

Pensions, Benefits and Social Security  
**4TH PBSS Colloquium**

**Tokyo, Japan**  
October 4 (Sun) - 6 (Tue), 2009

## Social Security and Corporate Pensions in Asian Countries

Yvonne Sin

Watson Wyatt Worldwide

Head of Investment Consulting, China

October 6, 2009



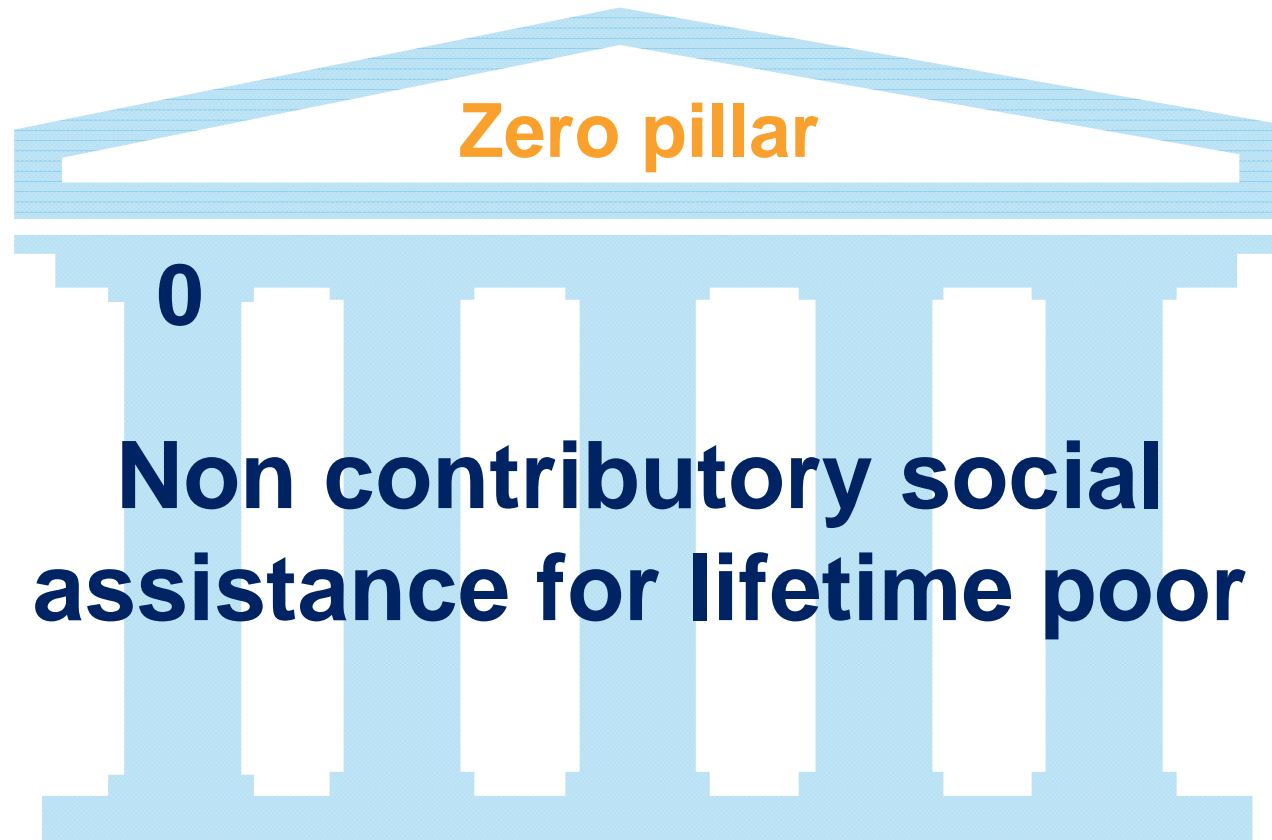
# World Bank's thinking

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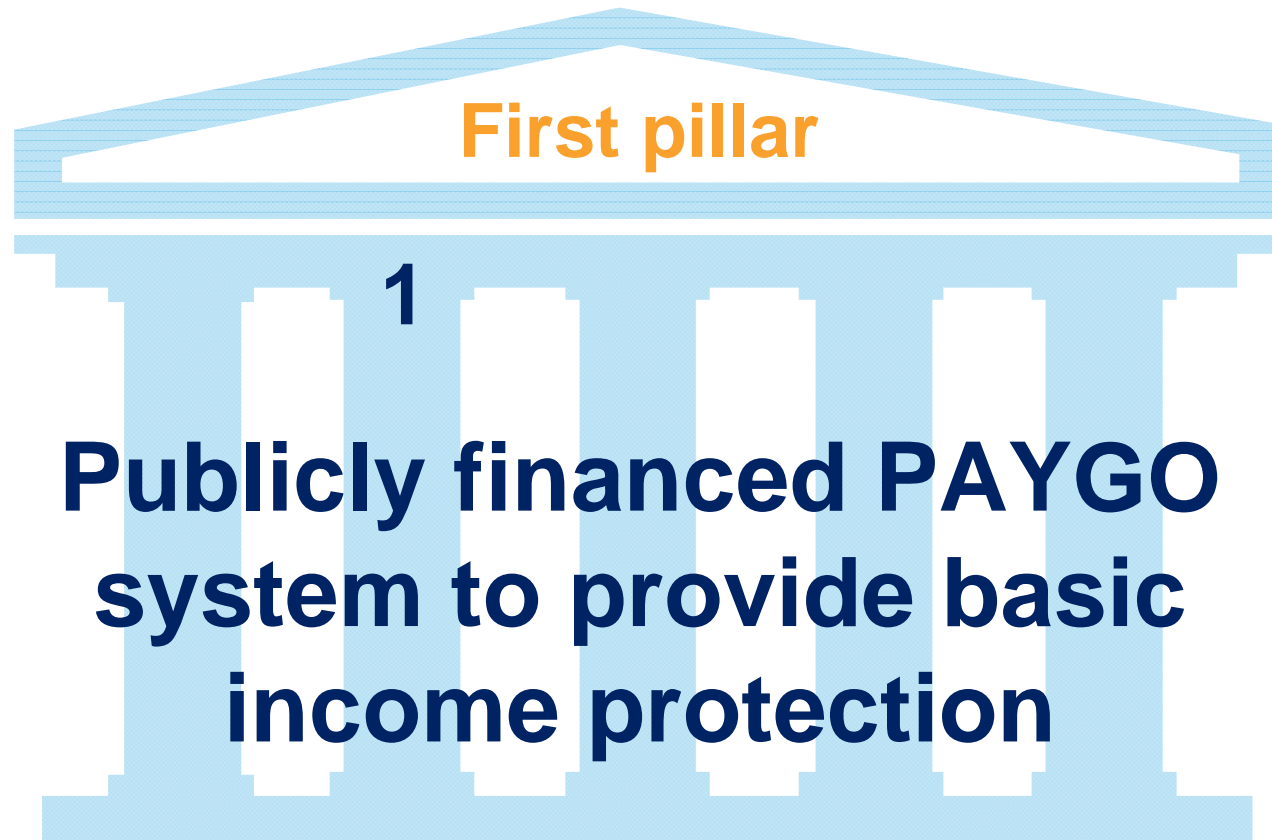
# World Bank model

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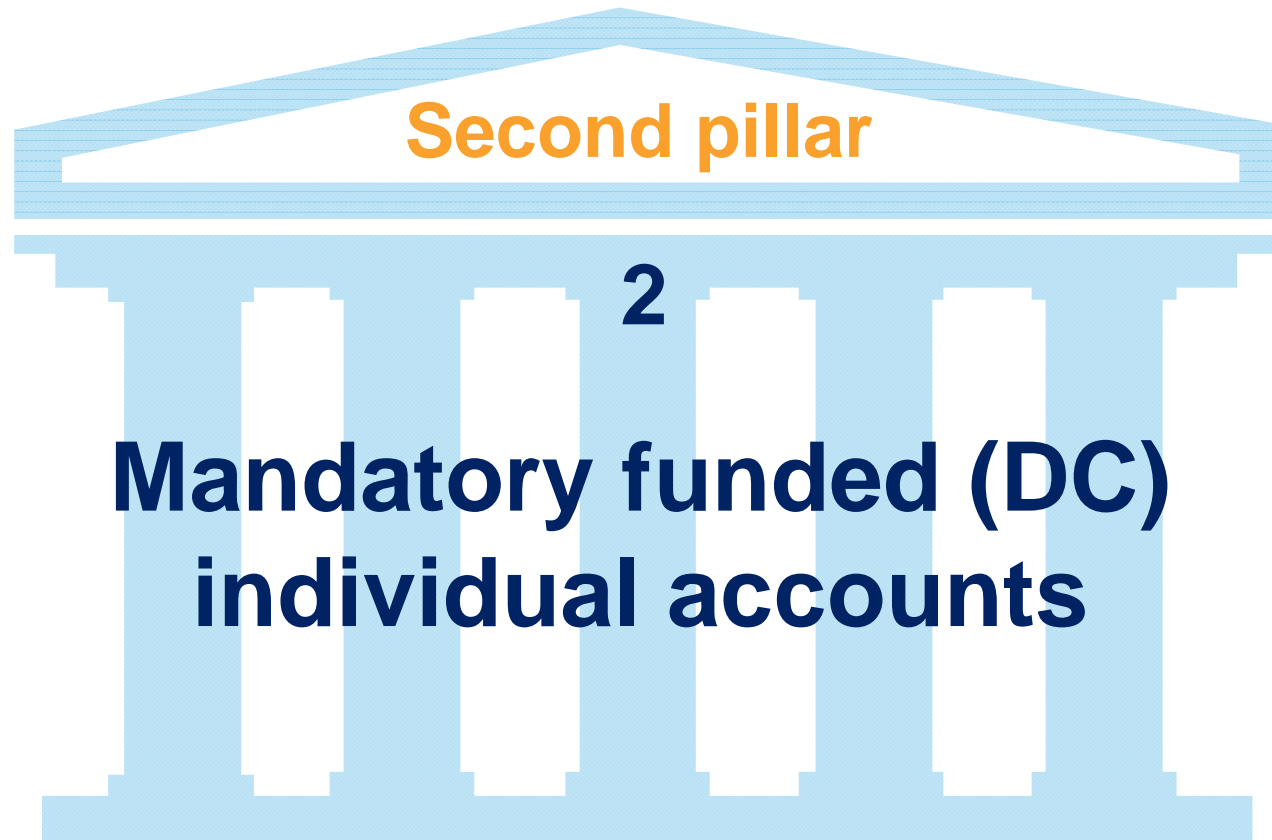
# World Bank model

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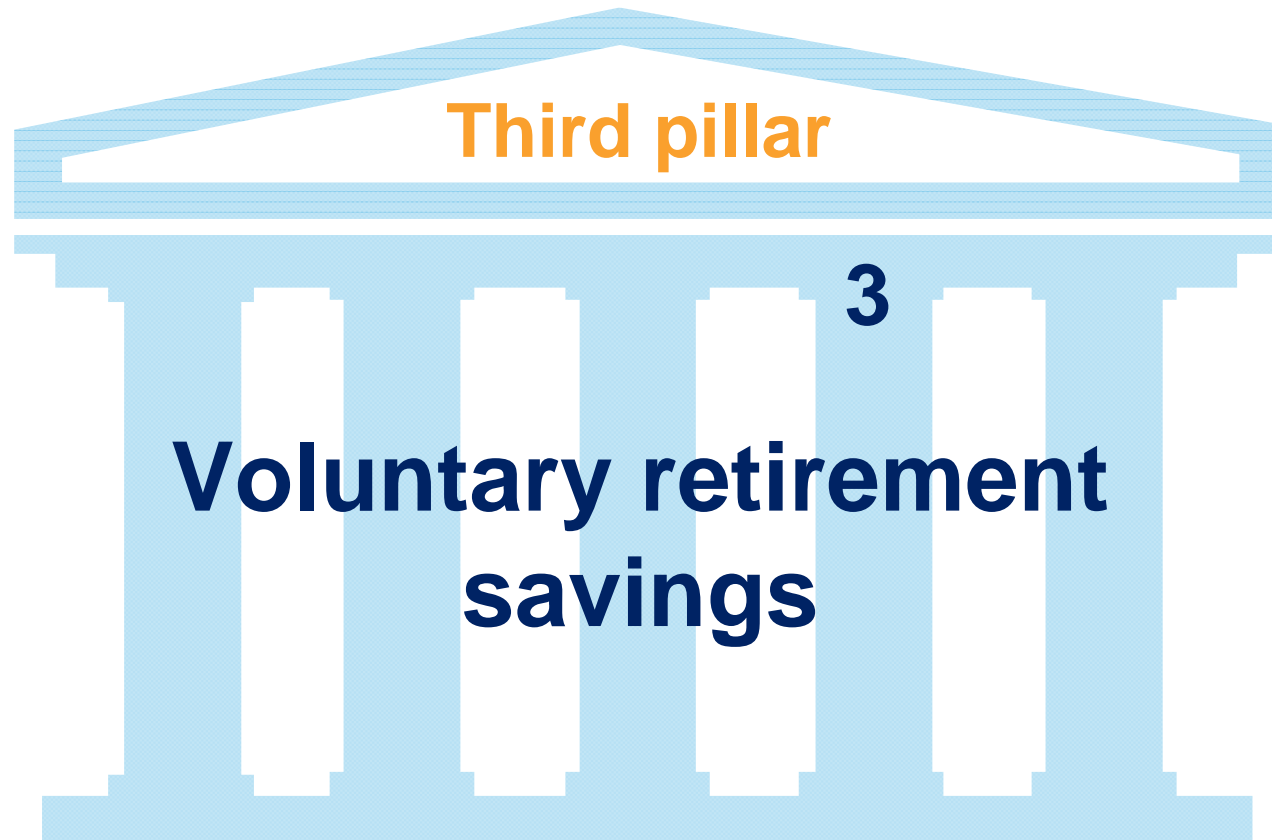
# World Bank model

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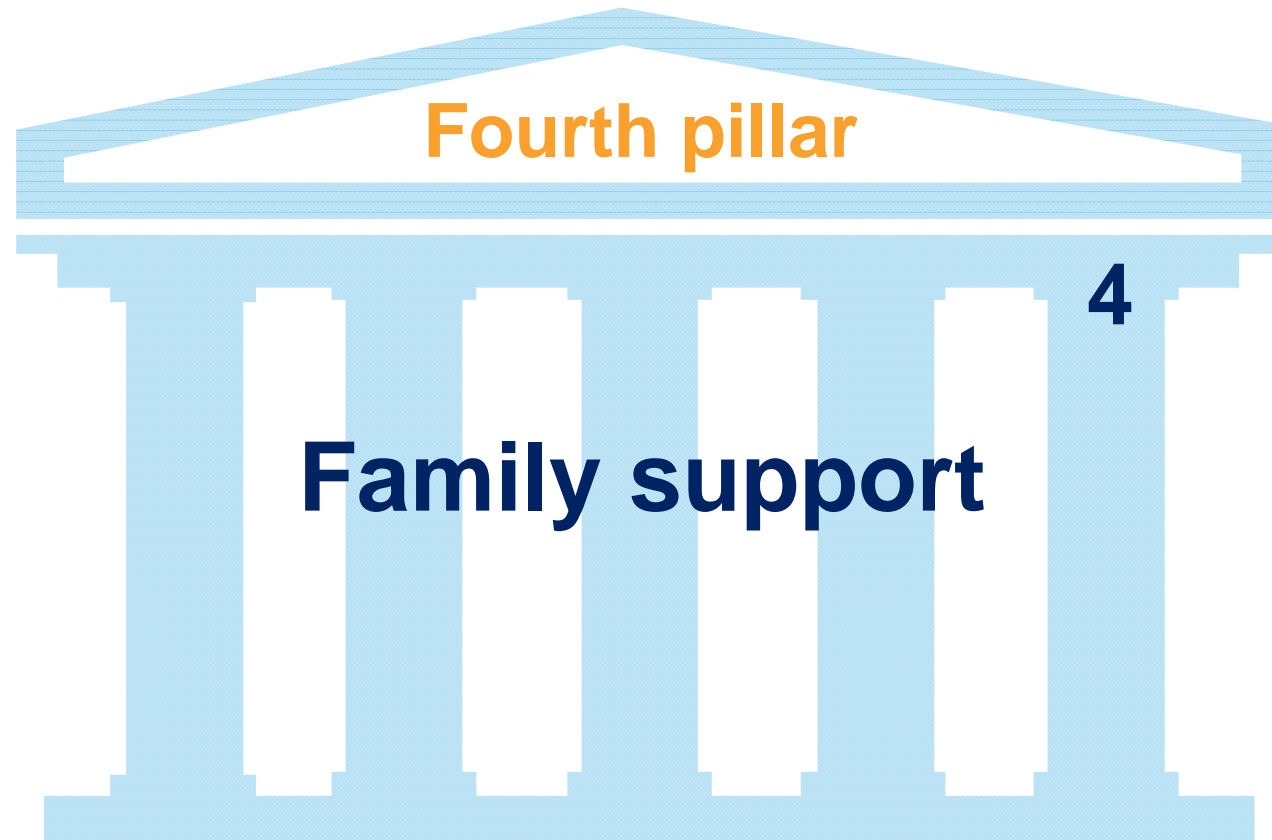
# World Bank model

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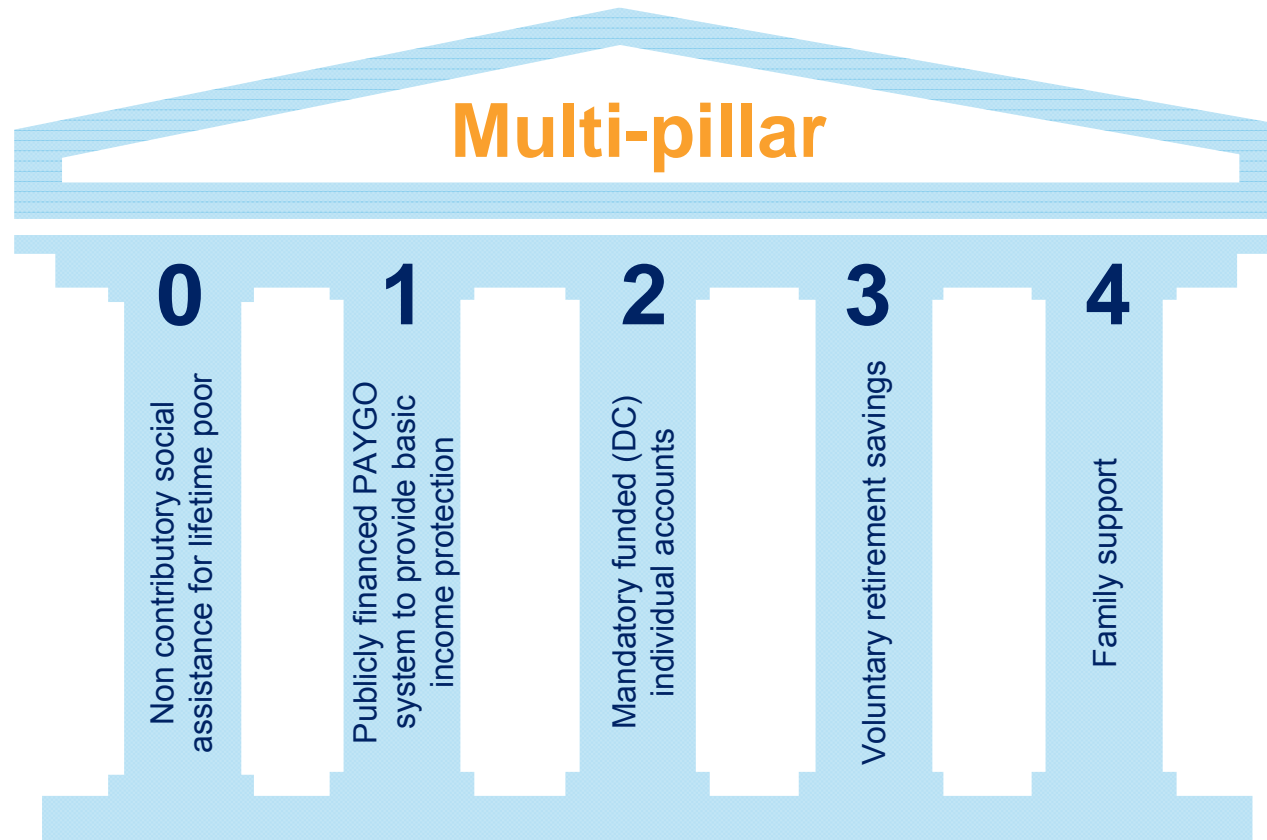
# World Bank model

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# World Bank model

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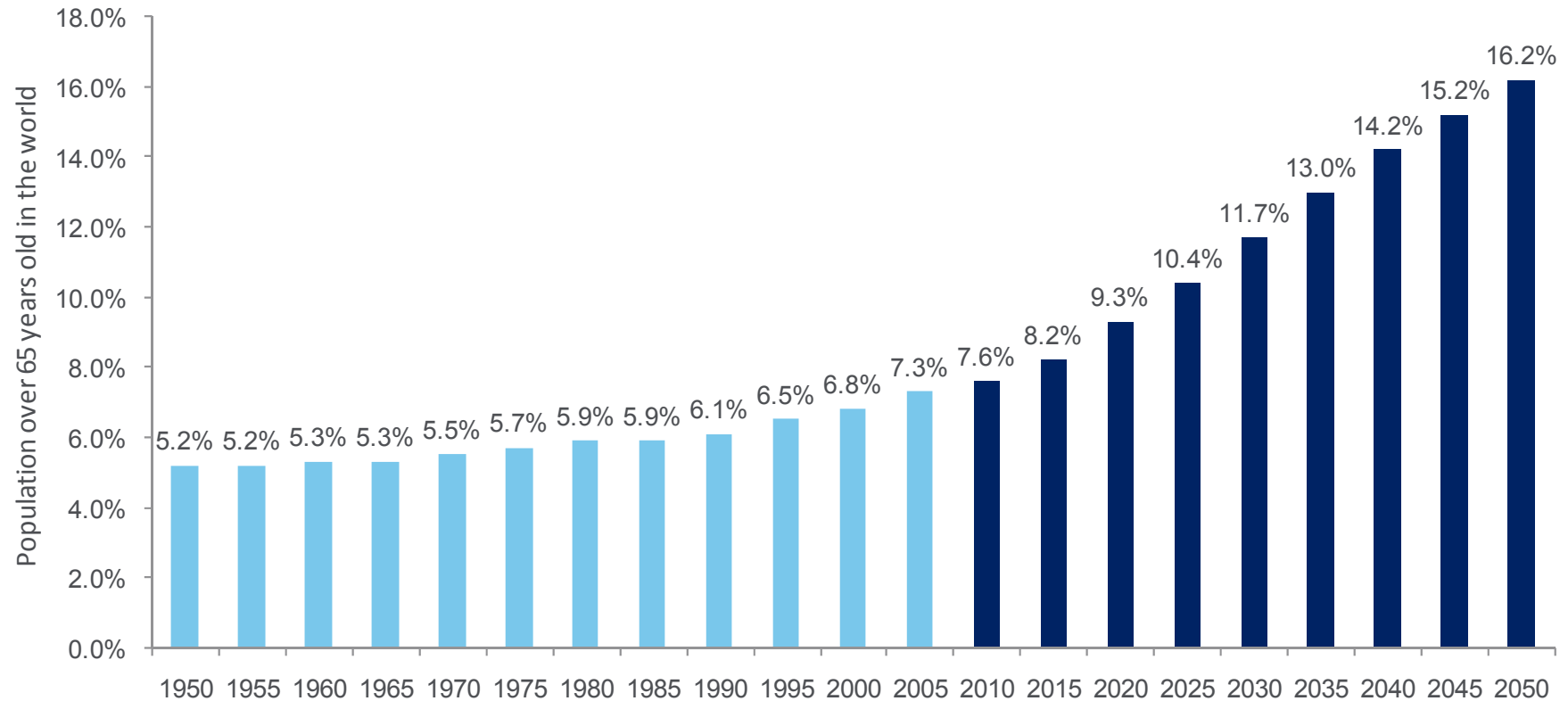


# Multi-pillar schemes in Asia

Country	Pillar 0	Pillar 1	Pillar 2	Pillar 3
Australia	✓		✓	✓
Bangladesh		✓		
Bhutan				
China		✓		✓
Fiji		✓		✓
Hong Kong, China	✓		✓	✓
India	✓	✓		✓
Indonesia		✓		
Japan		✓		✓
Korea, Rep.		✓		✓
Lao PDR		✓		✓
Malaysia		✓		
Maldives	✓			
Mongolia		✓		
Myanmar		✓		
Nepal		✓		✓
New Zealand	✓			
Pakistan		✓		✓
Philippines		✓		✓
Singapore		✓		
Sri Lanka		✓		✓
Vietnam		✓		

Source: "Pensions at a Glance Special Edition: Asia/Pacific". OECD. 2009.

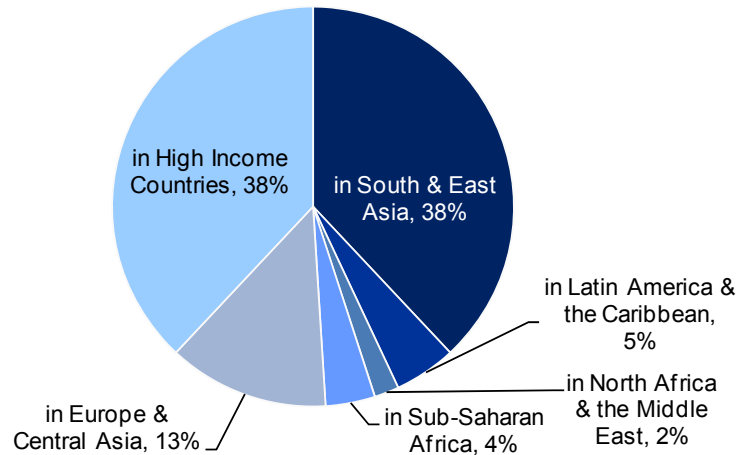
# The world is aging rapidly



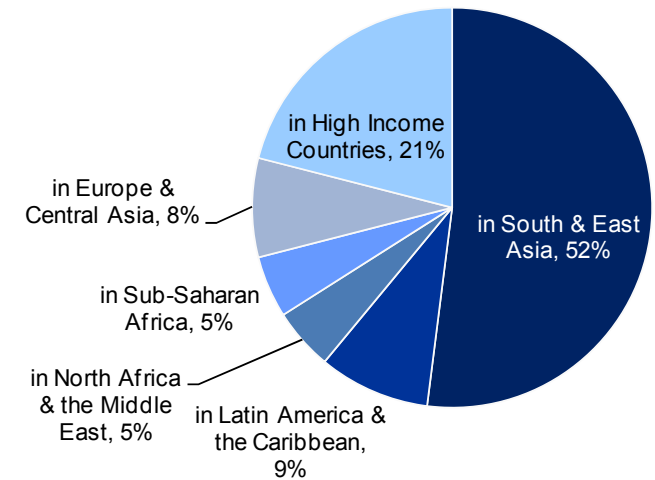
Source: <http://www.UNpopulation.org>

# And, Asia will age the fastest

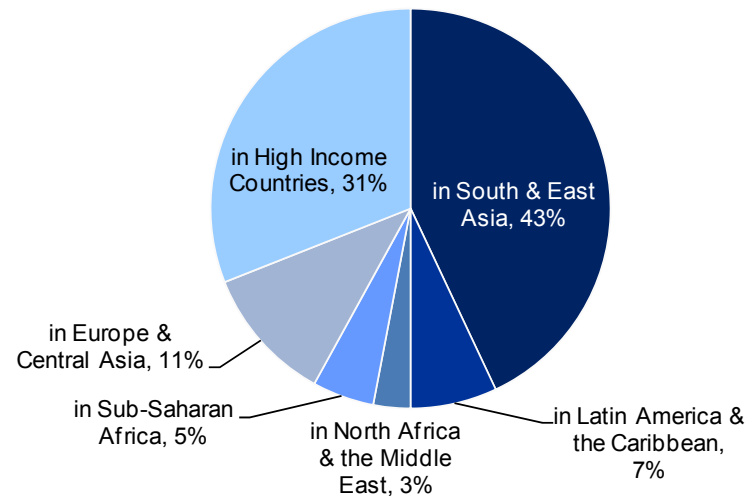
Where were the elderly in the world in 1960?



Where are the elderly projected to be in the future? (2045)



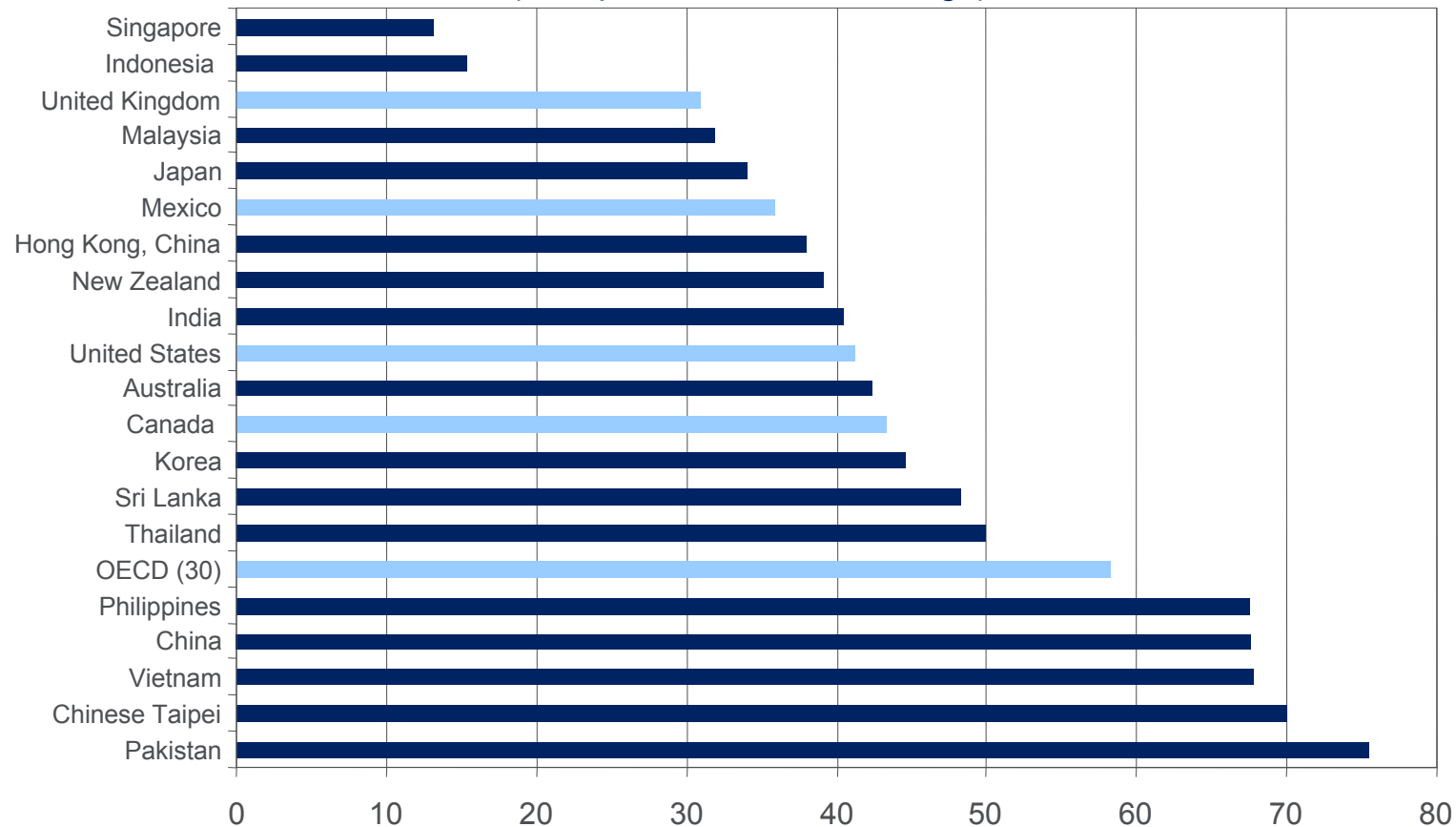
Where are the elderly now?



Source: World Bank Pension Indicators

# Public pension schemes appear quite generous

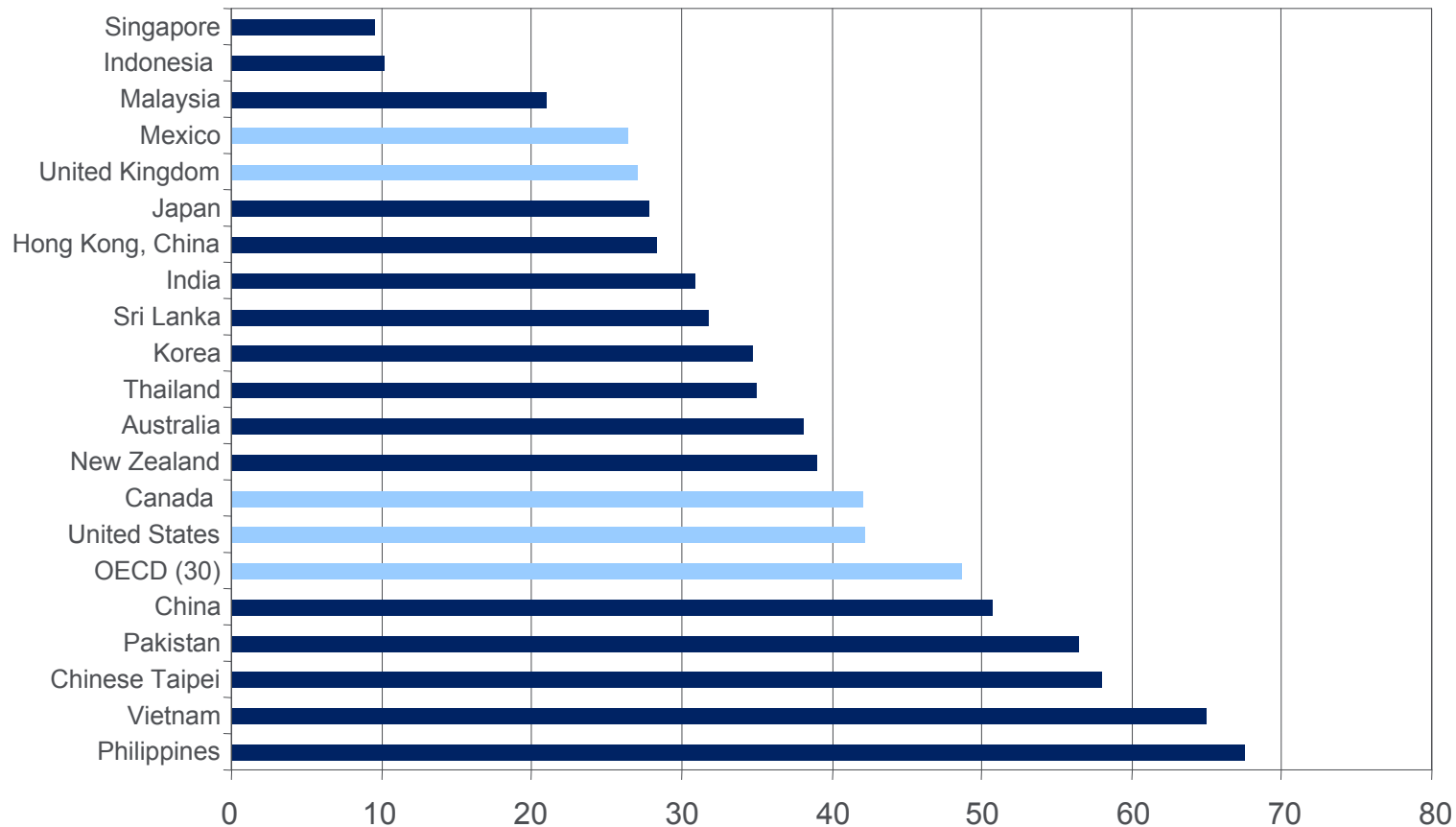
**Average Replacement Ratios**  
(as a percent of final earnings)



Source: "Pensions at a Glance Special Edition: Asia/Pacific". OECD. 2009.

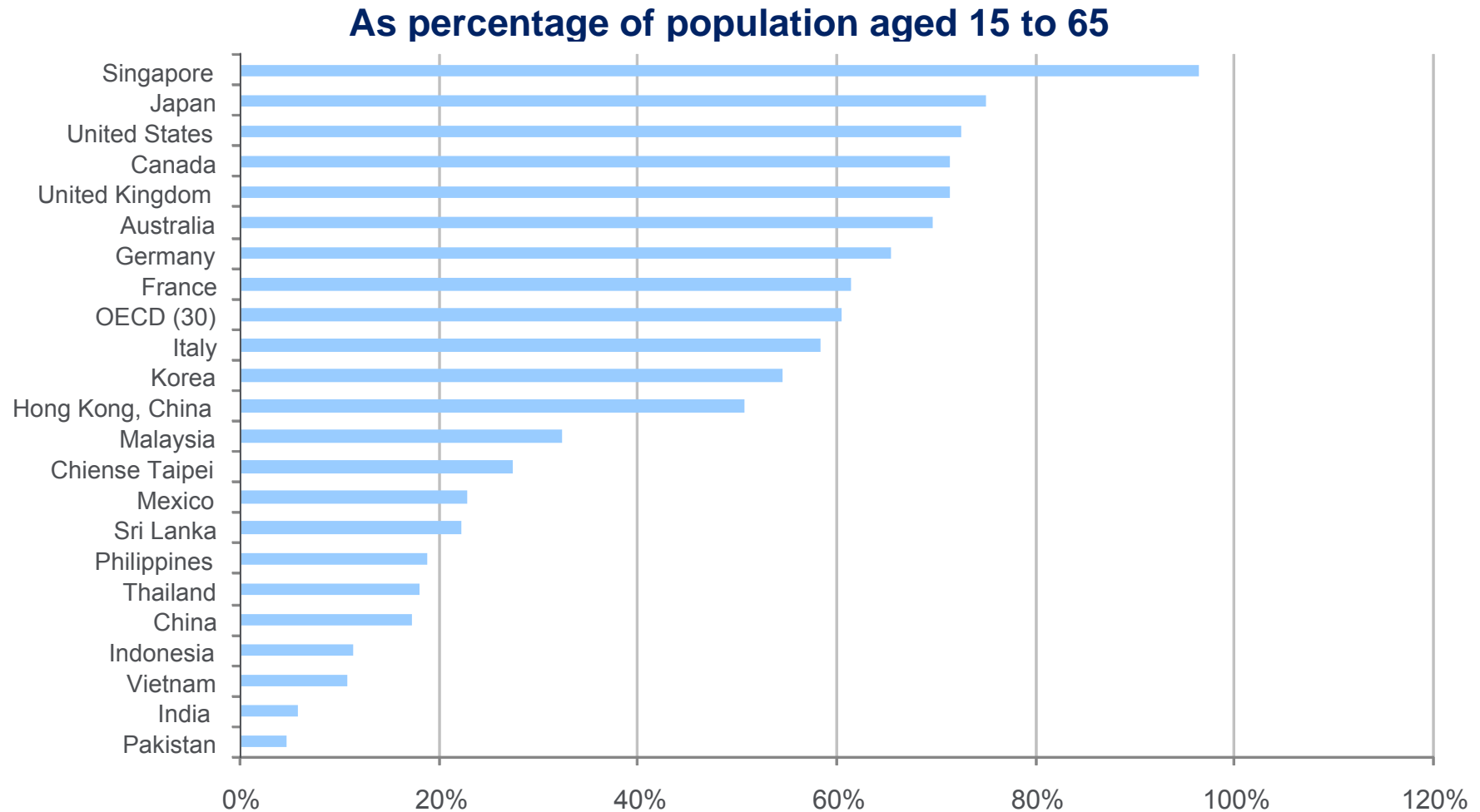
# But not so generous for those with shorter careers

**Replacement Ratios: Entry at Age 30**  
(as a percent of final earnings)



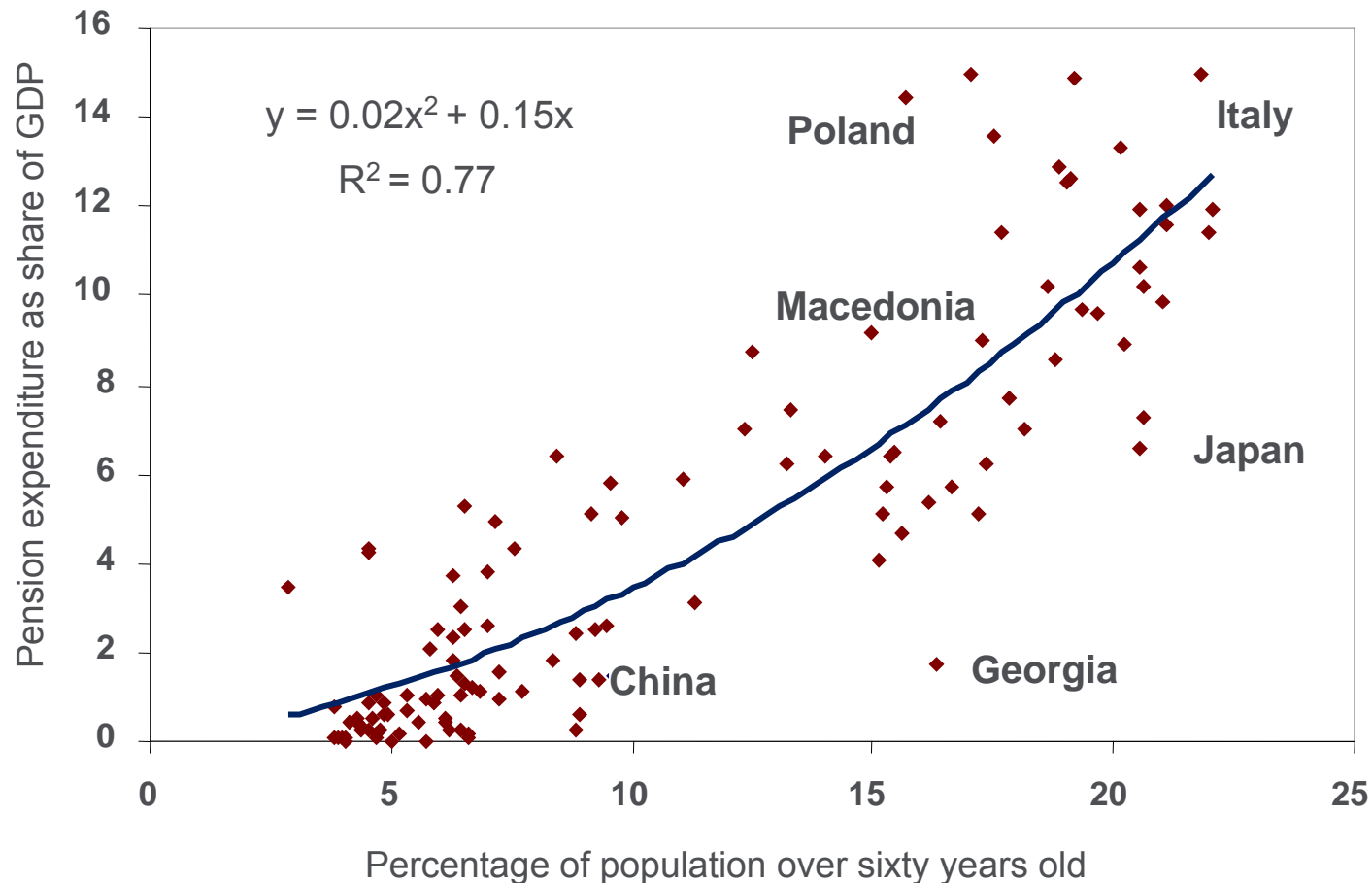
Source: "Pensions at a Glance Special Edition: Asia/Pacific". OECD. 2009.

# Coverage in mandatory public schemes is generally low for countries in the Asia region



Source: "Pensions at a Glance Special Edition: Asia/Pacific". OECD. 2009 and various secondary sources.

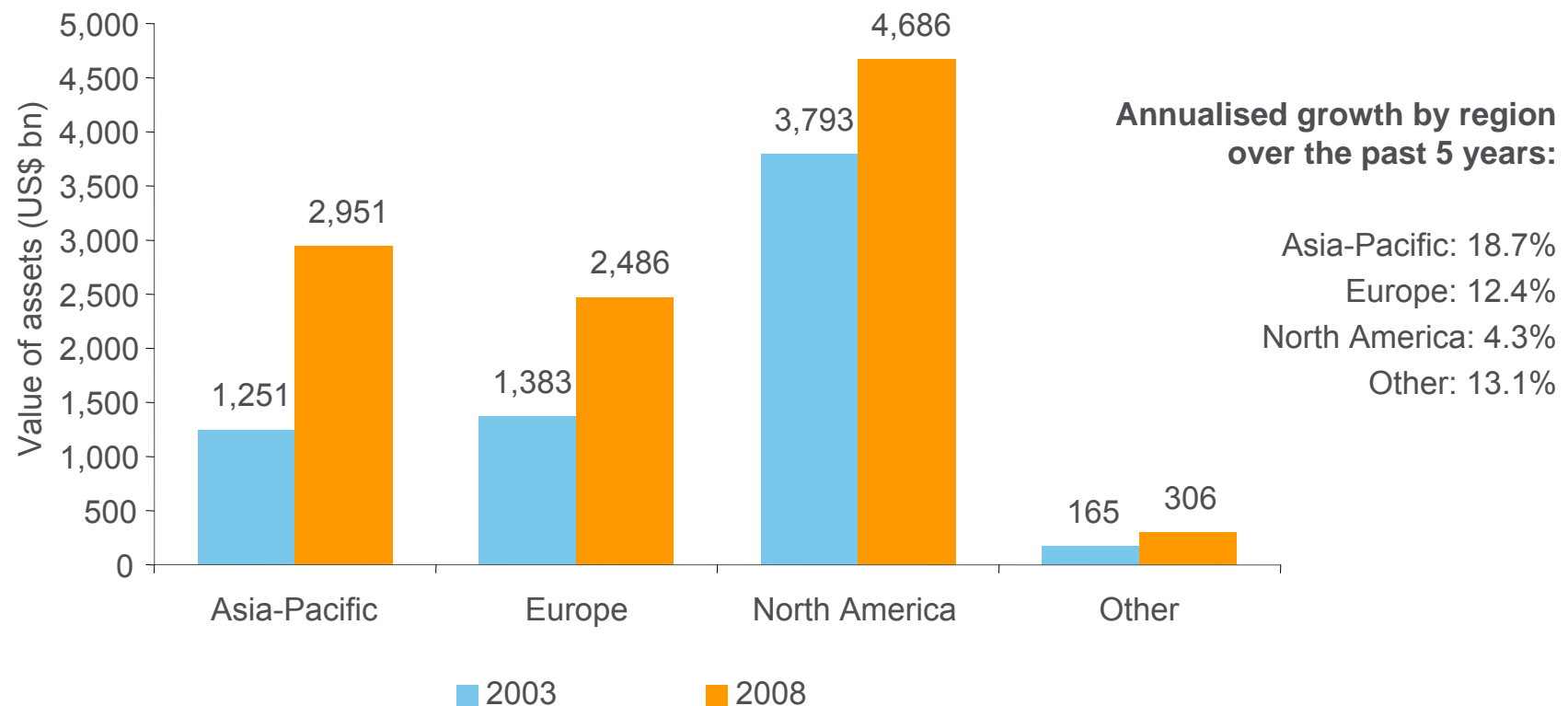
# Public pension spending increases as population ages



Source: World Bank (2001)

# Total value of pension fund assets

Split by fund domicile



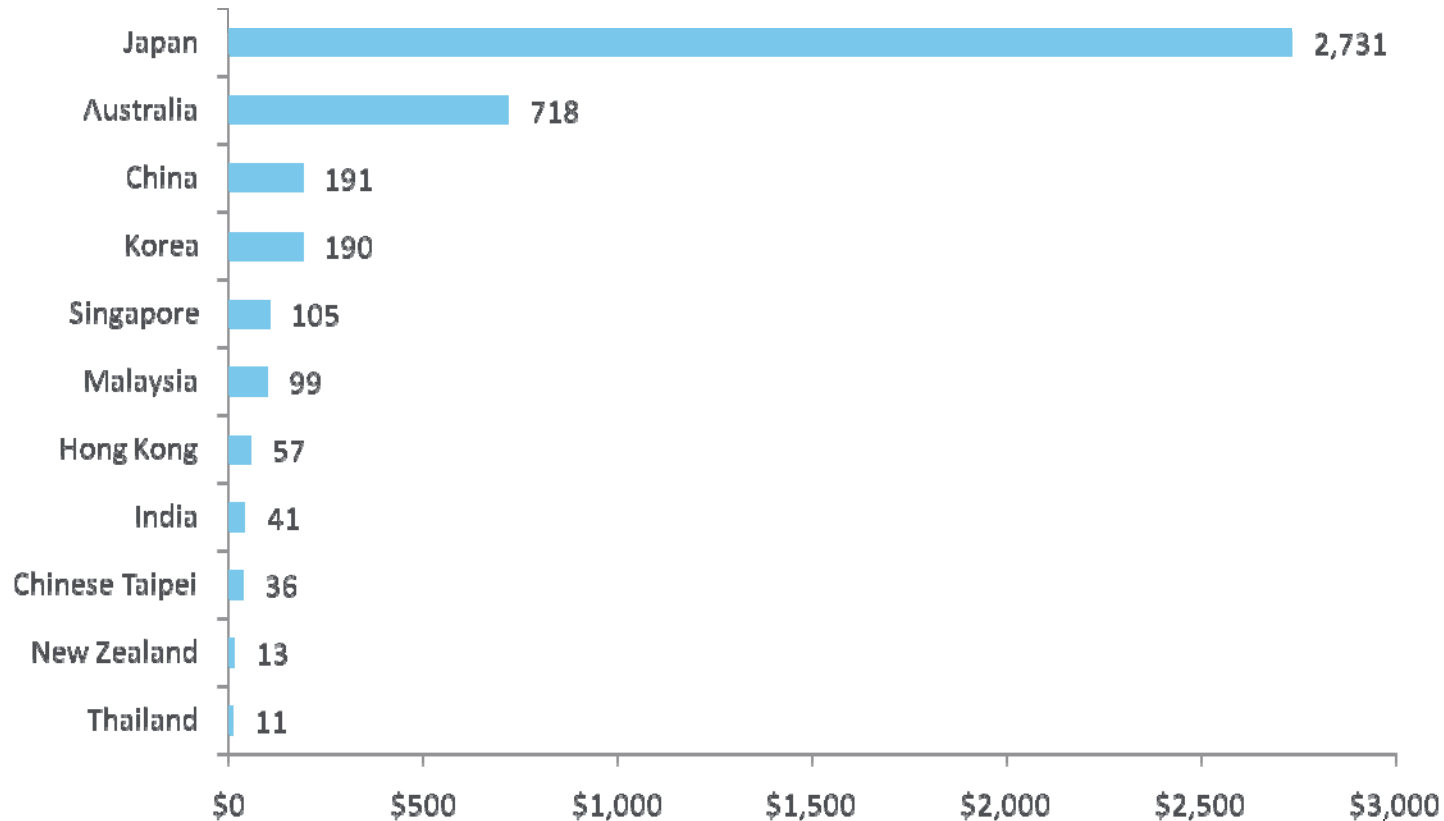
Source: Watson Wyatt Worldwide and P&I 300 (2009)



# Where is the money in Asia?

total pension asset size | billions US\$

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Source: Watson Wyatt estimates (2009)

# Drivers for reform in Asia

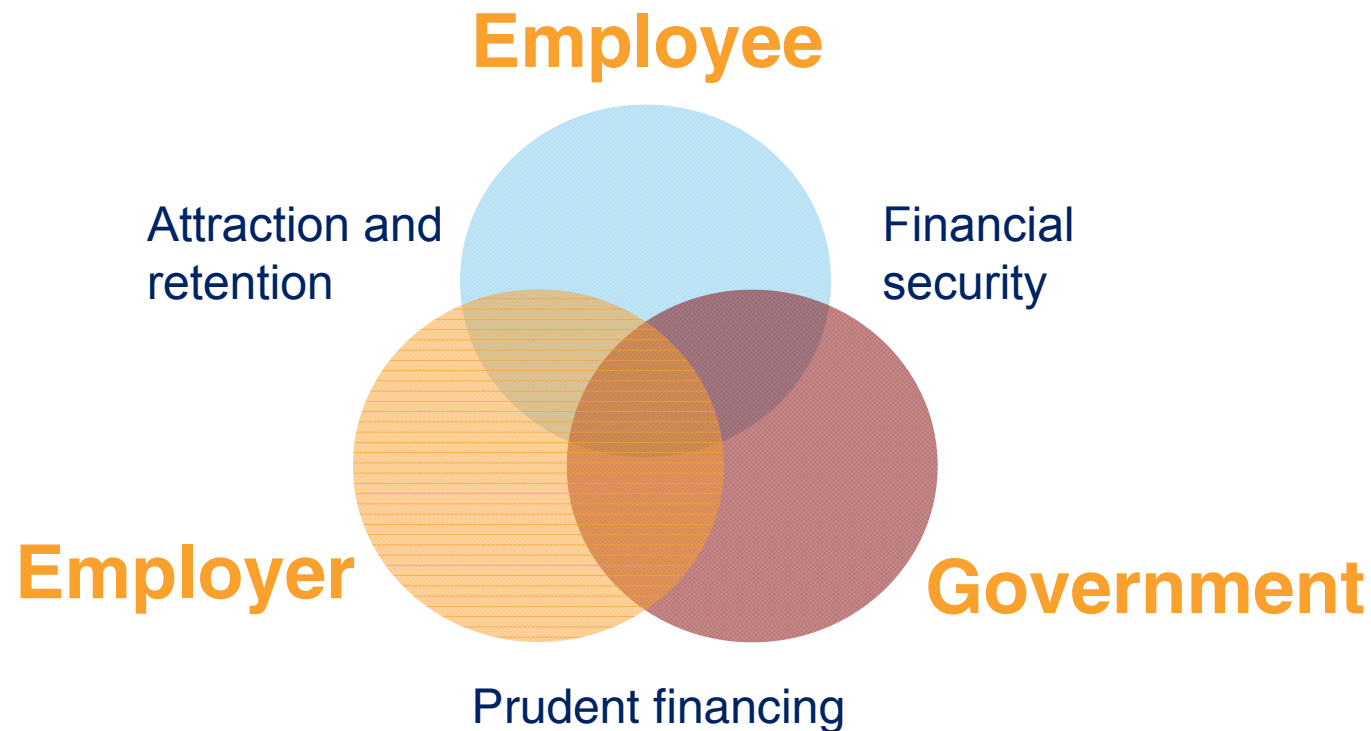
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- Aging population
- Low coverage
- Unsustainable pension expenditure
- Insufficient long-term saving

These issues are rapidly advancing in the political agenda throughout Asia

# Public and private collaboration

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# General trends

## Government Invested

- China
- India
- Malaysia
- Singapore

## Mandatory Funded

- Australia
- Hong Kong
- Chinese Taipei
- New Zealand

## Severance Pay

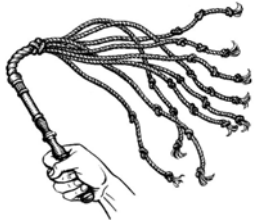
- India
- Indonesia
- Korea
- Chinese Taipei
- Thailand

## Voluntary Funded

- China
- India
- Philippines
- Indonesia
- Korea (2005)
- Malaysia
- Japan

# Aging population, reforms and evolution

## Gentle persuaders



- Removal of tax incentives for unfunded benefits (Korea, Japan)
- Established mandatory regimes (New Zealand)
- Increasing NRA (Chinese Taipei)
- Subsidies to entice contributions from rural workers

## Carrots

- Introduction of tax favoured funded schemes (South Korea)
- Review of tax limits – Japan, Australia
- Strengthening other pillars (Philippines, Australia, New Zealand)



## Other evolving areas

- Outsourcing of investment management by government funds (Singapore CPF, Korea NPF, India NPS)
- Investment markets maturing / market integrity
- China - Increasing clarity on tax position; need for harmonisation of benefits across cities; need for more market based investments



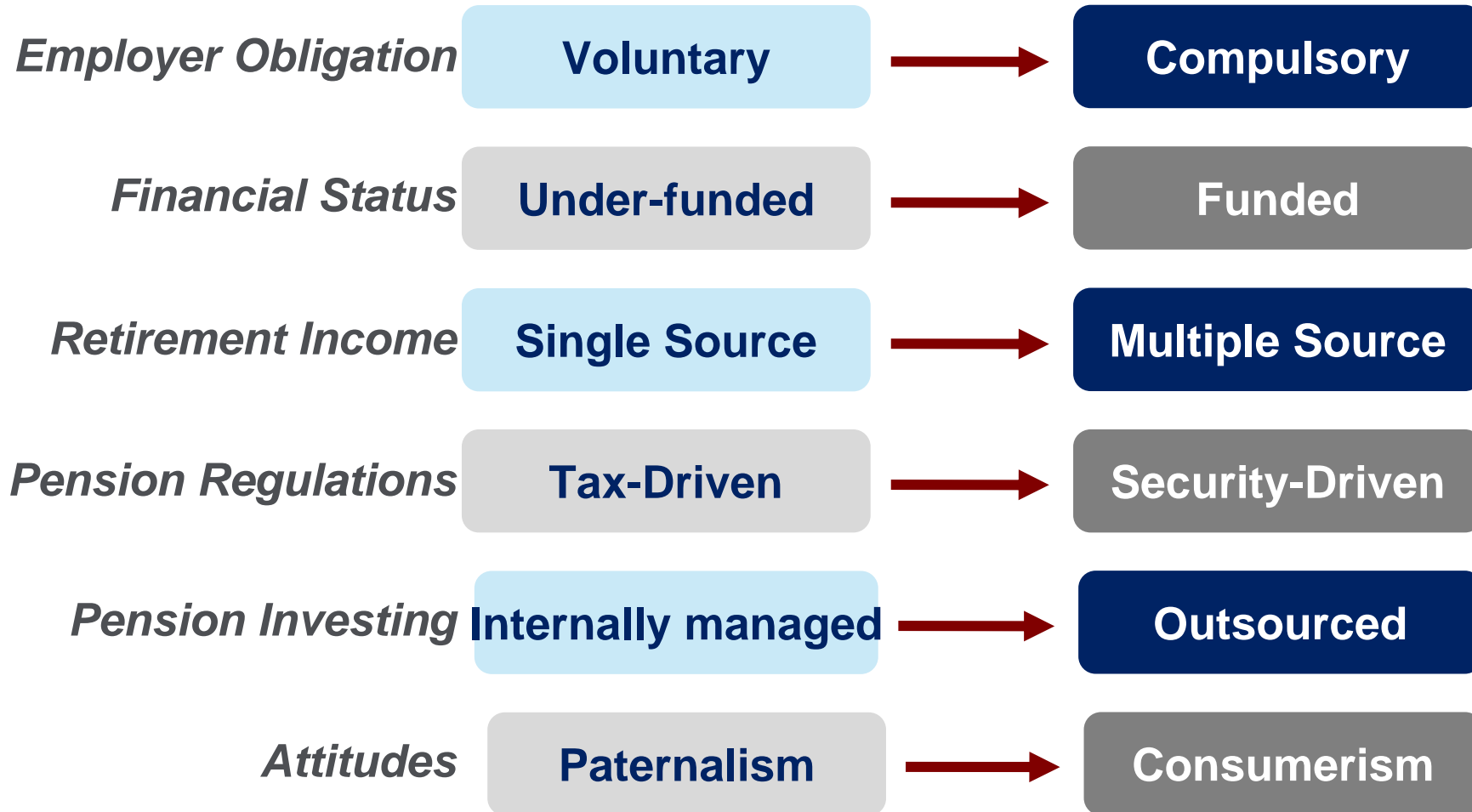
# Top initiatives

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1. **Japan** – Debate on provision and financing of possible minimum guarantee pension; planning redesign work given the phasing out of TQPP (by 2012).
2. **China** –Continuing development of Enterprise Annuities; revamping of rural pensions; determining optimum size of SSF as “fund of last resort”.
3. **Chinese Taipei** – Gradual deferral of mandatory retirement age from 60 to 65 by 2026; continuing outsourcing of fund management overseas.
4. **Hong Kong** – More employee choice; increased focus on administrative costs.
5. **Korea** – New framework for DB and DC funded plans (replacing unfunded Severance Plans); continuing to explore effective and efficient fund management solutions
6. **India** – Implementation of New Pension Scheme; weighing the merits of security versus diversification; concerns with the sustainability of the EPS (DB portion of the EPF)

# Observed trends

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Thank you





# Limitations of reliance

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