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International Developments in Retirement Income Policies


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CRAPR-ANU Retirement Incomes Policy Dialogue, Canberra, 01 November 2018

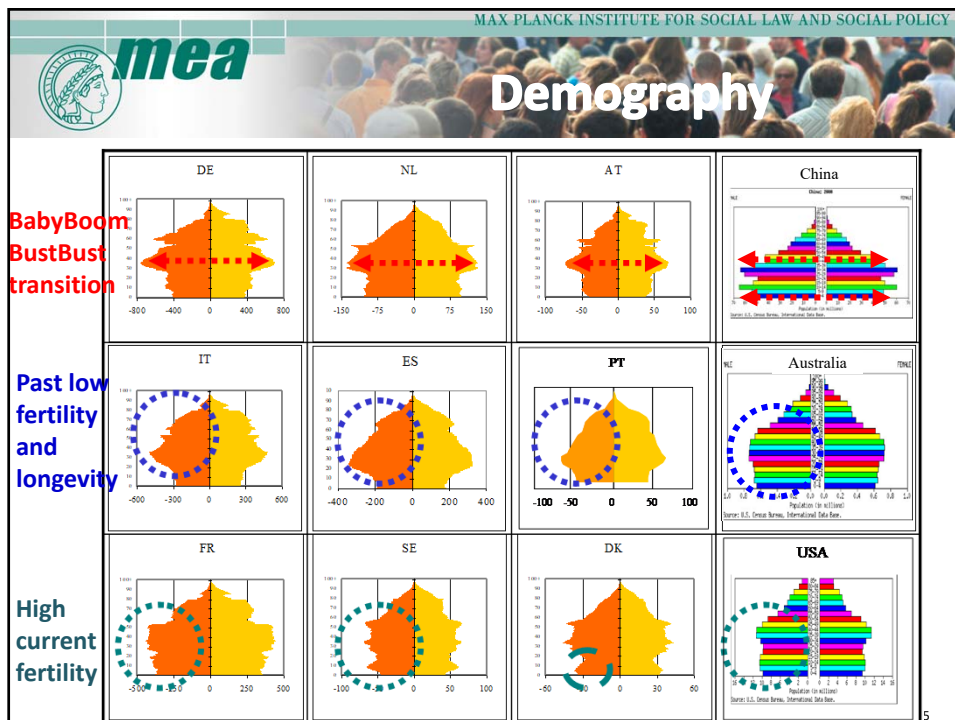
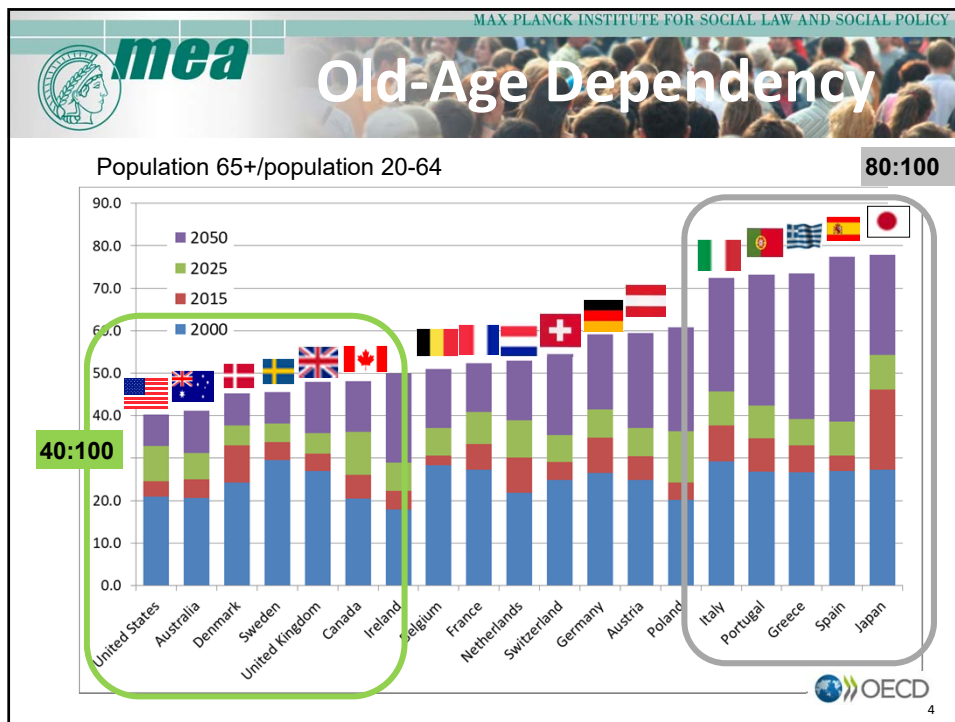
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Outline

- 1. Demographic challenges:** population aging and migration
- 2. Structural challenges:** design and political economy
- 3. First pillar (PAYG) reforms:** the role of automatic stabilizers
- 4. Reforms in occupational and private pension pillars:** the role of information, transparency and default/automatic enrolment



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 **Demography & Policy**

Need at least three different policy instruments to tackle demography:

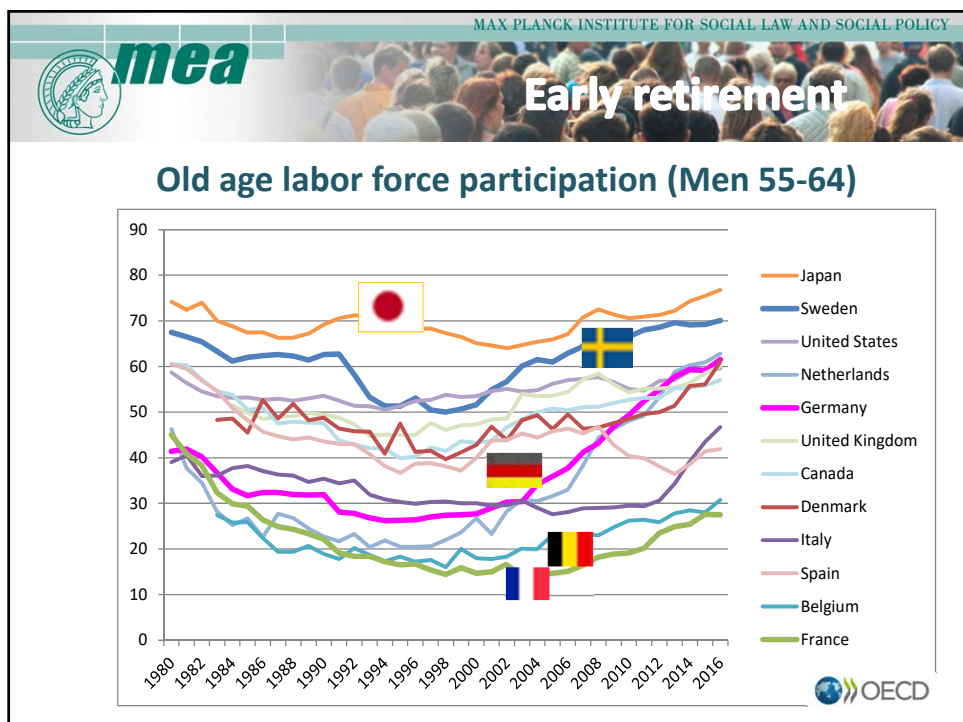
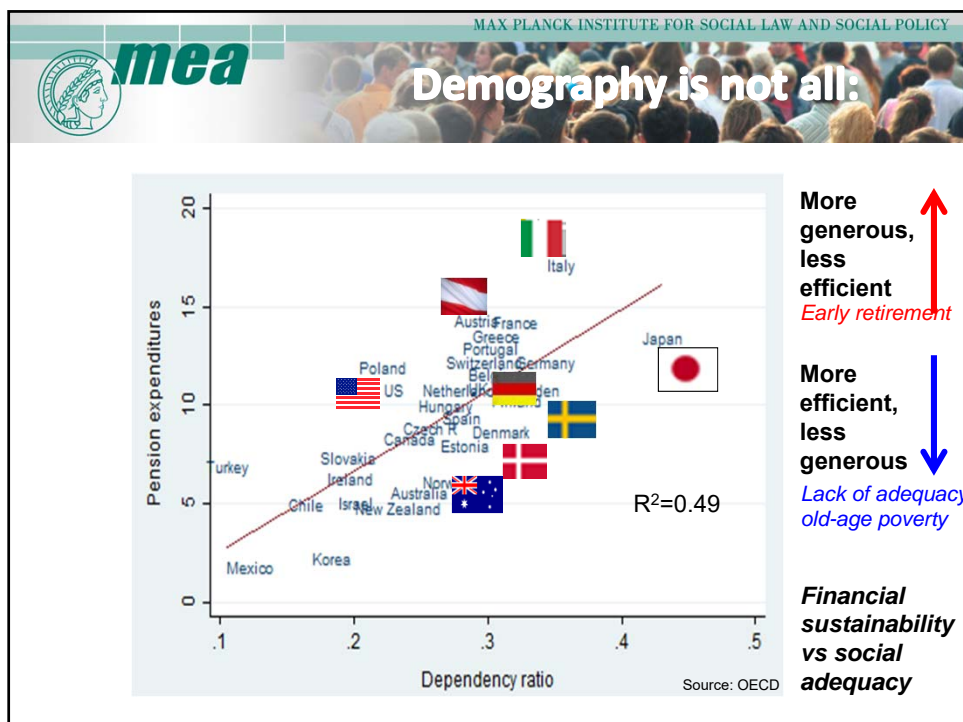
- **Baby boom/bust: pre-funding**
(intergenerational redistribution; fiscal consolidation)
- **Longevity: adjust working life**
(retirement age up to maintain proportions)
- **Fertility: quantity/quality**
(not just #kids: education & health)

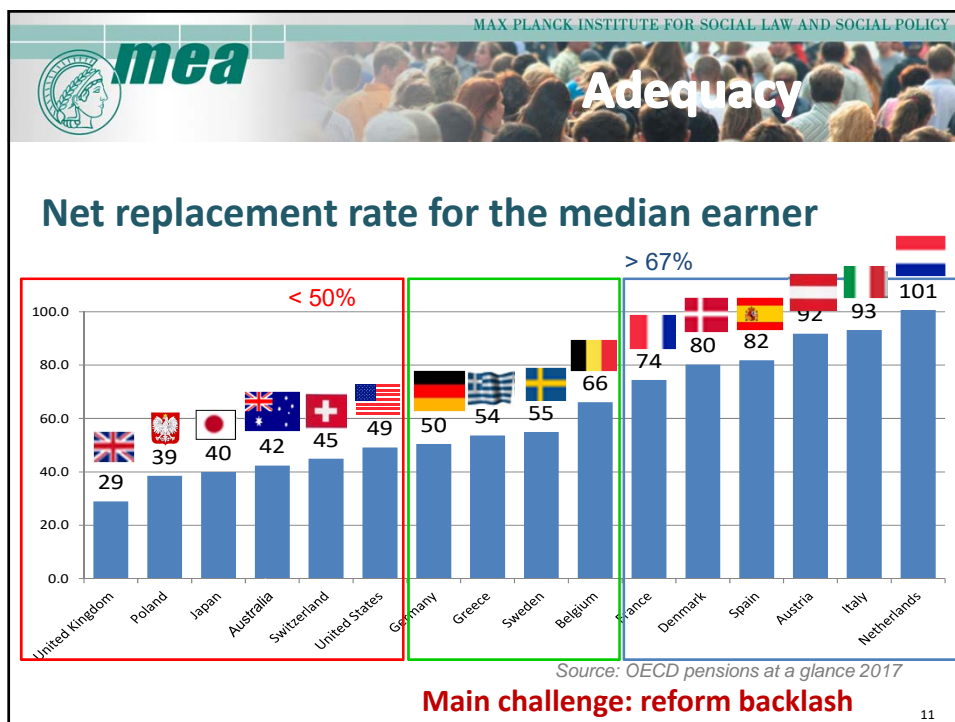
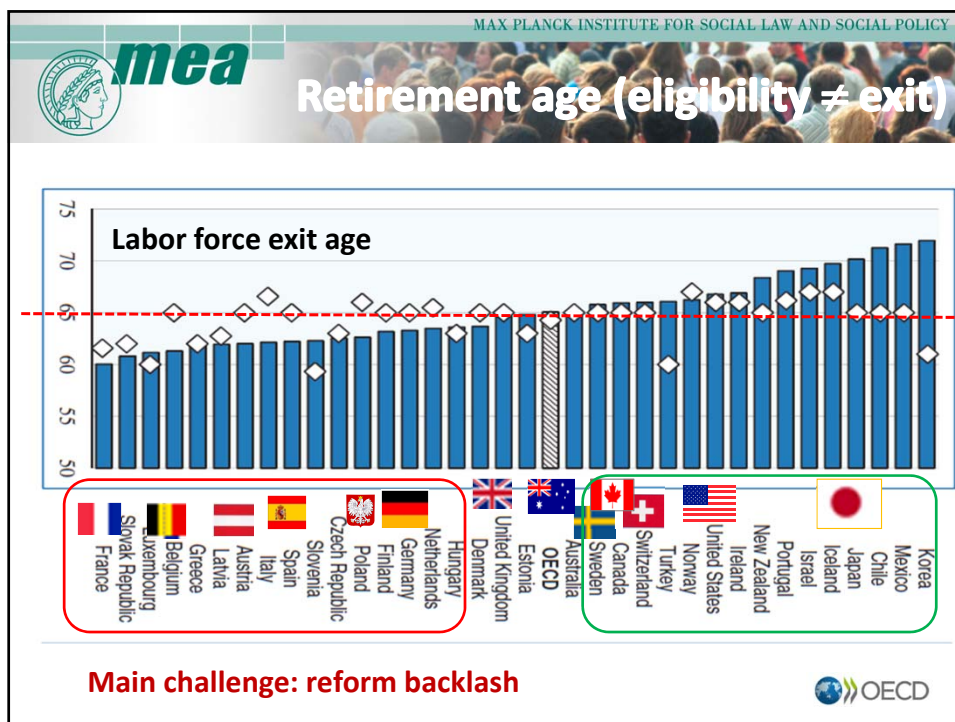
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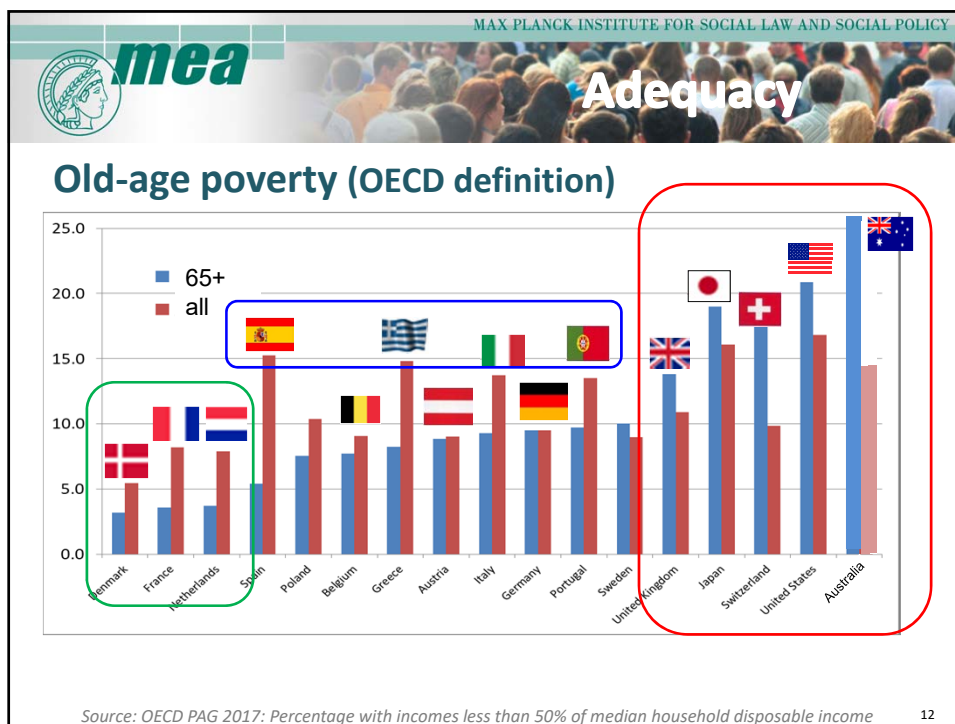
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Retirement income reforms

- Reforms to prevent poverty**
Means-tested base pension

- Reforms for the „normal“ worker**
 - Pay-as-you-go pillar**

Retirement age	Replacement rate
Life expectancy	System dependency
	
NDC 	
 - Fully-funded pillars**

Mandatory (occupational, state)	Voluntary (individual)
	
„Nudging“ 	




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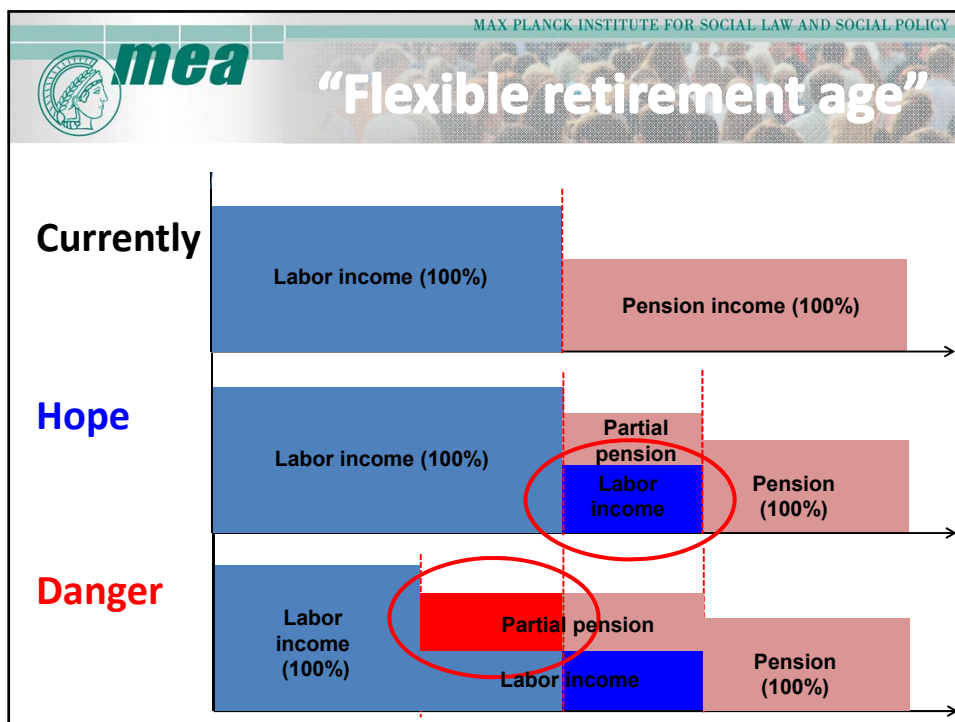
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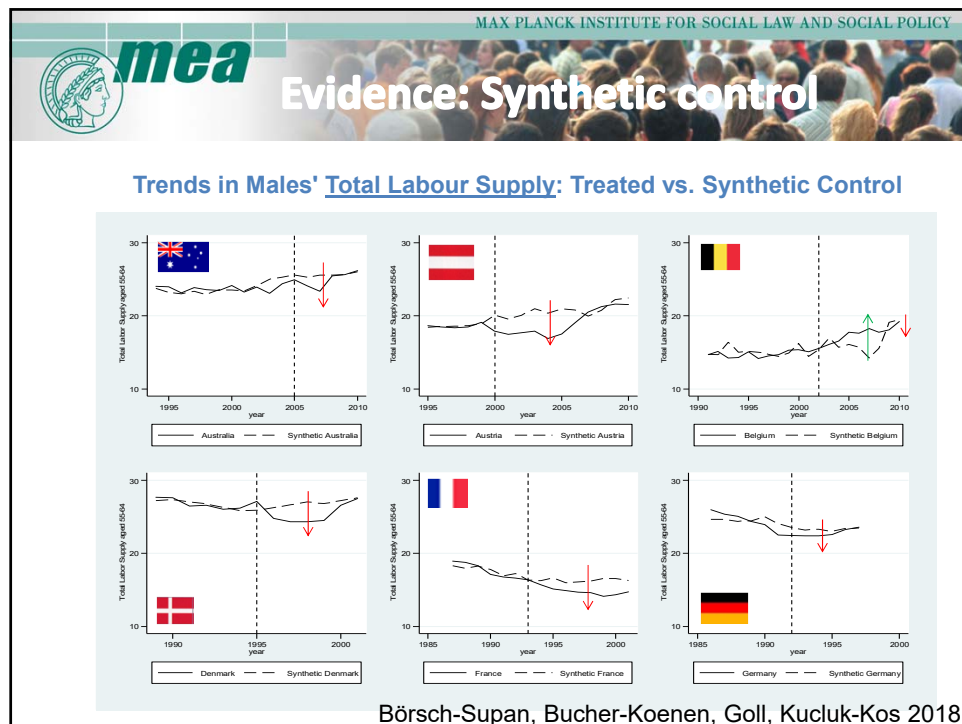
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Incentives to early retirement

Actuarial adjustment factors at earliest age of claiming benefits

	Current legislation	
Austria	4.2	
Germany	3.6	
France	5.0	
Italy	2.3-2.9	
Spain	6.0-7.5	
Greece	6.0	
Sweden	4.1-4.7	
Finland	4.8	
US	6.67	

The table shows the adjustment factors for statutory early retirement. Many countries have additional pathways not included here.
Source: OECD (2013) and Queisser and Whitehouse (2006).



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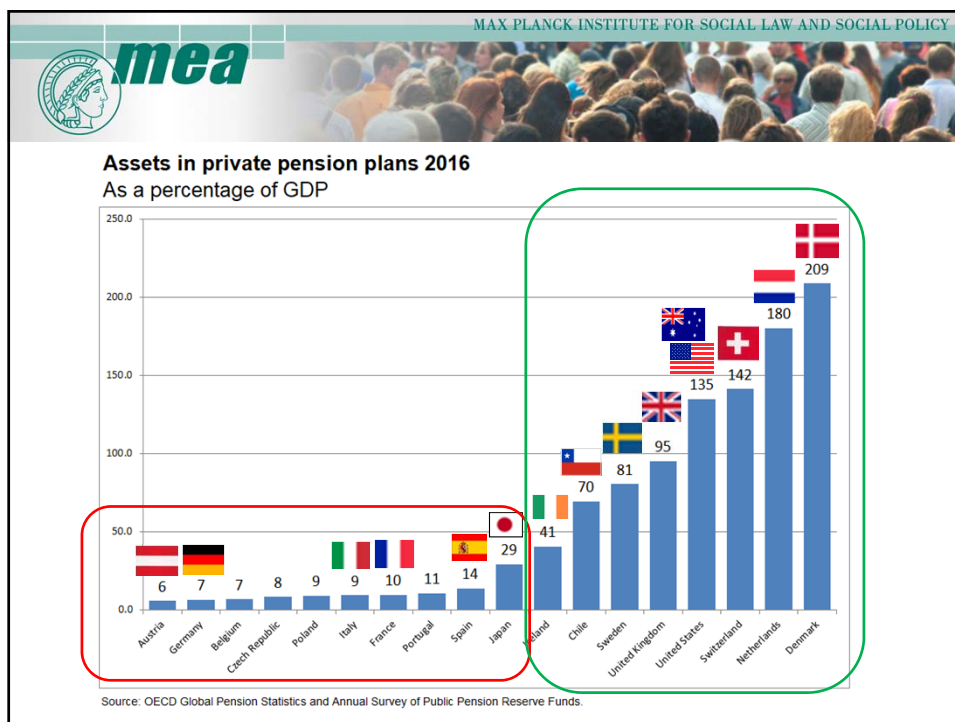
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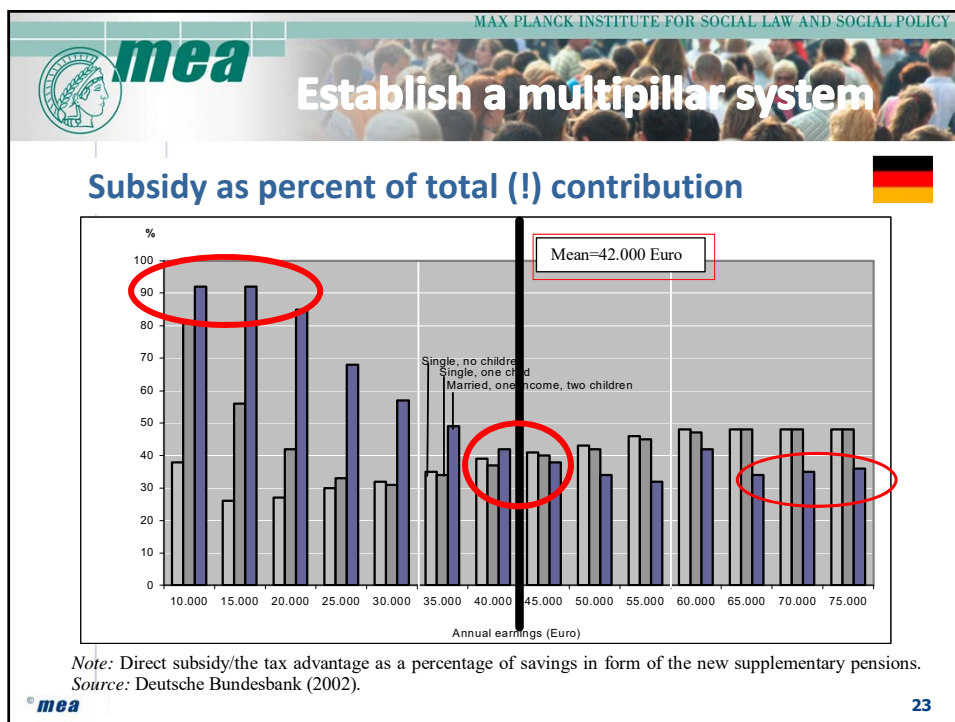
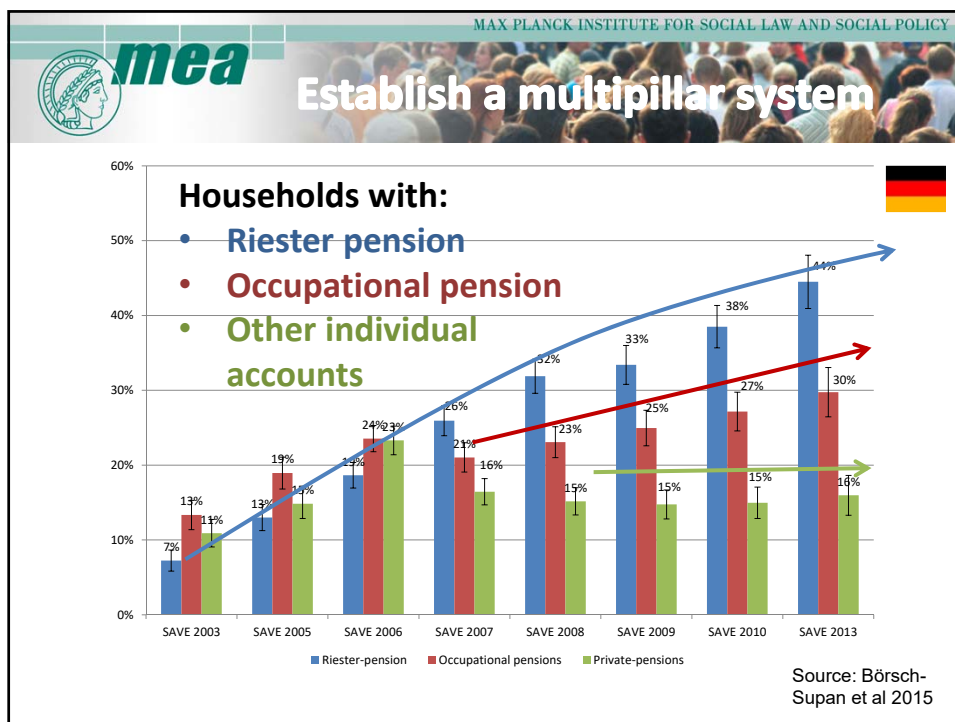
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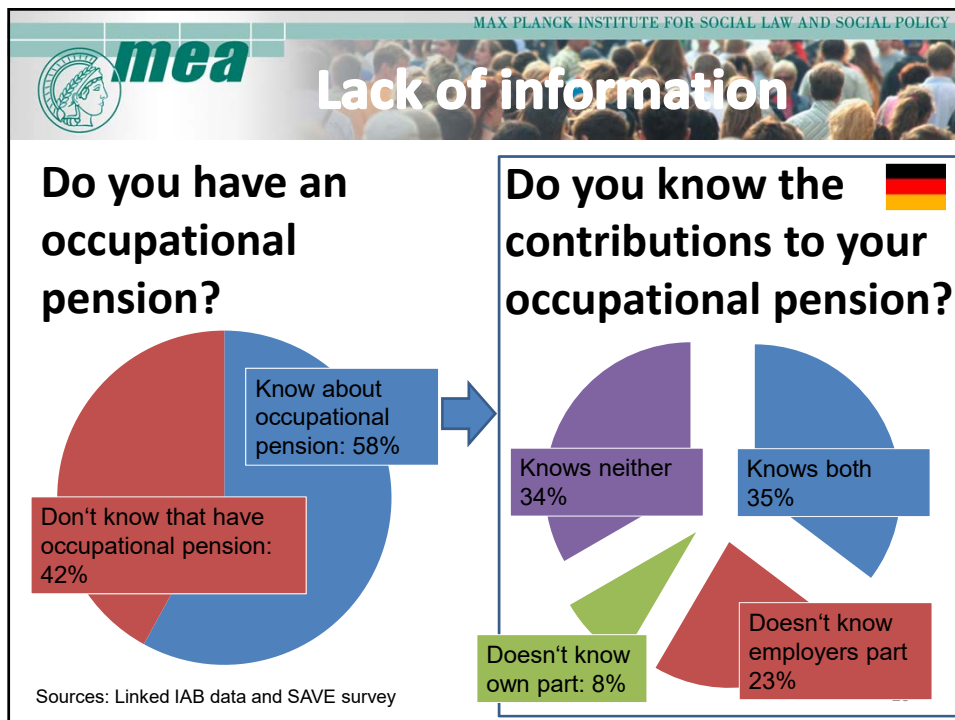
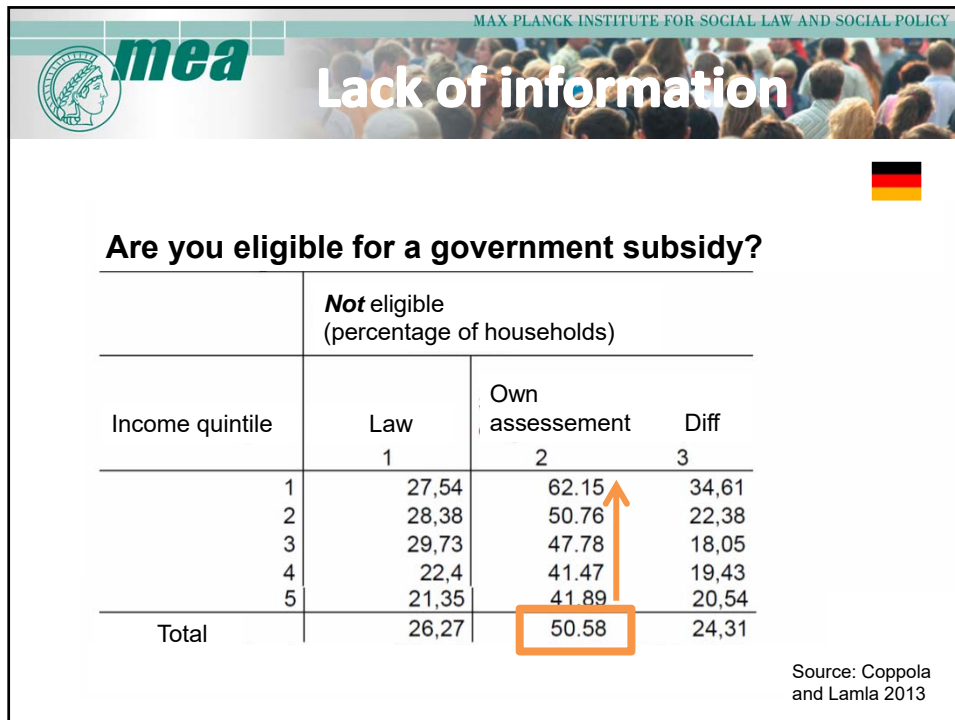
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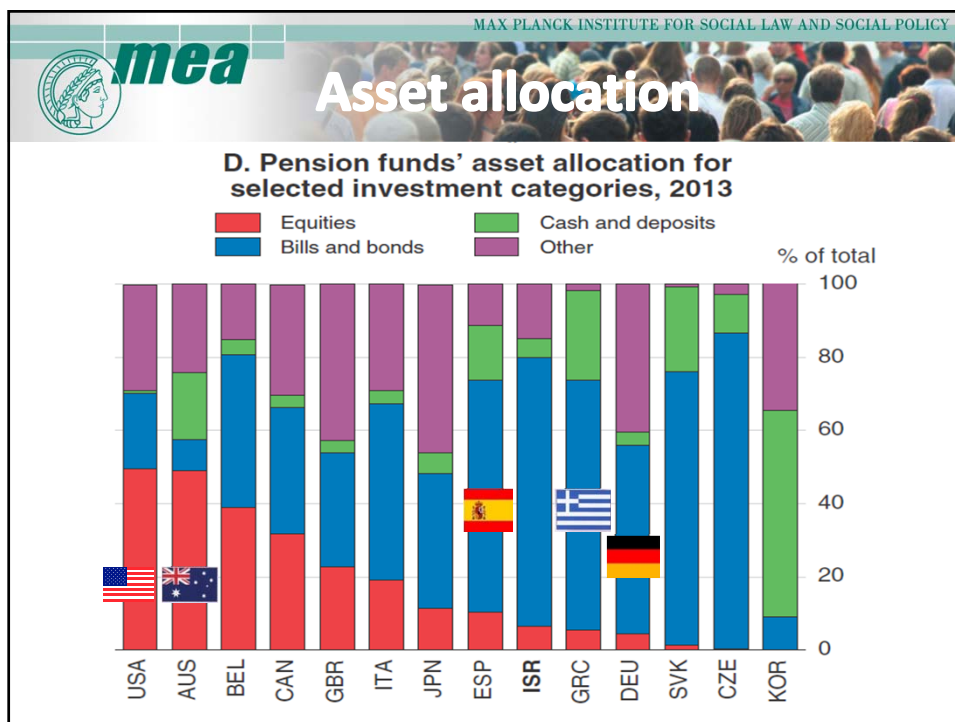
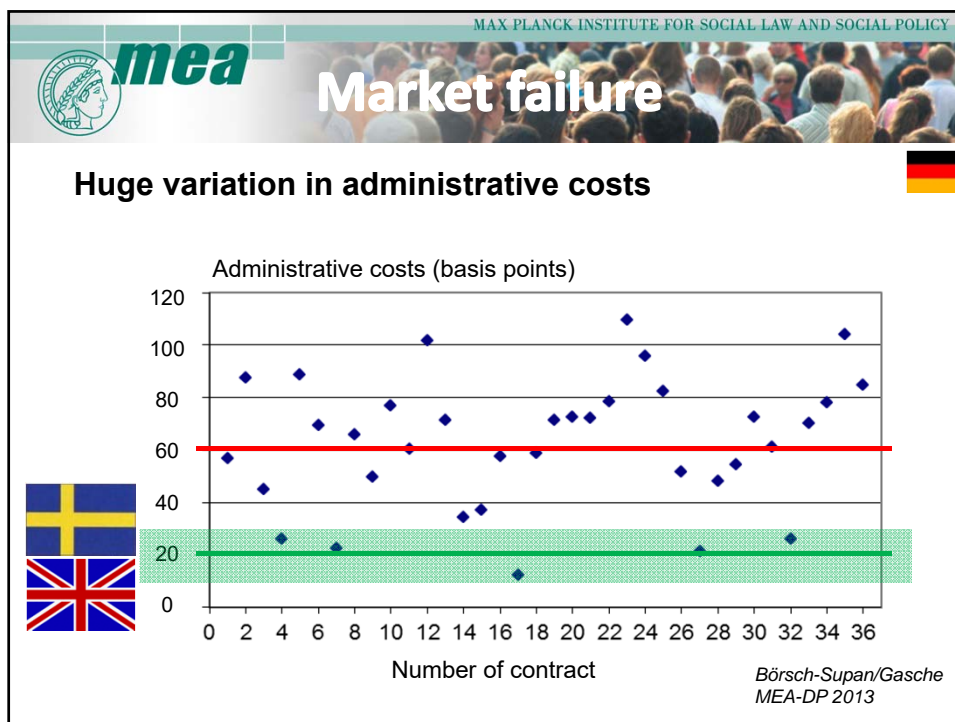
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 **Conclusions**

- ▶ **Europe's ageing challenges are large**
 - Political challenges of the sustainability vs. adequacy debate
 - Additional funding too late for the baby boomers
- ▶ **There are many good reform ideas in Europe**
 - Notional defined contribution systems which adapt to population aging and create a sense of actuarial fairness
 - Automatic adjustment of retirement age to life expectancy
 - Sustainability factor: Index benefits to dependency ratio
- ▶ **Voluntary second and third pillar took up in Germany, but still serious problems**
 - Wide-spread lack of information: employees and employers
 - Markets failed to weed out costly pension plans

