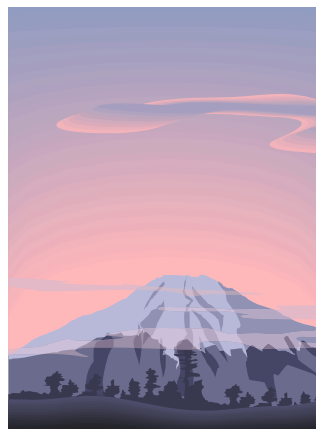


# *Concluding Comments on* The Future of Japanese Pension Reform



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# A sustainable retirement system:

- Secures long-term viable promises for adequate, affordable, secure retirement income;
- Is transparent;
- Is politically and economically resilient;
- Mitigates negative incentive effects:
  - Coverage: evasion, work, retirement
  - Saving and consumption



# Suggestions on Modeling & Reform Projections

- Take perpetuity time horizon
- Include all benefit and revenue flows
  - Include general revenue financing
- Undertake more sensitivity analysis
  - Stochastic simulation
- Do detailed distributional analysis including all revenues and benefits
- Be specific on economic responses to:
  - Declining workforce
  - Growing aging population
  - Falling benefits
  - Rising taxes



# Other suggestions:

- Specify if revenue subsidies to be raised, where from, when, how much, and likely economic impact?
  - Other cuts
  - Labor force/retirement responses
  - Evasion
- ✓ Same applies to other benefit programs
  - Healthcare for elderly
  - LTC
  - Public sector employee pensions
  - Others



# Conclusions:

- Japan has taken an important step forward in its 2004 reforms...
- But much work remains:
  - More transparency/simplicity;
  - Micro-panel database for distributional analysis, which all researchers can access;
  - Focus more on incentive effects;
  - Re-focus on two-tier old-age system:
    - Minimum subsistence for indigent; and
    - Contribution-linked system for workers, possibly NDC.

# Thank you!

*For more information:*

- Wharton's Pension Research Council:

<http://prc.wharton.upenn.edu/prc/prc.html>

- Books and working papers:

<http://rider.wharton.upenn.edu/~prc/publication.html>