



OECD RECOMMENDATION FOR THE GOOD DESIGN OF DC PENSION PLANS

OECD Pension Unit



- Delegates to the WPPP (pension supervisors and regulators) requested the OECD Secretariat to revisit the OECD Roadmap for the Good Design of DC Pensions Plans
- Incorporate all the lessons learnt since its approval back in 2012
- Provide simple and concise messages broadly applicable to all retirement savings arrangements with individual accounts
- Maintain the current structure: 10 messages, 2 pages (hopefully)
- Approved on February 2022



Preamble

- Clarifies the scope of the recommendation and the goal
- Relevant for all retirement savings arrangements (occupational and personal) where retirement income depends on the amount of contributions paid, investment returns and the way assets are paid out over retirement
- Complements the OECD Core Principles of Private Pension Regulation
- Improve the robustness of retirement systems and build trust that people's best interest is taken into account
- **The purpose of the Recommendation is to assist and therefore countries should apply it with flexibility taking into account the specificities of their own system**



Main messages

1. Design DC pension plans that are coherent with their long-term purpose and role in the pension system
2. Make DC systems as inclusive as possible
3. Ensure total contributions are sufficiently high to achieve retirement income objectives
4. Design financial incentives to maximise the impact on enrolment and contributions
5. Promote low-cost and cost-efficient retirement instruments in both the accumulation and pay-out phases



Main messages

6. Ensure that all individuals have access to appropriate investment strategies and a well-designed default
7. Ensure protection against longevity risk in retirement
8. Facilitate the regular monitoring and management of longevity risk
9. Ensure effective, personalised, regular, consistent and unbiased communication to members
10. Promote awareness and support financial education about retirement and pensions