Annuity Markets and Pension Reform

This book treats two vital but neglected public policy issues: how should distributions from individual accounts be regulated, and how can the market for private annuities function better? It provides a comprehensive survey of the issues that arise when contributors to individual accounts become eligible for distributions. In particular, the book also addresses the question of whether annuitization or other restrictions on distributions should be mandatory, and if so, whether the provision of annuities should be privatized? Given the diminishing importance of public pensions around the world, the growing number of the elderly, and the increasing importance of defined contributions plans, the voluntary demand for private annuities will continue to grow. Since it is vital that annuities be reasonably priced and that annuity markets be effectively regulated, the book proposes some reforms to enhance the efficiency of the annuity market. Its analytical framework is applicable to a broad range of countries.

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Annuity Markets and Pension Reform

George A. (Sandy) Mackenzie

International Monetary Fund
To the memory of Paul Hoeberechts and the memory of Leslie Schaffer

Physicians and Healers Both
At present we want to encourage prudence in the sense of distributing income through a man’s life. When that time comes all sorts of fancy devices possibly with a counter-insurance element in it, e.g., annuities on joint lives . . .

From the notes of Lord Keynes for the National Debt Enquiry, 1945

***

“Father, I have often thought that life is very short.” — This was so distinctly one of his subjects that he interposed.

“It is short, no doubt, my dear. Still, the average duration of human life is proved to have increased of late years. The calculations of various life assurance and annuity offices, among other figures which cannot go wrong, have established the fact.”

“I speak of my own life, father.”

“O indeed? Still,” said Mr. Gradgrind, “I need not point out to you, Louisa, that it is governed by the laws which govern lives in the aggregate.”

From Hard Times, by Charles Dickens

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In the strange universe of King Lear, nothing but precipitous ruin lies on the other side of retirement.

From Will in the World: How Shakespeare Became Shakespeare,
by Stephen Greenblatt
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