

INDIVIDUAL PENSION SYSTEM

RISK
INVENTORY
2025



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Foreword

We are pleased to present the fifth edition of the Individual Pension System Risk Inventory, prepared with the participation with our valued stakeholders.

As is well known, private pension systems aim not only to help individuals maintain their standard of living in retirement by providing regular supplemental income but also to deepen and expand capital markets, thereby strengthening the financial system's resilience to shocks. They also facilitate the provision of affordable, long-term financing for research and development (R&D) and advanced technology investments that support sustainable economic growth, contribute to the expansion of qualified employment in the labor market; and support the improved management of risks associated with public debt.

In Türkiye, the ratio of the net asset value of pension investment funds to GDP was 2.9% in 2022, while this ratio declined to 2.8% in 2023 and 2024. These ratios remained well below the OECD average, which stood at 87%, 82%, and 95% in those years, respectively.

Despite the system's relatively long 22-year history and the 30% state contribution, the fund's size remains below the desired level. This underscores the need for new strategies to further develop the private pension system and to fully harness the potential outlined above.

Indeed, high-level policy documents such as the 12th Development Plan (2024–2028), the Medium-Term Program (2026–2028), and the Presidential Annual Program (2026) set out a range of policies and measures aimed at strengthening the private pension system. Chief among these are the introduction of the employer-funded second-tier Supplementary Pension System (TES), the simplification of the deduction framework, and the enhancement of the fund structure.

The social security regulation enacted two years ago, publicly known as the victims of delayed pension age (EYT) and enabling millions to retire at younger ages, continues to have a pronounced impact as of 2025. While the number of citizens gaining retirement rights has risen sharply, the pace of growth in employment and the number of actively insured individuals has remained comparatively slow. Against the backdrop of an aging population, steadily declining fertility rates, and younger generations' markedly different perspectives on work, consumption, and saving compared to Generations X and Y, serious risks to the financial sustainability of the social security system have emerged. These risks are further compounded by the anticipated increase in individuals lacking access to stable, long-term employment, driven by changes in work life, evolving business models, and the accelerating digitalization of the economy. The rapidly widening deficits in the social security system are expected to place a significant burden on public finances, leading to increased public borrowing and, in turn, crowding out investments that would otherwise support sustainable economic growth.

Furthermore, changes to the pension calculation formula in social security legislation have led to lower effective pension accrual rates for individuals who entered the workforce after 2008, compared with current retirees. Data from the Auto Enrollment System show that nearly half of all employees earn close to the minimum wage, while approximately 82 percent earn less than twice that amount. Given this income distribution, it is clear that low-income workers will face significant challenges in maintaining their present living standards in retirement if they rely solely on pensions provided by the public social security system. In this context, promoting participation in supplementary pension schemes and ensuring that individuals receive long-term, regular additional income during old age is of critical importance.

On the other hand, when OECD averages are taken as a benchmark, several significant risks come to the forefront. These include persistently high inflation; a chronic current account deficit that remains a significant macroeconomic challenge; a wide savings–investment gap; low household savings rates; high levels of informality; a continued downward trend in total factor productivity; the low share of wages in national income; limited depth in capital markets; the need to significantly improve both the quality of the national education system and the level of financial literacy; the need to build an ecosystem that enables pension and investment funds to generate high and stable real returns; the steadily increasing share of the elderly population; and the fact that the private pension system is still not sufficiently well understood by participants. These constitute the key risks that must be effectively managed.

In this context, the **Individual Pension System Risk Inventory** not only identifies existing risks, but also provides a collective assessment of how sector stakeholders should prioritize them.

We believe that this report will serve as a valuable reference for future policy-making, help enhance sector awareness, and contribute to ensuring the sustainability of our national savings system.

We extend our sincere appreciation to all stakeholders whose contributions added value to this effort.

MUSTAFA AKMAZ
CEO

M. FIRAT KURUCA
BOARD MEMBER RESPONSIBLE
FOR INTERNAL SYSTEM

Executive Summary

This year, in addition to the risks identified in previous years, the Individual Pension System Risk Inventory was expanded to include the “risk that companies may be unable to return unearned state contributions to the Ministry on the same day if such contributions are paid by the Ministry after EFT hours.” At the same time, “the opportunity to integrate AI-powered products into company operations” was included in the inventory as an opportunity.

The electronic survey designed by the Pension Monitoring Center (PMC) was distributed to a target audience of 588 individuals, including relevant specialists and managers from stakeholder institutions. The survey was completed by **46%** of respondents.

Survey participants were asked to evaluate 64 risks on a scale of 1 to 10, and the rankings of risks were determined based on the risk severity calculated by multiplying impact and probability. The top 10 risks are presented on pages 5, 6, and 7 of the report.

In 2025, the top four risks were:

- Natural hazard
- Impact of potential fluctuations in the economy on new contract entries
- Savings not reflecting the expected real growth due to high inflation
- Perception of lower returns compared to alternatives.

These four risks have remained at the top of the rankings since 2023. In addition, the risk of damage to system infrastructure as a result of cyberattacks and the opportunity to integrate AI-powered products into company operations both entered the top 10 this year.



Substantial Risks According to Survey Respondents

The inventory focus on the individual pension industry.

The risks identified and agreed upon through the evaluations of the units responsible for the internal system of pension companies were presented to the survey participants and rated by them in terms of impact and probability on a scale of 1 to 10.

Risks by Severity (Impact x Probability)

The risks included in the survey were sorted based on severity, calculated by multiplying the impact and probability values provided by survey respondents. The resulting top 10 risks are listed below. The previous years' results are also shown.

Rankings marked with “–” indicate risk definitions that were not included in the voting because they were not included in the inventory in the relevant year.

Table 1 - Top 10 Risks by Risk Severity (Impact x Probability)

2025 Rankings	2024 Rankings	2023 Rankings	2022 Rankings	2021 Rankings	Risk Definition	Risk Type
1	1	1	6	8	Natural hazard risks	EXTERNAL
2	2	2	1	2	Impact of potential fluctuations in the economy on new contract entries	EXTERNAL
3	3	3	-	-	Savings not reflecting the expected real growth due to high inflation	PORTFOLIO MANAGEMENT
4	4	4	5	4	Perception of lower returns compared to alternatives	PORTFOLIO MANAGEMENT
5	7	5	4	1	Potential improvements and changes in state incentives to the system	STRATEGIC
6	8	8	8	3	Relative insufficiency of retirement income from the system and negative perceptions of the system	PORTFOLIO MANAGEMENT
7	9	10	3	-	Risk of widespread poverty	EXTERNAL
8	6	6	2	-	Exchange rate risk	EXTERNAL
9	15	15	7	10	Risk of damage to system infrastructure as a result of cyberattacks	INFORMATION TECHNOLOGIES
10	-	-	-	-	The Opportunity to Integrate AI-Powered Products into Company Operations	STRATEGIC

Risks by Impact Level

Risk definitions were sorted based on respondents' evaluations of the impact level on a scale of 1 to 10. The top 10 risks are listed in Table 2. The rankings of these risks in the previous years are provided in the table.

Rankings marked with “–” indicate risk definitions that were not included in the voting because they were not included in the inventory in the relevant year.

Table 2 - Top 10 Risks by Impact Level

2025 Rankings	2024 Rankings	2023 Rankings	2022 Rankings	2021 Rankings	Risk Definition	Risk Type
1	1	1	4	9	Natural hazard risks	EXTERNAL
2	5	4	1	8	Impact of potential economic fluctuations in the economy on new contract entries	EXTERNAL
3	3	5	2	1	Potential improvements and changes in state incentives to the system	STRATEGIC
4	2	3	3	2	Perception of lower returns compared to alternatives	PORTFOLIO MANAGEMENT
5	4	2	-	-	Savings not reflecting the expected real growth due to high inflation	PORTFOLIO MANAGEMENT
6	6	8	8	10	Risk of damage to system infrastructures as a result of cyberattacks	INFORMATION TECHNOLOGIES
7	7	6	9	11	Reputational risks for companies and the system	STRATEGIC
8	11	9	13	5	Relative insufficiency of retirement income from the system and negative perceptions of the system	PORTFOLIO MANAGEMENT
9	15	11	11	-	Risk of widespread poverty	EXTERNAL
10	12	19	7	3	Risks concerning the perception of system reliability	STRATEGIC

Risks by Degree of Probability

Risk definitions were sorted based on respondents' evaluations of the probability level on a scale of 1 to 10. The top 10 risks are listed in Table 2. The rankings of these risks in the previous years are provided in the table.

Rankings marked with “–” indicate risk definitions that were not included in the voting because they were not included in the inventory in the relevant year.

Table 3 - Top 10 Risks by Degree of Probability

2025 Rankings	2024 Rankings	2023 Rankings	2022 Rankings	2021 Rankings	Risk Definition	Risk Type
1	1	1	1	1	Impact of potential economic fluctuations in the economy on new contract entries	EXTERNAL
2	2	2	12	5	Natural hazard risks	EXTERNAL
3	4	3	-	-	Savings not reflecting the expected real growth due to high inflation	PORTFOLIO MANAGEMENT
4	3	4	2	-	Exchange rate risk	EXTERNAL
5	6	5	8	7	Perception of lower returns compared to alternatives	PORTFOLIO MANAGEMENT
6	8	10	6	3	Relative insufficiency of retirement income from the system and negative perceptions of the system	PORTFOLIO MANAGEMENT
7	-	-	-	-	The Opportunity to Integrate AI-Powered Products into Company Operations	STRATEGIC
8	9	9	3	-	Risk of widespread poverty	EXTERNAL
9	5	6	13	4	Insecurity and investment costs stemming from frequent changes in system design and legislation	STRATEGIC
10	10	7	7	2	Potential improvements and changes in state incentives to the system	STRATEGIC

Notes on Risk Definitions in Tables

Natural Hazard Risks

Natural disasters such as floods, landslides, storms, tornadoes, fires, and especially earthquakes, due to Türkiye's location on major fault lines, directly affect institutions' business continuity, service provision capacity, revenues, and financial structure in all sectors, including the private pension sector. Similarly, these factors may affect the economy and human behavior, potentially reducing the amounts allocated to savings and encouraging early withdrawals from individual pension system savings.

Impact of potential fluctuations in the economy on new contract entries

This refers to the risk of reduced funds available for savings as individuals address the negative effects of global recessions and contractions as well as high inflation and rising commodity prices in Türkiye.

Savings not reflecting the expected real growth due to high inflation

The risk that the returns of pension mutual funds will remain below the inflation rate, rendering the participants' savings unable to beat inflation.

Perception of lower returns compared to alternatives

Returns in the system are often compared to widely used investment tools such as deposits, gold, and foreign exchange, without taking into account factors like risk level, risk appetite, and differing payment structures.

The perception that returns within the system are lower compared to other investment tools, combined with low financial literacy rates in Türkiye, as observed globally, may deter participation and prompt existing participants to withdraw from the system.

Potential improvements and changes in state incentives to the system

This refers to the participants' evaluation of the impact of potential state incentive improvements on industry growth, collection rates, and wider audience reach, and their assignment of a respective probability. As in previous years, the industry views potential improvements and changes in state incentives as major levers.

Relative insufficiency of retirement income from the system and negative perceptions of the system

As the individual pension system is contribution-based, the retirement income from the system depends on the contribution amount and its returns. Participants may be dissatisfied if they made payments (widely) disproportionate to their expected pension income during their accumulation period and therefore could not receive the amount they expected in retirement. Their expression of this dissatisfaction through various communication channels might negatively impact others who lack basic information about the system.

Risk of widespread poverty

This refers to the risks of financial difficulties reducing the amounts that can be put aside by individuals as savings and the use of current savings for primary needs in line with the global trend that is expected to continue to gain momentum.

Exchange rate risk

This refers to the risks of individuals opting for foreign currency over the individual pension system for investment purposes, as well as the potential loss of savings due to fluctuations in the exchange rate.

Risk of damage to system infrastructure as a result of cyber attacks

The growing threat of cyberattacks, driven by process digitalization, advancements in artificial intelligence, and remote working practices, poses a significant risk. It has the potential to harm corporate infrastructures, disrupt service continuity in the individual pension system, and undermine industry reliability.

The opportunity to integrate AI-powered products into company operations

The integration of AI-powered products into company operations offers significant opportunities in areas such as increasing operational efficiency, reducing costs, improving the participant experience, developing innovative products, and enhancing service quality and speed.

Reputational risks for companies and the system

This highlights the risks of adverse events in pension companies or the industry, which can undermine the credibility of individual companies and the industry as a whole, impacting growth expectations.

Risks concerning the perception of system reliability

The growth and improvement of private pension systems require continued trust in the system as it is a long-term structure and offers commitments for later years in life. With this in mind, industry stakeholders consider the damage to the perception of reliability, a key and well-protected aspect of the system since its establishment, a substantial risk to system growth.

Insecurity and investment costs stemming from frequent changes in system design and legislation

Previous changes and turning points in the individual pension system, including state contributions, structural changes in deductions, and the auto-enrollment system, are significant factors for industry managers to consider. The subsequent infrastructure changes incur costs and affect short- and medium-term corporate projections and expectations.

Conclusion and Assessment

The Top Four Risks Remain Unchanged

The following risks have remained in the top four positions since 2023;

- Natural hazard;
- Impact of potential fluctuations in the economy on new contract entries;
- Savings not reflecting the expected real growth due to high inflation;
- Perception of lower returns compared to alternatives

External and Economic Risks, as in Previous Years, Continue to Rank High

External and economic risks constitute the highest-priority risk areas for the individual pension system, both in terms of attracting new participants and preserving the value of existing accumulations. In particular, macroeconomic instability and natural disasters stand out as the primary threats directly affecting the growth potential of the sector.

Risk of Damage to System Infrastructure as a Result of Cyberattacks Has Risen in the Rankings

This risk has become increasingly critical in recent years amid the growing digitalization of the financial sector and the widespread adoption of AI-based applications. Cyberattacks targeting structures that hold large volumes of data and financial assets, such as the individual pension system, carry the potential to undermine participant trust and disrupt operational continuity. Accordingly, this risk, which ranked 15th last year, has risen to 9th place in this year's inventory.

The Opportunity to Integrate AI-Powered Products into Company Operations Entered the Top 10 Risks in the Year It Was Added to the Inventory.

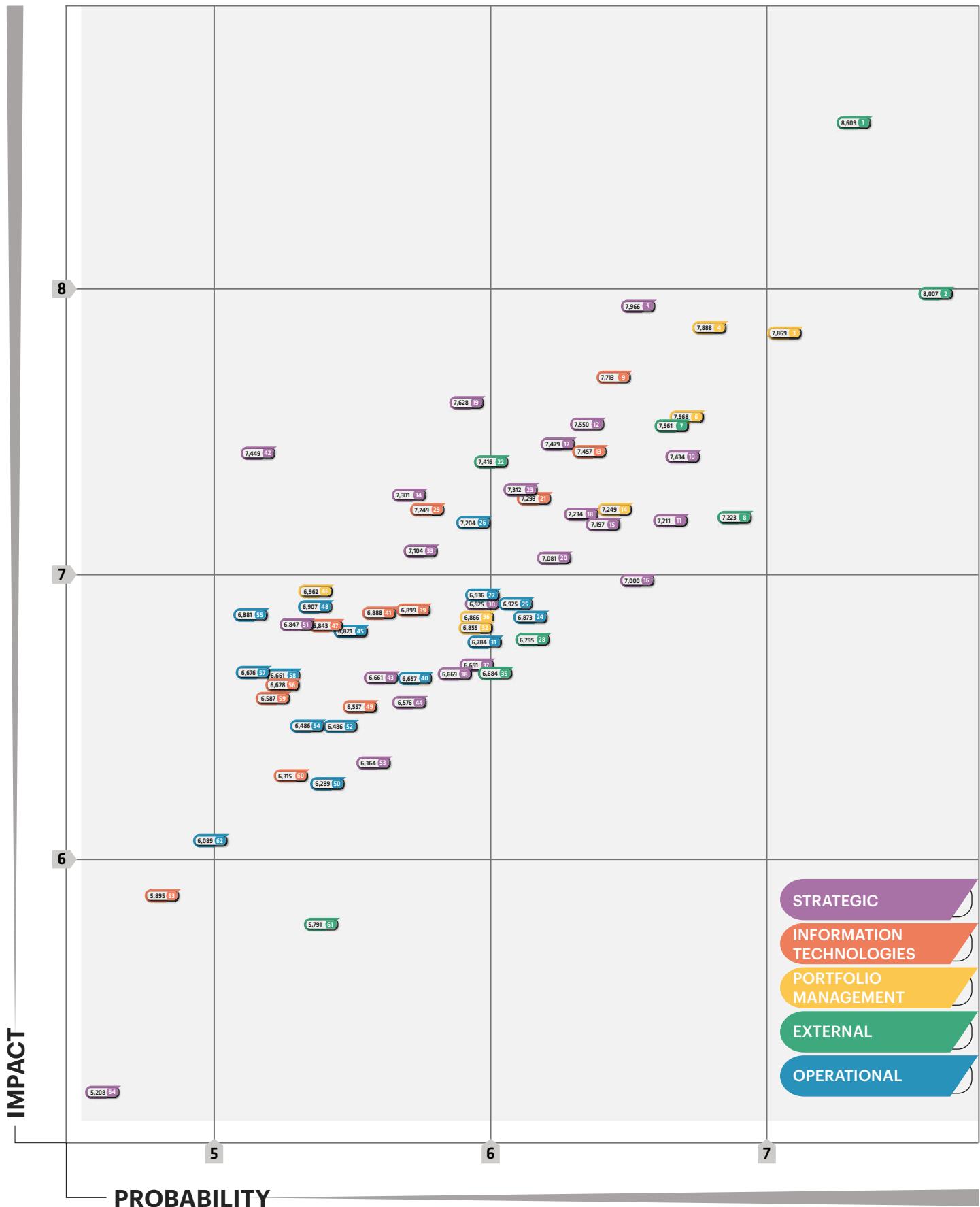
Newly included in this year's inventory, the opportunity to integrate AI-powered products into corporate operations has quickly ranked among the top 10 risks and opportunities. Its potential to enhance efficiency, enable innovative business models, and provide sustainable competitive advantages has positioned it prominently.

Operational Risks, as in Previous Years, Continue to Rank Lower

Operational risks, which lag behind strategic, external, portfolio management, and information technology risks in terms of impact and probability, once again did not appear among the top 20 risks this year, as was the case in previous years.

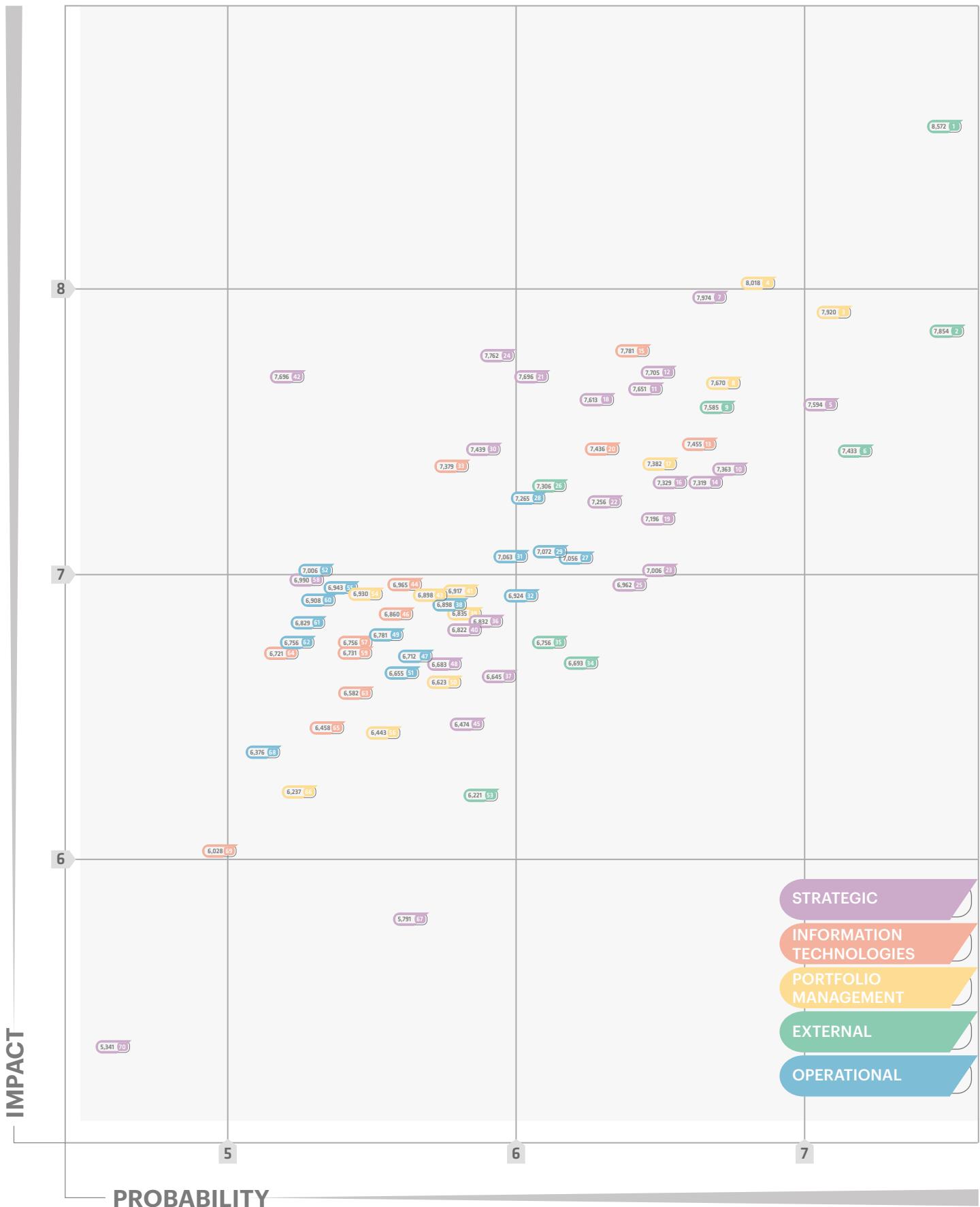
Appendix 1. Risk Map

2025



Appendix 1. Risk Map

2024



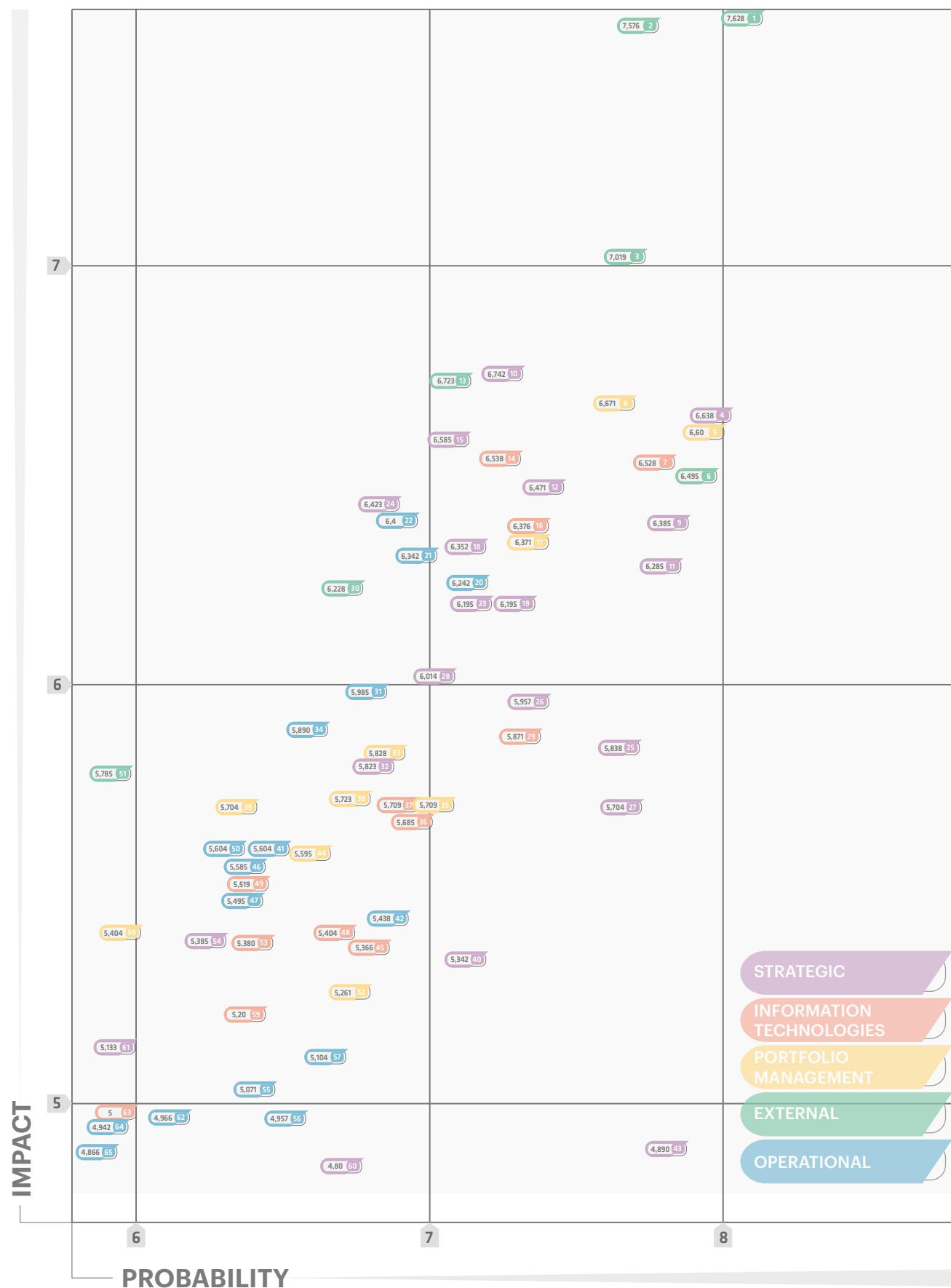
Appendix 1. Risk Map

2023



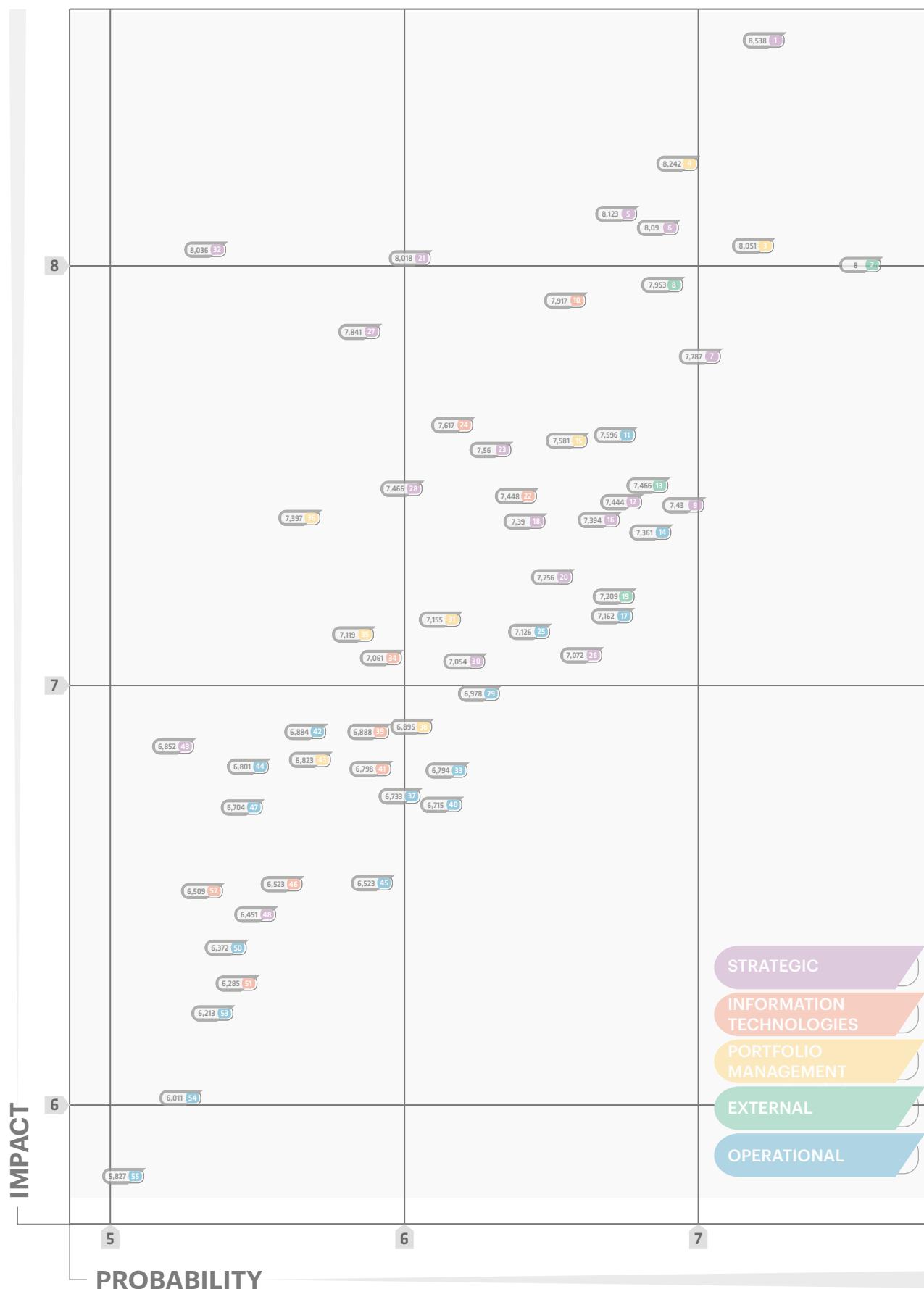
Appendix 1. Risk Map

2022

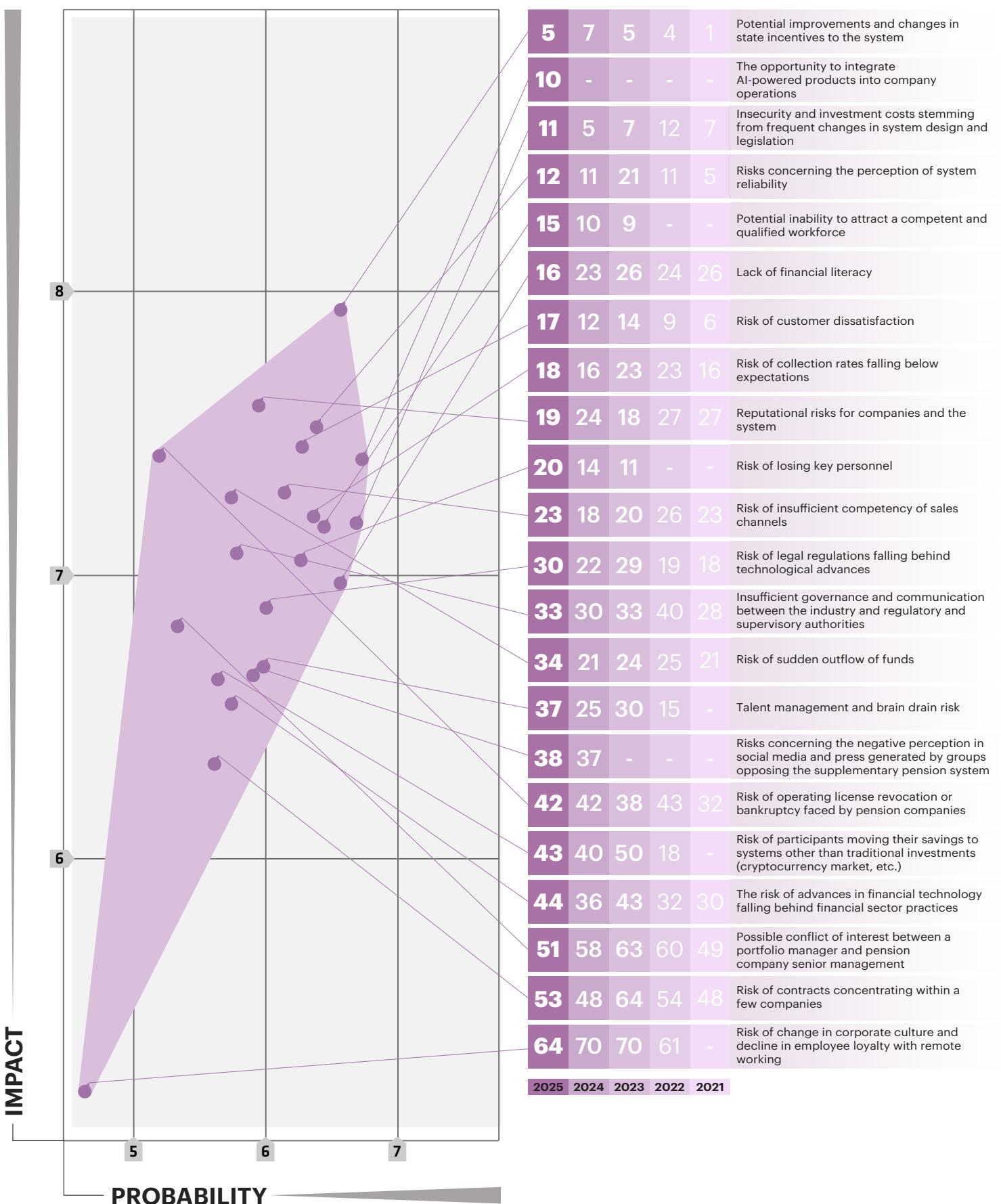


Appendix 1. Risk Map

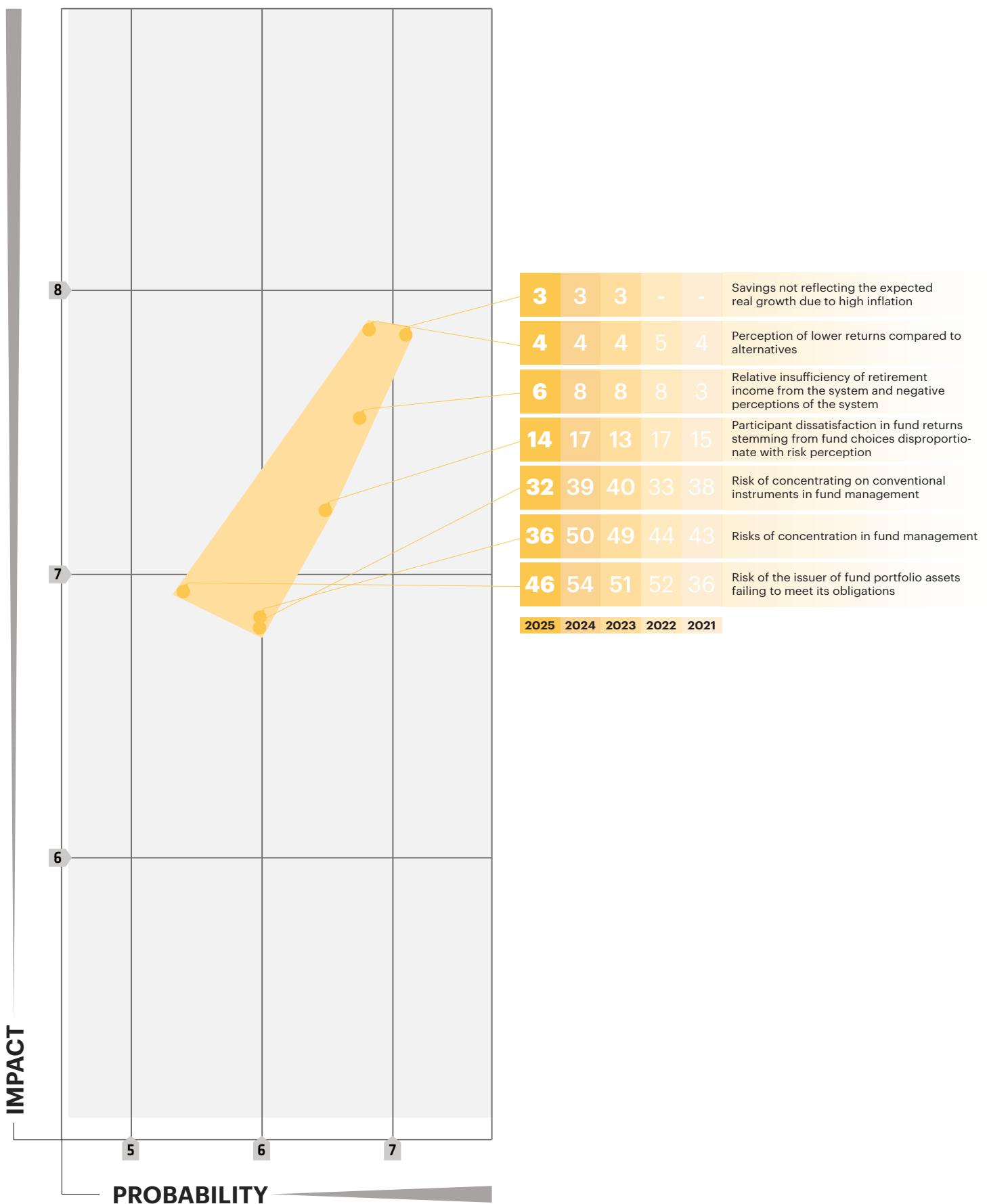
2021



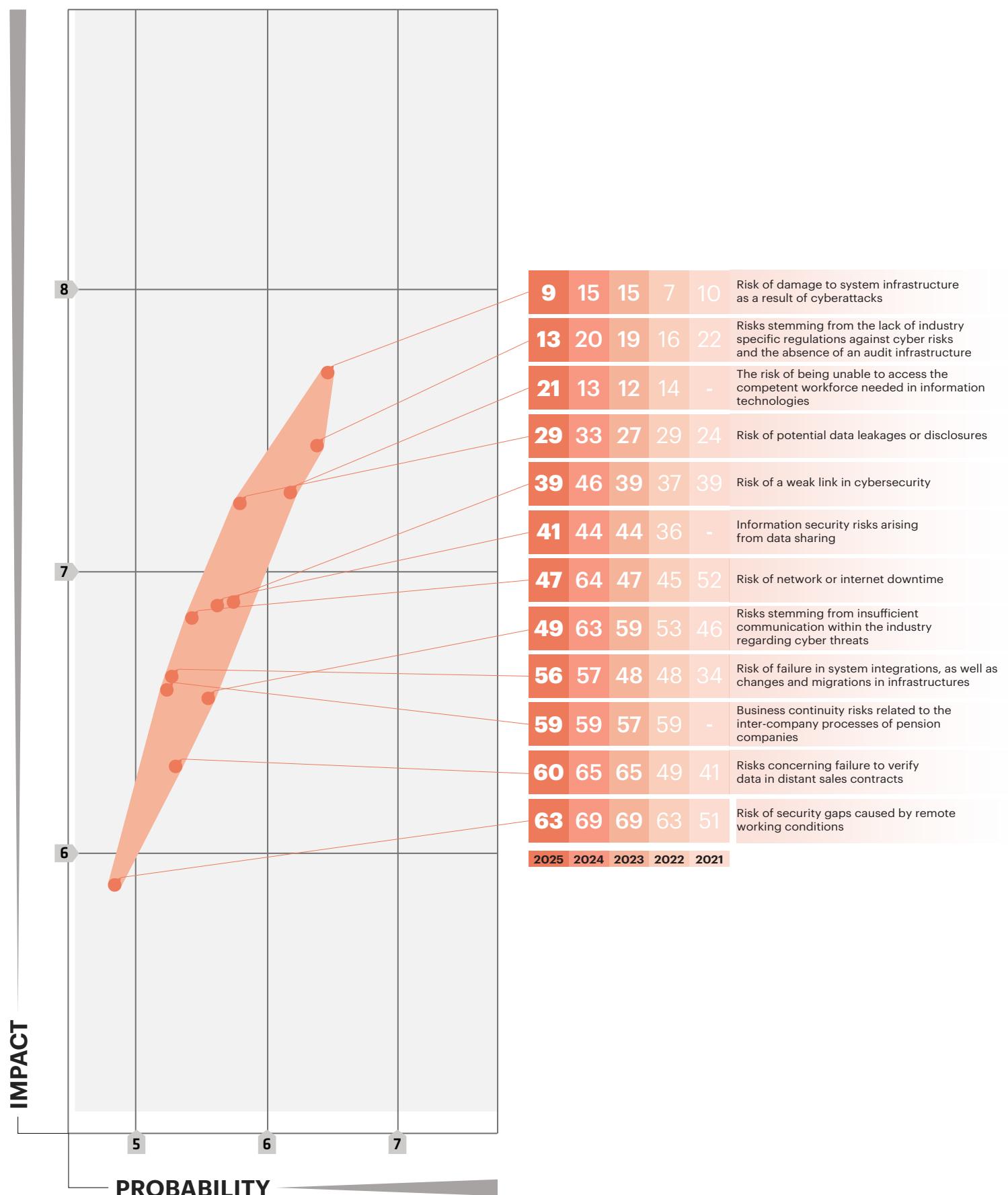
Appendix 1. Risk Map - Strategic Risks



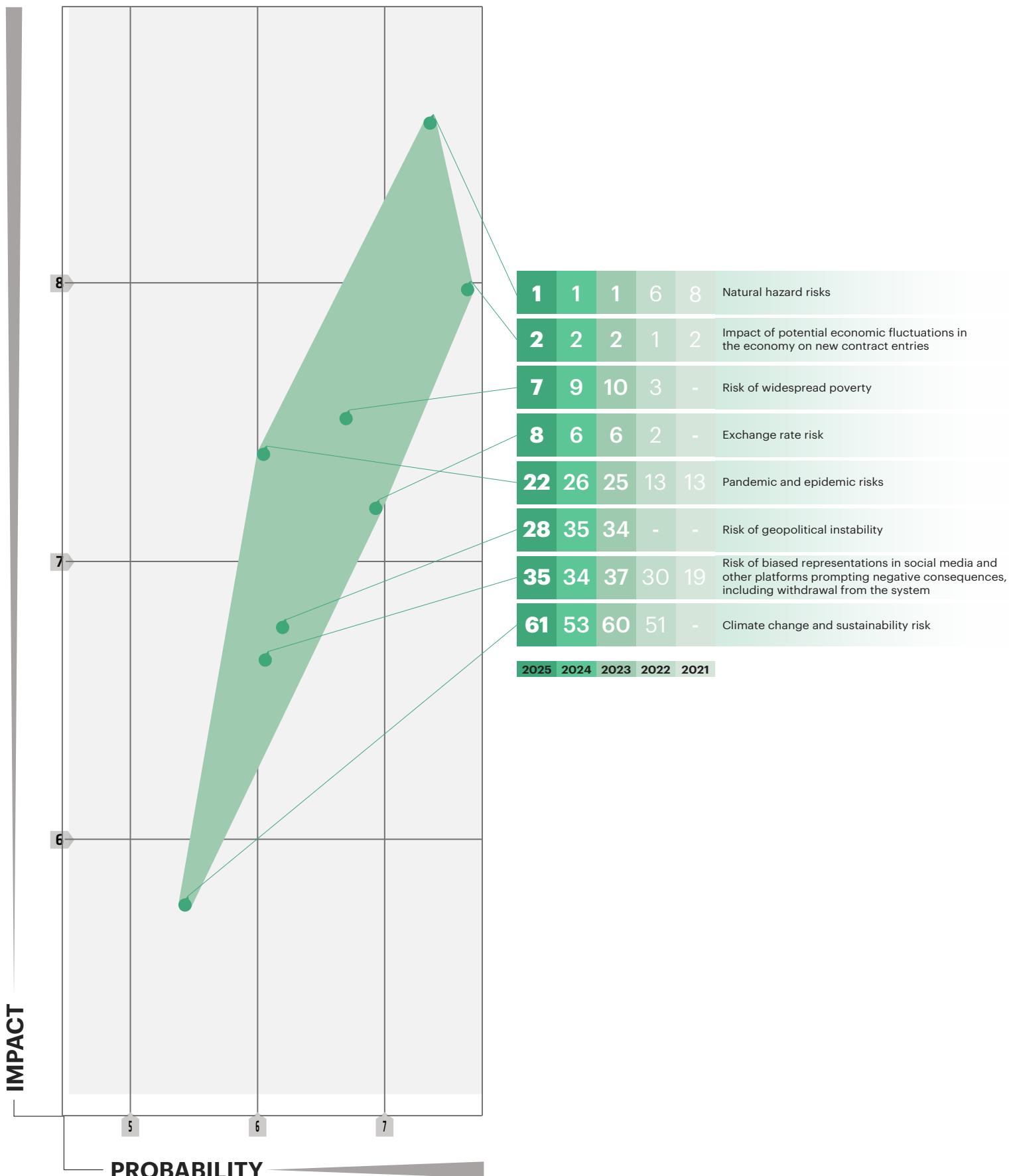
Appendix 1. Risk Map - Portfolio Management Risks



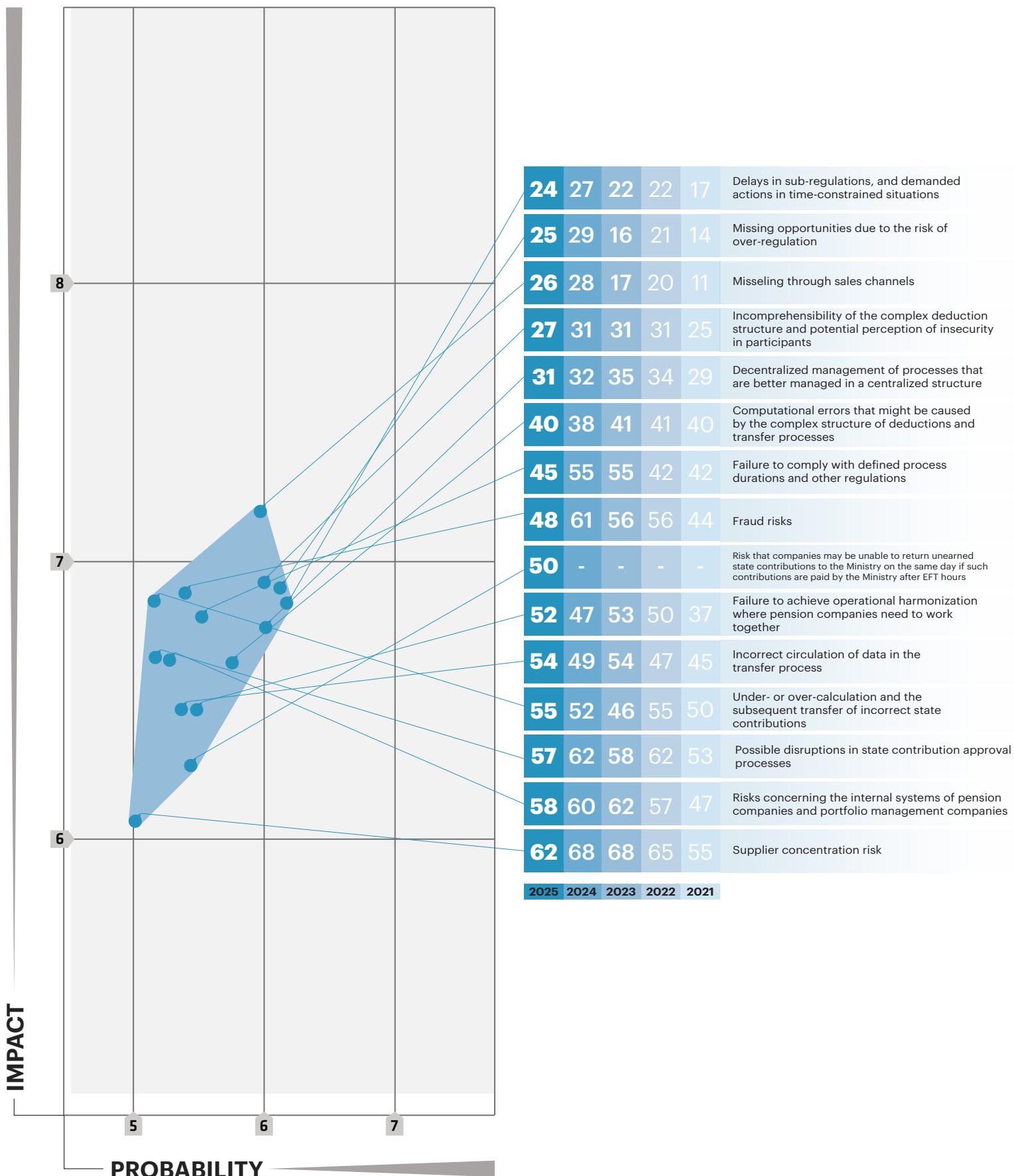
Appendix 1. Risk Map - Information Technologies Risks



Appendix 1. Risk Map - External Risks



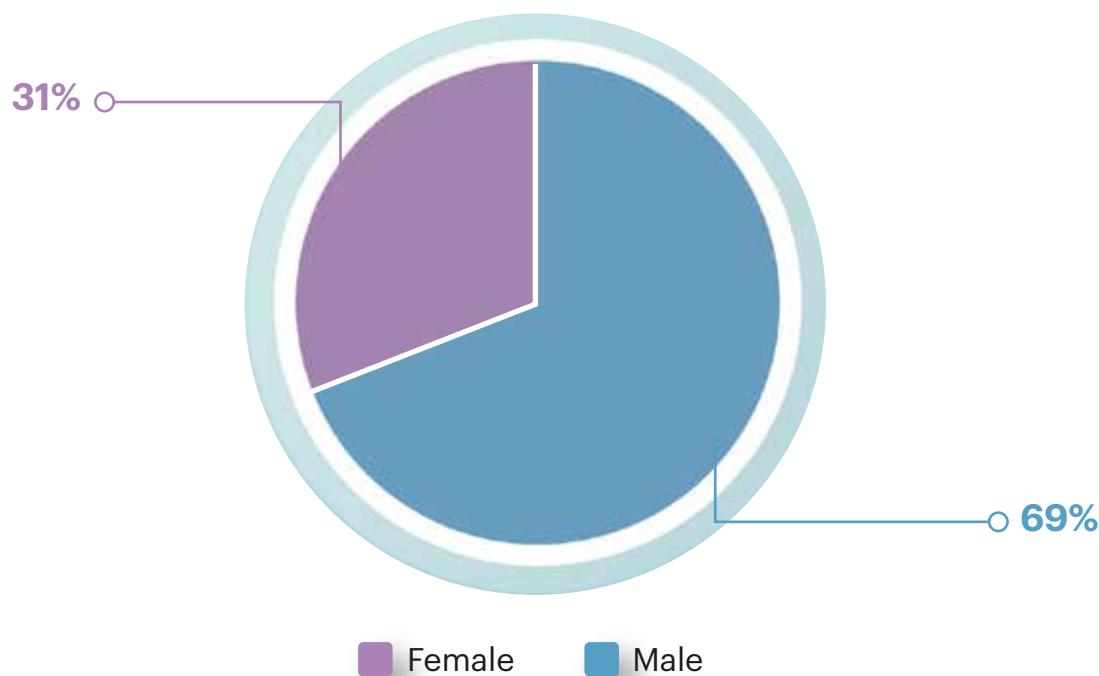
Appendix 1. Risk Map - Operational Risks



Appendix 2. Profile of Survey Respondents

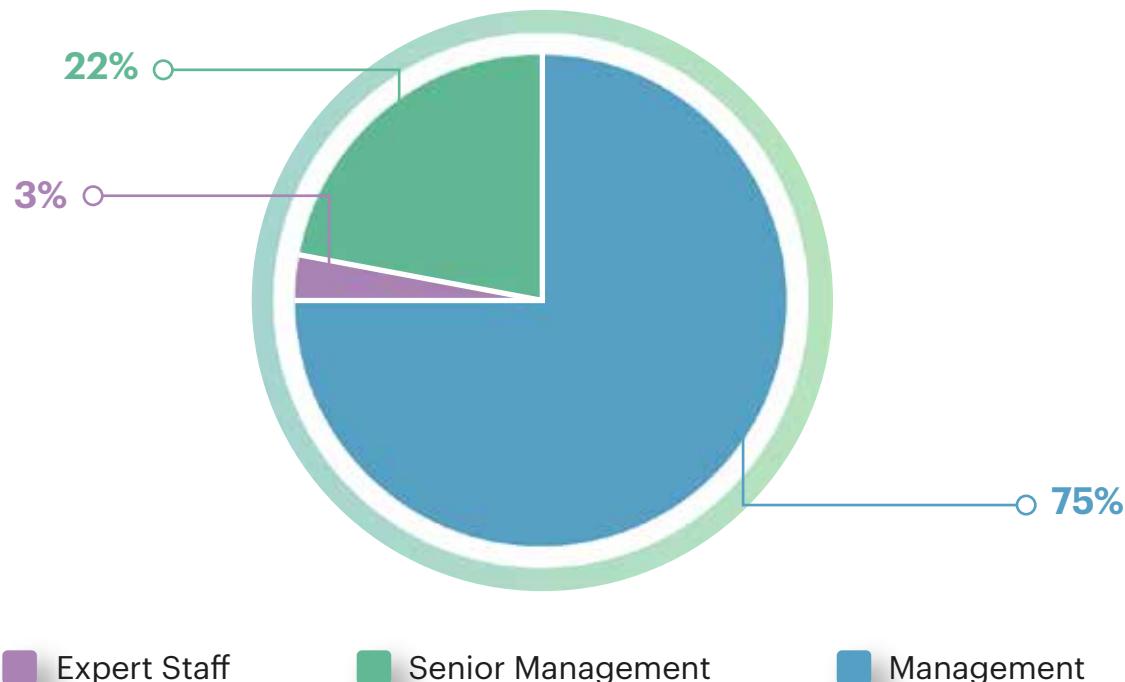
Distribution of Survey Respondents by Gender

Of the 269 survey respondents, 84 are women and 185 are men.



Distribution of Survey Respondents by Management Level

Of the survey respondents, 75 percent are in management, while 22 percent are in senior management.

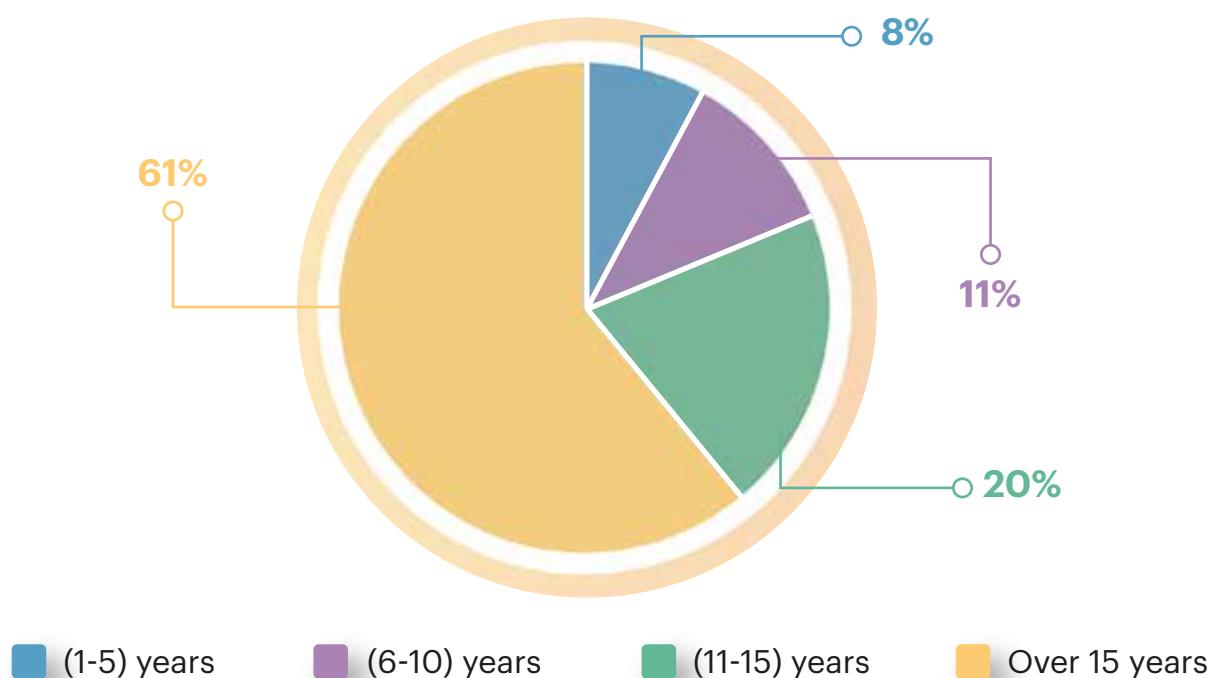


(1) Senior Management level refers to the General Manager, CEO, CFO, CIO, CRO, Deputy General Manager, Director, Coordinator, Legal Consultancy, and senior management of the Regulatory and Supervisory Authority.

Appendix 2. Profile of Survey Respondents

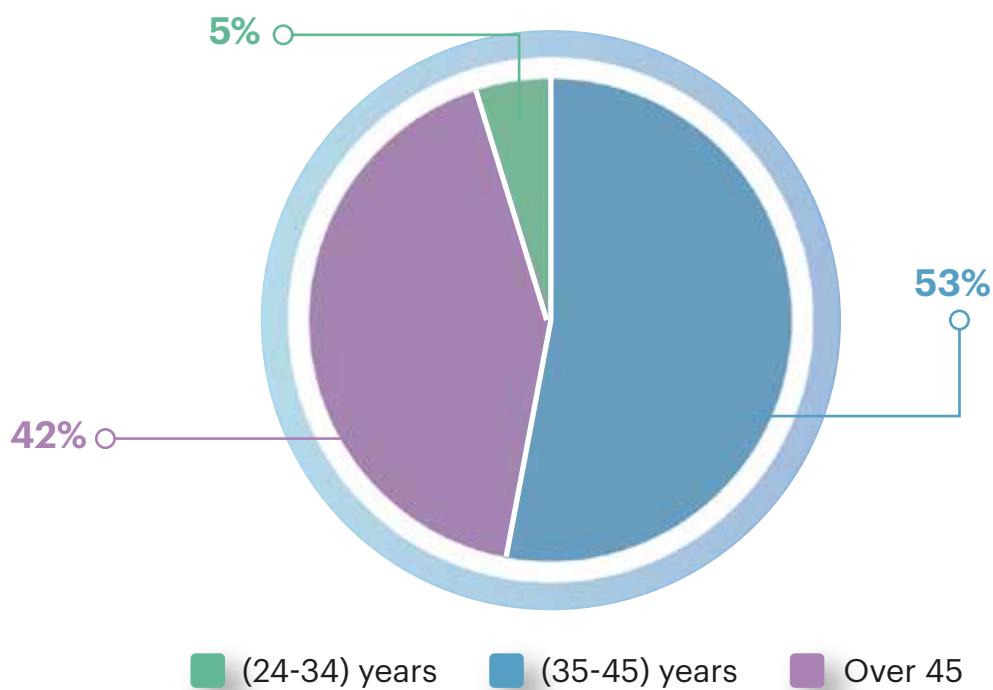
Distribution of Survey Respondents by Industry Experience

Of the survey respondents, 81 percent have 11 years or more experience in the sector.



Distribution of Survey Respondents by Age

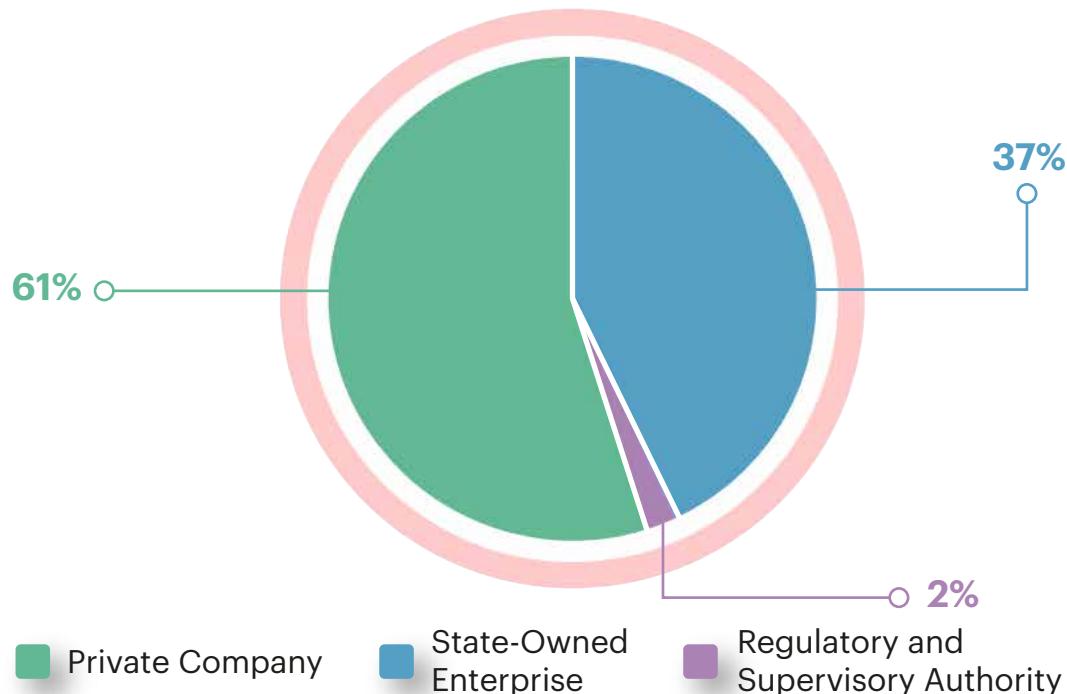
Of the survey respondents, 95 percent are aged 35 and above.



Appendix 2. Profile of Survey Respondents

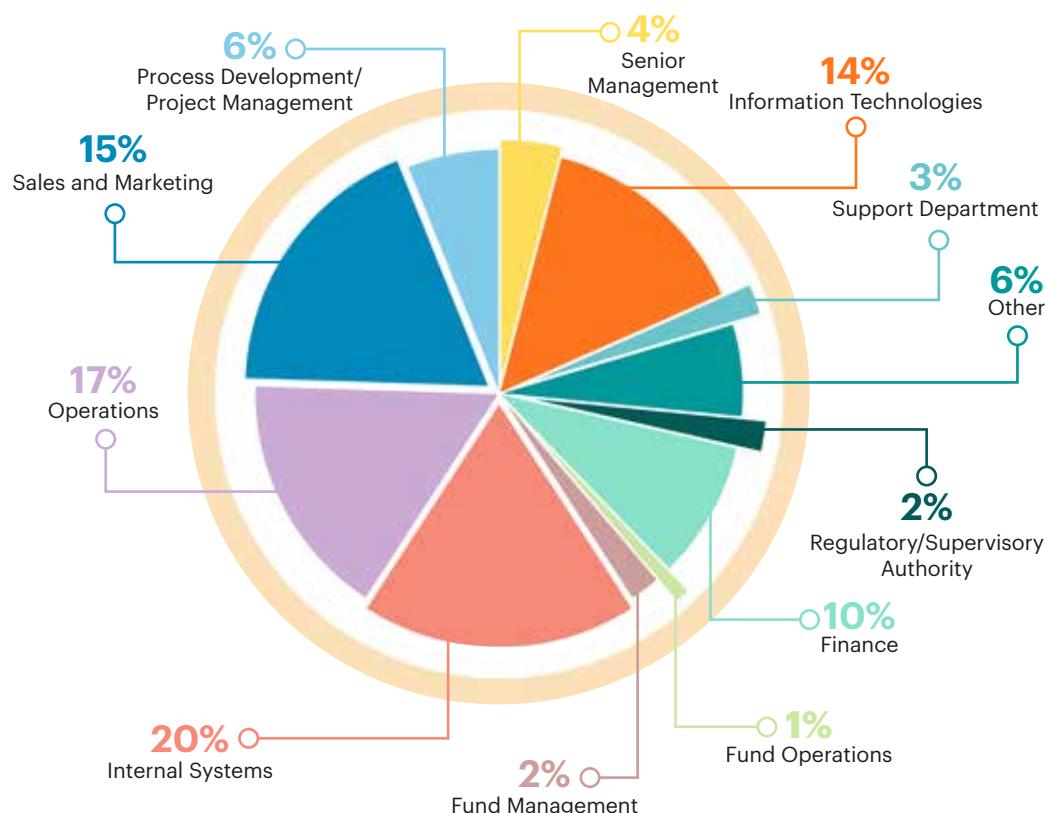
Distribution of Survey Respondents by Employer Type

Of the survey respondents, 61 percent work for private companies, 37 percent work for state-owned enterprises, and 2 percent work for regulatory and supervisory authorities.



Distribution of Survey Respondents by Department

Of the survey respondents, 20 percent work in internal systems, 17 percent in operations, 15 percent in sales and marketing, and 14 percent in information technologies.



This report is a continuation of a series, the first of which was published in 2021.

You can learn more about the methodology by examining the first report, available at
https://egm.org.tr/Sites/1/upload/files/Bireysel_Emeklilik_Sistemi_Risk_Envanteri-2021-1283.pdf

The Individual Pension System Risk Inventory was prepared and reviewed by the Internal Control and Risk Management and Internal Audit Departments of the Pension Monitoring Center based on survey results and approved by the General Directorate.

For further inquiries or to make suggestions concerning the report, contact us at
<https://egm.org.tr/bize-ulasin/bize-yazin/>.

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