

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

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11th October 2023, Bangkok

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 aswell

Current situation

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%

Theoretical net replacement rates are lower for women than men in China, Viet Nam, Malaysia, Indonesia, Singapore (also India, Pakistan and Sri Lanka)

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

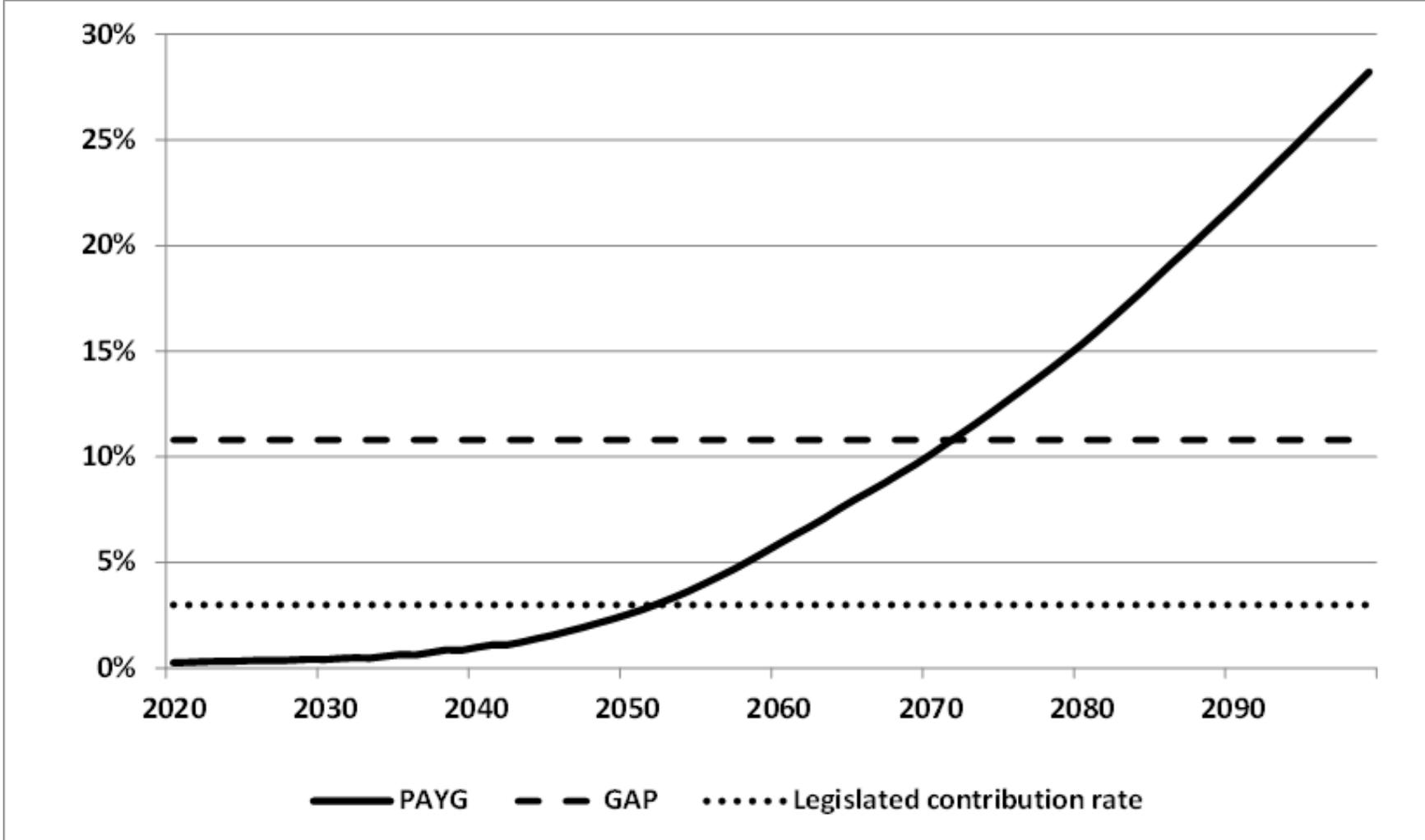
They assess the current and future financial situation of existing schemes, to cost new schemes and to assess and recommend appropriate reforms

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



PAYG rate of the scheme steadily increasing over time.

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

This graphic shows 'political trap' which favours the elderly

Don't forget the inequality !



Thank you

