



Spotlight on pensions and the crisis

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European Parliament,
Special Committee on the Financial,
Economic and Social Crisis (CRIS)
Brussels, January 2010



Financial Times:

Strains in pension systems – both public and private – threaten to turn the financial crisis of the last two years into a social crisis lasting decades, the OECD warned in its annual analysis of the health of pension systems.

Chris Giles

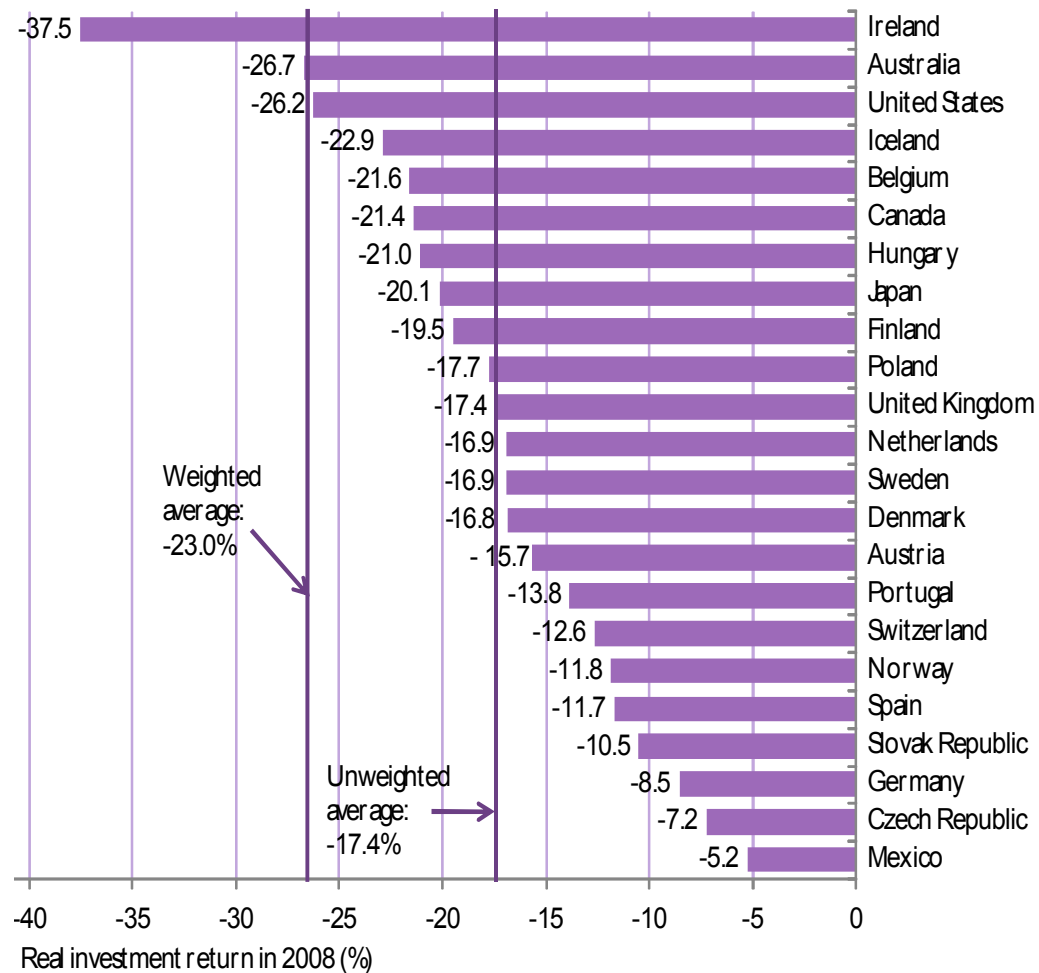
Economics Editor

24 June, 2009

It started as a financial crisis.

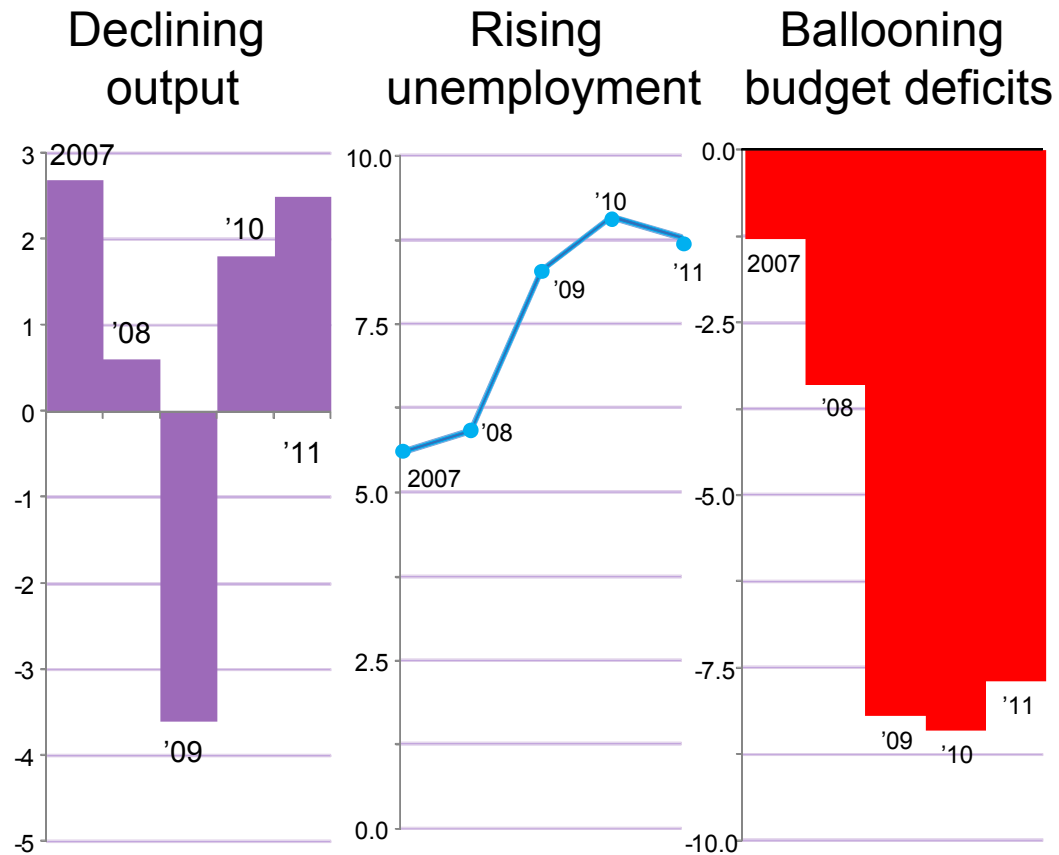
This had a direct effect on people's private pensions and other retirement savings

Pension funds' real returns in 2008



But it became an economic crisis.

Higher unemployment and pressure on wages cuts revenues from taxes and contributions



No country, no pension system is immune from the effects of the crisis

Impact is greatest...

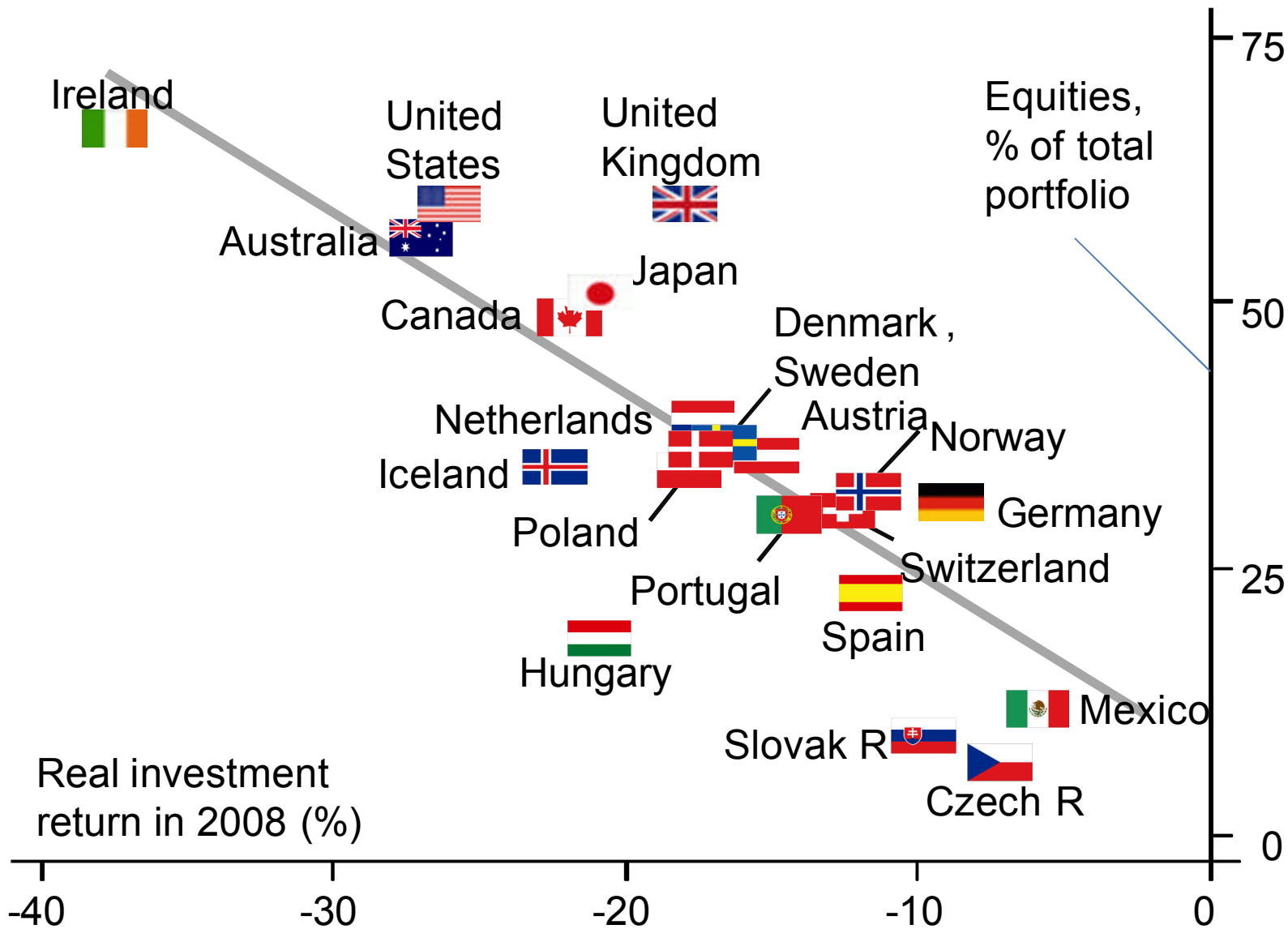
- where pensions and other savings are significant
- on workers near retirement
- where people's retirement savings are invested in riskier assets
- where public pension spending was already high
- where old-age safety-nets and automatic stabilisers are weak

Contribution of private savings to total retirement income

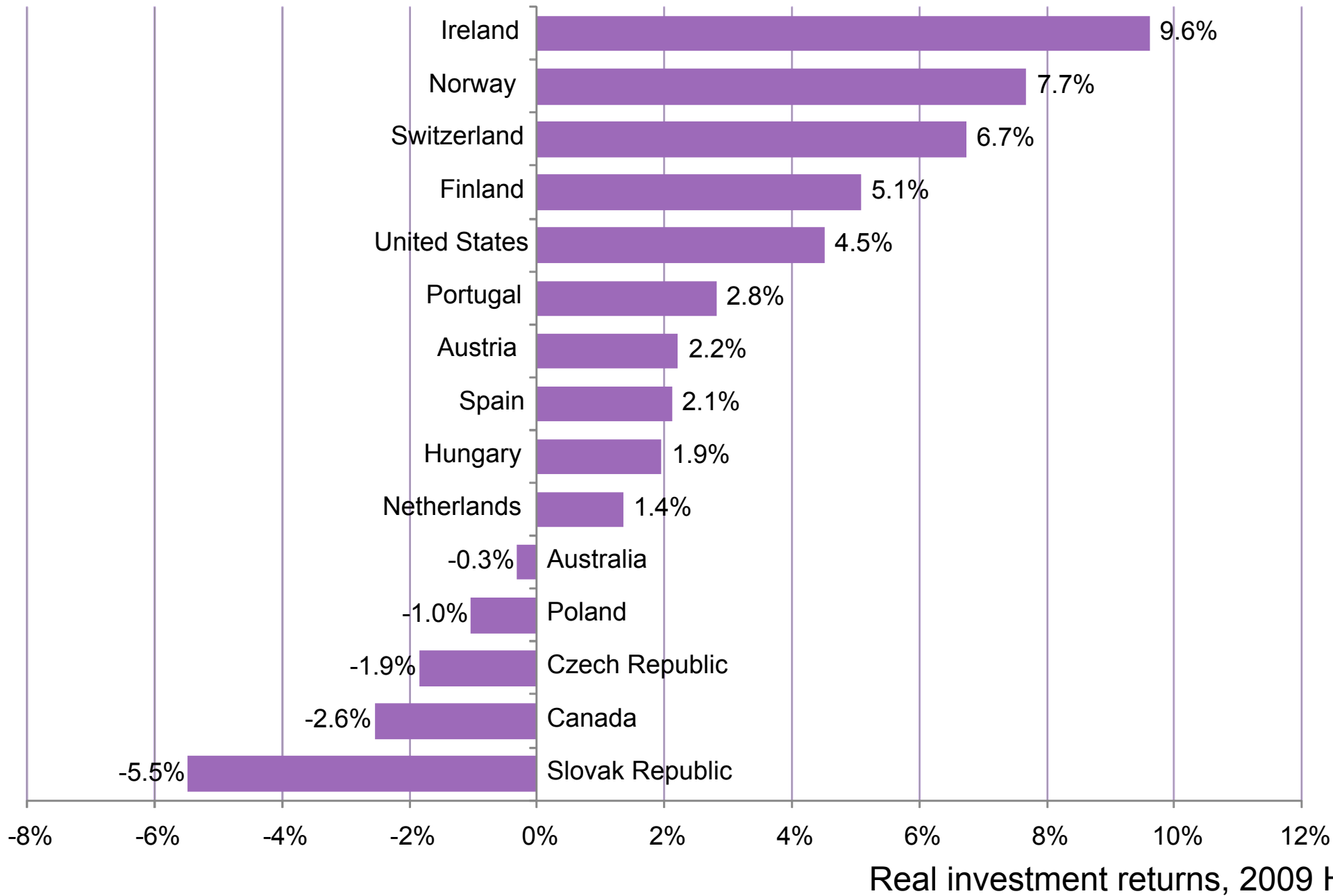
Selected countries, latest available year, %



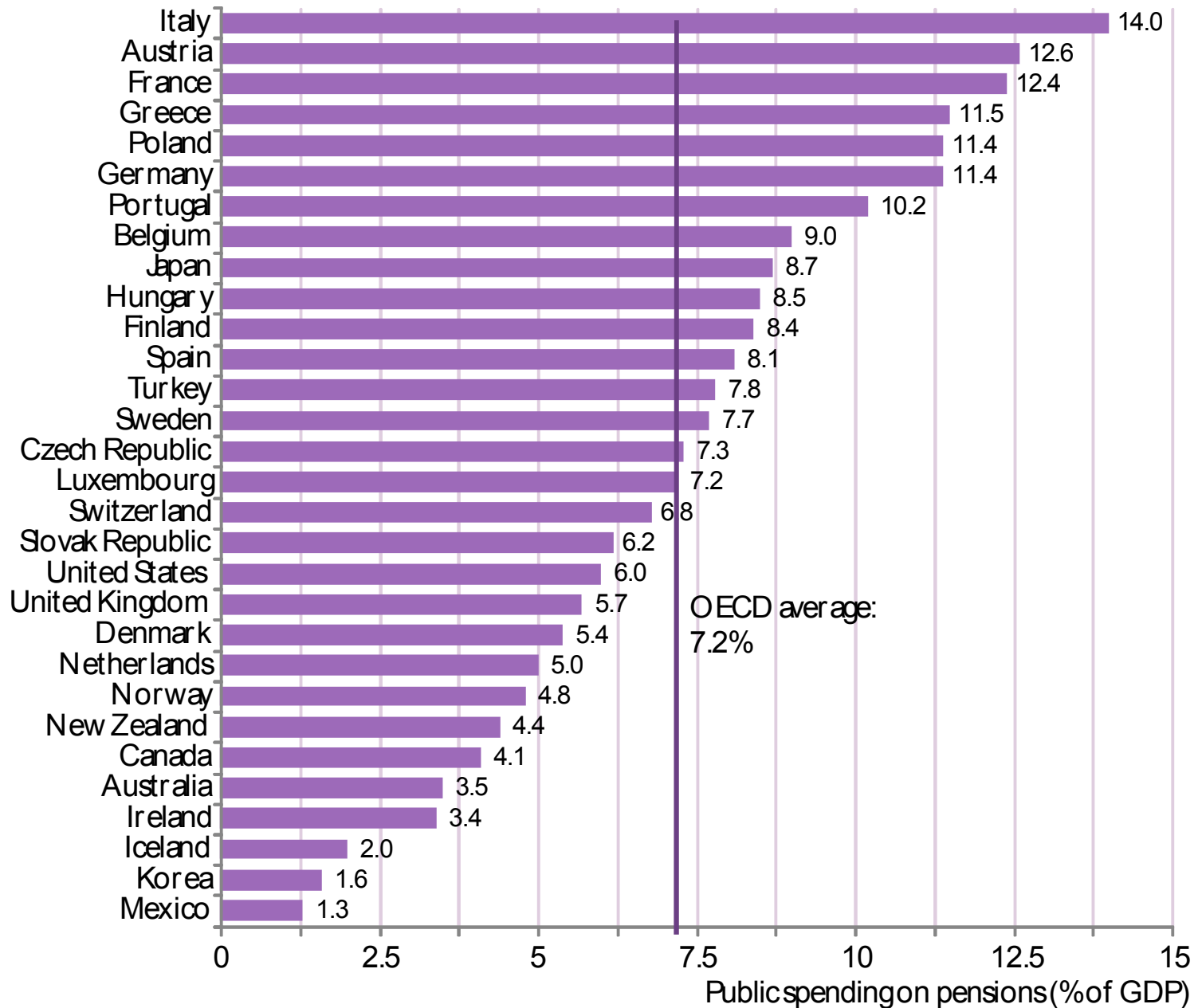
Source: OECD



Pension funds' real returns, January-June 2009

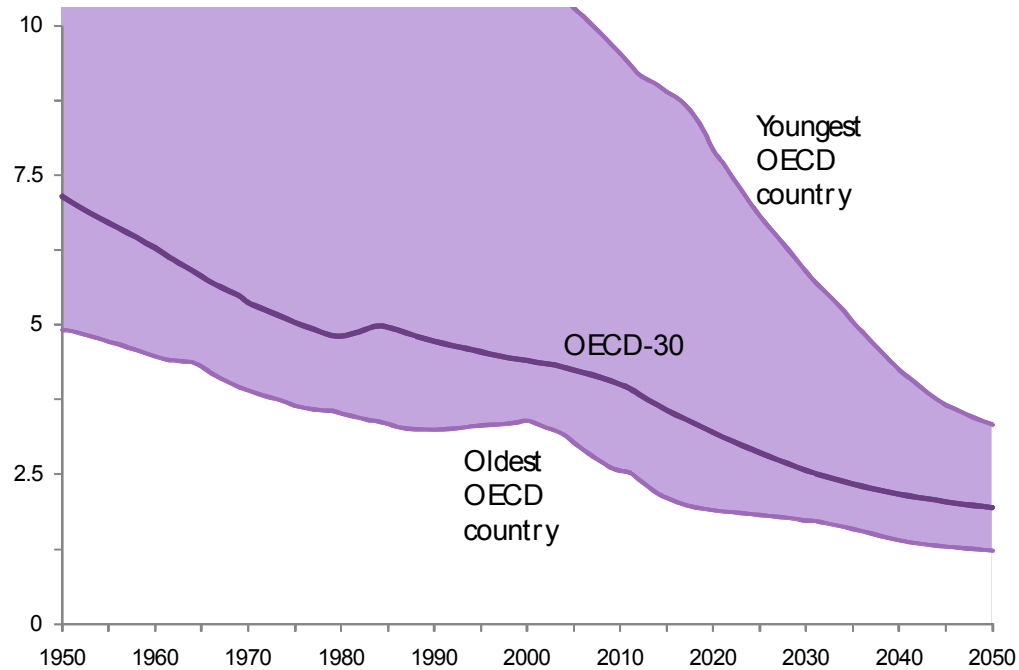


Fiscal pressures from public pensions



Long-term problems,
such as ageing, have
not gone away

Number of people of working age
per person of pension age, 1950-2050



Policy conclusions

- Stay the course on reform
- Avoid using early-retirement or disability benefits to keep unemployment figures down
- Financial crisis focused attention on investment risk and pensions
- But all pension systems subject to risks
- Long-term strategy should remain diversification and balanced old-age provision

Pensions
at a Glance

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