Guest Editorial

Special issue on global pension perspectives

Pensions (2009) **14**, 147–148. doi:10.1057/pm.2009.21

I am delighted to have been asked to edit this, the first of two special issues of *Pensions: An International Journal*. The collective aim of these editions is to bring together local knowledge and intellect from around the world so that a picture, or at least a flavour, of future global retirement sufficiency can be formed. Sufficiency, of course, can, and does, mean different things to different peoples. At its most basic, it means existence and survival, and at its most extreme, it means carefree, halcyon living. The expectations of humans also vary hugely, and only really significant concerns arise when the retirement income mechanism is such that significant expectation mismatch results.

At this time of almost universal economic upheaval, it is easy to fall into the trap of solely concentrating on day-to-day (and even hand-to-mouth) ‘financials’. This is totally understandable human nature and, in fact, in most cases, borne of necessity, but somehow has to be balanced with a more far-sighted vision to mitigate the potentially financially erosive impact of large-scale aging populations and increasing dependency ratios.

Pensions impact many, if not most, areas of society, and vice versa. Demographics, biometrics, economics, politics, the list goes on, are all an influence on, and influenced by, the need for future provision. This applies whether the chosen path is State funded, privately financed, pay-as-you-go, or any combination thereof.

This edition of *Pensions* starts the journey of comparing the West with the East, the ‘developed’ with the ‘developing’ and the ‘left’ with the ‘right’. It unearths relationships between education, financial planning and social class, and starts to make

some sense of what is, for all intents and purposes, a global, three-dimensional, simultaneous, future sustainability equation. While pension provision does its best to mimic rocket science, what is not rocket science is that there is no one-size-fits-all solution.

There are, however, common issues, materially shifting demographics being one, and civilian inertia being another. It is unhelpful that the pensions brand, needing to be appealing, is, in many ways and many places, tainted. This obviously has varying levels of impact on behavioural responses; in most jurisdictions, though, it is not insurmountable in creating an adequate pensions framework, but, in most cases, is a block to ensuring universal coverage. How this pensions brand effect is tackled is fascinating across the various global cultures.

Professor Olshansky’s paper sets the scene by investigating the significant impact of the combined forces of increasing life expectancy and population ageing.

Keith Barton explains the latest morph of the UK pension-funding regime and provides expert comment on the impact on this of the current economic and market turmoil.

Alexander Borsche, in ‘Many ways to Rome’, contrasts the various public and private pension blends across Europe and Asia. He provides insights into the repercussions of the diversity that has evolved and predicts an increasing need to view retirement income in its entirety.

Mohamed Farid and Brian Cozzarin provide a comprehensive summary of how far Chinese pension provision has reached and how the most populous country on Earth can reform to meet its needs.

Professor El-Agraa’s Japanese paper highlights the fragile relationship between politics and the

battle to overcome the strain that Japan's pension system is under.

And finally, at least as far as this edition of the special issue is concerned, Dr Gayithri provides an analysis of civil servants' pensions in the world's most populous democracy and discusses arguments both for and against reform.

The very latest HSBC 'Future of Retirement' report published in June 2009¹ includes research from 15 countries across both the industrialised and emerging economies. It emphasises that we find ourselves living in an age of increasing self-reliance. Fewer young people will mean fewer people to fund State pensions and rising health-care costs. Greater affluence and improvement in health care will result in further increases in life expectancy. This comes at a time when both working patterns and family life are changing markedly and rapidly.

Financial risks facing individuals across the globe will be greater and more complex, but what is evident from the HSBC 'Future of Retirement' research is that the strategies employed by governments around the world will need to reflect important local differences. All of these challenges,

of course, have been exacerbated by the economic downturn, creating a 'perfect storm'.

It is with great pleasure that I will now leave you to read the reports from around the world that point towards these common issues but local differences. As already mentioned, this is the first of two special issues. The second issue will build on the themes articulated in this issue with submissions on Latvia, the Netherlands, the Philippines, Spain, Barbados and Malaysia – a further compelling mix. Together, these two issues represent a unique and valuable collection of local, national and international pension insights that should be read in its entirety.

REFERENCE

1. HSBC. (2009) The fifth annual future of retirement study, it's time to prepare, 10 June, http://www.hsbc.com/1/PA_1_1_S5/content/assets/retirement/2009_for_report_en.pdf, accessed 10 June 2009.

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