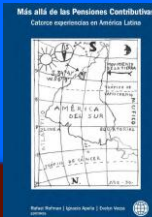
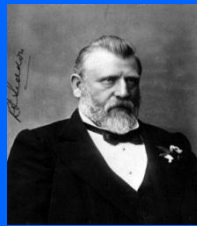
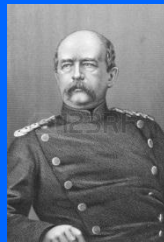


Global Patterns of Pension Provision

Robert Palacios, Head, Pensions Team World Bank
World Bank Pension Course
March 5, 2014

Evolution of pension policy



1689

1889

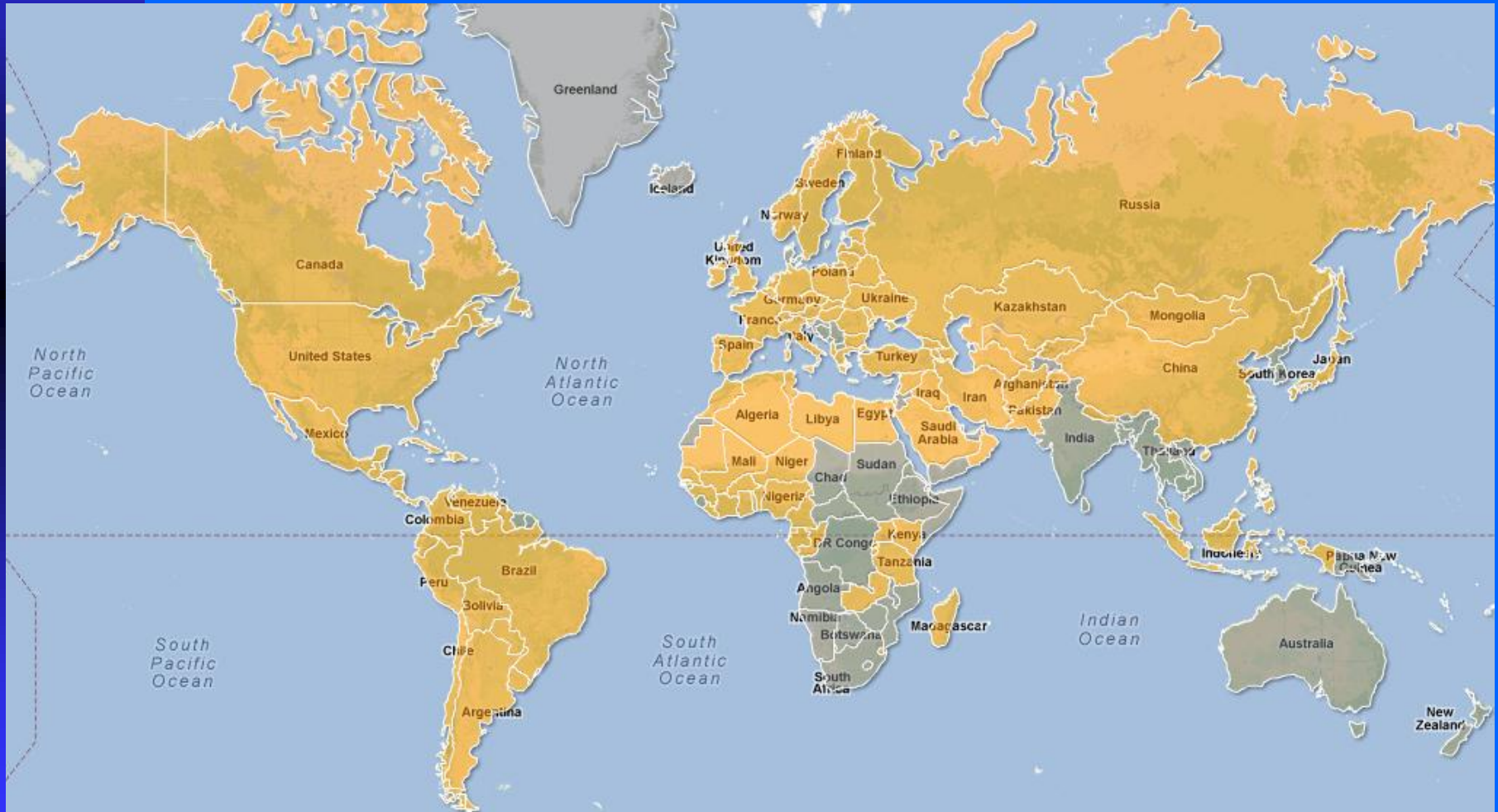
1982

Today

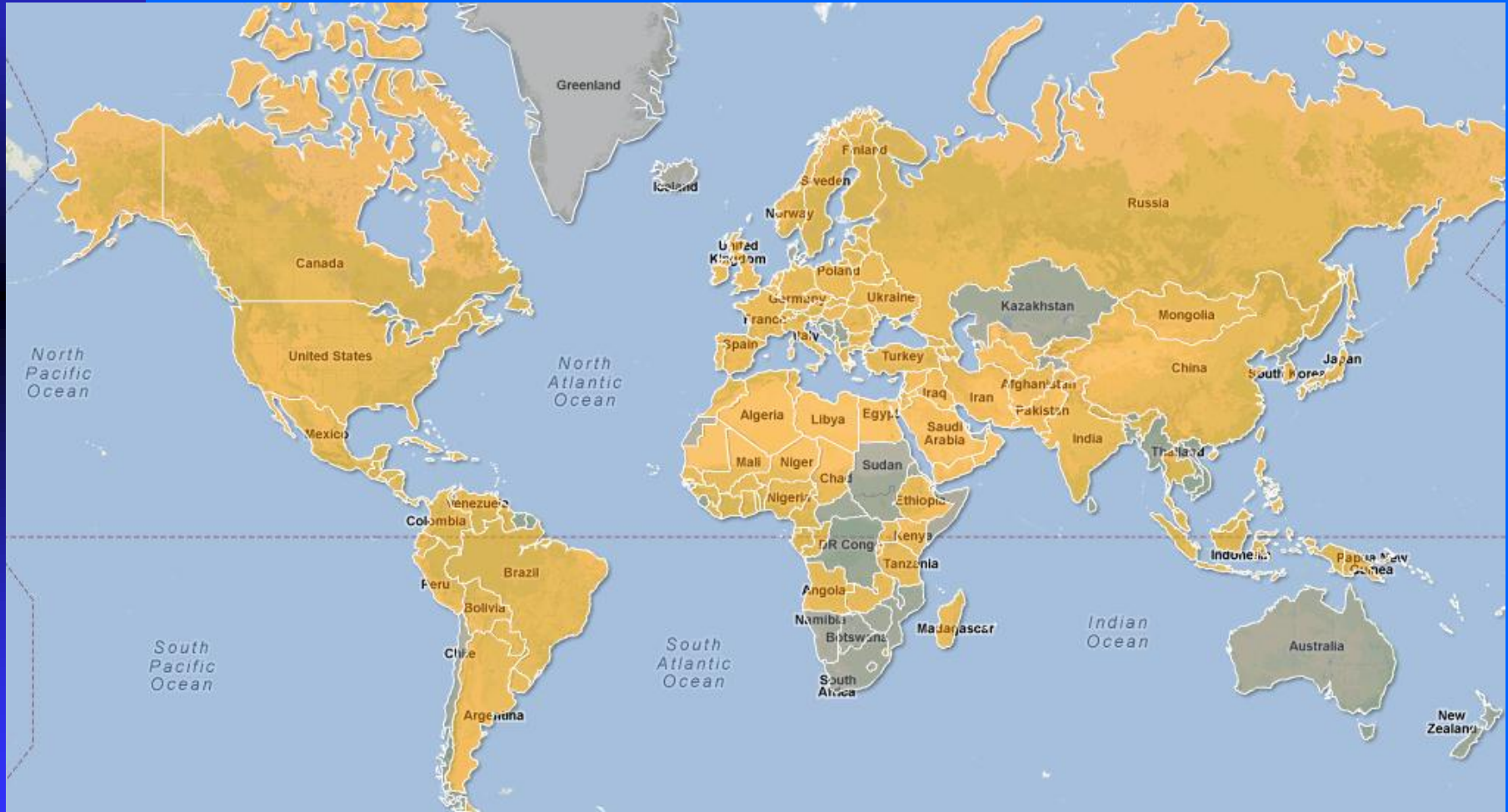
THE RISE OF DB SCHEMES: 1935



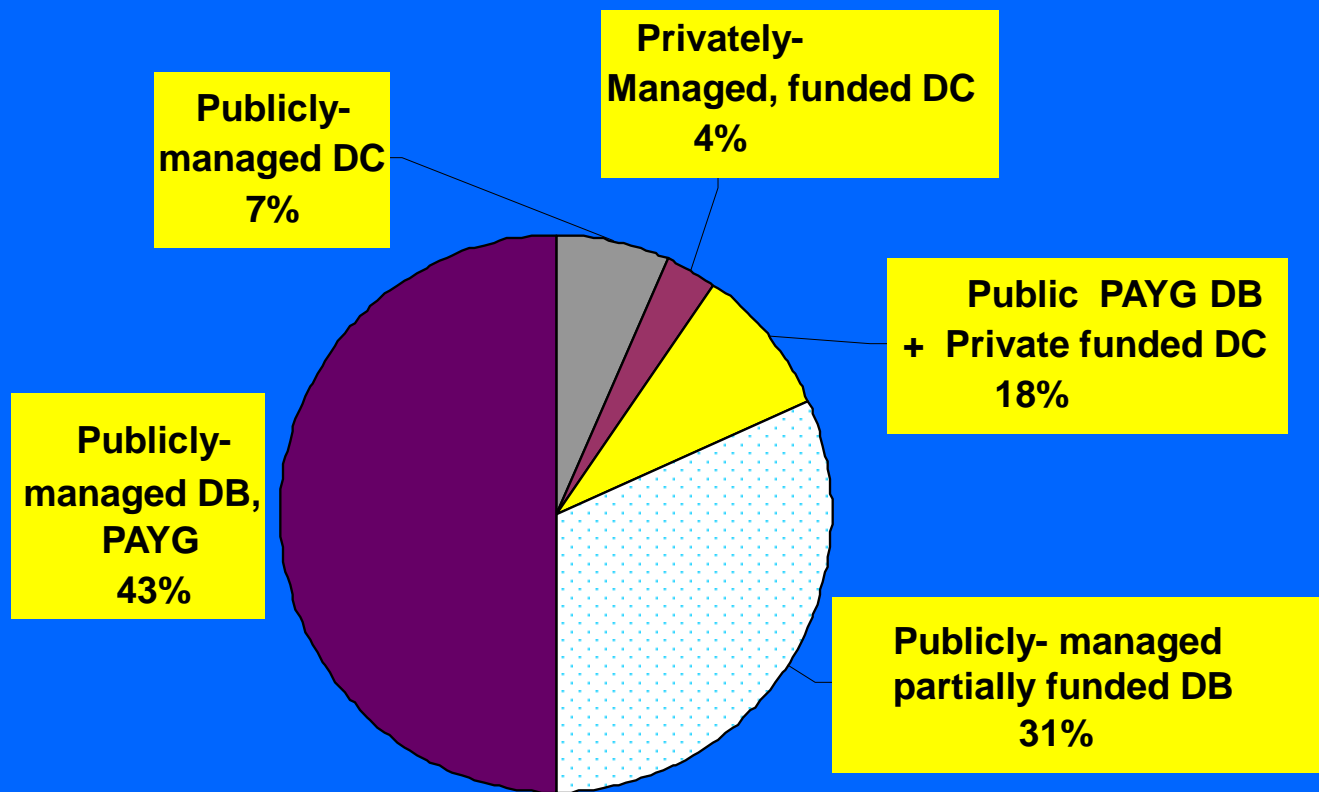
THE RISE OF DB SCHEMES: 1975



THE RISE OF DB SCHEMES: 2013

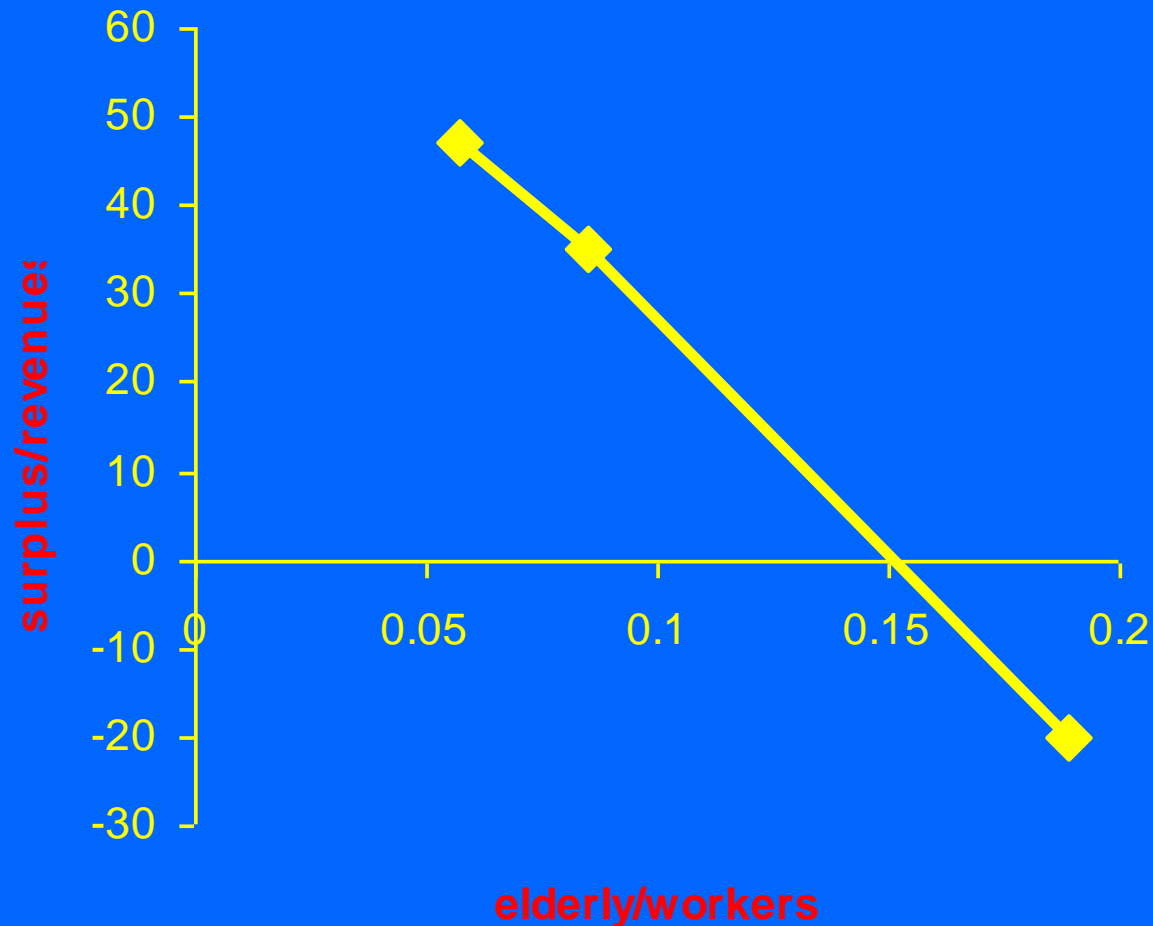


Mandated pensions today



Note: Select countries: only national contributory schemes included

Life cycle of PAYGO scheme



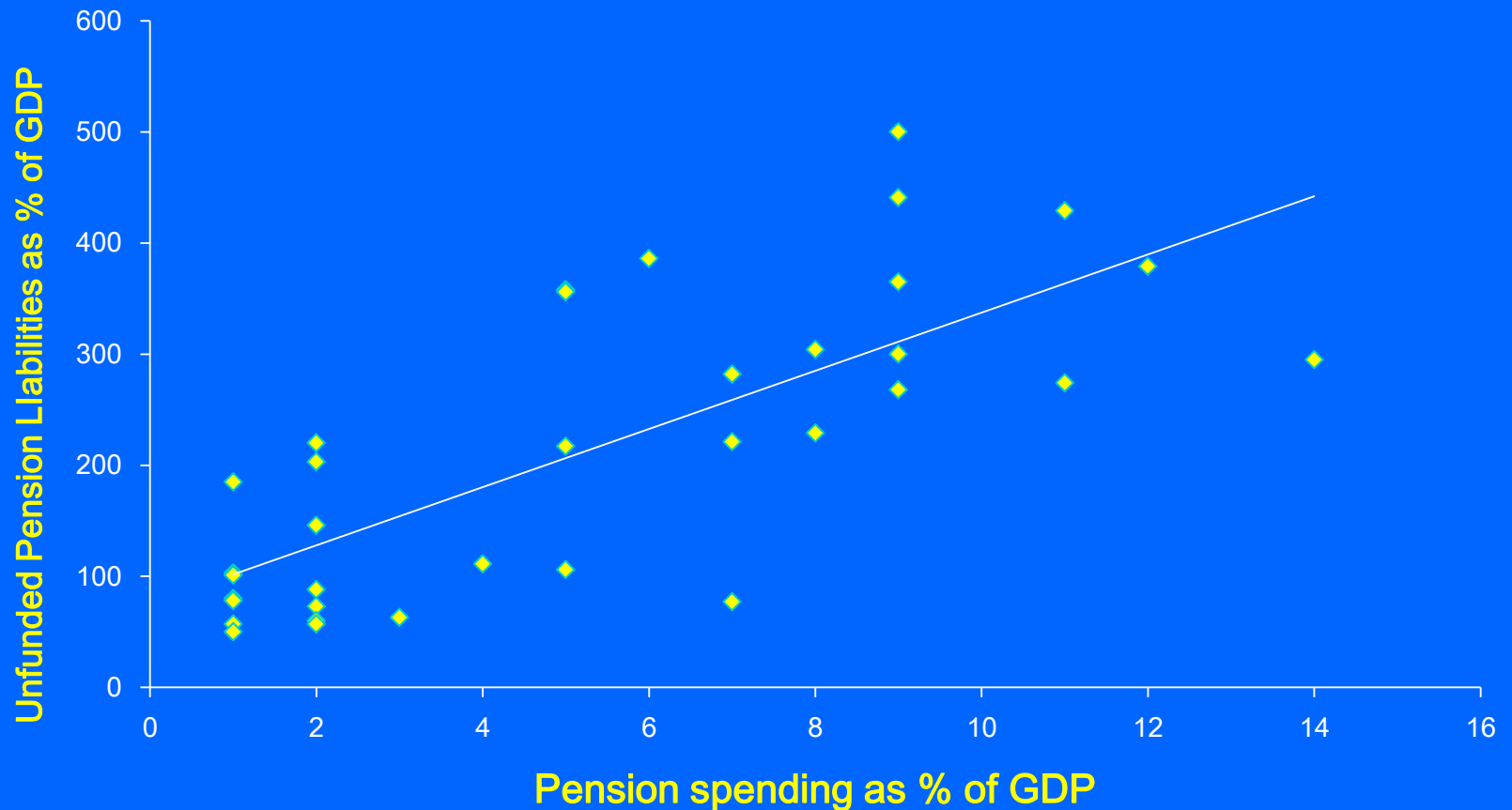
Implicit pension debt

Estimates of government pension obligations compiled by the Eurostat/ECB Task Force on Pensions

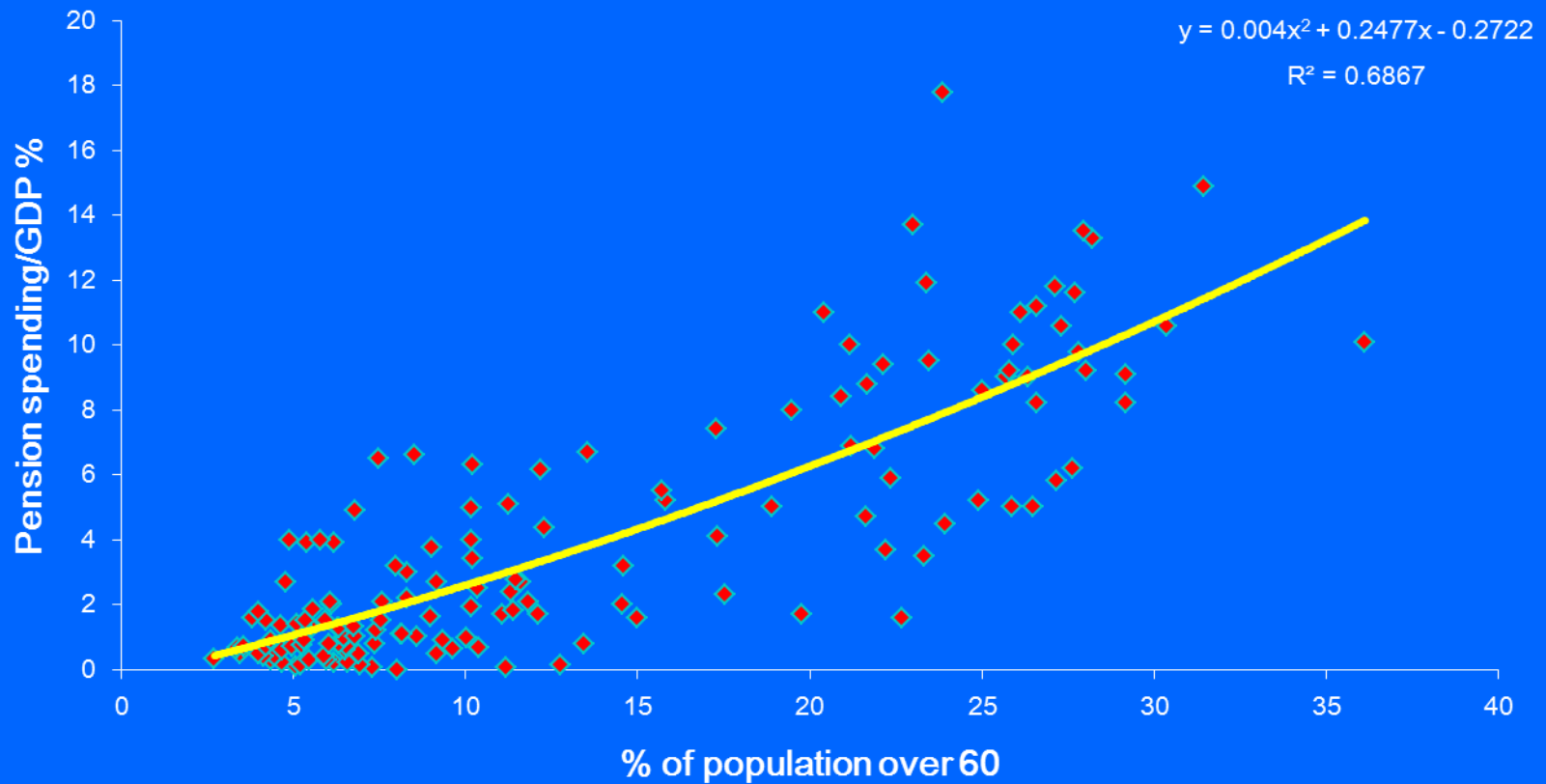
Source	OECD ¹⁾	IMF ¹⁾	Eurostat/ECB Task Force on Pensions		
Method	Implicit Pension Debt (ABO)	Implicit Pension Debt (PBO)	Accrued-to-date liabilities (PBO)		
Coverage	Pension liabilities in the public sector		Social security schemes	Government defined-benefit schemes	Total
End-year, as % GDP	1990	1995	2007	2007	2007
<i>Germany</i>	157 ²⁾	221 ²⁾	269	47	316
<i>France</i>	216	265	303	55	358
<i>Italy</i>	242	357	322 ³⁾	1 ³⁾	323 ³⁾
<i>Euro Area</i>	-	-	278	52	330

Source:
Mink (2013)

Developing country IPDs



Aging and pension spending



Parametric and systemic reforms*

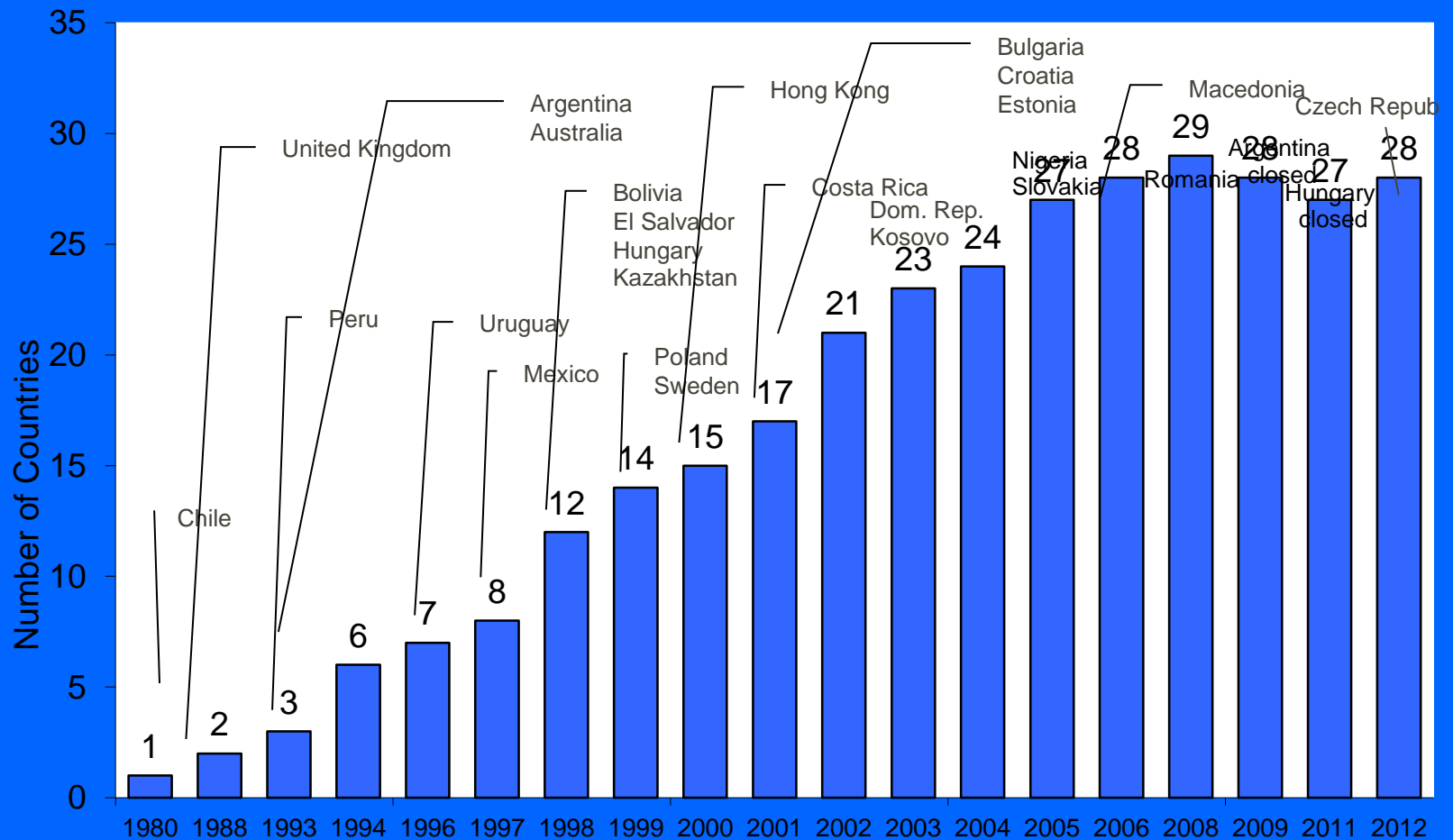
■ Parametric

- ◆ Raising effective retirement ages and linking with longevity
- ◆ Raising contribution rates
- ◆ Reducing future accrual rates and taking into account longer wage periods
- ◆ Moving to price indexation
- ◆ Notional accounts or NDCs

■ Replacing part or all of DB with DC

* (Integration of civil service schemes to be discussed in later session)

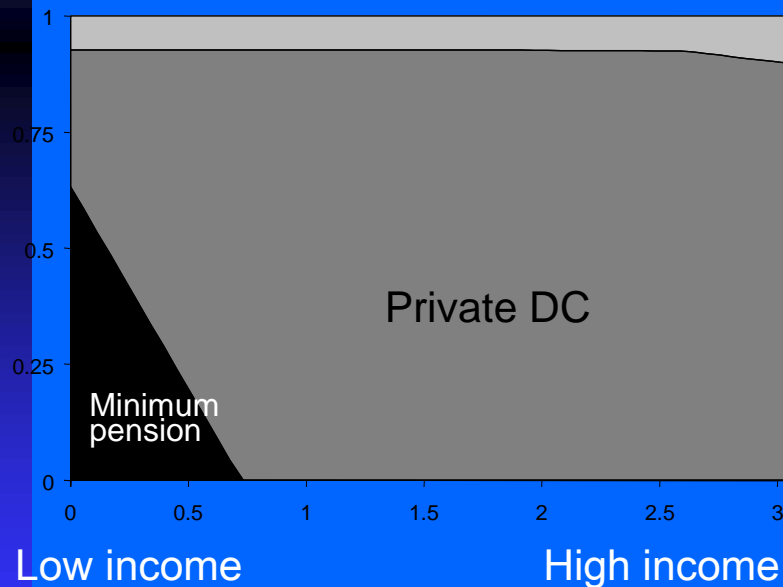
THE RISE OF DC SCHEMES: FROM SANTIAGO TO PRAGUE



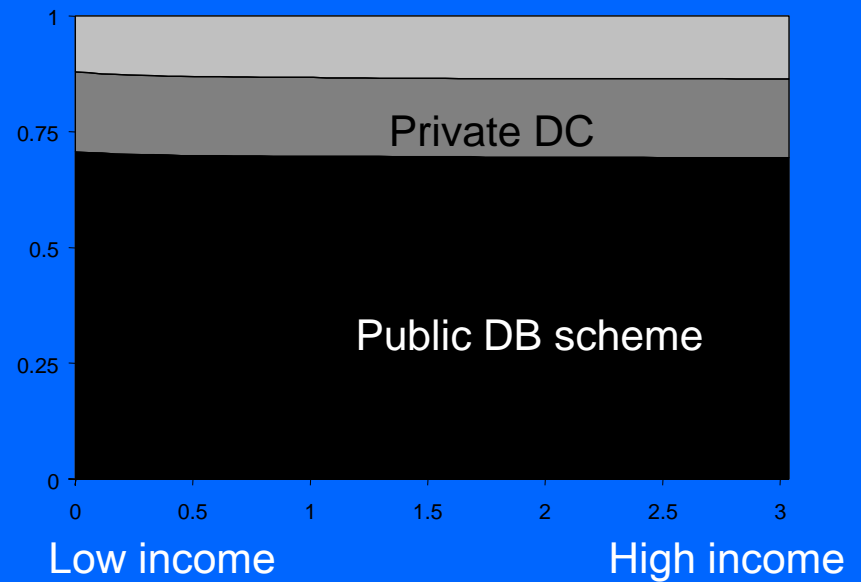
Share of benefit from DC

Proportion of benefit from private DC vs public DB

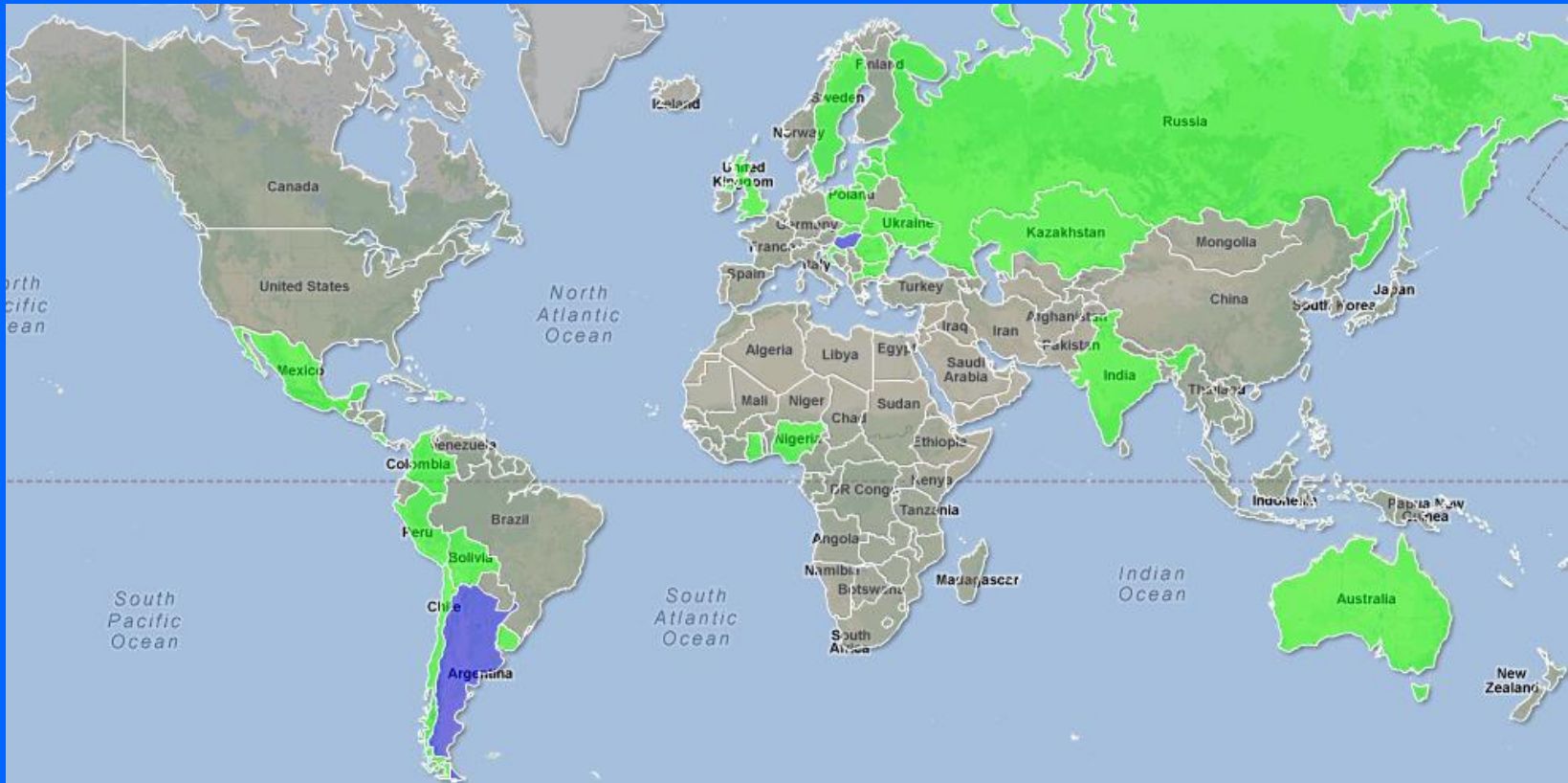
Colombia



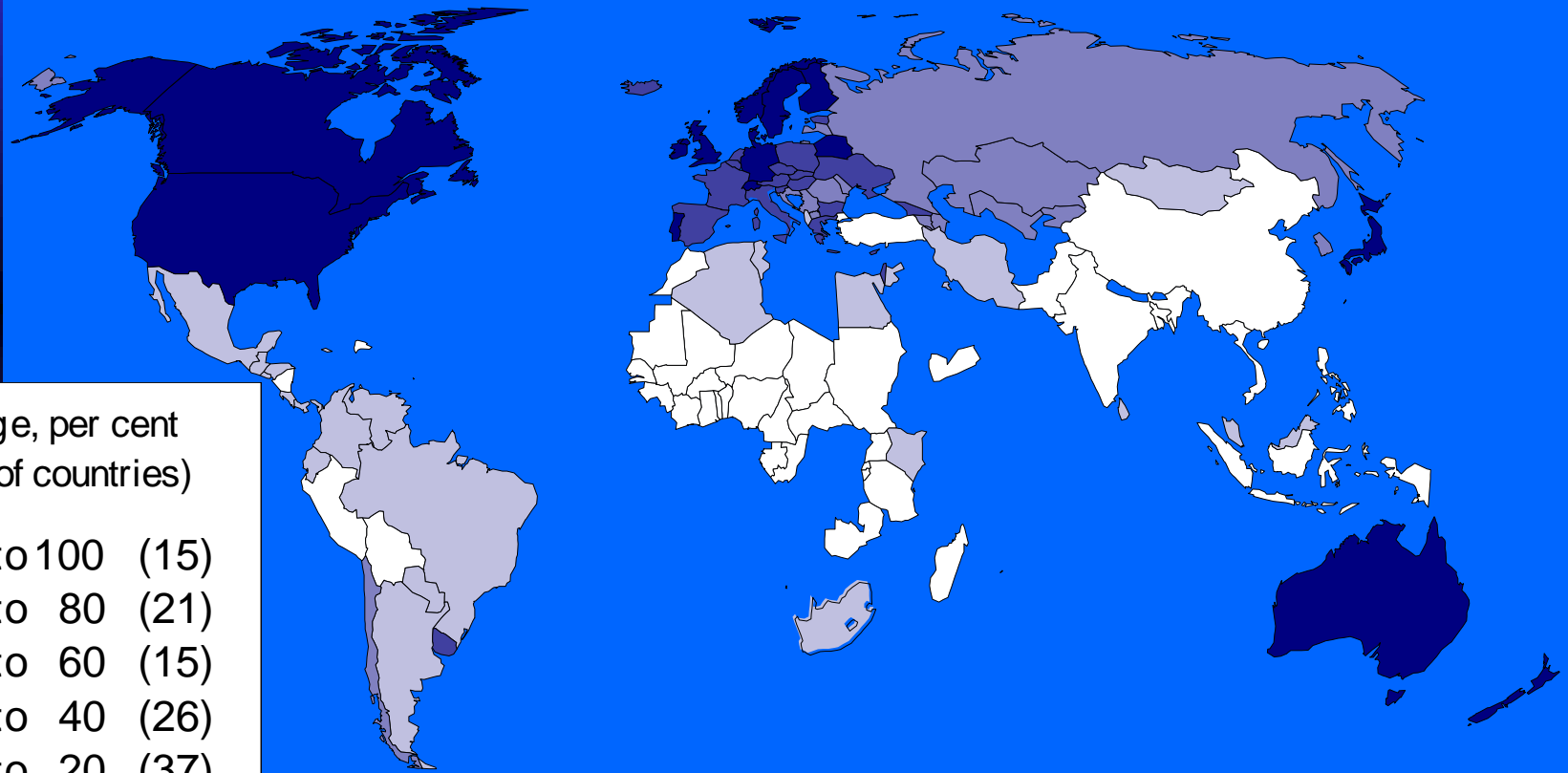
Costa Rica



DC schemes in 2012



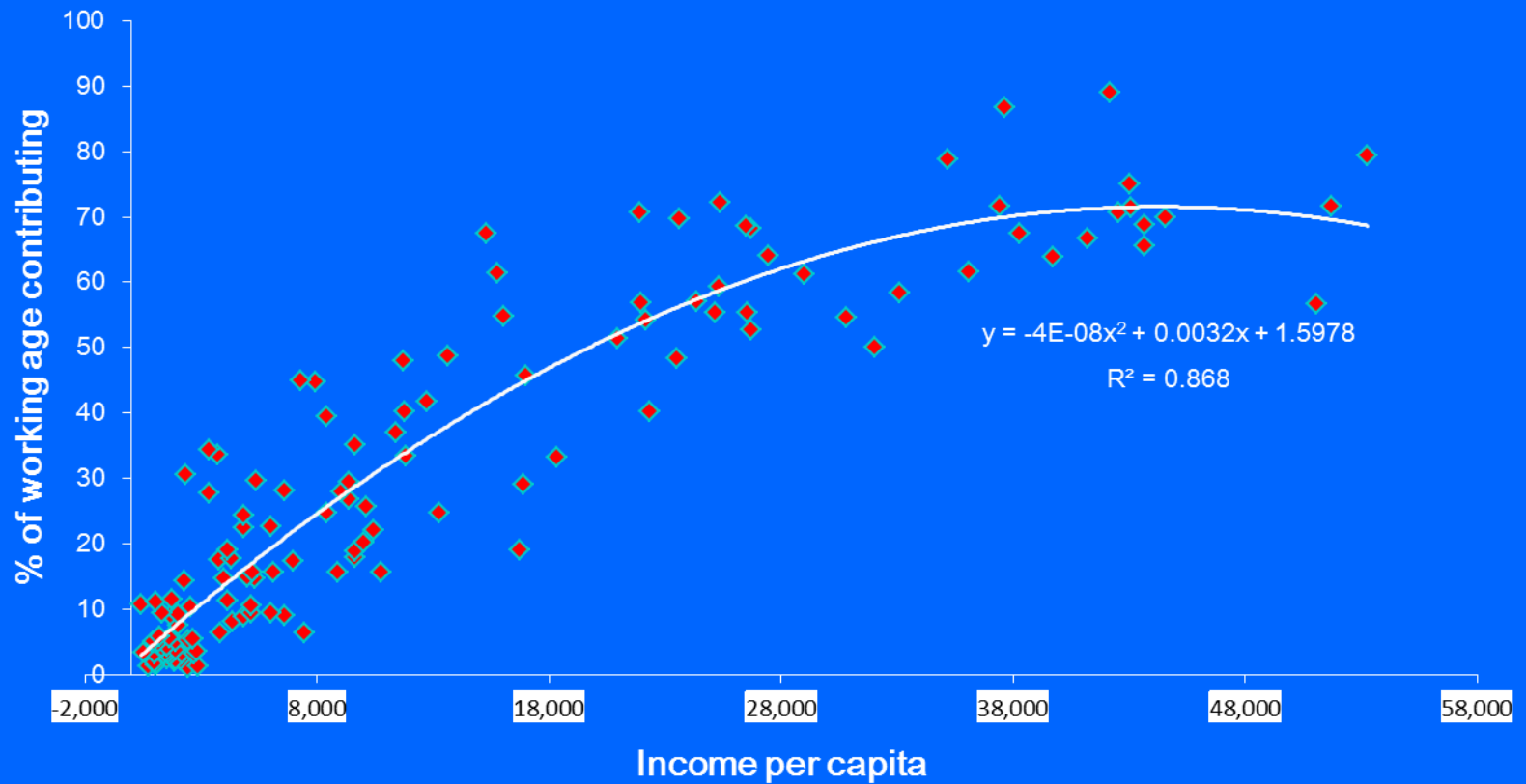
But most workers not covered...



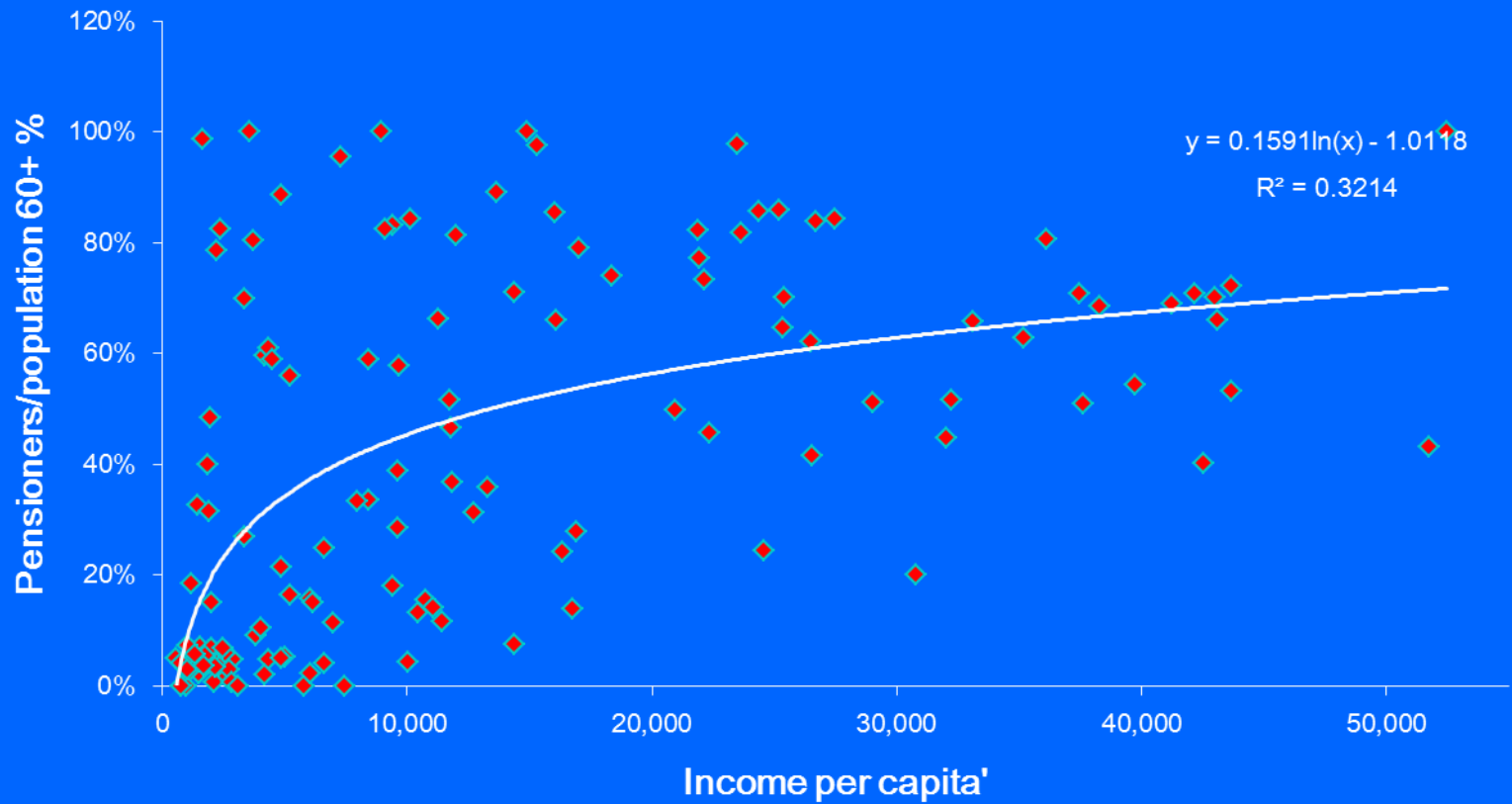
Coverage, per cent
(number of countries)

- 80 to 100 (15)
- 60 to 80 (21)
- 40 to 60 (15)
- 20 to 40 (26)
- 0 to 20 (37)

Contributory scheme coverage

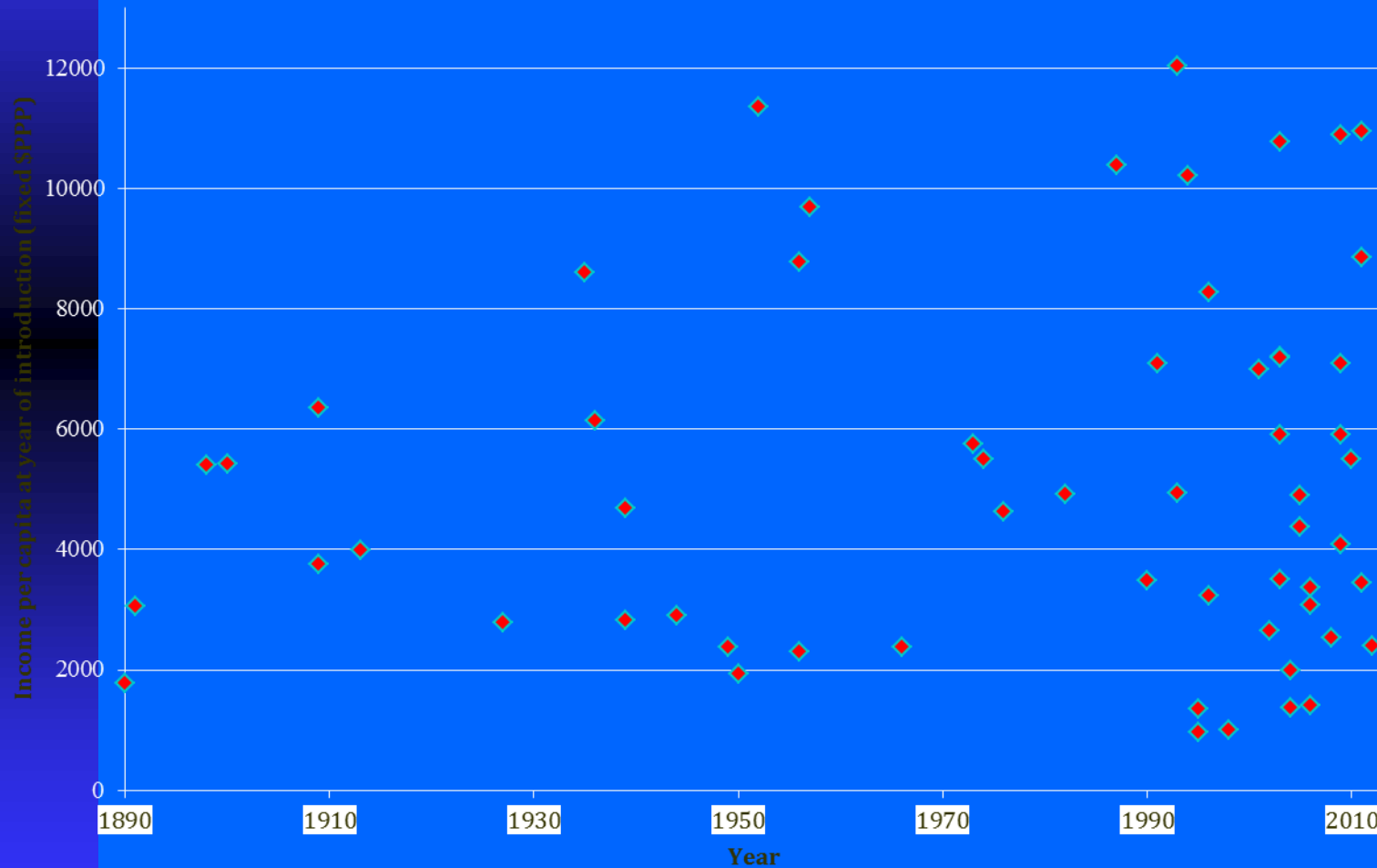


Elderly coverage



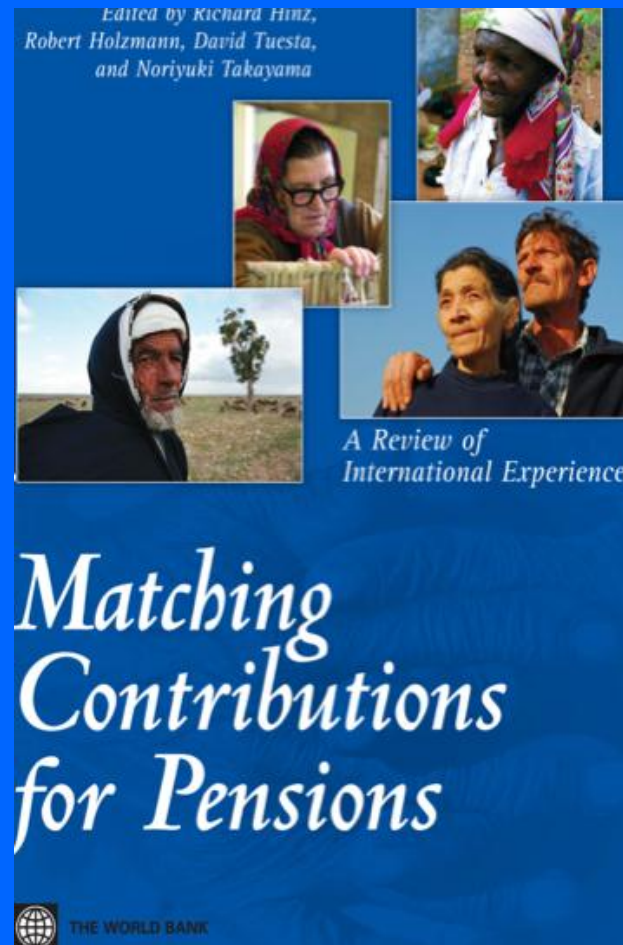
Social pensions' second chance

Countries introducing social pensions since 1890



MATCHING CONTRIBUTIONS

Countries attempting coverage expansion by matching contributions of informal sector workers: China, Colombia, India, Mexico, Peru, Thailand, Turkey, Vietnam.



Summary and looking forward

- For a century, public DB plans spread across the globe and dominated pension provision but...
- Unfunded liabilities are catching up with maturing systems as the demographic transition unfolds resulting in cuts
- In the last two decades, prefunding and especially DC plans have taken on a greater role raising new issues of costs, investments, payouts and supervision
- Coverage has emerged as the key issue for most low and middle income countries with policy discussion centered on the potential role of social pensions and innovative ways of incorporating the informal sector workforce
- Will younger countries learn from the experience of the older countries (or repeat their mistakes)?

Thank you!

See us at

www.worldbank.org/pensions