DEVELOPMENTS IN PENSIONS

International Pension Research Association Conference

JUNE 5, 2019
OECD Headquarters, Paris

The International Pension Research Association (IPRA) is hosting its fourth annual conference at the OECD Headquarters, Paris in June 2019. The theme for this year's event is Developments in Pensions.

IPRA is a collaboration between CEPAR, the Pension Research Council at the Wharton School of the University of Pennsylvania (USA) and Netspar at Tilburg University (The Netherlands), and has as its mission the promotion and advancement of high-quality social science research on pensions, ageing, and retirement.

PROGRAM: JUNE 5, 2019

8:30 – 9:00	Arrival and Registration
9:00 – 9:30	**WELCOME REMARKS**
9:30 – 11:00	**SESSION 1: IMPLICATIONS OF MORBIDITY AND MORTALITY FORECASTS FOR PENSION PROGRAMS** **Implications of morbidity and mortality trends and forecasts for pension programmes** Steven Haberman, Professor of Actuarial Science, Cass Business School, City, University of London **Longevity risk sharing in collective pension schemes: current practice and proposals for alternatives** Michel Vellekoop, Professor of Actuarial Sciences & Mathematical Finance, University of Amsterdam **Socio-economic difference in mortality: recent trends and implications for pension programmes** Andrés Villegas, Associate Investigator, CEPAR; Lecturer, UNSW Sydney
11:00 -11:30	Morning Tea Break
11:30 – 12:15	**KEYNOTE ADDRESS** **Global opportunities for retirement plan innovation** Robert C. Pozen, Senior Lecturer, MIT Sloan School of Management; non-resident Senior Fellow, Brookings Institution
12:15 – 12:45	**ESTABLISHMENT OF THE INTERNATIONAL PENSION RESEARCH ASSOCIATION (IPRA)** Open Discussion

12:45 – 13:30	Lunch Break
13:30 – 15:00	**SESSION 2: NONSTANDARD WORK ARRANGEMENTS (E.G. GIG ECONOMY) AND RETIREMENT INCOME** **Pathways to retirement through self-employment** Sita Slavov, Professor of Public Policy, George Mason University; Faculty Research Fellow, National Bureau of Economic Research **What if your boss was an algorithm?** Jeremias Prassl, Fellow of Magdalen College, Oxford, Deputy Director, Institute of European and Comparative Law; Associate Professor of Law, University of Oxford **Expanding pension coverage to informal workers: lessons from China** Albert Park, Director of the Institute for Emerging Market Studies, Hong Kong University of Science and Technology
15:00 – 15:30	Afternoon Tea Break
15:30 – 17:00	**SESSION 3: CLEAN PENSIONS: FACTORS IMPEDING EFFECTIVE DELIVERY OF RETIREMENT INCOME** **Corruption, state capacity, and 'clean' delivery of pension income** Sarah Brooks, Professor of Political Science, Ohio State University **Australian pension system: does it deliver clean pensions and factors impeding the effective delivery of retirement income** Marc de Cure, CEPAR Chair; Independent Non-Executive Director, Zurich Financial Services Australia; Adjunct Professor and Advisory Board member, UNSW Business School **Political representation and governance: evidence from the investment decisions of public pension funds** Aleksandar Andonov, Associate Professor of Finance, University of Amsterdam
17:00 – 17:30	**CLOSING REMARKS**
17:30 – 19:00	Networking reception

SESSION 1 – ABSTRACTS AND SPEAKER BIOS

Implications of morbidity and mortality trends and forecasts for pension programmes

Abstract: The fact that we are living longer in many (developed and developing) countries has a significant effect on individuals, and hence on populations in terms of their growth and structure. It also has significant financial effects on governments, social security systems, pension plans and insurance and reinsurance companies.

In this context, we will examine the background in terms of the historical trends in mortality rates. In order to plan for these changes, we require reliable mathematical models that enable the accurate forecasting of future mortality trends and the measurement of uncertainty. This is one of the major challenges facing actuarial science. We will examine different approaches to the modelling of mortality trends and will present some results from comparative studies of mortality modelling and forecasting. We will also look at measures of healthy life expectancy and the corresponding trends over time. We will then comment on the implications of these underlying morbidity and mortality trends for pension and social security programmes.

Steven Haberman is currently Professor of Actuarial Science at Cass Business School, City, University of London.

From 2002 to 2012, Steven was Deputy Dean of Cass Business School, and then was Dean for 3 years to the end of 2015.

He graduated in mathematics from Cambridge University, qualifying as a Fellow of the Institute of Actuaries in 1975, and obtained his PhD and DSc in actuarial science from City University. He is also a Fellow of the Royal Statistical Society and of the Institute of Mathematics and its Application. He is an Honorary Fellow of the Italian Institute of Actuaries.

He has worked at Prudential Assurance and the Government Actuary's Department, and has been a member of the Council of the Institute of Actuaries (for 2 terms). He was a founder member of the UK Financial Reporting Council's Board for Actuarial Standards.

He is currently a member of Legal and General's Longevity Science Panel, an Associate Director of the Actuarial Research Centre (set up by the Institute and Faculty of Actuaries) and the Chair of the Board of Governors of the London Institute of Banking and Finance. In 2018, Steven was awarded an honorary doctorate by the University of Haifa, in recognition of his scientific contributions to the discipline.

He has written over 190 papers on a wide range of topics in actuarial science and statistics, including mortality and morbidity models, annuities, insurance pricing and pensions. He is co-author of 5 books, the most recent being “Modelling Longevity Dynamics for Pensions and Annuity Business” in 2009. He has also successfully supervised 29 doctoral students.

He was one of the Founding Editors of the Journal of Pension Economics and Finance.

Longevity risk sharing in collective pension schemes: current practice and proposals for alternatives

Abstract: In Dutch second pillar pension schemes, participants receive lifelong annuity payments after retirement and the retirement age is coupled to the life expectancy. Required pension capital is therefore strongly dependent on current estimates of future survival probabilities and both micro longevity risk and macro longevity risk are shared by all participants through the funding ratio. This means that shocks due to either of the two risks tend to be absorbed more or less uniformly by the different age groups, even though the exposure to these risk is strongly age-dependent.

In this presentation we discuss the current Dutch approach to the modelling of uncertain future survival rates, characterize the exposure of different age groups to longevity risk and formulate alternatives for the current risk sharing rules.

Michel Vellekoop is full professor in the Actuarial Sciences and Mathematical Finance group at the University of Amsterdam. He studied Applied Mathematics at the University of Twente and obtained his PhD degree at the Imperial College in London for research on nonlinear filtering problems for stochastic processes. Since then he has focused on applications in finance and insurance. His main interests are valuation and risk management problems for contingent claims in complete as well as incomplete markets. Michel is a Netspar research fellow and scientific member of the CSO, the committee which is responsible for the official mortality models of the Royal Dutch Actuarial Society.

Socio-economic difference in mortality: recent trends and implications for pension programmes

Abstract: Although rising longevity is a sign of social progress, it poses important challenges to individuals, pension plans and annuity providers. In addition, the increase in life expectancy has not been equally shared across the society with lower socio-economic groups not only having significantly shorter life expectancies than higher socio-economic groups but also experiencing slower mortality improvements and higher variability in their lifetimes. In this presentation we will give an overview of recent trends in socio-economic differences in longevity and examine some of the potential drivers of these trends. We will then discuss the additional challenges that socio-economic mortality differentials may pose for the equity and solidarity of pension systems and for the management of longevity risk in pension funds and annuity portfolios.

Andrés Villegas is a Lecturer at the School of Risk and Actuarial Studies at UNSW Sydney and an Associate Investigator at the ARC Centre of Excellence in Population Ageing Research (CEPAR) where he was previously a Research Fellow. He completed his doctoral studies at Cass Business School in London focusing on the projection of mortality and the analysis of socio-economic mortality differentials. Andrés's research interests include longevity risk management, the design of retirement income products and the application of data analytics techniques in actuarial science and finance. Andrés is committed to the development of tools that can help making academic research more accessible to industry and to the wider actuarial community. He is the developer and maintainer of the R Package StMoMo for stochastic mortality modelling which is now being widely used by researchers, longevity risk managers, insurance supervisors and students around the world.

KEYNOTE ADDRESS – ABSTRACT AND KEYNOTE SPEAKER BIO

Global opportunities for retirement plan innovation

Abstract: Defined benefit (DB) plans remain the dominant design for public sector retirement pensions around the world. Yet, properly accounted for, the unfunded liabilities of plan sponsors are often huge. In response, some governments have introduced "revisionist" reforms to slow the growth of their DB plan unfunded liabilities. Most private sector employers have replaced DB plans with defined contribution (DC) plans, which have no unfunded liabilities. Nevertheless, DC plans are often plagued by low participation, high costs, and weak investment performance. These problems have led some nations to adopt "revisionist" reforms to improve results. More boldly, a handful of countries have implemented "structural" reforms combining attractive aspects of DC plans with DB-like benefit schedules. Such hybrids include collective DC plans, notional DC plans, and cash balance plans. To effectively meet the growing challenges facing retirement plans across the world, I will discuss the need for a global move toward hybrid plans with strong governance procedures.

Robert C. Pozen is currently a Senior Lecturer at MIT Sloan School of Management and a non-resident Senior Fellow at the Brookings Institution. In 2012, he won acclaim for a popular book showing professionals how to get more done at work, entitled *Extreme Productivity: Boost Your Results, Reduce Your Hours.*

In 2004, Bob became the executive chairman of MFS Investment Management, which now manages over $400 billion for mutual funds and pension plans. Between 2004 and 2010, MFS's assets under his management doubled.

During his distinguished career, Bob has been active in business, government and academia. Prior to joining MFS, he was vice chairman of Fidelity Investments and president of Fidelity Management & Research Company. During Bob's five years as president, Fidelity's assets increased from $500 billion to $900 billion.

In late 2001 and 2002, Bob served on President Bush's Commission to Strengthen Social Security, where he developed a progressive plan to make the system solvent. In 2003, Bob served as Secretary of Economic Affairs for Massachusetts Governor Mitt Romney. In 2007, he served as chairman of the SEC's Committee to Improve Financial Reporting.

Bob is currently an independent director of Medtronic, Nielsen and AMC (a subsidiary of the World Bank). He also serves as Chairman of the Leadership Council of the Tax Policy Center, and a member of the advisory boards of Perella Weinberg Partners and Oliver Wyman.

Bob frequently writes articles for the *Financial Times*, the *New York Times*, the *Wall Street Journal* and the *Harvard Business Review*. He has published a book on the recent financial crisis, *Too Big To Save? How to Fix the US Financial System*, and a guide for investors entitled *The Fund Industry: How Your Money is Managed.*

Bob graduated summa cum laude from Harvard College and holds a law degree from Yale, where he also obtained a doctorate for a book on state enterprises in Africa. He lives in Boston with his wife of 40 years.

SESSION 2 – ABSTRACTS AND SPEAKER BIOS

Pathways to retirement through self-employment

Abstract: We examine the role of self-employment in retirement transitions using a panel of administrative tax data. We find that the hazard of self-employment increases at popular retirement ages associated with Social Security eligibility, particularly for those with greater retirement wealth. Late-career transitions to self-employment are associated with a larger drop in income than similar mid-career transitions. Data from the Health and Retirement Study suggest that hours worked also fall upon switching to self-employment. These results suggest that self-employment at older ages may serve as a "bridge job," allowing workers to gradually reduce hours and earnings along the pathway to retirement.

Sita Nataraj Slavov is a professor of public policy at the Schar School of Policy and Government at George Mason University. She is also a faculty research fellow at the National Bureau of Economic Research, a member of the 2019 Social Security Technical Panel on Assumptions and Methods, and a visiting scholar at the American Enterprise Institute. Previously, she was an associate professor at Occidental College and a senior economist at the Council of Economic Advisers. She received her Ph.D. in economics from Stanford University and her B.A. from the College of William and Mary.

What if your boss was an algorithm?

Abstract: The gig economy promises to revolutionize work as we know it, offering flexibility and independence instead of 9-to-5 drudgery. The potential benefits are enormous: consumers enjoy the convenience and affordability of on-demand work while micro-entrepreneurs turn to online platforms in search of their next gig, task, or ride. Competing narratives abound: on-demand gigs offer entrepreneurial flexibility – or precarious work, strictly controlled by user ratings and algorithmic surveillance. Platforms' sophisticated technology is the product of disruptive innovation – while the underlying business model has existed for centuries. Drawing on Professor Prassl's latest book (Humans as a Service (OUP 2018)), this talk explores the challenges of on-demand work, and explains how we can ensure decent working conditions, protect consumers, and foster innovation. Employment law plays a central role in levelling the playing field: gigs, tasks, and rides are work – and should be regulated as such.

Professor Jeremias Prassl is a Fellow of Magdalen College, Oxford, Deputy Director of the Institute of European and Comparative Law, and an Associate Professor in the Faculty of Law. He is the author of *Humans as a Service* (OUP 2018) and *The Concept of the Employer* (OUP 2015), over 100 articles, chapters, and commentaries, as well as an editor of *Chitty on Contracts* (33rd ed, Sweet & Maxwell 2018) and the *EU Law in the Member States* series (Hart). Jeremias read law at Oxford, Paris, and Harvard; his work has been recognised by prizes for teaching, research, and public impact, including the Wedderburn, Mancini, and Apgar Prizes, an Oxford University Teaching Award, a British Academy Rising Star Engagement Award, an O2RB Excellence in Impact Award, and an ESRC Outstanding Impact in Public Policy Prize. He is particularly interested in the role of fundamental rights in shaping the future of work, technology, and innovation, and tweets @JeremiasPrassl.

Expanding pension coverage to informal workers: lessons from China

Abstract: Starting a decade ago, China established ambitious voluntary pension programs not linked to employment to achieve the goal of universal pension coverage. The programs provided immediate pension benefits to the elderly (a social pension component) and matched private contributions of working-age individuals with government subsidies. In this presentation, Professor Park talks about China's early experience with these programs, drawing implications for pension system design. The programs successfully expanded coverage and delivered benefits to the elderly. However, pension amounts were low, disincentivized recipients from enrolling in existing employer-provided public pension programs, and had consequences for labor supply, family support, and even investments in children. Financing the programs in a sustainable fashion remains a question mark.

Albert Park is a development and labor economist who is an expert on China's economic development. He is Director of the Institute for Emerging Market Studies, Chair Professor of Social Science, Professor of Economics and Public Policy, and Senior Fellow of the Jockey Club Institute for Advanced Study at HKUST. Professor Park is a Research Fellow of the Centre for Economic Policy Research (London), the Institute for the Study of Labor (IZA, Bonn), the International Growth Centre (Oxford/LSE/DFID), and the Human Capital and Economic Opportunity Working Group (Chicago). In recent years he has published articles in leading economics journals on poverty and inequality, migration and employment, health and education, and the economics of aging in China. He serves on the editorial boards of the *Journal of Pension Economics and Finance*, *World Bank Economic Review*, *Journal of Comparative Economics, Economic Development and Cultural Change, China Economic Review*. Prof. Park has played a leadership role in numerous survey research projects in China including the China Employer-Employee Survey (CEES), the China Urban Labor Survey (CULS), the Gansu Survey of Children and Families (GSCF), and the China Health and Retirement Longitudinal Study (CHARLS). He previously held faculty appointments at the University of Michigan and Oxford University, and has consulted frequently for the World Bank. His research and commentary has appeared in the Economist, New York Times, Washington Post, Wall Street Journal, BBC, CNN, Bloomberg, Freakonomics, and NPR.

SESSION 3 – ABSTRACTS AND SPEAKER BIOS

Corruption, state capacity, and 'clean' delivery of pension income

Abstract: Corruption—the abuse of state power for private gain— presents a serious challenge to the 'clean' delivery of pensions in many countries. Although the study of corruption has received increasing attention in recent decades, the theory and empirical evidence for identification of the problem and solutions remain a puzzle for scholars and practitioners alike. Indeed, the widespread adoption of anti-corruption measures around the world has yielded few tangible results. In theory, granting politicians the tools to oversee bureaucrats can reduce administrative malfeasance. However, the political control of bureaucrats can increase corruption when politicians need money to fund election campaigns and face limited institutional constraints. I examine the link between conventional measures of corruption and 'clean' delivery of pensions, and discuss how state capacity and economic development shape these dynamics. In doing so, I identify social and political factors that sustain corruption and weak state capacity, and the implications for effective pension delivery.

Sarah Brooks is Professor of Political Science at Ohio State University (Ph.D., Duke University). She joined OSU in 2001. Her research and teaching interests center on international political economy, comparative politics of developing countries, and the political economy of risk protection. Brooks is Associate Editor of the *American Journal of Political Science* (2018-19), as well as a Huber Faculty Fellow. She is on the Steering Committee of the International Political Economy Society, and co-director of the Globalization Workshop at the Mershon Center. She is a member of the editorial board of*International Studies Quarterly, Socio-Economic Review*, and *Regions and Cohesion*. As a scholar of comparative and international political economy, Brooks' research interests revolve around the relationship between the state and market in social and economic relations. In the field of international political economy, her research examines the political economy of sovereign risk and global capital flows. Her research in comparative politics examines the political effects of risk and insecurity. Her first book, *Social Protection and the Market in Latin America: The Transformation of Social Security Institutions* was published by Cambridge University Press in 2009. Brooks also has published articles in an array of scholarly journals, including *International Organization*, *American Journal of Political Science*, *The Journal of Politics*, *World Politics*, *Comparative Political Studies, International Studies Quarterly, Politics and Society,* and *Latin American Politics and Society*.

Australian pension system: does it deliver clean pensions and factors impeding the effective delivery of retirement incomes

Abstract: This paper examines whether the Australian retirement savings regime delivers clean pensions. It explores the major factors impeding effective and efficient delivery of untainted retirement incomes which meet beneficiaries' best interests.

It provides a background to the Australian retirement income system and demonstrates the critical importance of clean pensions to individual well-being and societal cohesion. It then examines how clean the pension system is having in regard to three recent significant Inquiries.

The system, whilst having many merits, fails to meet the test for clean pensions. There is evidence of substantial failings including clarity of purpose; serious conflicts of interest and breaches of duty; inadequacies, inconsistencies and inefficiency in delivery of product, services and advice; market structural issues; and market conduct deficiencies.

The underlying causes and solutions are examined, covering public policy, market structure, complexity and financial advice. Lessons are drawn from the Australian experience for policy, governance and market structures more generally.

Marc de Cure has long recognised the social and economic significance of demographic change and the need to undertake and promulgate research to inform government policy, and social and commercial responses. He played a key role in establishing the ARC Centre of Excellence in Population Ageing Research (CEPAR) and since then has provided critical input to the development of the Centre's ongoing strategy and industry and government engagement activities. He has chaired both the Advisory Board and the Leaders' Forum since CEPAR's inception.

Marc de Cure is a non-executive company director and business advisor and previously held senior executive roles in leading financial and professional services groups across Australia and Asia. He was AIA Group CFO and AMP Group CFO, Executive General Manager Strategy & Development and Executive Director of its key operating subsidiaries. In professional services Marc was a senior Partner with PwC, including Chairman of the Australian Financial Services practice and Managing Partner of the Asia Pacific Risk Management practice, and was a Principal Advisor with Bain & Company. Marc has been a member of the Business Advisory Council and the Executive Committee of the UNSW Business School since 2001 and was appointed as an Adjunct Professor at the UNSW Business School in 2015. He holds a Bachelor of Commerce (Honours) from UNSW, a Master of Wine Quality from UWS and is a Fellow of the Institute of Chartered Accountants in Australia.

Political representation and governance: evidence from the investment decisions of public pension funds

Abstract: We analyze the effect of political representatives on pension fund governance and the channels through which political influence operates. We exploit variation in board composition across U.S. public pension funds and examine their performance in private equity. Representation on pension fund boards by state officials—often determined by statute decades past—is negatively related to the performance of private equity investments made by the pension fund, despite state officials' relatively strong financial education and experience. Their underperformance appears to be partly driven by poor investment decisions consistent with political expediency, and is also positively related to political contributions from the finance industry. Boards dominated by elected rank-and-file plan participants also underperform, but to a smaller extent and due to these trustees' lesser financial experience. Overall, the presence of politicians on boards appears to work against pension funds' primary objective of delivering retirement benefits as efficiently as possible for taxpayers.

Aleksandar Andonov is an Associate Professor of Finance at the Amsterdam Business School, University of Amsterdam. He completed his PhD studies at Maastricht University and afterwards worked at Erasmus University Rotterdam. In his research, Aleksandar focuses on institutional investors and asset management, investigating the asset allocation and performance of institutional investors in public and private markets. His research ideas and findings have been presented at academic and industry conferences, and have been covered in popular financial media, such as the Economist, Wall Street Journal, and Financial Times. His research papers analyzing the investments and governance of U.S. public pension funds have been published in the Journal of Finance and Review of Financial Studies. At University of Amsterdam, Aleksandar teaches courses on asset management and investments. Homepage: http://www.aleksandarandonov.com/ Email: a.andonov@uva.nl