

Discussion: Ideas on how to reform the pension system in Thailand

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Policy Forum on Thailand's Pension Reform:

Toward an Inclusive, Adequate and Sustainable Pension System

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Bank of Thailand

The Current Pension System in Thailand

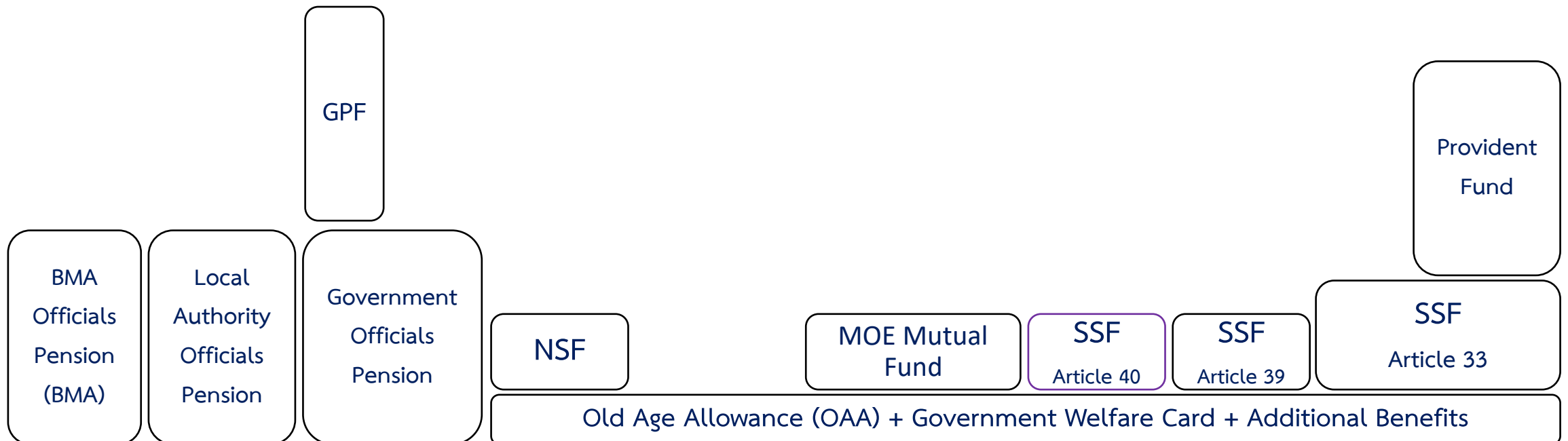
A multi-pillar pension system with many strong characteristics but fragmented...

Coverage: a near-universal pension floor but % of working age contributing approx. 40%

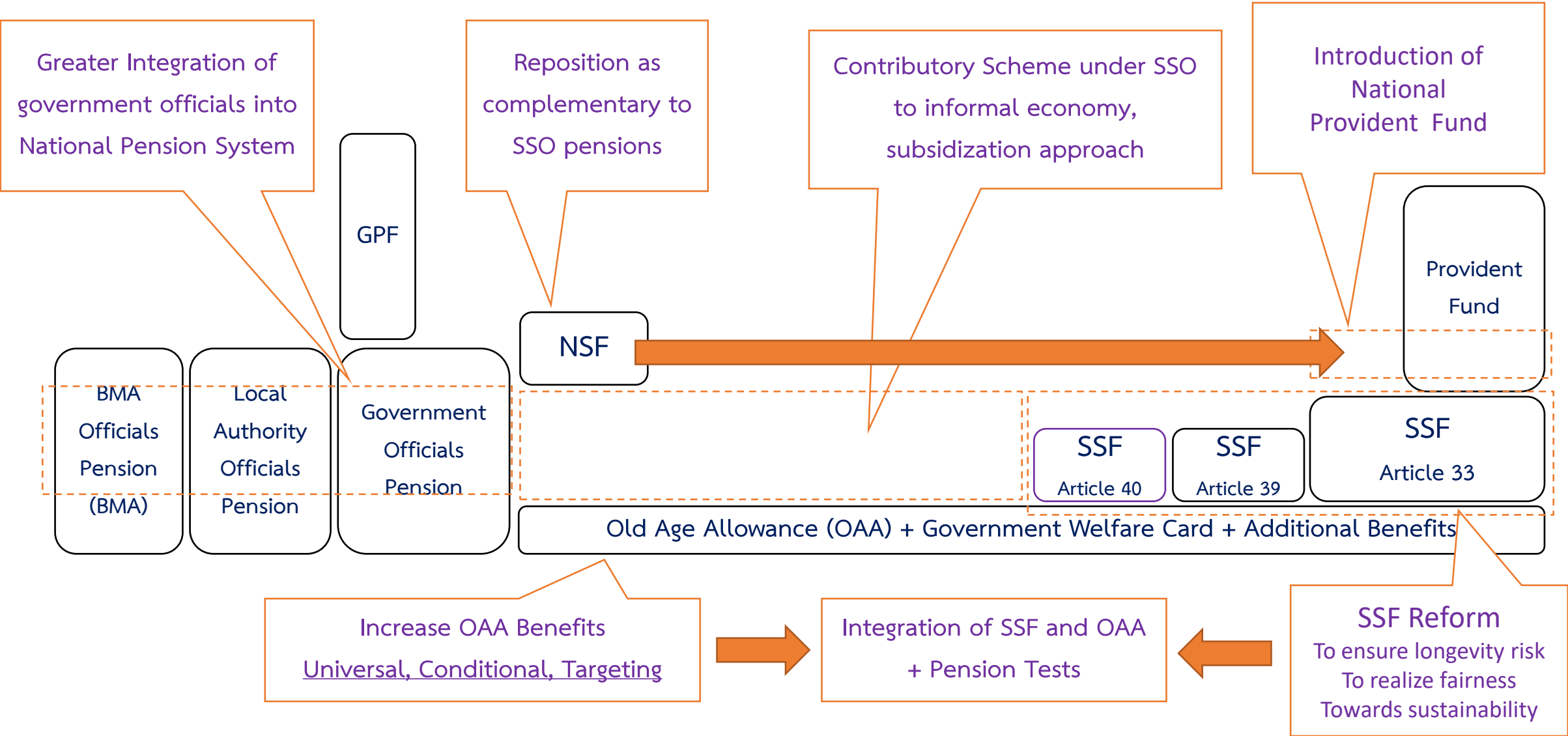
Adequacy: low level of OAA, low replacement rate of SSF (comparing with government officials)

SSF does not insure against longevity risk, lack of redistributive effect

Sustainability: Pension spending as of GDP is still low, however, how about its as of government spending?



(A) Direction(s) for the Future proposed in 3 Papers and Ongoing Proposals



Some remarks on proposals in 4 papers

- Ordering of reform...matter! → Strategic Planning is necessary
 - Increase pension benefits (defined benefits scheme; OAA and/SSF) → saving-based schemes (Provident Fund / NSF)
 - Introduction of National Provident Fund → Difficulty of SSF Reform (employers burden)
- Some comments on SSF's proposed parametric reforms
- Strengthening defined benefits' schemes (SSF, OAA) VS. Speed of population aging → financial sustainability of SSF and fiscal sustainability the government
- Expansion of NSF to formal economy (SSF members without provident fund)
- Lack of Mechanism/Platform for Integrated Reform (to design a big picture of Thai pension system and internalize externalities among proposals as mentioned above)

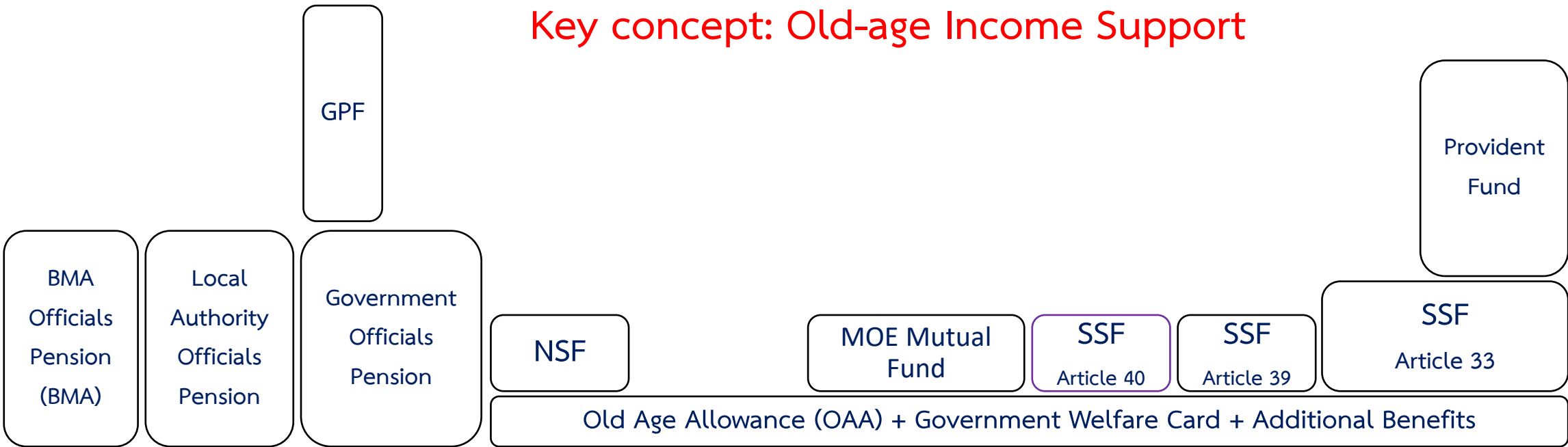
(A) Direction(s) for the Future proposed in 3 Papers and Ongoing Proposals

National Committee to be responsible for overall old-age income support

National Pension Committee

National Savings-for-retirement Committee

Key concept: Old-age Income Support



Next Step !?

- Key messages from 4 papers: not just policy coordination but harmonization of sub-systems is a must in the future.
- **What if** laissez faire? Increase of OAA, SSF Reform, Introduction of National Provident Fund Scheme, Local Authority Officials Pension → ...?
- **First Priority:** National Committee to be responsible for overall old-age income support and policy reform & blueprint design
 - Policy Objective(s) of Old-age Income Support
 - 4 dimensions of redistribution: Vertical, Horizontal, Within-life-cycle and Intergenerational
 - Non-contributory System & Contributory-system
 - Tax & Social Insurance & Saving or Mix
 - Coverage, Adequacy, Sustainability (Government and Economy) and Governance

Thank you for your attention.