REFERENCE LIST

May 2016

Social security contributions: Economic and public finance considerations

Oct.-Dec. 2015- International Social Security Review, ISSA

Social security contributions make up around a fourth of total tax revenue in OECD countries. However, there are concerns on the economic effects of high levies on labour. Recent studies suggest that at least a third of taxes on labour are shifted onto employers, leading to higher wage costs. We find substantial evidence in the literature that the nature of social security contributions matters. With a clear connection between contributions and rights, the employee will perceive this contribution as a price and not as a tax. As a consequence, these contributions will be less distortive in terms of labour supply, wage costs and private savings.

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Contributions-financed cash benefits: Selected examples of tiered pension systems

Oct.-Dec. 2015- International Social Security Review, ISSA

This article addresses the link between pensions and occupational earnings using the example of social security contributions in selected OECD countries. The rules of the pension schemes studied point towards a very strong link between occupational earnings and pension level. However, certain pension calculation methods, through pension calculation parameters or through the existence of tools to compensate for certain career discontinuities, may distort this link in the majority of the countries studied. Therefore, the examination of pension calculation parameters and of solidarity measures attached to retirement is necessary to provide a more finely-tuned evaluation of the link between occupational earnings and pension level. Ultimately, comparison of pension systems across countries remains challenging given their specificities.

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Including informal economy workers in contributory social protection: Current challenges in Latin America

Oct.-Dec. 2015- International Social Security Review, ISSA

Owing to a favourable economic situation and to national labour market and social protection policy reforms, Latin America has witnessed significant progress in social protection coverage. Some countries, however, have seen weaker progress, with stagnant coverage levels. Several factors underlie the extension of pensions and health care coverage and the formalization of the labour market: substantial improvements in the quality of employment, more flexible eligibility criteria for contributory coverage, and the strengthening of the supervisory and regulatory roles of the State. This article first addresses the link between social protection and informality in Latin America to show the relationship between informal labour markets, the lack of social protection and the scale of unpaid contributions. Countries in the region have used various policies to encourage formalization and these have also helped to reduce wage inequalities, since formalization has had especially beneficial effects on low-income sectors. Finally, we discuss dichotomous views on social protection financing in the region that tend to place contributory and non-contributory financing in opposition to one another but do so in favour of the latter, tend to support proposals for limited coverage, and which do not challenge the stratification of access to social protection.

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Financing social security out of contributions: About origins, present discussions and prospects of a success story

Oct.-Dec. 2015- International Social Security Review, ISSA

In writing the overture to an issue on contribution financed social security one cannot but speak of Bismarck; it must also address Beveridge who saw contributions, although in their design and role clearly differently from Bismarck, as one core revenue tool to finance his vision. Beveridge attributed to the private financial sector a prominent role in securing people against the negative effects on income of shocks and crises, while Bismarck did not. Beveridge's concept, when first published, had, and still has today, the most attractive charm of rigorously satisfying peoples' striving for equitable and inclusive societal solutions. Bismarck's concept intrinsically offers income security only to those who contribute, while the level of protection depends on the level of contributions paid (with the exception of health insurance). In reality, both concepts, where implemented, had to face the realities of socio-economic and political developments: Beveridge's vision was achieved in respect of access to health services where his proposal, in its predominantly tax-financed version, has since turned into a worldwide blueprint for health schemes; in its other components, it was not resilient enough to achieve the intended standards and now is replete with means-tested (poor relief) elements. Bismarck's scheme has proven its potential to achieve "universality", not necessarily by theoretical design but as a matter of fact, i.e. covering people from cradle to grave. Which of the approaches is best able to survive must be left an open question: in the current worldwide context of rapid change, both have weak and strong points, and whether a symbiosis of the two offers the answer to future challenges remains to be seen.

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Global Aging 2016: 58 Shades Of Gray

May 2016- Standard & Poor's Ratings Services

- We believe structural changes that many sovereigns have implemented in recent years to contain age-related spending, particularly to stabilize future pension costs, will help sustain long-term public finances, if kept in place.
- Sovereigns nevertheless face a difficult balancing act between curbing public spending and ensuring the adequacy of benefits to prevent otherwise growing risks of poverty and inequality, in our view.
- We think further policy actions will likely be necessary, particularly to curb the rising costs of health and long-term care.
- Our analysis suggests that the need to alter demographically driven budget trajectories is as pressing for some emerging market sovereigns as it is for sovereigns with advanced economies.
- According to our simulation of hypothetical long-term sovereign ratings and credit metrics in a no-policy-change scenario, by 2050 more than a quarter of the 58 sovereigns we've analyzed would have credit metrics that we currently associate with speculative-grade sovereign credit ratings.

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Contingent Labor Force Growing Fast

May 2016- Center for Retirement Research, Boston College

Most workers quickly realize that the best solution to low earnings in a job with scant or non-existent benefits is to move on to something better. But this is increasingly difficult to pull off, because technology and other powerful forces are reshaping the 21st century economy – and degrading the quality of the jobs that are available. As companies seek to cut labor costs, technologies like scheduling software for retail and fast-food workers and platforms like Uber and Task Rabbit are making it easier to do.

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401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2014

May 2016- Employee Benefit Research Institute, EBRI

- Since 1996 the Employee Benefit Research Institute (EBRI) and the Investment Company Institute (ICI) have worked together on collecting and analyzing annual data on millions of 401(k) plan participants' accounts. This report reflects the year-end 2014 update of these data and EBRI's and ICI's ongoing research into 401(k) plan participants' activity.
- The bulk of 401(k) assets were invested in stocks. On average, at year-end 2014, 66 percent of 401(k) participants' assets were invested in equity securities through equity funds, the equity portion of balanced funds, and company stock. Twenty-seven percent was in fixed-income securities such as stable-value investments, bond funds, and money funds.
- More 401(k) plan participants held equities at year-end 2014 than before the financial market crisis (year-end 2007), and most had the majority of their accounts invested in equities. For example, about three-quarters of participants in their 20s had more than 80 percent of their 401(k) plan accounts invested in equities at year-end 2014, up from less than half of participants in their 20s at year-end 2007. Overall, more than 90 percent of 401(k) participants had at least some investment in equities at year-end 2014.
- More than 70 percent of 401(k) plans included target-date funds in their investment lineup at yearend 2014. At year-end 2014, 18 percent of the assets in the EBRI/ICI 401(k) database were invested in target-date funds and 48 percent of 401(k) participants in the database held target-date funds. Also known as lifecycle funds, these funds are designed to offer a diversified portfolio that automatically rebalances to be more focused on income over time.

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Invitation to the 20th Asian Actuarial Conference

May 2016- Asian Actuarial Conference, Actuaries India

We are pleased to invite you all to 20th Asian Actuarial Conference, the largest annual actuarial conference in the region, which will be hosted at Gurgaon (NCR), India over 9th -12th Nov, 2016. This will not only provide you the best knowledge sharing platform but also great opportunities to connect with members of other actuarial societies.

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