

Making Pension Promises More Credible in Asia-Pacific Countries

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Why the Urgency?

- Asia-Pacific countries are exhibiting:
 - rapid population ageing arising from declining fertility rates, and increasing longevity
 - increasing informalization of the labour market relationships
 - accelerating industrialization and urbanization
- The above are expected to lead to demand for greater spending, both public and private, for pensions and for health care

Why the Urgency?

- Pension arrangements for cross-border workers also have acquired greater importance as their numbers grow
- The impact of 2008 global crisis:
 - adverse impact on medium term growth;
 - greater importance of fiscal sustainability;
 - less benign investment environment

Pension Reform - The Way Forward

- Need to construct a pension reform package suited to policy objectives, and to economic, fiscal, and institutional capacities.
- Major elements of such a package for each country could include a differing mixture of the following:
 - greater competence or professionalism in performing core functions of provident or pension fund organizations;
 - parametric and systemic reforms;
 - budget financed retirement income transfers;

Pension Reform - The Way Forward

- create labour market environment in which a part of the retirement income can be obtained by the elderly from remunerative economic activities
- convert home equity into retirement income streams; and using microfinance sector to develop micro-pension products.

Requirement for Constructing Context Specific Pension Reform Packages

- Need to pay considerable attention to, and be open to innovations in pension design and delivery systems.
- The Reversibility issue in pension design would also need to be addressed.
- Construction and maintenance of robust databases, strong analytical capabilities, appropriate organizational structures and mindsets, and understanding of the subtleties of pension economics (particularly sustainability over a long time-horizon) will also be needed.

Requirement for Constructing Context Specific Pension Reform Packages

- Provident and pension fund organizations should publicly communicate to stakeholders actuarial assessments providing long-term projections of the impact of changes in demographic, labour market, and other variables on the sustainability of current pension arrangements
- Most important macroeconomic variable in social resilience is medium term trend in economic growth, which is widely shared among the population groups, the task of sustaining such growth without undermining environmental and social capital of the societies merits serious consideration.

Requirement for Constructing Context Specific Pension Reform Packages

- This will require much greater emphasis on indigenous capacity for rigorous pension policy research, and the willingness of the policymakers to incorporate research findings into pension design and processes.

Thank you