

Taiwan Old-Age Security Systems: Equity and Sustainability Implications

Ai Ju Shao¹

Ming Chung University, Taiwan

(e-mail: ajshao@mcu.edu.tw)

Abstract

The article first introduces the overall old-age security systems in Taiwan with focus on the comparisons between systems for general public sector employees and private sector employees; secondly, the article unveils the inequity and sustainability issues the public pension system encounters. Due to under-funded policy burdened with over-payment and design frauds, the public pension system is not only inequitable to young participants aged under 40 within the system in term of economic capital exhaustion, but it is inequitable to the more numerous general population in private sectors in term of national budget allocation and huge gap of benefits payments. Finally this article suggests reform directions that Taiwan retirement systems should move on which includes modifying the current public old age system with lower benefit level and stringent retirement criteria, or establishing a new system intergrading the public and private plans with the goals of pursuing on-going financial soundness and optimal fairness among all stakeholders.

¹ Ai-Ju Shao is an associate professor with Risk Management and Insurance Department of Ming Chung University, and is pension actuary of Society of Actuary in Taiwan and an associate of Society of Actuary of the States. The important findings of this paper will be published in *International Social Security Review* Vol. 63, No. 1 of 2010.