



## International developments in pensions provisions – the view from East Asia

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# Developments in the East



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# Agenda slides look like this

1. World Bank Pension Reform Framework
2. Selected East Asian countries (Australia, Korea & Japan)
3. Australia's pension system - overview
4. Questions for discussion



# 1. World Bank Pension Reform Framework

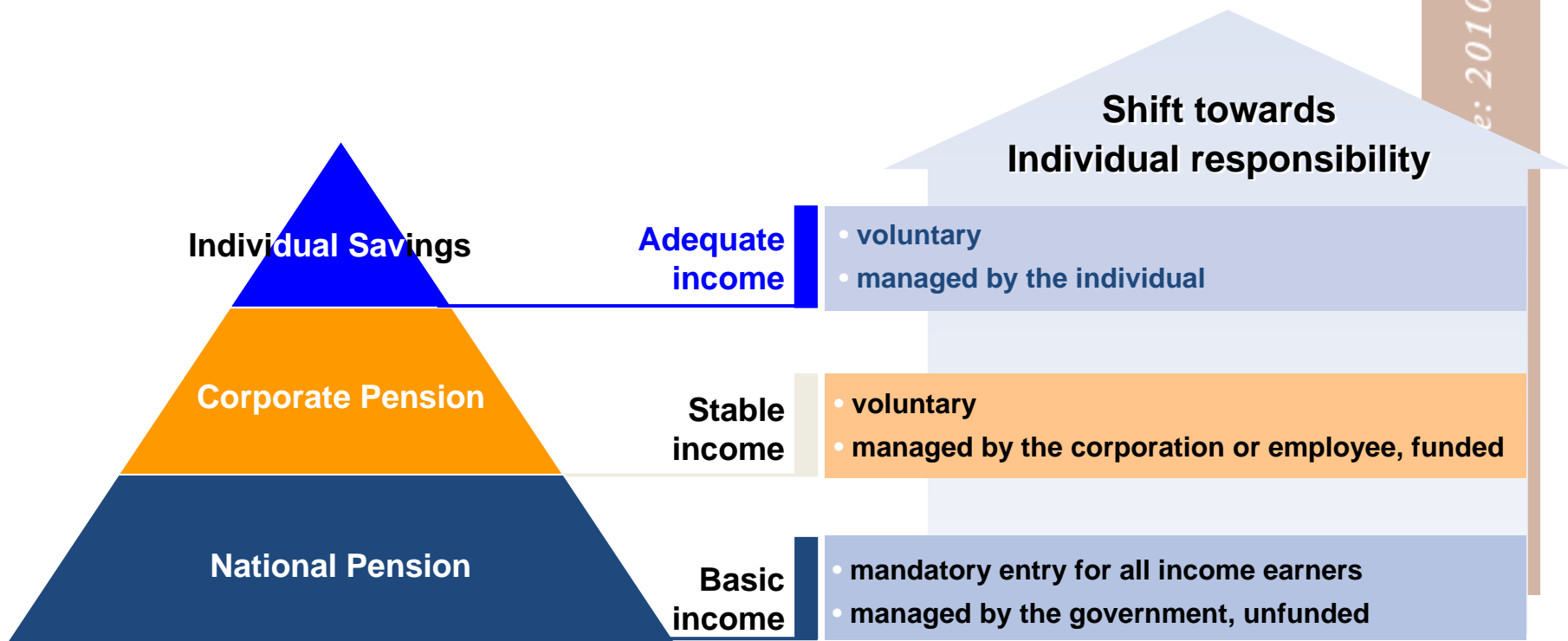
- 1994 – Averting the Old Age Crisis (3 pillars)
- 2005 – Old-age Income Support in the 21st Century (5 pillars)
  - “Most pension systems in the world do not deliver on their social objectives, they create significant distortions in the operation of market economies, and they are not financially sustainable when faced with an aging population.”
- 2007 – Pensions Panorama: Retirement-income Systems In 53 Countries



# The World Bank's Three Pillar System

- In order to have adequate funds during retirement, a diversified 3 pillar system is the norm in developed countries
- There is a global shift from National Pension schemes to Corporate Pension plans, and a shift from government and corporate responsibility to individual responsibility

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## 2. East Asian DC & Provident Funds

### DC plans

- Hong Kong,
- Korea,
- Japan
- Australia

### Provident Funds

- Hong Kong,
- Indonesia,
- Malaysia,
- Philippines,
- Singapore,
- Thailand



## 2. East Asian Actuarial Congress

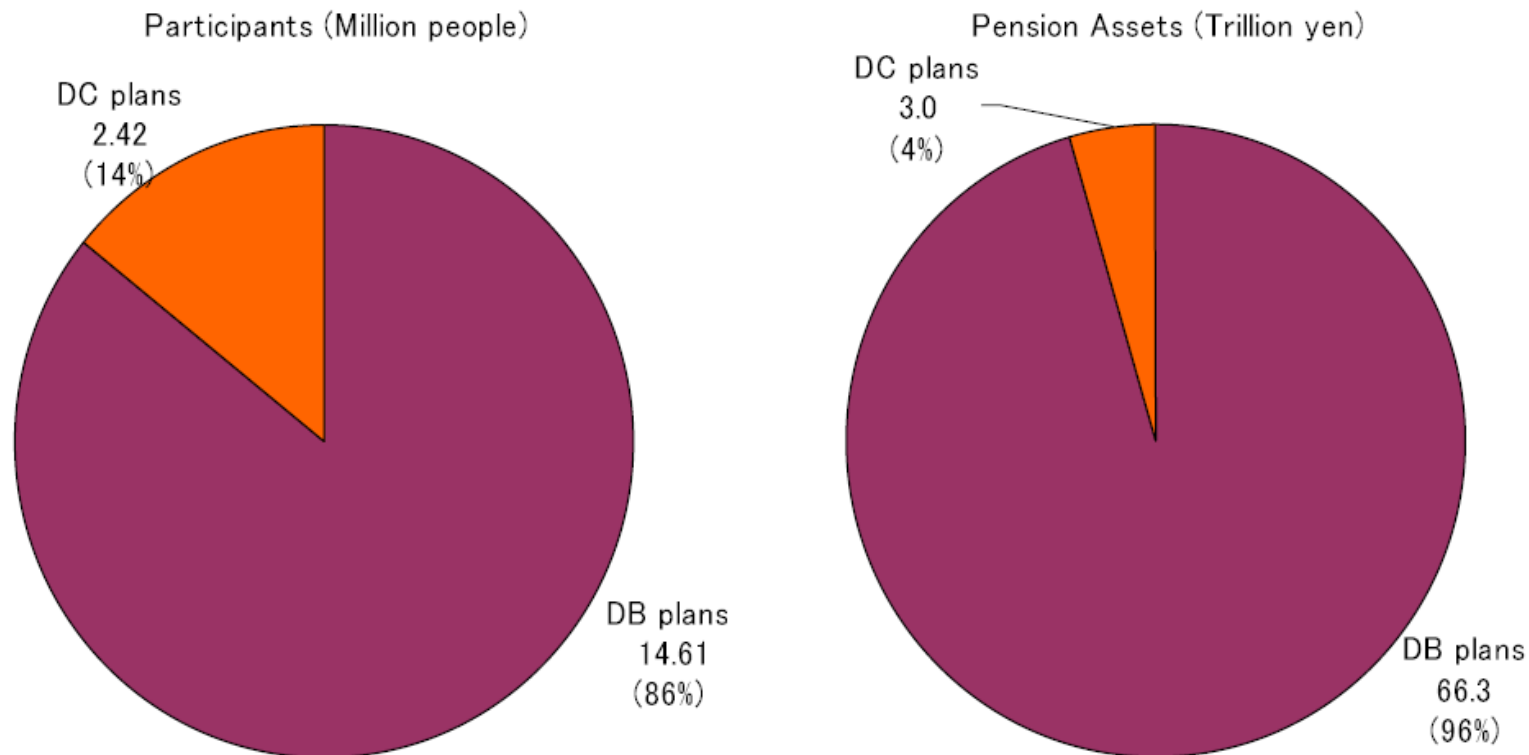
- 14<sup>th</sup> conference – 2007 – Tokyo
- 15<sup>th</sup> conference – October 2009 – Seoul
- Member countries: Australia, Chinese Taipei, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand
- Papers will be available from [www.eaac.com](http://www.eaac.com)
- Some indicators from Japan, Korea & Australia

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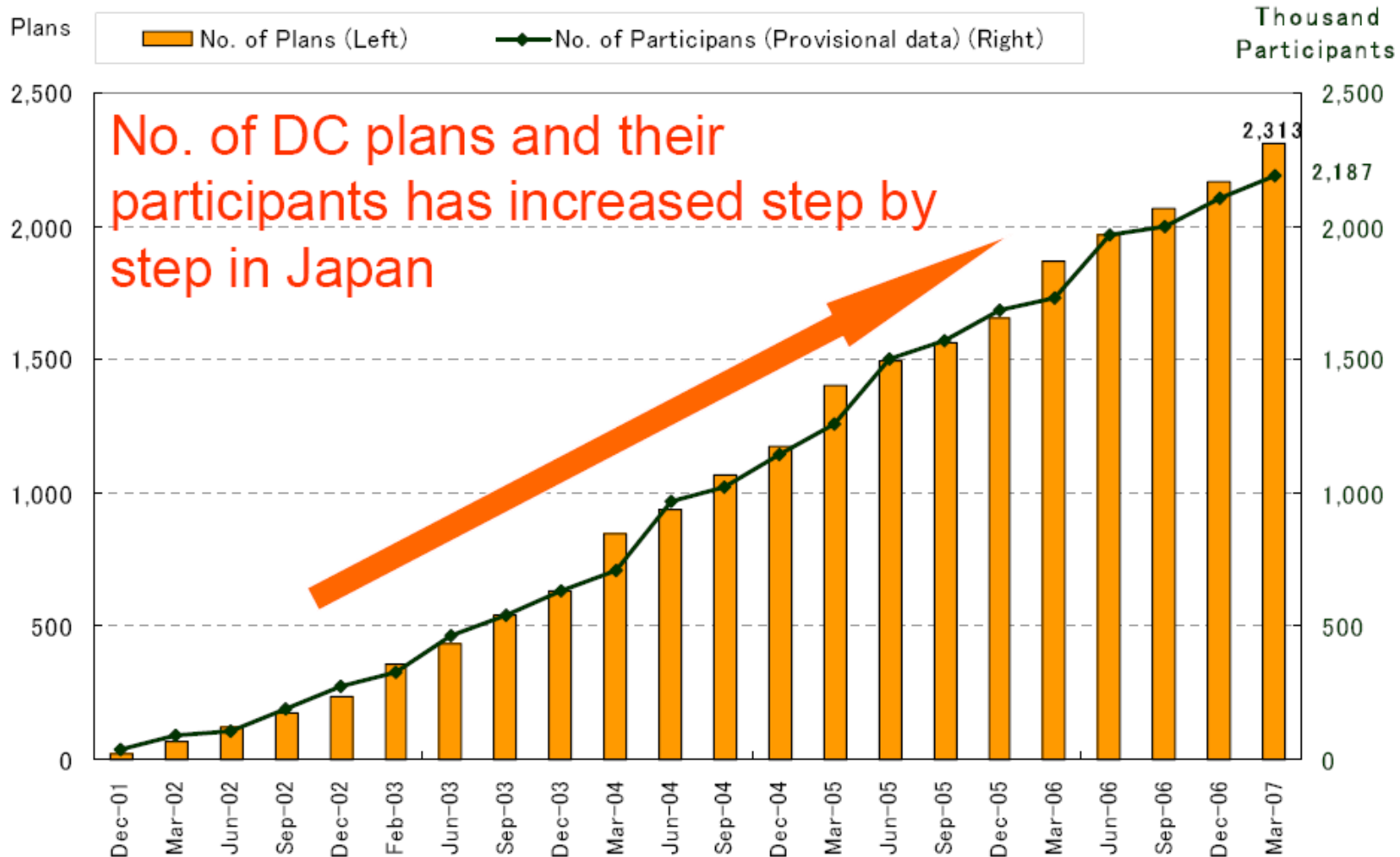
## 2. Selected East Asian countries (Japan)

- Most corporate pension plans are still DB-type plans in Japan





# No. of DC Plans and Their Participants (Corporate Pension Plans)

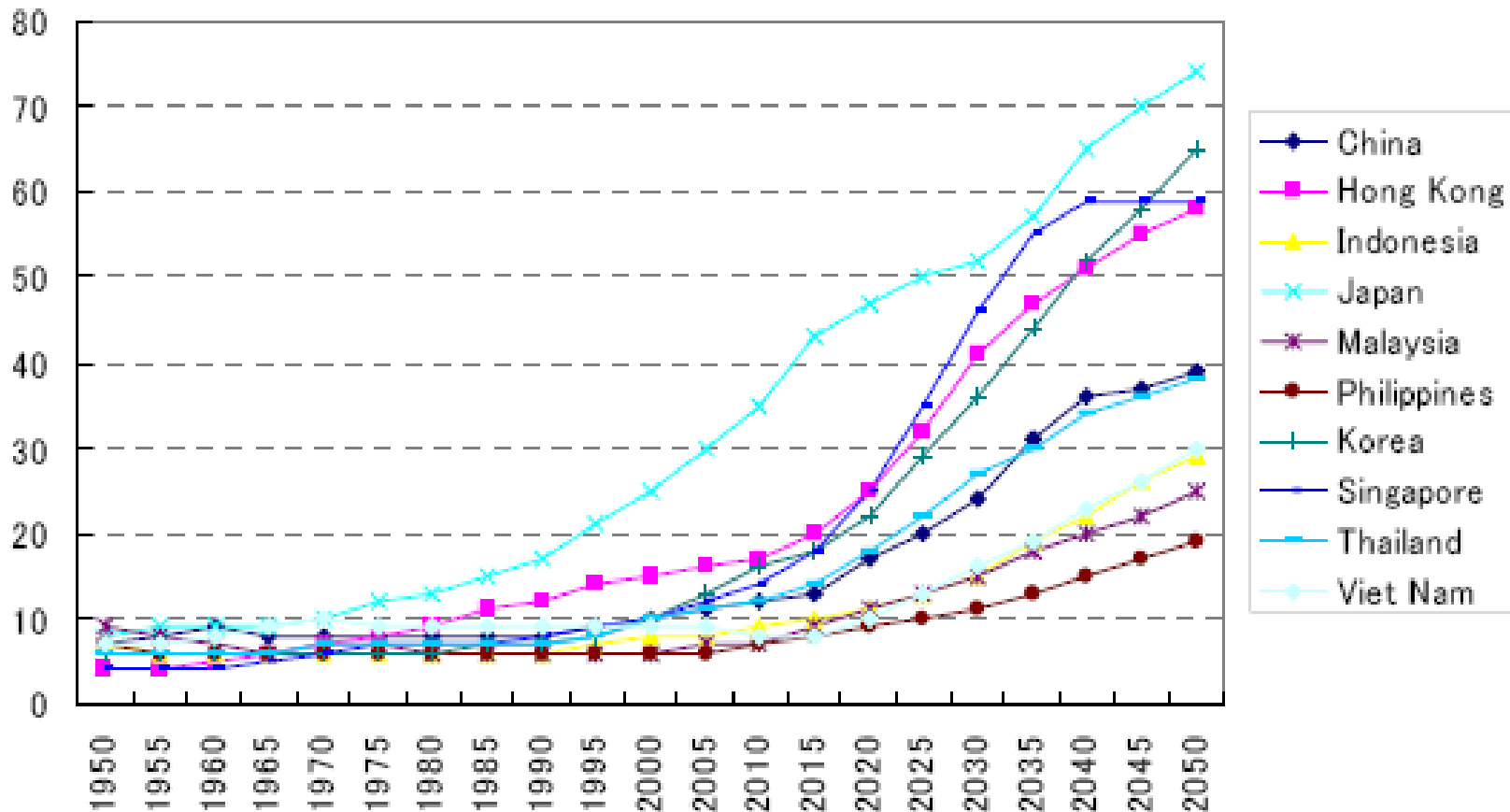


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# Will DC plans expand in East Asia?

Dependency ratio (65+/15-64)

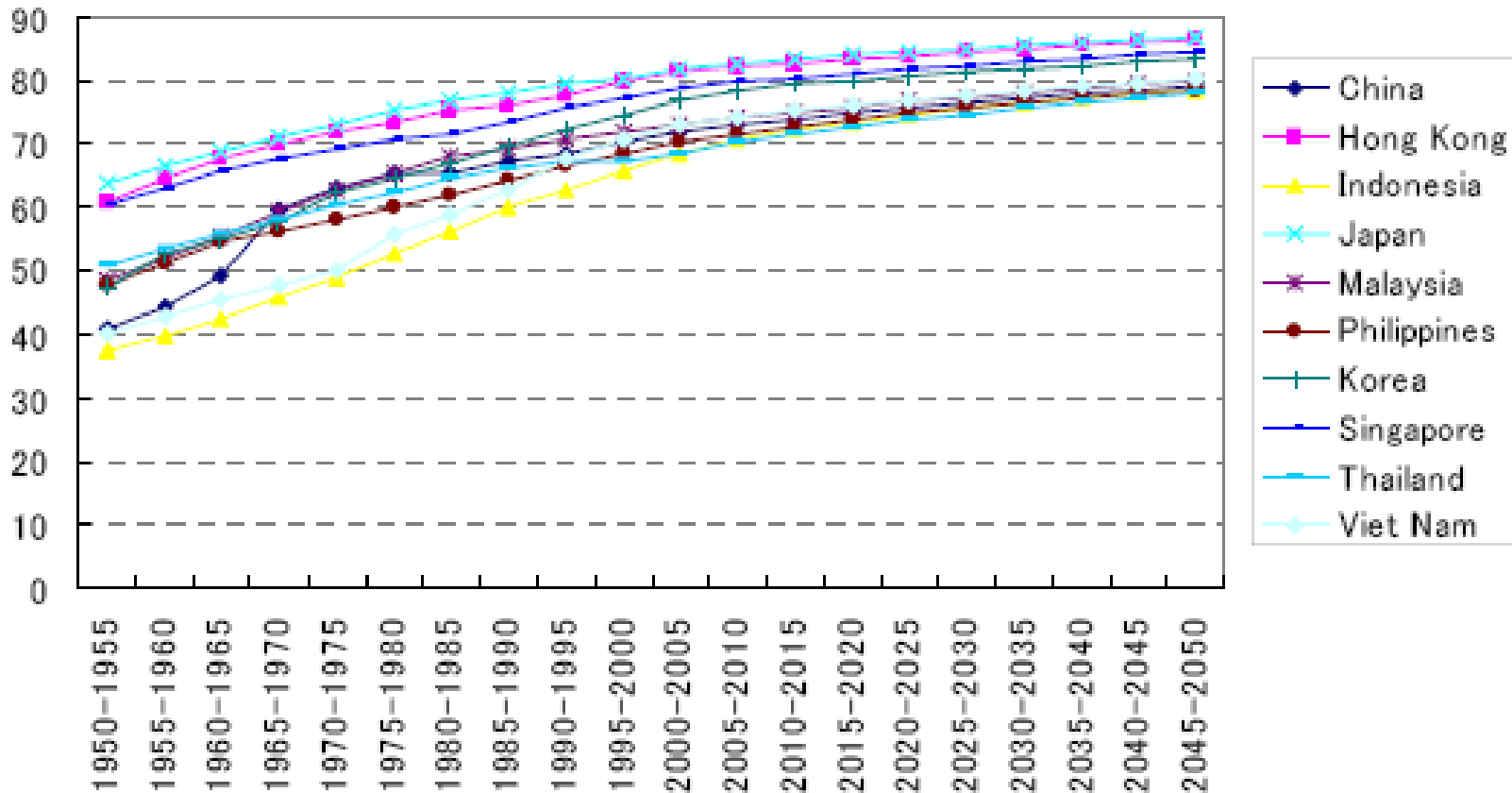


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# Will DC plans expand in East Asia?

Life expectancy at birth

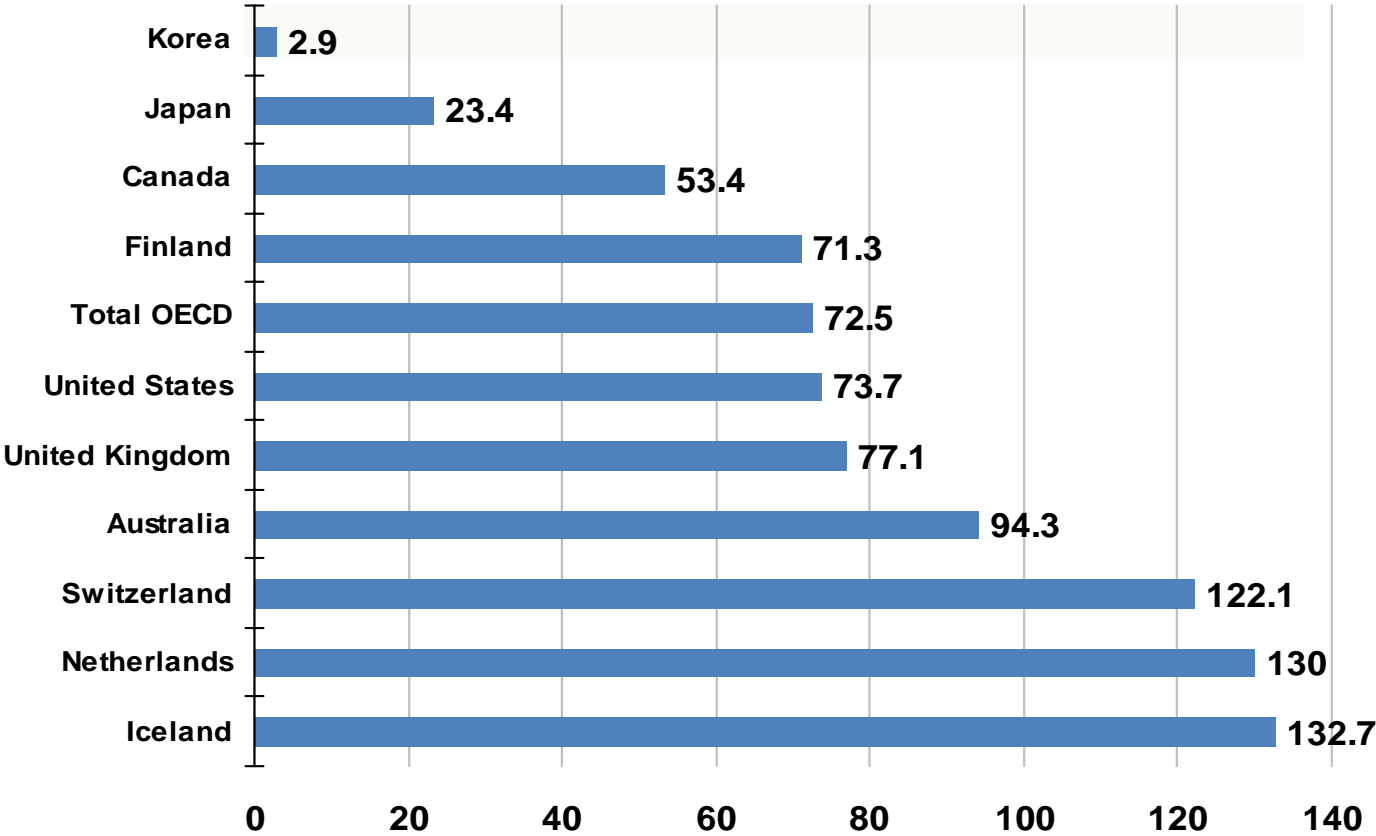


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# Growing pension assets in a growing economy

### Importance of pension funds as a % of GDP in OECD countries (2006)



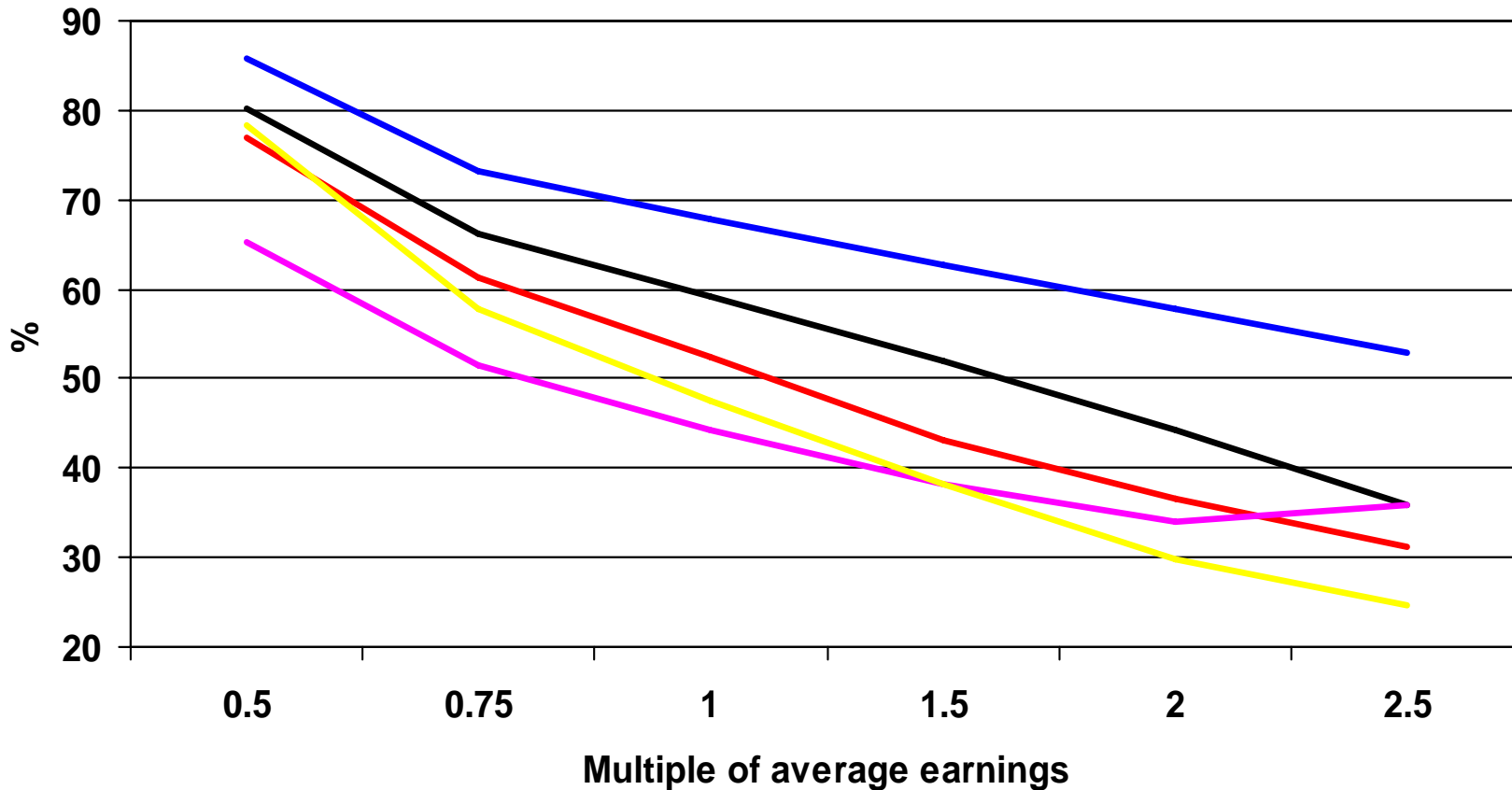
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Source: OECD, Global pension statistics, 2006

% GDP

## 2. Net Replacement Rates from Mandatory Pension Programs (High-income OECD countries)

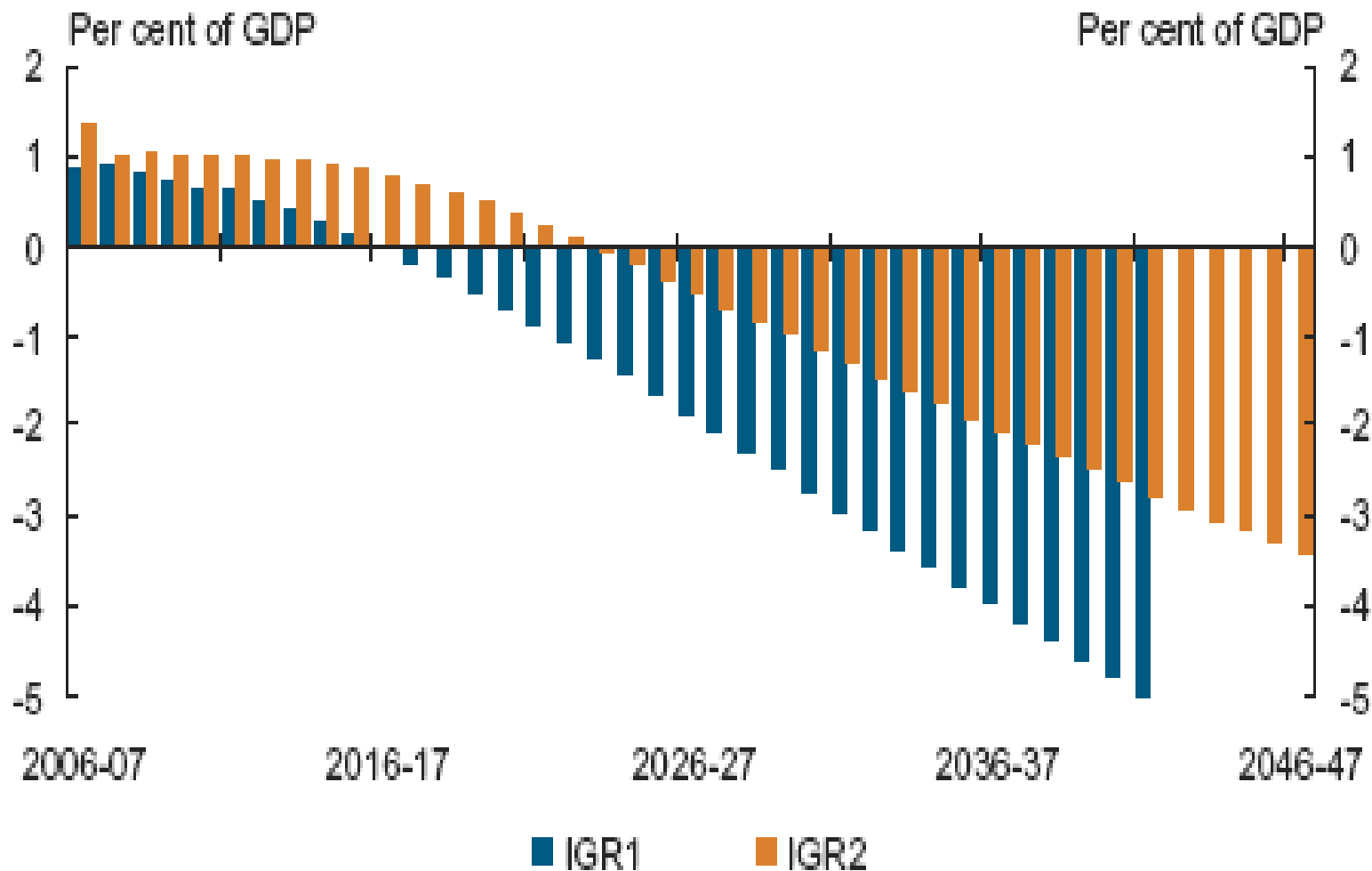


— Australia — Japan — Korea — United Kingdom — Average

Pensions panorama: retirement-income systems in 53 countries (World Bank)



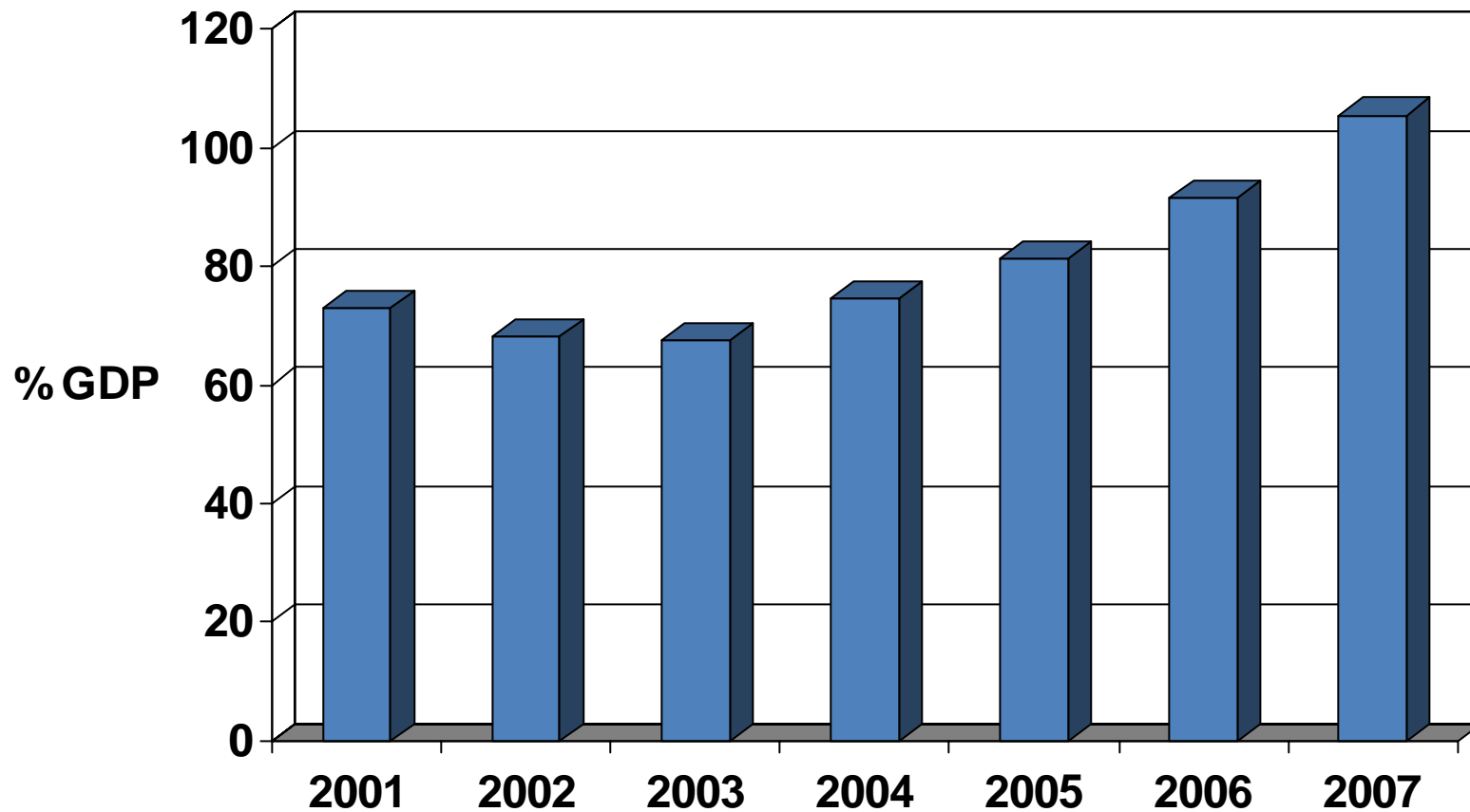
# 3. Australia's Inter-Generational Report



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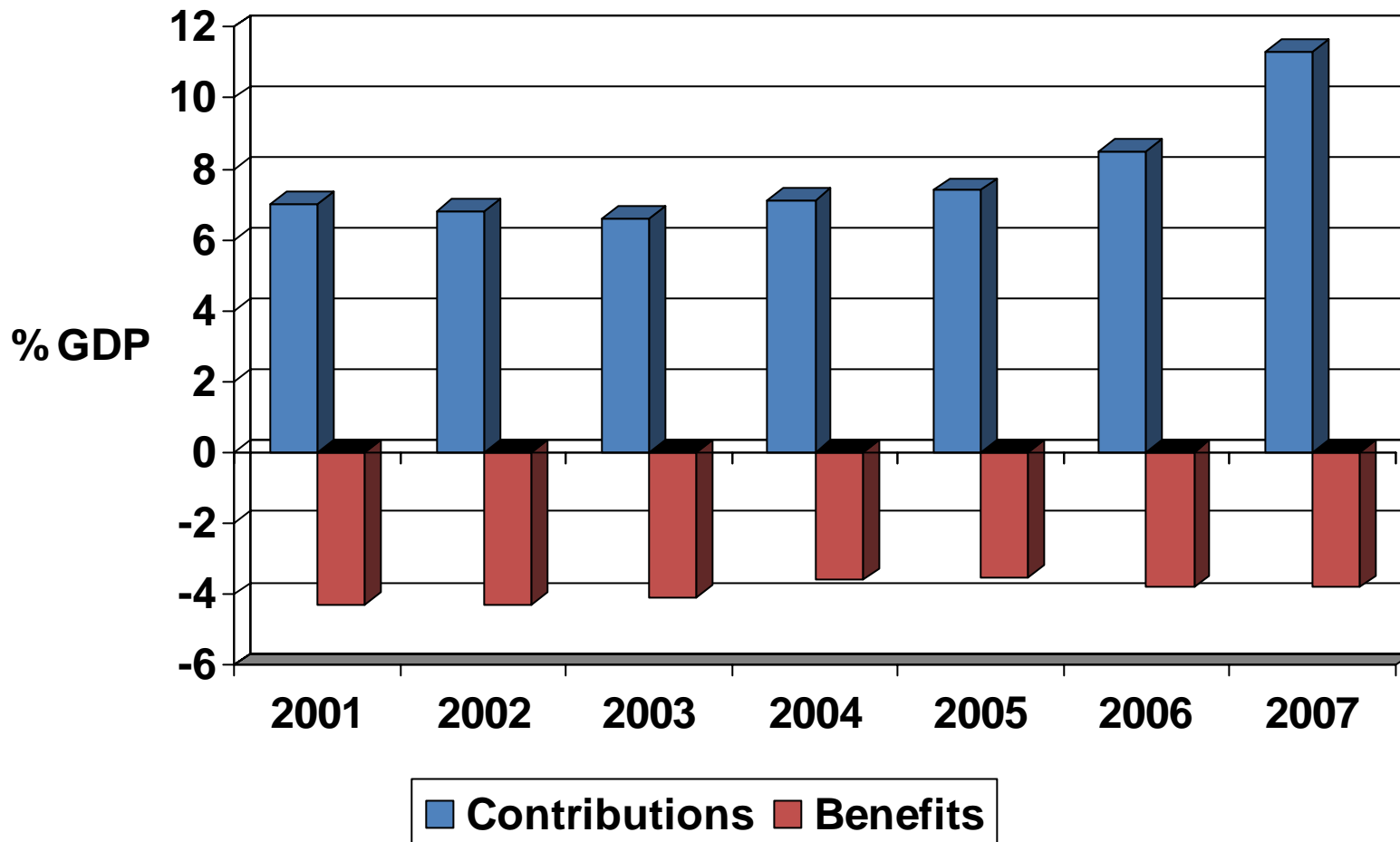
### 3. Total Assets of Australian Superannuation Funds



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# 3. Australian Superannuation Funds Cash Flows

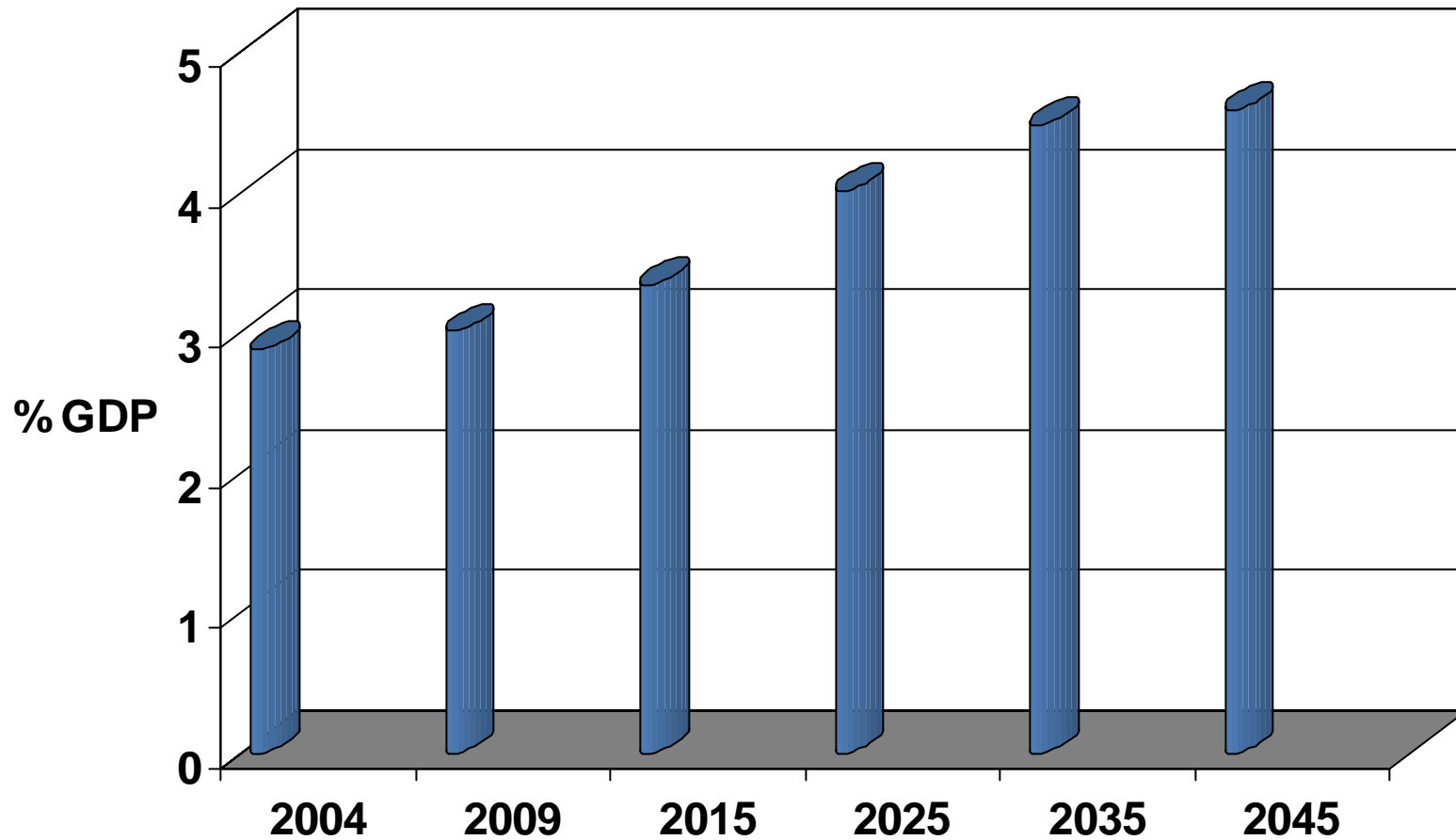


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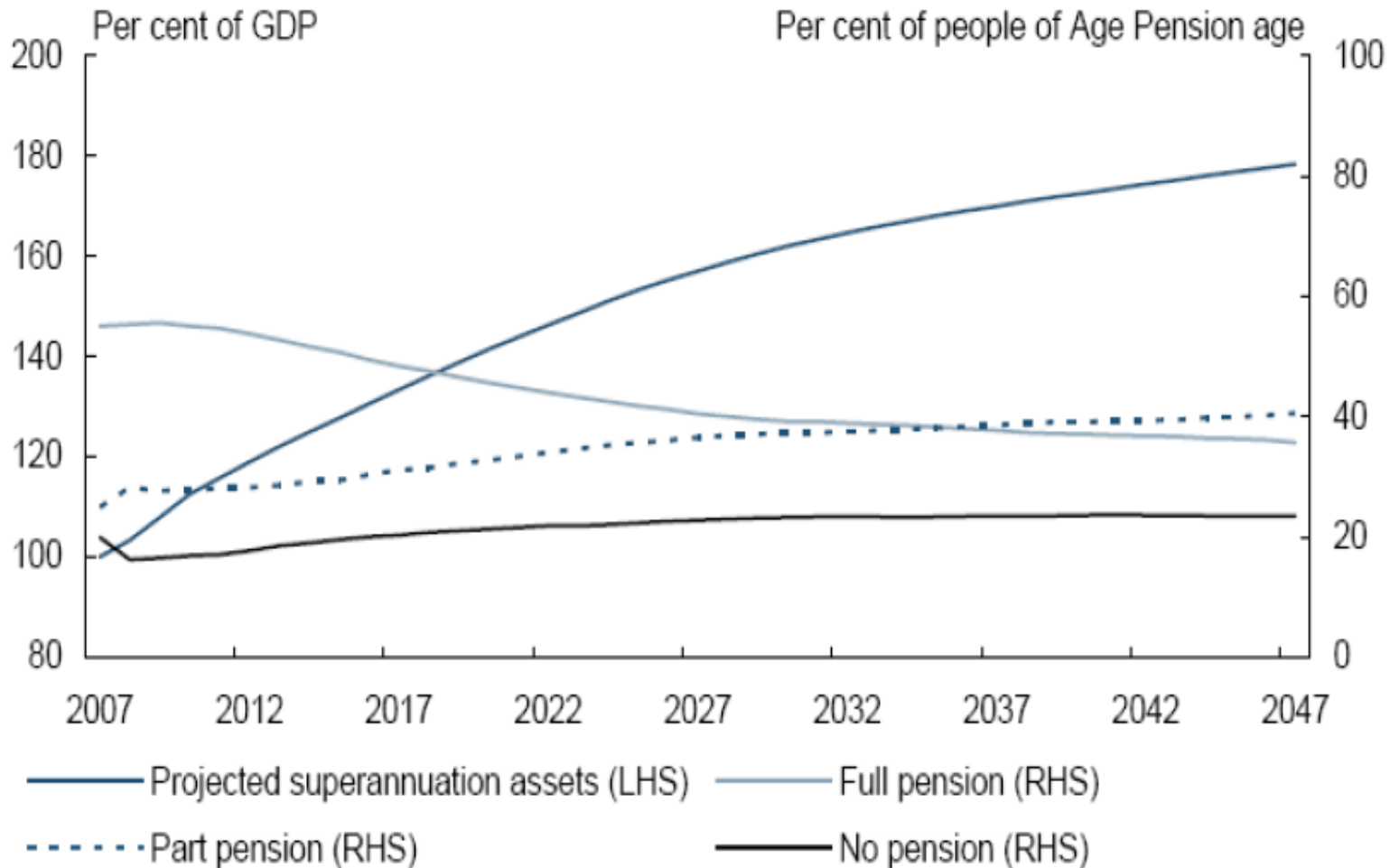
# 3. Projected Age and Service Pensions



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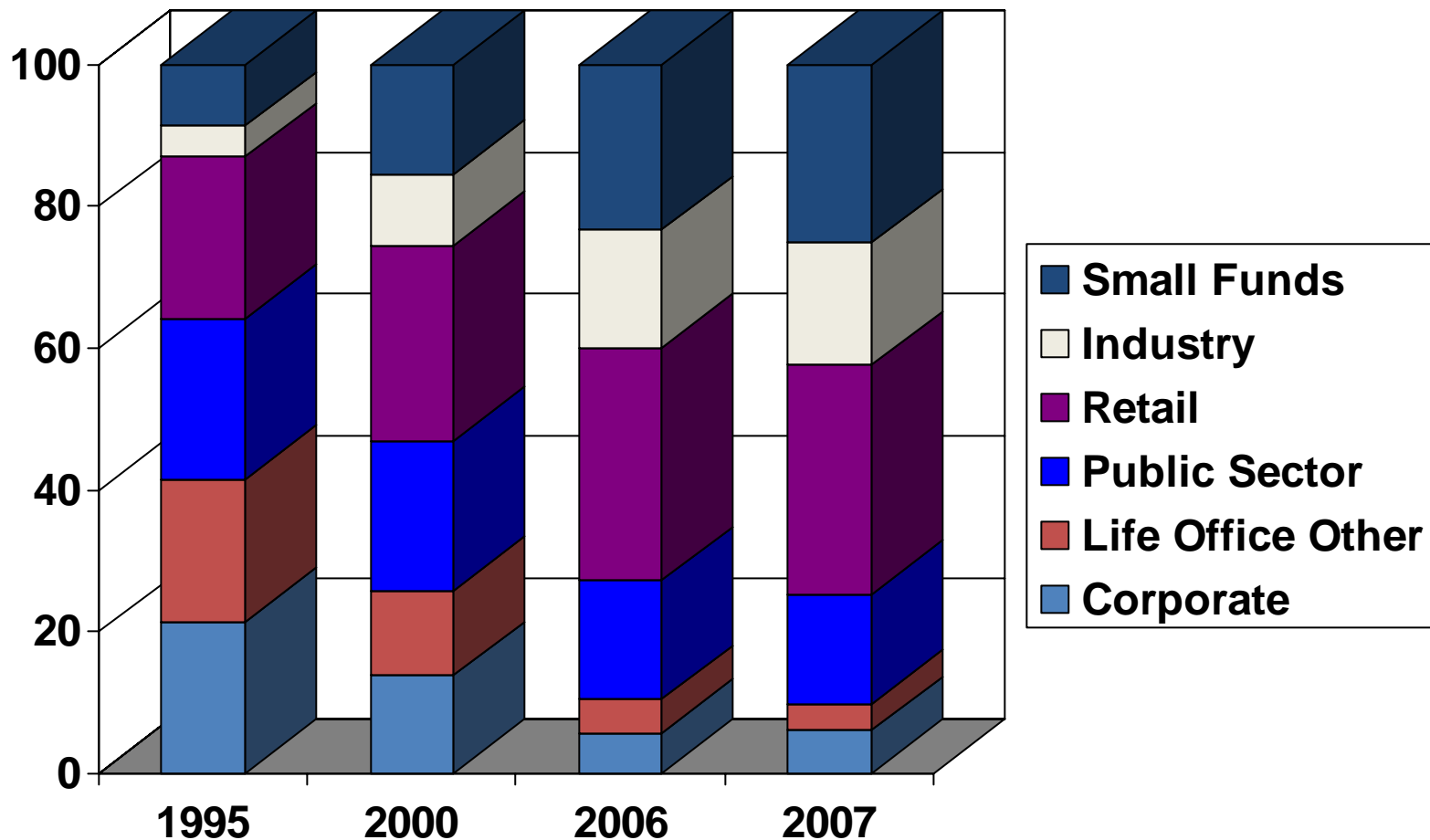
# 3. Superannuation Assets and Age Pension Coverage Projections



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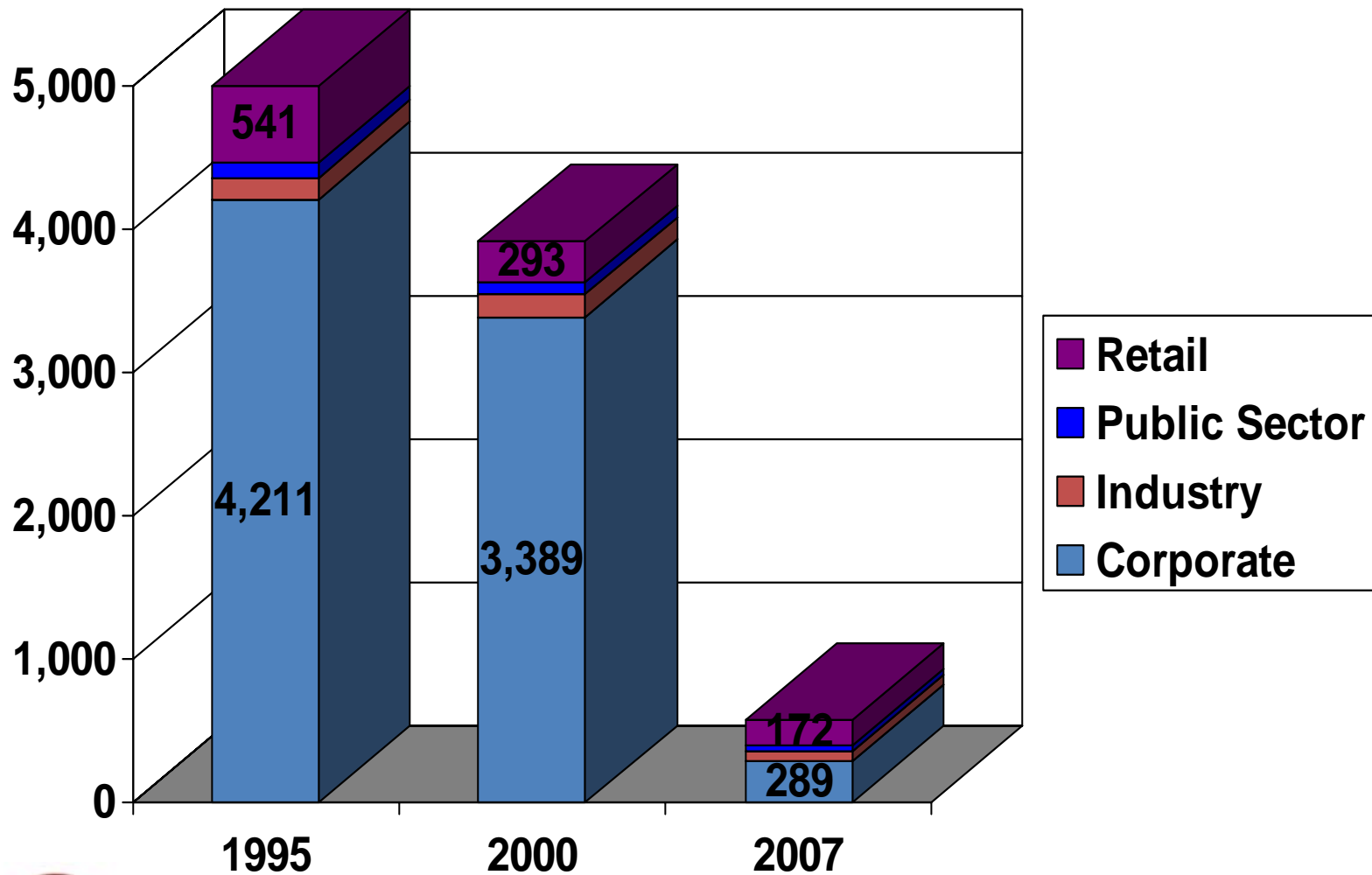
### 3. Superannuation Fund Assets by Type of Fund (%)



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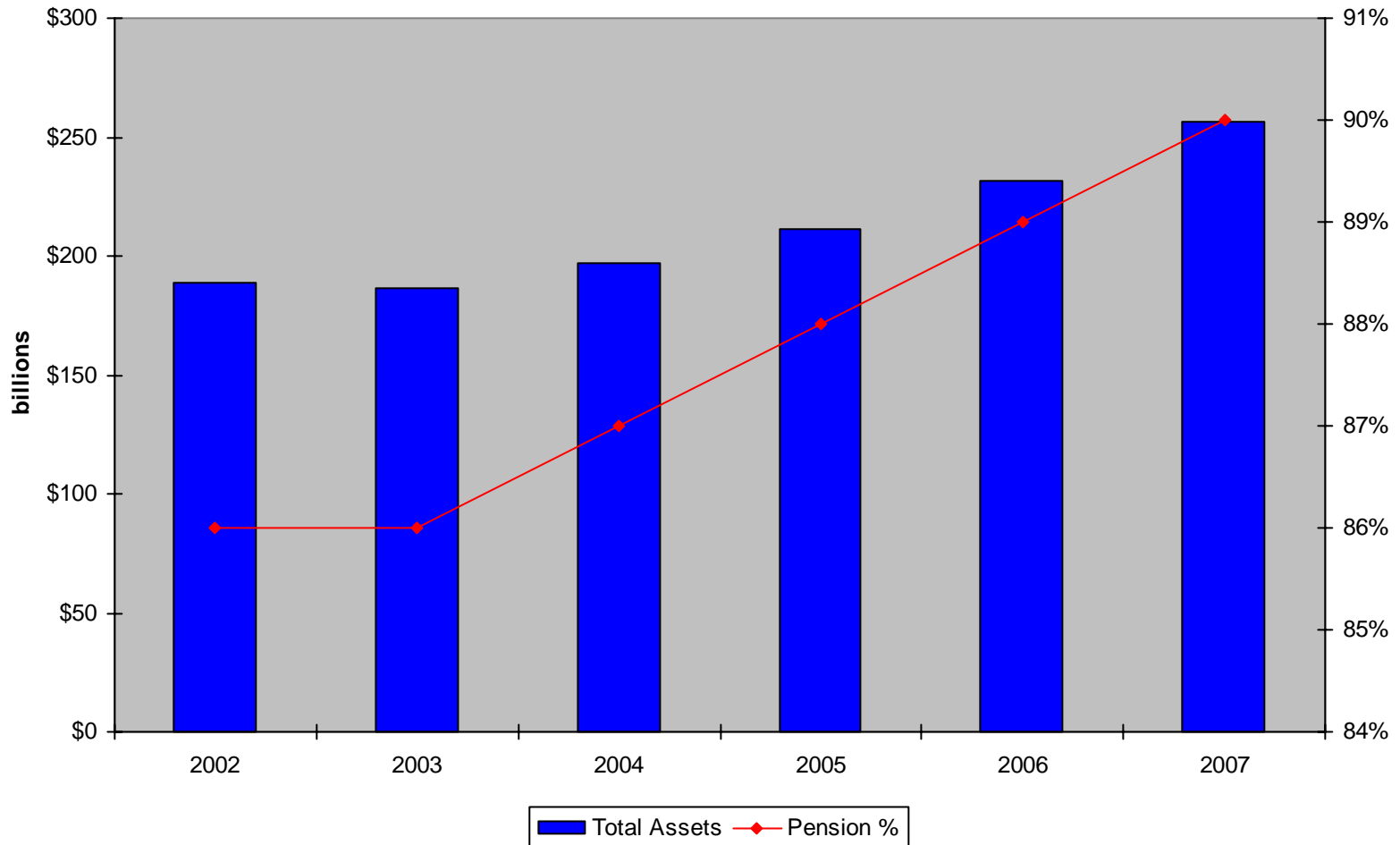
### 3. Number of Australian Superannuation Funds by Type



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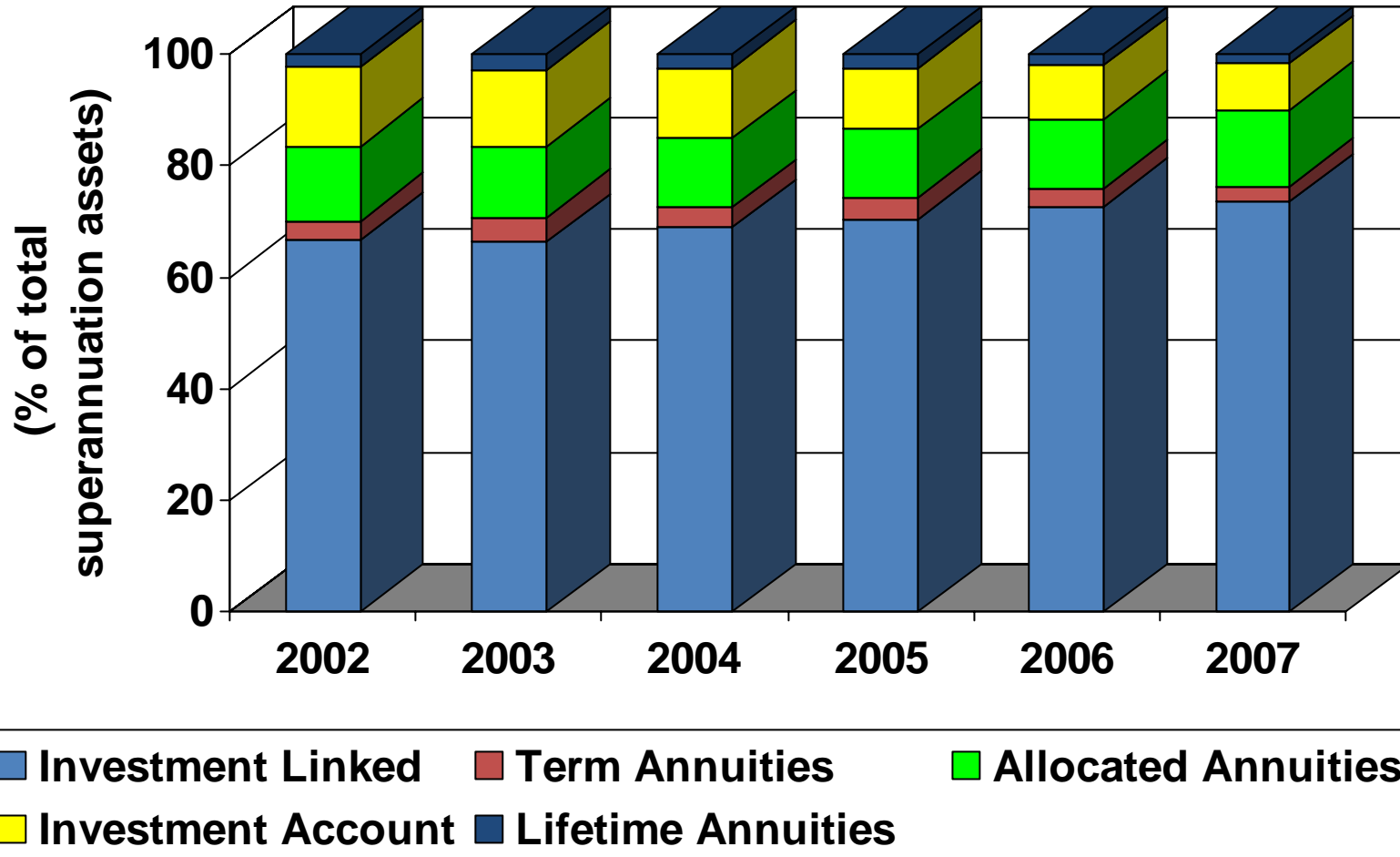
# 3. Superannuation Assets of Australian Life Companies



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# 3. Superannuation Assets of Australian Life Companies



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### 3. Key trends in Australia

- Rapid shift from DB to DC funds almost complete
- Future Fund – a sovereign wealth fund – now AUS\$63 bn (6% GDP)
- Superannuation became very tax advantaged in 2007
- The new Government is focussed on adequacy of benefits, improved default choices and increased efficiency (eg reduce costs by 20%)
- A major review of tax and transfers is underway
- Market risk and longevity risk have not yet been addressed
  - Improved member communication is vital



## 4. Questions for discussion

- Optimal between state provision and private provision
- Does consumerism make a positive contribution?
- Embedding risk management programmes in trustee governance process
- In what form do members take their retirement benefit?
- Best practice communication to members

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**Please join us in Perth next April!**  
**Everyone is invited!!!**

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