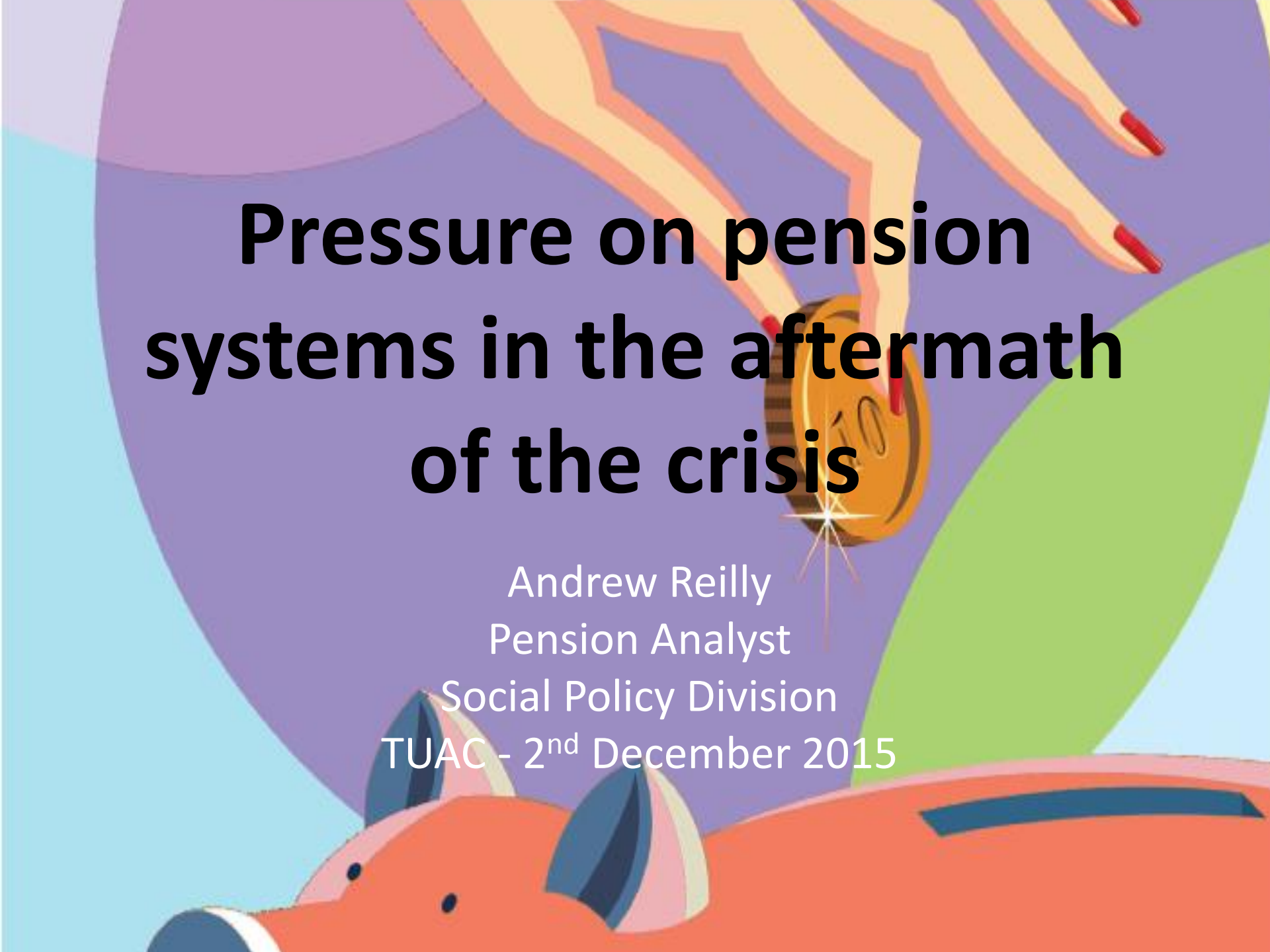
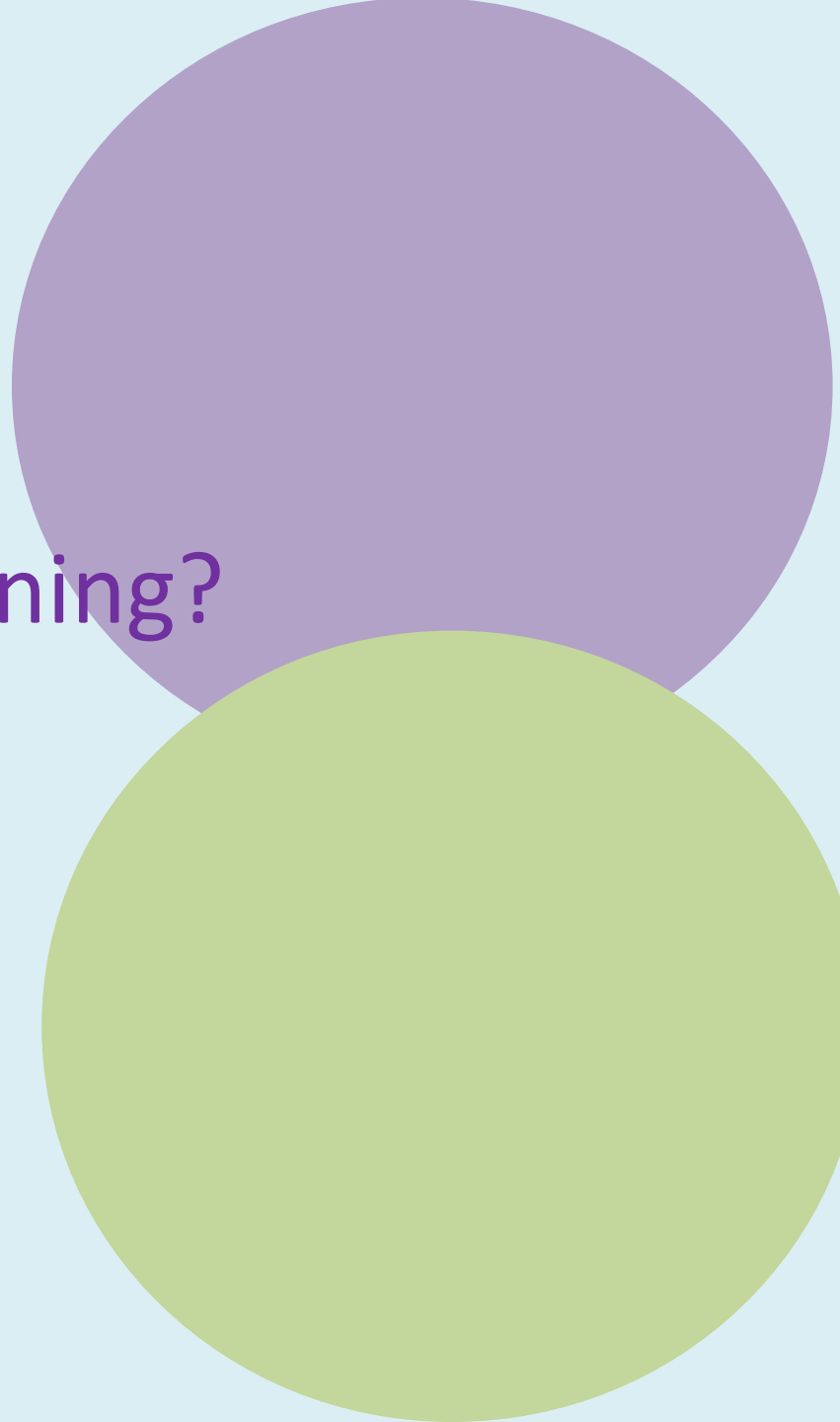


A stylized illustration in the background shows a hand with red-painted nails dropping a gold coin into a red piggy bank. The coin is shown in mid-air with a small starburst effect. The piggy bank is orange-red with a blue slot on top. The background is composed of large, soft-edged shapes in shades of purple, blue, and green.

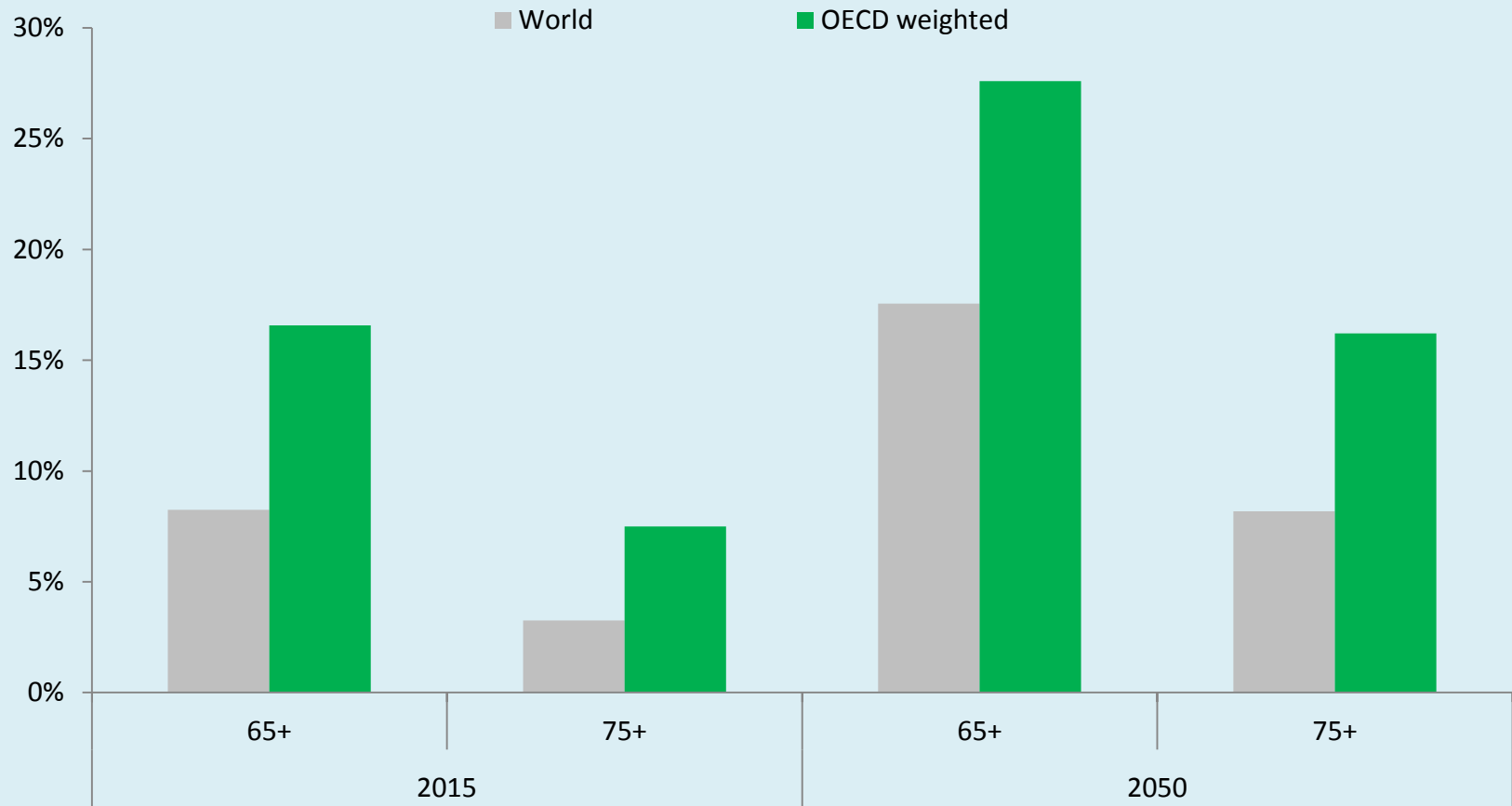
Pressure on pension systems in the aftermath of the crisis

Andrew Reilly
Pension Analyst
Social Policy Division
TUAC - 2nd December 2015

What is happening?

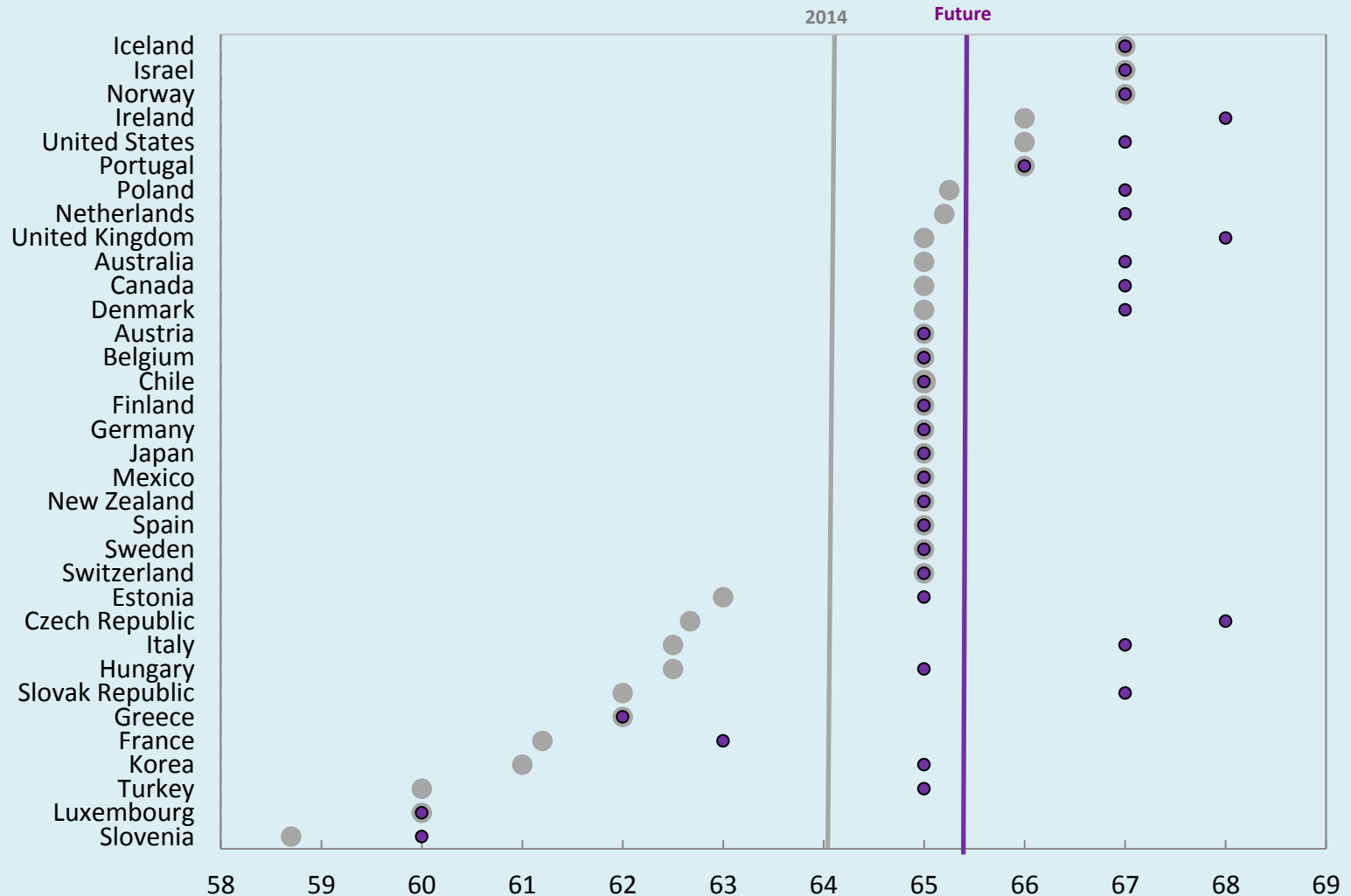


Population are continuing to age



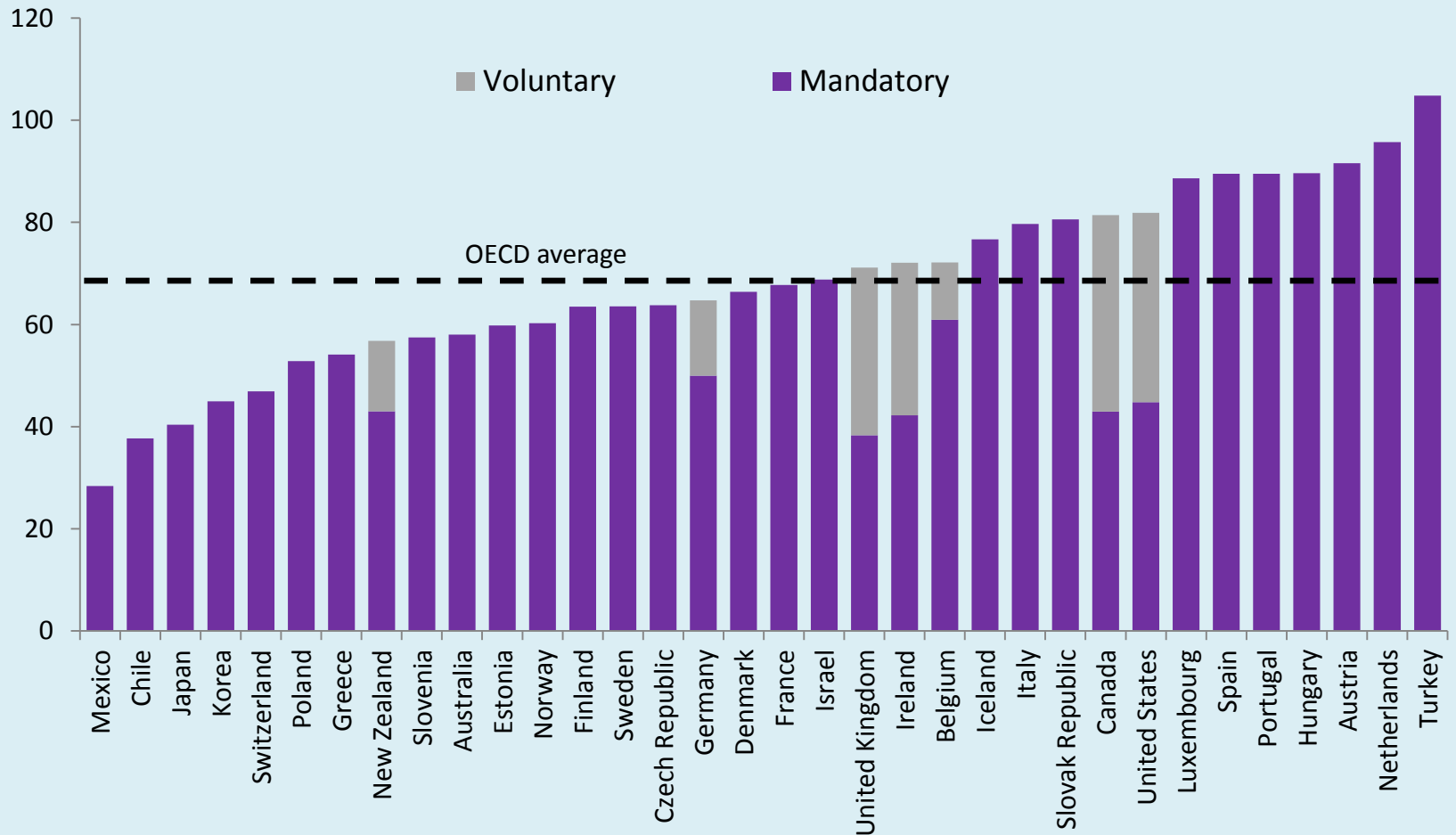
Source: United Nations Population Prospects, 2012

So retirement ages will increase



But full career workers will have above average replacement rates

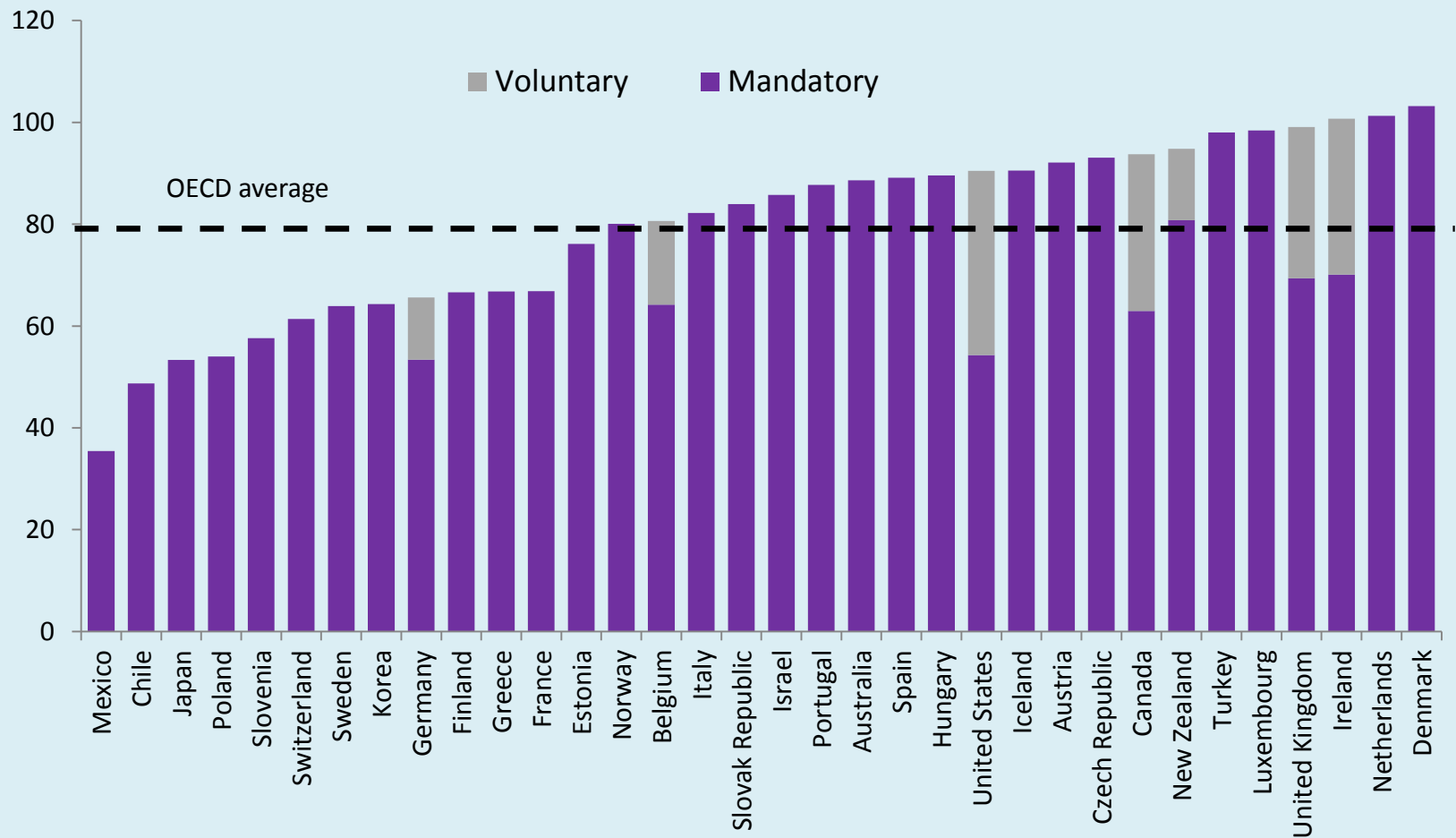
Net pension replacement rate for average earners, as % of individual earnings



Source: OECD pension models

And it will look even better for low earners

Net pension replacement rate for 50% average earners, as % of individual earnings



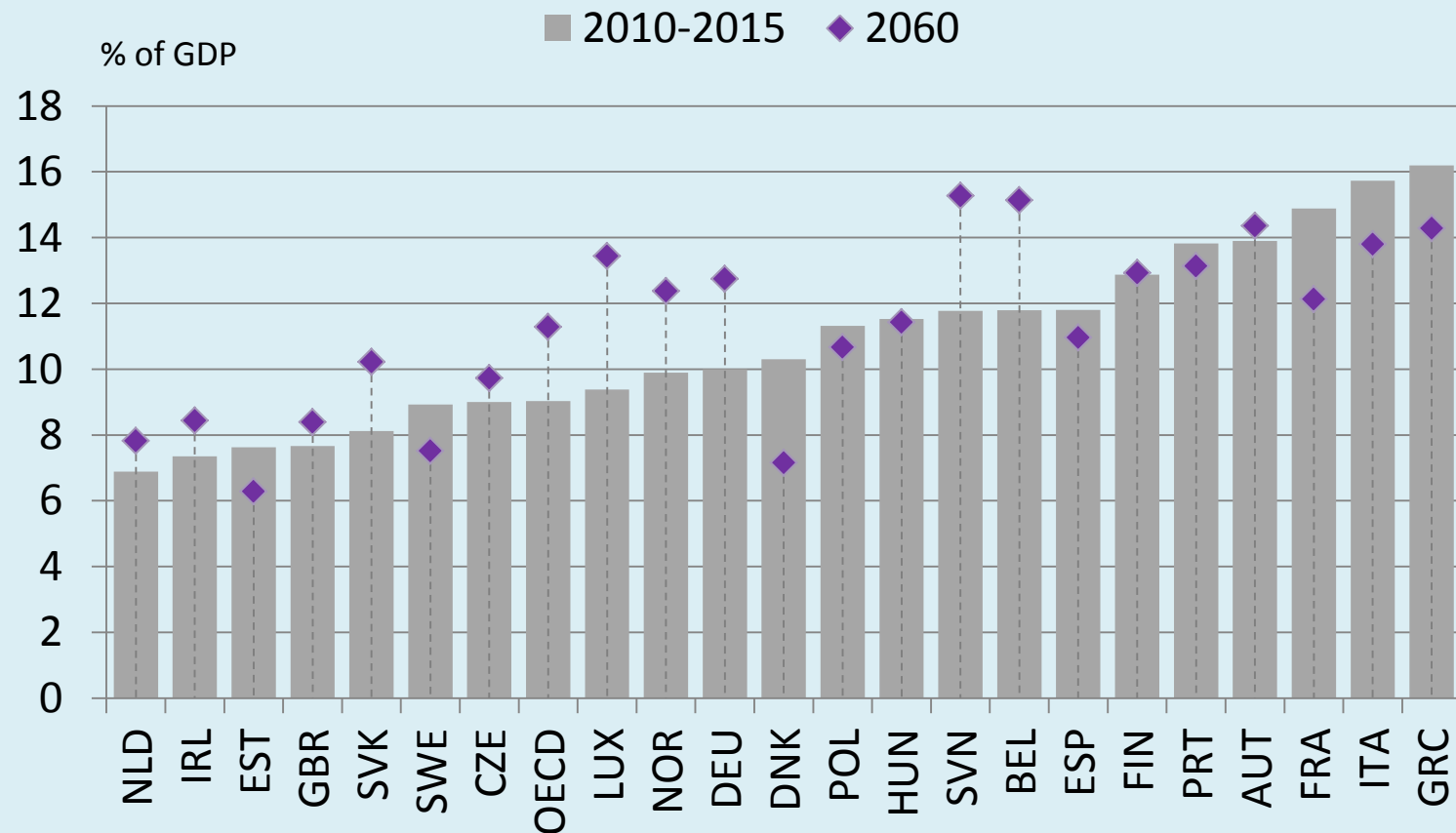
Financial pressures have recently increased

Pre- and post-crisis government gross financial liabilities, 2007 and 2014 (or latest year available) - % GDP



Source: OECD (2015), *OECD Economic Outlook 97 Database*, <http://dx.doi.org/10.1787/eo-data-en>.

But expenditure is predicted to stabilise in many countries



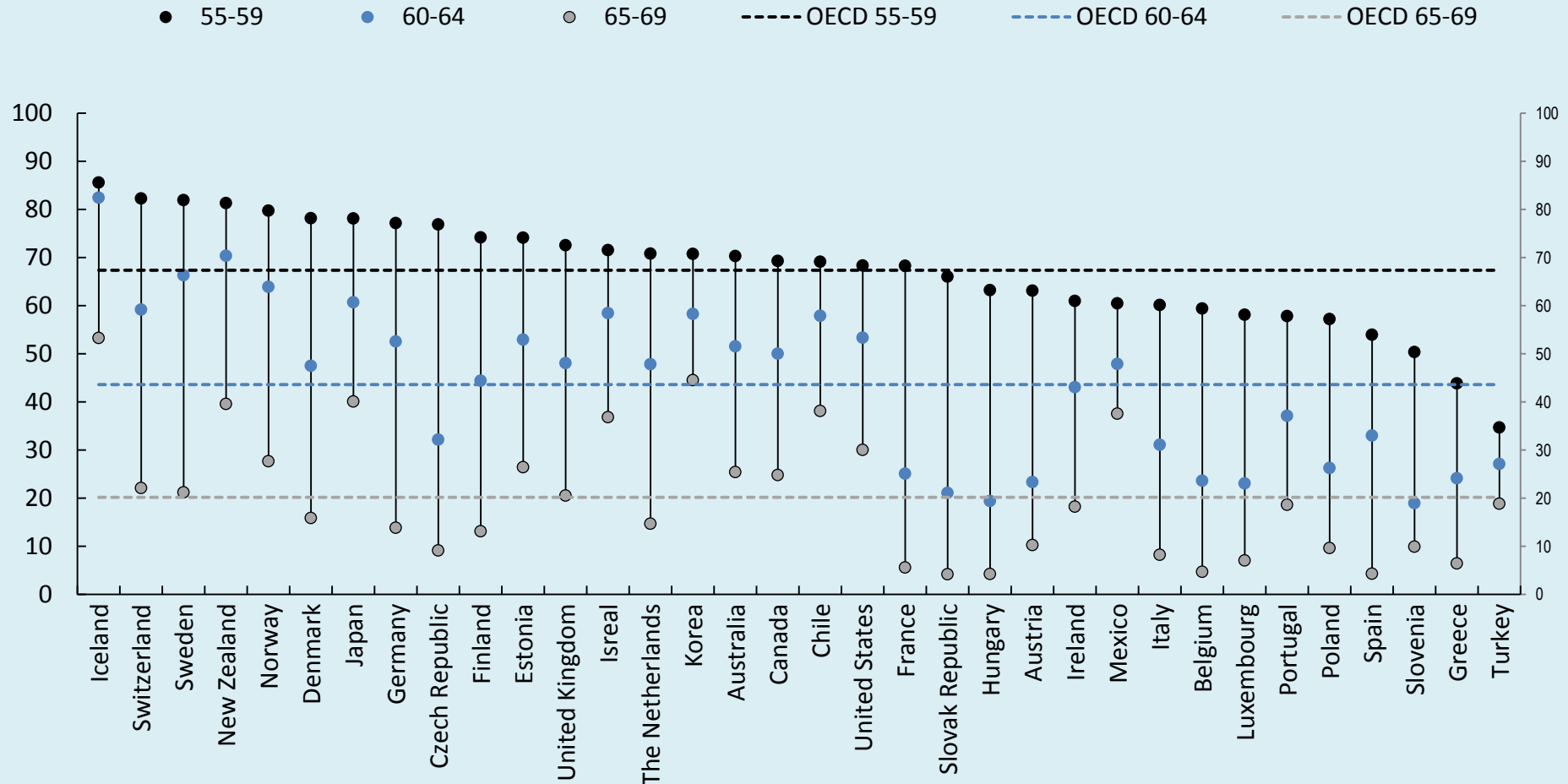
Source: European Commission, *The 2015 Ageing Report*



But what if everything
doesn't go according to plan?

Many workers are not employed, particularly in the older groups

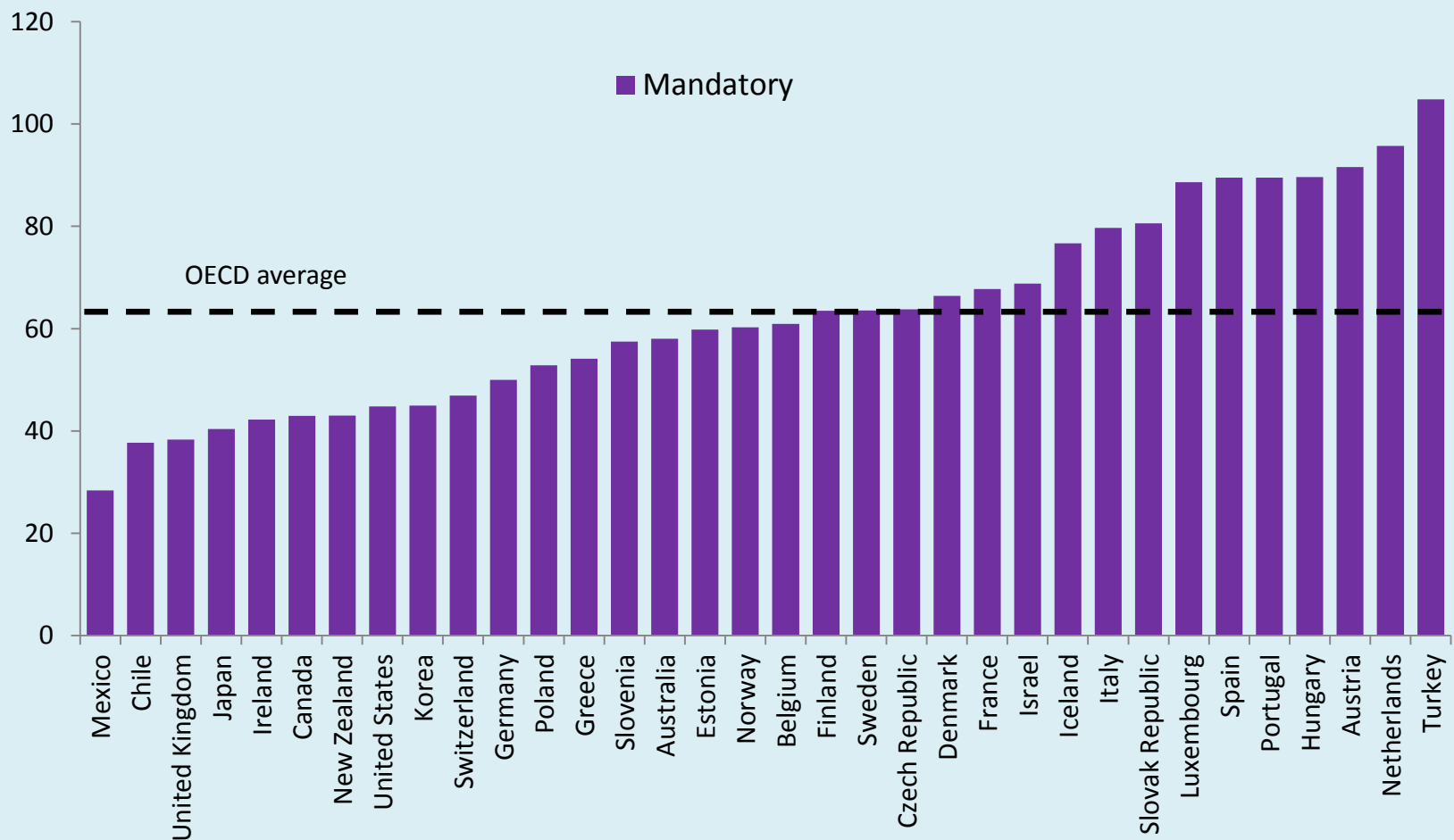
Employment rates of workers aged 55-69, 2014



Source: OECD Employment Outlook 2015.

And with no voluntary pension it doesn't look so good, particularly for average earners

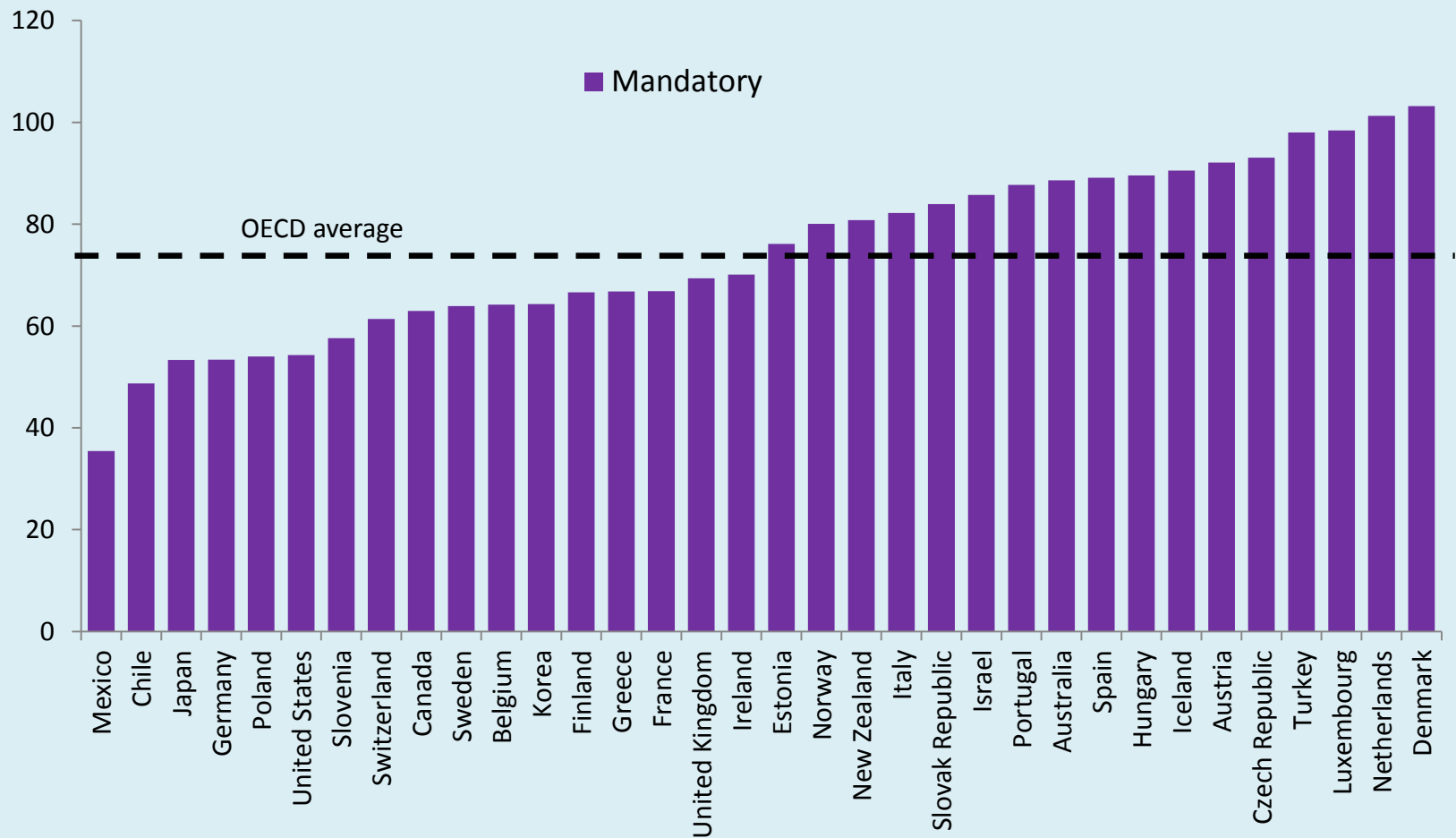
Net pension replacement rate for average earners, as % of individual earnings



Source: OECD pension models

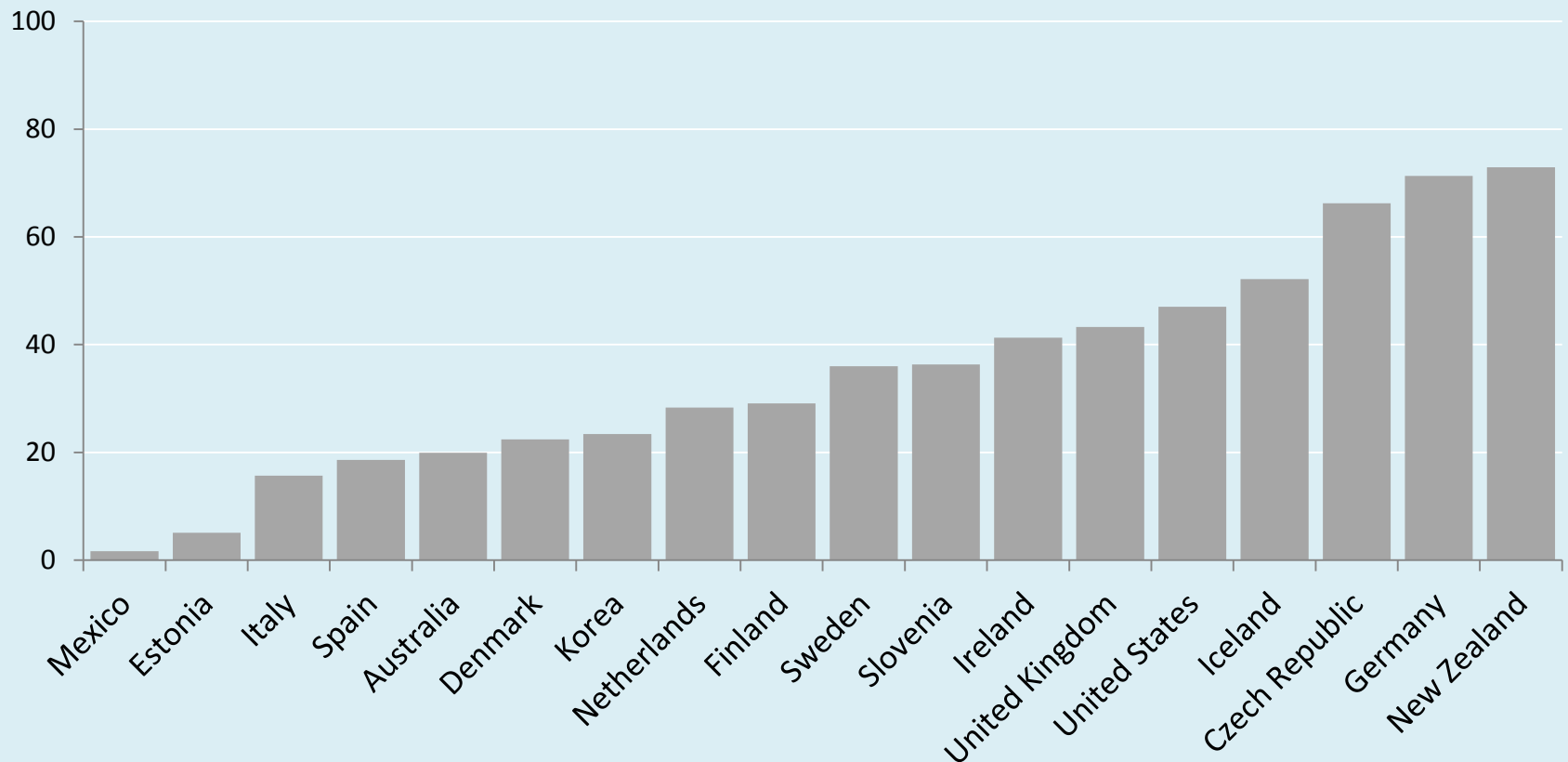
But also for low earners

Net pension replacement rate for 50% average earners, as % of individual earnings



And with low coverage rates this may become a reality

Coverage of private pension schemes as a percentage of those aged 15-64, 2013

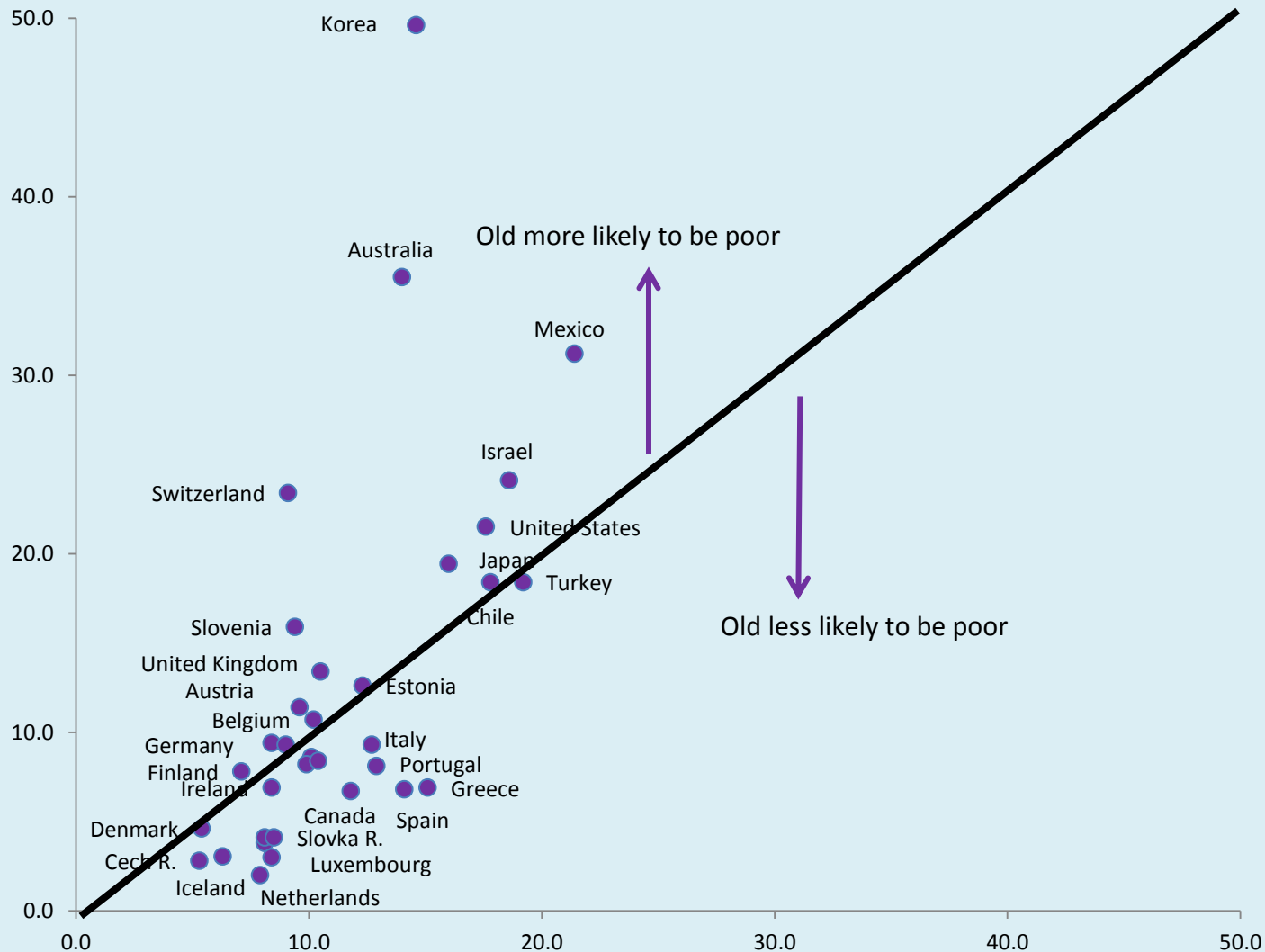


Source: Estimates from OECD Global Pension Statistics and OECD calculations using survey data

And safety-nets may not be able to help



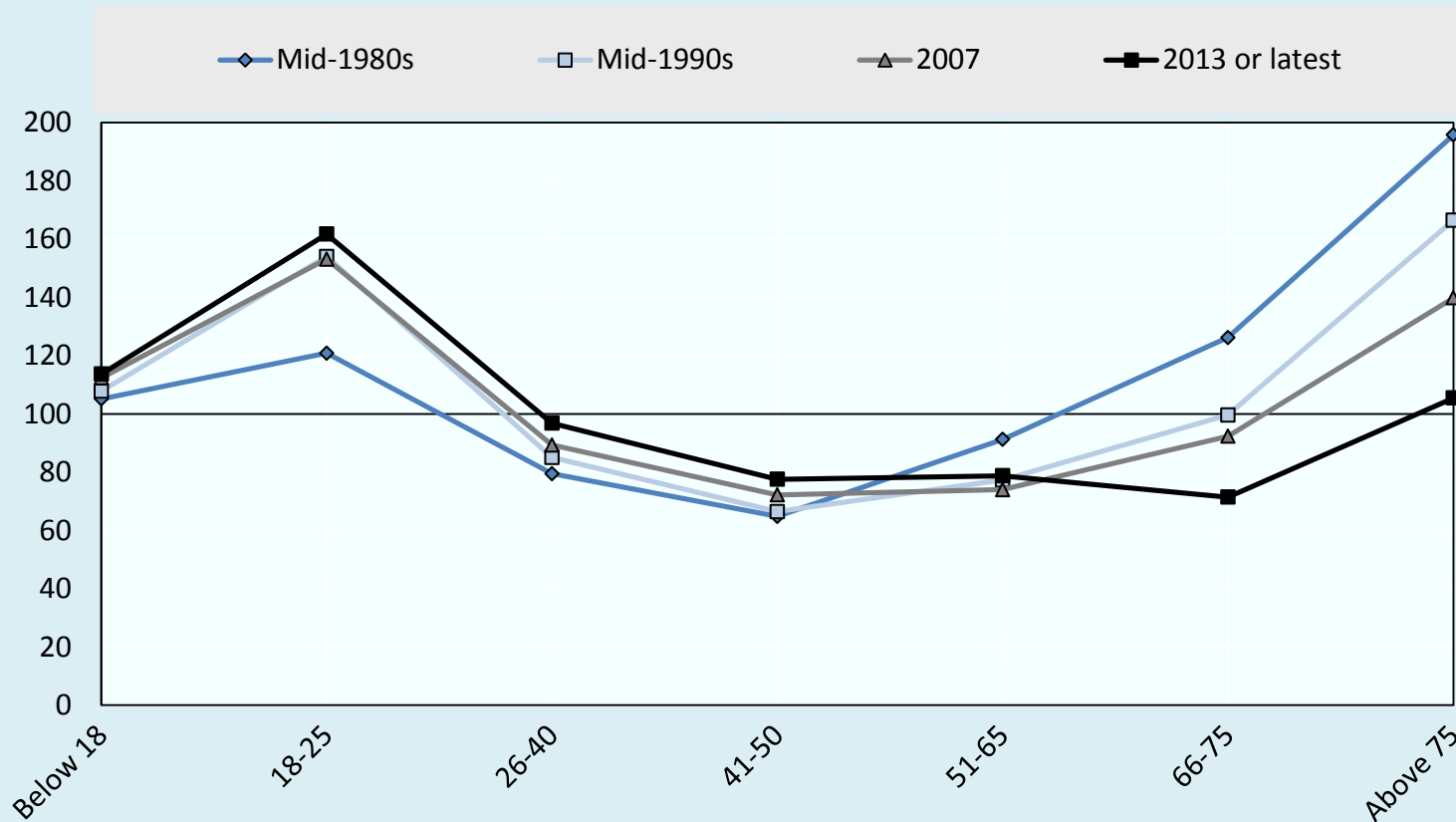
So elderly poverty issues could remain



Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm.

But risks have been shifting to the young

Poverty rates for each age group relative to population's



Relative poverty rate of the population in each year = 100

Conclusion

- Potentially high replacement rates in many countries, particularly for low earners
- But without additional savings, entitlement to only the mandatory pension will leave many individuals in poverty

**Pensions
at a Glance**

Pensions at a Glance

**Pensions at a Glance
2009**

**Pensions at a Glance
2011**

RETIREMENT-INCOME SYSTEMS IN OECD
AND G20 COUNTRIES

**Pensions at a Glance
2013**

OECD AND G20 INDICATORS

Pensions at a Glance 2015

OECD AND G20 INDICATORS

Pensions at a Glance 2015
OECD and G20 Indicators

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