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Articles Focus on Retirement Systems in Britain and China

WASHINGTON—The nonpartisan Employee Benefit Research Institute today published articles on the status of the retirement systems in the United Kingdom, where the government has proposed major changes, and in China, where the pension plan is "grossly underfunded."

The articles, "Britain's Answer for Future Retirement Income: Possible Lessons for the United States," and "An American Perspective on the Chinese Pension System," appear in the August 2006 *EBRI Notes*, available at www.ebri.org Details of the articles:

United Kingdom: The government has proposed "very significant changes," including raising the eligibility age for state pensions and creating a new mandatory system of private savings accounts that would require contributions from both workers and employers. The accounts would be in addition to the state pension. The United States is already in the process of raising the eligibility age for Social Security, to age 67, while the proposed change in Britain would increase the eligibility age for the state pension to age 68. But U.S. lawmakers have been leery of imposing additional benefits costs on employers, such as the proposal on the table in Britain. Parliament could act on the plan this fall.

China: The nation is experiencing rapid economic and military growth but is saddled with implicit pension debt of about $1.5 trillion, a liability that rests primarily on the country's 31 provinces. Only 50 percent of urban workers and 11 percent of rural workers are actually paying into the current Chinese social security system. Unless China implements reform, it runs a serious risk that inadequate funding of retirement benefits will constrain its high rate of economic growth. That could require the government to devote a much larger percentage of its gross domestic product to paying retirement benefits and could force workers to save a larger part of their income to finance retirement.

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