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**ANALYSIS OF THE CONSUMER ATTITUDES
TOWARD PRIVATE PENSION SYSTEM**

MURAT TOPAN
2504030018

Tez Danışmanı : Yrd. Doç Dr. CENK ARSUN YÜKSEL

DÜZELTİLMİŞ TEZ

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TÜKETİCİLERİN BİREYSEL EMEKLİLİK ÜRÜNLERİNE KARŞI TUTUMLARININ ANALİZİ

Murat Topan

ÖZ

Sosyal güvenlik sistemlerinin sağlıklı işleminin bireylerin emekliliklerindeki ekonomik refahı sağlaması ve bunun yanında ülke ekonomisine yaptıkları olumlu katkı bakımından önemi büyüktür. Nüfusun yaşlanmasının da etkisiyle son yıllarda sosyal güvenlik sistemlerinin sorunlarının ağırlaşması, ülkeleri yeni çözümler bulmaya itmiş, Şili örneğinin başarısının da etkisiyle bir çok ülkede bireysel emeklilik sistemlerinin kurulmuştur.

Türkiye’de de bireysel emeklilik sistemi, devlet tarafından yürütülen mevcut emeklilik sistemlerinin tamamlayıcısı olarak 1999 yılında uygulanmaya başlanmıştır. Türkiye için henüz yeni sayılabilecek bu sistemi yürütenlerin özel şirketler olması ve sisteme katılımın tamamen gönüllü olmasından hareketle, rekabete dayalı bu sistem için yapılacak olan tüketici odaklı araştırmaların öneminin büyük olduğu söylenebilir. Bireysel emeklilik sistemi için mevcut tüketici portföyünün sosyo-demografik özelliklerini, sistem hakkındaki tutum, düşünce ve bilgi düzeylerini ve satın alma kararlarını etkileyen faktörleri araştırdığımız bu çalışma, emeklilik şirketleri ve sistemin düzenleme ve denetlemesinden sorumlu birimler için önemli bir kaynak teşkil edecektir.

ANALYSES OF THE CONSUMER ATTITUDES TOWARD PRIVATE PENSION SYSTEM

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ABSTRACT

Effective operations of social security systems are very important for the countries with their positive effects to economic parameters and prosperity of individuals at their retirements. With the effects of ageing populations, the problems of the social security systems are getting bigger. This urges the countries to find new solutions about this case and, with the example of successful implementations of Chile, many countries launched the individual pension systems.

In Turkey, the legal and institutional framework for private pension system has drafted in 1999, which is thought to supplement the existing PAYG plans. Because they are the private enterprises who operate this newly established system and also the system is operated on voluntary basis, researchs focused on the private pension consumers are important. This research inquires the socio-demographic characters of the present and probable private pension consumers, behaviours and attitudes toward the system and the factors that effects the buying decisions of the consumers and it is thought to be an important source for the pension companies and the authorities responsible to regulate and audit the system.

PREFACE

Considering the strong effect of social security systems to macroeconomic variables, constituting sustainable solutions to old age security is one of the most important priorities of the governments. Most of the countries confront huge deficits of their public social security systems. As in the case of most of these countries, under the need of an effective reform in social security system, the legal and institutional framework for the PPS has drafted in 1999.

Because the system is thought to operate on voluntary basis, obtaining the attitudes of consumers to different characteristics of PPS is an important asset for the providers and boosters of the system. In this research, the determinative socio-demographic features and attitudes of the individuals to PPS characteristics that play significant roles on buying behaviour of the consumers toward PPS are aimed to inquire. This thesis is believed to be utilized by both the providers and the consumers of PPS as an effective source.

I would like to express my gratitude to my thesis supervisor Asst. Prof. Cenk Arsun Yüksel for his continuous guidance and support. I would like to thank also Selma Toprak who helps me to find alternative sources related to PPS.

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LIST OF ABBREVIATIONS

CMB	Capital Markets Board
GDP	Gross Domestic Product
NIC	National Insurance Contribution
OECD	Organization for Economic Cooperation and Development
OPF	Occupational Pension Fund
PAYG	Pay-As-You-Go
PPS	Private Pension System
RF	Retirement Fund
SERPS	State Earnings Related Pension Scheme
SSO	Social Security Organization
USD	United States Dolar
UK	United Kingdom
UT	Undersecretariat of Treasury

INTRODUCTION

Social security system mainly aims to provide a substantial proportion of the current and future retirees a socially adequate replacement rate. Pension plans can be classified according to their providers and benefit determination structure. They can be also pay-as-you-go and funded plans. In PAYG plans, the pensions paid to retirees are financed from the current employees contributions but in funded pension plans, dedicated assets are accumulated to pay for the pension benefits. There is an increasing tendency to defined contribution plans around the world. Under the need of an effective reform in social security system and in compliance to this tendency, the legal and institutional framework for the PPS has drafted in 1999 in Turkey, which is thought to supplement the existing PAYG plans and operates on voluntary basis.

This thesis analyzed the attitudes of the consumers toward the PPS in Turkey, aiming to inquire whether different groups of current and potential PPS consumers have different socio-demographic characteristics and different attitudes toward the characteristics of PPS. In order to inquire the attitudes of the individuals to PPS, eighteen characteristics of PPS are obtained and these are transformed into a questionnaire which also contains the questions asked to inquire the socio-demographic characteristics of the respondents. We use chi-square analyses with the help of SPSS to find out which socio-demographic characteristics of respondents differ significantly among the groups classified with respect of their buying behaviour to PPS.

The thesis consists of three parts. First part contains brief explanations of attitudes and consumer decision making. Attitude models, changing attitudes and stages of consumer decision making are the main subjects emphasized in this chapter.

Brief informations about social security systems in many countries are given in second part. The main characteristics of prominent social security plans around the world are described in order to evaluate the Turkish private pension system in a

general picture. Rights and obligations of the participants, retirement options, responsibilities of the providers and regulations of PPS in Turkey are also explained.

Third part of the thesis contains research objectives, model of the study, frequency charts and research hypothesis. The main characteristics of the groups which are classified with respect of buying behaviours of consumers toward PPS are explained.

1 ATTITUDES AND CONSUMER DECISION MAKING

1.1 Introduction to Attitudes

When we are asked whether we like or dislike a product, a service, an advertisement etc., we are asked about our attitudes toward it. According to Leon G. Schiffman and Leslie Lazar Kanuk, attitudes can be defined as an expression of inner feelings that reflect whether a person is favorably or unfavorably predisposed to some objects (e.g. a brand, a service, a retail establishment). In other words, an attitude is a learned predisposition to behave in a consistently favorable or unfavorable way with respect to a given object¹. Attitudes are an outcome of psychological processes, so attitudes can not be directly observed and they must be inferred from what people say or what they do. In consumer researchs, attitudes can be observed by asking questions or observing and making inferences from their behaviours.

Companies consider the results of many attitude researchs to examine most of the strategic marketing questions. For example when a firm wants to launch a new marketing strategy, or when a company wants to estimate possible reactions of its target consumers before its new promotional theme and also before the implementations of possible product changes, they all have to conduct and consider attitude researchs. Consumer attitude researchs are inevitable to be located in consumer research projects both in service and product marketing.

While conducting an attitude research, the researchers have to clearly define the object and have to be object-specific. For example if the researcher wants to learn consumer attitudes toward major jean brands in Turkey, object may include Levi's, Mavi Jeans and Colin's. In this thesis, the object is defined as the Private Pension System in Turkey. Attitudes are also learned predispositions that mean they are learned. They are learned from the experience of the costumer, information acquired from others and media or advertisings.

¹ Leon G. Schiffman, Leslie Lazar Kanuk, **Consumer Behavior**, Prentice Hall, Fifth Edition, 1994

We can also say that, there are a general consistency of attitudes and behaviours. This means that, the behaviour of consumers are almost predictable looking to his/her attitudes. But there can also be many precludings of this consistency like affordability. For example in our research, many of our experimentals have positive attitudes toward PPS but this positive attitude couldn't be turned into buying because they can not afford the continuous costs of it.

Attitudes are occurred within and affected by the situations and time. By situations and circumstances, at a particular time, influence the relationship between attitude and behaviour. So individuals can have a variety of attitudes toward a particular behavior, each corresponding to a particular situation². For example, a person which doesn't have a positive attitude toward PPS also can be a member of it, because in his/her circumstance, most of his relatives or friends are in this system and he/she feels obliged to use it too. In this aspect, understanding how consumer attitudes vary from situations to situations is important. For instance, people have different attitudes to PPS in different age ranges.

1.2 Structural Models of Attitudes

In order to understanding the relation between behavior and attitude, there are many models that depict the dimensions of attitude.

1.2.1 Tricomponent Attitude Model

Most common of these models is "Tricomponent Attitude model" also known as "ABC Model of Attitudes". According to this model, attitudes consist of three major components: Cognitive Component, Affective Component and Conative Component.

² Necati Deniz Erda, **Tekstil Sektöründe Denim Pantolon (Jean) Tüketicilerinin Tutum ve Davranışlarının Üretici Firmanın Satış Organizasyonuna Etkisi**, Masters Thesis, İstanbul University, İstanbul, 1999, p. 45

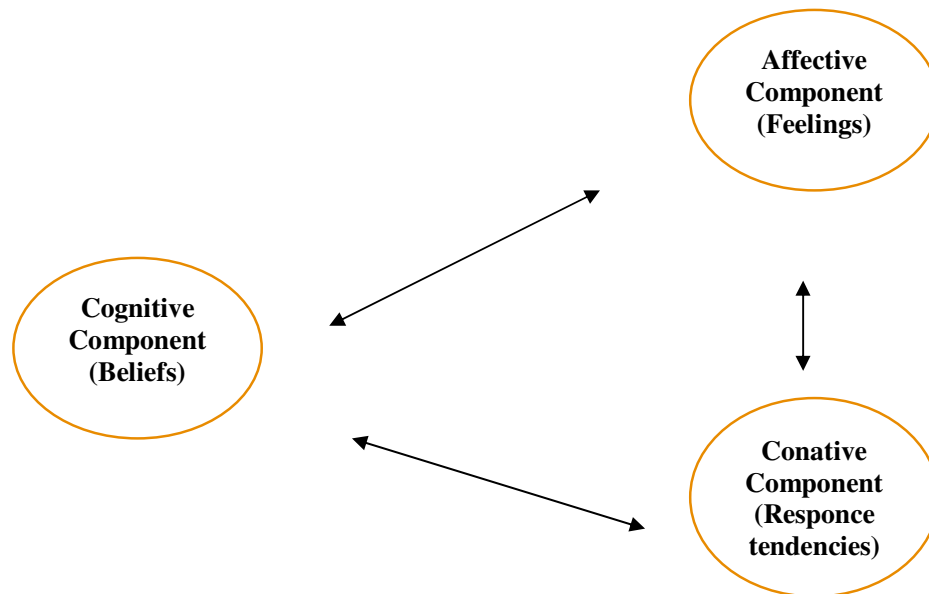


Figure 1: A Simple Representation of the Tricomponent Attitude Model

Source: Leon G. Schiffman, Leslie Lazar Kanuk, **Consumer Behavior**, Prentice Hall, Fifth Edition, 1994, p.242

Cognitive Component refers to person’s cognitions, the knowledge and perceptions that are acquired by a combination of direct experience with the attitude-object and related informations from various sources³. These knowledge and perceptions take the form of beliefs.

The Affective Component refers to the way a consumer feels about the attitude object. These emotions and feelings leads the consumer to rate the object good or bad, pleasant or unpleasant. These emotional states cause the consumer to live personally positive or negative experiences. It is increasingly common for a firm to attempt to influence consumers liking of their brand without directly influencing either beliefs or behavior⁴.

The Conative Component involves the person’s intentions to do something, like hood and tendency of this consumer.

³ Schiffman, Kanuk, **Consumer Behavior**

⁴ Del I. Hawkins, Roger J. Best, Kenneth A. Coney, **Consumer Behaviour-Building Marketing Strategy**, Irwin McGraw-Hill, Seventh Edition, 1998, p.406

1.2.1.1 Hierarchies of Effects

The relative importance of these three components will vary depending on the consumers motivation with regard to the attitude object⁵. So the concept of “hierarchy of effects” have been developed to explain relative affects of three components. Generally we can define 3 hierarchies: The Standard Learning Hierarchy, the Low-Involvement Hierarchy and the Experimental Hierarchy.

The Standard Learning Hierarchy indicates that a consumer approaches a product decision as a problem-solving process. According to this hierarchy, by acquiring information about the product, the consumer shapes her/his beliefs about the product. Next step is forming the feelings about it. And finally the consumer displays a related behaviour: buy or not buy it.

The low involvement hierarchy says that, after accumulating relatively limited knowledge and shapes the feelings about the product after buying and using it. A striking truth that indicated by this hierarchy is that many of the consumers do not scrutinize and make deep analysis while they take the decision of buying. This theory may give the marketers the idea that for many kind of products or services package or advertisement can be more important than the product itself.

The last one, experimental hierarchy is important as it underlines the role of emotions to attitudes. According to this theory, consumers take their decisions on emotional basis. Here, how the product, its package or advertisement makes them feel is highlighted. This hierarchy type is also known as independence hypothesis as it indicates affect and cognition are two separate and independence systems.

⁵ Michael R. Solomon, **Consumer Behavior**, Prentice Hall, Fourth Edition, 1999

1.3 Forming Attitudes

Of course people don't born with their attitudes, they shape them in several different ways. It may be formed classical conditioning, or may be it is formed with the help of outcomes of cognitive processes.

It is important to know that not all attitudes are created equal. So we have to distinguish the types of attitudes just because not all are formed with the same way. For example an attitude possessed by a football fan to his team is brand-loyal and not so easy to weaken. But some of the consumers have a positive attitude to a specific brand but he/she is also ready to change their choice when something better comes along.

Consumers vary regarding to their commitment attitude and the degree of commitment is related to their level of involvement with the attitude object:

Compliance is the lowest level of involvement. In this level, the person forms his/her attitudes regarding the thoughts of others and consider the rewards or punishments he/she will get. The attitude is very likely to change when his/her attitude is no longer monitored by others⁶.

At identification level, the attitudes are formed to conform to another person or group. We can see many advertisements underlie the consequences of choosing the product over others. Those advertisements aim to affect the people at this level.

At internalization level, there is a high level of involvement and the attitudes are held in an enduring and deeply way. These kinds of attitudes are part of the person's value system and very difficult to change. We can classify the attitudes toward Private Pension System to this level.

⁶ Henry Asael, **Consumer Behavior**, South Western College, Publishing, 6th Edition, 1998

1.3.1. Theory of Cognitive Dissonance and Harmony Among Attitudes

This theory states that when a person has inconsistencies among attitudes and behaviors, he/she will act to solve this dissonance. He/she makes it by changing an attitude or behaviour to reduce the negative feeling caused by the dissonance. There are many situations two cognitive elements do not comply with each other. For example a person believes smoking cause cancer but she/he still smokes. This inconsistency causes a feeling of discomfort and he/she will do something to reduce it. The willingness of the person will be more at the internalization level, in the high-involvement situations, where the object is more important to him/her.

Back to the example of smoking person, he stop smoking(eliminating), he can remember his uncle who smoked until the age of 90 (adding) or he /she would search and question the links between cancer and smoking(changing).

1.3.2 Balance Theory

Balance theory considers among elements a person might perceive as belonging together⁷. This perspective involves relations among three elements structuring triads. Each triad contains a person and his/her perceptions, an attitude object and some other person or object.

Consumers intend to ensure the consistency among these elements and they alter their perceptions to make these elements balanced⁸. Among these linkages, there can be unit relation, where one element belongs to a part of another, or sentiment relation where the two elements linked because one has expressed a preference or dislike for the other.

⁷ Solomon, **Consumer Behavior**

⁸ Asael, **Consumer Behavior**

An example will explain this theory better:

- Contributor has a positive attitude toward PPS and would like to be a member of it. In the terms of balance theory, Contributor has a positive unit relation with PPS.
- Contributor has learned that, the savings of the PPS savings are under the control of professional investors. There is positive linkage between PPS and this kind of saving evaluating.
- Contributor wants to give direction to his savings by his own decisions, not by others. So Contributor has a negative sentiment relation with this.

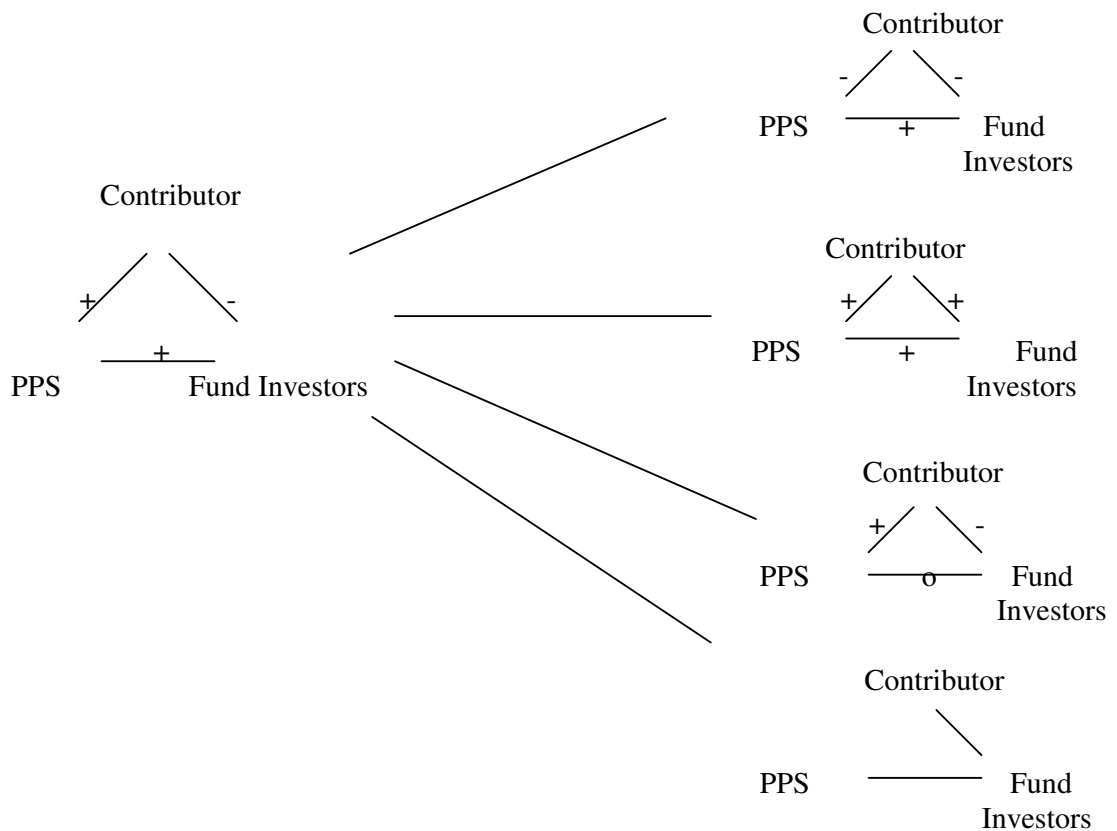


Figure 2: Alternative Routes to Restoring Balance in a Triad

Source: Michael R. Solomon, **Consumer Behavior**, Prentice Hall, Fourth Edition, 1999, p.172

According to balance theory, contributor faces an unbalanced triad. He has to do something to change his uncomfortable situation. He could, for example, decide that PPS is not a proper pension system for him. Or his positive tendency to PPS would prompt a positive attitude toward such kind of money evaluation. In this example it seems impossible to negate this property of PPS. Finally he would also change his positive thoughts to PPS and never think to be a member of it. Theory do not specify which way Contributor will prefer but it indicates that one or more of Contributor's perceptions will change to decrease the tension of this circumstance.

This theory says that, when perceptions are balanced, attitudes are likely to be stable, oppositely when inconsistencies occur consumer will change his/her attitudes. Balance theory also explains why the celebrities are generally used in advertisements. Especially when a new product is promoted, the perceptions are not definite and well-shaped. So these kinds of advertisements can create a positive sentiment relation between the consumer and the product.

1.4 Multiattribute Attitude Models

This Model assumes that a consumer's attitude to the attitude object depend on the beliefs he or she has about several or many attributes of object⁹. The research about this model made by Martin Fishbein is known most. Generally the essence of the Fishbein Models is that, the consumer goes through a process of identifying the relevant attributes, selecting their weights and then summing them.

There are many models of Fishbein but these are the most influential three models of him: The attitude toward object model, the attitude toward behaviour model and theory of reasoned model.

⁹ Solomon, **Consumer Behavior**

1.4.1 The Attitude Toward Object Model

This model is mostly proper for measuring attitudes toward a product or specific brands. This model assumes, the consumers attitude toward object or brand is functions of presence product-specific beliefs and attributes. There may be some properties of an object or brand, some people take this property as a positive one and display a positive attribute and some people may do oppositely. Those attributes form the product-specific beliefs and overall functions of all of these positive and negative attributes resulted as a final attribute.

$$A_o = \sum_{i=1}^N b_i * e_i$$

A_o is overall measure of affect for or against the attitude-object, **b_i** is the strength of the belief, **e_i** is the evaluate dimension (how good or bad the object or brand is). \sum means that, there are **n** salient attributes over which the **b_i** and **e_i** are summated.

1.4.2 The Attitude Toward Behaviour Model

The attitude toward behavior model focuses attitudes toward behaving or acting more than the object or brand itself. It says total attribute is functions and evaluations of attribute toward actions or behaviors with respect of an object or brand.¹⁰ With this aspect, this model seems more realistic because the attitudes toward an object and buying behavior are not at the same level most time. Consumer may have positive attributes to luxury cars but he or she do not want to afford big amounts of money and has a negative attitude to buying action of these kinds of cars.

¹⁰ Solomon, **Consumer Behavior**

$$A_b = \sum_{i=1}^N b_i * e_i$$

A_b is overall measure of affect for or against carrying out a specific action or behavior (e.g. the attitude toward the buying and using PPS), **b_i** is the strength of the belief, **e_i** is the evaluation of **ith** outcome, \sum means that, there are **n** salient outcomes over which the **b_i** and **e_i** are summated.

1.4.3 Theory of Reasoned Model

This model integrates a structure combined of attitude components to explain and predict the behaviors better. According to this theory there is a strong linkage between attitudes and behavioral intentions but also consider that many factors may interfere with actual behaviour even the consumer has positive intentions. So the theory mainly measure behaviour intentions, considering the uncontrollable factors prevent prediction of actual behaviour. It is more vital to measure intentions rather than the behaviors because not every positive intention leads positive behaviors because of uncontrolled and unexpected conditions.

The theory also acknowledges the effect of other peoples influences to behaviors.

1.5 Attitude Change

Altering consumer attitudes is a very key strategy consideration for most marketers. Mostly the competitors aim the market leader when developing their marketing strategies. We can broadly classify the marketing strategies like that: (1) Changing the consumer's basic motivational function, (2) relating two conflicting attitudes, (3) altering components of the multi-attribute model, (4) Changing consumer beliefs about competitors brands.

1.5.1 Changing the Basic Motivational Function

An effective strategy for changing consumer attitudes toward a product or brand is to make new needs prominent¹¹. We can do this as changing the basic motivations of consumers.

For instance, the marketer can show the consumers that the brand or object serve a utilitarian purpose they may not have considered, because consumers hold certain brand attitudes because of its utility. In this vision, marketers would express the utility of PPS of tax advantage.

Attitudes are also expression or reflection of the consumers general values, lifestyle and Outlook. So by knowing consumer's attitudes, marketers can better anticipate their values and reflect these facts to their advertisements. The consumers satisfaction of their cognitive needs is also shouldn't be ignored; marketers have to emphasize concrete advantages of the products over competitive brands.

1.5.2 Relating Two Conflicting Attitudes

To change the attitude, marketers may also use strategies use the advantages of actual or potential conflict between attitudes. As we see in the balanced theory, if consumers have attitudes toward a brand or object conflict with each other, have a tendency to change their evaluation¹². For example if a person has doubts about secureness of pension systems of private companies but still have a sympathy to PPS, marketers would use this inconsistency and emphasize that even for the bad financial circumstances of pension company, it is guaranteed that there is absolutely no danger for consumers savings.

¹¹ Schiffman, Kanuk, **Consumer Behavior**

¹² Solomon, **Consumer Behavior**

1.5.3 Altering Components of the Multi-Attribute Model

1.5.3.1 Changing the Relative Evaluation of Attributes

Marketing areas for many product categories host many different consumer segments, and these are attracted to brands that offer different features or beliefs. Generally when a product segment differs because of its distinct features, marketers have a chance to affect consumers and let them shift to another product segment that is different version of the previous one. For example it is usually easier to convince a member of life insurance system to participate to PPS, because he/she already assimilates products with similar properties.

1.5.3.2 Changing Brand Beliefs

This is a cognitive-oriented strategy that indicates to change beliefs and perceptions about the object or brand itself. The most common type of the attribute change strategies is this model. The base of this model is to persuade the consumer to change his/her attitude with the words of more, better and best.

Researchers warn marketers about this type of attribute change attempt for two cases: The message given in the advertisements must be true, that is, the brand should actually have the expressed attribute¹³. Second, while trying to change the attributes of the consumers, marketers or advertisement makers shouldn't give extreme powerful messages because too extreme an advertising position is likely to result in rejection of the whole message. For example, many people are inclined not to accept the damages of the cigarettes, so the advertisements that strongly express theses damages are likely to result in distortion of the whole messages and this causes rejection of the new attribute given in the advertisement.

¹³ Asael, **Consumer Behavior**

1.5.3.3 Adding an Attribute

This can be also taken a cognitive strategy of attribute change. Previously ignored attributes can be added, or there can be newly founded attribution. Second type is more efficient to make the consumers change their attribute.

1.5.3.4 Changing Beliefs About Competitors Brands

This strategy involves changing consumer beliefs about the attributes of competitive brands or product categories. For instance, to change the attributes toward the PPS, marketers can underline the failures and deficiencies of PAYG system.

1.5.4 Changing Attitudes Through Communications

We can define the communication as the transmission of a message from a sender to a receiver via a medium of some sort¹⁴. It can be written, spoken, or visual. It can form as a logo, interesting brand name, demonstration etc. And it is the vital tool for marketers to make the consumers change their attitude.

1.5.4.1 Components of Communication

First there has to be a sender, or in other words a source to initiate the communication. This can be the responsible of marketing of the object like advertisers, or it can also be an informal source like friend or family. Second types of senders are more reliable because these people have nothing to gain from preferences of the consumer¹⁵.

Secondly, there should be a receiver to receive the messages of the sender. These can be either intermediary audiences or unintended audiences. Intermediary audiences are the consumers targeted for professional advertising. They are the main

¹⁴ Schiffman, Kanuk, **Consumer Behavior**

¹⁵ Asael, **Consumer Behavior**

and special target of the message. For example, doctors for medicine sellers. Unintended audiences are not specifically selected; they can be every individual in the public that exposed to the message. The receivers of the messages given in the PPS advertisements can be defined as unintended audiences.

The message must be transmitted via a medium or communication channel, the third component of communication. Television, newspapers, radio, a salesperson can be given as examples. Nowadays, interactive communications permit the audiences of mass media to provide direct feedback, for example internet. Last years, there has been also a trend to demassification that means media is shifting their focuses from large, general interest audiences to smaller and more specialized audiences.

Fourth component is the message. As mentioned, messages can be both verbal and nonverbal, or a combination of two. Sometimes verbal messages contain more specific product information than a nonverbal message. Generally nonverbal information takes the form of symbolic communication in the form of logos or symbols. They want to constitute a linkage between the image of the brand and its logo, in the head of the consumers. For insurance sector and also marketing of PPS, considering and using nonverbal messages are very important, because salespersons mostly do their sales in face-to-face discussions. These nonverbal actions sometimes referred as body language.

The fifth component is the feedback. It allows the sender to change or modify, or to reinforce the message, in order to ensure that it is understood in the right way. Receiving feedbacks in interpersonal communications is easier and prompter than impersonal communications.

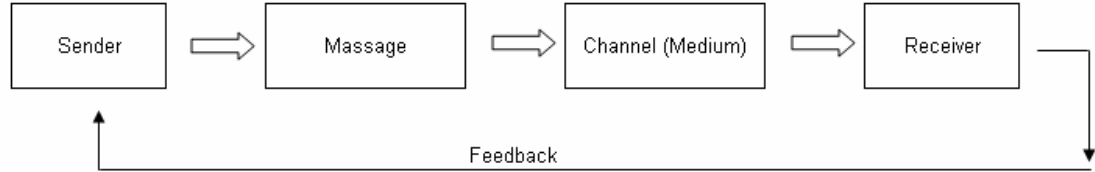


Figure 3 : Basic Communication Model

Source: Leon G. Schiffman, Leslie Lazar Kanuk, **Consumer Behavior**, Prentice Hall, Fifth Edition, 1994, p.284

1.5.4.2 Communication Strategy

In order to create persuasive communications, the marketer should select the objectives of the communication and the audience for the message, and also appropriate media to reach the audience. After that, marketer should design the message, in compliance with the selected media.

While selecting target audience, it is important not to ignore the notion that every single individual has her/his own interests, characteristics, needs etc. So, catching best results of marketing is possible to segment the audiences into groups in terms of relevant characteristics. This ensures the marketer to have the possibility of creating specific messages for each target group. Generally, developing a universal message that would appeal to total audience doesn't result so successful advertisements. For example in the advertisements of PPS, marketers generally target the middle aged workers to convey the message to the homogenous audience and this enables marketers to shape their communications to the specific needs of this group. This overcomes many of the problems in trying to communicate with mass audiences.

1.5.4.3 Media Strategy

Media strategy calls for the placement of advertisements in the specific media read, viewed or heard by selected target marketers. For this process, advertisers develop consumer profiles and audience profiles. Advertisements first should select

the media category that will ensure the effectiveness of their message. That depends on the properties of the target audiences, the product and the advertisement objectives.

Different media categories have their own advantages or disadvantages. Marketers have to consider these, while choosing the proper media category. This could be local newspapers, household magazines, television, newspapers etc. After selecting the media category, they should choose the specific medium that reaches their targeted audiences. While choosing this medium, marketers have to consider characteristics of the audience and the possible effectiveness of their advertisements.

Marketers often use various marketing research services to accumulate data of media audiences. For example while subscribing, the marketers of a newspaper ask their readers to provide demographic information and create a database. With the help of computerized system, they can easily select and reach the specific subscribers. This method is also known as selective binding. This also helps marketers to specialize their audience.

The method called direct marketing is often used in the insurance and PPS sector. The salesmen of these services use various media for the purpose of getting a direct response from the consumer. This enables marketers to generate measurable responses, so they can measure the profitability of their efforts directly through cost-per-sale, income-per-advertisement etc.

1.5.4.4 Message Strategies

To enable the audience to encode and understand the message and its meaning, the sender should recognize what and why he/she is trying to say. Senders must also know their audiences educations, interests, needs, perceptions and characteristics.

According to Leon G. Schiffman and Leslie Lazar Kanuk, persuasive messages should begin with an appeal to the needs and interests of the audience, and

end with an appeal relevant to the marketers own needs¹⁶. Most of the affective advertisements conclude by telling the audience what it is they want them to do. Advertisements that don't include these kinds of closings have less response from the consumer.

Like photographs, illustrations and logos, nonverbal stimuli are also commonly used in advertising to reinforce and underline what the message wants to convey.

Method of presentation is also very important to carry out affective marketing. Presenting the message strongly, influences its persuasiveness. For example, generally word-of-mouth communications influence more than the communications with printed format¹⁷.

1.5.4.4.1 Involvement Theory and Message Presentation

Consumers are more likely to devote active cognitive effort to evaluate the product in a high-involvement purchases and more likely to focus on peripheral message cues in the low-involvement situations. Cognitive process is much more important for high-involvement products, so marketing for these kinds of products, marketers should present strong, well documented and issue-relevant advertisements. For low-involvement products, marketers should emphasize non-content message elements as music, celebrity spokespersons etc.

We can classify PPS as high-involvement service, so it will be more affective for marketers to persuade the consumers by the way of cognitive processes. For instance, the concrete advantages of being a member of PPS and advantages compared with PAYG system might be emphasized in the advertisements.

¹⁶ Schiffman, Kanuk, **Consumer Behavior**

¹⁷ Solomon, **Consumer Behavior**

1.5.4.4.2 One-sided Versus Two-sided Messages

Sometimes marketers tell the audience only the good points about their products, pretend that their product is the only one of its kind and sometimes they tell them the bad sides, acknowledge competing products.

If the audience is friendly and favors the communicators position, one-sided communication that underlines only favorable information is most effective. But if the audience is critical or unfriendly, and also well educated, then a two-sided message is likely to be more effective. We can say that, two-sided advertising messages are more credible than one-sided messages, because they acknowledge that the advertised brand has shortcomings. They contain both positive and negative arguments about the brand and this serves to inoculate consumers against arguments that may be raised by competitors. Besides this, one-sided advertisements are more likely to lose credibility with the consumers. Product type, situational variables and advertisement format influence the relative effectiveness of the two approaches¹⁸.

Despite the fact that two-sided advertising messages have more credibility, appealing these kinds of messages for newly launched services like PPS is open to dispute.

1.5.4.4.3 Comparative Advertising

Comparative advertisings claim product superiority over one or more explicitly named or implicitly identified competitors, either on an overall basis or on selected product attributes. This kind of advertising is useful for product positioning, for target market selection, and for brand positioning strategies that stress the differential advantage of the product over leading brands. It is found that, comparative ads elicited higher levels of processing activity, had better recall than non-comparative advertisements, and were perceived as more relevant.

¹⁸ Hawkins,Best, Coney, **Consumer Behaviour-Building Marketing Strategy**, p.418

1.6 CONSUMER DECISION MAKING

Consumer purchase is a response to a problem, the consumers can be treated as problem solvers. When a customer wants to make a purchase, he/she goes through a series of steps to make the decision: problem recognition, information search and evaluation of alternatives and product choice¹⁹. We can figure this process like Figure 4.

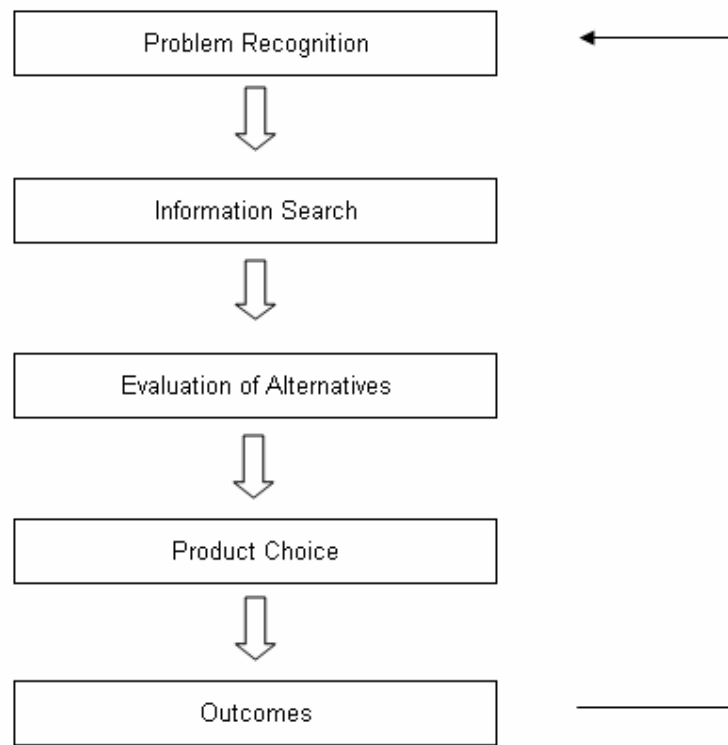


Figure 4 : Stages in Consumer Decision Making

Source : Michael R. Solomon, **Consumer Behavior**, Prentice Hall, Fourth Edition, 1999, p.268

Many of the purchase decisions are more important than others, so the amount of effort we put into this kind of purchases is higher. Sometimes this

¹⁹ Şadiye Sofçu, **Ankara İlindeki Tüketicilerin Dondurulmuş Meyve ve Sebzeler Karşısındaki satın Alma Durum ve Davranışları ile Sosyoekonomik Özellikleri Arasındaki İlişkinin İncelenmesi**, Masters Thesis, İstanbul University, July 1997, p. 14

decision-making process is automatic and needs low level of information. But many of the decision-making processes needs more information level and needs days or weeks, just like in the cases of buying a new home. The effort that the consumer obliged to allocate varies regarding to the involvement level of the product.

1.6.1 Types of Consumer Decisions

1.6.1.1 Extended problem Solving

This type of problem solving is the closest type with the traditional decision-making perspective. This process is initiated by a motive and the eventual decision is perceived to carry a fair degree of risk. The consumer collects as much information as possible from internal and external searches. He/she evaluates each of the product or service alternatives. Decisions of buying a PPS are in this kind of decisions mostly.

1.6.1.2 Limited problem Solving

Limited problem solving is usually more simple. Consumers do not evaluate the alternatives and search information as in the first kind of decision making. Instead, they use simple decision rules to choose among alternatives. They usually rely on general guidelines instead of trying to collect complex informations about the product.

1.6.1.3 Habitual Decision Making

The degree of information collected varies according to first two kinds of decisions but both of them involve some degree of information search. However, according to habitual decision making, decisions are taken with little or no conscious effort. Choices are made with minimal effort and without conscious control, usually automatically. The consumers minimize the time and energy spent on purchase decisions by this kind of thoughtless activity.

1.6.2 Stages in Consumer Decision Making

1.6.2.1 Problem Recognition

When the consumer realize a significant difference between his/her current state of affairs and desired or ideal state, problem recognition occurs. The consumer perceives there is a problem to be solved. This difference can occur in both ways: consumer's actual state can move downward (called need recognition), or the consumers ideal state can move upward (called opportunity recognition). In both cases, the difference occurs between the actual state and the ideal state.

Need recognition can occur by running out of a product or creating new needs. Opportunity recognition usually occurs when a consumer is exposed to different or better-quality products.

Problem recognition process is often spurred by marketers. For creating a need for a product or service, marketers sometimes attempt to create primary demand, where consumers are encouraged to use a product or service regardless of the brand they choose. Such needs are often encouraged in the early stages of a product's life cycle just in the example of Private Pension Systems. Because the system is newly established, marketers are first trying to create a need of being a member of PPS regardless of a specific company. They often introduce the new system more than the providers brand. This kind of advertisements is most appropriate because secondary demand, where consumers are prompted to prefer a specific brand over others, can occur only if primary demand already exists. At this stage, marketers convince costumers that a need can best be satisfied by choosing their brand over others in a category. The kind of action taken by consumers in response to recognized problems relates directly to its importance to the consumer, the situation and the dissatisfaction or in-convenience created by the problem²⁰.

²⁰ Hawkins,Best, Coney, **Consumer Behaviour-Building Marketing Strategy**, p.502

1.6.2.2 Information Search

After the recognition of problem, consumers need information to resolve it. In the information search process, consumer surveys his or her environment for appropriate data to make a reasonable decision.

Researches vary according to many characteristics of it. For example it may be internal or external. Prior experiences and living in a consumer culture leads us to collect some degree of knowledge already in memory about many products or services. When a costumer confronts with a purchase decision, he/she uses internal search by scanning his/her own memory banks to assemble information about different alternatives. After this, costumer ads external search, by which information is obtained from advertisements, friends, family or other elements of his/her environment.

Information search is also can be classified as deliberate and accidental search. Our existing knowledge of a product may be result of directed learning that means on a previous occasion we had already searched for relevant information or experienced some of the alternatives. On the other hand, we might have acquired information in a more passive manner, by incidental learning. Even for the products may not be of interest, exposure advertising, packaging, and sales promotion activities may result this kind of learning.

As a general rule, search activity is greater when the purchase is important, when there is a need to learn more about the purchase, and when the relevant information is easily obtained and utilized²¹. Consumers differ in the amount of search they tend to undertake, regarding to their social and economical situations. Younger and better-educated people tend to conduct more information search. Women are more inclined to search than men are.

²¹ Solomon, **Consumer Behavior**

Another important concept especially in external searching is perceived risk. Perceived risk can be defined as the belief that the product has potentially negative consequences. It may be present for complex and expensive products.

1.6.2.3 Evaluation of Alternatives

Consumers allocate much of their efforts in purchase decision at the stage in which a choice must be made from available alternatives. There may be different brands or also different variations in same brand.

The alternatives considered during a consumers choice process are his/her evoked set. These alternatives represent those products already in memory and prominent in the market. The alternatives that the consumer is aware of but wouldn't consider buying are his/her inert set, and the alternatives not entering the vision of the costumer called inert set. Marketers always try to take their brands or products into first category of alternatives. Usually, a new brand is more likely to be entered into the evoked set than is an existing brand that was previously considered but passed over. Consumer alternative evaluation is complicated by a general lack of information²².

During the process of gathering the product information, consumers evaluate the products in terms of what people already know about a product or things to which it is similar so categorization is a crucial determinant of how a product is evaluated. Product positioning is a well known concept in categorization. Its essence is marketers ability to convince the consumer that the product should be considered within a given category.

²² C. Glenn Walter, Blaise J. Bergiel, **Consumer Behavior**, South-Western Publishing Co., 1989, p.350

1.6.2.4 Product Choice

After assembling and evaluating the options from a category, choice must be made among them. The choice can be influenced by integrating information from sources such as prior experience with the product or a similar one, information present at the time of purchase, and beliefs about the brands that have been created by advertising²³.

Evaluative criteria differ from one consumer to another. They are the dimensions used to judge the merits of competing options. While comparing alternatives, consumer can choose from any number of criterias, for example from functional attributes or experimental ones. The criteria that cause products differ from one another carry more weight in the decision process. The attributes used to differentiate among choices are determinant attributes. Marketers can play a vital role in educating the consumers about which criteria should be used as determinant attributes. The decision about which attributes to use is the result of procedural learning. During the conduction of procedural learning, consumers undergo a series of cognitive steps before making a choice.

Consumers consider sets of product attributes by using different rules, depending on the complexity of the decision and the importance of the decision to them. Sometimes people rely on some kinds of shortcuts to make choice; sometimes they put more effort and thought into weighing alternatives before coming to a decision.

Decision rules can be divided into two groups: noncompensatory and compensatory decision rules. Simple decision rules are noncompensatory. That means a product with a low standing on one attribute can't make up for his position by being better on another attribute. Consumers are tending to eliminate all options that do not meet some basic standarts. When consumers are less familiar with a product category or are not very motivated to process complex information, then they

²³ Solomon, **Consumer Behavior**

tend to use simple, noncompensatory rules. For instance, people select the brand that is the best on the most important attribute.

Compensatory decision rules give a product to make up for its shortcomings. Consumers who consider these rules tend to be more involved in the purchase and they are willing to exert the effort to consider the entire picture. The consumer may choose the alternative that has the largest number of positive attributes or he/she may take into account the relative importance of positively rated attributes, essentially multiplying brand ratings by importance weights. This is similar with the multiattribute model.

2 CLASSIFICATIONS OF PENSION SYSTEMS

The main function of a social security system is to provide a substantial proportion of the current and future retirees a socially adequate replacement rate with a high degree of sustainability. A social security system shouldn't only be able to mitigate poverty, but also prevent large falls in the accustomed standard of living retirement²⁴.

Pension systems can be classified according to their providers, participation types, financing mechanism and benefit structure. With the help of these classifications, the role and functions of pension systems and also private pension plans can be identified, both for old age security and economy. Different applications of these pension systems in different countries will be mentioned in the next chapter to help to examine these classifications better.

Recent years, constitution of sustainable solutions to old age security becomes more vital because of the problems the pension systems confront. Probable solutions and new designs will create great positive effects both for society and also economy. Because, the importance of the impacts of social security policies on macroeconomic

²⁴ Mukul Asher, David Newman, **Private Pensions in Asia, An Assessment of Eight Systems**, Public Policy Programme, National University of Singapore, OECD Private Pension Series, No: 4, P. 51

variables can not be ignored. There have been different design ideas and different implementations of pension systems around the world.

The pension plans can be classified according to their providers. The sponsors of the pension plans can be public or private enterprising. Most of the countries have both public and private pension plans but their roles differ one country to another. In many countries in South America such as Chile, Uruguay and Mexico, the private pension plans are mandatory and replaced the social security systems executed by the government. In contrast, in many countries such as USA, the private pension plans are voluntary. In many countries such as UK and Poland, the mandatory part of the pension systems consists of both public and private plans.

Especially the efficiencies of the pension plans can be different from each other with respect to providers of them. Mostly the public plans have less improvement in efficiency, compared with private plans. However in many implementations of private plans, because of the high marketing costs and salaries of employees, the administration costs may be much higher than the public plans. Marketing and distribution costs dominate the overall costs to providers of private pensions. Among the UK pension providers, distribution costs run at about 50% of total costs²⁵.

Besides this, it must be accepted that, the investment performances of private plans are generally more successful. Public sector suppliers are not as fast and agile as private pension providers. Political interferences are additional negative feature of public plans. Furthermore, the funds conducted by public sector institutions generally earn less, because these institutions generally invest in government securities below current market interest rates.

The pension plans can be both mandatory and voluntary. Despite the fact that the roles of the governments in social security are undeniable in history, governments begin to encourage the voluntary actions of individuals with many kinds of incentives. Tough, voluntary actions may not reach to everyone, so mandatory

²⁵ Frank Fletcher, J. Michael Orszag, **Distributions and Private Pensions :Lessons from the United Kingdom Experience**, OECD Private Pension Series, No: 4, p. 269

systems are very important whether they are executed privately or publicly. Many individuals may not have a mentality to save for their old age. Some others may not earn to afford any savings to their old age. Additionally, there may not be adequate economic savings instruments. So in order to cover every individual, a mandatory social security plans must be regarded as reasonable scheme.

Replacement rates have to be selected very carefully in mandatory plans. An optimum and reasonable replacement rate should be selected both for the economic prosperity of individuals and government. Although there are implementations with 70% or higher replacement rates, the rates of 60-65% are also conducted to force the individuals to contribute higher rates.

Pension plans can be differed with respect of their benefit determination structure, as defined benefit and defined contribution plans. In defined benefit plans, the benefits of the contributors at their retirement are calculated with their employment length and his/her wages. The amount of the pensions may be obtained with the help of fixed percentage of the final salary or lifetime average earnings for each year of service. On the other hand, in defined contribution plans, the benefits of the contributors at their retirement depend on the amount of contributions to the plan and additionally the investment returns. The amount of their benefits was not determined in advance. These kinds of pension plans are fully funded. Almost all of the public pensions are based on defined benefit bases in the world.

In defined contribution plans, the investment risk is totally on the individual. This returns are strongly depends on the economic situation in the country and capabilities of the professional fund managers. In contrast, there is no investment risk for the member in defined benefit plans. The supplier carries all of the investment risk.

The defined contribution plans offer fully funded and fully vested benefits based on individual savings accounts. But in defined benefit plans, if the employee loses his/her job, he/she is obliged to lose future benefits already accrued.

There are many other opinions about the positive and negative features of defined contribution and defined benefit plans. Some of them indicate that defined contribution plans do not allow redistributing income from high-income people to the low-income. Since the benefits usually depend on final salary in defined benefit plans, according to some people there is an incentive for the employees to work hard and not to risk themselves being fired. In contrast, there is also a claim indicates that, since the contributions are not linked to benefits directly, they have to be seen as a disincentive to work.

The pension plans are classified as pay-as-you-go and funded plans. In PAYG plans, the pensions paid to retirees are financed from the current employees contributions. Current employees pay for current retirees and when they will entitle as retirees in the future, their pensions will be paid by the futures next generation. Before the problem of ageing of populations, this method has been used effectively. But with this problem, PAYG systems became unsustainable in most of the countries. In funded pension plans, dedicated assets are accumulated to pay for the pension benefits. Current worker generation saves part of their output in order to use these after retirement. After the success of Chilean reforms, this kind pension plans begin to be used more commonly. This reform replaced the PAYG system with privately managed fully funded personal accounts.

It is a general opinion that full funded pension systems are more sensitive to ageing of the populations, which the PAYG system suffered most. It is thought that pension backed by assets is more safety than social contracts. But it has to be also considered that, funding is also sensitive about demographic risks. If a future generation perceives the pensioners claims too large in the fully funded system, the value of the assets will fall since a greater number of pensioners would be selling the assets to a fewer number of employees. In brief, funded pension plans may expose these kinds of risks as well as PAYG systems. Additionally, PAYG systems may expose to the economic risks as well as funded systems. The interest rates will not be above the growth rate if the productivity slows, and that will cause a disadvantage for the members of PAYG system.

It is arguable that PAYG systems reduce national saving or not. There is a claim indicates that increased consumption of early cohorts resulting from positive income transfers in the form of higher pensions. But there is no concrete evidence supports this claim. It should also be noted that, if people are forced to save more for pensions through funded systems, they might reduce other forms of saving leading to a substitutionary effect rather than real increase in savings. The fact that some countries with relatively high level of funded pension plans, such as the UK, have quite low savings ratio is explained by this effect²⁶. However, with the strong incentives of investment occasions and with the force that pushes the employees to save more than they would, it can be said that funded plans affects positively to the national saving.

There is also another fact about the funded pension plans that, with their long term committed savings and help to development of fiscal markets, the positive impacts of it to the capital market can not be denied. Funded plans give depth to capital markets and help to reduce the volatility in long term. Accumulated capital in funded pension plans helps the economical growth. Generally minimum percentages can be established requiring pension funds investors to hold a certain percentage of government bonds or invest a certain percentage of assets domestically. That provide a source of domestic barrowing to the governments²⁷. PAYG plans have no this kind of affect to economical development. In conclusion, especially in current economical status in the world, funded plans have more saving and economical advantages over PAYG systems. That's why in recent years countries have more interest to funded pension plans.

The most common type of pension plans all over the world is public PAYG systems. These pensions generally operate on defined benefit plans and financed with payroll tax. Coverage is almost whole and the management and financing of the pensions are under the responsibility of state. Today many countries carry out pure PAYG systems and many others especially with young populations carry out

²⁶ Birol Güleç, **Sosyal Güvenlikte Arayışlar ve Bireysel Emeklilik Sistemi Yurtdışı ve Türkiye Uygulamaları**, Acıbadem Sigorta A.Ş. Yayınları No:3, November 2004

²⁷ Asher, Newman, **Private Pensions in Asia, An Assessment of Eight Systems**, p. 51

partially funded plans. These defined benefit plans take many forms as universal flat and employment related flat. In universal flat, there are same benefits for everyone above a certain age and in employment related flat, there are same benefits for everyone per year of covered employment. There is also a third for named means-tested, offers higher benefits for those with lower income. Different countries carry out different forms of defined benefit plans.

If the populations are young, the PAYG systems ensure high benefits both for the retirees and economy. However when the population is younger, the system obliged the employees to higher contribution rates. When the contribution rates increase, pension benefits fall and social security deficits grow. Moreover, if the numbers of taxable employees decreases, the contribution rates increase more to cover the costs of the social security system and system become unsustainable. Today, in large number of countries, the pension deficits are one of the biggest burdens on government budget. Of course negative affects of low efficiency in administrations of pension systems is not ignorable in this status. As we explained before, PAYG systems also have less saving incentives and do not make significant affect to economical development of the country.

Occupational plans are privately managed plans carried out in many countries. These are generally employer sponsored plans and can be in defined benefit or defined contribution bases. Many of the governments support this kind of pension plans with some kind of tax incentives. In Germany, Japan, The Netherlands, Switzerland, the UK and the US, more than 40% of the workers are covered by occupational plans²⁸. Occupational plans play an important role to help to reduce the burden of public PAYG systems. Moreover, many countries like Australia and Switzerland made them mandatory.

But not all of the occupational pension plans have efficient implementations. Excessive tax advantages and failing plans create an unexpected burden on the government budget. Some of the plans don't cover the employees with low incomes,

²⁸ Ak Emeklilik A.Ş, **A'dan Z'ye Bireysel Emeklilik**, Capital Papers, September 2003

and favor the employees with high final salaries. Regulations that prevent discrimination and inadequate funding must be put in the practice for the shortcoming of the occupational plans. When the implementation is efficient, this kind of pension plans effects positive to rise of savings and capital market of the country.

Personal saving plans are other common types of pension plans. These plans are fully funded, defined contribution and accumulate the contribution and the investment returns in personal accounts of members. Governments generally encourage these plans with tax incentives. Although these plans are long term plans and expose to inflation risk, they are less risky since they do not belong to employment place.

3 PRIVATE PENSION SYSTEMS

3.1 Private Pensions Around The World

When the basic PAYG system is founded, the system is based such an organization that, 7-8 worker fund one worker's old age security²⁹. But through the years, average life time has increased with the help of medical and pharmacological innovations and this proportion is assumed as 4-5 nowadays. At OECD countries, the ratio of old people to the whole of population was %18 at 1990 and when this ratio will be %30 at 2030, the mentioned proportion will one worker to one persons old age security³⁰. Rising life expectancies and decreases of fertility rates also affected this evolution.

Because of the major young population, the situation is more likely to be optimistic for the developing countries, but privileged retirement ages and informal sector cause big problems for public PAYG systems.

²⁹ Ak Emeklilik A.Ş., **A'dan Z'ye Bireysel Emeklilik**

³⁰ Romain Duval, **Retirement Behaviour in OECD Countries, Impact of Old Age Pension Schemes and Other Social Transfer Programmes**, OECD Economic Studies, No:37, 2003, p. 45

Many precautions were also taken to minimize the deficits: increase of retirement age and the premiums of PAYG system, decrease of retirement salaries, regulations to prevent privileged and low-aged retirement age, and for many countries, transferring young workers from foreign countries. But these precautions seem to be inadequate to improve the efficiency of present social security systems.

As in the case of Turkey, most of the countries confront deficits and even the probability of collapse of the PAYG systems. With the positive affects of the positive report of World Bank about privately managed funded systems and the successes of Chilean Private Pension System, most of the countries begin to discuss a probable pension reform of privatized funded system.

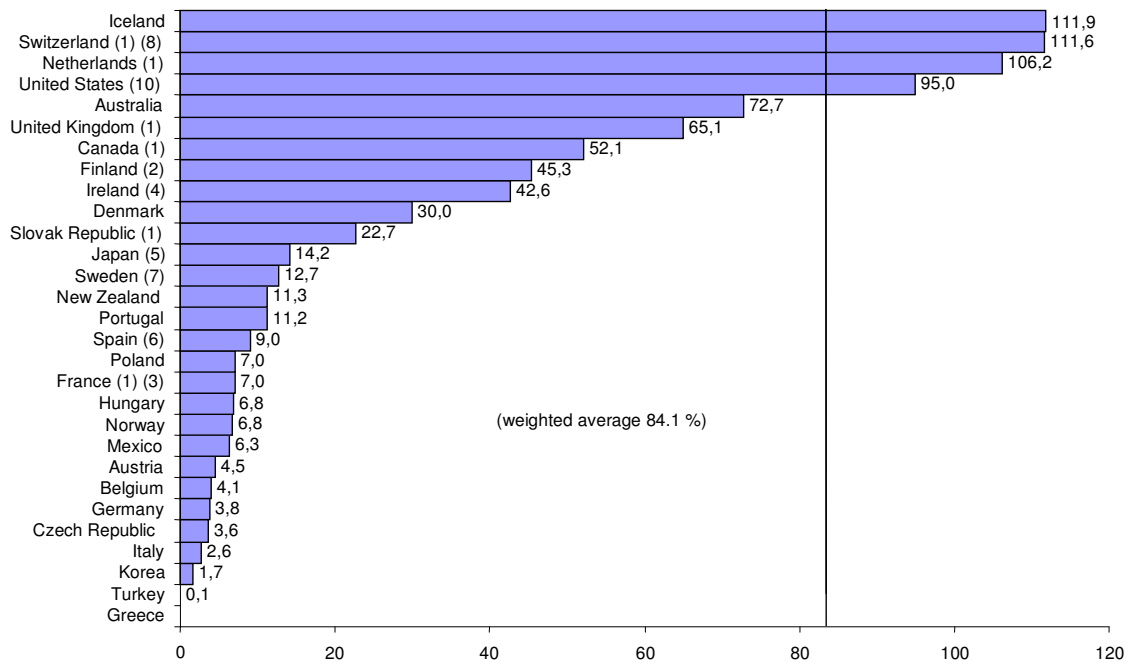


Figure 5: Importance of pension funds in the economy, 2004 (as a percent of GDP)

Source: OECD Global Pension Statistics, <http://www.oecd.org>

Although there are many different implementations around the world, majority of the pension reforms world-wide share a common aim. They mainly strive to move towards a system that rely more on funded systems. There have been a steady decline in saving rates in the last decades, and the issue of how to prevent this problem has become a major concern. Since the high domestic saving rates are essential to finance investments and support the productivity with that way, increasing savings has been seen as a very important issue. A growing tendency to the funded pension plans all over the world can be explained as they have a positive overall impact on household savings.

In this chapter, characteristics of private pension systems in many countries are reviewed.

3.1.1 Chili

Chile's private pension system, implemented at 1981, has become the model for countries interested in finding a sustainable solutions to the problem of paying fort he retirement benefits of ageing populations. By completely replacing its government run PAYG, defined benefit system with an investment based private and defined contribution system, Chile has managed to prevent the negative affects of PAYG systems, as fewer and fewer workers have to pay for the retirement benefits of more and more retirees. Chile has created a retirement system that, by giving workers clearly defined property rights in their pension contributions and offers proper work and investment incentives, acts as an engine of economic growth ³¹.This reform proved to be very successful and it is considered to contribute significantly to the success of the Chilean economy in the following years.

The previous pension system of Chile is a defined benefit, PAYG system, which was very complicated and discriminatory. There were two thousand security laws together with the regulations and the agreements of the social security institutions, different rules and privileges for different groups. These privileges were usually

³¹ Güleç, *Sosyal Güvenlikte Arayışlar ve Bireysel Emeklilik Sistemi Yurtdışı ve Türkiye Uygulamaları*

depending on political affiliations of these groups. With these political decisions of politicians and affects of ageing population, the economic health of the system was also deteriorated.

By the early 1970s, the system had clearly gotten out of hand. Contribution rates had increased from 16 to 26 percent of total payroll, the governments contribution to the pension system had increased to 38% of the system total revenues, of about 4% percent of gross domestic product, and the implicit debt of the system was over 100% percent of GDP. In addition, demographic changes worked against the PAYG system in Chile. The ratio of workers to retirees had declined from 10,8 in 1960 to 4.4 in 1970, to 3,2 in 1975, and 2,2 in 1980, when the pension reform law was adopted³².

In 1980, the Chilean government approved the law that established a new private pension system based on freedom of choice and clearly defined property rights in retirements accounts. This system is a fully funded, defined contribution scheme, mandatory for all dependent workers and administered by specialized private pension fund administrators. The government guarantees a minimum pension for those who contribute 20 years or more. Workers who were already in the labor force before the new systems adoption had the option of staying in the old government run system or moving to the new system. Those who had chosen to be transferred to the new system were given recognition bonds that acknowledged the contributions they had already made to the old system. And those who stayed in the government run system had their pension rights guaranteed under the new law.

The private companies that administer the pension funds called AFP that means Pension Fund Administrator. The new system enables workers to accumulate their pension benefits in a personal account that they can open in one of the AFP's. These accounts set a directly link between contributions and the benefits. With that new system, the health and the retirement functions of the old age security is separated from each other. Currently there are seven AFPs in Chile. An employee is

³² L. Jacobo Rodriguez, **Chile's Private Pension System at 18 : Its Current State and Future Challenges**, The Cato Project on Social Security Privatization, July 1999, p. 3

completely free to choose one of the AFPs to manage his/her personal savings. They are also free to transfer from one AFP to another as often as twice a year.

Each month workers deposit 10% of their wages in their own individual pension savings accounts. Since that level remained unchanged in real terms during the first 18 years of the private system, the mandatory content of the private went down automatically as economic growth increased real wages. Those contributions and returns earned on them belong to the workers and are deductible from taxable income. Any worker may contribute up to an additional 10% of wages, which is also deductible for income tax purposes. Approximately an extra 3% is paid to the AFP as commissions to cover administrative expenses, to purchase insurance protection from disability and survivorship benefits and to generate profit for AFP³³. The level of commissions is determined by each AFP on a competitive basis.

Each AFP company manages an investment fund of bonds, stocks and other financial instruments. The AFPs and the retirement funds they administer are two completely separate legal entities, so that if an AFP goes bankrupt, the retirement fund is not affected. The AFPs are required to provide an investment return on funds over the preceding 12 months, which is not less than the average return of all pension funds less 2%. In addition, rate of return on the fund is not allowed to be lower than 50% of the average return of all pension funds. The retirement age is 65 for men and 60 for woman. However, it is not necessary for men and women who reach those ages to retire, nor are they penalized if they choose to remain in the labor force. Additionally, if a worker have enough capital accumulated in his/her account to purchase an annuity that is equal to at least 50% of his/her average salary during the last 10 years of his/her working life, and at least 110% percent of the minimum pension guaranteed by the state, he/she has the right to benefit from early retirement pensions.

³³ Aysun Alp, **An Overview of Private Pension Systems With a Comparative Analysis For Turkey**, B.S Thesis, Boğaziçi University, İstanbul, 2004, p. 21

At retirement, the employees can choose one of the three options:

- (i) **Lifetime Annuity:** Workers may use the money accumulated in their accounts to purchase lifetime annuities from insurance companies. Those annuities provide a constant income in real terms. In this option, the fund is transferred to an insurance company, which assumes the financial risk and the survival risk³⁴.
- (ii) **Programmed Withdrawals:** The second option is to leave the money in the account and make programmed withdrawals, the amount of which depends on the workers life expectancy and those of his/her dependents. If a worker choosing this option dies before the funds in his/her account are depleted, the remaining balance belongs to the beneficiaries of his/her estate, since workers now have property rights in their contributions.
- (iii) **Temporary programmed withdrawals with a deferred lifetime annuity:** This pension option is basically a combination of the first two. A worker who chooses this option contracts with an insurance company for a lifetime annuity scheduled to begin at a future date. Between the start of retirement and the day worker starts receiving the annuity payments, the worker makes programmed withdrawals from his account.

The pension system reform in Chile has successful results in many respects. Firstly, the investment returns are outstanding. In the first 22 years, the real rate of return averaged 10,67 % per year, with negative returns occurring only twice³⁵. On the other hand, despite the fact that the levels of the pension paid by the AFPs are generally higher than the those paid by the old system, the contributions to the AFP system are lower than the old PAYG pension plans.

³⁴ Onur Karaaslan, **Private Pension System and Its effects on Investment Sector in Turkey**, İstanbul Bilgi University, June 2002, p. 26

³⁵ Alp, **An Overview of Private Pension Systems With a Comparative Analysis For Turkey**, p. 24

The reform also has very positive affects on the Chilean economy as well. Chilean private pension funds are making a growing contribution to the domestic savings. The new system also affects positively to the financial markets in Chile. The pension funds grew rapidly reaching 55% of GDP in 2001 ³⁶. The PPS funds help to reduce the volatility in the Chilean equity market. The long term investment perspective of pension funds in equities gave a protection against short term foreign investor flows.

The most criticized part of Chilean AFP system is the high charge levels. Since 10% of income is directed to savings account and nearly 3% is taken as commissions, the workers pay nearly 25% of their savings as charge to the AFPs. Of course the most important reason of these high charge levels is high marketing and advertising costs of AFP companies, due to the high competition. The investment risk is another negative feature of that system. As the new system matures, with the accumulation of funds, competition to supply funds increased. This may push down interest rates that may lower investment returns.

Consequently, despite many points which were open to improvement, the Chilean private pension system has been an outstanding success. This reform has contributed to the extraordinary performance of the Chilean economy over the last years and has helped the workers to retire with better and more secure pensions.

3.1.2 The United States

The private pension system in USA is one of those pension plans that is completely voluntary. However, it has a wide coverage and plays an important role in old age security. The pension system in the US is composed of three elements: the public social security system, employer sponsored pensions and sources of individual savings that are outside any formal retirement savings vehicles.

³⁶ Rodriguez, *Chile's Private Pension System at 18: Its Current State and Future Challenges*, p. 6

The public social security system, OASDI, operates at the national level for which participation is mandatory for all but a few remaining workers in some state and local governments. It provides 42% of retirement income for people above 65. Social security is financed through payroll tax of 12% of earnings. This ratio is divided equally between the employee and the employer. The self-employed have to pay both portions of the tax. Retirement age is 65 and ten years of work is obliged to be eligible for retirement benefits.

Employer based plans is voluntary private pension plans. These plans can be sponsored by single employer or they can cover employees at a number of businesses in a common industry. There are both defined benefit and defined contribute employer based plans, but there is an increasing tendency to shift from defined benefit plans to defined contribution plans. The employers tend to shift to defined contribution plans to avoid the obligations of defined benefit plans. In United States, there are different defined contribution plans to meet different needs. A type of plan named 401(k) plans allows employees to choose their investment strategy among the given alternatives. The employees can pay the contributions themselves or require the employer pay for them by deducting the contributions from the salary. A defined contribution pension plan named simplified employee pension plan designed for small size business who don't want to take the expense and burden of 401(k) plans. These kinds of plans are practical, can be managed with less personal and lower cost. The contributions can not exceed the minimum of 15% of annual wage. There is also a proper choice for self-employers named Keogh plans.

The third kind of pension plans are individual retirement accounts. Some individuals covered by employer-based plans want more protection in their old age and led to the development of voluntary, defined contribution individual retirement accounts. In these kinds of plans, individuals contribute to the accounts they can open in insurance companies, bank or portfolio management companies that are authorized by law. These plans also provide tax advantages for contributions up to certain limits.

3.1.3 The United Kingdom

The private pension system in UK is a little different from US. The system is not totally voluntary; the employees are allowed to substitute private pensions for earnings related part of the mandatory public pension. Therefore, for some of the workers, private pensions are part of the mandatory system. The pension system in UK is made up of three elements.

First of them is a two-tier public plan, with a flat rate Basic State Retirement Pension and the State Earnings Related Pension Scheme (SERPS). Membership to Basic State Retirement Pension is a mandatory for both employees and self-employed workers³⁷. The normal retirement age is 60 for women and 65 for men. Under this system, a portion of the National Insurance Contribution (NIC) payroll tax finances a flat-rate benefit for pensioners. The state earnings related pension scheme is a PAYG system, financed by the NIC payroll tax and provide benefits based on earnings histories. This pension plans is more appropriate for low income workers.

Second element is occupational plans set up by employers. Nearly one-half of the workers belong to employer based pensions and they are contracted out of SERPS. These plans can be either defined benefit or defined contribution. Contributions of the employee and employer are tax-free. Pensions in payment are taxed as income but a lump sum, which is tax free up to certain limits, can be taken on retirement. The kind of plans can be managed by insurance companies, banks, investment companies, pension fund brokers, actuarial advisors and accountants.

Third element is individual private plans, consisting of both personal pensions and additional voluntary contribution schemes, taken out to top up other pensions. It is allowed to contract out of SERPS through a personal pension. About one quarter of the workers in the UK are enrolled in individual accounts. Personal pensions are mostly provided by insurance companies. Tax incentives apply to these types of

³⁷ Bernard H. Casey, **The Public Finance Implications of Private Pensions, An Analysis with Special Reference to the United Kingdom**, European Institute, London Schools of Economics and Political Science, 1998, p. 58

plans as well. The members can choose the retirement age, between the ages of 50 and 75. These plans are also supported by tax incentives, premiums are tax free up to certain limits.

3.1.4 Australia

The public social security benefits are payable only on a means-tested basis and the test extends to the assets as well as income. The social security system is a PAYG system and it is financed out of payroll tax. It is never paid generous benefits to employees unlike other PAYG systems. Instead, many large employers in Australia traditionally sponsored defined benefit final salary schemes. The move to the new system of compulsory superannuation had its origin in centralized wage negotiations that took place in 1986. The government passed award superannuation legislation that required employers to pay 3% superannuation benefit for their employees to the private pension arrangements. The mandatory private pension scheme has led to the new pension schemes being established on a defined contribution basis rather than a defined benefit basis.

Pension plans are marketed to employers or industry groups. Individual workers had no choice of provider at the moment, but employers have to give at least five alternatives to choose from. Recently the government also introduced a new instrument called Retirement Savings Accounts. These accounts are designed to be a low cost, low risk alternative for small retirement savings and generally provided by building societies, banks and other financial institutions. They provide same tax incentives as superannuation.

**Table 1 : Main funded pension systems in OECD countries
(Mandatory / Voluntary and estimated level of coverage)**

Country	Mandatory	Voluntary		
		High Coverage	Medium Coverage	Low Coverage
Australia	✓			
Austria			✓	
Belgium			✓	
Canada			✓	
Czech Republic				✓
Denmark	✓			
Finland	✓			
France				✓
Germany			✓	
Greece				✓
Hungary	✓			
Iceland	✓			
Ireland			✓	
Italy				✓
Japan			✓	
Korea	✓			
Luxemburg				✓
Mexico	✓			
Netherlands		✓		
New Zealand				✓
Norway	✓			
Poland	✓			
Portugal				✓
Slovakia	✓			
Spain				✓
Sweden	✓	✓		
Switzerland	✓			
Turkey				✓
United Kingdom			✓	
United States			✓	

Source: OECD Global Pension Statistics, <http://www.oecd.org>

3.2 Private Pension System In Turkey

3.2.1 An Overlook to Current Social Security System in Turkey

Social security consists of three kind of plan in Turkey: social security institutions, national aid programs and individual pension system. National aid programs cover very small portion of the population. There are three social security institutions in Turkey: Social Security Organization (SSO), which covers private

workers and non-civil servant public sector workers, Retirement Fund (RF), which covers civil servants and occupational pension fund and Occupational Pension Fund (OPF), which cover the self-employed, agricultural workers, homemakers and unemployed. These institutions cover about 90% of the whole population. Nearly 60% among this population is a member of SSO, 25% is covered by OPF and 15% is covered by RF. These institutions currently operate on PAYG basis.

It can not be denied that these social security institutions are open to political interferences. Especially in the last 20 years, these institutions efficiency has suffered from populist decisions of the politicians, i.e. elimination of minimum retirement age. The total deficits of these three institutions are estimated to reach %10 of GDP in 2050 with the current efficiency of them³⁸.

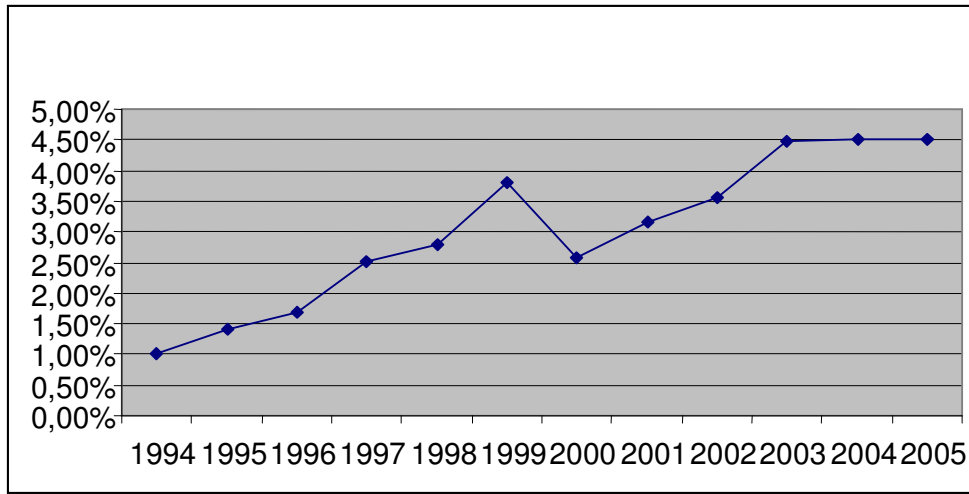


Figure 6: Budget Transfers to Social Security Institutions (%GDP)

Source: Birol Güleç, *Sosyal Güvenlikte Arayışlar ve Bireysel Emeklilik Sistemi Yurtdışı ve Türkiye Uygulamaları*, Acıbadem Sigorta A.Ş. Yayınları No:3, November 2004, p.34

Under the need of an effective reform in social security system, the legal and institutional framework for the PPS has drafted in 1999, which is thought to supplement the existing PAYG plans and operates on voluntary basis. Through this

³⁸ Turkish Industrialists and Businessmens Association, **Reforming the Turkish Pension System: Present Situation and Alternative Strategies**, 2003, p. 3

new system, individuals who want more income in their retirement would save more through the tax advantageous private pension system. Its main aim is to encourage those who prefer higher replacement rates and higher income during retirement to save through private pension plans by some kind of tax incentives.

The public social security system continues to provide the basic level of income for the retirees to sustain their lives. Setting up the private pension system is a major development in the improvement of the public social security and Turkish insurance market and a step towards rectifying the deficits in public finance. It is also very important to create new funds for money markets, which are the key challenge for the government in the development of its monetary and fiscal policy.

3.2.2 Private Pension System in General

The Turkish private pension law was drafted in 1999, published in Official Gazette on May 2001, approved by parliament in October 2001 and the legal and institutional framework of the Turkish Private Pension System was completed in 2002. In addition, related tax laws have been revised under law number 4697, so as to comply with the Individual Pension Savings and Investment Law and new circulars and decrees have been issued for the aim of regulating the body of private pension system³⁹. The system practically started on 27 October 2003, when the companies started to collect contributions from the participants. Currently there are 11 private pension companies operation private pension plans. The allocation of participants and fund values between the pension companies, the age of profile of participants, the ratio of individual and group pension contracts and the preferred contribution payment periods can be seen in Appendix 2.

With these mentioned laws and regulations, it is allowed the insurance companies operating in the life branch before April of 2001, and which have the authority to issue new policies, to be transformed into private pension companies if they fulfill the conditions for establishment and for obtaining the operation license.

³⁹ Deloitte Turkey, **Private Pension System in Turkey**, <http://www.deloitte.com.tr>, 2003

The PPS in Turkey is completely voluntary, operated on defined contribution base, fully funded system. It is a supplementary plan to the mandatory PAYG social security plans. Under the PPS, members contributions are invested in individual accounts, and the retirement incomes are dependent on the amounts of contributions and the performance of investment returns. The institutions that administer the system are private pension companies, which do the marketing for the possible consumers, collect contributions and obliged to inform its members. The investment of savings in the accounts is managed by portfolio management companies. The states role is restricted to a regulatory institution in the system.

Although the number of participants is 946,000 at the moment, it is expected to increase to 2,5 million in 10 years time. In Europe, countries comparable to Turkey like Hungary, Greece and Poland, have about 4-5% of GDP invested in private pension funds. Assuming a GDP of \$200 billion, using 5% ratio, it is anticipated that funds of USD 11 billion will be generated by 2010. It must be noted that, the expansion of the system would be likely to be sensitive to the growth in the GDP, inflation expectations and availability of tax incentives.

It is expected that pension funds market will grow slowly at the beginning because of the high rate of young population in Turkey. It is thought that, pension companies will incur losses in the first four to five years, and no significant profits are anticipated until the tenth year. All of the South American (except Chile) and South European countries started to apply pension system, which are similar to Turkeys. So, it is expected that, there will be a similar degree of development.

PPS helps to create big and continuous funds, which are collected from the premiums of the PPS contributors. Since there is an accumulation for long years without re-payment, PPS enable both the private and public sector to get in to long term debt⁴⁰. Private pension funds contribute the development of the capital markets by transferring the individual investments in capital markets. It must be underlined

⁴⁰ Karaaslan, **Private Pension System and Its effects on Investment Sector in Turkey**, p.11

that, there is a strong correlation between the development level and portfolio size. The long-term nature and the size of these funds are the major drivers for the development of the economies.

In most of the developed countries, especially in the OECD members, there is a tendency to the capital market tools as pension and investment funds, in the distribution of the financial instruments. Turkey is also one of these countries but most of the investors in Turkey still prefer to invest in foreign exchange, deposit and stock shares, because of the instability in economy and inflation. Thus, most of the savings do not contribute to the economy. Growing size of the private pension funds helps the Turkish economy to prevent the lack of resources.

3.2.3 Private Pension Investors

3.2.3.1 Participation to the System

All real persons who possess the capacity to exercise civil rights according to Turkish Civil law are eligible to participate in the individual pension system ⁴¹. In order to participate in the system, a private pension contract must be signed between the individual and the pension company. The pension contract serves as the main guide governing the issues between those who are concerned with the pension and basically covers the terms and conditions of leaving the system, retirement terms, payment of contributions, investment in the funds, payments to be made to the participant and other rights and obligations of the participant. The terms and procedures regarding the pension contract are determined by the Undersecretariat of the Treasury (UT) with the consent of Capital Markets Board (CMB). The pension company is obliged to obtain prior approval from the UT for retirement plans that will be set for the first time.

⁴¹ Republic of Turkey, Prime Ministry Undersecretariat of Treasury, The Individual Pension System, <http://www.bireyselemeklilik.gov.tr>, August 2006

3.2.3.2 Rights and Obligations of the Participant

The participants make contribution payments to their individual pension accounts and later obtain pension benefits in line with the terms of the pension contracts. They are completely free to diversify their contributions among more than one fund offered by the pension company and also have the right to change the allocation of his/her savings mostly four times in a year. He/she can also make changes in the retirement plan provided that one year has passed from the last change of the plan. The pension company is obliged to warn the participant to transfer his/her savings to low risk funds at least three years before his/her retirement in order to protect the savings from risk right up to retirement.

The pension company is obliged to invest the contributions of the participant within two working days following their receipt. Otherwise, the pension company is subject to a pay a monthly delay penalty to the participants account, which is equal to twice the return for the last month of the relevant month⁴².

The PPS member also have the right to transfer his/her contributions in their personal accounts to a different pension company providing that one year has passed after the commencement of the initial pension contract. In such a case, the former pension company is required to transfer the pension account along with the necessary documents and data within a maximum period of seven workdays after the request. The new pension company is not permitted to demand entrance fee from the participant. If the company an not fulfill its obligation with regard to the transfer by the end of the seventh workday, a monthly default interest, being not lower than twice the return for the last month of the participants new fund.

The member is allowed to stop contributing to the system at any time before retirement. Provided that the interruption is compliant with the terms of contract, the initial joining date of the participant to the system is considered in the calculation of the period required for retirement. However, the participant may be required to pay

⁴² The Pension Monitoring Center, <http://www.egm.org.tr>, August 2006

the minimum contribution regarding the period of interruption, which is described in the pension contract. During the interruption, the management fee and fund management charge are continued to be deducted, in order for this period to be counted in the assessment of eligibility of retirement ⁴³.

3.2.3.3 Retirement Options

In order to be entitled as retiree, two conditions have to be met: reaching the age of 56 and having been in the pension system for at least 10 years starting from the entrance date to the system. The interruptions do not affect the entitlement provided that the participant pays the minimum contribution for each year or the lump sum to cover the interruption period.

The participants who are entitled as retiree have the right either to receive a certain part or all of the accumulated savings as a lump sum payment, or to receive a salary under the terms of an annuity contract. The participant also can receive a portion of the accumulated savings as a lump sum payment or to receive a salary through an annuity contract. If the amount payable to the entitled participants under the provisions of the pension contract or annuity contract has not been claimed by the entitled parties within 10 years following the date the payment should have been made, these amounts are transferred to the accounts of Central Bank of the Turkish Republic. The entitled parties still have the right to claim the funds credited income by the UT.

Annuity insurance is the regular payments made to the insured or his/her beneficiaries for lifetime or for specified periods according to the contributions made in lump sum or within specified periods, starting immediately or after a certain period of time if the insured is alive.

The participant may leave the system before he/she is eligible for retirement either for mandatory reasons or voluntarily. If the participant dies within the contract

⁴³ Republic of Turkey, <http://www.bireyselemeklilik.gov.tr>

period, the accumulated savings are left to his beneficiaries who have right to withdraw them. If the participant wants to leave the system voluntarily, his/her savings are paid in accordance with the terms of the contract. But the participant has to pay higher tax rates.

3.2.4 Pension Companies

Pension companies are established in accordance with the individual pension law and licensed to operate in the pension branch. The permission is granted by the Deputy Minister in charge of treasury. Pension companies may also operate in life and personal accident branches on condition that they are also licensed to operate in such branches. The pension companies should satisfy the following requirements:

- The company has to be established as a joint stock company
- Operating area is to be restricted with the operations described in the law
- Contributed capital and paid up capital have to be at least 20 million YTL and 10 million YTL respectively and if any, remaining part of paid up capital must be paid in three years with a commitment
- Shares have to be registered and issued all of its shares in return for cash
- Article of association comply with the Private Pension Savings and Investment Systems Law's decree

In addition, their founders shouldn't have shares more than 10% directly or indirectly in brokers, banks, insurance companies and other institutions which are operating in Money and capital markets that are subject to liquidation. They also shouldn't have had their activities permanently or temporarily suspended for a period of one month or more during the last year, completely or with respect to specified fields of activity under relevant regulations⁴⁴.

Besides the requirements above, minimum 51% of shares should belong to legal entities that have sufficient knowledge and experiment. Executives and auditors of

⁴⁴ The Pension Monitoring Center, <http://www.egm.org.tr>

founder legal entities should fulfill the requirements concerning the founders of private pension insurance company except the article explaining the financial capability and reputation.

The legislation does not impose any restrictions on foreign shareholding in a pension fund company or on the establishment of a pension company by foreigners.

The company who obtains permission for establishment should get operating license from Undersecretariat of Treasury to start its operation. To obtain operating license, company should have to prepare its planning that is sufficient to serve at least 100,000 participants for 2 years, business plan and the regulation anticipated in system design should be prepared and consistency between the place of work, technical and administrative infrastructure and human resources should be provided.

3.2.4.1 Responsibles of the Company

The pension companies are responsible for investing the contributions collected under the pension contract in the fund, and updating the individual pension accounts and other relevant records⁴⁵. Additionally it is the pension company's responsibility to ensure that the portfolio management company manages the portfolio in line with the companies general fund management strategy and decisions. Companies are responsible to⁴⁶:

- Obtain service from banks under the rudiments that designated by Undersecretariat relating to private pension contracts
- Provide the navigate the collected contributions to funds and to realize private pension and other related accounts updated in the frame of private pension contracts
- Provide portfolio managers management consistent with firms general fund management strategy and decisions

⁴⁵ Deloitte Turkey, **Private Pension System in Turkey**

⁴⁶ The Capital Markets Board of Turkey, <http://www.spk.gov.tr>, August 2006

- Provide reaching personal daily information of private pension accounts of contributors
- Provide regular information to contributors about assets which belong to funds, funds performance, financial statement, etc.
- Provide preparing information, documents and statements which are asked by Undersecretariat of Treasury and Capital Markets Board and private pension system recording in the frame of regulations
- Provide internal auditing of fund and private pension company upon the regulations of Undersecretariat of Treasury and Capital Markets Board
- Take necessary measures about records and accounts keeping for private pension accounts and activities sustainability and funds assets protection

The pension companies may utilize individual pension intermediaries for the presentation, marketing, and sale of pension plans and for other activities related to those. However the individual pension intermediaries should be registered with the registry for individual pension intermediaries should be registered with the Registry for Individual Pension Intermediaries that is kept by the UT.

Pension funds are defined by the Individual Pension law as an asset constituted for the purposes of management of the fund by means of diversification of the risk and fiduciary ownership by the contributions received within the framework of the pension fund contract and monitored in the individual pension accounts on behalf of the participants.

3.2.5 Management of Private Pension Funds

The pension company is required to establish at least three pension mutual funds with different portfolio compositions in which the participants savings will be invested. These funds don't have a legal entity and their assets are separate from that of the pension company. Assets of the pension mutual funds can not be used for any purpose other than the activities related with individual pension operations⁴⁷.

⁴⁷ Republic of Turkey, <http://www.bireyselemeklilik.gov.tr>

The limitations on fund portfolio are determined under the draft regulation published by the CMB. The CMB has determined a number of limitations on certain assets to be included in the fund. The funds may consists of cash, time deposits, shares, bills and bond, repo and reverse repo, future and options, mutual fund participation funds, Money market transactions and other instruments approved by the CMB⁴⁸.

In order establish a pension fund, the company must apply to the CMB within a maximum of six months after the granting of the permission to establish the pension investment fund along with the documents specified by the CMB with the request for registration of the participation documents.

The fund portfolio is managed by portfolio managers appointed by the pension company. The pension company can make more than one portfolio management agreement for the management of the fund portfolio. The portfolio managers are required to manage the portfolio in accordance with the provisions of the Individual Pension Law, the Capital Markets law, the pension agreement, the internal statue and relevant regulations. The manager is obliged to protect the interest of each fund of which he is in charge and display the necessary diligence and prudence required in the fund management. However, no written or oral guarantee can be provided for a pre-determined amount of return from the fund portfolio⁴⁹.

The assets of the fund are kept in custody in Takasbank. The custodian fallows the participant shares representing the savings owned by the participants on a participant basis. The custodian is responsible for checking that the fund portfolio is managed under the rules that are set up by the CMB and the portfolio and the unit value is determined in accordance with the valuation principles. Furthermore, it is

⁴⁸ Y. Beyazıt Önal, **Türkiye’de Bireysel Özel Emeklilik Sistemi**, Çukurova Üniversitesi, Adana 2001

⁴⁹ The Capital Markets Board of Turkey, <http://www.spk.gov.tr>

responsible for examining the calculation of the number of units declared by the pension company and payments and transfers to be made from the funds⁵⁰.

Fees and charges are deducted from the contributions or the fund assets under many names:

- Entrance Fee: This fee is paid by the participant during entry o the system and for the opening of a new individual pension account. The pension company collects the entrance fee separately from the contributions. Although the payment may either be made as a lump sum payment or in installments, the participants are required to pay the entrance fee installments within maximum time limit of one year.
- Management Fee: Management fee may also be deducted over the participants. Contributions, fund assets, or fund revenues for the operational costs of the services rendered by the Pension Company. This fee can not exceed 8% of the contributions.
- Fund Management Charge: The pension company may either deduct this charge over the participants. This charge may be deducted from the net assets of the fund on a daily basis in return for the management of the fund. This charge can not exceed 0,01% of the total assets of the fund.

The UT, with the consent of CMB, determines the amount and the ratio of the entrance fees, management fees and fund management charges. The law authorizes the UT to determine the limits and procedural conditions as regards the entrance fees, management and fund operating costs with the approval of CMB.

3.2.6 Regulation of the Private Pension System

There are basically 4 bodies are specified in the Individual Pension Law fro audit function:

Undersecretariat of treasury, CMB, Internal Audit and Independent Audit.

⁵⁰ The Pension Monitoring Center, <http://www.egm.org.tr>

The pension operations and the insurance activities of the Pension Company performed according to the Individual Pension Law are subjected to the audit of the UT. The UT performs its audits at least once a year.

The accounts of the Pension Company, transactions relating to pension investment funds, portfolio managers and custodians are subject to be audited by the CMB. The CMB performs its audits at least once a year.

Further to the audit of Undersecretariat an internal control is provided by the company as per the terms and procedures specified by the UT and the internal audit of the fund per the terms and procedures specified by the CMB.

The financial statements of the pension company are also subject to the audit of an independent auditing company at least once a year. The accounts and operations of the funds are subject to independent audit on a quarterly basis.

Based on the experiences of pension schemes world wide, participation to the pension system and the size of the pension funds is highly correlated to the level of tax incentives. Tax incentives are very important to allure the individuals to participate in the system. Taxation policies concerning Individual Pensions are applied during the retirement period in three steps:

- Collection of the participants contributions
- Investment of the contributions (pension Investment Funds)
- Retirement Payments

Contributions to the individual pensions that are within the specified limits are deductible from the income tax base and certain tax incentives are provided for the retirement payments made by the individual pension companies. No tax is imposed on the income of the pension funds.

The contributions paid by an employee to the pension fund system on behalf of his/herself, his/her children under the age of 18 are deductible in the determination of the taxable wage income in cases where

- The retirement agreement is concluded with a retirement company which is situated in Turkey and whose headquarters are in Turkey
- The contributions that will be taken as deduction do not exceed 10% of the wage income earned in the related month
- The cumulative deduction used up by the employee does not exceed the amount of the annual minimum wage

Employer contributions for the pension schemes are subject to the same limitations as those of the employee, tax deductible employer contributions can not exceed 10% of the employees gross income or the annual gross minimum wage. If the amount of contribution for an employee exceeds 10% of gross salary, the employer should consider remaining amount as fringe benefit and it should be grossed up for the payroll. For determination of taxable income for those declaring annual income, taxpayers may deduct the contributions paid to the individual pension system for themselves, their spouses, or minor children from the income they declare in their annual statement. However, the Premium payment shouldn't exceed 10% of the income and the annual amount of the minimum legal wage and the spouse and minor children should not declare their income individually.

In accordance with the Corporate Tax Law, earnings of the pension funds are excluded from the corporate tax and corporate income tax⁵¹. These kinds of exemptions are not applicable for insurance companies retirement funds and aid funds⁵². Additionally, the amendment to the Stamp Tax Law relieves individual pension companies and individual pension investment funds of the obligation to pay Stamp Duty on documents prepared during all activities, including the establishment procedures of the mentioned companies and funds.

⁵¹ Republic of Turkey, <http://www.bireyselemeklilik.gov.tr>

⁵² Alp, *An Overview of Private Pension Systems With a Comparative Analysis For Turkey*, p. 75

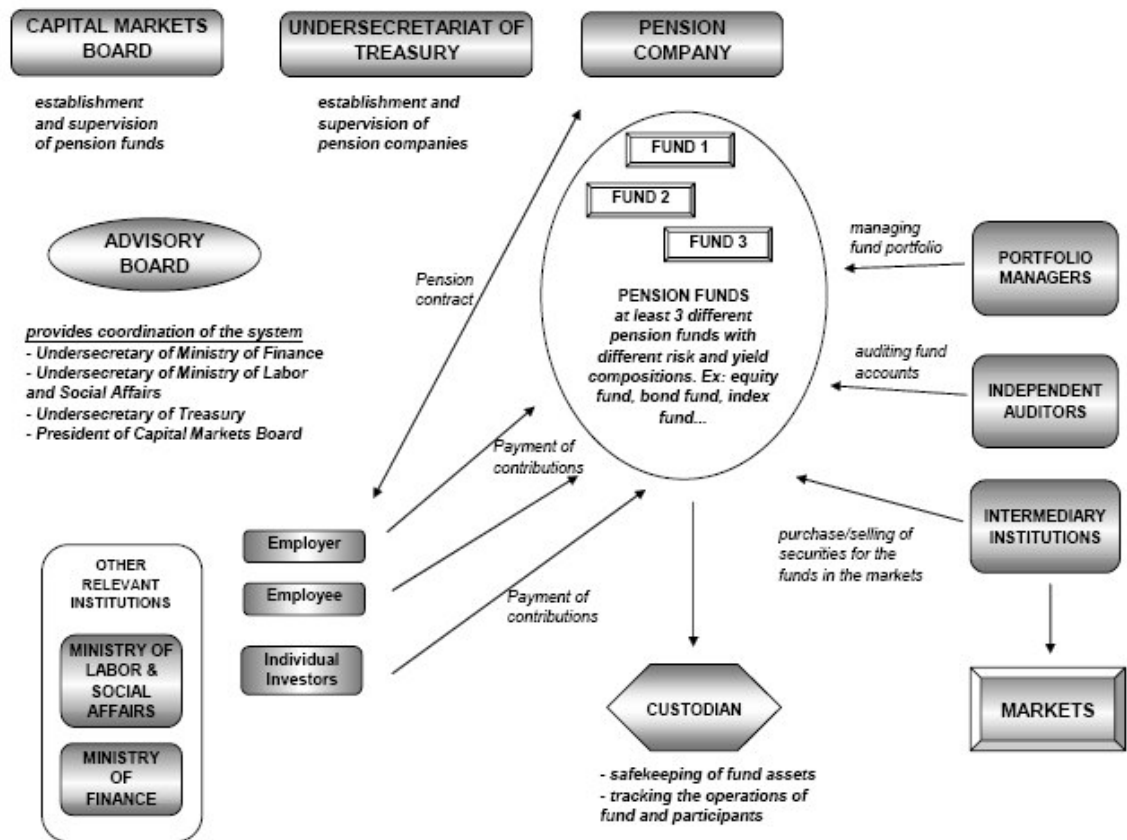


Figure 7: Individual Pension System in Turkey

Source: Deloitte Turkey, **Private Pension System in Turkey**, <http://www.deloitte.com.tr>, 2003, p.16

As mentioned above, the participants have the right to receive their retirement savings as a lump sum or in the form of an annuity. The retirement savings are exempt from tax if they are taken in the form of an annuity with a single Premium. The lump sum benefits are subject to withholding tax to be deducted by the pension company. The taxation rules of the retirement benefits for different conditions are summarized below⁵³:

⁵³ Deloitte Turkey, **Private Pension System in Turkey**

- Payments made to participants who left the system, paying premiums, dues or contributions for a period of less than ten years are subject to withholding tax at a rate of 15%.
- Payments made to participants who left the system without acquiring the right of being retired from the pension fund, even though they have made contributions for a period of ten years are subject to withholding tax at a rate of 10%.
- Payments made to participants who have been entitled to be retired from the pension fund, or who have left the pension fund system for mandatory reasons such as death, disability or liquidation are subject to withholding tax at a rate of 5%, after an exemption of 25% is applied on the savings.
- Payments made to participants who get annuities from an annuity contract with a single premium are fully exempt from tax.

4 ANALYSIS OF THE CONSUMER ATTITUDES TOWARD PRIVATE PENSION SYSTEM

4.1 Research Objectives

We aim to inquire the determinative attitudes of the individuals to PPS characteristics that differ significantly among the groups classified with respect to buying behaviour to PPS. We also aim to inquire the socio-demographic characteristics of the individuals which differ significantly among these different groups.

The problems of the present social security system conducting by the government have been always discussed over the years. Social security deficits have been the first among the other deficits for a long time, year by year more number of employees have been obliged to finance more number of pensioner while the contributions of employees increase and the incomes of the pensioners decrease. These are all the main reasons of initiating the private pension system in Turkey, the system we have been witnessing mainly in the developed countries.

The main reason of unclear attitudes of the consumers to this newly established pension system can be shown as lack of information, related to inadequate informative publishing and research. Another consequence of this fact is that, the providers and marketers of this system couldn't find any occasion and chance to find out the attitudes and thoughts of the both the present and potential members.

Absence of an effective search that aims to inform both the providers and the consumers about such a system that boosts the economic growth and financial development must be taken as a serious failure. There have to be more researchs about PPS in Turkey that allows extracting and then interpreting the data taken from, in order to picture and analyze the current situation.

4.2 Content and Constraints of the Study

Because of the restricted time and financial affects, we have decided to make this questionnaire in one city, Istanbul. Because of its population, an important part of the members of PPS is in this city, therefore it is the sole city that has the biggest potential for reflecting the PPS situation of the whole country. Nevertheless we can not say that city of Istanbul completely represents the country by itself. But considering that this is a pilot research and one of its goals is to serve the upcoming researchers as an alternative source, we primarily aim to ensure the **sample mass** to represent the **main mass**. We used non-probability sampling method and always tried to choose potential PPS costumers of multifarious socio-demographic scales.

$$n = \pi (1 - \pi) / (e / z)^2 = (0,50 * 0,50) / (0,05 / 1,96)^2 = 384$$

Number of the units is found as 384 with the calculation above. Generally the variances and standard deviations of the main mass can not be known, so it must be guessed. We have chosen the π as 0,5, which is the value that maximize the value of $\pi (1 - \pi)$. At the confidence level of % 95, the value of Z is obtained as 1,96.

In practice, our sample mass is restricted with 393 units, that answered all of the questions on the survey. We focused on these 393 units that are supposed to have adequate level of information about every characteristic of PPS and made all of our evaluations over them.

In order to get the answers as soon as possible and get high ratio of answered questions, we have accumulate the data with the method of face to face survey.

As sampling unit, we aimed to choose current and potential PPS costumers and applied our survey to the people over 18. We also tried to ensure they have basal financial capability to be a member of PPS.

It is not open to dispute that many dimensions we inquire may be seen more important than the others by many people. Different potential and current members of PPS have different views about which of these dimensions are more important than the others. But considering that individuals are not so familiar with these technical aspects of PPS and it is already difficult to want people to know characteristics of PPS deeply, we did not ask them to weight the questions on the questionnaire. So we assume that, every characteristic of PPS we asked on the questionnaire has same weights of importance.

4.3 Preliminary Studies of the Research

Primarily we inquired and collected appropriate information from secondary sources for the literature section of the thesis. Literature of this thesis consists of two parts: first, general aspect of consumer behavior and attitudes, second, history and current situation of PPS in the Turkey and also in the world. When we need, we also consulted the primary sources of information. We especially utilized the salespersons in order to select which dimensions are worth to survey, because they are the ones who contact the consumers face to face and know their thoughts and intends best⁵⁴.

In order to obtain the positive and negative behavior of the consumers, we have selected eighteen dimensions of PPS :

- 1) PPS forces the mentality of saving, so it boosts the long distance savings level of society.
- 2) PPS obliged its members to save from their earnings periodically, some people do not want to be forced to do it
- 3) Charges are executed under many names, entrance fee, fund management charge etc.
- 4) There is an opinion indicates that, private enterprises shouldn't provide the social security, this must be the business of the government.

⁵⁴ Fatma Oya Demir, **Sigorta İşletmesi ve Pazarlaması**, Masters Thesis, İstanbul University, İstanbul, 1996, p. 36

- 5) Parameters of the PPS plans are defined in advance and can not be changed without a decision of the contributors. In contrast, present PAYG system is very sensitive to the political changes. (Decrease and increase of retirement age and premiums e.g.)
- 6) Contributors of the PPS have a role to determine the amount and payment conditions of his/her contributions, in contrast with compulsory pension plans.
- 7) PPS offers additional economical advantages in the retirements to the individuals who are not supposed to be satisfied just by one economic source in their retirement
- 8) Funds that financed by the contributions of PPS are important sources that fund the financial development and deepen the financial market of the country.
- 9) In a country that has a high volatility like Turkey, participating in long term financial project may be seen as a risky action
- 10) In order to entitle as a retiree of PPS, contributor has to be in the system for 10 years and till 56 years-old age.
- 11) Savings of PPS are invested by professional investment specialists.
- 12) When the member entitles as retiree, PPS offers different kinds of alternatives in payment of the retirement accumulations instead of definite and unchangeable payment rules of the compulsory pension plans.
- 13) PPS provides tax advantages for its costumers. Contributions of the members can be deducted from the amount subjected to taxing.
- 14) PPS doesn't provide any health assurance like the present PAYG systems operated by government
- 15) Participators of PPS can easily monitor and be informed about his/her savings which operated by professional investment specialists. Pension company must inform the contributor periodically.
- 16) Some people has such concerns that, there is a risk for private providers of PPS to use the pension savings and informations of their costumers for their own benefits
- 17) Savings of PPS are under the guaranty of government, that means even the PPS company goes bankrupt, there will be no negative affect to savings of

system. He/she can easily transfer the savings to a different PPS company without any loss.

18) Ratio of tax discounts can be decrease by government, obtaining the ratio of this advantage is under the initiative of the government.

The items of the questionnaire are constructed over these eighteen PPS characteristics. The costumers are wanted to rank his/her agreement or disagreement by marking the scales. These five scales are named strongly agree, agree, neither agreement nor disagreement, disagree and strongly disagree. There is also an opportunity for the respondents to select “no idea” if he/she has no exact information about the fact mentioned in the question. The buying behavior and socio-demographic characteristics of the individuals are also asked. A copy of questionnaire is provided in Appendix 1.

4.4 Variables and Model of the Research

Attitudes of the consumers to PPS are the criterion variables, social and demographic properties of the current and potential PPS costumers are estimation variables of the research.

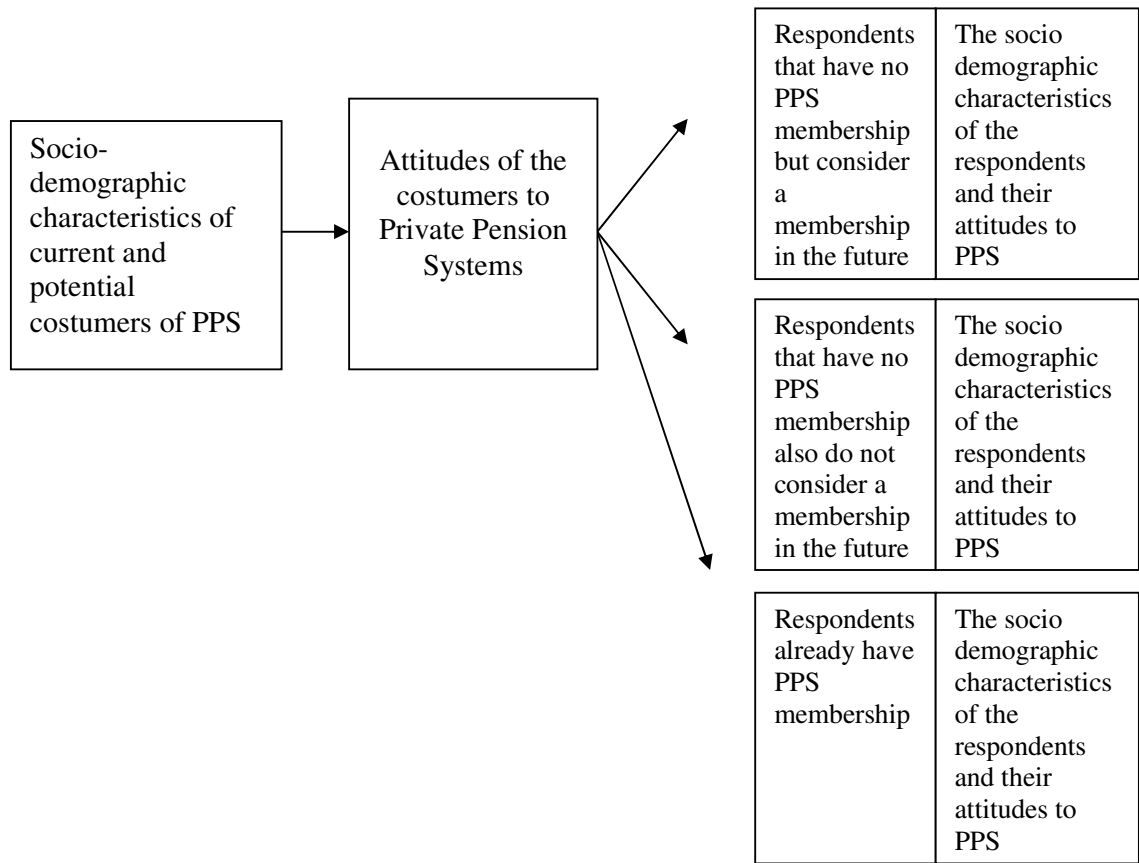


Figure 8 : Model of the Research

4.5 Frequency Charts

The questionnaire is conducted among 542 respondents. Because PPS is newly established in Turkey and most of the public has no specific opinion about especially technical sides of it, we also received the answer of “no idea”. Overall respondents that answered all of the questions without selecting “no idea” is 393. We accept that these 393 respondents have an idea and adequate information about every aspect of private pension systems. So we made all of our analysis through these 393 respondents.

Table 2 shows the distribution of 393 respondents, which answered all of the questions on the questionnaire. We will construct our hypothesis and analysis

over these 393 respondents, which are assumed to have information about every characteristic of PPS.

Table 2 : Distribution of the Respondents With Respect to Buying Behaviour to PPS

	Number of Respondents	%
Considering a membership in the future	98	24,9%
Not considering a membership in the future	166	42,3%
Already a member of PPS	129	32,8%
Total	393	100,0%

32,8% of 393 respondents are member of PPS currently, 24,9% of the respondents think they would be participate in PPS in the future, although they have not a membership at the moment. On the other hand, 42,3% of the respondents do not consider any PPS membership in the future.

Table 3: Socio-demographic Characteristics of the Respondents

Age Frequency		Education	
18-25 : 117	29,8%	Primary School : 33	8,4%
26-45 : 197	50,1%	High School : 184	46,8%
Elder than 45 : 79	20,1%	University : 176	44,8%
Gender		Job	
Male : 227	57,8%	Housewife or Unemployed : 29	7,4%
Female : 166	42,2%	Worker : 161	41,1%
		White-Collar : 141	36,0%
		Self Employed : 61	15,6%
Marital Status		Income	
Married : 190	48,3%	Up to 700 YTL : 26	6,6%
Single : 203	51,7%	700-1400 YTL : 119	30,3%
		1400-2800 YTL : 132	33,6%
		2800-5000 YTL : 82	20,9%
		More than 5000 YTL : 34	8,7%

Among the 393 respondents, number of males and females, additionally number of married respondents and single respondents are nearly same. Approximately half of the respondents are between the ages of 26 and 45. According to a research, until the June of 2005, %74 of the members of PPS is between these two ages⁵⁵. Additionally, approximately half of the respondents have a graduate of university.

Biggest part of the respondents has monthly income of 1400-2800 YTL by 33,6%. 700-1400 YTL of monthly income is second by 30,3%. So, this research is mostly conducted among the respondents from the middle segment of income.

We tried to provide homogeneity among the respondents and tried to apply the questionnaire to the respondents from different segments of society. Looking to these frequencies of socio-demographic characteristics, we did manage to provide this substantially.

⁵⁵ Ali Haydar Elveren, **Bireysel Emeklilik Sisteminin Geliştirilmesi : Sonuçlar, Fırsatlar ve Beklentiler**, Economic Research Foundation

Table 4 : Frequency of the Respondents Answers

Question	Strongly Disagree	Disagree	Neither Agreement nor Disagreement	Agree	Strongly Disagree	Mean
1. question : Effect of PPS to domestic saving	10	47	114	114	108	3,66
2. question : Obligation to save periodically	53	96	88	91	65	3,04
3. question : Charges and fees of the system	164	108	76	31	14	2,04
4. question : The opinion indicates that private enterprises shouldn't provide the social security	96	92	80	72	53	2,73
5. question : Assurances of PPS that prevents from any changes of the parameters from external interferences	30	59	82	116	106	3,53
6. question : Authority of PPS members in selecting the periods and amounts of the premiums	9	35	76	122	151	3,94
7. question : Being an alternative economic source in retirement in addition to compulsory pension plans	19	62	92	109	111	3,58
8. question : Affects of PPS funds to financial development of the country	7	46	99	146	95	3,70
9. question : Risk of participating in such a long term financial project as PPS	66	124	120	60	23	2,61
10. question : Obligation of 56 years-old age and remaining 10 years in the system	66	105	106	69	47	2,81
11. question : Savings of PPS members are managed by professional specialists	11	65	92	118	107	3,62
12. question : Flexibility of the PPS that allows the contributors to choice from different payment alternatives of retirement accumulations	24	61	96	111	101	3,51
13. question : Tax incentives of PPS	22	57	95	128	91	3,53
14. question : Absence of any kind of insurance in PPS	118	125	84	45	21	2,30
15. question : Informative characteristic of PPS	5	27	66	110	185	4,12
16. question : Risk of private pension companies to abuse the savings and informations of contributors	69	120	101	77	26	2,67
17. question : Safety of the PPS funds	4	36	73	119	161	4,01
18. question : The initiative of the government to decrease the tax discounts	68	146	104	60	14	2,50

Table 5 : Frequency of the Answers Percentages

Question	Strongly Disagree (%)	Disagree (%)	Neither Agreement nor Disagreement (%)	Agree (%)	Strongly Agree (%)	Mean
1. question : Effect of PPS to domestic saving	2,5	12,0	29,0	29,0	27,5	3,66
2. question : Obligation to save periodically	13,5	24,4	22,4	23,2	16,5	3,04
3. question : Charges and fees of the system	41,7	27,5	19,3	7,9	3,6	2,04
4. question : The opinion indicates that private enterprises shouldn't provide the social security	24,4	23,4	20,4	18,3	13,5	2,73
5. question : Assurances of PPS that prevents from any changes of the parameters from external interferences	7,6	15,0	20,9	29,5	27,0	3,53
6. question : Authority of PPS members in selecting the periods and amounts of the premiums	2,3	8,9	19,3	31,0	38,4	3,94
7. question : Being an alternative economic source in retirement in addition to compulsory pension plans	4,8	15,8	23,4	27,7	28,2	3,58
8. question : Affects of PPS funds to financial development of the country	1,8	11,7	25,2	37,2	24,2	3,70
9. question : Risk of participating in such a long term financial project as PPS	16,8	31,6	30,5	15,3	5,9	2,61
10. question : Obligation of 56 years-old age and remaining 10 years in the system	16,8	26,7	27,0	17,6	12,0	2,81
11. question : Savings of PPS members are managed by professional specialists	2,8	16,5	23,4	30,0	27,2	3,62
12. question : Flexibility of the PPS that allows the contributors to choice from different payment alternatives of retirement accumulations	6,1	15,5	24,4	28,2	25,7	3,51
13. question : Tax incentives of PPS	5,6	14,5	24,2	32,6	23,2	3,53
14. question : Absence of any kind of insurance in PPS	30,0	31,8	21,4	11,5	5,3	2,30
15. question : Informative characteristic of PPS	1,3	6,9	16,8	28	47,1	4,12
16. question : Risk of private pension companies to abuse the savings and informations of contributors	17,6	30,5	25,7	19,6	6,6	2,67
17. question : Safety of the PPS funds	1,0	9,2	18,6	30,3	41,0	4,01
18. question : The initiative of the government to decrease the tax discounts	17,3	37,2	26,5	15,3	3,6	2,50

Table 4 shows the frequency of the answers of eighteen questions on the questionnaire for 393 respondents. On the right side of the table, there is the mean value of each question. This mean value is calculated by labeling the answers 1 to 5. 1 mean strongly disagree, 2 means disagree, 3 means neither agreement nor disagreement, 4 means agree and 5 means strongly agree.

Table 5 shows the percentages of each answer of the respondents. The questions of 15, 17, 6 have the biggest means.

Question 15 is about the right of the members of PPS that allows them to be informed about their funds every time they want. The high mean shows the consumers strongly want to be informed about their savings of social security systems. Their attitude to this dimension of PPS is very positive.

17. question is about the safety of the PPS funds. With the frequencies of the question 17, it looks like consumers strongly admire the assurance of the government over the savings of the members. Safety of the savings of contributors is independent from the financial status of the pension company. Even the private pension company confronts a financial collapse, member can easily take his/her savings to another company without any lost.

The high mean value of 6. question shows that, the individuals want to define the periods and the amounts of their pension premiums. This is not so possible in compulsory PAYG plans but in PPS, the member has the right to choose among period alternatives and also to select the amounts of premiums.

3., 14. and 18. questions has smallest mean values. 3. question is asked to inquire the attitudes of the respondents to the charges of PPS. Question 3 has the lowest mean value with 2,04. This low mean value shows that, consumers see the charges applied under various names as the biggest disadvantage of PPS. As described in the literature section, there are many fees and charges that can be deducted from the contributions or the fund assets under the names of entrance fee,

management fee and fund management charge. Regulations and restrictions of applying these charges and fees are stated in the pension contract.

Mean value of the question 14 is one of the lowest with 2,30. It seems that, consumers expect the PPS to provide health assurance like the current PAYG systems. But the individuals can not benefit from any kind of insurance applications before entitling as retiree. In fact, providing such kind of health assurances haven't been a claim of PPS, as it hasn't established as a system of assurance but a system of saving. Tough, absence of health assurance is considered as a negative feature of PPS by the consumers.

Question 18, which points the possibility of decrease in the ratio of tax discounts, has one of the lowest means with 2,50. This result shows that, although this feature of PPS is not prominent and strongly stressed, most of the individuals think, the ratio of the tax advantages of PPS can be lowered. As described in the literature section, contributions of the members can be deducted from the amount subjected to taxing. This amount shouldn't exceed 10% of gross salary or annual minimum legal gross wage. This restrictive ratio can be increased to 20% by the cabinet, while it can also be decreased. Considering that this ratio is 5% both for life insurances and PPS in most of the countries that have put the PPS in practice for long years, there is not a guarantee for the government to set this percentage down to 5%. It must be also considered that, this percentage is already 5% in life insurances at the moment. Nevertheless, it would be a surprise for the government to set this ratio down for these first years of PPS.

4.6 Hypothesis of Research

Respondents are classified into three groups as shown in Table 2. In order to inquire whether these groups have different attitudes to the characteristics of PPS and different socio-demographic characteristics, (H_{A1}) and (H_{A2}) hypothesis are constructed.

H_{A1}: Different groups of individuals classified with respect to buying behaviour toward PPS have different attitudes to PPS characteristics

H_{A2}: Different groups of individuals classified with respect to buying behaviour toward PPS have different socio-demographic characteristics

4.6.1 Findings of the Study

According to the questionnaire dates, we can classify the respondents into three groups with respect to their buying behaviour toward PPS, as in Table 2. 1.group consists of 98 respondents that have no membership of PPS but considering a membership in the future. 2.group contains 166 respondents that have no membership of PPS and do not consider any membership in the future. 3.group consists of 129 respondents that already have membership of PPS.

Table 6 : Anova Variance Analyses

		Sum of Squares	df	Mean Square	F	Sig.
1. question : Effect of PPS to domestic saving	Between Groups	46,766	2	23,383	22,230	,000
	Within Groups	410,232	390	1,052		
	Total	456,997	392			
2. question : Obligation to save periodically	Between Groups	227,952	2	113,976	103,34 ₃	,000
	Within Groups	430,129	390	1,103		
	Total	658,081	392			
3. question : Charges and fees of the system	Between Groups	4,283	2	2,142	1,722	,180
	Within Groups	485,065	390	1,244		
	Total	489,349	392			
4. question : The opinion indicates that private enterprises shouldn't provide the social security	Between Groups	,428	2	,214	,114	,892
	Within Groups	730,982	390	1,874		
	Total	731,410	392			
5. question : Assurances of PPS that prevents from any changes of the parameters from external interferences	Between Groups	,069	2	,034	,022	,978
	Within Groups	607,784	390	1,558		
	Total	607,852	392			
6. question : Authority of PPS members in selecting the periods and amounts of the premiums	Between Groups	,504	2	,252	,220	,803
	Within Groups	446,265	390	1,144		
	Total	446,768	392			

7. question : Being an alternative economic source in retirement in addition to compulsory pension plans	Between Groups	113,349	2	56,675	50,021	,000
	Within Groups	441,872	390	1,133		
	Total	555,221	392			
8. question : Affects of PPS funds to financial development of the country	Between Groups	27,421	2	13,710	14,118	,000
	Within Groups	378,747	390	,971		
	Total	406,168	392			
9. question : Risk of participating in such a long term financial project as PPS	Between Groups	15,908	2	7,954	6,645	,001
	Within Groups	466,840	390	1,197		
	Total	482,748	392			
10. question : Obligation of 56 years-old age and remaining 10 years in the system	Between Groups	10,955	2	5,478	3,554	,030
	Within Groups	601,111	390	1,541		
	Total	612,066	392			
11. question : Savings of PPS members are managed by professional specialists	Between Groups	12,395	2	6,198	4,934	,008
	Within Groups	489,869	390	1,256		
	Total	502,265	392			
12. question : Flexibility of the PPS that allows the contributors to choice from different payment alternatives of retirement accumulations	Between Groups	2,015	2	1,008	,697	,499
	Within Groups	564,091	390	1,446		
	Total	566,107	392			
13. question : Tax incentives of PPS	Between Groups	90,609	2	45,305	40,595	,000
	Within Groups	435,243	390	1,116		
	Total	525,852	392			
14. question : Absence of any kind of insurance in PPS	Between Groups	40,387	2	20,193	15,923	,000
	Within Groups	494,580	390	1,268		
	Total	534,967	392			
15. question : Informative characteristic of PPS	Between Groups	10,259	2	5,130	5,164	,006
	Within Groups	387,379	390	,993		
	Total	397,639	392			
16. question : Risk of private pension companies to abuse the savings	Between Groups	6,095	2	3,048	2,249	,107
	Within Groups	528,561	390	1,355		
	Total	534,656	392			
17. question : Safety of the PPS funds	Between Groups	17,184	2	8,592	8,445	,000
	Within Groups	396,776	390	1,017		
	Total	413,959	392			
18. question : The initiative of the government to decrease the tax discounts	Between Groups	,434	2	,217	,193	,825
	Within Groups	437,555	389	1,125		
	Total	437,990	391			

Looking to Table 6, for 11 questions, calculated F values are above the table value, at the stated degree of freedom and at 0,05 confidence level. The three groups differ from each other with respect to their attitudes to PPS characteristics asked with these 11 questions. So H_{A1} hypothesis is accepted.

Table 7: Means of the Significant Questions and Socio-demographic Characteristics

	Considering a Membership in the Future	Not Considering a membership in the future	Already a member of PPS	Total Mean
1. question : Effect of PPS to domestic saving	3,57	3,35	4,14	3,66
2. question : Obligation to save periodically	2,84	2,34	4,10	3,04
7. question : Being an alternative economic source in retirement in addition to compulsory pension plans	3,66	3,01	4,26	3,58
8. question : Affects of PPS funds to financial development of the country	3,46	3,54	4,07	3,70
9. question : Risk of participating in such a long term financial project as PPS	2,61	2,41	2,88	2,61
10. question : Obligation of 56 years-old age and remaining 10 years in the system	2,86	2,62	3,00	2,81
11. question : Savings of PPS members are managed by professional specialists	3,46	3,51	3,87	3,62
13. question : Tax incentives of PPS	3,32	3,12	4,20	3,53
14. question : Absence of any kind of insurance in PPS	1,94	2,16	2,74	2,30
15. question : Informative characteristic of PPS	4,09	3,97	4,34	4,12
17. question : Safety of the PPS funds	3,93	3,82	4,30	4,01

Table 7 shows the means of the questions that play significant roles in the classification of the respondents. The PPS dimensions asked in 1., 2., 7., 8., 9., 10., 11., 13., 14., 15., and 17. questions are determinative variables that define the three groups of respondents.

In the Appendix 4, the significant differences of the attitudes toward the determinative PPS characteristics between three groups are shown.

Table 8: Distribution of the Socio-demographic Characteristics of Respondents

Age	Considering a Membership in the Future	Not Considering a Membership in the Future	Already a member of PPS	X²	Significance
18-25	49 (50,0%)	44 (26,5%)	24 (18,6%)	39,315	,000
26-45	43 (43,9%)	75 (45,2%)	79 (61,2%)		
Elder than 45	6 (6,1%)	47 (28,3%)	26 (20,2%)		
Gender	Considering a Membership in the Future	Not Considering a Membership in the Future	Already a member of PPS	X²	Significance
Male	54 (55,1%)	96 (57,8%)	77 (59,7%)	0,481	,786
Female	44 (44,9%)	70 (42,2%)	52 (40,3%)		
Marital Status	Considering a Membership in the Future	Not Considering a Membership in the Future	Already a member of PPS	X²	Significance
Married	39 (39,8%)	83 (50,0%)	68 (52,7%)	4,036	,133
Single	59 (60,2%)	83 (50,0%)	61 (47,3%)		
Education	Considering a Membership in the Future	Not Considering a Membership in the Future	Already a member of PPS	X²	Significance
Primary School	7 (7,1%)	22 (13,3%)	4 (3,1%)	49,433	,000
High School	50 (51,0%)	97 (58,4%)	37 (28,7%)		
University	41 (41,8%)	47 (28,3%)	88 (68,2%)		
Job	Considering a Membership in the Future	Not Considering a Membership in the Future	Already a member of PPS	X²	Significance
Housewife or Unemployed	5 (5,1%)	14 (8,4%)	10 (7,8%)	7,121	,310
Worker	46 (46,9%)	58 (34,9%)	57 (44,5%)		
White-Collar	30 (30,6%)	70 (42,2%)	41 (32,0%)		
Self Employed	17 (17,3%)	24 (14,5%)	20 (15,6%)		
Income	Considering a Membership in the Future	Not Considering a Membership in the Future	Already a member of PPS	X²	Significance
Up to 700 YTL	4 (4,1%)	20 (12,0%)	2 (1,6%)	53,311	,000
70-1400 YTL	30 (30,6%)	71 (42,8%)	18 (14,0%)		
1400-2800 YTL	33 (33,7%)	45 (27,1%)	54 (41,9%)		
2800-5000 YTL	23 (23,5%)	21 (12,7%)	38 (29,5%)		
More than 5000 YTL	8 (8,2%)	9 (5,4%)	17 (13,2%)		

We use chi-square analyses with the help of SPSS to find out which socio-demographic characteristics of respondents differ significantly among three groups. According to Table 8, in respect of 5% confidence level, the three groups differ from each other with respect to their ages, education levels and incomes. In other words, age, education level and income level of the respondents are determinative variables that define the three groups of respondents. So H_{A2} hypothesis is accepted

4.6.1.1 First Group: Respondents Consider PPS Membership in the Future

According to Table 8, the ages of the respondents in the first group are significantly lower than other two groups. That result points that young population has strong willingness to participate in PPS. Promoters of PPS have to consider this relation between the age of individuals and their intention to participate in PPS.

The education and income level of the first group are between the second and third group, significantly below the third group and above the second group.

PPS obliges its members to contribute to the system periodically. Question 2 is asked to find out the attitudes to this obligation of PPS. Post hoc tests show that, for the question two, attitudes of the respondents in the first group is significantly negative, compared with the respondents who have PPS membership. Expecting the consumers to change this negative attitude toward this obligation seems not so possible most of the times. Because this is much more about economic situations and the capabilities of the individuals to afford these contributions for long years, instead of the changeable perceives and opinions about PPS in the consumers mind. Most of the individuals may accept and understand the necessity of this obligation but they couldn't afford these premiums for long years tough.

Individuals which have intention to participate in PPS have more negative attitude than PPS members toward to the dimension of PPS asked in 8. question. This question points the positive affect of the PPS to the economical development of the

country. That result shows that, individuals who are not in PPS have to be informed about the positive affect of PPS to domestic saving and saving mentality of society.

The funds of the system are under the control of professional pension fund investors. The member can restrictedly select the ratio of investment terms his/her contributions will be evaluated, but the actual responsible is the portfolio management company. In fact, this should be regarded as an important advantage of PPS because the contributors can benefit from this investment service without significant charges. This kind of investment also ensures a more effective management of the funds. The respondents which consider a PPS membership in the future look positive to these professional investment specialists. Nevertheless, their attitude to professional investors in PPS is significantly more negative than the third group.

PPS do not provide any kind of insurance service to its contributors. 14. question has been asked to inquire the attitudes of the individuals about this fact. There are many private pension implementations around the world that include insurance services but there is no this kind possibility for PPS in Turkey in the near future. According to the respondents in the first group, this is a big disadvantage for PPS. There is significant difference between the attitudes of first and third groups toward the absence of insurance services in PPS.

According to the Table 7, although the respondents of the first group is satisfied about the safety of the PPS accounts with the mean value of 3,93, the attitudes of the third group toward the safety of PPS accumulations is significantly more positive. PPS members are also more aware of tax incentives compared with the ones who have intention to be PPS member in the future.

4.6.1.2 Second Group: Respondents do not Consider PPS Membership in the Future

According to Table 8, education level of the third group and first group are significantly more than the second group, respondents that have no intention for a membership of PPS in the future. That result reflects the fact that individuals that have positive attitudes toward PPS have higher education levels compared with the individuals that have negative viewpoint to PPS⁵⁶. The higher education levels can be considered as an important indicator of intention for PPS membership. Additionally, the individuals that have no intention to PPS membership have less monthly incomes than the individuals of other two groups.

Looking to Table 7, respondents in the second group do not want to save periodically. Their attitudes to this PPS dimension are more negative than other two groups. It can't be denied that, Turkey is a country that has a high economical volatility. Because of the economic uncertainty, individuals can not be able to estimate their possible economic situations in the future, so they only make their decisions considering the present conditions instead of 10-15 years later. So they don't want an expenditure item oblige them to pay for long years. This is one of the biggest obstacles to take the prevalence of PPS membership to the levels in developed countries, in these existing forms of supplementary instead of compulsory. Nevertheless there is still much to do for the marketers to persuade the consumers who have positive attitude to PPS but reluctant to afford the contributions for long times. They might advise the consumers that, even they stop paying the premiums for a time, they can maintain their membership paying their overall unpaid premiums totally. Policies with lower premiums also can be offered to these kinds of consumers.

Respondents in the second group have the most negative attitude toward the 9. question. This question is about the risks of participating in PPS in a country with high volatility. Because of the long term involvement with a policy, volatility is a big

⁵⁶ Individual Pension Monitoring Center, **Development Report of the Private Pension System, 2004**

risk for PPS consumers⁵⁷. Current regulations of PPS and assurance given by the state look reliable at the moment but in a country that experienced many economic crises in the past and always takes the risks of economic volatility, it is normal for the people to be anxious being in such a long term economical project. In order to ease the concerns of the consumers, marketers should highlight the assurances of the government and remind the individuals about their rights allow them to direct their savings by their own decisions.

The attitudes of the respondents of the second group to the professional investment specialists are also significantly different from PPS members, but they are still positive with the mean of 3,51. Additionally, they find the safety of their savings in PPS quite satisfactory, looking to their mean value for 17. question, on the Table 7. They also consider the absence of insurance services in PPS as a disadvantage as the first group.

4.6.1.3 Third Group: Respondents Already Have PPS Membership

The education and income level of the respondents in the third group is significantly higher than other two groups.

Attitudes of the PPS members to long term saving are much more positive than the second and first groups. The mean of the second question is 4,10 for this group, while it is 2,84 for first group and 2,34 for second group. This is not an unexpected result. Because this obligation is a basic feature of PPS, individuals who prefer to participate in PPS already accept to be obliged to pay to the system periodically.

Looking the Table 7, the difference of the mean value of the third group from the other two groups is prominent for the question 8. This question is about the

⁵⁷ Ayşe Bolcakan, **An Assesment of Life Insurance Marketing in Turkey**, Master Thesis, Boğaziçi University, 1994, p. 20

positive effects of PPS funds to the economic development of the country. Despite the fact that this feature of PPS is much more about the macroeconomic values of the country and there is no direct linkage of this PPS characteristic with the situations of the contributors savings, PPS contributors are concerned with the importance of PPS funds for economical development.

The PPS contributors appreciate positive affect of PPS to domestic saving more strongly than other two groups. PPS urges the individuals to save from their incomes with the compulsory premiums, evaluate these contributions in optimum investment terms and with this way, it contributes to the improvement of saving mentality. There is a significant relationship between the attitudes of respondents to this feature and being a member of PPS.

Looking to Table 7, the attitudes of the PPS participants toward the security of PPS accounts are more positive than two other groups. The assets of the pension funds are deposited in a custody bank that will be approved by the Capital Markets Board. The current custodian bank is Takasbank A.Ş. That means the security of the savings of contributors is independent from the fiscal situations of the of private pension companies. Operator of private pension system in Turkey is not an official institution nor the government, but private enterprising, and this may cause security problem on economic base according to many of the consumers. Although they are the private companies which currently operates the system, government audits these companies very tightly and ensures the security of the pension funds, and this is an important advantage that helps these kinds of consumers to prefer the PPS membership. It is important for the marketers to tell about this advantage to the public more, in order to stress one of the biggest advantages of PPS and make the membership more common.

Although PPS in Turkey has no claim to provide any kind of insurance to its members, it can be seen that the attitudes of the consumers are negative.. The results of the post hoc tests show that, this negative attitude is less strong for the third group.

15. question is about the desire of the participants of social security to be informed about their savings. It is clearly stated at the laws that, the pension companies are responsible to provide reaching personal daily information of private pension accounts of contributors and to provide regular information to contributors about assets which belong to funds, funds performance, financial statement, etc. That means contributors are able to reach any kind of information about the system and their pension funds any time. Technical infrastructure is also provided that ensures the contributors to reach any kind of information about the situation of their savings. The attitudes of the respondents in the third group toward the informative character of PPS are significantly more positive than other two groups. This result is important to show the satisfaction of PPS contributors about the capabilities of them to reach the information about their accumulations.

The 13. question is about the tax incentives provided to the PPS participants. The positive viewpoint of the third group is significantly more than other two groups. That proves that, these tax incentives affect the decision of being a member of PPS significantly. As in the PPS implementations in the world, participation to the PPS and the size of the pension funds in Turkey is highly correlated to the tax incentives. The individuals should be familiarized with these incentives with simplified ad explanatory messages in order to make individual pension system more common in Turkey

CONCLUSIONS

The problems of the public social security plans conducted by the governments, which are generally on PAYG and defined benefit basis, have serious problems all around the world. Year by year, with the affects of the increase of average life time thanks to medical and pharmacological innovations, fewer workers have to pay the retirement benefits of more and more retirees. Turkey is one of the countries that suffered from ineffective public pension plans⁵⁸. The budget transfer to public social security system is %4,5 of GDP. The total deficit of public social security system is estimated to reach 10% of GDP in 2050.

Under the need of an effective reform in social security system and in compliance with the increasing tendency to defined contribution plans around the world, the legal and institutional framework for the PPS has drafted in 1999, which is thought to supplement the existing PAYG plans and operates on voluntary basis. Its main aims are to increase individuals awareness of old age security, to provide an efficient saving opportunity to accumulate retirement savings and improve pension benefits and life standards of individuals during retirement.

In the light of the absence of an effective search that aims to inform both the providers and the consumers about Turkish private pension system, this thesis analyzed the attitudes of the consumers toward the PPS in Turkey, aiming to inquire whether different groups of current and potential PPS consumers have different socio-demographic characteristics and different attitudes toward the characteristics of PPS. We tried to obtain the attitudes and socio demographic characteristics of individuals with the help of a questionnaire, applied among 542 respondents. While composing the questionnaire, we consider the Fishbein Model which assumes that a consumers attitude to the attitude object depend on the beliefs he/she has about several or many attributes of object. Because PPS is newly established in Turkey and most of the public has no specific opinion about especially technical sides of it, we didn't ask them to weight the dimensions on the survey. Overall respondents that

⁵⁸ Esra Tarlan, **A Study on Consumer Decision Making Process for Life Insurance Services**, Masters Thesis, Boğaziçi University, July 1991

answered all of the questions without selecting “ no idea” is 393. We accept that these 393 respondents have an idea and adequate information about every aspect of private pension systems. So we made all of our analysis through these 393 respondents.

Potential and the current consumers of PPS can be classified into three groups : individuals that have no membership of PPS but considering a membership in the future, individuals that have no membership of PPS and do not consider any membership in the future and individuals that have currently a membership of PPS. Each group has its own socio demographic characteristics and different attitudes toward PPS.

The research shows that, education and income level of the respondents are significantly different among the three group. Most educated and wealthy individuals are the ones who are already PPS contributors. The individuals that have no intention to participate in PPS have the lowest level of education and income. It is clear that, education and economic capabilities of the individuals are the most prominent indicators which point the attitudes of the consumers toward PPS. Marketers have to consider this fact to shape their messages accordingly, different forms of marketing messages must be transmitted these different groups . In order to change the attitudes of less educated and less wealthy audiences, they can simplify their messages and underline the contribution plans easier to afford. The less educated individuals should be exposed to more informative and descriptive messages, while the more educated ones are better to be exposed the messages that offer more concrete advantages of PPS in order to persuade them to participate in the system.

The research also shows that, in the part of the society that plans to participate in PPS in the future, the ratio of young individuals are higher. This result also can point the fact that, although its sufficiency is open to dispute, the young generation is more aware of the PPS compared with other parts of the society. This may be explained with the supposition that the young generation is more concerned to their old age prosperity and therefore more involved in the related formations. Marketers have to adjust their promotion facilities considering this fact.

Positive attitudes of the consumers are focused on many of the dimensions of PPS. These PPS characteristics can be listed as follows: the right of the members of PPS that allows them to be informed about their funds every time they want, the fact that the probability of external and political interferences to PPS is less compared with the PAYG systems in Turkey and safety of consumers savings in their individual pension funds. These results show that consumers want to be effectively informed about the situations of their savings. They are very sensitive about the safety of their pension funds and they don't want any political and populist interference to PPS, that the PAYG system suffered from. These are all important results that could be important guides for pension companies. They could stress these PPS characteristics most appreciated by consumers in their marketing facilities.

According to the balance theory, the consumers intend to ensure the consistency among their perceptions about PPS and their attitudes to PPS characteristics. Marketers should try to change the negative attitudes to persuade the individuals to participate in PPS. The most negative attitude of the individuals is toward the charges and fees that PPS members obliged to afford, mentioned in the 3. question. Although the structure and level of charges are restricted in order to protect the participants, they are considered as the biggest disadvantage of the system. These charges are generally paid as the price of the service provided. It seems, the quantities and payment conditions of these charges are one of the determinative factors that pension companies have to use in the competitive market of private pension sector. Consumers also believe the obligation of remaining in the system for ten years and till the age of 56 in order to entitle as a retiree is a disadvantage. This character of PPS has been asked with 10. question of survey. This feature is settled with the official regulations considering the positive affects of long term pension funds on economic development of country. Another negative attitude is toward the absence of an insurance service in PPS. In fact, providing such kind of health assurances haven't been a claim of PPS, as it hasn't established as a system of assurance but a system of saving. It should express to the consumers that, these kinds of insurance services and PPS are totally different and separate kinds of services.

Tax incentives are one of the characteristics of PPS that significantly affects the attitudes to PPS. The individuals who have no PPS membership do not satisfy about the tax incentives of PPS. So, pension companies have to introduce the individuals with this important characteristic because this feature is one of the biggest allurements of PPS to attract the individuals to prefer this system besides PAYG systems. Marketers should emphasize the tax incentives to satisfy the cognitive needs of the consumers and change their basic motivational function.

The attitudes of the individuals that have no PPS membership toward professional pension fund investors of PPS is significantly negative than PPS contributors. Although this kind of pension fund investment is established to ensure a more effective management of the funds, many individuals prefer to manage their savings by themselves. This result is much more related with the unfamiliarity of the individuals with the professional portfolio managers. Nevertheless, there are many restricted rights of the contributors over their personal funds, for example they are completely free to diversify their contributions among more than one fund offered by the pension company and also have the right to change the allocation of his/her savings mostly four times in a year. The pension companies can underline these rights of the consumers especially for those who want to control the savings by their own decisions. According to the standard learning hierarchy, first the consumer acquires information about the product, then shapes his/her beliefs and finally decides to buy or not to buy it. That means if the consumer doesn't have adequate information about the product, he/she doesn't intend to buy it. In this aspect, it must be the first mission of the marketers to inform the consumers about the characteristics of PPS.

Attitudes of individuals toward many prominent features of PPS shape their overall attitude toward participating in PPS. Individuals who have positive attitudes to PPS are those who accept the long term periodically saving and appreciate the positive effect of the system to economical development of the country, domestic savings, the official assurance of the government about the pension funds and the tax incentives. Because these are the determinative PPS characteristics the PPS members appreciate, individuals attitudes to these characteristics should be shaped in this

direction in order to make PPS more common. These should be the points marketers should consider most.

Marketers should especially focus on the respondents in the second group and their conflicting attitudes. In order to persuade them, the message, media and the communication strategies have to be used effectively. Two-sided messages may be proper way to persuade consumers which do not think to participate in PPS in the future because they are already aware of the negative sides of PPS.

Because PPS is high-involvement service, the consumers make their buying decision with extended problem solving. Therefore, marketers should present strong, well-documented and issue-relevant advertisements by using cognitive processes.

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Appendix 1. A Sample of Research Questionnaire

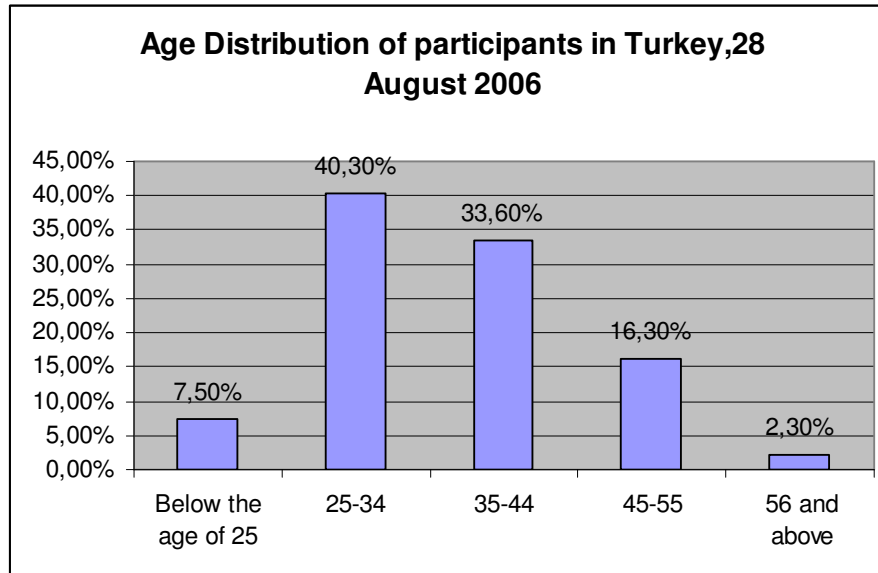
	Kesinlikle Katılıyorum	Katılıyorum	NeKatılıyorum Ne Katılmıyorum	Katılmıyorum	Kesinlikle Katılmıyorum	Bilgin Yok
1) BES sistemi kişiye tasarrufu teşvik eder	()	()	()	()	()	()
2) Emeklilik birikimi oluşturmak adına her ay belli miktarda tasarruf yapmayı goze alırım	()	()	()	()	()	()
3) BES'de emeklilik birikimlerime uygulanacak kesintileri BES'e uyelik kararında dikkate alırım	()	()	()	()	()	()
4) Emeklilik guvencesini sağlaması gereken asıl merci devlettir	()	()	()	()	()	()
5) BES sisteminin kişiye sunduğu şartlar bastan bellidir ve uyelik esnasında dışarıdan mudahalelerle değişmez	()	()	()	()	()	()
6) Emeklilik primlerimin miktarını ve odeme zamanlarını kendim belirlemek isterim	()	()	()	()	()	()
7) Bireyler içinde bulunduğu emeklilik planlarının şartlarına ek olarak avantaj sağlamak için BES'e üye olurlar	()	()	()	()	()	()
8) BES primlerinden finanse edilen fonlar ulkenin ekonomik gelişimine katkıda bulunurlar	()	()	()	()	()	()
9) BES üye olmak için uzun vadeli bir projedir	()	()	()	()	()	()
10) BES'e üye olmak için 56 yaşına kadar ve 10 yıl boyunca sistemde kalma zorunluluğunu goze alırım	()	()	()	()	()	()
11) Emeklilik birikimlerimin kendim yönetmek yerine profesyonel fon yöneticileri tarafından yönetilmesini tercih ederim	()	()	()	()	()	()
12) BES, üyelerine emekli olduktan sonra birikimlerini sistemden çekmek için yeterli alternatif sunar	()	()	()	()	()	()
13) BES üyelerine vergi avantajı sağlar	()	()	()	()	()	()
14) BES'de SSK, Bağkur ve Emekli sandığındaki sağlık güvencelerinin olmaması bir eksikliktir	()	()	()	()	()	()
15) BES üyeleri, birikimlerinin durumları hakkında istedikleri zaman bilgi alabilir	()	()	()	()	()	()
16) Emeklilik guvencesini sağlamak için özel işletmeler güvenilir kurumlardır	()	()	()	()	()	()
17) BES şirketi batsa dahi birikimlerime bir zarar gelmez	()	()	()	()	()	()
18) BES sistemindeki vergi avantaj oranlarının değişme riski vardır	()	()	()	()	()	()

Aşağıdaki soruları cevaplayınız :

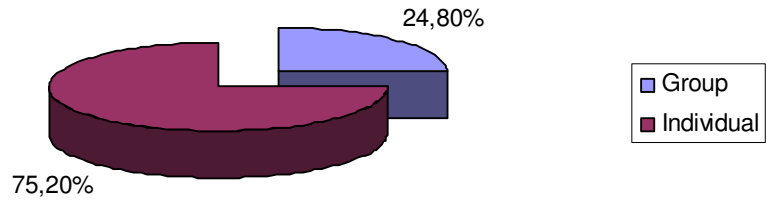
- 1) Yaşınız
 18-25 Yaş 26-45 Yaş 46 Yaş ve üzeri
- 2) Cinsiyetiniz
 Erkek Kadın
- 3) Medeni Durumunuz
 Evli Bekar
- 4) Öğrenim Durumunuz
 İlköğretim Mezun Lise ve dengi okul mezunu Fakülte ve Yükseköğretim mezunu
- 5) Mesleğiniz
 Ev Hanımı veya İşsiz İşçi Memur Serbest Meslek
- 6) Ailenizde çalışan bireylerin toplam aylık net geliri
 700 YTL'ye kadar 700-1400 YTL 1400-2800 YTL
 2800- 5000 YTL 5000 YTL'den fazla
- 7) Bireysel emeklilik durumunuz hakkında size uygun şıkkı işaretleyiniz
 Bireysel emeklilik sistemine üyeyim
 Bireysel emeklilik sistemine üye değilim ama gelecekte üye olmayı düşünüyorum
 Bireysel emeklilik sistemine üye değilim , gelecekte de üye olmayı düşünmüyorum

APPENDIX 2 Indicators of Individual Pension System

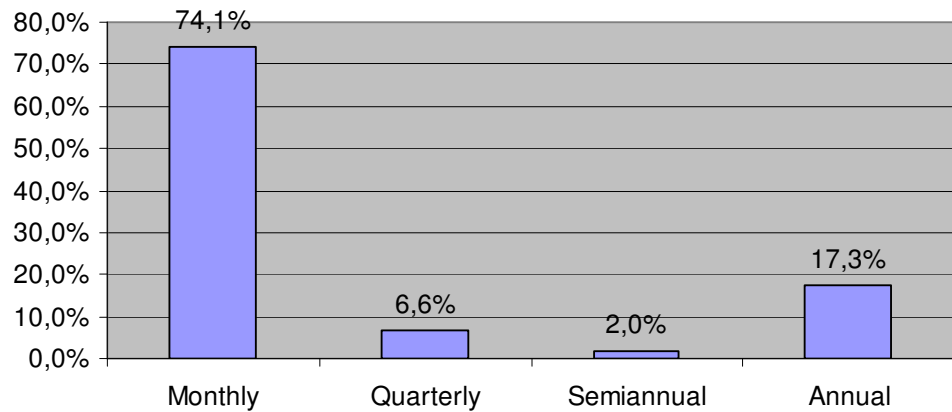
Pension Company	Total Value of Funds (YTL)	Number of Participants	Number of Accounts
Ak Emeklilik	302.180.471	103.124	114.911
Anadolu Hayat Emeklilik	346.216.165	154.501	158.508
Ankara Emeklilik	30.411.494	38.469	46.369
Aviva Hayat ve Emeklilik	206.460.986	47.747	50.821
Başak Emeklilik	130.849.575	34.450	36.569
Fortis Emeklilik ve Hayat	63.058.077	42.003	44.875
Garanti Emeklilik ve Hayat	210.427.151	156.275	163.989
Koç Allianz Hayat ve Emeklilik	112.414.099	44.102	45.583
Oyak Emeklilik	123.876.444	108.233	112.422
Vakıf Emeklilik	131.279.507	60.825	63.400
Yapı Kredi Emeklilik	330.551.862	157.052	165.750



Comparison of individual/group pension contracts, 28 August 2006



Distribution of Preferred Contribution Frequencies, 28 August 2006



Appendix 4. Post Hoc Tests

Multiple Comparisons LSD							
Dependent Variable	(I) ileride	(J) ileride	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
1. question : Effect of PPS to domestic saving	Considering a Membership in the Future	Not Considering a Membership in the Future	,21601	,13065	,099	-,0409	,4729
		Already a member of PPS	-,57586(*)	,13743	,000	-,8461	-,3057
	Not Considering a Membership in the Future	Considering a Membership in the Future	-,21601	,13065	,099	-,4729	,0409
		Already a member of PPS	-,79187(*)	,12038	,000	-1,0285	-,5552
	Already a member of PPS	Considering a Membership in the Future	,57586(*)	,13743	,000	,3057	,8461
		Not Considering a Membership in the Future	,79187(*)	,12038	,000	,5552	1,0285
2. question : Obligation to save periodically	Considering a Membership in the Future	Not Considering a Membership in the Future	,49754(*)	,13378	,000	,2345	,7606
		Already a member of PPS	-1,25384(*)	,14073	,000	-1,5305	-,9772
	Not Considering a Membership in the Future	Considering a Membership in the Future	-,49754(*)	,13378	,000	-,7606	-,2345
		Already a member of PPS	-1,75138(*)	,12326	,000	-1,9937	-1,5090
	Already a member of PPS	Considering a Membership in the Future	1,25384(*)	,14073	,000	,9772	1,5305
		Not Considering a Membership in the Future	1,75138(*)	,12326	,000	1,5090	1,9937
7. question : Being an alternative economic source in retirement in addition to compulsory pension plans	Considering a Membership in the Future	Not Considering a Membership in the Future	,64519(*)	,13560	,000	,3786	,9118
		Already a member of PPS	-,60030(*)	,14263	,000	-,8807	-,3199
	Not Considering a Membership in the Future	Considering a Membership in the Future	-,64519(*)	,13560	,000	-,9118	-,3786
		Already a member of PPS	-1,24549(*)	,12493	,000	-1,4911	-,9999
	Already a member of PPS	Considering a Membership in the Future	,60030(*)	,14263	,000	,3199	,8807
		Not Considering a Membership in the Future	1,24549(*)	,12493	,000	,9999	1,4911
8. question : Affects of PPS funds to financial development of the country	Considering a Membership in the Future	Not Considering a Membership in the Future	-,07881	,12554	,531	-,3256	,1680

		Already a member of PPS	-.60813(*)	,13205	,000	-,8678	-,3485
	Not Considering a Membership in the Future	Considering a Membership in the Future	,07881	,12554	,531	-,1680	,3256
		Already a member of PPS	-,52933(*)	,11567	,000	-,7567	-,3019
	Already a member of PPS	Considering a Membership in the Future	,60813(*)	,13205	,000	,3485	,8678
		Not Considering a Membership in the Future	-,52933(*)	,11567	,000	,3019	,7567
9. question : Risk of participating in such a long term financial project as PPS	Considering a Membership in the Future	Not Considering a Membership in the Future	,19658	,13938	,159	-,0774	,4706
		Already a member of PPS	-,27148	,14661	,065	-,5597	,0168
	Not Considering a Membership in the Future	Considering a Membership in the Future	-,19658	,13938	,159	-,4706	,0774
		Already a member of PPS	-,46806(*)	,12841	,000	-,7205	-,2156
	Already a member of PPS	Considering a Membership in the Future	,27148	,14661	,065	-,0168	,5597
		Not Considering a Membership in the Future	,46806(*)	,12841	,000	,2156	,7205
10. question : Obligation of 56 years-old age and remaining 10 years in the system	Considering a Membership in the Future	Not Considering a Membership in the Future	,24084	,15815	,129	-,0701	,5518
		Already a member of PPS	-,14040	,16636	,399	-,4675	,1867
	Not Considering a Membership in the Future	Considering a Membership in the Future	-,24084	,15815	,129	-,5518	,0701
		Already a member of PPS	-,38125(*)	,14572	,009	-,6677	-,0948
	Already a member of PPS	Considering a Membership in the Future	,14040	,16636	,399	-,1867	,4675
		Not Considering a Membership in the Future	,38125(*)	,14572	,009	,0948	,6677
11. question : Savings of PPS members are managed by professional specialists	Considering a Membership in the Future	Not Considering a Membership in the Future	-,04868	,14277	,733	-,3294	,2320
		Already a member of PPS	-,40658(*)	,15018	,007	-,7018	-,1113
	Not Considering a Membership in the Future	Considering a Membership in the Future	,04868	,14277	,733	-,2320	,3294
		Already a member of PPS	-,35790(*)	,13154	,007	-,6165	-,0993
	Already a member of PPS	Considering a Membership in the Future	,40658(*)	,15018	,007	,1113	,7018
		Not Considering a Membership in the Future	,35790(*)	,13154	,007	,0993	,6165
13. question : Tax incentives of PPS	Considering a Membership in the Future	Not Considering a Membership in the Future	,20002	,13458	,138	-,0646	,4646

		Already a member of PPS	-.88277(*)	,14156	,000	-1,1611	-.6045
	Not Considering a Membership in the Future	Considering a Membership in the Future	-.20002	,13458	,138	-,4646	,0646
		Already a member of PPS	-1,08280(*)	,12399	,000	-1,3266	-,8390
	Already a member of PPS	Considering a Membership in the Future	,88277(*)	,14156	,000	,6045	1,1611
		Not Considering a Membership in the Future	1,08280(*)	,12399	,000	,8390	1,3266
14. question : Absence of any kind of insurance in PPS	Considering a Membership in the Future	Not Considering a Membership in the Future	-.21970	,14346	,126	-,5017	,0624
		Already a member of PPS	-,79521(*)	,15090	,000	-1,0919	-,4985
	Not Considering a Membership in the Future	Considering a Membership in the Future	,21970	,14346	,126	-,0624	,5017
		Already a member of PPS	-,57551(*)	,13217	,000	-,8354	-,3156
	Already a member of PPS	Considering a Membership in the Future	,79521(*)	,15090	,000	,4985	1,0919
		Not Considering a Membership in the Future	,57551(*)	,13217	,000	,3156	,8354
15. question : Informative characteristic of PPS	Considering a Membership in the Future	Not Considering a Membership in the Future	,11593	,12696	,362	-,1337	,3655
		Already a member of PPS	-,25700	,13355	,055	-,5196	,0056
	Not Considering a Membership in the Future	Considering a Membership in the Future	-,11593	,12696	,362	-,3655	,1337
		Already a member of PPS	-,37293(*)	,11698	,002	-,6029	-,1430
	Already a member of PPS	Considering a Membership in the Future	,25700	,13355	,055	-,0056	,5196
		Not Considering a Membership in the Future	,37293(*)	,11698	,002	,1430	,6029
17. question : Safety of the PPS funds	Considering a Membership in the Future	Not Considering a Membership in the Future	,11347	,12849	,378	-,1391	,3661
		Already a member of PPS	-,36355(*)	,13516	,007	-,6293	-,0978
	Not Considering a Membership in the Future	Considering a Membership in the Future	-,11347	,12849	,378	-,3661	,1391
		Already a member of PPS	-,47702(*)	,11839	,000	-,7098	-,2443
	Already a member of PPS	Considering a Membership in the Future	,36355(*)	,13516	,007	,0978	,6293
		Not Considering a Membership in the Future	,47702(*)	,11839	,000	,2443	,7098

