

Six ways to ease the global pension crisis: Citigroup

By Editorial Staff Thu, Mar 24, 2016

"Private pension assets are forecast to grow \$5-\$11 trillion over the next 10-30 years and strong growth is forecast in insurance pension buy-outs, private pension schemes, and asset and guaranteed retirement income solutions," a new report from Citigroup said.

A worldwide shift to non-government retirement savings plans—driven in part by expected shortfalls in government-sponsored pensions—should create opportunities for private insurers and asset managers over the next 10 to 30 years, according to "The Coming Pensions Crisis," a new [report](#) from Citi.

One statistic in the report, that 55% of the world's \$26 trillion in "the global private pension pool" is in the United States, suggests that U.S. companies are in a good position to grab that opportunity.

"The total value of unfunded or underfunded government pension liabilities for twenty OECD countries is a staggering \$78 trillion, or almost double the \$44 trillion published national debt number. Corporations have also not consistently met their pension obligation and most US and UK corporate pension plans remain underfunded with an aggregate fund status in the US of just 82%," the report said.

The authors of the report "offer a set of recommendations to policymakers, corporate and public pension plan sponsors and managers, and product providers to deal with the crisis," including:

- Publicize the amount of underfunded government pension obligations.
- Raise the retirement age.
- Create "collective" defined contribution" plans in which plan sponsors and individuals share the risks and benefits.
- Create 'soft compulsion' incentives to ensure that people save more.
- Encourage pension sponsors to make full pension contributions when due.
- Encourage corporations with frozen plans to transfer their pension obligations to insurance companies.

"The silver lining of the pensions crisis is for product providers such as insurers and asset managers. Private pension assets are forecast to grow \$5-\$11 trillion over the next 10-30 years and strong growth is forecast in insurance pension buy-outs, private pension schemes, and asset and guaranteed retirement income solutions," the report said.

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