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S. KOREA PROPOSES NEW PENSION INVESTMENT METHODS FOR ‘PRINCIPAL SECURED’ PRODUCTS

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South Korea is considering changing the way pension plan members invest assets in “principal secured” (PS) products in order to increase plan member engagement in investment decisions and improve pension performance, the government said. No proposals have been published as yet.

Currently, pension holders must specify the PS products they want to invest in. When the selected product reaches maturity, the assets are reinvested in the same product or are designated as cash if the product no longer exists. In 2017, over 90% of plan members did not change their investment decisions.

The proposal would allow pension plan members to make investment selections by product type, exposure, and risk level from a range of available PS products. Pension providers would be required to confirm plan members’ investment instructions. The table below illustrates how the proposed reform would operate:

	CURRENT	PROPOSAL (OPTIONAL)
Investment Choice: Example	Time deposit from Bank A (1 year maturity)	Type: Time deposit Weight: 40% on PS products Risk level: Credit rating AA- or above YTM: 1 year or less
Invested Product	The same product is selected and renews on maturity if no other selection is made	Product with highest interest rate selected from a range of PS

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