Guest Editorial

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Pension issues continue to pose questions for public and governments alike, and it is interesting to see how the same problems appear to arise in different countries. This issue of *Pensions: An International Journal* illustrates how ‘international’ pension problems really have become. This is perhaps not surprising, in a world that is increasingly characterised by interdependence and globalisation. The current recession is a perfect example: what started as a problem within the subprime mortgage sector in the United States quickly spread across the globe to cause massive economic disruption. Pension issues are, of course, affected by these global events, and the articles in this issue highlight this.

For example, Catalán, Guajardo and Hoffmaister in their contribution on global ageing and declining world interest rates describe how the unprecedentedly low levels of interest rates caused by the recession act as a transmission vehicle into higher pension costs for small open economies. Their article illustrates how low interest rates play a role in creating higher wage costs, which in turn exacerbate pension costs, adding to fiscal pressures and leading to increased taxation.

David Pollard touches on the issue of how insolvency of non-UK companies can affect UK pension schemes because of the restrictions relating to the way in which the Pension Protection Fund in the United Kingdom operates. The Pension Protection Fund operates as a safety net to provide basic-level benefits to members of underfunded UK pension schemes whose sponsors have become insolvent. Yet, technicalities in the relevant legislation mean that where the insolvent sponsor is not a UK-company, admission to the Pension Protection Fund may not be possible. Pollard highlights the

conundrum that this poses and suggests that relevant legislation be amended to deal with this. Clearly, because of the recession, the threat of sponsoring companies becoming insolvent has become all too real – and this article is therefore highly topical.

When pension schemes face underfunding, and members’ benefit security is threatened, the position of those running pension schemes becomes more difficult. They, after all, are ultimately responsible for ensuring that schemes are run so that benefits can be fully paid as and when they fall due. Recession increases the risks of litigation. Laporte and Neudorf have produced an article on this topic in respect of the legal liability of Canadian pension plan administrators. They point out that administrators of pension plans need to develop an effective risk management strategy in order to ensure compliance with the required legal processes. Only by ensuring that such a strategy is in place can administrators narrow the risk of liability.

The usual pension problems continue to demand solutions. In the last decade, more emphasis has been placed on ensuring that enough people save for retirement to avoid individuals becoming too dependent on the basic state pension. Germany introduced pension reforms in 2001, allowing individuals to invest in personal pension vehicles. Honekamp and Schwarze describe how much progress has been made in Germany in this area since 2001. They conclude that, not surprisingly, those pension products that are fiscally attractive have enjoyed a higher take-up rate than pension products that do not enjoy a similar ‘state subsidy’. However, more needs to be done to allow people to assess what their pension needs will be, so as to allow them to invest at the appropriate level in the appropriate pension product.

No doubt one day the world will emerge out of the economic crisis, but certain problems affecting the way pensions savings are built up will remain. The way in which legislation has an impact on pension provision will continue to generate discussion. A number of contributions in this issue touch on this. Valentin Petkantchin, for example, in his contribution analyses the impact that EU anti-discrimination legislation has on insurance risk management. He argues that anti-discrimination legislation has the effect of distorting the way the insurance market works, by mitigating against the setting of differentiated premium structures. Where insurance companies are unable to set premiums to reflect actual risk, as opposed to uniform rates to avoid discriminating between different types of individuals, customers will become more vulnerable.

Other issues dealt with in this issue include the way in which different approaches can be developed to improve the financial sustainability of and access to pensions and healthcare in ageing societies, and there is also an article on death benefits under the South African Pension Funds Act. Finally, there are two book reviews with an international flavour: one dealing with pension policy in China and the other comparing the development of personal pension provision in a number of countries.

Overall, this issue of the journal manages to provide a mixed bag of contributions, emphasising how pension issues continue to confront both the public and policymakers in many countries.

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