Editorial

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This special issue of *The Geneva Papers*, the tenth in our “Four Pillars” series, is the last I am privileged to prepare before I leave The Geneva Association to enter a new period of active life, what used to be called “retirement”. This is why for this issue I have invited most of the authors to analyse key issues regarding recent pension reforms in their respective countries, to describe current implementation of the latter, and their main successes and problems. I also asked them to assess new measures to encourage senior employment and, where possible, the development of a fourth pillar and the impact of the current financial crisis. I can hardly say how grateful I am to them for their excellent contributions. Indeed, working with several of these authors over the years on conferences or publications has given me much pleasure. I would also like to thank the external referees who kindly took the time in May and June of this year to review the articles in this issue in spite of busy schedules. They are R. Holzmann and R. Rofman of the World Bank, and Professors C. Wilke, A. Sousa-Poza, Y.-P. Chen, J. Piggott, F. Legros, T. Barnay and A. Brugiavini.

I sincerely hope our readers will find interest in this issue, and that its content will provide useful input into their research, knowledge and thinking.

But, first of all, I would like to utter a special thank you to Professor Orio Giarini, first Secretary General of The Geneva Association, for his Editorial. With his usual brilliance, he identifies the main factors of a new approach to the global demographic revolution and goes on to tell us something about the pioneering role of our Association in this field. For the 10 or so years that we were working together at the Association prior to Orio’s retirement, his original and insightful re-thinking of current and future challenges proved a constant source of stimulation. He had become for me, and remains, something of a “*maître à penser*” and if I have achieved anything during my time with the Association, it has been in large measure thanks to his inspiration.

The current issue is in two parts: the first part addresses general issues of recent pension reforms in the OECD countries through an examination of seven country cases; the second and shorter part tackles more specific, technical issues related to three countries: Japan, France and the U.K.

This issue, then, starts with two covering articles prepared mainly by Edward Whitehouse of the OECD. The first article, *Two Decades of Pension Reform: What has been achieved and what remains to be done*, prepared in collaboration with A. D’Addio, R. Chomik and A. Reilly, usefully summarises recent changes, quite dramatic in some

instances, to pension systems in the 38 member countries of the OECD, the EU or both. This article also explores the future impact of these reforms and discusses the pension policy agenda for the next two decades. In the second article, *Pensions during the Crisis: Impact on Retirement-income Systems and Policy Responses*, E. Whitehouse provides important and up-to-date information in his analysis of the consequences of the current financial crisis for pension systems and for the individual contributor, and shares with us some of his thoughts about needed policy responses.

The issue then moves on to an examination of six country cases (one covering a pair of countries): Germany, Switzerland, Sweden, Italy, Chile and Argentina, and finally the U.S.A.

The first article, by Holger Bonin, summarises recent pension reforms in Germany and argues that the latest reforms have moved pension provision from a defined benefit to a defined contribution scheme, with the effect of, to a large extent, stabilising pension finances. The article also covers the consequences of the current global financial crisis and discusses further possible reform measures, including the option to install a fourth pillar providing income in retirement through work after pension age.

The second article, by Monika Bütler, analyses the traditionally high participation rate of older workers in Switzerland and its impact on social security and social assistance conditions, showing how that impact differs from one category of income earners to the next. The author also alludes to the unfavourable financial prospects of both the pay-as-you-go first pillar and funded occupational pension plans. She concludes that the financial crisis has not only reduced the value of assets, but has also uncovered structural deficiencies in the second pillar with respect to the funding ratio, regulation and supervision.

The third country case, Sweden, by Gabriella Sjögren Lindquist and Eskil Wadensjö, usefully links the ageing of population with fertility rates, analyses the main implications of the important pension reform of 1994 (which adopted a notional defined contribution (NDC) system, which has become a reference reform for several countries) and of its total implementation as of 2003, and discusses the impact of the relatively high labour force participation among older people. It also suggests further needed reforms and touches on the impact of the financial crisis on pensions and specifically in pensions of workers approaching retirement.

Flavia Coda Moscarola and Elsa Fornero, in their article *How to Strengthen the Credibility of Italian Pension Reform*, analyse pension reforms that profoundly changed pension design, particularly with the adoption (in 1995) of the NDC system, but which has an exasperatingly long transition. They also assess the difficulties of setting up active reforms for increasing the labour market participation of senior workers and the impact of the financial crisis on all these factors.

The next article, *Re-reform of Latin American Private Pensions Systems: Argentinean and Chilean Models and Lessons* by Carmelo Mesa-Lago, provides an analysis of two far-reaching recent reforms that have occurred in Latin America, in which 11 countries have been involved: Chile maintained and improved its system, whereas Argentina opted for integration into the public system. Both re-reform models are evaluated based on their implementation of International Labour Organization social security principles. The author also explores the potential influence of both models elsewhere in the region.

Finally, Lucy apRoberts in her article on the U.S. pension system describes the two main components of the pension system there: social security, which still accounts for the major part of retirement income but has fallen recently for new retirees, and occupational pensions, which cover only a small proportion of the population. In future, these developments could lead to an income shortfall for those older Americans who do not save enough or postpone retirement. Moreover, the financial crisis has undermined confidence in savings as a reliable source of income.

The second section of our publication, more specific and technical in nature, starts with an article on Japan. In contrast to other countries, Japan currently has no serious design problem in its pension system. The drastic 2004 pension reform resolved most major financial problems. Moreover, Japan has one of the highest labour participation rates for older workers among OECD countries. The highlight of this article *On Fifty Million Floating Pension Records in Japan* is its focus on the risk management of pension systems. Indeed, N. Takayama provides here the first (to my knowledge) comprehensive account of a major piece of social security mismanagement, perhaps the most serious to have occurred in a developed nation.

In the second article in this section, *Impact on Growth and Inter-Generational Redistributive Effects in Pension Reforms in France*, the authors, Frédéric Gonand and Florence Legros, assess the impact on growth and the inter-generational redistributive effects of some possible pension reforms in France, using a dynamic general equilibrium model with overlapping generations. Results suggest that a reform increasing the effective average retirement age by 1.25 year per decade and diminishing the average replacement rate by around 6 percentage points up to 2020 could stabilise social contributions for youth but would gradually increase the poverty rate among pensioners. Other reform variables would have other effects.

Finally, in the last article in this issue, *The Impact of Longevity Risk on the Optimal Contribution Rate and Asset Allocation for Defined Contribution Pension Plans*, Sharon S. Yang and Hong-Chih Huang study the interaction between longevity risk and asset allocation for a defined contribution pension plan. In their research, they investigate investment strategy during the accumulation phase to deal with longevity risk during the *decumulation* phase. The longevity risk is demonstrated using the U.K. mortality experience for pensioners.