

Synopsis of the Lecture

Good Pension Design

The primary objective of pensions is economic security in old age, achieved through consumption smoothing, insurance, and poverty relief. The objective involves risk-sharing and redistribution within and across generations.

Complications for pension design come from diversity in labor market experiences, particularly from informality and gender roles, and from economic and demographic risks to the system. Moreover, markets are incomplete, and so limited in their ability to provide insurance. Also important is the observation that imperfect consumer information and imperfect decision making in asset markets are widespread and they influence the nature of private asset supply.

Analysis should consider pension systems as a whole, and focus on second-best considerations. The talk will discuss the pension systems in several countries that are generally viewed as having good systems. These systems have different combinations of pension plans in order to address the multiple aspects of providing economic security in old age. Discussion will include defined-contribution and defined-benefit plans as well as hybrids that have been adopted or are under analysis.