Original Article

Pension reform in Italy: Description and evaluation

Received (in revised form): 23rd February 2011

Luis Ferruz Agudo

is full professor of finance in the Department of Finance and Accounting at the University of Zaragoza. He is the author of more than 100 publications on financial matters in specialist reviews and different books published nationally and internationally. He is also a conference speaker at more than 30 national and international congresses and seminars. Agudo is the director of the consolidated research group GIECOFIN (Financial Economy Research Group).

Mercedes Alda García

is a grant holder of the Training Programme for University Staff of the Spanish Ministry of Education in the Finance and Accounting Department of the University of Zaragoza. She is a graduate in business management and administration, and has completed the Official Master's degree in finance and accounting at this same university, and is currently carrying out her doctoral thesis on financial economy. Garcia is the author of several published articles and a member of the consolidated research group GIECOFIN.

ABSTRACT Over the recent years, demographic trends in Western countries have shown the need to reform public pension systems; the result is that complementary pension systems, mainly represented by pension plans, have experienced global development. This is particularly remarkable in countries such as Italy, where, after some reforms of the public pension system, a mixed system has been adopted, which has made contributions to occupational pension plans compulsory. In this article, we show how these reforms influence the Italian pension market and are able to stimulate the national economy, even during times of crisis, like the present.

Pensions (2011) 16, 96–106. doi:10.1057/pm.2011.6

Keywords: pension plans; pension funds; complementary pension systems; evolution; reforms

INTRODUCTION

Western countries have been experiencing a series of demographic and social changes for some time: increased life expectancy, ageing population, shorter active phases and longer retirement periods.^{1,2} All of these factors, along with growing concern about the sustainability of public pension systems, have resulted in complementary pension systems becoming much more important, especially because of favourable tax treatments.³

Society in general is thus becoming aware of the need to save for retirement, because public pension incomes are less than those received during working life.⁴ As a result, pension plans are one of the key financial and savings products in developed economies.

Pension plans, along with pension funds, form a private system of forecasting long-term savings at the time of retirement. Pension funds are the instrument through which the investment is embodied in pension plans, as the latter cannot realize the amounts invested and therefore constitute a pension fund.

Faced with the OECD (Organization for Cooperation and Economic Development) recommendation to extend the retirement age, we find that individuals in several countries (such

Correspondence: Mercedes Alda García
Facultad de Ciencias Económicas y Empresariales, Departamento de Contabilidad y Finanzas, Universidad de Zaragoza; C/Gran Vía, 2, C.P. 50.005 Zaragoza, Spain
E-mail: malda@unizar.es

as France, Spain) have taken the responsibility to supplement the public pension with their savings. Moreover, many of these financial instruments support tax benefits, thus emphasizing their investment.

In this way, ever-more professional and non-professional investors are choosing to hire pension plans.⁵ This has led to investments in pension plans, so these products play an important role in the funds industry worldwide. Moreover, according to INVERCO (Association of Collective Investment Institutions and Pension Funds), the capital invested in private pensions in the world in 2009 exceeded €12.5, with North America being the world leader with €7550 billion in assets, followed by Europe with €3175 billion. In second place, we find Asia and Oceania with €1490 billion, Latin America with €400 billion and in last place Africa with a little over €100 billion.⁶

On the other hand, other countries have chosen to reform their public pension systems. Some countries have founded state pension funds, such as Sweden, Norway, Spain or France. Other countries such as Sweden, Poland or Italy have implemented major reforms of public pensions, introducing mixed systems that emphasize investment in pension funds.

We focus on Italy, as in the 1990s it was a country with a very generous public pension system and a very limited private market pension. However, it implemented several reforms to achieve a more sustainable pension system, and at the present Italy has a mixed pension system (pay-as-you-go (PAYG) method and funded system), which improves the situation of the public system and emphasizes investment in pension plans, particularly in occupational pension plans, given their compulsory nature.⁷

The result of these changes could be reflected in a positive investment in private pensions despite the economic crisis, with Italy becoming one of the few European countries that have maintained positive development during this period; nevertheless, this is probably because it is a country that started from a lower volume in pension funds investment and the development may be dictated by the reform.

It is also necessary to comment on the structural changes that occupational pension plans are experiencing, especially because of the public reforms. These kinds of pension plans are sponsored by the companies for their employees, and they are changing from defined benefit plans to defined contribution plans. In defined benefit plans, the future pensioner knows the benefits upon retirement however, in the defined contribution system, the contributions are known but benefits depend on factors such as the profitability of the portfolio. As a consequence, this change is causing greater uncertainty about the future amount of the complementary pension.

In this article, we study the reform of the Italian public pension system, providing a brief review of its characteristics and presenting a description of some parameters. We also assess whether these measures have been effective for the public pension system and as a way to encourage retirement savings, even at an unfavourable cyclical time. Regarding the private pension market, we also present a descriptive study of the pension market through its key figures.

In the next section, we give an overview of the European pension situation. The subsequent section explains the pension system and its reforms in Italy. In the section after that, we describe the complementary pension system in more detail. The penultimate section describes the evolution of the Italian pension market. Finally, we finish with the conclusions.

EUROPEAN OVERVIEW OF PENSIONS

The pension system can be broken down into three pillars: the first pillar is public pensions, usually characterized by PAYG systems; the second pillar comprises occupational schemes and the third pillar comprises personal pension plans. The second and third pillars are the private system (funded pension schemes), compulsory or voluntary, under the legislation of each country.

The first pillar, marked by the generosity and equity of the public pension, is usually a

PAYG system, based on active workers paying for current pensions through their contributions.

The funded pension schemes are characterized by a great deal of variety. The key differentiating factors in this regard include the following:

- compulsory versus voluntary;
- collective versus individual (occupational plan or personal plan);
- company-specific versus branch-level versus unrestricted;
- the proportion of employee and employer contributions;
- defined benefit versus defined contribution (although a number of hybrid schemes also exist);
- regulation; and
- taxation.

The second pillar might be compulsory or voluntary, and is represented by occupational plans. These plans correspond to those in which an employment relationship exists between the sponsor and the member, where the sponsor is an entity, corporation or company, and the members are employees.

When its constitution is voluntary, the employer decides whether or not to constitute it, and whether it favours all or just some employees.

When it is compulsory, the company has to create an occupational pension plan for its employees (in general, all workers) and makes, at least, the minimum contributions required by law. Some examples of countries with mandatory plans are France, Finland, Hungary and Sweden, and those with voluntary plans include Austria, Belgium, Greece, Germany and the United Kingdom.

Finally, the third pillar is formed by personal pension plans, which are voluntary and individual, in which constitution and membership do not require any specific relationship between the sponsor and members. In this case, one or more financial companies create the plan, and members select the investment assets.

In these three pillars, pension systems are embedded in long-standing historical traditions

and have complex regulatory and institutional arrangements. All European countries have to face demographic challenges as the baby-boom generation of the 1940s retires; the different European states have adopted widely divergent policy responses to the situation, ranging from comprehensive, paradigmatic reforms to parametric reforms designed to improve the sustainability of the existing systems. As a consequence, pension provision remains one of the main differentiating factors among EU (European Union) member states from the perspective of long-term retail savings. In fact, although the market in investment funds is characterized by a growing variety of different types of fund products whose relative popularity in turn varies markedly across the EU, pensions and life insurance remain the main differentiators between EU member states from the perspective of long-term savings, varying from 2.7 per cent of total long-term savings in Greece to 77 per cent in the United Kingdom.⁸

These differentials have significant implications on the competitiveness of the pension market, the transferability of pensions and the relationship between return and risk. This diversity makes it very difficult to compare data across member states. For example, some schemes are book reserved, where the sums are in the balance sheet of the plan sponsor as reserves or provisions for pension benefits, such as Germany's *Direktzusagen*; however, others are structured as funded pension funds, others are even PAYG, such as the ARRCO and AGIRC schemes in France (these are state pension funds), whereas others are insurance products and so on.

Investment in private pension funds is also very irregular across countries. Figure 1 shows the investment evolution in different European countries over the past 5 years. In first place is the United Kingdom, with €1100 billion in 2009. The Netherlands and Switzerland are also leading the way, with €800 and €450 billion, respectively. Then there are countries such as Finland, Germany and Denmark with more than €100 billion. Behind these are the Mediterranean countries such as Spain and Italy, along with

Figure 1: Evolution of the assets of pension funds in different European countries (billion euros).
Source: Prepared from INVERCO data.

Ireland, with around €60–80 billion. Finally, we find Eastern European countries or small countries, such as Poland and Sweden.

All the countries displayed in Figure 1 show a positive evolution over the 5 years, showing signs of recovery in 2009 after the overall decline in 2008. With regard to Italy, it is one of the few European countries that have achieved positive development despite the economic crisis.

There are also extreme differences among member states in terms of the relative importance of funded pension schemes in the economic sector. The size of pension funds as a percentage of GDP is quite low in most member states, usually ranging from just over 4.1 per cent (Italy) to around 8.1 per cent (Spain). However, in the United Kingdom they represent nearly 73 per cent of GDP, and the corresponding figure in the Netherlands was as high as 129.5 per cent in 2009. Other broadly comparable examples include Denmark (43 per cent of GDP), Finland (76.8 per cent) and Ireland (44.1 per cent). This is mainly due to the fact that private (occupational) pensions in these countries started decades ago, and thus these countries have the largest pension markets in absolute value.⁹ It is noteworthy that occupational pension savings in these countries are either compulsory or strongly encouraged and incentivized.

Moreover, the diversity is also significant in terms of risk aversion:

- In the first place, we find a group of countries where most of the portfolio of pension funds are invested in fixed-income instruments that combine comparatively low returns with relatively low risks. This group includes, among others, Spain (65 per cent) and Italy (45 per cent) in 2009. However, the main examples of risk-averse portfolios are the transition economies of Central and Eastern Europe, Poland (69 per cent).
- The countries forming the second group (less risk aversion) invest a significant proportion of their portfolios in shares and/or mutual funds. This is the case for Finland (42 per cent), the Netherlands (33 per cent), Norway (32 per cent) and Austria (30 per cent) in 2009.

THE PENSION SYSTEM IN ITALY

The Italian public pension system is one of the most generous PAYG systems, which has resulted in the complementary system (private) not developing. However, in the 1990s, the public pension system began to show signs of weakness, especially because of its huge public expenditure. As a consequence, the government addressed a

series of reforms. One of the most important reforms was the introduction of pension funds in Italian legislation.

The reforms implemented during the 1990s tried to tackle a series of problems inherent in the previous system. The most important changes carried out in each one of the reforms were:

First, in 1992, Act 421/1992¹⁰ and Act 124/1993¹¹ introduced an increase in the retirement age for men (from 60 to 65 years) and women (from 55 to 60 years). Moreover, the minimum number of years of contributions necessary for early retirement was increased from 15 to 20 years.

In 1993, Act 537/1993¹² set out an economic penalty on pensions, removing the years of least contribution in the calculation of the pension. These measures clearly aimed to reduce public expenditure. Moreover, in 1995, Act 335/1995¹³ introduced the 'contributory' method to calculate pensions, allowing a flexible retirement age (57–65 years). In 1997, Act 449/1997¹⁴ temporarily froze pensions and increased the national contribution percentage for self-employed workers.

Although the results and long-term effects of these reforms are mixed, some of them achieved a considerable cut in public spending, such as the 1993 reform. However, others were not as successful, because they did not take into account the demographic forecasts for the next 30–40 years.¹⁵

Nevertheless, the 1995 reform brought a huge reduction in expenditure on pensions because it introduced a mixed system, which is in part PAYG and in part a funded system, placing emphasis on complementary social insurance systems. Even so, this system is not fully developed, as the complementary social insurance measures experienced delays.

All these modifications not only help to bring pension expenditure under control and balance Italian public finances, but they also bring a significant decrease in social levels of coverage. The result is that, with equality of national insurance contributions over 40 years, the worker receives 50 per cent of the last retribution

received before retirement, whereas previously workers received around 80 per cent.

Globally, these reforms have not fully eradicated the distribution distortions in the system, but they have improved the structural conditions and the institutional mechanisms to balance public expenditure, although it is true that at the end of the 1990s Italy still had one of the largest ratios of pension expenditure on GDP in the European community. In fact, even in 2002, pensions were the most important item in social spending: €201 536 million, that is, 66 per cent of all social benefits. In relation to GDP, the expenditure for pensions rose from 15.2 to 15.5 per cent in 2002, although with decreased impact on total public expenditure (from 39.7 to 39.4 per cent).¹⁶

Moreover, the reforms placed emphasis on early retirement and were unable to distinguish between the diverse regional situations of different parts of Italy (differences between the richer north and the poorer south, which has traditionally suffered from slow economic development), and this in turn brought about a reduction in the level of well-being for many people, and in some cases has placed a burden on the efficiency of the production system.

As a result of this deficiency, in 2008 the *Delega Act* (Act 133/2008)¹⁷ finally established the retirement age for men at 65 years and for women at 60 years, who complete at least 40 years of national insurance contributions (compared with 35 years previously). In this manner, anybody who wishes to retire before completing 40 years of contributions may do so, but will receive a pension based entirely on the contributions paid up until this moment.

The most important reform initially envisaged the gradual substitution of the public pension structure, based on the PAYG system, for a private funded system, based on pension funds. However, the Italian government finally chose a mixed system, in order to enjoy the advantages of the two systems, as both of them have advantages and drawbacks.

The drawbacks of the funded system include uncertainty in the performance of contributions, as part of the investment depends on the evolution

of the financial markets. On the other hand, the performance of the PAYG system is not secure in the long term and also depends on the progress of the economic system, that is, on the increase in the number of people employed and mean income. For example, it is important to note the negative impact of substantial increases in unemployment and low returns provided by the retirement savings products during the crisis period (2007–2010).

Moreover, the development of the complementary system involves costs both to the worker and to the company, as the worker renounces an effective, secure retributive sum, and the company has to regularly guarantee resources that were previously only available at the end of the labour relationship. In order to resolve this situation, the Italian government has reduced obligatory contributions for new employees.

The advantages of the funded system include higher returns when the market rises, although the risk factor is much greater because of constant uncertainty regarding the evolution of the financial markets and economic growth. Meanwhile, the PAYG system guarantees the redistributive function and offers solidarity and distribution among the population.

As a result, the current system mimics a funded system, in the sense that the pension level of each retired employee will be based on the amount of contributions that he or she paid into the public pension scheme during his or her working life. In particular, the individual pension level will be determined by the sum of the individual amount of contributions and their capitalization at the rate of exchange of the nominal GDP.¹⁸

In addition, at the time of retirement, employees are entitled to a salary deferral, called TFR ('trattamento di fine rapporto', that is, 'post-employment benefit'), which is the sum of additional mandatory contributions that the employee must make to the company's pension plan (about 7 per cent of gross salary), compounded annually at a rate equal to 1.5 per cent plus 0.75 per cent of the current rate of inflation. It should be noted that the deferred salary paid to each employee is made by the

employer, because the amount of TFR is accumulated in the company during the active life of the worker.

This new system has allowed pension funds to play a more active role in the pension system with a minor public system. In this way, the complementary system has been encouraged and they have been added to the public system with the benefits of social security. Therefore, although pension plans are still private and autonomous services, they have acquired a different legal position in the system.^{18–22}

As a result, private investment in pensions has experienced great progress in recent years as the population has been forced to invest in these products. Specifically, the capital invested in private pensions has increased from €14 000 million in 1995 to more than €60 000 million in 2009.

Moreover, independently of the reforms, some financial incentives were implemented to encourage investment in pension plans. One of these is tax benefits, particularly significant in occupational pension plans, where workers can get tax benefits for their contributions and also for company contributions.²³ However, tax benefits should not be the only incentive, as they alone cannot make up for the lack of optimality,²⁴ and other benefits could be included as compensation for old members.²⁵

Many analysts argue that it is necessary to continue with reforms in order to face the demographic changes, preventing the benefits of the first reforms from disappearing,²⁶ as Italy is affected by an ageing population²⁷ and, moreover, many workers continue to overestimate the future level of public pensions. In fact, only about 10 per cent of persons in employment declare that they are resorting voluntarily to pension funds or private pensions to supplement their public pension.²⁸ Public authorities therefore have to continue to provide information about their level of income upon retirement.

COMPLEMENTARY PENSION PLANS IN ITALY

Italian legislation recognizes two broad categories of complementary pensions: occupational plans

and personal plans. There are three types of occupational plans: *negotiable*, *open* and *pre-existing*, but there is only one type of personal plan: the *individual pension plan*.

A large part of the occupational pension plans are part of the mixed system and are integrated into the public system; however, if the company has already set up the compulsory plan, it can create a new one (for some or all employees) and contribute the desired amount. They can be divided into:

- (a) *Negotiable pension plans*, which are the result of collective arrangements. They consist of non-profit associations, established through a collective agreement or an agreement between the workers organized by trade unions or associations. Depending on the scope of membership, these fall into three groups:
 - Corporate or group plans: created by individual companies or groups of companies.
 - Sub-category plans: established for some categories of workers or in a particular industry.
 - Territorial plans: established as regional groups.
- (b) *Open pension plans*: In this kind of plans, all types of workers (employee and self-employed) can join, although they are not under a collective agreement. These are created by banks, asset management companies or real estate firms.
- (c) *Pre-existing pension plans*: so called because they existed before the reforms of the 1990s. They are considered occupational plans, as they take place on collective agreements. They are currently in a process of rationalization and simplification, through dissolution and merger initiatives, although they still represent over 50 per cent of trading in pension plans.

With regard to personal plans, we only find the *PIP plans* (personal pension plans through insurance plans), which can be taken out by any person and are usually executed through life insurance contracts.

The importance of these four types of plans varies. The plans with most invested assets are the *pre-existing plans*, as they are also the oldest, with more than €38 billion in 2009, followed by

negotiable plans (more than €18 billion) and finally *open plans* (€6 billion) and *PIP* (€8 billion).²⁹

However, the distribution by number of members in each type is different. In this case, *negotiable plans* have greater participation, more than 2 million members in 2009, followed by *PIP* (1.5 million) and *open plans* (800 000); in last place we find the *pre-existing plans*, with over 670 000 members in 2009.

These numbers confirm the existence of a mixed pension system, where participation in occupational plans is compulsory, and thus they are more relevant than personal plans.

Management institutions and supervisory bodies

There are three management institutions and supervisory bodies responsible for the supervision and operation of the Italian pension market:

1. *Assofondipensione* (Association of Negotiable Pension Funds)

This is a non-profit organization founded in September 2003; its purpose is to provide information on occupational pension funds established after 28 April 1993. In addition, it is responsible for developing proposals and initiatives to improve pension fund transactions. Finally, it assesses compliance with existing legislation and implements some regulations.

2. *Assogestioni* (Association of Managed Savings)

This is responsible for implementing quarterly reports on pension fund performance.

3. *MEFOP* (Market Development Pension Funds Board)

This company has been operating since 1999 and is responsible for developing the pension market. Its basic objective is to support the management of pension funds, including those within the social security system. In addition, MEFOP works in four areas:

- Institutional area: This refers to all activities in the field of complementary systems, such as establishing channels with national institutions that may operate in the field of pension funds

- Funds Supervisory Commission Pension, the Ministry of Economy and Finance, other supervisors and regulators or other associations. It is also responsible for collecting and publishing data for the entire sector, and for creating a site for information on pension plans.
- Advisory area: Its purpose is to advise on funds, identifying the most effective solutions to problems. Specifically, it provides financial, legal and fiscal advice.
- The training area is responsible for providing a programme of knowledge management. It designs courses to meet the education needs of the components of the government, administrative staff and assembly delegates.
- The advertising area provides useful, updated information on issues relating to Italian pension plans and international markets. Its publications include: *Quaderni*, *The Bulletin* and the Legal Working Paper *el' Osservatorio*.

With regard to the supervisory bodies, there is a supervisory board of pension funds: COVIP (*Pension Funds Supervisory Commission*), which is the authority that monitors pension plans and pension funds.

COVIP aims to ensure transparency in the behaviour and management of funds, guaranteeing the proper functioning of the social security system in order to protect participants and beneficiaries. Moreover, pension funds can only operate if they have previously been approved by this Commission. Its main functions are

- to guarantee and ensure transparency and fairness in the management of pension funds;
- to approve pension fund rules;
- to maintain the pension funds register;
- to ensure proper financial assessment and accounting of the assets of the funds, as well as transparency between funds and members;
- to publish sector information;
- to make proposals to amend legislation.

It also collaborates and cooperates with the Ministry of Labour and Social Policy and the Ministry of Economy and Finance. In addition, it exchanges information with the authorities who monitor pension fund managers.

Finally, it cooperates with international institutions and authorities of the pension sector, particularly as a member of Committee of European Insurance and Occupational Pensions Supervisors, and International Network of Pension Regulators and Supervisors, and it participates in the OECD working group on private pensions.

QUANTITATIVE ANALYSIS OF INDUSTRY PENSION FUNDS

The Italian pension plans industry has experienced remarkable growth since the time of its regulation (1990s). For this reason, in the final section, we carry out a quantitative analysis of the main figures of the pension market, noting its evolution from 1998 to 2009. This analysis aims to test the mixed system's influence on the market evolution.

The magnitudes we study are the number of pension plans, members, investment assets, investment vocation and historical performance.

The evolution of the number of pension plans from 1998 to 2009 is represented in Figure 2; here, we observe a progressive decrease from 870 funds in 1998 to 581 plans in 2009,¹⁹ although in 2007 they increased considerably. This rise is because Legislative Decree 202/2005³⁰ came into force in 2006, introducing a new regulatory framework for pension funds and emphasizing pension plans through various incentives (especially tax). As a result, some new pension plans were constituted; however, the Italian market is suffering a concentration, where the larger plans acquire the smaller ones, and thus the

Figure 2: Evolution of the number of pension plans in Italy. Source: Prepared from INVERCO data.

number decreases again, and the surviving plans increase their wealth.

With regard to the number of members, Figure 3 illustrates their evolution from 1998 to 2009. The figure shows a steady, continuous evolution, increasing from a million members in 1998 to more than 5 million in 2009. This development is constant and positive every year until 2007, when there was a considerable increase because of the effects of Legislative Decree 202/2005, which favoured the adhesion of many employers to occupational pension plans. This evolution is not affected by the crisis, probably because of the introduction of the mixed system, which reflects the impact of the legislation that requires employees to participate in occupational plans.

We must also consider that the total number of members does not correspond to people who invest in pension plans, as there is a possibility that one person has more than one pension plan, being a member in several of them.

The next magnitude we study is the invested capital; Figure 4 shows the evolution from 1998 to 2009, indicating a positive, continuous rise,

Figure 3: Evolution of members in pension plans.
Source: Prepared from COVIP data.

Figure 4: Assets invested in pension plans in Italy (millions of euros).
Source: Prepared from COVIP data.

from €24 billion to over €64 billion, respectively. The invested assets did not display signs of weakness despite the economic crisis during 2007–2008. This positive development proves the partial incorporation of the occupational plans into the public system, where all workers contribute with part of their salary, assuming an obligation, even in times of crisis, thereby promoting savings and the market.

If we compare the invested assets (Figure 4) with the number of pension plans (Figure 2), we confirm the increasing market concentration, as the former grows, whereas the latter decreases, resulting in a smaller number of plans having more wealth, while their size increases.

To show the situation in terms of performance, in Figure 5 we study the development of the return over time (2003–2009) for the three main types of pension plans: *negotiable*, *open* and *PIP*. The profitability of *PIP* plans is only shown for the last 2 years, because they are a product of recent introduction on the market. This figure shows a positive trend until 2005, especially in *open plans*. However, from this point yields began to decline, becoming negative in 2008 because of the global economic crisis. Nevertheless, in 2009, they have all shown a clear recovery, reaching levels similar to 2005. This trajectory confirms that investment growth in recent years has been through contributions and not through performance results.

Finally, as explained above, investors are conservative and risk averse, and they invest in domestic assets (70 per cent), whereas only 30 per cent is in foreign investment.³¹ In order to

Figure 5: Historical returns by plan type.
Source: Prepared from COVIP data.

Figure 6: Italian pension plan investment vocation (2009). Source: Prepared from COVIP data.

explain, in part, the previous pattern return, in Figure 6 we collect average investment vocation in pension plans in 2009, highlighting the investment in fixed income (bonds), which represents almost 50 per cent of the total investment. Second, we observe investment in equities (shares) and in funds (UCITS), with 13 per cent each.

Previously, we commented that in 2009 the return of the plans recovered to around the 2005 level; however, as investment is primarily in bonds, we should clearly indicate that this development may be conditioned by the largest amount on fixed investment (liquidity and competitive in short-term yields), among other possible factors.

CONCLUSIONS

Private savings in pension plans is becoming one of the most important worldwide investments, especially in developed economies, where doubts about the future viability of public pension systems have led many countries to undertake reforms or to promote investment in these products, either voluntarily or compulsorily.

A clear example is Italy, where the public pension system showed clear deficiencies in the 1990s, leading the government to undertake a series of reforms that led to the adoption of a mixed pension system, which has given greater weight to the funded system (represented by private pension plans, which belong to the second pillar) against the PAYG system (characterized by public pensions, belonging to the first pillar).

The introduction of the mixed system in Italy has been done through the compulsory participation of employers and employees in

occupational pension plans. As a result, public spending has improved markedly, encouraging the future viability of the public pension system. In addition, the pension industry has experienced positive development, increasing investment even in times of crisis. This country has followed the same path as other countries, such as Germany, where occupational pension plans investment is also compulsory. However, the reforms are not enough because the different areas (public and private) still present a large degree of independence; Italy should therefore continue to work on integration, as an increase in the importance of the private system implies an increase in the risk of employees' positions with regard to the traditional PAYG system.

REFERENCES AND NOTES

- García, Y. and García, J. (2006) Análisis conceptual y evolutivo de los planes de pensiones en España. *Gaceta Laboral* 12(2): 187–215.
- García, Y. and García, J. (2007) Características generales y estudio financiero-fiscal de los planes de pensiones versus planes de jubilación. *Innovar: Revista de Ciencias Administrativas y Sociales* 17(29): 155–170.
- Ferruz, L., Alda, M. and Muñoz, F. (2009) Planes y fondos de pensiones privados en España: características, ventajas y evolución de sus principales magnitudes. *Boletín Económico de ICE* 2973, pp. 27–40.
- Sanz, J. (1999) Los planes de pensiones y jubilación como sistema complementario de las pensiones. *Acciones e investigaciones sociales* 9: 157–166.
- Alda, M. and Ferruz, L. (2010) The reform of the some European public pension systems Spain, Italy and Sweden a breakthrough? *Pensions: An International Journal* 15(4): 297–304.
- INVERCO. (2010) Association of collective investment institutions and pension funds, http://www.inverco.es/documentos/estadisticas/planes_pensiones/mundo/2009.pdf.
- Sgherri, S. (2005) Long-run productivity shifts and cyclical fluctuations: Evidence for Italy. *IMF Working Paper* 5(228): 1–37, <http://ssrn.com/abstract=888097>.
- European Commission. (2007) *The EU Market for Consumer Long Term Retail Savings Vehicles. Comparative Analysis of Products, Market Structure, Costs, Distribution Systems and Consumer Saving Patterns*, http://ec.europa.eu/internal_market/finances/docs/cross-sector/study_en.pdf, accessed 31 March 2011.
- OCDE. (2010) Pension markets in focus, <http://www.iopsweb.org/dataoecd/46/46/45637367.pdf>.
- Act 421/1992. (1992) Parlamento Italiano, <http://www.camera.it>.
- Act 124/1993. (1993) Parlamento Italiano, www.camera.it.
- Act 537/1993. (1993) Parlamento Italiano, www.camera.it.
- Act 335/1995. (1995) Parlamento Italiano, www.camera.it.
- Act 449/1997. (1997) Parlamento Italiano, www.camera.it.
- Hamann, A.J. (1997) The reform of the pension system in Italy. *IMF Working Paper* 18: 1–34, <http://ssrn.com/abstract=268991>.
- ANIA ASSOCIAZIONE NAZIONALE FRA LE IMPRESE ASSICURATRICI. (2004) *L'assicurazione italiana*

- 2003–2004, http://www.ania.it/PUBBLICAZIONI/LxAssicurazione_Italiana.html, accessed 31 March 2011.
- 17 Act 133/2008, Legge 6 agosto 2008, n. 133. *Conversione in legge, con modificazioni, del decreto-legge 25 giugno 2008, n. 112, recante disposizioni urgenti per lo sviluppo economico, la semplificazione, la competitività, la stabilizzazione della finanza pubblica e la perequazione tributaria*, <http://www.camera.it>.
- 18 Messori, M. (2000) The pension system in Italy. *Mefop*: 1–7, <http://www.world-pensions.org/docus/uno23.doc>.
- 19 Lapadula, B. (2000) *1997 I fondi pensione. Che cosa sono, come si costituiscono*. Roma, Italy: Ediesse Edizioni.
- 20 Amato, G. and Maré, M. (2001) *Le pensioni. Il pilastro mancante*. Bologna, Italy: Il Mulino.
- 21 Mirabile, M.L. and Pennacchi, L. (2001) *Il pilastro debole. I sistemi previdenziali misti*. Roma, Italy: Ediesse Edizioni.
- 22 Gentile, A. (2004) El plan de reforma del sistema de pensiones italiano. Las características de una transición estructural. *Unidad de Políticas Comparadas (CSIC) Documento de Trabajo* 1: 1–45.
- 23 Cesari, R., Grande, G. and Panetta, F. (2007) Supplementary pension schemes in Italy: Features, development and opportunities for workers. *Bank of Italy Occasional Paper* 8: 1–64, <http://ssrn.com/abstract=1014579>.
- 24 Busana, C. (2002) Incentives to contributing to supplementary pension funds: Going beyond tax incentives. *Geneva Papers* 27: 555–570, <http://ssrn.com/abstract=342571>.
- 25 Belloni, M. and Alessie, R. (2008) The importance of financial incentives on retirement choices: New evidence for Italy. *Tinbergen Institute Discussion Paper* 052(3): 1–33, <http://ssrn.com/abstract=1136093>.
- 26 Brugiavini, A. and Peracchi, F. (2005) Fiscal implications of pension reforms in Italy. *CEIS Working Paper* 67: 1–50, <http://ssrn.com/abstract=695225>.
- 27 Casarico, A. and Profeta, P. (2009) Gender equality and pension systems: Critical issues and prospects for Italy. *Working Paper* 139: 1–27, <http://ssrn.com/abstract=1499649>.
- 28 Banca d'Italia. (2010) Supplements to the statistical bulletin: Sample surveys. Household income and wealth in 2008 Year XX (8).
- 29 COVIP. (2009) Relazione per l'anno 2009. *Commissione di Vigilanza sui Fondi Pensione*, <http://www.covip.it>.
- 30 Decreto Legislativo N° 252 del 5 dicembre de 2005 per l'introduzione della previdenza complementare, <http://www.camera.it>.
- 31 Associazione italiana del private equity and venture capital (AIFI). (2010) *The Italian Private Equity and Venture Capital Market in 2009*, <http://www.aifi.it/EN/PDF/Statistiche/AnalisiMercatoItaliano09.pdf>.