

Better Pensions

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12th Global Pensions Programme

March 11, 2026

Over a Million Protest Macron's Pension Plan in the Streets of France

NY Times, Jan. 19, 2023

**12 MILLION STRIKE
FOR A DAY IN ITALY;
Students Support
Workers in Protest Over
Pensions**

NY Times, Nov. 15, 1968

Pensions matter

- Public pensions are often the largest single item of social expenditure, accounting for 18.4% of total government spending on average in 2017.
- Public spending on cash old-age pensions and survivors' benefits in the OECD increased from an average of 6.7% to 8.1% of GDP between 2000 and the latest available year.
- OECD Pensions at a Glance 2021, 2025 OECD's biennial report on the pension systems across OECD and G20 countries.

From 1995 to December 2022,
in order to reduce fiscal costs:

- 82 countries increased the contribution rate in their PAYGO programs (recent examples: Bahrain, Spain, Qatar).
- 65 increased the retirement age (recent examples: Switzerland, Ukraine, United Kingdom).
- 67 adjusted the benefits formula or reduced the benefits plan (recent examples: Austria, Bahrain, Brazil).

Source: FIAP – International Federation of Pension Funds Administrators.

Topics

Defined
Contribution
accumulation

Annuitization

Automatic
indexation

DC accumulation approaches

- Wide market access to providers:
Australia, Hong Kong
- Small number of dedicated provider firms:
Chile
- Single central organizer:
Sweden: Premium Pension
UK: NEST

Decline in Value of Accounts Due to Fees After a 40-Year Work Career a

Type and Level of Fees	Percentage Decline in Account Value
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Front-load fees (% of new contributions) of:

1 percent	1 %
10 percent	10 %
20 percent	20 %

Annual management fees (% of account balance) of:

0.1 percent	2.2 %
0.5 percent	10.5 %
1.0 percent	19.6 %

a. Assuming real wage growth of 2.1 percent and a real annual return on investments of 4 percent. With a larger difference between the rate of return and the wage growth rate, the charge ratio with annual management fees is slightly larger, and conversely.

Hong Kong Fund Expense Ratio (FER %)

Fund Type	Number of Funds	Average	Lowest	Highest
Equity	172	1.51	0.70	2.15
Mixed Assets	211	1.40	0.58	1.97
Bond	43	1.21	0.78	1.80
Guaranteed	20	1.87	1.29	3.31
MM Conservative	33	0.77	0.41	1.22
MM Other	12	0.97	0.39	1.28

https://mfp.mpfa.org.hk/eng/mpp_fer.jsp

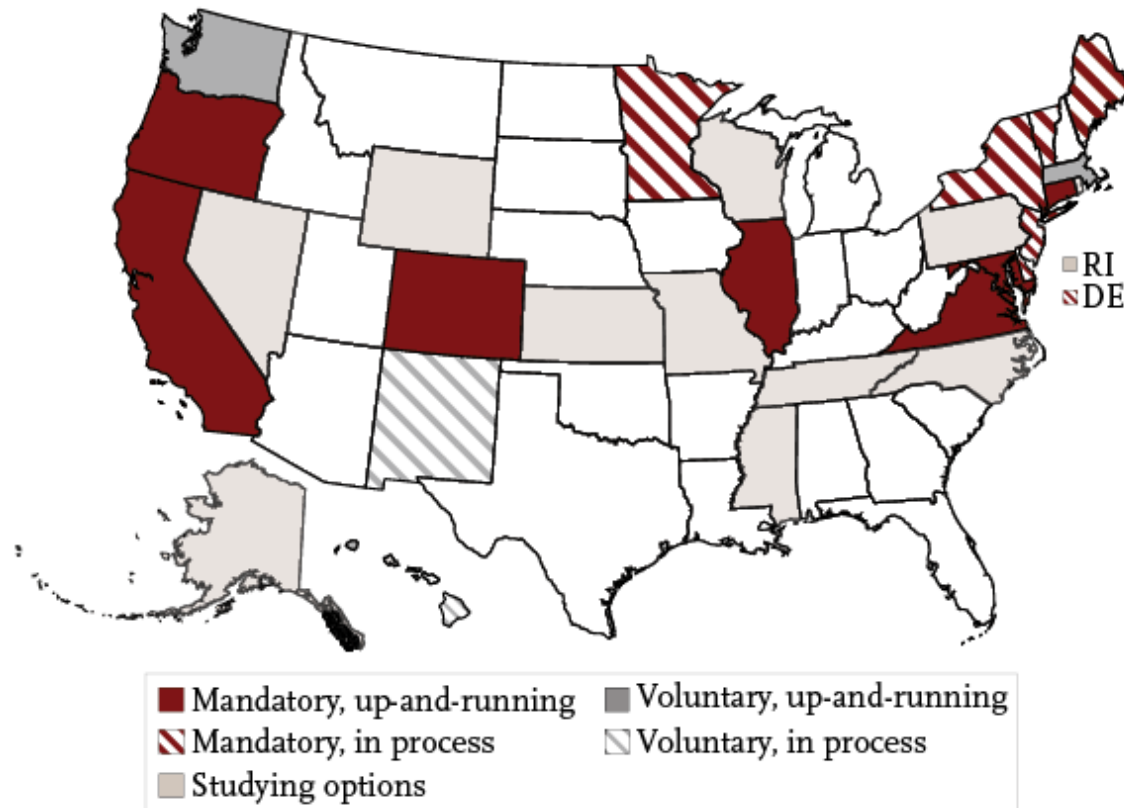
Expense ratios Thrift Savings Plan Funds, 2022

- .057% Government Securities Investment (G)
- .078% Fixed Income Index Investment (F)
- .059% Common Stock Index Investment (C)
- .090% Small Capitalization Stock Index (S)
- .064% International Stock Index Investment (I)

and

- Lifecycle funds, which are invested in the individual TSP funds—G, F, C, S, and I.

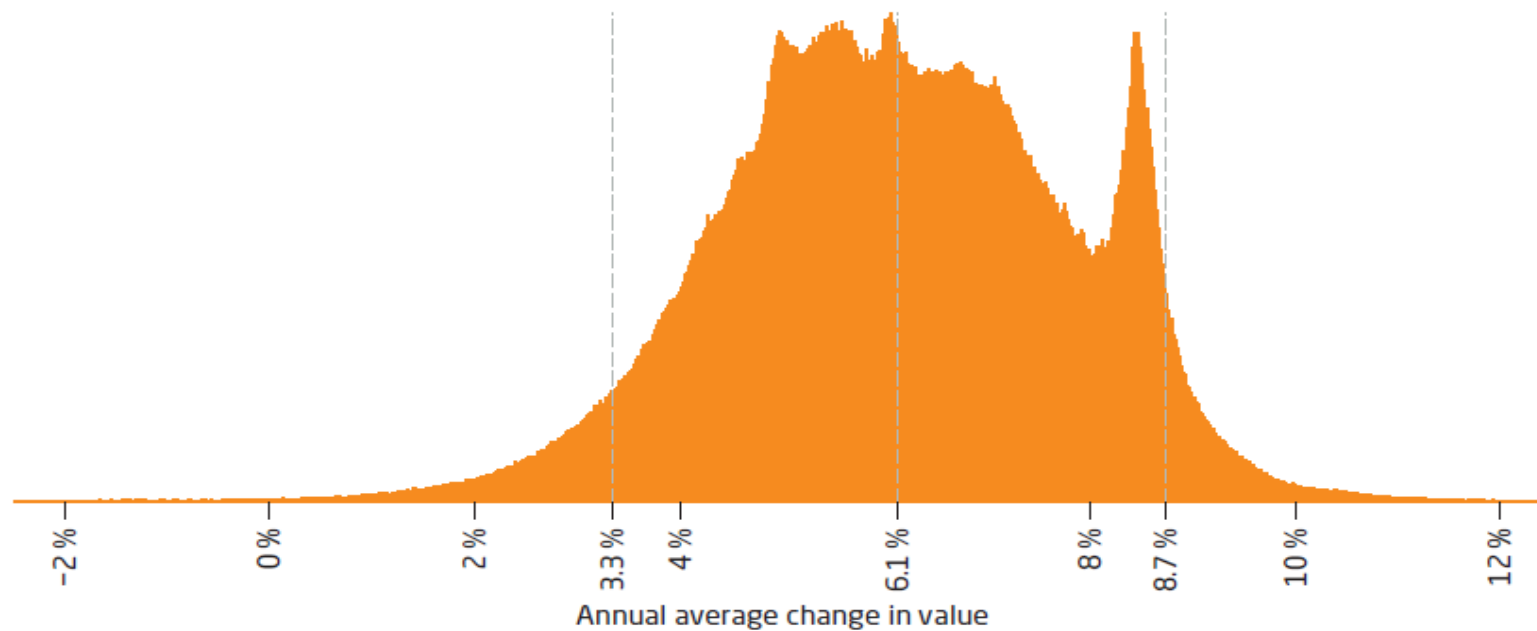
State Initiatives to Address the Coverage Gap as of June 2023



Source: CRR analysis.

Rates of return among Premium Pension savers

Capital-weighted rate of return at the end of 2018 among those who began earning pension credit in 1995 and invested it in 2000. The sharp peak around 8.5 percent mainly consists of individuals invested in the default.



The dashed lines indicate the median and the percentiles for 5 and 95 percent.

Source: Sweden Orange Report 2018, Figure 6.4

Some annuitization approaches

- DC: through market (mandatory, voluntary):
UK (previous), Chile
- DC: Plan provider, risk sharing by cohort:
Sweden: Premium Pension
- NDC: Plan provider:
Sweden
- DB: Plan provider:
Canada

Choice of annuity provider, UK

In 2012, 60% of annuities were purchased through the customer's existing pension provider or a third party with which their provider has an arrangement.

We estimate that overall 80% of those purchasing an annuity from their existing pension provider would benefit from shopping around and switching.

Financial Conduct Authority, Thematic Review of Annuities, February 2014, p. 12, 14.

Sweden: Premium Pension Annuity option

The amount of the premium pension is recalculated once each year (annuity divisor), based on the value of fund shares in December.

The capital released by deaths in the previous calendar year are distributed once a year as “inheritance gains.”

The pension amount depends on the rate of return of the funds chosen by the saver and the realized mortality of the saver’s cohort.

Indexes used for automatic adjustment

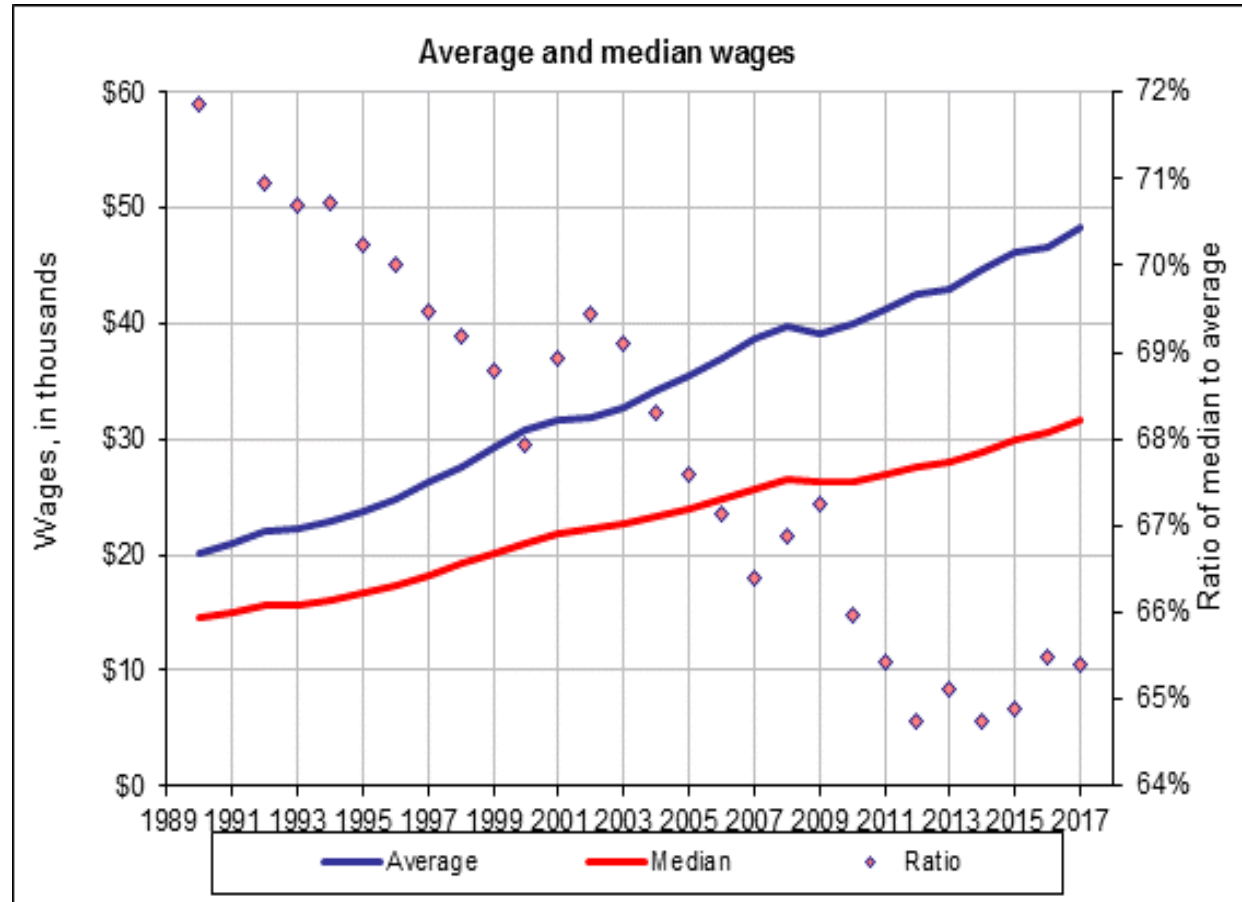
- Indexes used for a long time:
prices, wages, combination
- Indexes adopted since mid-90s:
Dependency ratio:
Germany: Deutsche Rentenversicherung
Life expectancy:
Netherlands: AOW,
Sweden: Inkomstpension (NDC)
Plan financial balance:
Canada: CPP, Sweden: Inkomstpension
Germany: Deutsche Rentenversicherung

What Price index for benefit adjustment

Major aggregation issues:

- Adjust changes in living costs for what economic and demographic groups?
- How to adjust the index for quality changes
- How would a democratic index behave differently from a plutocratic one?

Median and Mean Earnings, US



Single versus dual age plans

→ Earliest eligibility age

→ Age for full benefits (Normal age)

→ One age for both

Indexing based on life expectancy

→ Earliest eligibility age

→ Age for full benefits (single or dual)

→ Size of initial benefit

→ Contribution rate

Netherlands non-contributory benefit eligibility

If you were born after 30 September 1957, your exact AOW pension age will be decided about 5 years in advance. As from 2022, it will be linked to life expectancy.

Age: 67 years in 2024.

Type of benefit increase for delayed start

- Incentives: Actuarially neutral
 - Neutral for whom
- Adverse selection
- Earnings insurance
- Distribution: Earnings history

Approaches to Funding

None: Netherlands: AOW (non-contributory)

Adequate for a recession: Germany: Deutsche Rentenversicherung (DB)

Adequate for several recessions: Sweden: Inkomstpension (NDC)

Address the baby boom: US: Social Security 1983

Address intergenerational equity: Canada Pension Plan

Full funding: regulated corporate plans

Semi-automatic adjustment of the Base Canada Pension Plan

- Every three years, the Chief Actuary of Canada reviews the contribution rate required to sustain the CPP over the next 75 years.
- Funding ratio in 60 years must be as large as in 10 years

Semi-automatic adjustment of the Base Canada Pension Plan

If the **required contribution rate** is projected to be higher than the legislated rate,

and

no agreement is reached by the federal and provincial finance ministers

then

the **contribution rate** is increased by $\frac{1}{2}$ of the excess and **nominal benefits are frozen** until next review in 3 years.

Three Reform Ideas from Canada Pension Plan

Periodic automatic
adjustments in case of
financial imbalance

Steady-state target for
funding

Trust Fund investments in
a diversified portfolio

Pension Reform

A Short Guide

Nicholas Barr and Peter Diamond

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养老金改革： 理论精要

Pension Reform:
A Short Guide

中国劳动社会保障出版社

3 La reforma
necesaria
El futuro de
las pensiones

Nicholas Barr
y Peter Diamond



El Hombre del Tres

Nbliści z ekonomii

Nicholas Barr
Peter Diamond

Reformy systemu emerytalnego

Krótki przewodnik



Polskie Towarzystwo Ekonomiczne