

Session 2:
**Sustainability of social security
systems and pension schemes**

COMMITMENT:

“Adjust Social Protection Systems in Response to Demographic Changes and their Social and Economic Consequences”

balance ratio: $\frac{\text{assets}}{\text{liabilities}}$

Factors that Influence the Ratio:

- Demographic
- Welfare and income
- Labor markets and LFP
- Financial stability from a fiscal perspective

“Cross-cutting” Considerations:

- L. Kotlikoff: we cannot look at social security separately
- Outcome vs instrumental indicators debate:
need to consider also the incentive structure

Instrumental Indicators:

- One of the policy objectives under this commitment:

“Establish or develop a regulatory framework for occupational and private pension provision”

Demographic indicators:

- Indicators on the length of life
- Indicators on the age distribution (“dependency” ratios)
- Indicators on fertility
- Indicators on disruptions in cohort flows
- Indicators on household composition

Indicators on the length of life:

- Indicators for the “minimum set”:
life expectancy at ages 0, 65, 80
at effective and statutory retirement ages
- Source: WHO Life Tables project

Indicators on age distributions:

- Indicators for the “minimum set”:
“dependency” ratios are meaningful!
choose appropriate ages
- Source: National sources, *UN Estimates and Projections*

Indicators on fertility:

- Indicators for the “minimum set”:
- Source: National sources, *UN Estimates and Projections*

Indicators on disruptions in cohort flows:

- Indicators for the “minimum set”:
Flags for “demographic shocks” (baby booms and busts; cohorts affected by life cycle disruptions)
- Source: National sources

Indicators on household composition:

- Indicators for the “minimum set”:
none
- Source: National sources