

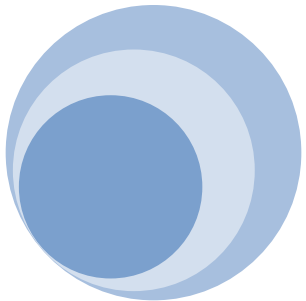
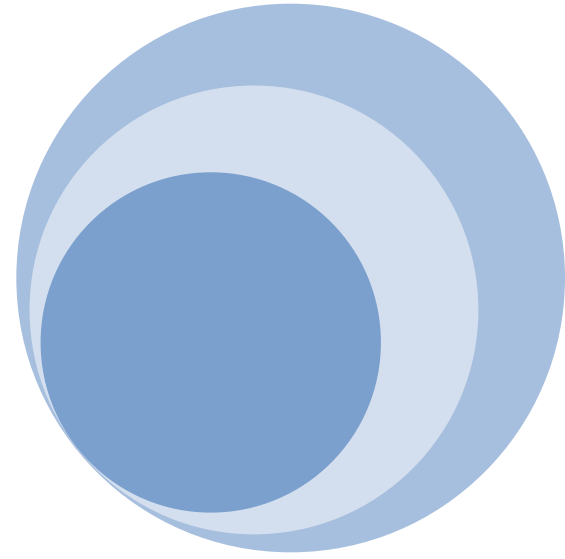
Beijing, November 2007

# Pensions at a Glance: Asia/Pacific

Edward Whitehouse

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WORLD BANK



# Comparing pension systems

- Fiscal approach:
  - projections of pension expenditure
- Institutional approach:
  - describing pension systems' parameters
- Income-distribution analysis:
  - comparing incomes of older people and the population as a whole



# Comparing pension systems

- Fiscal approach:
  - deals with aggregate pension expenditure but silent on their distribution among individuals
- Institutional approach:
  - far too easy to get bogged down in details and miss key differences
- Income-distribution analysis:
  - backward looking



# A microeconomic approach

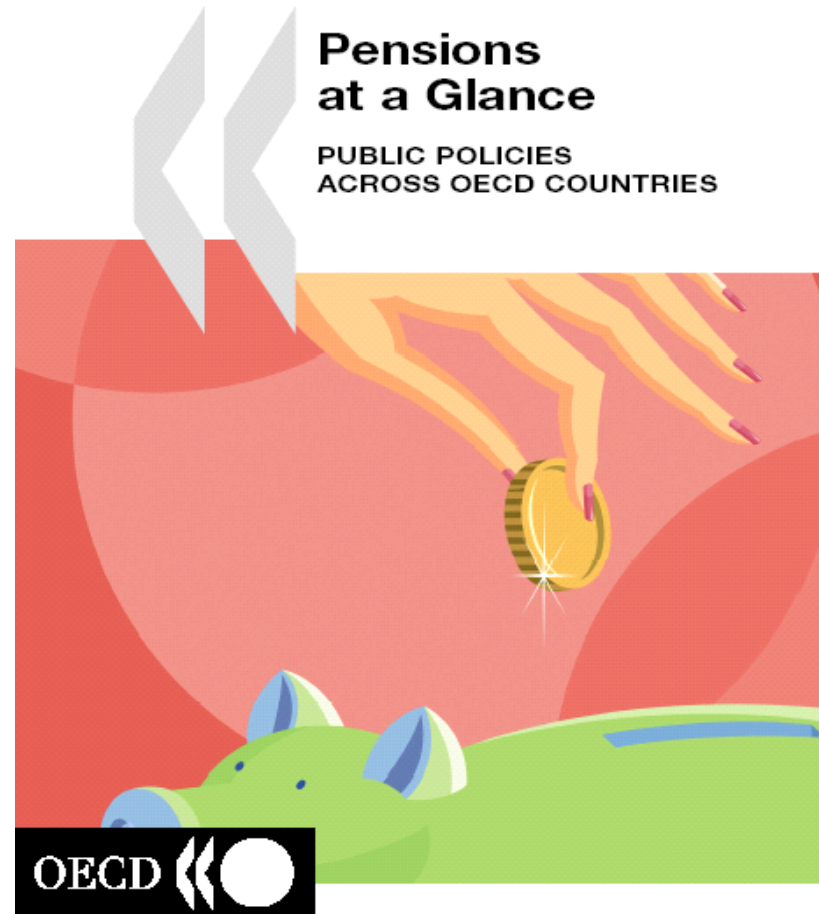
- Model of pension entitlements at individual level
- Goal: indicators for cross-country monitoring pension systems
- Consistent across a broad range of countries
- Covers all mandatory pensions
  - resource-tested schemes (including social assistance)
  - basic schemes
  - minimum pensions
  - earnings-related public and mandatory private schemes
  - mandatory defined-contribution plans



Includes effect of income tax and social security contributions

# Comparing pension systems

- *Pensions at a Glance*
  - 30 OECD countries
  - 1995



# Comparing pension systems

- *Pensions at a Glance*
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  - 1995
- Pensions Panorama
  - 53 countries
  - 2006



# Comparing pension systems

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  - 2006
- *Asia/Pacific*
  - 2008

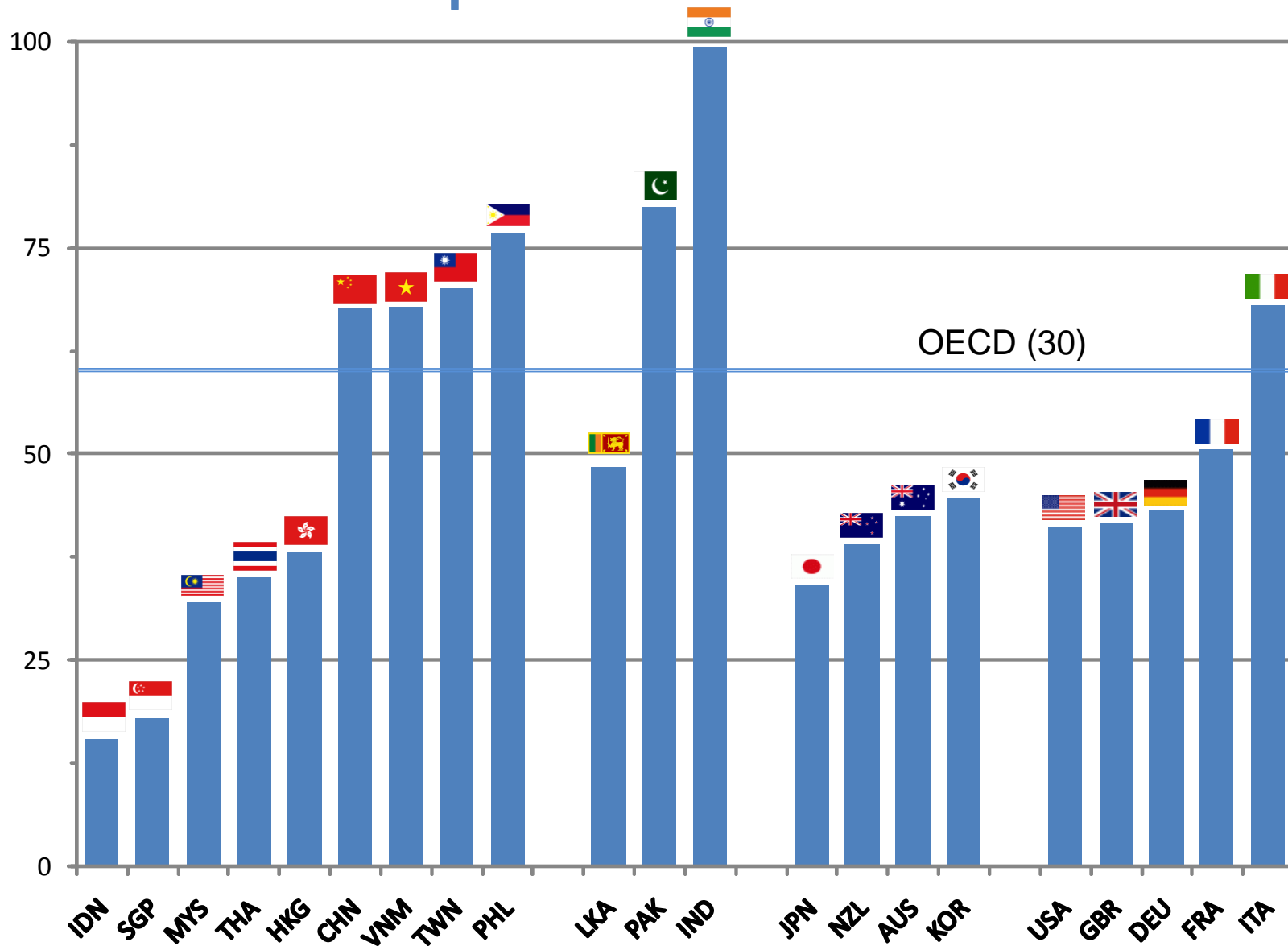


# Key assumptions

- Full-career workers
  - contribute every year from age 20 (or standard entry age) to normal pension eligibility age
- Across the earnings range (0.5 to 2.5 times average)
- Forward looking: all legislated reforms fully in place
  - ‘steady-state’ assumption
  - new labour-market entrants
- Standard macroeconomic assumptions
  - earnings growth, real rate of return (on funded pensions), discount rate (for actuarial calculations), mortality rates: projections for 2040



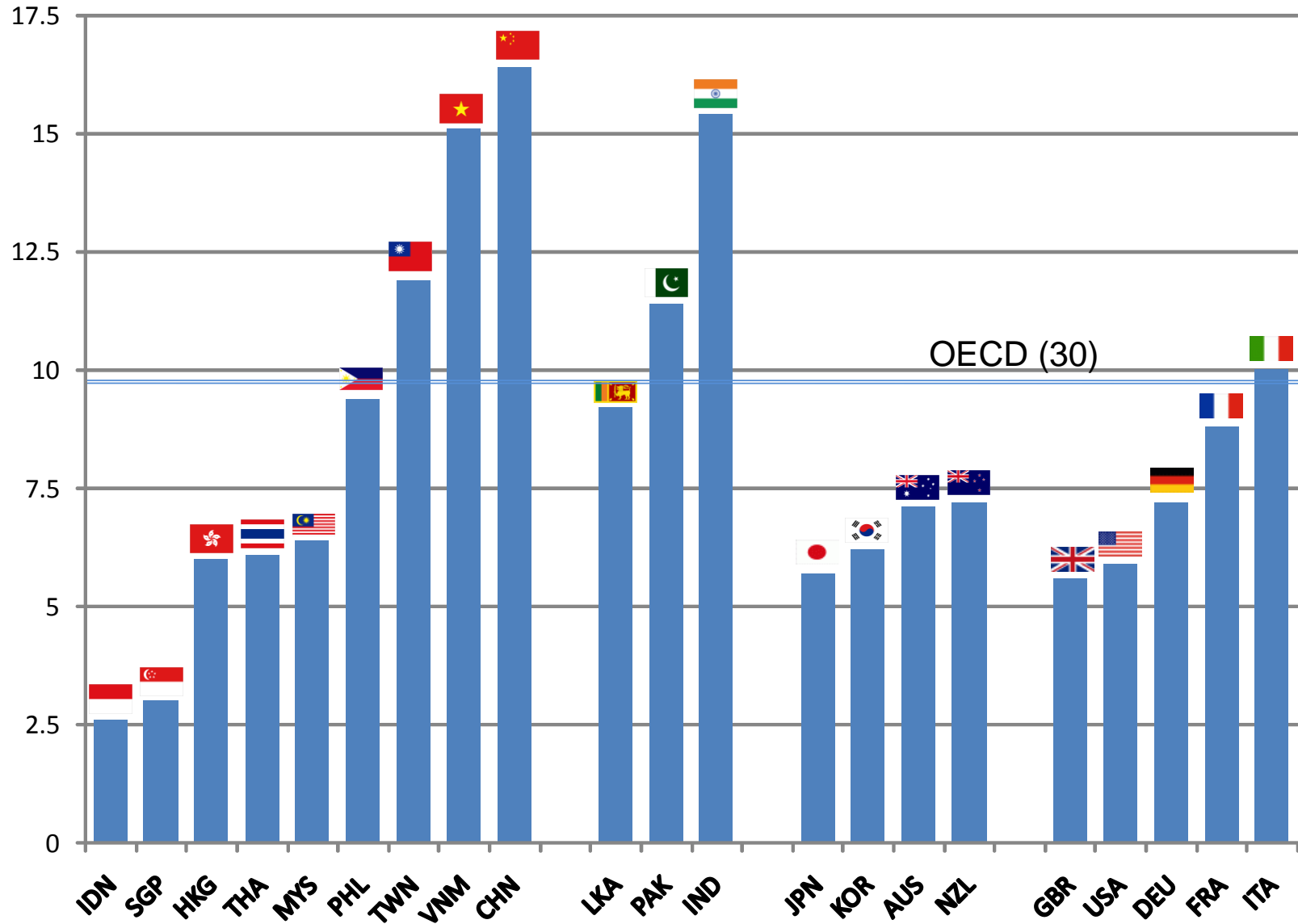
# Replacement rate



# Indicators

- **Replacement rate** measured at time of retirement
- Differences in pension age
- Differences in life expectancy
- Differences in indexation
- **Pension wealth**
  - present value of flow of benefits
  - Show as multiple of annual earnings

# Pension wealth



# Modelling issues

- Non-retirement withdrawals
- Partial careers
- Diversity of provision in China
- Indexation
- Civil-service schemes