Editorial

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This special issue of *The Geneva Papers*, the 9th in our “Four Pillars” series of bi-annual issues on pensions, is devoted to the all-important topic of the future of pension systems. While previous issues included articles on the fourth pillar, that is, the extension of working life as one of the solutions to demographic trends, this issue focuses on the design of various pension reforms and attempts an assessment of their relevance to 21st century challenges. This, of course, does not mean that the authors make no reference to recent changes in employment. Employment is, indeed, one of the key factors in making pensions sustainable and appropriate to future needs.

For the last 20 years, The Geneva Association with its Four Pillars Research Programme has had three main objectives: *first*, to consolidate future pensions by proposing a new balance between the three pillars – this has involved adapting social security pensions, developing occupational funded pensions and private pensions or insurance, and proposing a design for a fourth pillar which combines income from part-time work for those wishing or needing to extend their working life, with partial pensions after the official retirement age; *second*, to study the conditions for appropriate complementarity between social security and insurance; and *third*, to encourage multiple and complementary solutions to the challenge of sustaining a welfare state in face of changes in employment and the lifecycle.

This issue starts with two articles that are general in scope. The first study, by Axel Börsch-Supan of the Mannheim Institute for the Economics of Aging (MEA), entitled *Rational Pension Reform*, is a very interesting attempt to explain why and how the new regulation mechanisms of different systems have quite similar effects on the retirement age and on old-age benefits. The author describes both the advantages and shortcomings of “self-stabilizing” pension systems, and compares the Swedish and the German approaches to rule-bound pension policy. The second general article by A. Lans Bovenberg, of Netspar (Network for Studies on Pensions, Ageing and Retirement, The Netherlands), entitled *Risk Sharing and Stand-alone Pensions Schemes*, describes various principles whereby stand-alone pension schemes can be made optimally to spread risk among participants, and trade risks across capital markets. In this connection, it discusses the optimal liability structure of pension funds, the optimal link between retirement and longevity and the role of longevity bonds in sharing demographic risks across generations.

The third article by David Blake, Director of the Pension Institute in London, Andrew Cairns of Heriott-Watt University, and Kevin Dowd of Nottingham University, entitled *The Impact of Occupational and Gender on Pensions from Defined Contribution Plans in the U.K.*, presents a simulation, by occupation and gender, of the

likely pension outcomes for different defined contribution pension plan members. The authors conclude that key aspects of plan design (in particular contribution rates) should be occupation- and gender-specific.

The next article, *Pension Reform in Poland* by Aleksandra Wiktorow, until recently President of the Social Security Office in Warsaw, describes and analyzes the drastic and courageous old age system reform and its prospects. The author points to some fundamental issues such as the adequacy of pension benefits, state guarantees, and the gender inequalities to which the new system gives rise and which need to be challenged.

This is followed by *Conditional Indexation in Defined-Benefit Pension Plans in the Netherlands* where the authors, Peter Vlaar and Jacob Bikker of the De Nederlandsche Bank, analyze the move from defined-benefit to contribution-benefit pension plans and, interestingly, highlight a different solution found in the Netherlands where the typical pension contract nowadays comprises an average earnings DB pension in which only nominal benefits are guaranteed, but where the intention is to provide for wage or price indexation.

From the Netherlands we travel to China and New Zealand. In their article *Pension Changes in China and Opportunities for Insurance*, Qixiang Sun from Peking University and Lingyan Suo from Boston University examine recent pension reforms and the pros and cons of the current system. Although China has taken important steps to address the huge challenge of ageing in a transforming economy, insurance could play an increasingly important role in completing the multi-pillar pension system.

The article entitled *New Zealand's Experiment in Tax Neutrality for Retirement Saving* describes how reforms in the late 1980s made the system of retirement income policies in New Zealand unique among developed countries. For nearly 20 years the system comprised just a universal state pension with voluntary unsubsidized private saving. Strident calls to promote saving for retirement gradually undermined the accord around tax neutrality, bringing the 20-year experiment to an end in 2007. The author, Susan St John of Auckland University, tells us about the implications of reintroducing tax incentives for certain types of saving in this retirement system.

In the following article, *Public Pensions and Labor Force Participation: The Case of Greece*, Milton Nektarios of the University of Piraeus analyzes the Greek pension system characterized by extensive segmentation, very high payroll tax rates, low labor force participation rates and inadequate pension benefits. The expected adverse demographic developments over the period 2005–2050 will render the pension system completely unsustainable and therefore needful of major reforms.

The next article *Redistributive Impact of Differential Mortality in the French Pay-As-You-Go System* by Thomas Barnay, of University Paris 12, attempts to determine the actuarial financial profitability and the “actuarial” age of retirement for men above the age of 55 who retire with a single pension from the private sector and no interruption to their payment career. France is indeed characterized by considerable differences in mortality between social categories and the author concludes that actuarial fairness is needed.

Finally, our last article, *Performance Persistence of Spanish Pension Funds. The Best Winners and Losers Repeat* by Luis Ferruz, Luiz Vicente and Laura Andreu of the Universidad de Zaragoza, analyzes the persistence phenomenon on the returns obtained by Spanish equity pension funds over the period 1999–2006, an unexplored

topic in the Spanish financial market, one of the most flourishing pension fund industries in the European Union.

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