Actuarial input into improving gender outcomes and strengthening intergenerational solidarity in pension provision

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Gender Outcomes
Poverty in retirement is particularly an issue for women. They have lower incomes and live longer.

Social security retirement systems can / do improve the situation but more can be done.

Actuarial analysis needed to identify the issues and appropriate reforms (eg minimum pensions, indexation, benefit formulae etc).

Social security benefits & financing can mitigate negative labour market impacts for women as well.
Theoretical net replacement rates are lower for women than men in China, Viet Nam, Malaysia, Indonesia, Singapore (also India, Pakistan and Sri Lanka).

Replacement Rate = Pension income as a % of earnings at / close to retirement

My pension is $200 and my last monthly earnings was $500 – my replacement rate is 40%

So already the design of the schemes / systems leads to worse outcomes for women.

But things are in reality much worse.
Actuarial Analysis to identify real situation

Theoretical Replacement Rate calculations hide true picture:
• Salaries lower for women so the absolute position is worse
• Less contributory service than for men
• Caring time not taken into account (with some exceptions)
• Lower employment rates particularly close to retirement
• Lower salary progression means women lose out in final salary systems
• Reduction in purchasing power over the years -> low / no indexation

External environment
• Lower second and third tier amounts
• Family structures changing
• Caring responsibilities -> impact of employment
1. Policy Measures

- Equalising retirement ages
- Career average salary schemes
- Reducing minimum service requirements
- Flexible contribution design
- Strengthening Tier 0 non-contributory pensions
- Regular income not Lump Sum
- Indexation
- Minimum pensions
2: ‘Proxy’ and Labour Market Measures

- Recognition of non-paid work
- Paid parental leave policies and care provision
- Increasing participation rates for older women
- Facilitating flexible / predictable working hours
- Improving coverage and adequacy in sectors where female workers are overrepresented
- Improving salary levels of female workers
### 3: Administrative measures

- Access to benefit information
- Affiliation and contribution payment procedures improved
- Claiming benefits
- Payment of benefits
- Coordination with other agencies
- Work with representatives of sectors where women are overrepresented
In short - Promote the Good and Avoid the Bad

**Positive impact**

- Minimum pension
- Benefit formula changes
- Credit for caring
- Labour market measures
- Administration / communication to improve affiliation rates

**Negative Impact**

- Too high service requirements
- No or low indexation
- Back loaded accrual
- Low social security scheme coverage
Actuarial Valuations essential input into evidenced based policy

An actuarial valuation is a projection of future cashflows of a social security scheme using appropriate data and assumptions.

They assess the current and future financial situation of existing schemes, to cost new schemes and to assess and recommend appropriate reforms.

The analysis includes assessment of adequacy of benefits and their distribution as well as coverage levels and financial sustainability.

The valuation must be carried out regularly by an actuary and conform to professional standards.
Intergenerational equity – requires appropriate pension financing

Essential to follow recommendations in the Actuarial Valuation Report

General average premium (GAP): constant contribution rate to finance the scheme over 100 years.

This graphic shows ‘political trap’ which favours the elderly.

PAYG rate of the scheme steadily increasing over time.

Don’t forget the inequality!
Thank you