



AMERICAN BENEFITS INSTITUTE

The American Benefits Institute is the education and research affiliate of the American Benefits Council. The Institute conducts research on both domestic and global employee benefits policy matters to enable public policy officials and other stakeholders make informed decisions. The Institute also serves as a conduit for global companies to share information about retirement, health and compensation plan issues.

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HIGHLIGHTS FROM CONFERENCE ON CHALLENGES FOR GLOBAL PENSIONS AND RELEASE OF PUBLICATION ON STATUS OF GLOBAL FINANCIAL MARKETS

As noted in [Benefits Passport 2016-2](#) (September 6, 2016), a meeting of the Working Party on Private Pensions (WPPP) of the Organization on Economic Cooperation and Development (OECD) was held in Paris, France, earlier this summer. The American Benefits Institute, the research and education affiliate of the American Benefits Council, serves as a private sector advisor to the Department of Labor's Employee Benefits Security Administration, which represents the U.S. government in the WPPP.

Following the OECD meeting, a conference was held to examine challenges for global pensions and OECD held a separate event to release a new publication that reviews the status of global financial markets and institutions in the aftermath of the 2008 financial crisis.

CONFERENCE ON "CHALLENGES FOR GLOBAL PENSIONS: TRENDS AND HETEROGENEITY"

A network of pension research organizations hosted a conference at OECD's headquarters, directed to defining the major trends in private pension systems and delineating key research challenges. The international consortium organizing the session included The Pension Research Council (PRC) at the University of Pennsylvania's Wharton School (U.S.), The Network for Studies on Pensions, Aging and

Retirement (NETSPAR) in the Netherlands, and the ARC Center of Excellence in Population Aging Research (CEPAR) in Australia.

There were no papers distributed at the conference. Some of the presentations are now available on the [CEPAR website](#).

The first session of the conference was comprised of the following presentations:

- Julie Agnew, associate professor of finance and economics at the College of William and Mary (U.S.), summarized the research about behavioral challenges that have arisen in the operation of individual account plans and patterns of decision making by participants.
- Olivia Mitchell, International Foundation of Employee Benefit Plans professor at the Wharton School and executive director of the Pension Research Council, discussed the evidence of financial literacy and how this is associated with behavior in retirement planning and the management of savings.
- John Piggott, director of CEPAR and professor of economics at the University of New South Wales (Australia), talked about means testing public pensions (Australia has a universal means tested public pension) and how means testing can be considered as an alternative form of taxation.

This was followed by a keynote address by James Nazroo, professor of sociology and director of the Centre on Dynamics of Ethnicity at the University of Manchester (U.K.), in which he reviewed the evidence of health status and retirement that have been derived from the various versions of what originated as the Health and Retirement Survey (HRS) in the United States. This is an extensive survey that collects data on the employment, health and living status of cohorts as they move from age 50 through retirement. These findings have not yet been published, but the early results indicate significant relationships between health status and retirement decisions (that seem to indicate sharp differences between voluntary and involuntary retirement) and indications of increasing levels of disability at younger ages among older workers and retirees in high-income countries. It is not clear yet whether this is a result of changes in the health of workers or because more individuals with significant health problems are remaining in the workforce. This is a trend that could have significant policy and fiscal implications for retirement systems.

The first afternoon's sessions included presentations on trends in the underlying conditions that will determine the fiscal sustainability and potential redistribution in pension systems and innovations in design that may address these factors. These included the OECD work on socio-economic variations in mortality trends, efforts to establish new ways for risk sharing and accommodating mortality trends in the

Netherlands and the response of participants in individual account and funded systems to the 2008 financial crisis.

The conference concluded with a roundtable discussion of design innovations and research initiatives in Europe, Japan, South Africa and the United States. This included a discussion by Phyllis Borzi, assistant U.S. secretary of labor for the Employee Benefits Security Administration (EBSA), on several research initiatives now underway at the agency including a longitudinal household survey of retirement behavior that seeks to collect information on the effects of plan design and several operational characteristics – such as the availability of financial advice on retirement, a study on retirement behavior within the Hispanic population and the potential impact of same-sex marriage on retirement patterns.

RELEASE OF OECD BUSINESS AND FINANCE OUTLOOK 2016

Following the conference on global pension challenges, OECD sponsored [an event at its headquarters](#) to release [the second edition of the new Business and Finance Outlook series](#). This new annual publication is intended to monitor the status of global financial markets and institutions in the wake of the 2008 global financial crisis. A [summary of the highlights of the publication](#) is also available.

The 2016 publication is organized around the idea that the absence and fragmentation of coherent regulatory and policy frameworks present significant impediments to global economic recovery and growth. The OECD's analysis suggests that banks and other financial institutions have been weakened by significant "headwinds," caused by underlying challenges imposed on the world economy, such as:

- the reversal of what it terms the "commodity supercycle" (which entails excess capacity, falling prices and declining demand in developing economies),
- a heavy reliance on easing monetary policies (presumably in lieu of fiscal stimulation); and
- the aggressive imposition of macro-prudential and solvency standards in developed countries.

It concludes that these conditions have contributed to a fragmentation of institutions and policies, excessive levels of debt and corporate financial strategies (for example, share buy-backs instead of capital investments) that has created conditions that are limiting recovery and growth.

Following this general analysis in the opening chapter, the publication addresses a number of specific areas that indicate increasing fragmentation and other challenges to growth. These include greater dispersion of productivity across industries, widely varying tax incentives for research and development, a diffusion of trading venues in capital markets, the absence of a coherent international framework to encourage clean energy investment, inconsistent standards on bribery and corruption and the widely varying nature of international investment treaties.

The publication also includes in Chapter 6 the analysis of increasing socio-economic differences in mortality patterns that was undertaken by the WPPP. In addition to documenting the differences in favor of higher income groups, this chapter suggests that these divergences as well as the overall increase in longevity are making retirement and insurance markets more fragmented and as a result less able to provide long-term security to beneficiaries in a cost effective manner.

Future Benefits Passports will discuss on-going OECD-related programs and publications that are relevant for plan sponsorship of benefits plans.