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The global pension village

A quick tour of the international pension community.

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What's going on in the neighbourhood these days? Heard any good news? I don't know if fences make good neighbours, but you never know what you might learn from a chat with a neighbour over the backyard fence. The same applies in business. Heard anything lately from your pension industry neighbours in other countries? Here is some of the buzz.

Across the pond, the Confederation of British Industry said the U.K. needs "radical proposals that will make pensions simpler and more affordable." And U.K. pensions ombudsman David Laverick called for closer regulation of independent trustees. However, the National Association of Pension Funds said the industry wants less regulation, not more.

Across the Channel, the European Union (EU) is taking a crack at improving pension portability. The EU is pushing its member states to let pension funds authorized in one country operate on equal terms in all other EU nations by 2005.

Down under, the Australian government is struggling to implement pension reforms, including enhanced portability. At the same time, the government says Australians need to abandon their expectations of early retirement in the interests of securing the nation's "ongoing prosperity" as the workforce shrinks. On that note, official population projections underwent a dramatic revision recently. By 2051, Australia is likely to have a million more people than previously predicted, most of them seniors.

The Swiss Federal Council will lower the minimum guaranteed interest rate on pensions to 2.3% from 3.3% as of Jan. 1, 2004. The rate was cut because many Swiss pension funds have seen their funding levels move into deficit, and the volatility of financial markets means there is a risk of a further reversal in pension funding levels.

The unfunded liabilities of Japanese corporate pension plans are far bigger than those at U.S. companies. It was reported that assets in employee pension funds in Japan cover, on average, only 62% of the payments. Meantime, the U.S. government says pension deficits at "troubled" companies doubled this fiscal year and could exceed US\$80 billion.

Serbia has proposed hiking the minimum retirement age by five years from the current ages of 60 for men and 55 for women. Pensioners make up approximately 18% of Serbia's total population.

India is letting pension funds invest up to 50% of their funds in equities, and there are plans for a new defined contribution pension system that is accessible to all citizens.

Some of these issues sound familiar; some may be harbingers for Canadian pension professionals. We can learn a lot from our neighbours in the global pension village.

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