Opening Remarks
"OECD/IOPS Conference on Private Pensions in Asia"

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Mr. Gregory Brunner, Chairman of the Australian Prudential Regulation Authority and Chairman of the Conference,
Distinguished Delegates,
Ladies and Gentlemen,

1. I am honored to be invited to give the opening address on behalf of the Securities and Exchange Commission, Thailand at this OECD/IOPS Conference on Private Pensions in Asia. I would like, first of all, to extend to all of you a warm welcome to the conference and to the magnificent city of Bangkok. I hope your visit to Thailand this time will bring about both the business and pleasure combined.

Ladies and Gentlemen,

2. Pension reform is currently a truly global issue. Most of the jurisdictions with the system either have started to take steps towards substantive changes or are getting ready to. The fundamental reason for the need to reform, as all of us are well aware, is changing demographics.

3. The world is aging as a consequence of a lower fertility rate and a longer life expectancy as a result of advances in medicine. It is forecast that by the year 2030 the population over the age of 65 will double the number today. This problem is particularly pronounced in Asian countries.

4. Asia accounted for 28 percent of the world's population aged 60 and over in 1985. That proportion is projected to be more than double to 58 percent by 2050. As the rate of aging in Asia is faster than any other region in the world, the global challenges facing social security systems in the next few decades will be largely Asian.

5. Inevitably, such demographic trend will pose a great challenge for the government-run pension systems, in particular. As the system basically uses the tax payments of current workers to fund the pension benefits of retired persons and their dependents, the funding problem will arise when the number of persons drawing benefits is rising more rapidly than the number of working persons paying taxes to fund those benefits.

6. Asian governments have therefore given high priority to reform agenda. The desired outcome is a pension system that is institutionally sound, socially sufficient, and financially sustainable over the long run. A number of countries, including Thailand, are in the process of reforming the schemes for old age benefits, encouraging more of the defined contribution plans, both mandatory and voluntary.

Ladies and Gentlemen,

7. Thailand's primary objectives of pension policy are prevention of poverty among the elderly through provision of adequate benefit replacement upon retirement and expansion of coverage to as many people as possible through a system that is financially sustainable.

8. However, the adequacy and viability of our existing arrangements have lately been in question because of the unfavorable demographic outlook. Some of the academic studies have shown that Thailand's compulsory defined-benefits old age pension scheme for private sector employees might be under pressure in the long run due to (1) rapidly aging population, (2) increase in income needs and expectations of retired persons, and (3) disappearing traditional old age support system.

9. The Thai Government has laid down a combination of measures to address these problems. One of them is to encourage a voluntary private saving system that would help contribute to sustainability of the retirement income sources. At present, there are two products under this scheme, i.e., provident funds and retirement mutual funds (RMF).

10. For provident fund, the number of employer enrolled in the voluntary provident fund scheme is still quite small, reflecting that employers may not be financially or operationally ready and that awareness among employers and employees may be low.

We are working towards eliminating those limitations involved so as to promote provident fund to become another meaningful vehicle for retirement saving.

11. The other product of the Pillar III scheme, the retirement mutual fund, on the other hand, has become one of the popular products due to their tax incentives and variety of investment choices. Their average growth rate between 2002-2004 is about 80 percent per year.

12. The attempt to encourage voluntary retirement savings scheme as mentioned above is complementary to Thailand's current endeavor to establish a Pillar II mandatory retirement saving program for private sector employees, or what we call the National Pension Fund (NPF). Under the program, workers will be required to contribute money and invest it in order to finance their own retirement. The Cabinet already approved in principle the program. A steering committee was appointed with the responsibility to study and recommend the appropriate structure for the program and to ensure its alignment with Pillar I and III.

Ladies and Gentlemen,

13. Global dialogue over the future of pension system has just begun. There are a lot more challenges to come in the next few decades. There are no easy solutions to the problem of how to ensure soundness of the system in the face of demographic transition. Still, we must make some changes to ensure its long-run solvency. Understanding the nature of the problem and lessons learned from international experience should help us address these important issues in a more well-rounded way. A conference of this kind can contribute greatly to this front.

14. I wish this forum every success and hope that all of you have a pleasant stay here in Thailand.

Thank you.