

Secretary General Guerard, Chairman Chou, President Shih, Distinguished Guests, Ladies and Gentlemen:

Pension reform is taking place around the world, and it is also happening here in Taiwan. Actuaries will play a very important role in the process of the coming pension reforms in Taiwan.

First of all, the Labor Insurance which covers many risks, inter alia, the old age of some 8.34 million workers ( 85% of the work force ) will serve as the first pillar of the Old-age Safety Net. There is a good news that the pension benefit is going to be modified from a lump sum payment to annuity payments. According to the proposed legislation, after retirement each month a worker will be entitled to 1% of his/ her final salary for each year of service, which is preferable on the part of the retirees. However it depends on a good actuarial work to determine what kind of insurance premium will be appropriate ( it is now 6.5% ) to make the system sustainable. In 2004 the total insurance premium revenues was NT\$141.5 billion, and total payouts was NT\$148.9 billion. Of the total payouts, the old age benefit accounted for 75.7%. The shortfall of NT\$7.4 was financed by the accumulated reserve, which was NT\$457.5 billion as of 2002.

Secondly, starting from July 1 this year, 6 million workers( 61% of the work force ) will start to have a personal retirement account as a result of the newly promulgated Laborer's Pension Act to serve as the second pillar of their old-age safety net. Each month employers will be required to contribute 6% of an employee's salary into his/her individual retirement account. Alternatively they can choose to buy annuity insurance from life insurance companies, if the companies they work for have over 200 employees and half of those employees in the same company choose so. The employees are allowed to contribute another 6% up to NT\$ 9,000 each month, tax deductible, into his/her own account. Upon his/her retirement, the total balance of the account will be transformed into an annuity insurance and will be withdrawn in the form of monthly payments. It will then rely on an actuary to determine how much this employee will be able to collect for his/her retirement.

Thirdly, some 617,000 civil servants, military servicemen, and teachers enjoy a defined benefit pension program. They are entitled to a generous annuity pension benefit after 25 years of service and are eligible to retire at a age as early as 55. The average age of retirement for civil servants was 55.9 and 55 for teachers. They can choose lump sum payment or annuity payments and 92% of them chose annuity payments. With the medical advancement, the life expectancy in Taiwan has greatly improved over the years. Now it is 76. That means with 25 years of contribution, the employees of the above-mentioned will be entitled to claim at least 21 years of pension benefits. The cost of such a pension scheme requires a detailed and thorough actuarial work to make it financially feasible. Taking into consideration that civil servants and teachers usually lead a more disciplined lives and enjoy a higher life expectancy rate than the average, the years of pension benefits payout shall most likely exceed 21 years.

Every morning if you have a chance to pay a visit to any park in Taiwan , you will see many happy retirees hanging around there, playing shadow boxing, folk dancing,

playing chess under the trees, chatting about where they plan to go for their next trip abroad. They are happy because they have a good pension program they can count on. And even if they don't have a good pension program, they can still count on the savings they have accumulated over the past decades. However, according to a recent statistics, there were some 400,000 babies given birth each year since the baby boom for some twenty years, and in 2004 only 227,000 babies were born. It is also scary to know that in 2051, there will be 39% of people who aged over 65 in Taiwan.

It is my earnest wish that the Actuarial Institute of the Republic of China can do an Excellent job in the future to tell us what we should do to make the system work to provide a secure old-age safety net for the old . I am convinced that the Actuarial Institute will contribute greatly in influencing the authorities concerned and the legislative body to make the right decisions and take the necessary actions in due time. Thank you.