

# Taste of Pie: Searching for Better Pension Provisions in Developed Countries

## Overview

The social security pension systems in developed countries are now quite unpopular, especially among the youth. Policymakers in these countries have been forced to reduce the generosity of the existing pay-as-you-go defined benefit pensions. Part of the lost benefits is replaced by pensions from funded defined contribution individual accounts, but many difficulties still remain.

When it comes to social security pensions, by far the most important question is whether or not they are worth buying. For funded occupational and personal pensions, investment risk, increased administration costs, annuitization and distributional concerns are still major obstacles. Missing are better instruments to minimize risks involved in the funded system.

No contributory pension scheme, public or private, PAYG or funded, DB or DC, can meet its objectives unless contributors comply. Contributors today are ultimately concerned with the *taste of pie*, rather than its size or its division. Are the pension provisions incentive-compatible? The problem of compliance must thus be solved.

This volume is devoted to searching for better pension provisions in developed countries. It contains reports on major developed countries including Australia, Canada, Germany, Italy, Japan, Singapore, Sweden, the United Kingdom and the United States. It also deals with critical pension reform issues.

This volume consists of papers presented at (or prepared for) several international seminars/workshops on pensions held at Tokyo from March 2001 to September 2002. The pension issue is one of PIE's most important themes. Japan has the world's highest elderly population proportion, and this situation will persist for more than 25 years into the future. As Japan therefore expects to encounter more serious problems with its pension system than any other country, Japan should take the initiative in this field.

The PIE works to bring together distinguished pension experts, compile global up-to-date pension information, and draw international comparisons by means of intensive research. It is expected that through the activities of the PIE, the Institute of

Economic Research, Hitotsubashi University will become established as a core information center of international standing, generating new insights on pension issues and laying foundations for future research.

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