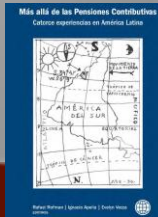
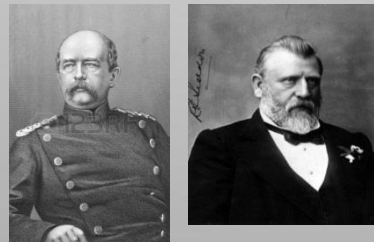


# Global Patterns of Pension Provision

Robert Palacios, Lead Pensions, World Bank  
Pension Core Course, April 27, 2015

# Evolution of global pension policy



1689

1889

1982

Today

# Design and performance

- Design
  - Mandatory contributory scheme design - defined benefit or Defined contribution?
  - Voluntary private pensions
  - Non-contributory (social) pensions
  - Civil service pensions
- Performance
  - Adequacy
  - Coverage
  - Sustainability

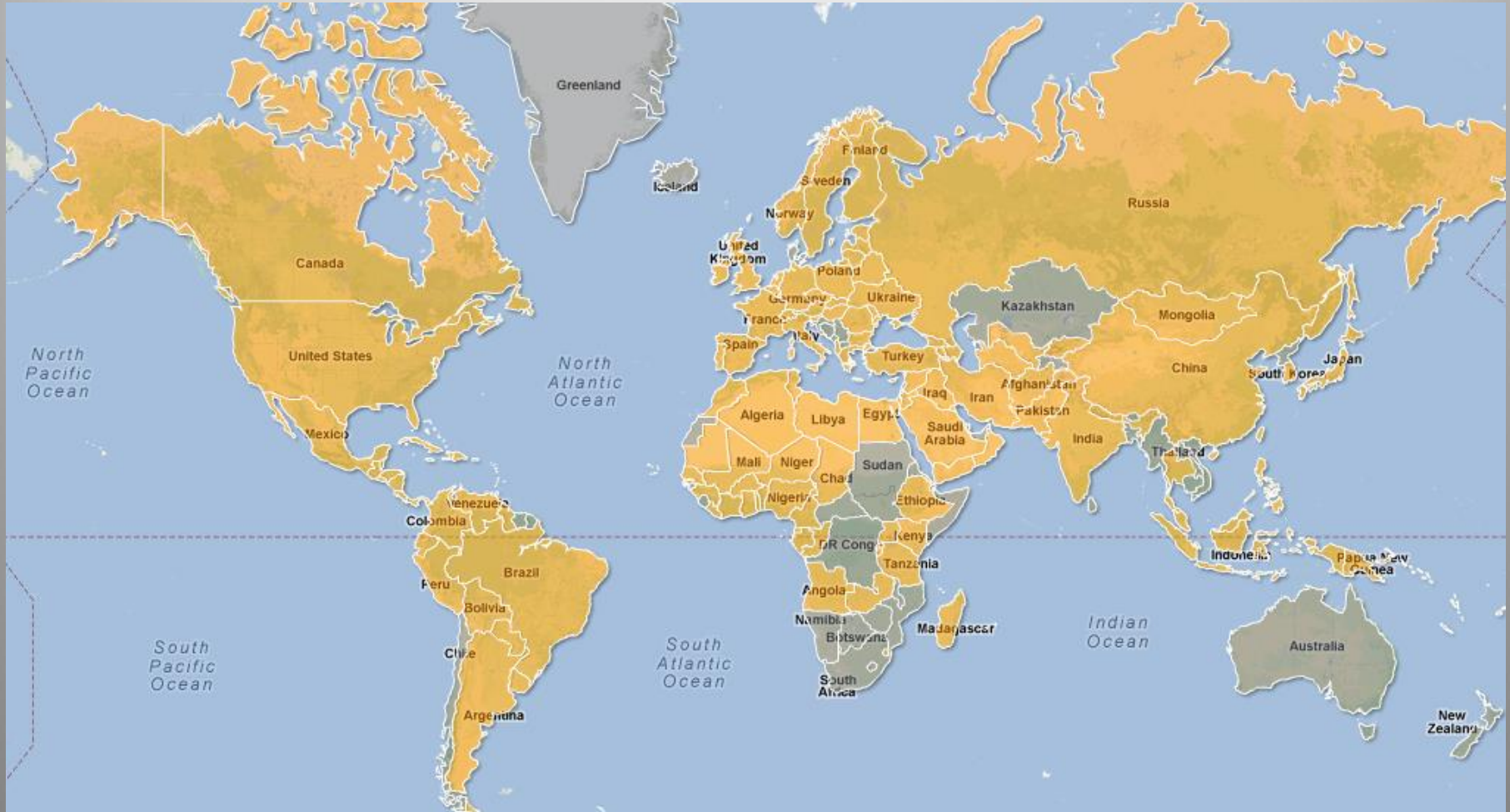
# THE RISE OF DB SCHEMES:1935



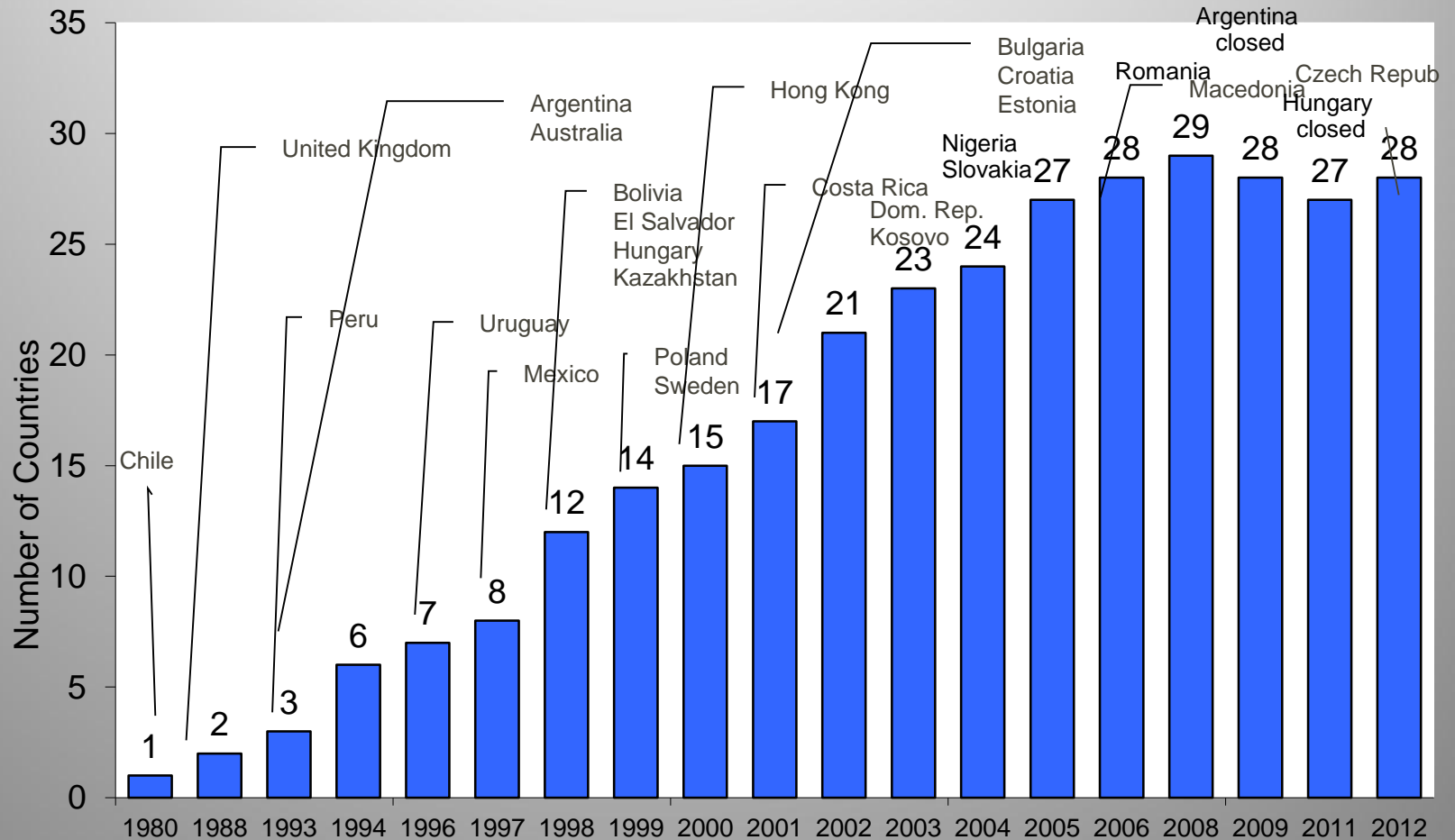
# THE RISE OF DB SCHEMES: 1975



# THE RISE OF DB SCHEMES: 2015



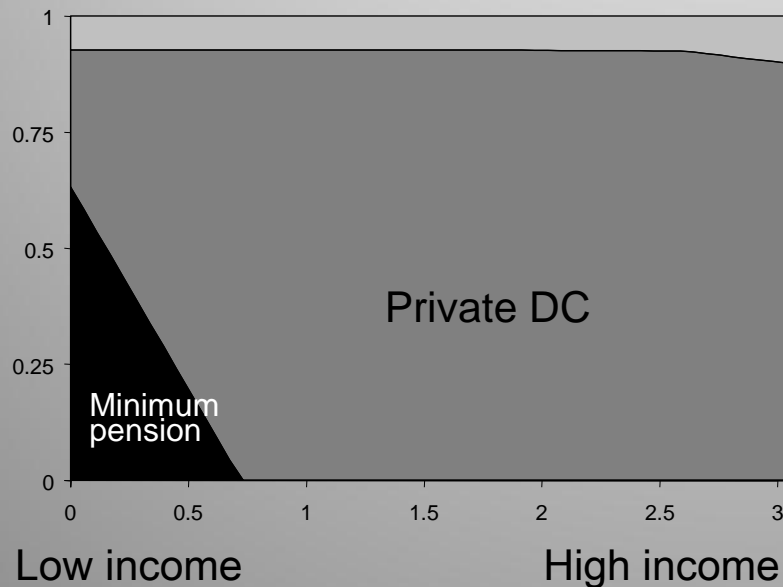
# THE RISE OF DC SCHEMES: FROM SANTIAGO TO PRAGUE



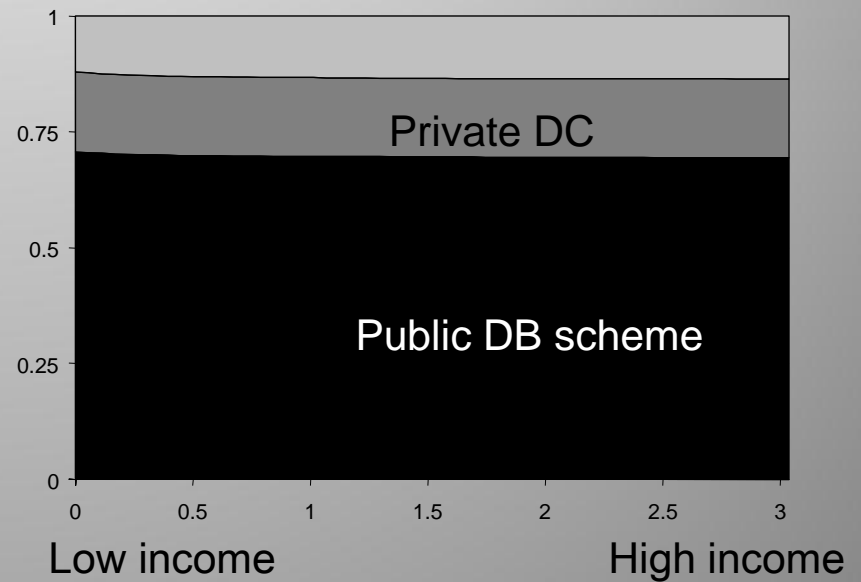
# Share of benefit from DC

Proportion of benefit from private DC vs public DB

Colombia

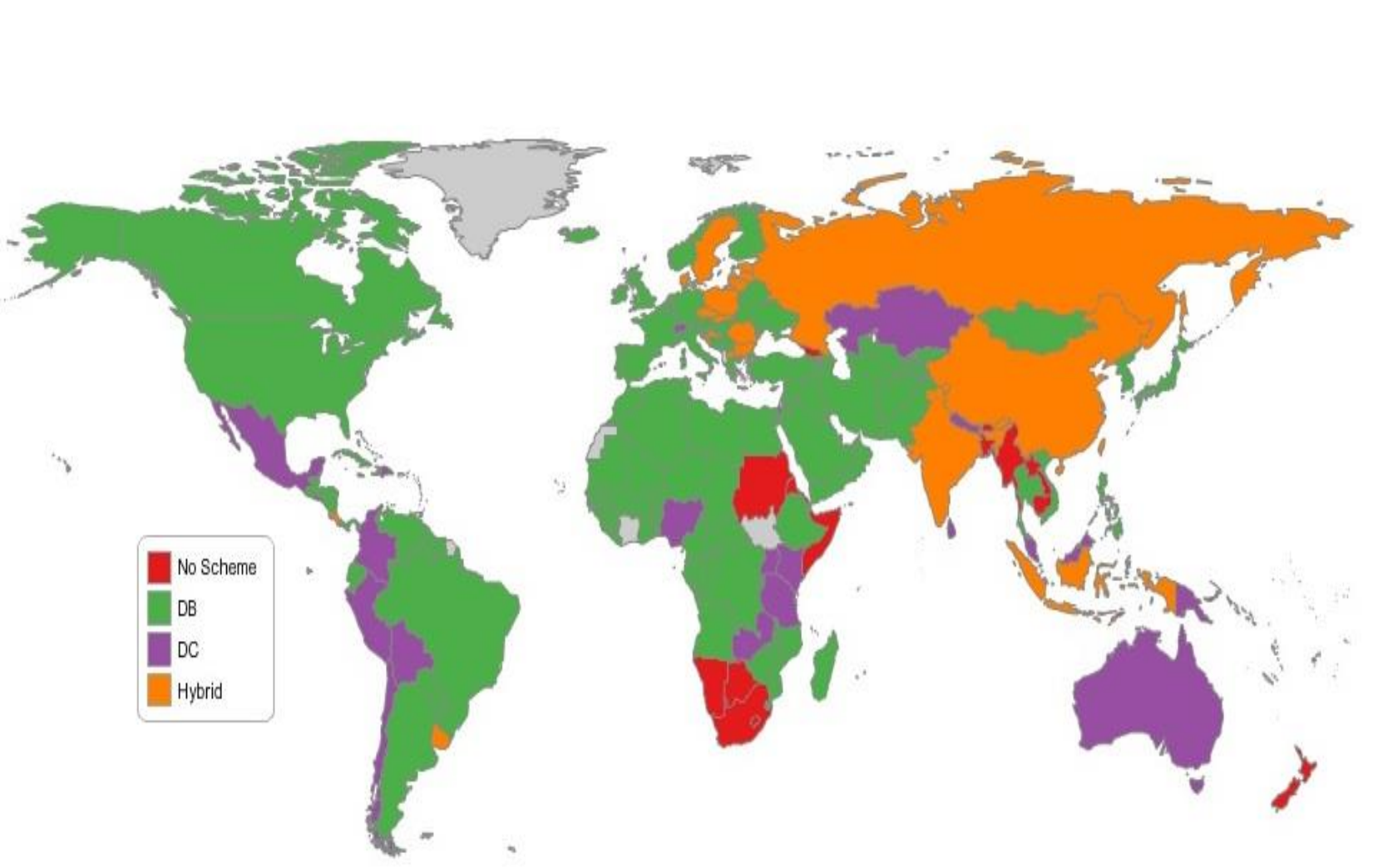


Costa Rica

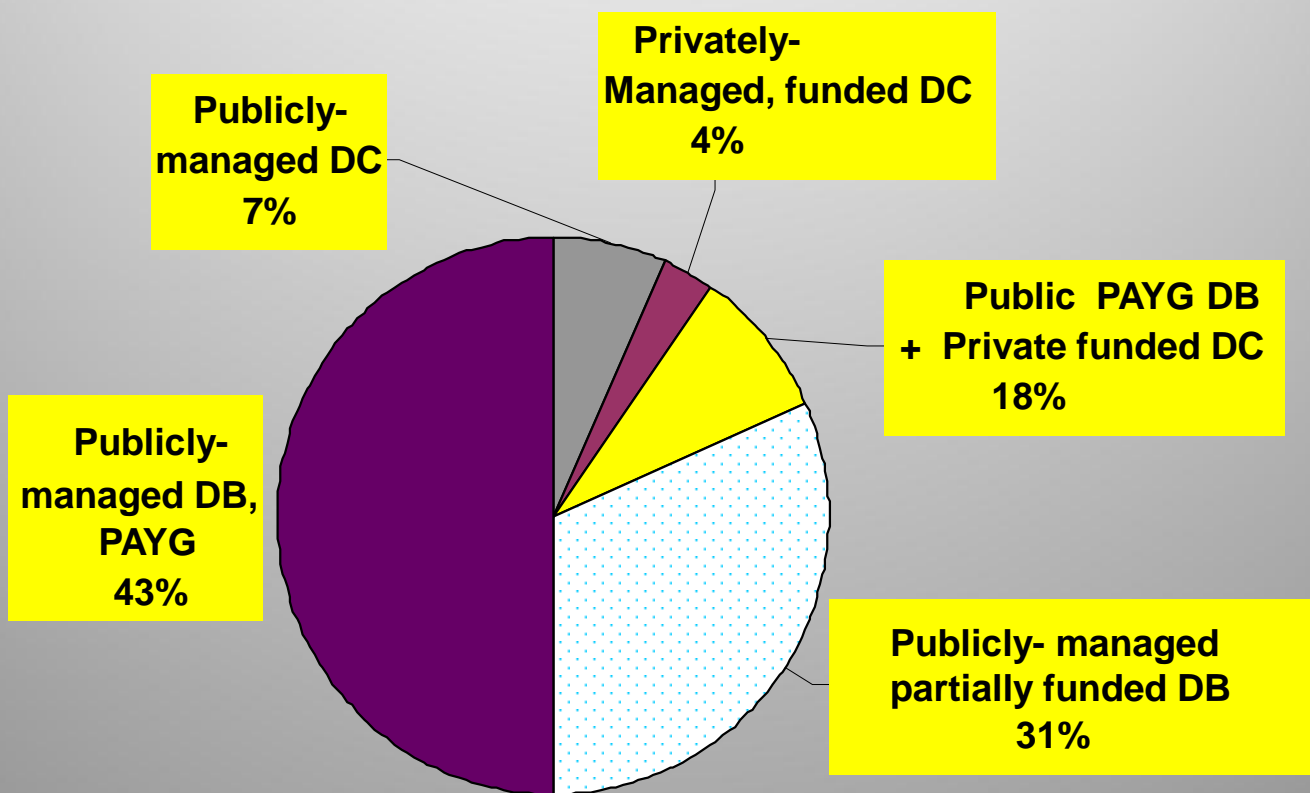




# GLOBAL PENSIONS BY TYPE OF MANDATED CONTRIBUTORY SCHEME

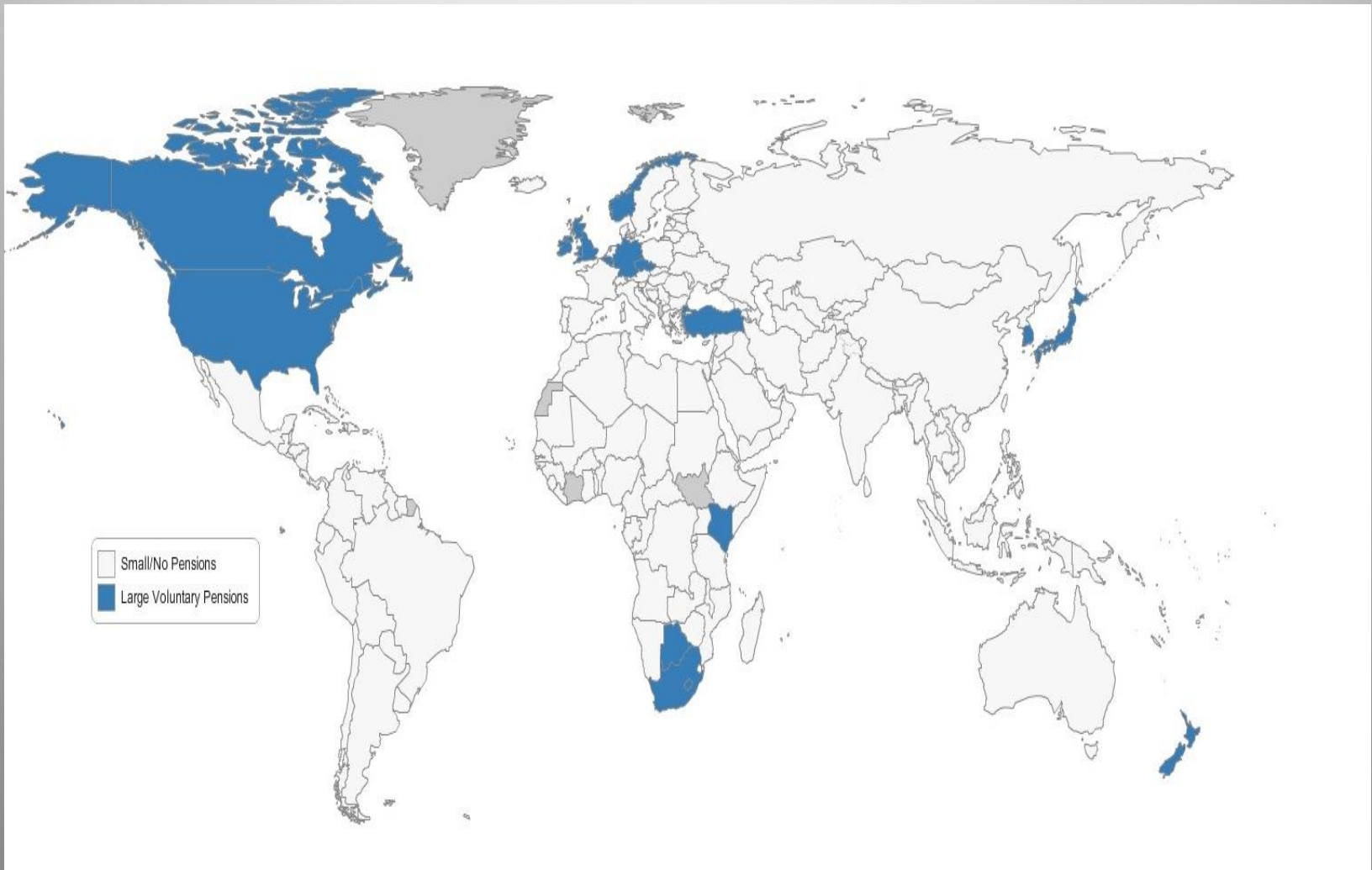


# Mandated pensions today



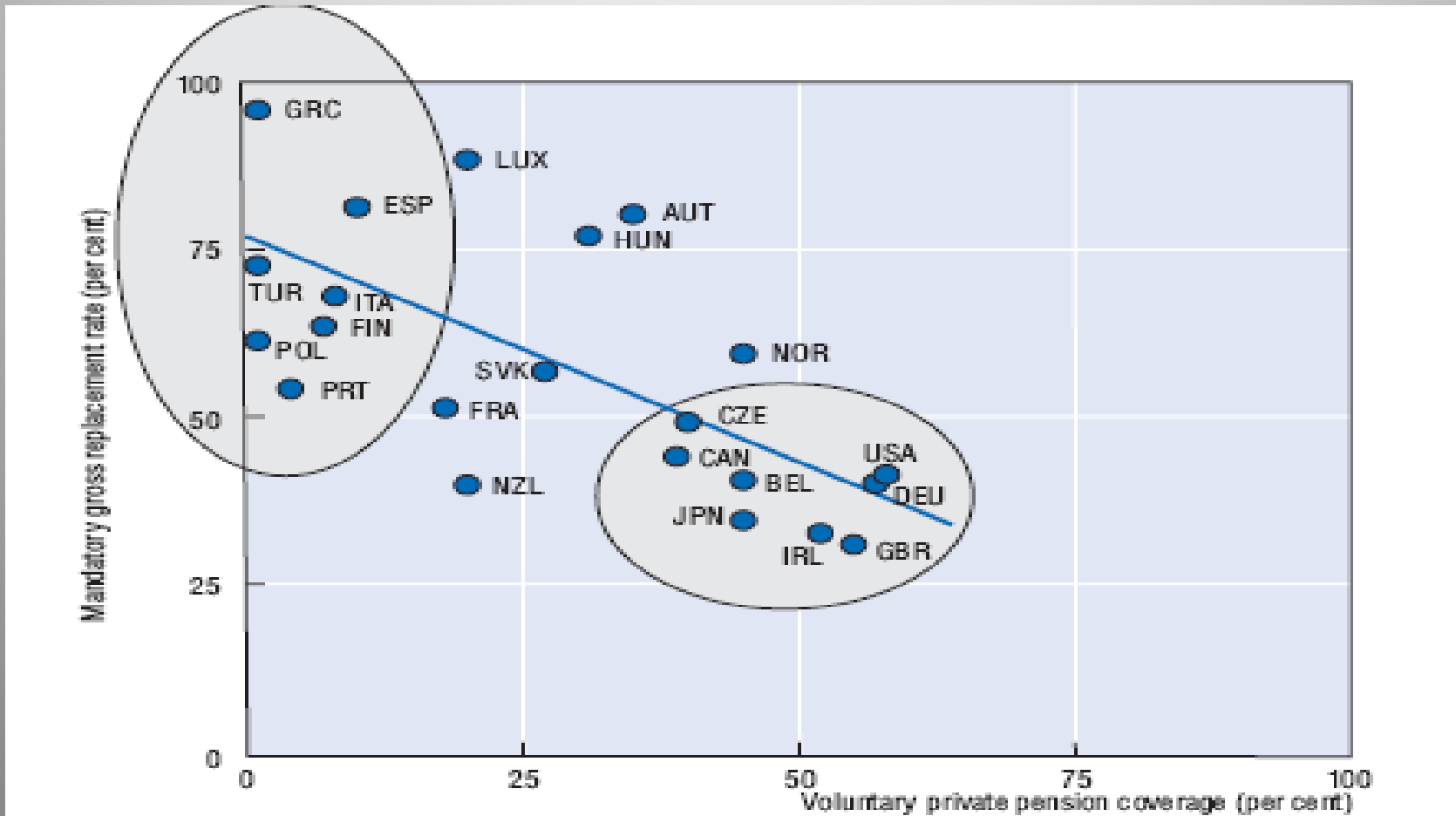
Note: Select countries: only national contributory schemes included

# VOLUNTARY PRIVATE PENSIONS ARE IMPORTANT IN ONLY A FEW COUNTRIES



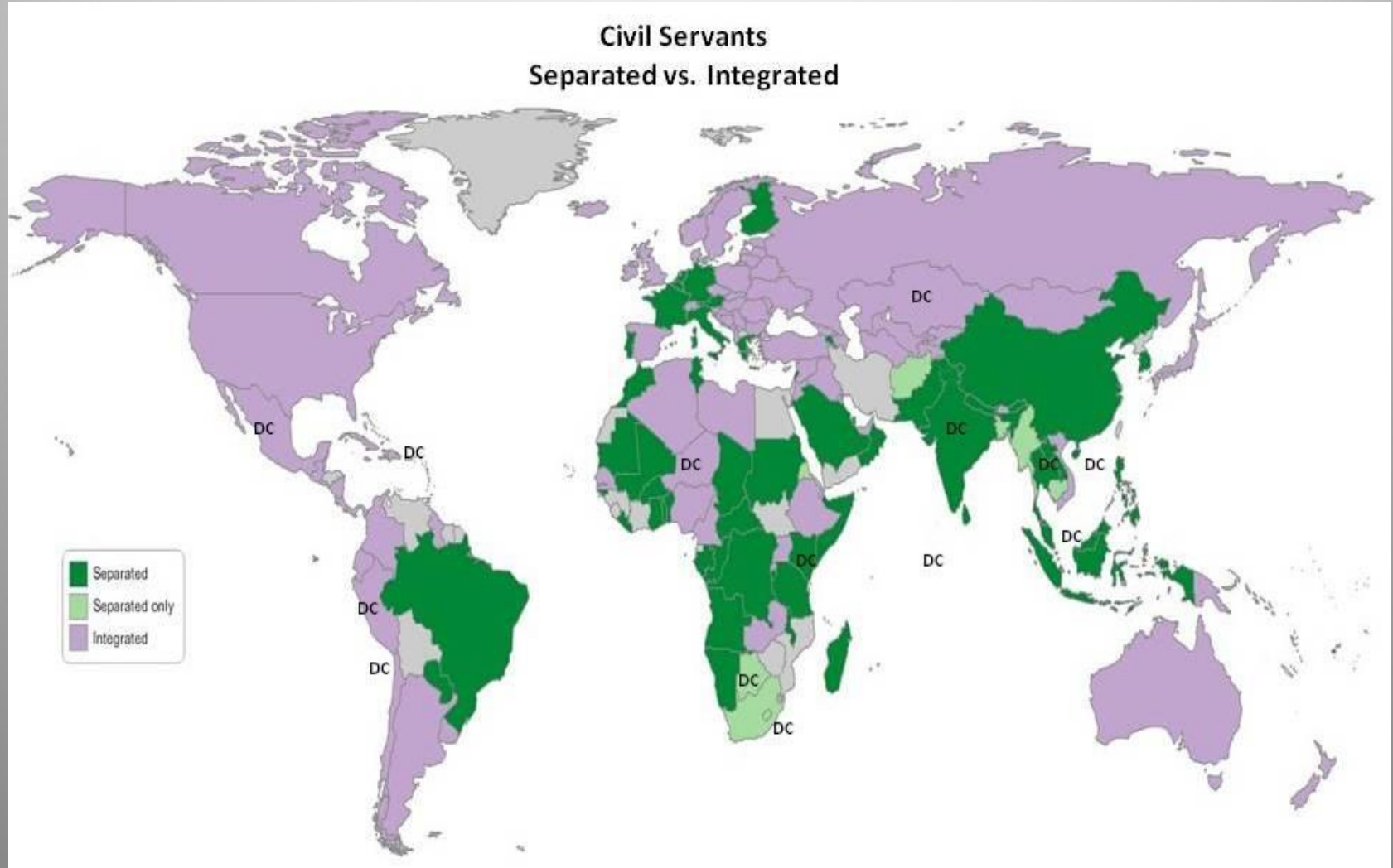
# Generosity of the Mandatory Systems is the Strongest Incentive:

Income Replacement Rates and Voluntary Private Pension Coverage in OECD

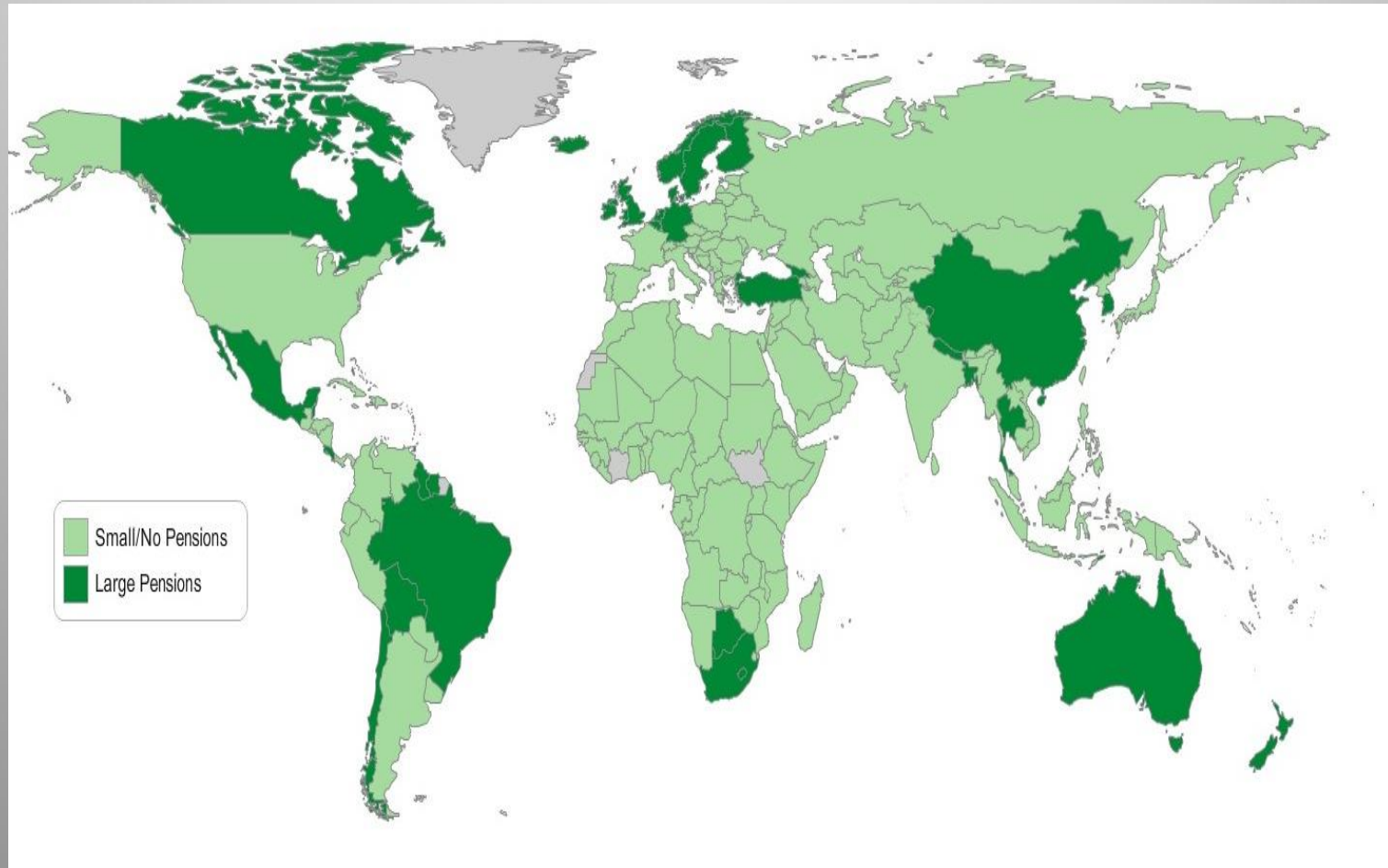


Source: OECD, Pensions at a Glance, 2007

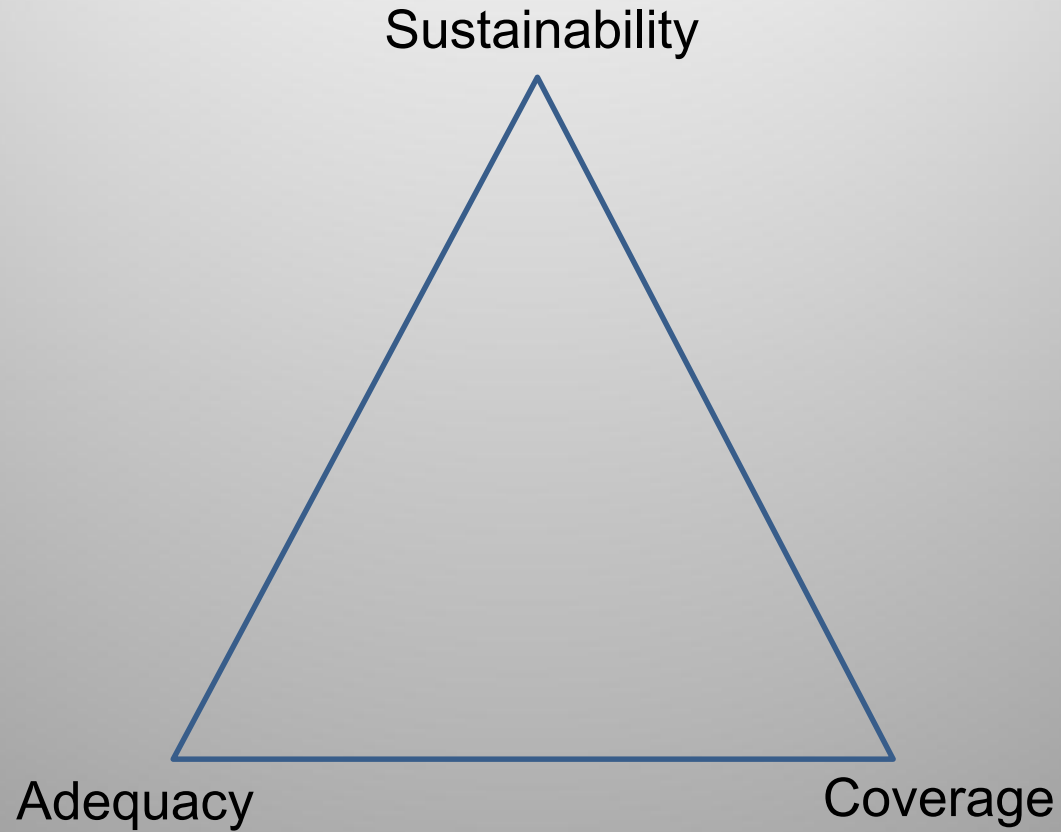
# CIVIL SERVICE PENSIONS



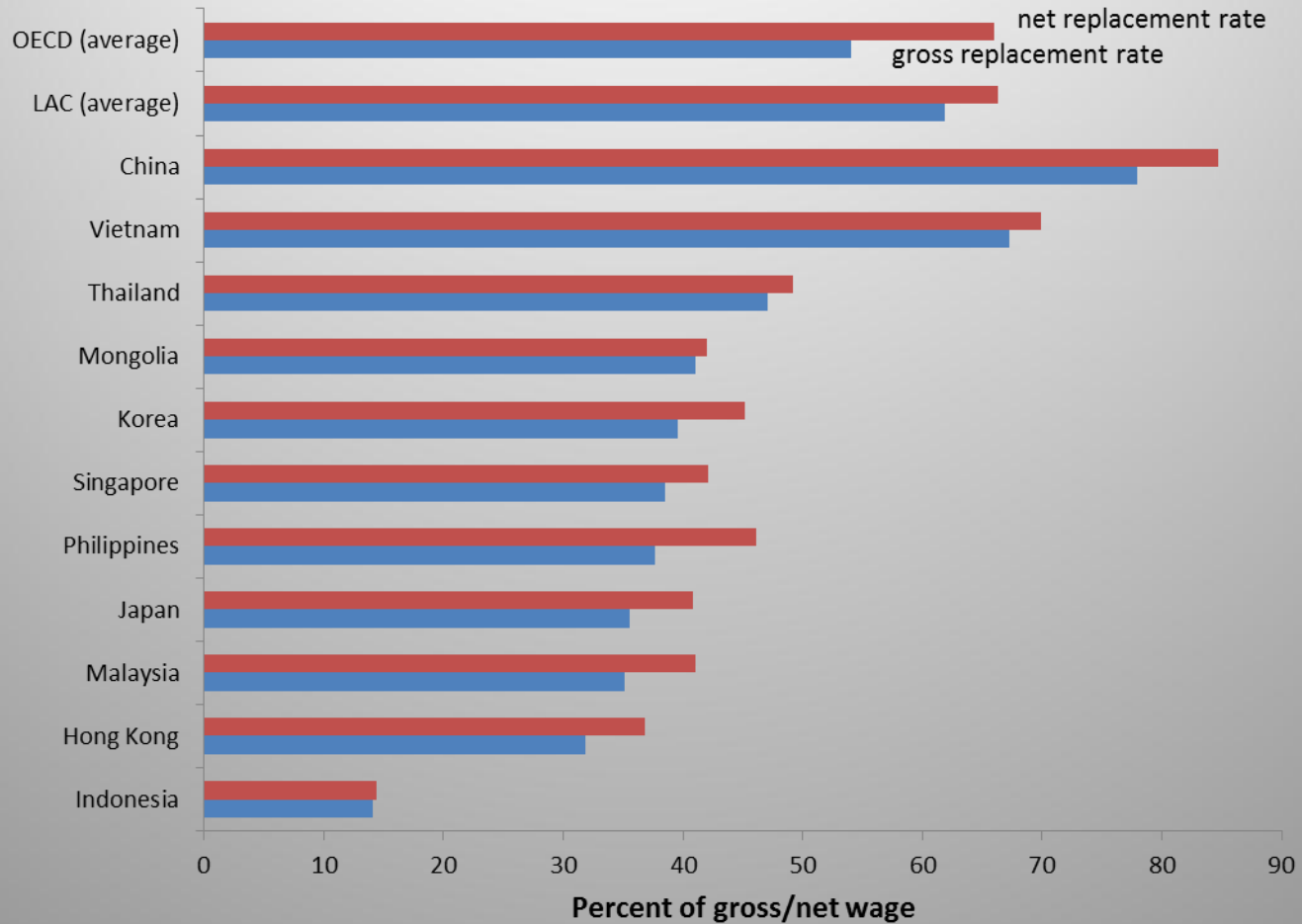
# THE ROLE OF SOCIAL PENSIONS IS GROWING



# Performance - CAS

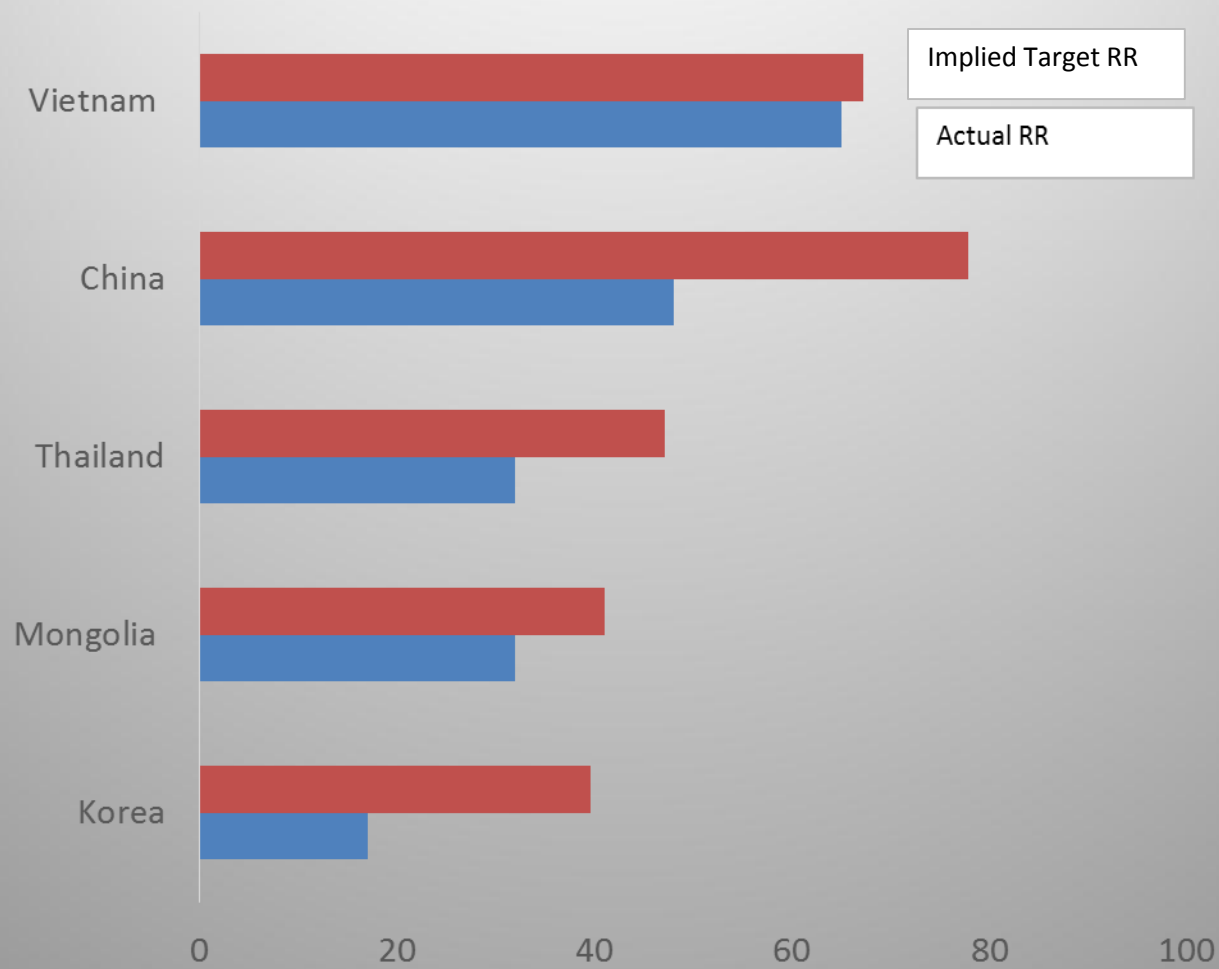


# IMPLIED TARGET REPLACEMENT RATES

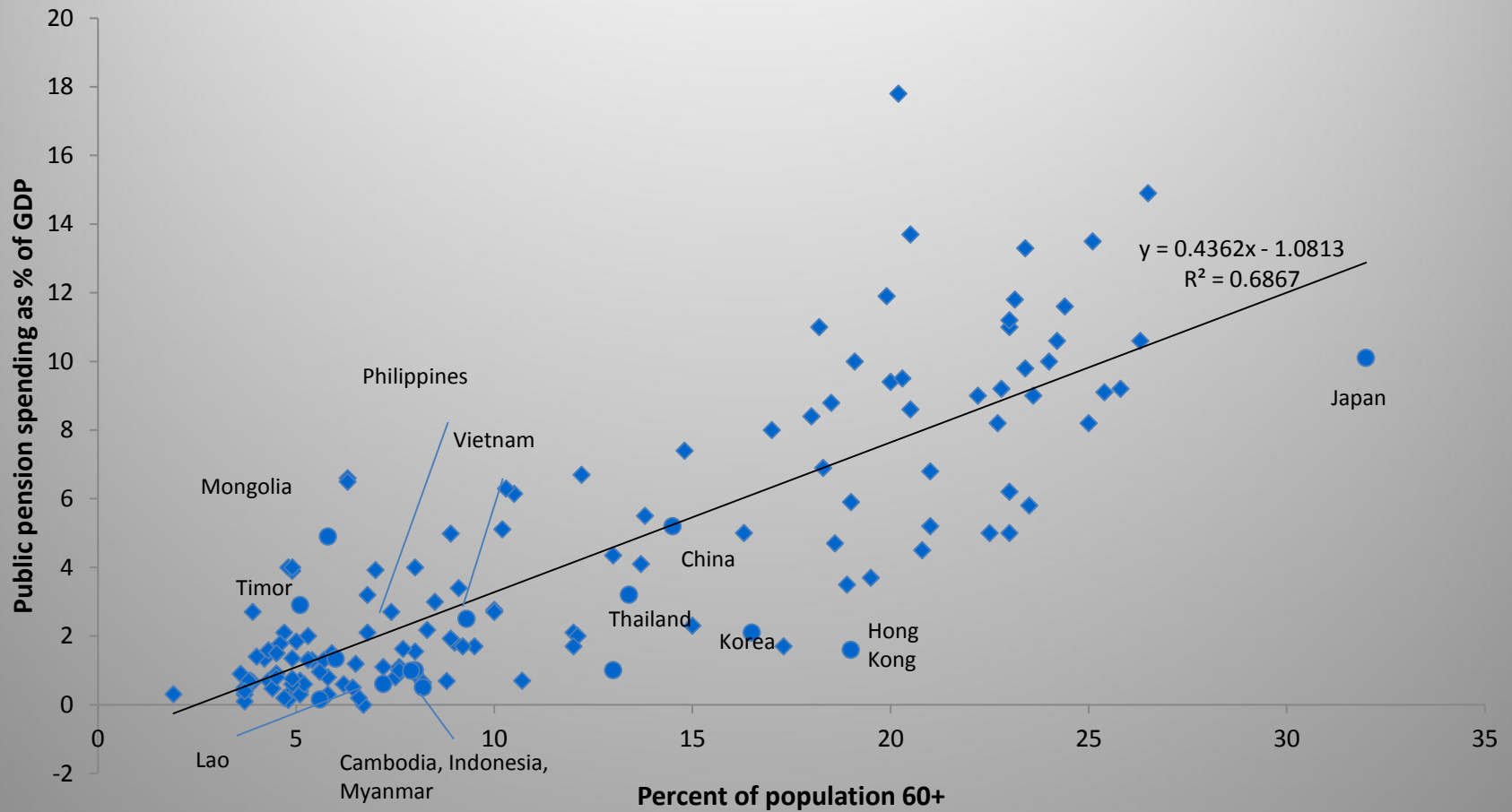




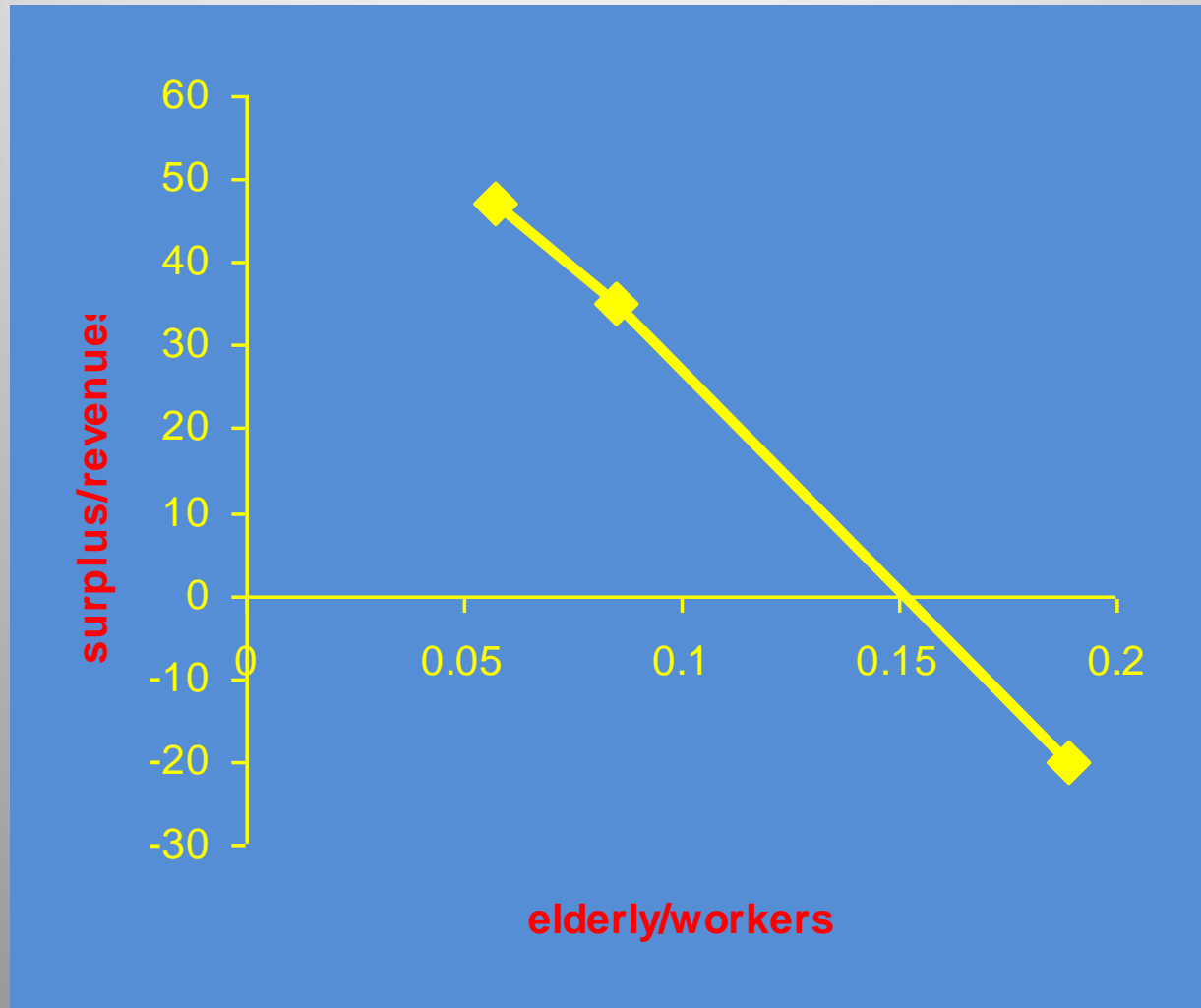
# TARGET VERSUS ACTUAL REPLACEMENT RATES



# Pension spending and ageing



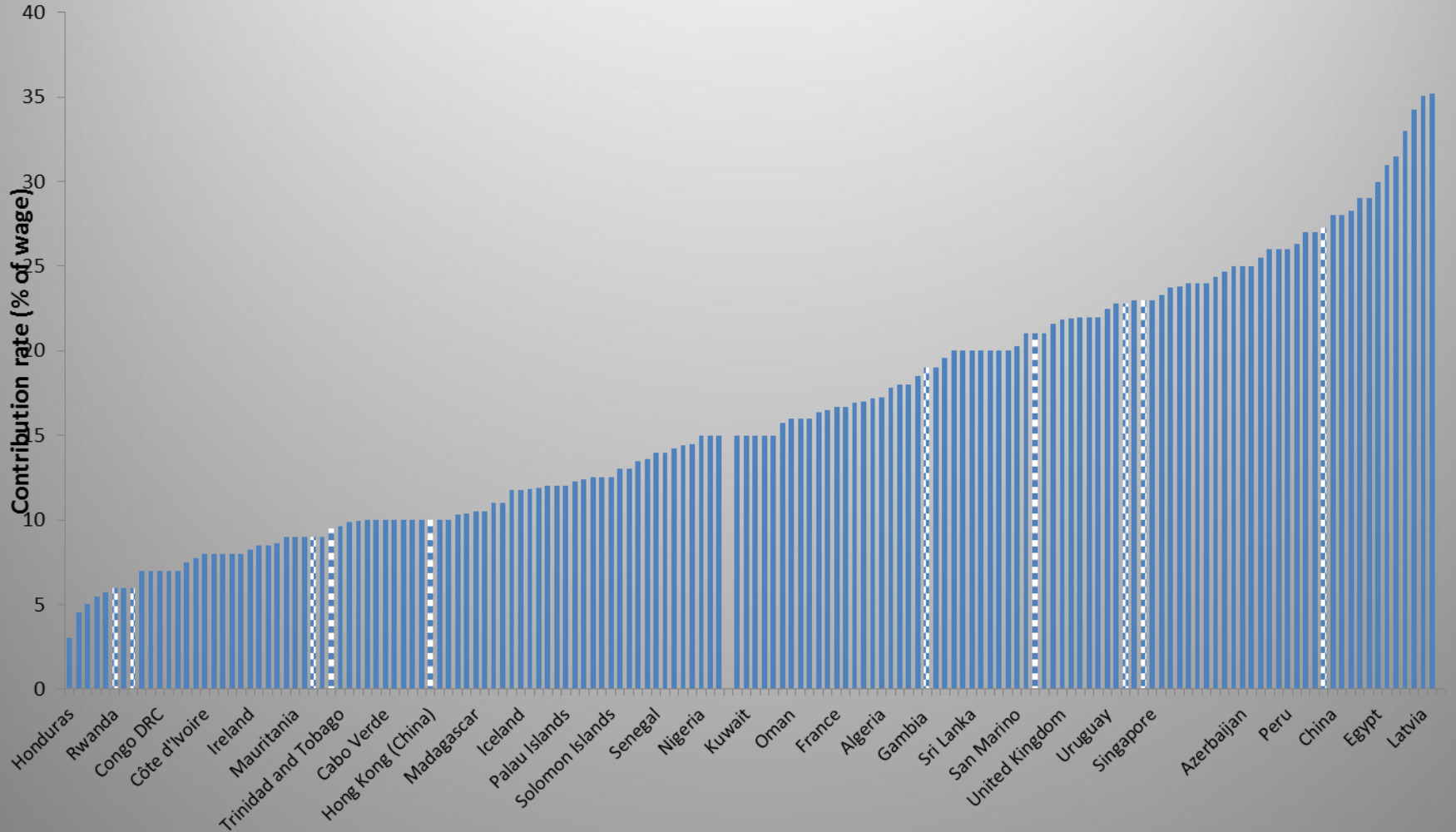
# Life cycle of PAYGO scheme



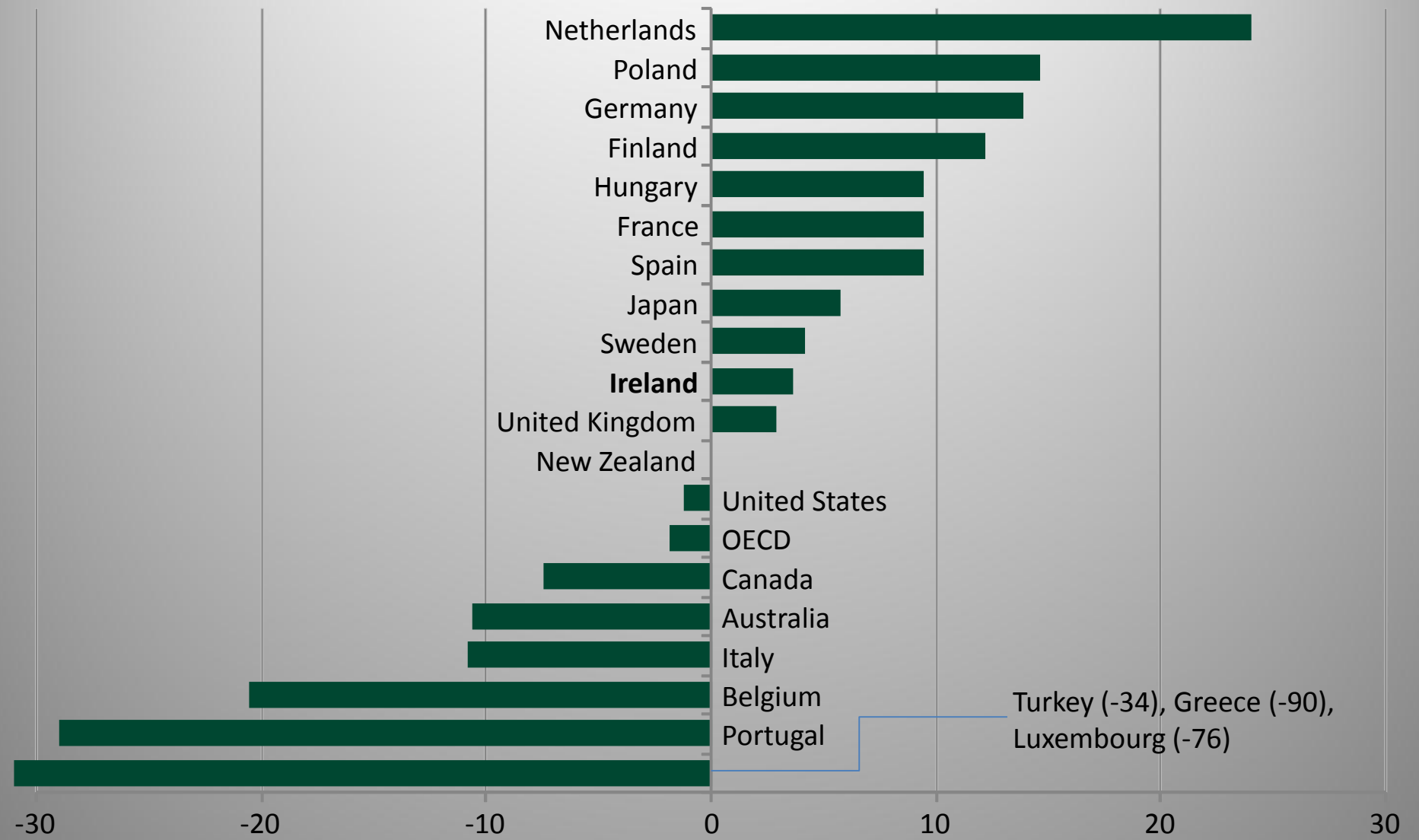
# Parametric and systemic reforms

- 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

# Contribution rates



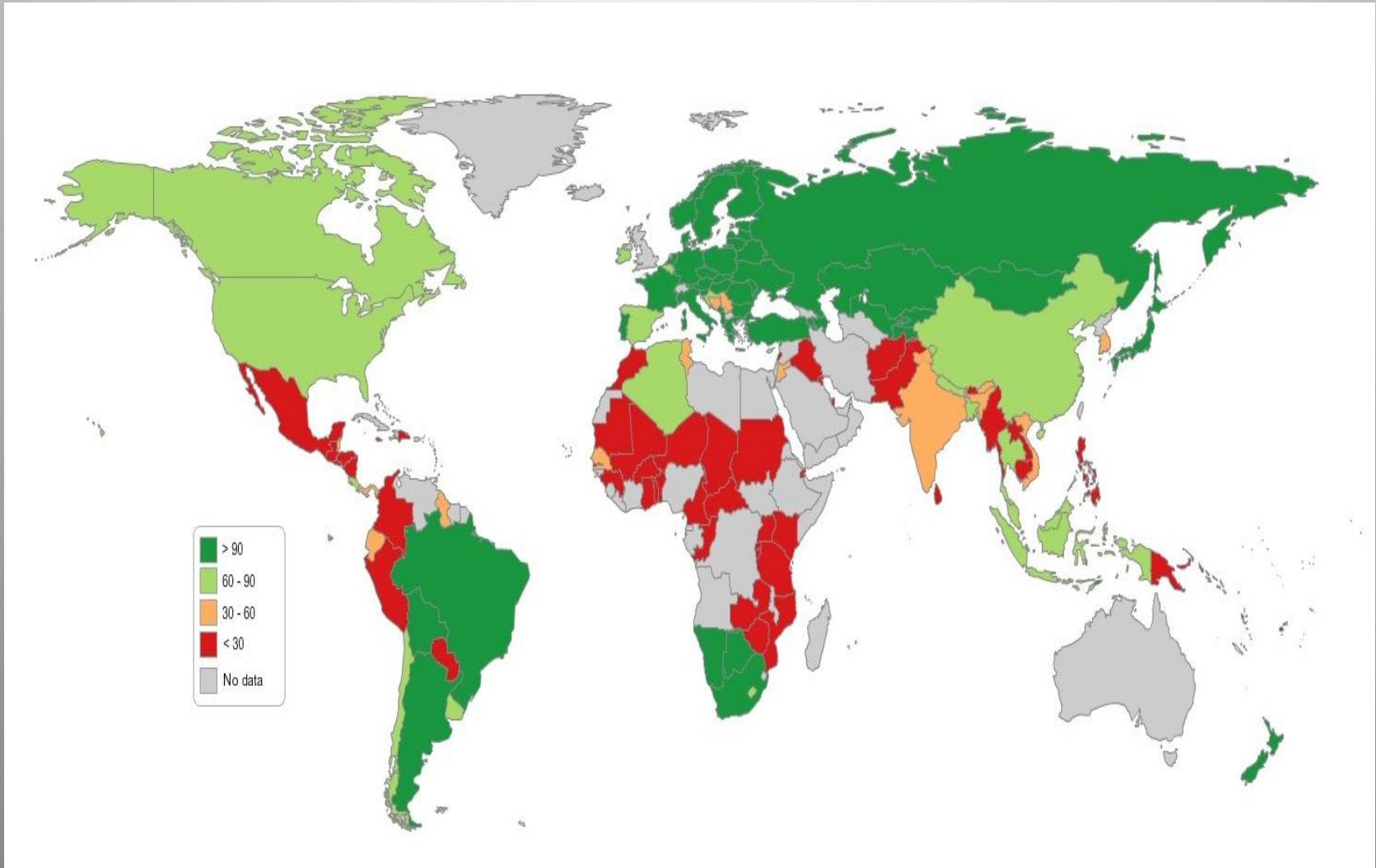
# Pension incentives to work/retire



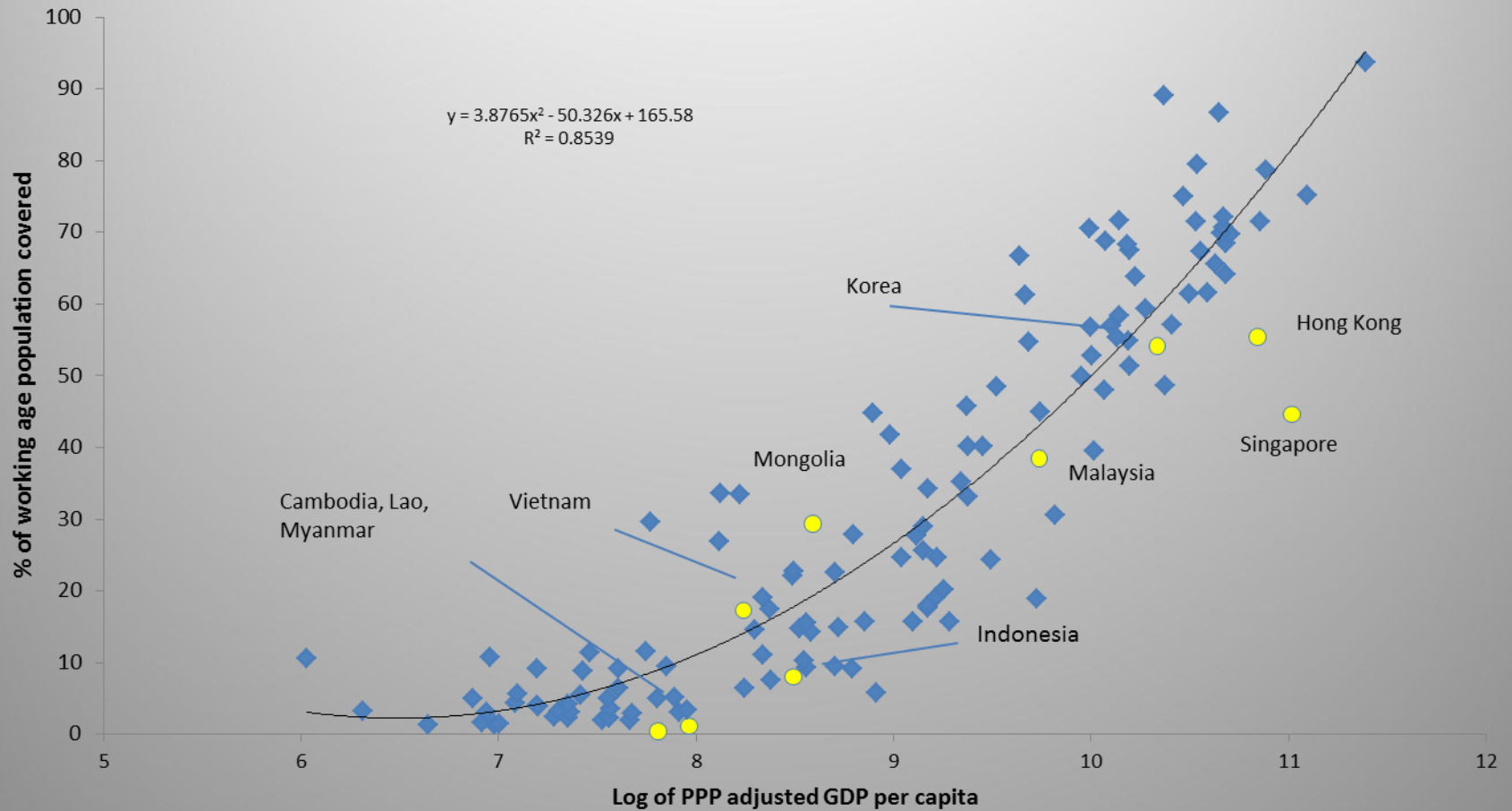
Source: OECD Pensions at a Glance

*Change in pension wealth from working an additional year, between ages 60 and 65, per cent of annual earnings*

# MANDATORY CONTRIBUTORY PENSION COVERAGE

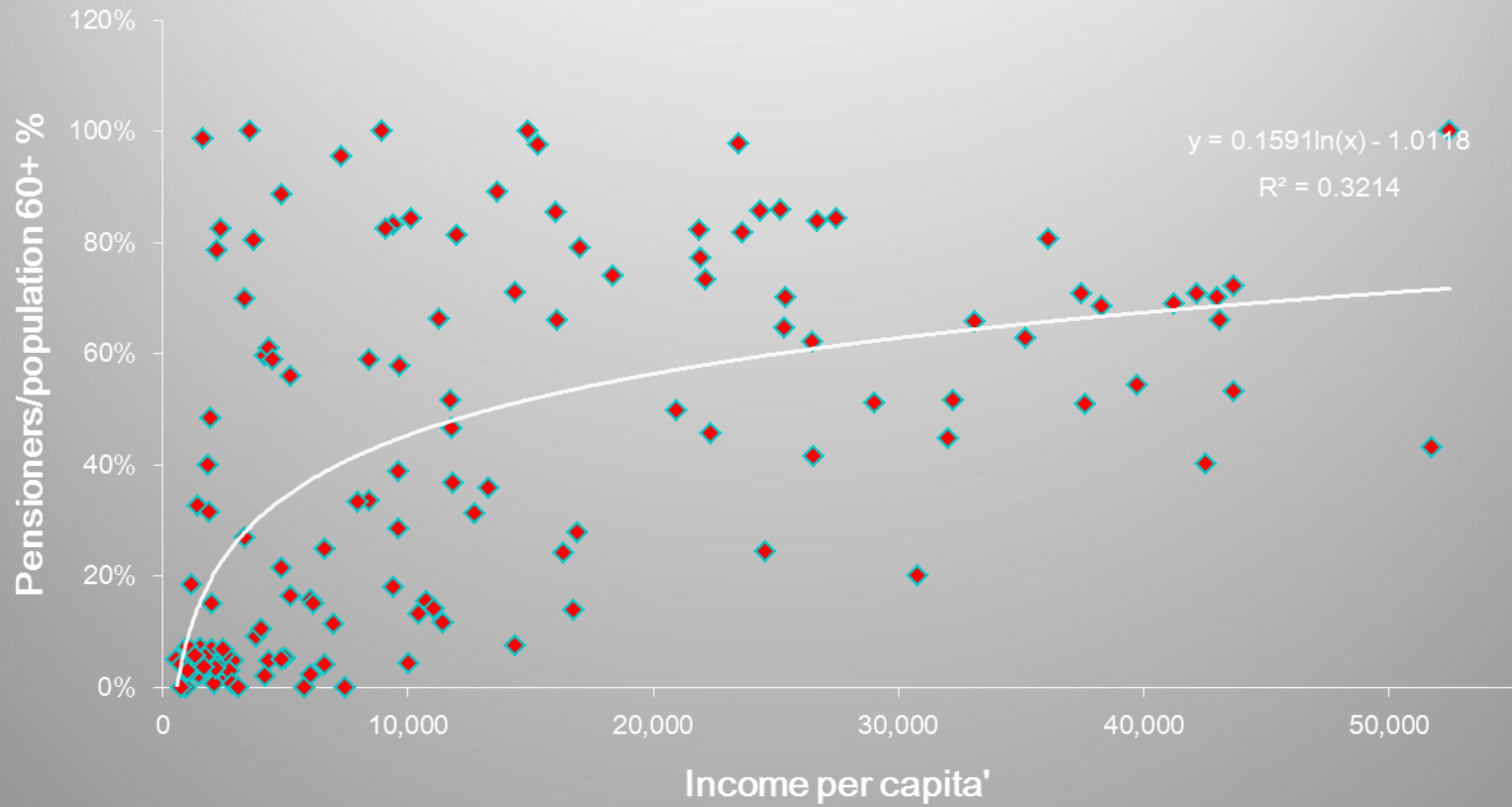


# Pension coverage and income level





# Elderly coverage



# 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)? How will older countries strike the balance between sustainability and adequacy?

Thank you!

See us at [www.worldbank.org/pensions](http://www.worldbank.org/pensions)