

RIETI
Symposium on
Japan's 2004 Pension Reform

Comments on Professor
Kazutoshi KOSHIRO's
presentation

*" Major Issues about the 2004 Reform
and identifying remaining issues "*

Ole Settergren
Swedish Social Insurance agency

General opinion of RIETI questions and professor Koshiros answers

Questions are relevant
and the answers are good.

General context of Japans 2004 pension reform

Very demanding foreseen demographic development
- historically rare, or even unique

“real GDP growth rate (0.6 percent), real wages increase rate (1.1 percent)”

**Measures taken in 2004 reform are radical
in terms of:**

Contribution rate – high increases

Benefits / indexation – high decreases

**Measures taken in 2004 reform are conservative
in terms of:**

Public pension scheme structure

Projections; Japan vs Sweden

	Japan	Sweden
	Percent per year	
Real wage sum growth	0.6	2.0
Real average wage growth	1.1	2.0
= "the shrinking problem"	"- 0.5"	"0.0"
Increase in longevity	0.3	0.3?
Buffer fund return	2.2	3.25
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Buffer fund size / yearly pension benefit	5	4
Male labour force participation 16-64	?	70
Female labour force participation 16-64	?	68
Retirement age	65	65

Some opinions...

The assumptions made for the projections appear conservative, even pessimistic

For being such an advanced society Japanese data sources seems rather poor
– could be a misunderstanding

In the reforms to come I believe micro simulation techniques would be helpful
(perhaps already used?)

Increased labor force participation!

Young

Old

Women

Constant ratio of years in retirement over
years in work forces requires

Higher retirement age

and / or

Earlier entry in labor market

The Modifier

- a vessel for benefit cuts

Very tough on beneficiaries

Appears financially necessary

I like use of actual decrease of number of persons "employed"

I dislike use of projected increase in life expectancy

(I would prefer use of actual increase)

The "money illusion" part of it is a potential financial problem

What will come out of the "modifier vs. politics" game ?

To win this game, information on system finances that is annual, systematic and easy (easier) to understand might help

Some critical reflections

By reducing the real value of pensions under payment by 0.9 percent per year, many retirees must surely by time hit the minimum subsistence level?

It seems not so relevant to make international comparison with the 18.3 percent contribution rate ceiling

I disagree with the calculation of the benefit-contribution ratio

Considering the demographic scenario Japan deals with, the expected actuarial unfairness is close to inevitable in theory and even harder to avoid in practice.

Useless complexity in the public pension system(s)?

Japan designs and produces many of the finest consumer products in the world.

Public pension is a consumer product that probably is important to individuals, as well as to the well being of society at large.

Why does Japan not use its design skills optimally also when it comes to public pensions?

Today, Tomorrow, ...