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OVERVIEW OF PENSIONS AT A GLANCE 2015

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BETTER POLICIES FOR BETTER LIVES

Pensions at a Glance, 2015

- Launch date: 1 December 2015

- Wide set of indicators including projected pensions replacement rates, and country profiles of pension systems across OECD and G20 countries

- Chapter 1: Recent pension reforms
- Chapter 2: The role of first-tier pensions
- Chapter 3: How incomplete careers affect pension entitlements
- Chapter 4: Sensitivity of replacement rates to the model parameters

Recent pension reforms (1)

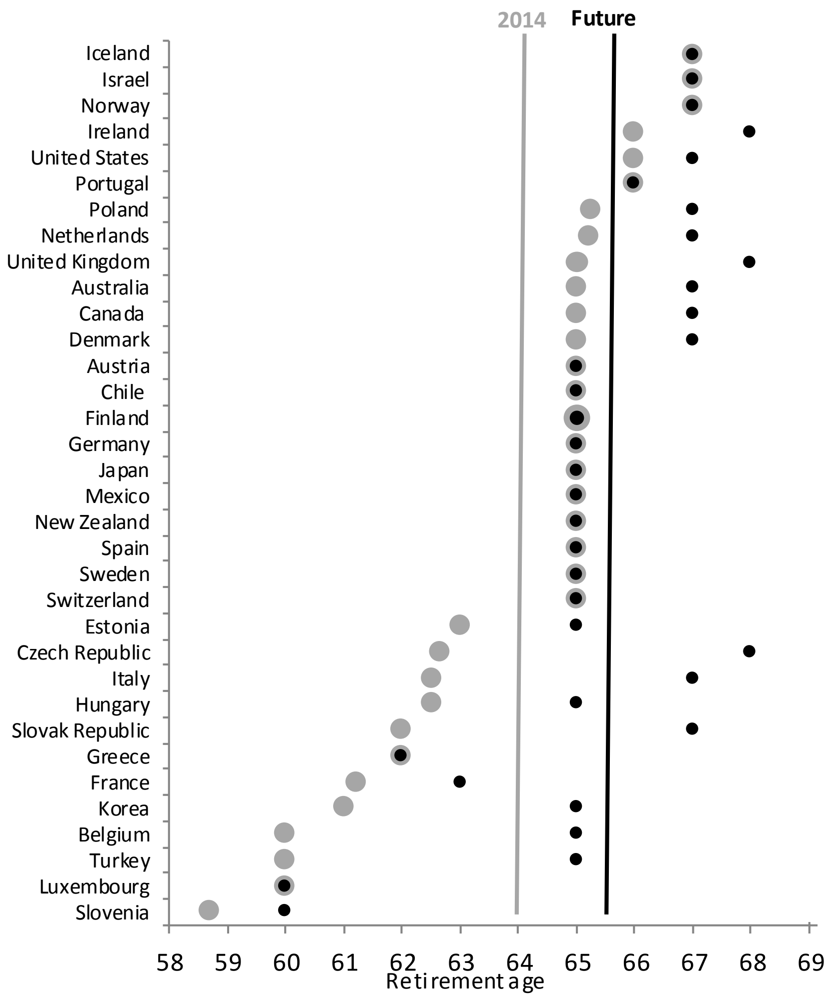
- Three out of four OECD countries implemented pension measures over the last 2 years, half of which undertook broad reforms

- Improving financial sustainability of pensions was the priority given widespread fiscal consolidation needs and the increasing impact of population ageing

- Main focus was on increasing working lives: higher statutory retirement ages, tighter early retirement, financial incentives and greater possibility to combine work and pensions

Current and future retirement ages

For a full-career man entering the labour market at age 20 .



The retirement age will increase from 64 years on average in the OECD in 2014 to 65.5 years in the mid-2050s based on current legislation.

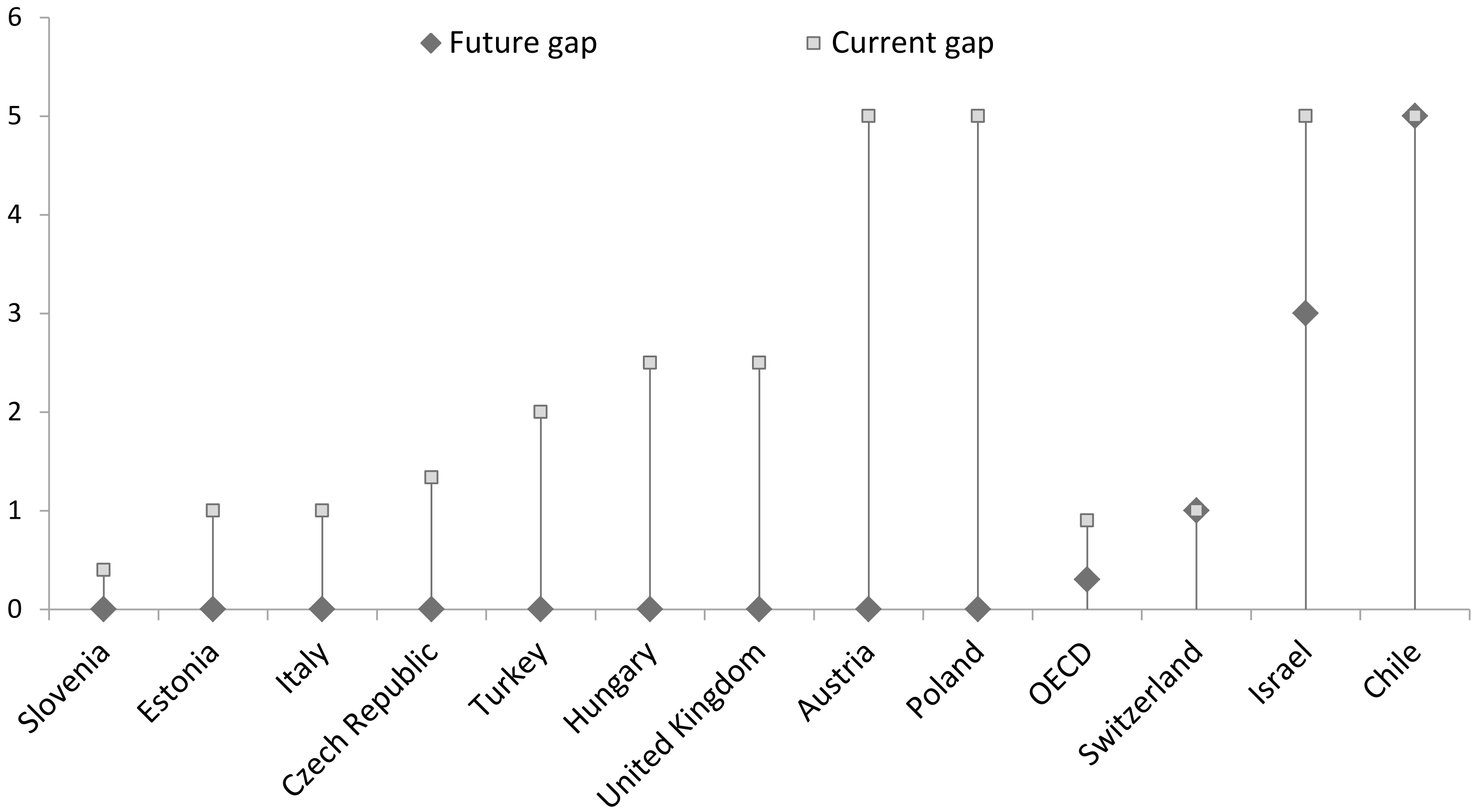
Men entering the labour market at age 20 will still be able to retire with a full pension before age 65 in Slovenia, Luxembourg, Greece and France.

Only in Chile, Israel and Switzerland will women be able to retire before men.

Source: OECD Pensions at a Glance 2014 forthcoming December 2015

Current and future retirement-age gap between men and women

For a full-career worker entering the labour market at age 20

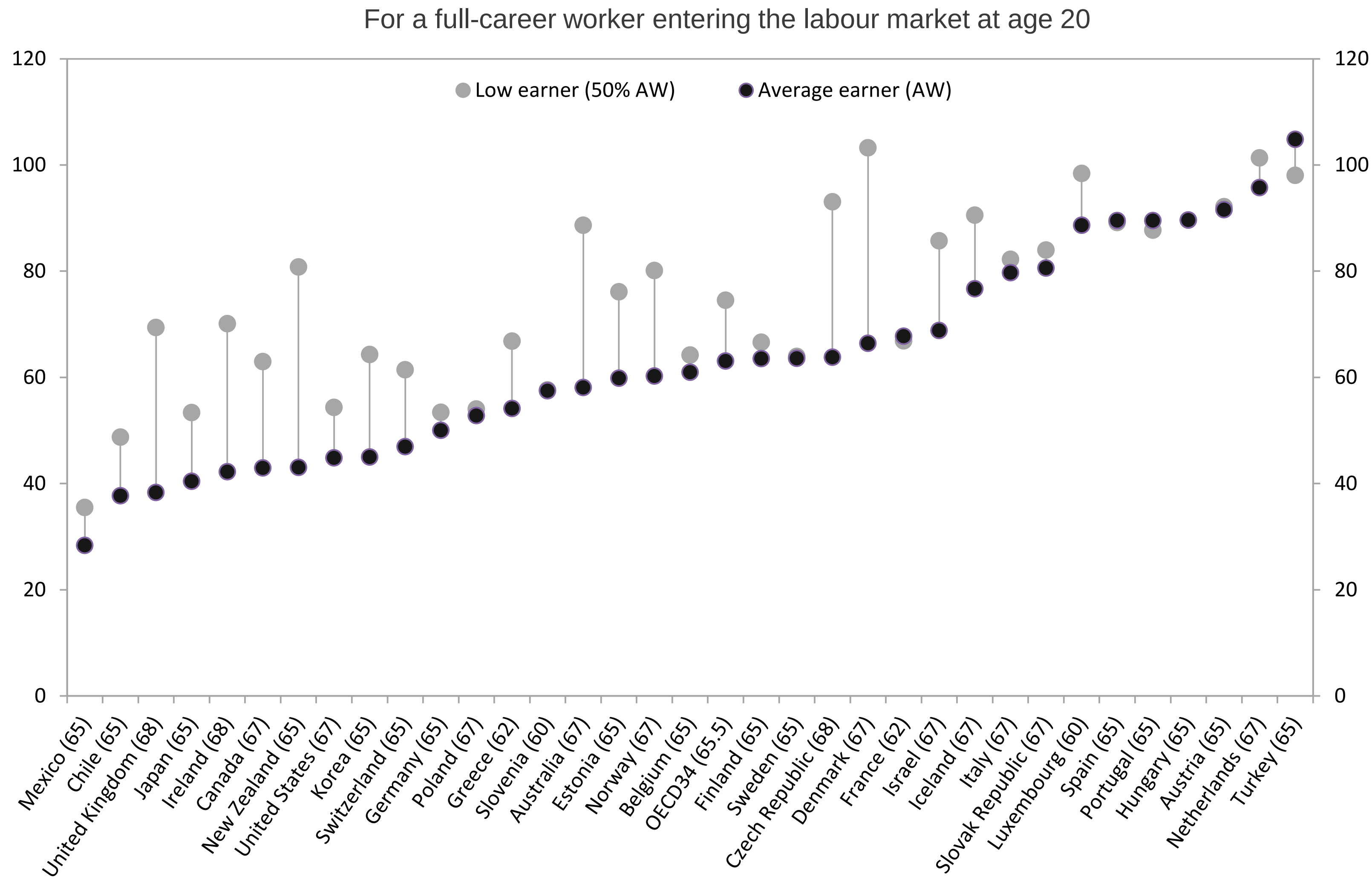


Source: OECD Pensions at a Glance 2014 forthcoming December 2015

Recent pension reforms (2)

- Benefit cuts most often occured implicitly through less generous indexation of pensions
- Financial balances were also improved by raising taxes or contribution rates in DB schemes
- 11 countries have managed to improve retirement income adequacy at least for some population groups through: higher targetd benefits; lower impact of missing contribution years; higher contribution rates in DC plans; and measures to increase the coverage of voluntary private pensions

Future net replacement rates



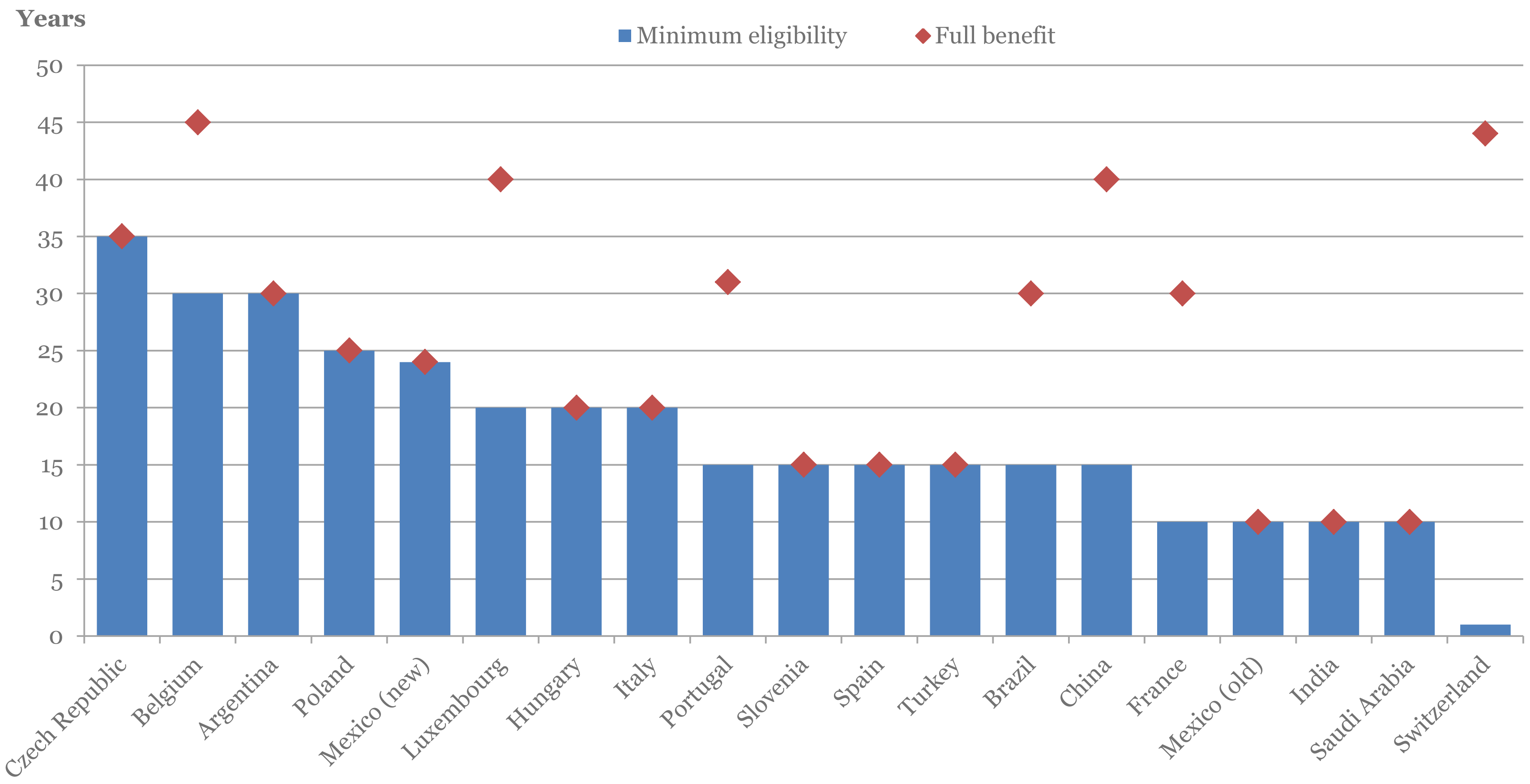
Source: OECD Pensions at a Glance 2014 forthcoming December 2015

Role of first-tier pensions (2)

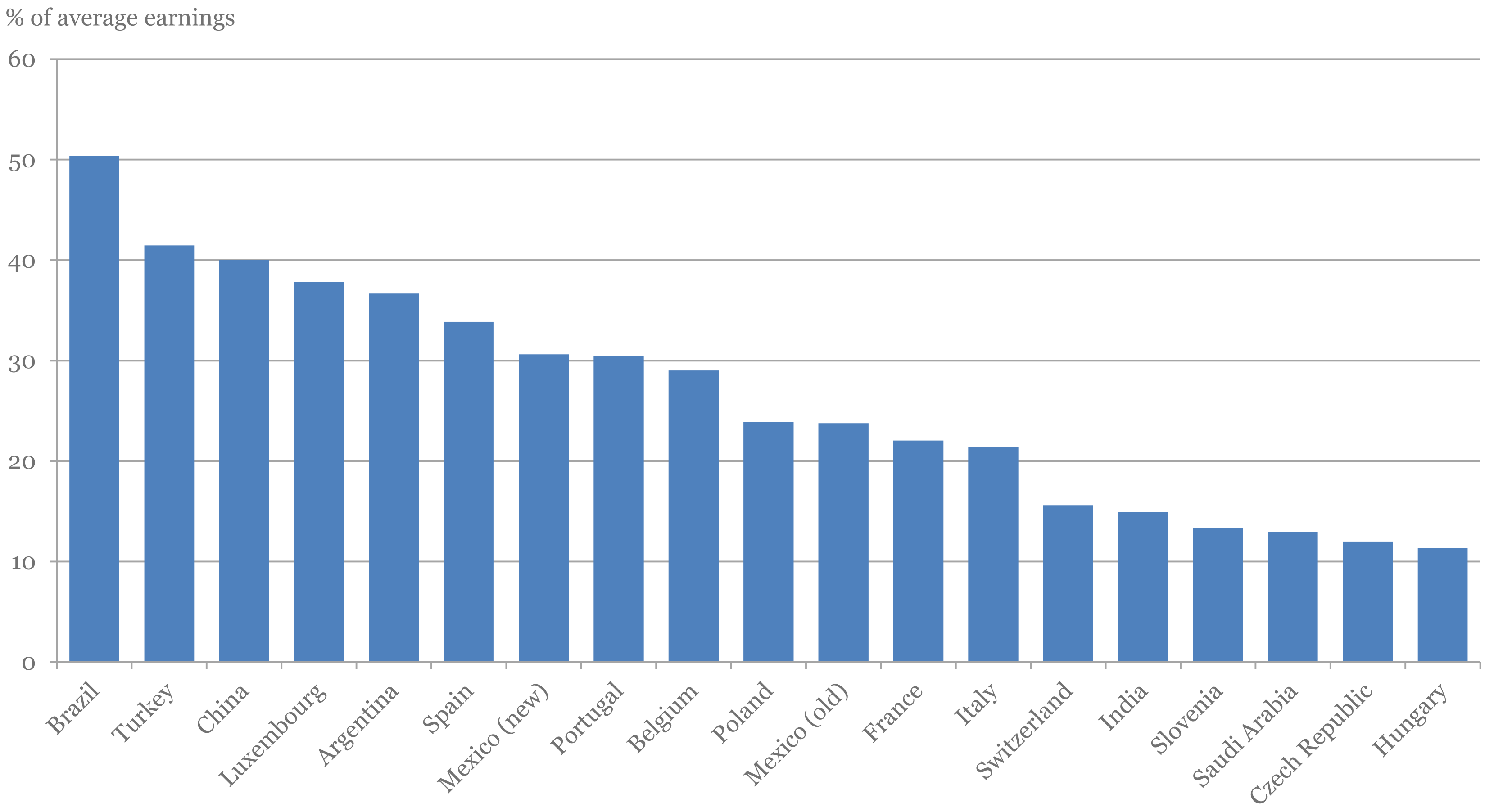
- First-tier pensions exist in all countries but their structure and value vary considerably between countries

- One-half of OECD countries provide a basic pension while one-third of countries have a minimum pension within their earnings-related schemes

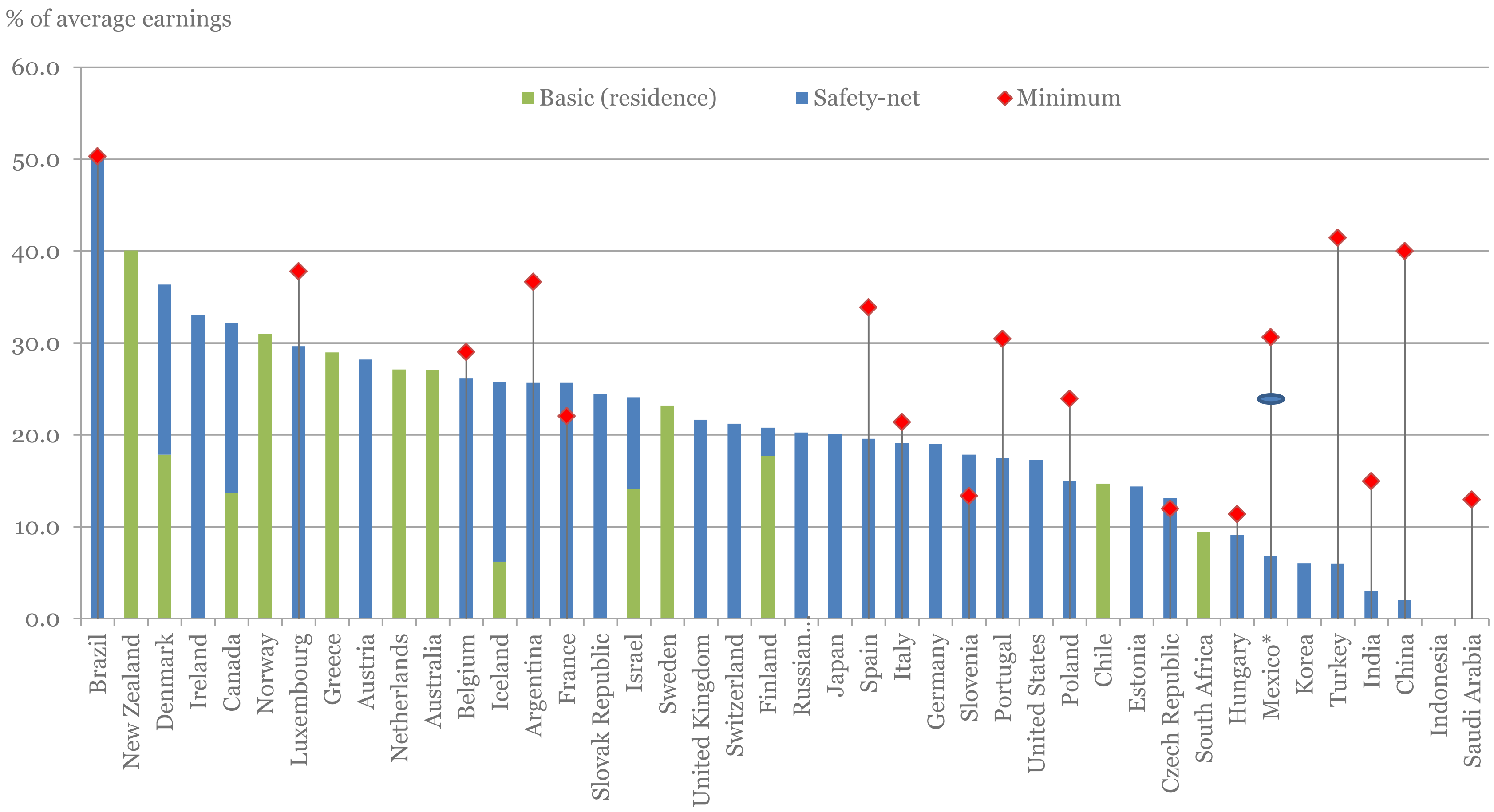
Years required for minimum pension



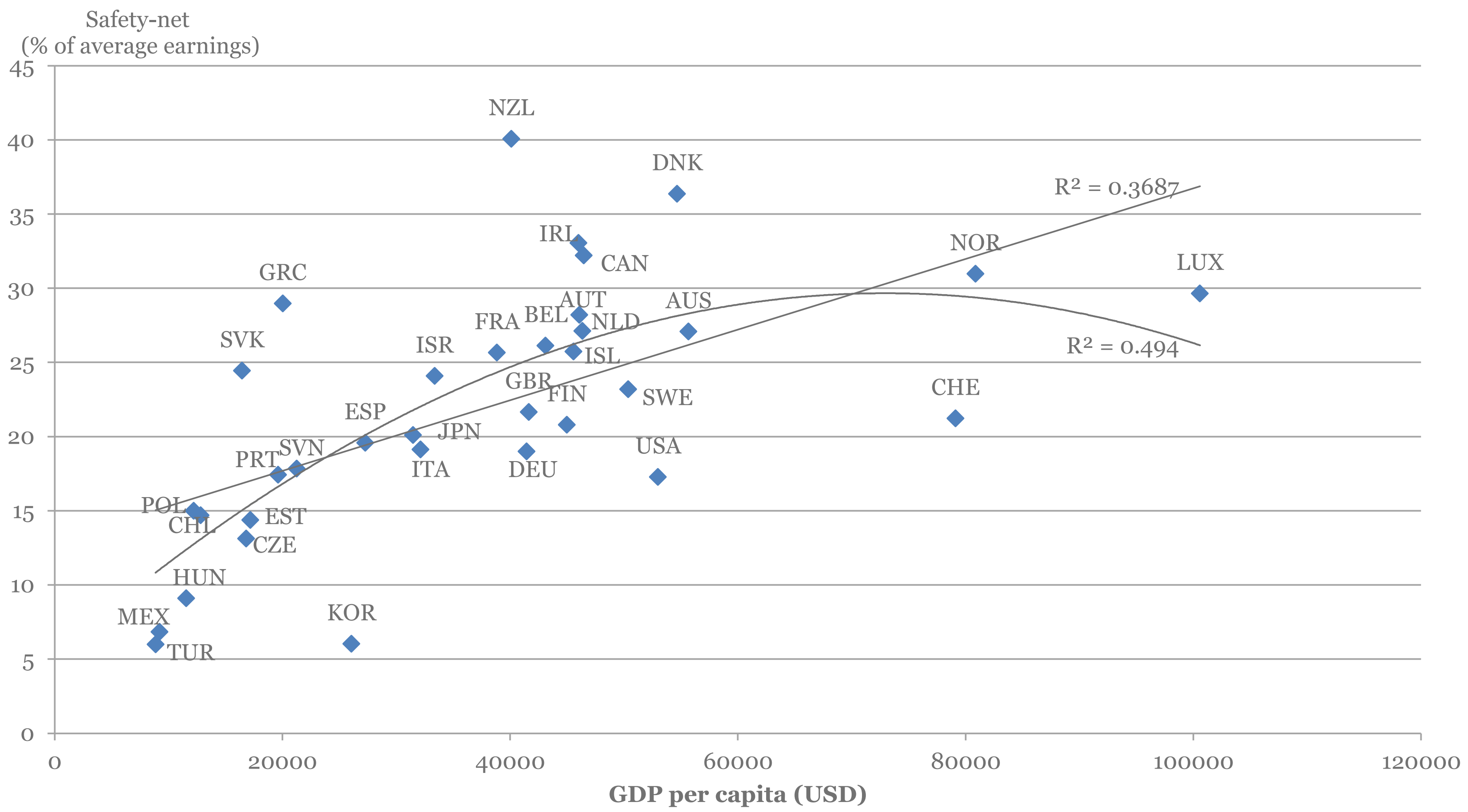
Full minimum pensions, % of average earnings



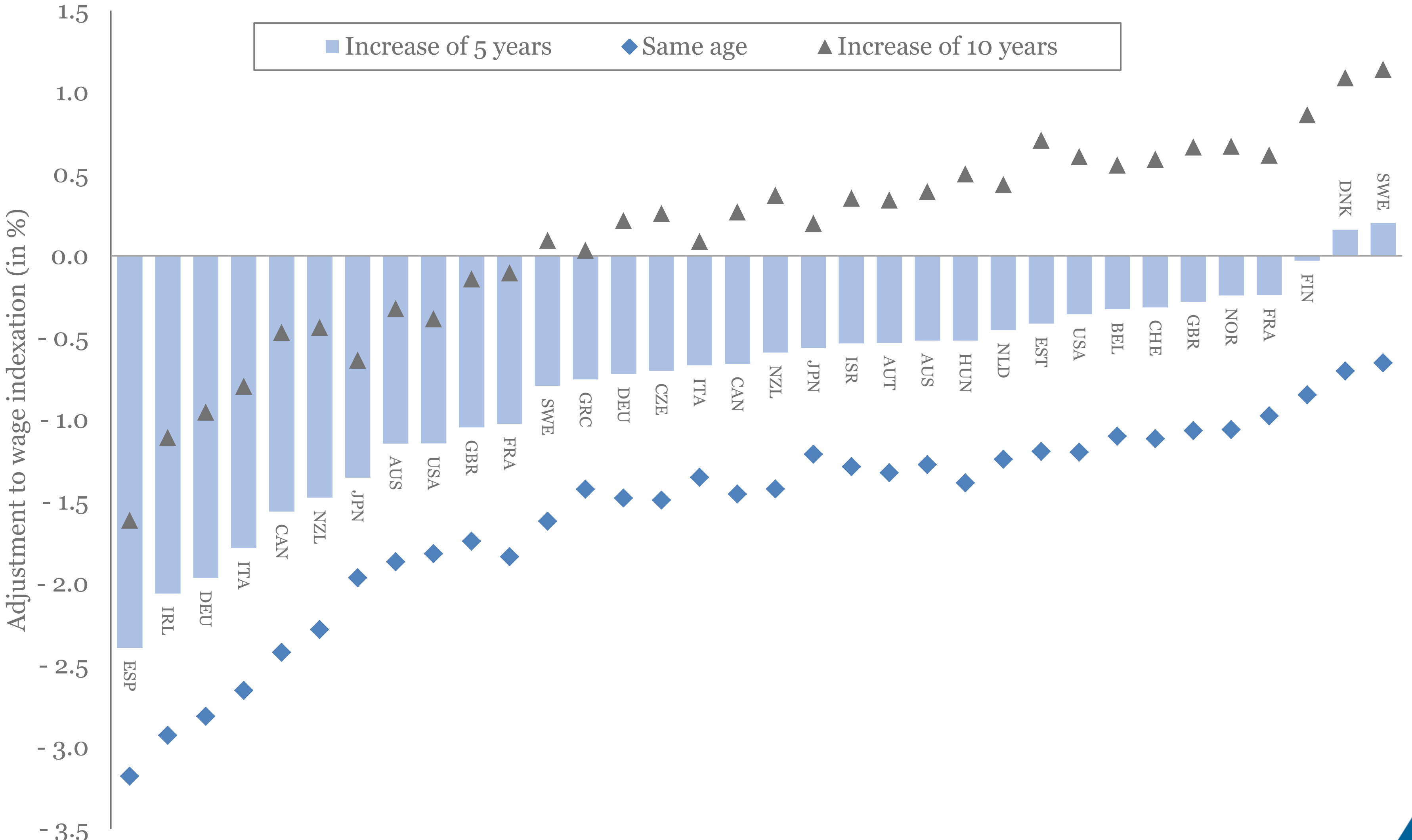
Value of first-tier benefits



Safety-net benefits vs GDP per capita



Indexation of first-tier pensions to stabilise expenditure (% of GDP), 2015-60



Impact of incomplete careers (3)

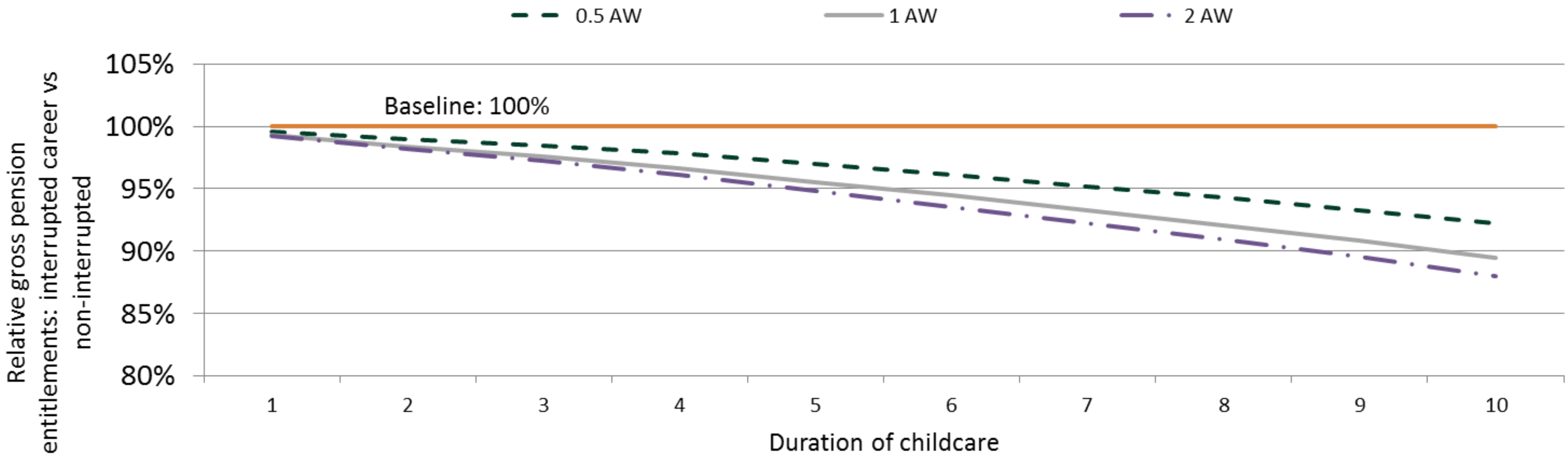
- **Different mechanisms** cushioned the impact on pensions :
- pension credits in earnings-related pension systems
- residence-based basic pensions and contributory schemes based on relatively short contribution
- benefit calculation formulae based on highly redistributive pension schemes

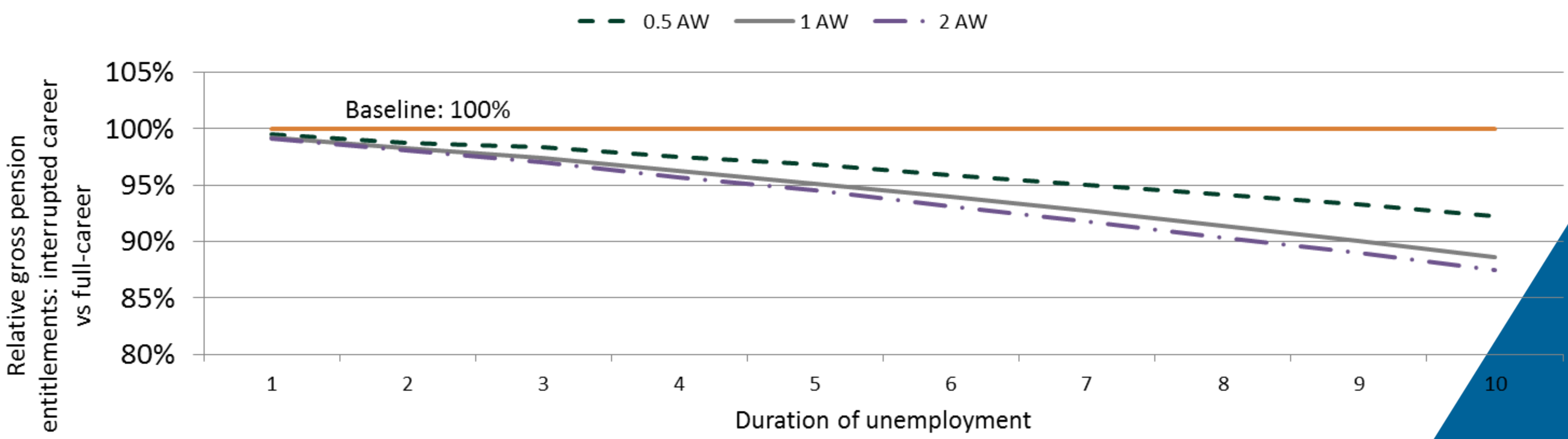
- **Every year without a job** leads to slightly more than a **1% drop** in old-age pension on average

- This means that **pension systems play a key role in offsetting the potential losses** due to interrupted employment

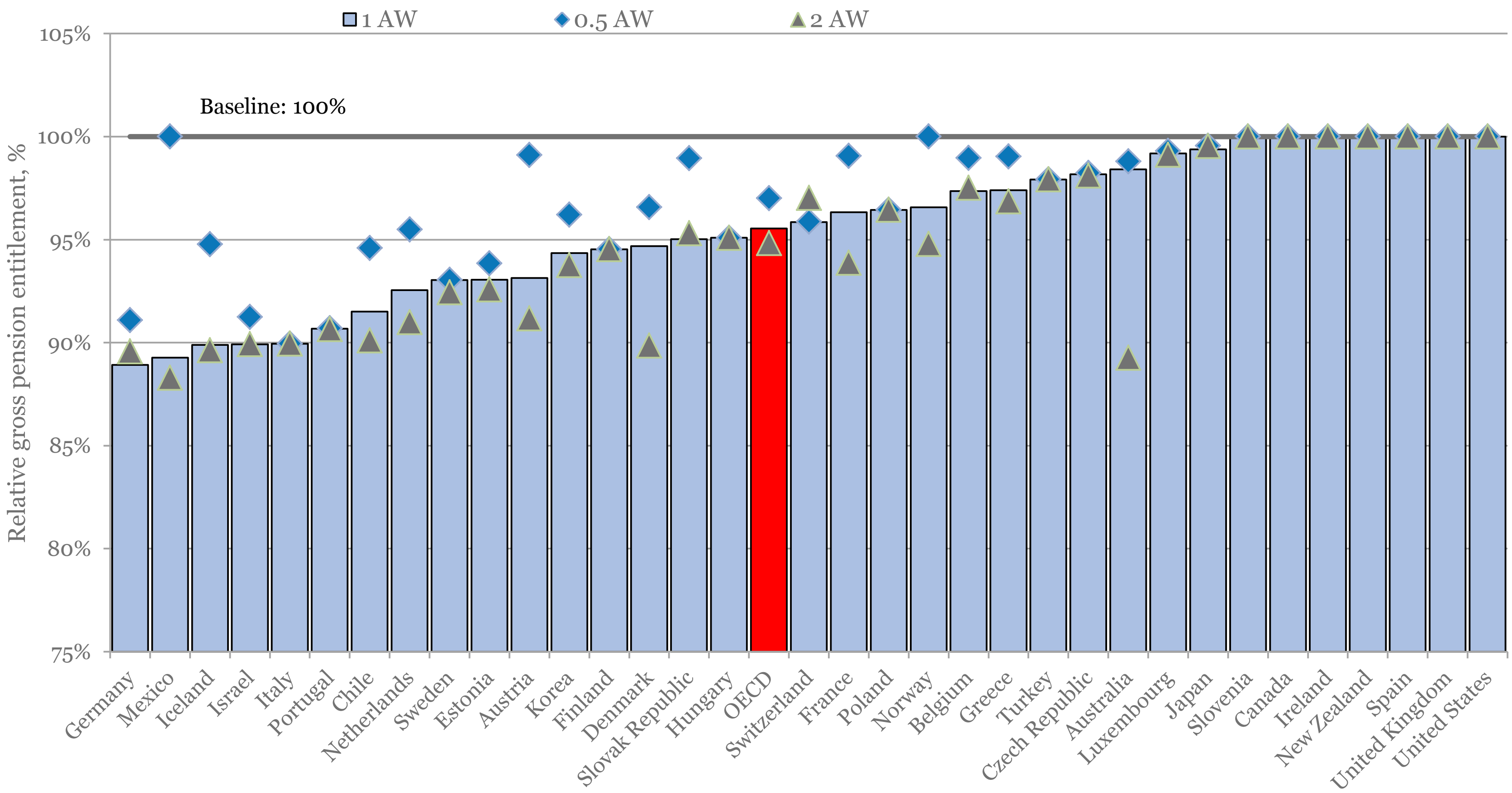
- In the absence of any redistribution, the pension would fall by **2-2.5%** based on the economic assumptions used in the OECD model

Labour market breaks are well covered

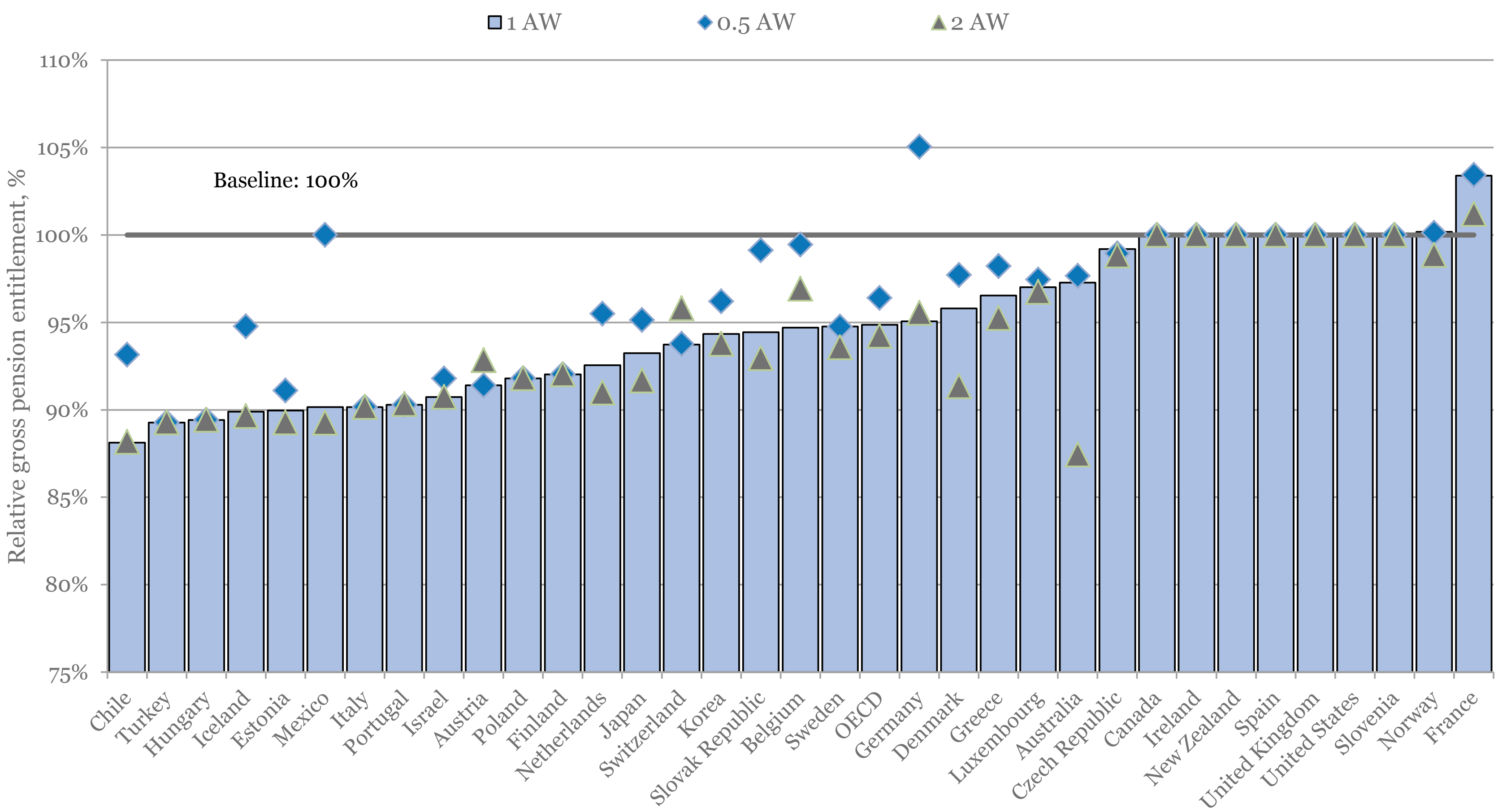




Pension entitlements of low-, average-, and high-earning mothers who interrupt their careers for five years versus those with unbroken careers



Gross pension entitlements of low-, average-, and high-earning workers with unemployment-related five-year career breaks versus workers with unbroken careers



Pensions at a Glance 2015
OECD and G20 Indicators

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