

## OECD's Pablo Antolin: Higher Pension Contributions Needed to Fight Population Ageing

To cope with an ageing population, countries across the globe are working hard to improve the design of their pension schemes. In a global forum on private pensions jointly arranged by the MPFA and the Organisation for Economic Cooperation and Development (OECD), Mr. Pablo Antolin, head of the private pension unit at the OECD's financial affairs division, was invited to discuss the problems countries are facing and help brainstorm solutions.

### Ageing population is a worldwide issue

"Countries around the world are facing the same critical issue in their development – how to provide adequate retirement protection. Population ageing is a globalised trend and the overall population growth is slowing," says Antolin. In light of this, people will need to contribute more and longer to their pensions.

### Low-Interest-Rate environment weighs on investment returns

Many people today lament the low investment returns in retirement funds, which are eroding their savings under inflation. But the top priority should be to continue making long-term investments, Antolin cautions. "In the long-term perspective, we can see that a number of indices and stock markets are maintaining an upward trend. Despite sporadic fluctuations and corrections, eventually they could still manage to contribute considerable returns."

### Strengthen education on retirement planning and forge closer communication

Another problem, says Antolin, is that the general public lacks knowledge of pension investing. Governments, therefore, will need to extend their educational efforts to improve the financial literacy of the public. "Governments can help formulate predetermined investment strategies and offer diversified investment choices – choices with different levels of risks," Antolin suggests.

Operators of retirement schemes should also ensure effective communication with scheme members. "Effective communication includes the provision of customised and regular benefits reports, as well as a clear and conservative forecast of the size of accrued benefits. These can give members an idea of how much more benefits they can receive by increasing contributions or postponing retirement. Scheme members should also be able to compare the fees and returns of different schemes easily."

### Formulate a clear retirement strategy

"We must diversify retirement investments between public and private retirement schemes," Antolin continues. "Both public and private pension schemes must be considered together to achieve optimal risk dispersion and bring about complementary advantages."

In addition, life-cycle pension funds can help members reduce the impact of market risks on account balances as they age. This can help soon-to-be retirees mitigate the risks of excessive losses. As to the distribution of pension benefits, pension schemes can pay members in the form of annuity to lower the longevity risk of exhausting the pool of pension assets.

Ageing population is an imminent problem. To ensure a secured retirement life, it is therefore crucial that we do our part in terms of retirement planning. ■