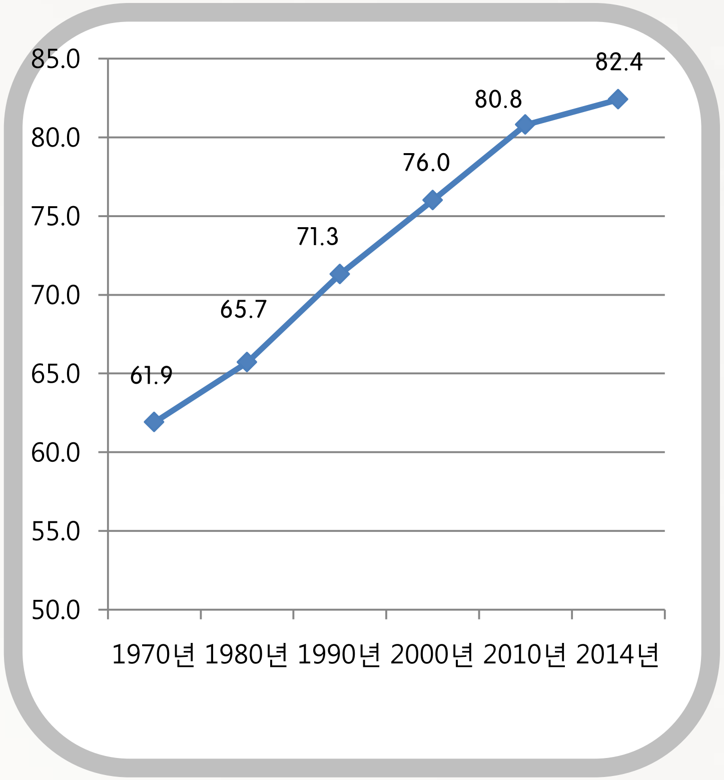


Source: Census 2015, Statistics Korea

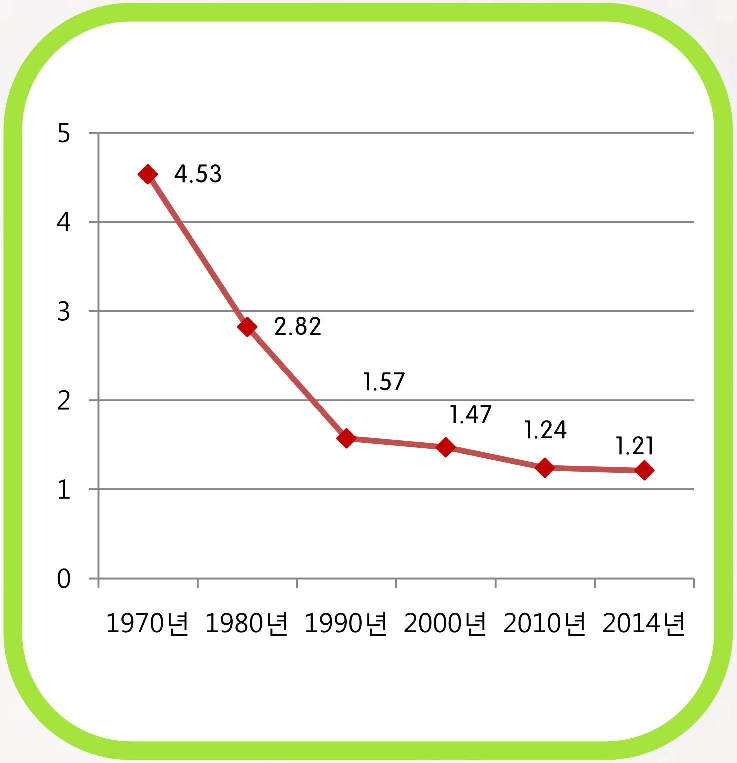
Changes in Population Structure

- Life span of Koreans increased dramatically from **aged 61.9 in 1970 to aged 82.4 in 2014,** while fertility rate dropped **from 4.53 to 1.21.**

Life Expectancy



Total Fertility Rate



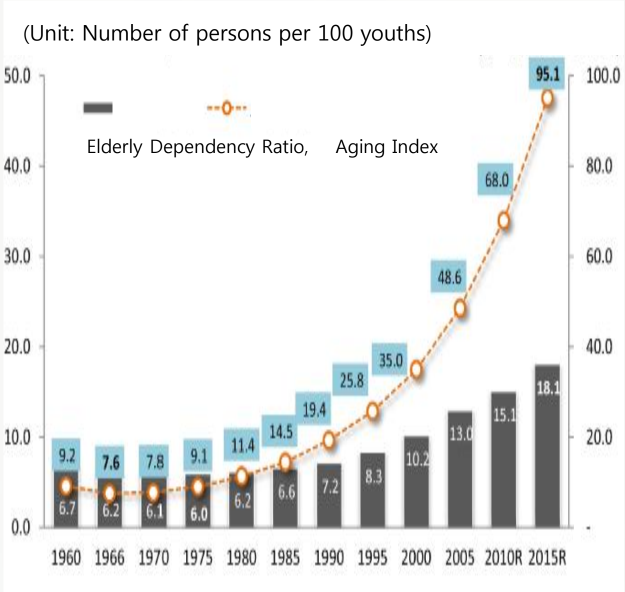
Source: Statistics Korea

Changes in Population Structure

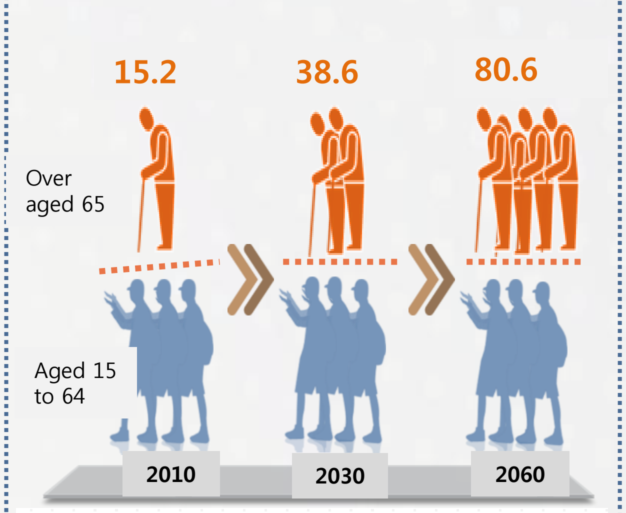
- **(Elderly Dependency Ratio)** stood at 18.1 in 2015, suggesting that **5.5 economically active persons is needed to support one aged person**, however, the ratio is expected to reach 80.6, meaning that **1.25 persons is expected to support one senior.**

- (**Aging Index**) rose to **95.1 in 2015** in 10 years from 48.6 in 2005; a two-fold increase.

<Elderly Dependency Ratio and Aging Index>



Source: Population Aging, Statistics Korea, 2016

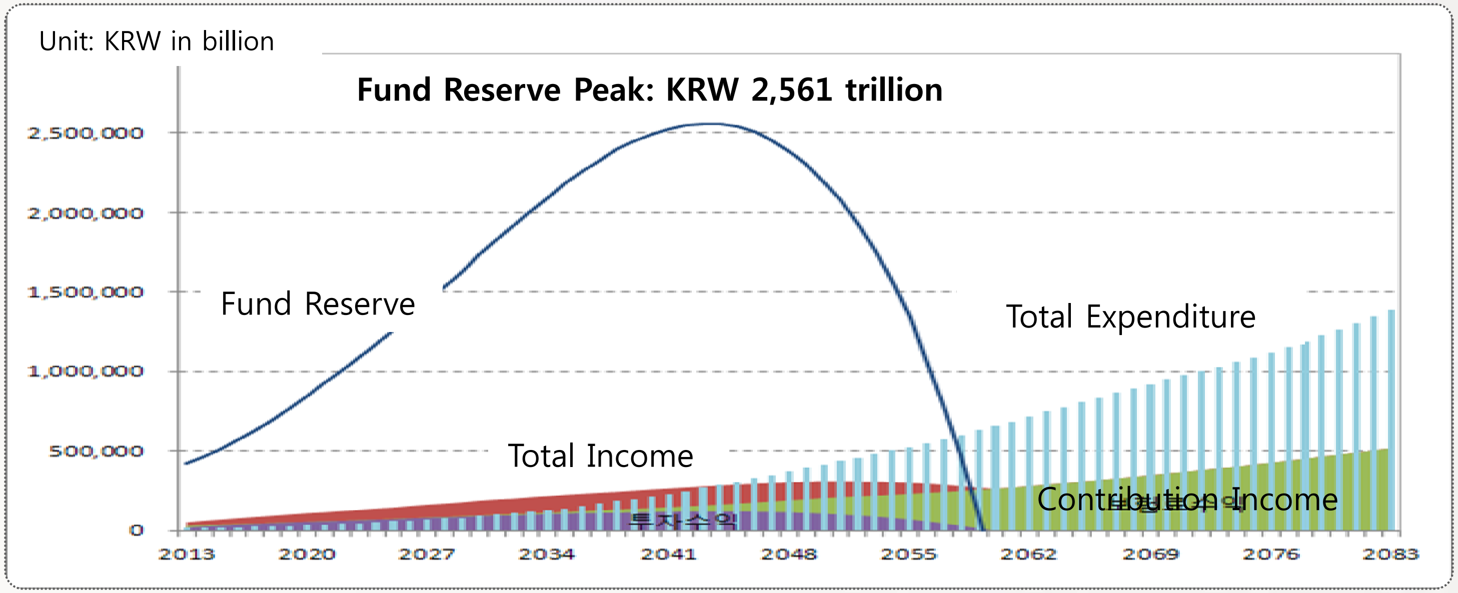


Number of elderly per 100 economically active persons (Korea Statistics, 2011)

National Pension Fund –
Long-term Actuarial Projections

Ⅱ.
Challenges Ahead

NPS Actuarial Projection, 2013

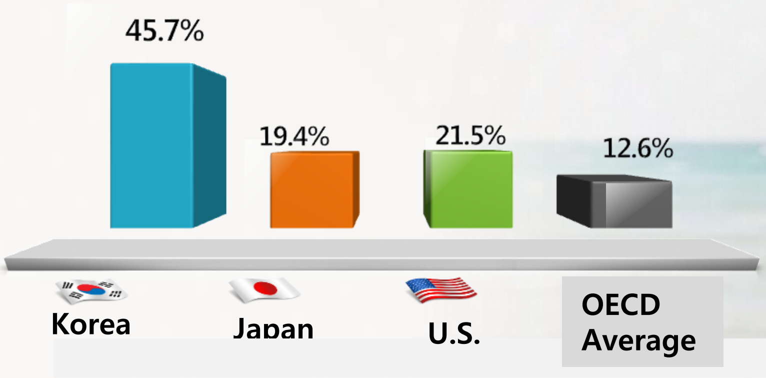


Pay-as-you-go Cost Rate Projections

2015	2020	2030	2040	2050	2060	5070	2080	2083
4.0	5.2	8.0	12.8	17.4	21.4	22.6	22.6	22.9

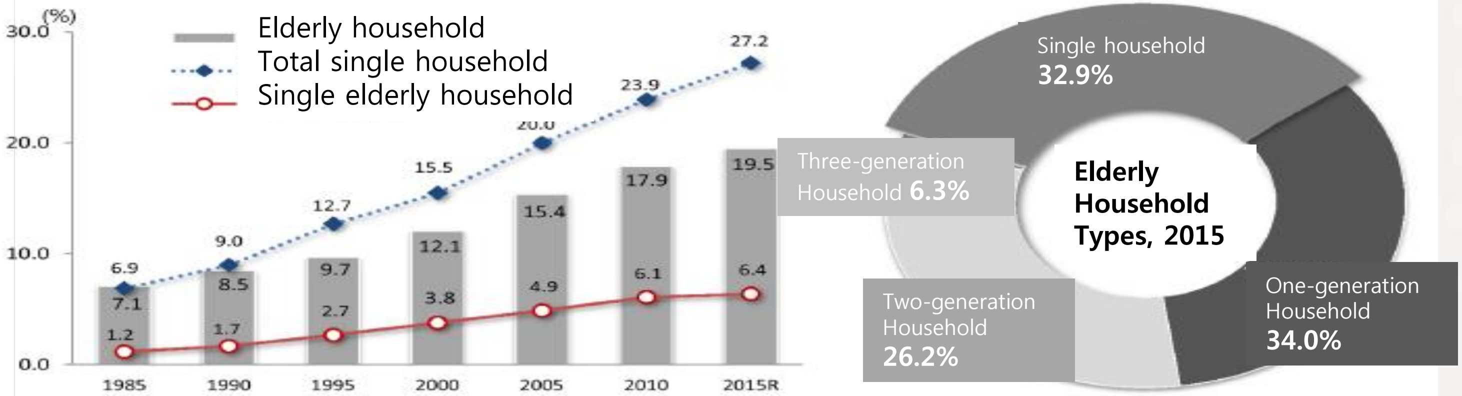
High Elderly Poverty Rate and Increasing Senior Households

Elderly Poverty Rate



Source: OECD Report

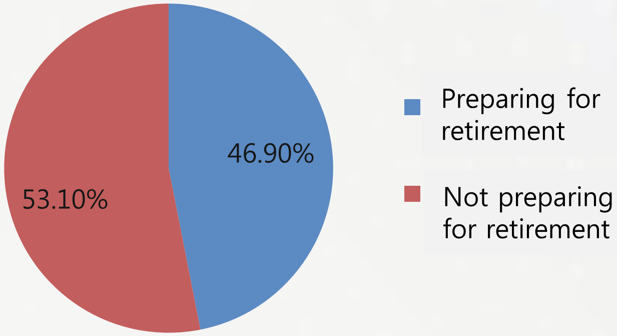
< Elderly Households Trend >



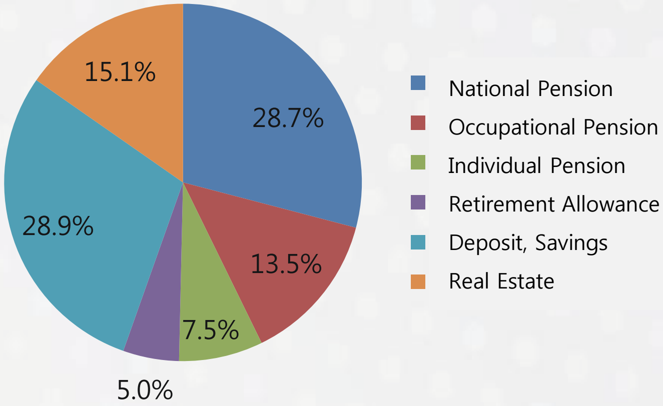
Source: Population Aging, Statistics Korea, 2016

Insufficient Retirement Preparedness

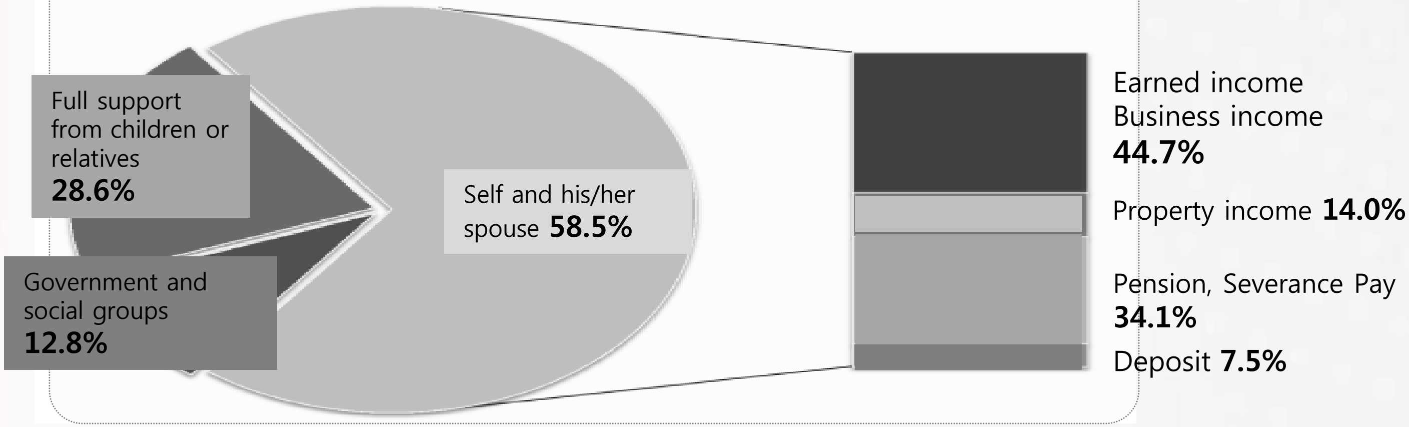
Current State of Retirement Preparedness



Retirement Planning Methods



Living Expense Funding Methods



Source: Population Aging, Statistics Korea, 2016

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Future Tasks

Achieving Pension Adequacy

Extend Coverage to the Vulnerable

- Introduce and expand credit systems: **Credits for childbirth, military service, and unemployment.**
- Provide **pension contribution subsidies**: Farmers, fishermen and low income earners of small businesses.
- Promote **voluntary contributions**.
- **Expand coverage to part-time workers**.
- Allow **people whose careers have been interrupted to pay contributions later**.
- **Postpone partial or entire benefit payment**.

Encourage Private Sector Pensions

- **Achieve reasonable levels of post-retirement income security through a multi-pillar pension system**.
  - A multi-pillar pension system has been established with introduction of the National Pension in 1988, individual pension plans in 1994 and retirement pension plans in 2005.
  - Post-retirement income should be secured through the multi-pillar pension system as benefit amounts have been cut significantly during the reform in 2007.
- **A balanced and systematic growth is desired among the schemes in the multi-pillar system**.

Financial Stability

Achieve financial stability through two reforms within 20 years after the introduction of the scheme

- Income Replacement Rate : 70% → **40%**
- Pensionable Age : 60 years → **65 years (2033)**
- Introduce Actuarial Projections.

Set Principles of Financial Management

- **Introduced Actuarial Projection in 1998**.

: Establish a systematic measure to conduct actuarial evaluation every five yea

* 1st projection: 2003, 2nd projection: 2008, 3rd projection: 2013

〈 Required Contribution Rates for Financial Stability Presented during the 3rd Actuarial Projection〉

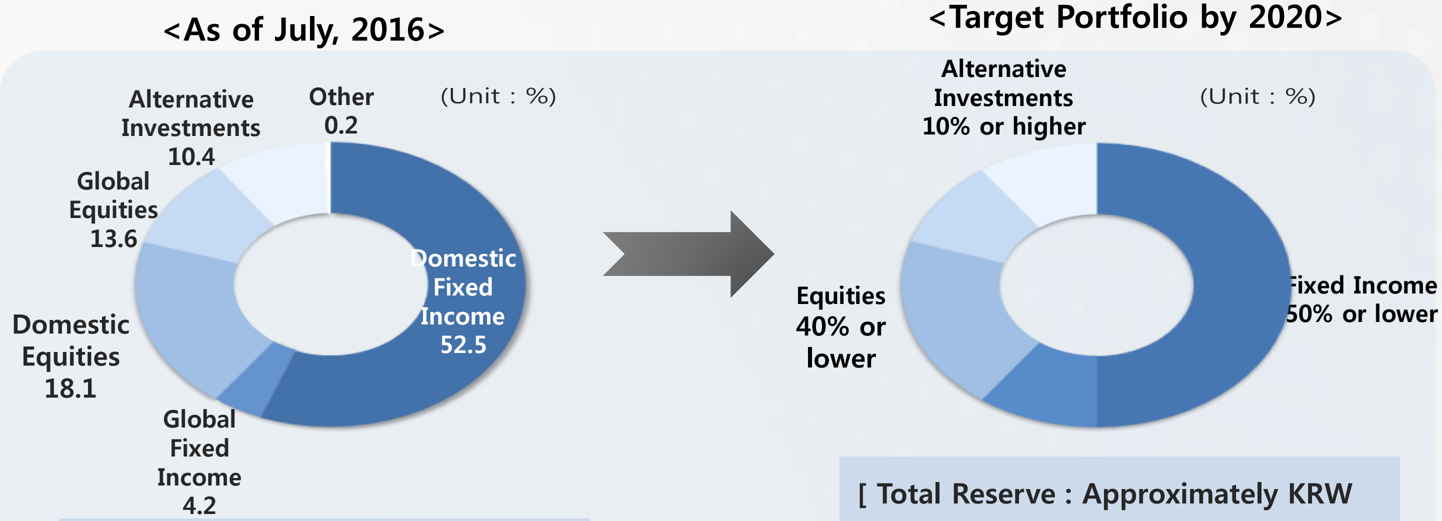
	Financial Goal			
	Target fund-to expenditure ratio of 2	**Target fund-to expenditure ratio of 5**	**No occurrence of loss in balance**	**Maintain a stable target fund-to expenditure ratio**
Required Contribution Rate	12.91%	13.48%	14.11%	15.85%
Target fund-to expenditure ratio in 2083	2.3	5.2	8.3	17.0
Fund reserve-to-GDP in 2083	15.7%	39.9%	66.7%	140.5%

Enhancing Profitability/Stability

NPF in Domestic Economy

	Nominal GDP	Market Capitalization	Outstanding Bonds
Amount (A)	KRW 1,559 trillion	KRW 1,499 trillion	KRW 2,131 trillion
National Pension Fund Investment (B)	KRW 541 trillion	KRW 98 trillion	KRW 284 trillion
Ratio (B/A)	34.6%	6.5%	13.3%

Investment Portfolio

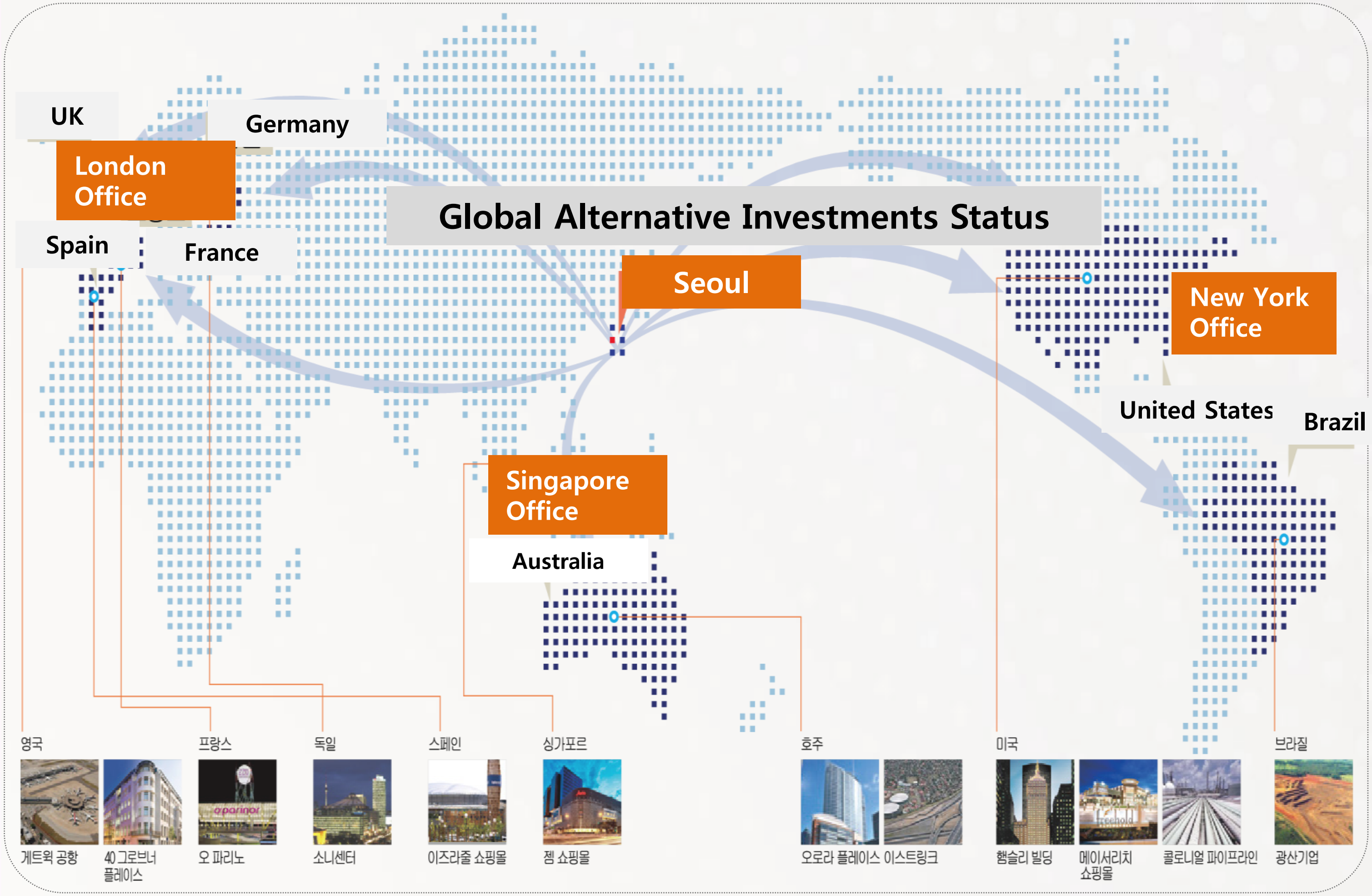


[Total Reserve: KRW 541 trillion]

[Total Reserve : Approximately KRW 847 trillion] (Projected)

Enhancing Profitability/Stability

Expand Global Investment



Global Alternative Investments Status

UK
Germany
London Office
Spain
France
Seoul
New York Office
United States
Brazil
Singapore Office
Australia
영국
게트윅 공항
40그로브너 플레이스
프랑스
오 파리노
독일
소니센터
스페인
이즈라줄 쇼핑몰
싱가포르
젬 쇼핑몰
호주
오로라 플레이스
이스트링크
미국
햄슬리 빌딩
메이서리치 쇼핑몰
콜로니얼 파이프라인
브라질
광산기업

Retirement Planning Service

Improve Financial Literacy

Unit : persons

CFP	AFPK	CSA	Social Worker
31	760	4,111	1,693

1 Step: Evaluation of retirement readiness

2 Step: Analysis of evaluation results

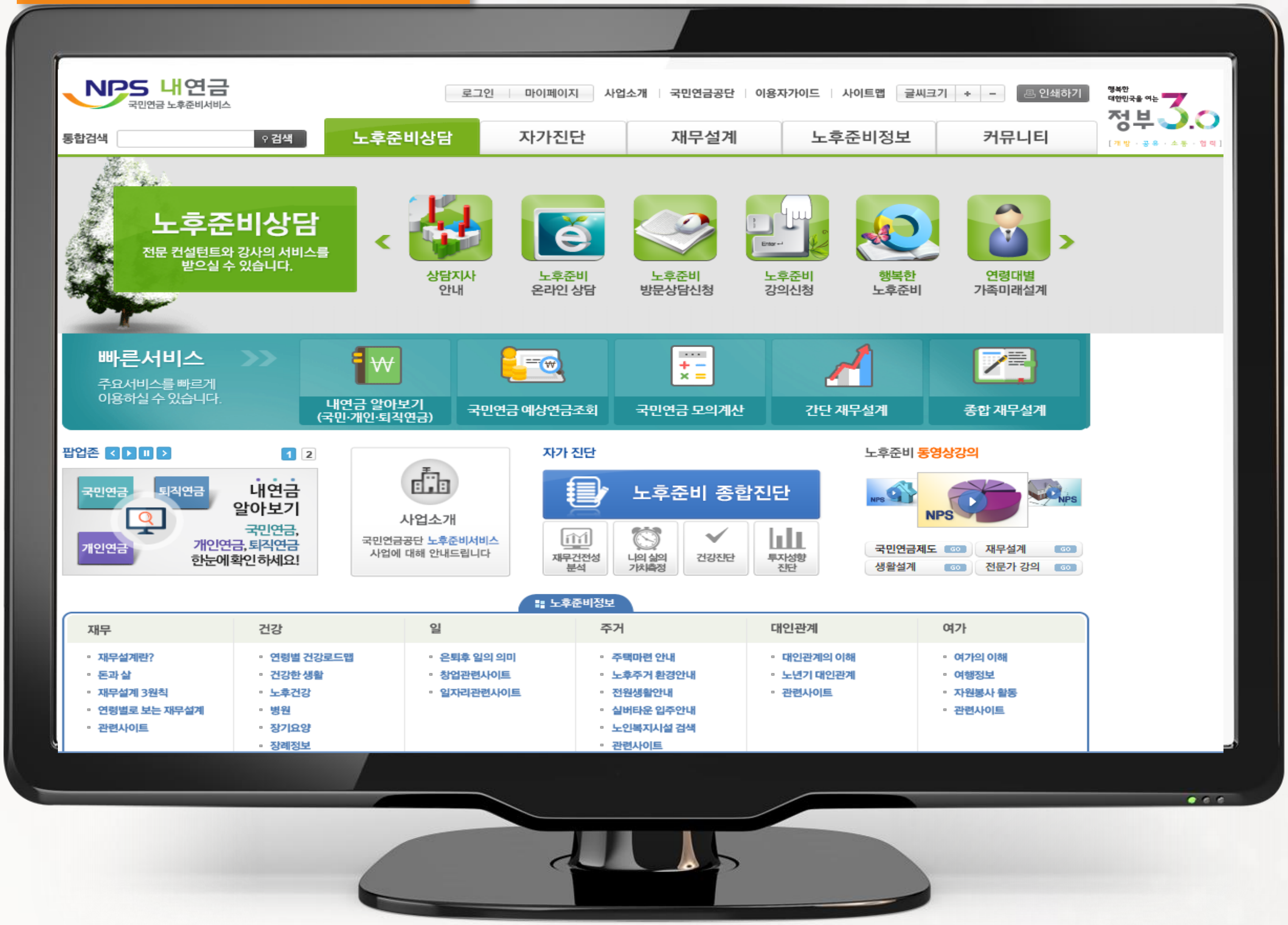
3 Step: Consultation

4 Step: Monitoring

- 152 Centers for Retirement Service throughout the country.
- 4,111 consultants provide retirement planning counseling service.
- Offer trainings targeted for baby-boomers to prepare for retirement.
- **“My Pension”, a retirement planning website service provided by the NPS.**

Retirement Planning Service

‘My Pension’ Service


NPS 내연금
국민연금 노후준비서비스
로그인
마이페이지
사업소개
국민연금공단
이용자가이드
사이트맵
글씨크기 + −
인쇄하기
행복한 대한민국을 여는 정부3.0
[개방 · 공유 · 소통 · 협력]
통합검색
검색
노후준비상담
자가진단
재무설계
노후준비정보
커뮤니티
상담지사 안내
노후준비 온라인 상담
노후준비 방문상담신청
노후준비 강의신청
행복한 노후준비
연령대별 가족미래설계
빠른서비스
내연금 알아보기 (국민·개인·퇴직연금)
국민연금 예상연금조회
국민연금 모의계산
간단 재무설계
종합 재무설계
팝업존
1
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국민연금
퇴직연금
개인연금
내연금 알아보기
사업소개
자가 진단
노후준비 종합진단
재무건전성 분석
나의 삶의 가치측정
건강진단
투자성향 진단
노후준비 동영상강의
NPS
국민연금제도 GO
재무설계 GO
생활설계 GO
전문가 강의 GO
노후준비정보

노후준비상담

전문 컨설턴트와 강사의 서비스를 받으실 수 있습니다.

빠른서비스

주요서비스를 빠르게 이용하실 수 있습니다.

내연금 알아보기

국민연금, 개인연금, 퇴직연금 한눈에 확인하세요!

사업소개

국민연금공단 노후준비서비스 사업에 대해 안내드립니다

재무	건강	일	주거	대인관계	여가
재무설계란?	연령별 건강로드맵	은퇴후 일의 의미	주택마련 안내	대인관계의 이해	여가의 이해
돈과 삶	건강한 생활	창업관련사이트	노후주거 환경안내	노년기 대인관계	여행정보
재무설계 3원칙	노후건강	일자리관련사이트	전원생활안내	관련사이트	자원봉사 활동
연령별로 보는 재무설계	병원		실버타운 입주안내		관련사이트
관련사이트	장기요양		노인복지시설 검색		
	장례정보		관련사이트		

Thank you for your attention!