

**PENSION REFORMS IN POST-SOCIALIST AND OTHER COUNTRIES -
COMPARISON AND EVALUATION.
INTERNATIONAL CONFERENCE IN POZNAŃ**

On 12-13 September 2013 an international conference on "Pension Reforms in Post-Socialist and Other Countries - Comparison and Evaluation" was held in Poznań under the aegis of the Department of Economics, Faculty of Management at the University of Technology. The conference was held under the patronage of The Polish Economic Society. PTE PZU SA was the sponsor. Articles or reports were prepared by 32 scholars, among whom there were eight foreign scientists from Europe and the U.S. leading the forefront in their field. Among the audience or participants in the discussion there were also business and financial institutions experts who manage the assets of pension funds (not only in Poland). All scientific sessions (presentations and discussions) were conducted in English. After each presentation 20 minutes were dedicated to questions and discussion. This conference formula proved to be excellent as evidenced by lively discussions and confrontations of different positions and points of view of scientists and representatives of the national and foreign financial sector.

On the basis of papers prepared for the conference an English-Polish monograph entitled "Pension Reforms - Comparison and Evaluation" was edited (pol. „Reformowanie systemów emerytalnych - porównania i oceny”, Wydawnictwo Politechniki Poznańskiej, Poznań 2013, ss. 379, in the future, it will be available online at Wielkopolska Digital Library).

The guests were welcomed by the President of the Organizing Committee Ph.D., Assistant Professor Marek Szczepański, head of the Department of Economics, Faculty of Management at Poznań University of Technology. At the outset he welcomed the presidents of three universities: Ph.D., Eng., Assistant Professor Joanna Józefowska, Vice-Rector for scientific matters, representing the host - Poznań University of Technology, Ph.D., Assistant Professor Józef Orczyk, Rector of the Higher School of Banking in Poznań - founder of the Poznań school of social policy, and Ph.D., Assistant Professor Maciej Żukowski, Vice-Rector for

scientific matters at the University of Economics in Poznań. He also greeted the President of the Division of the Polish Economic Society in Poznań, Ph.D., Assistant Professor Ryszard Kamiński and the CEOs of Pension Funds (Pension Societies): Andrzej Soldek (PTE PZU) and Paweł Pytel (Aviva PTE) and the director Francesco Briganti of the European Association of Paritarian Institutions (AEIP). The conference was opened by the President of the University of Technology - Mrs. Joanna Józefowska who presented the traditions and achievements of the university.

The first session devoted to pension reforms in the former socialist countries was chaired by Ph.D., Assistant Professor dr h.c. **Eberhard Eichenhofer** of Friedrich Schiller University of Jena (Germany). The first lecture was given by Professor **Elaine Fultz** (JMF Research in the U.S.) on "Pension Privatization in Central and Eastern Europe: Dilemmas and trade-offs concerning the private benefit package." She introduced the history of privatization of pensions in Central Europe, its advantages and disadvantages, among which the most important in her opinion are the differences between men and women as to the amount of payments. She proposed regulations and mechanisms correcting the economic reality of pension funds' activities. In the following speech on "Pension Reform in Czechia: Soft Compulsion Myths and Lies" everyone listened to Professor **Jaroslav Vostatka** of University of Finance and Administration, Prague (Czech Republic). In his opinion the arguments for the policy of "soft compulsion" and the privatization of pensions are simple myths and lies, once promoted and now abandoned by the World Bank: the ability to reduce the demographic risk of pension systems and the strain on public finances. The third speaker, Professor **Maciej Żukowski** (Poznań University of Economics) tried to answer the question of "Polish pension Reforms in 2011-2013: Retreat or adjustment?" He described a gradual move away from the funded pension pillar in Poland and a similar trend in Europe, taking place in some countries faster and more violently (like Hungary), and in others only partially or temporarily (like Slovakia, Estonia). In his paper entitled "Persisting East-West divides in pension insurance of unified Germany" President of the session - Professor Eberhard Eichenhofer discussed issues of unification of the pension system resulting from the unification of western and eastern Germany. He drew attention to the lack of economic convergence German pension system reflected in pension benefits that are higher than wages in eastern Germany.

Łódź University of Technology Professor - **Filip Chybalski** summarized the topic of "Economic activity of people approaching retirement age and higher and the youngest cohort's situation on the labor market." He presented estimates of econometric models indicating statistical insignificance of the correlation of the employment of workers approaching retirement age and unemployment rates among young people. The session ended with a lecture by Ph.D. **Jarosław Poteraj** of National Academy of Science and Business Administration in Łomża on "The changes in pension systems in Europe in years 2008-2012." Described and summarized here were the trends in European social policy in the field of pension systems.

In the afternoon the first part of the second session of the conference began and it was dedicated to the financial and institutional aspects of pension reforms in the post-socialist and other countries. Professor **Maciej Żukowski** (Poznań University of Economics) chaired there. The President of PTE PZU SA **Andrzej Sołdek** gave a speech on the role of pension funds in financing the economy ("The role of pension funds in financing the economy"). He presented an investment strategy of Polish open pension funds on the capital market, both passive to Treasury debt and shares of the largest companies, as well as an active participation in the shareholding of small and medium sized companies with rapid growth in income and wealth. He also discussed the directions of efficient investments in the economy (infrastructure projects and corporate debt market) and regulatory and system restrictions in this regard. The second presentation during this session was given by Professor **John Turner** (Pension Policy Center, USA) on "Complexity theory and pension investors: strategic complexity in advisory fee disclosures". He argued that the financial institutions deliberately restrict the access of retail investors to information management costs for relatively expensive (and inefficient) deals by introducing complex clauses of charge. He stated that it is the logical consequence of a strategy to maximize profit of financial institutions. To support his hypotheses he cited examples of investment offers, comparing their effective cost and complexity of contractual terms, which he measured with the linguistic means to assess the complexity of speech and text. Two scientists from Slovakia, doc. Eng. **John Sebo** and Ph.D. Eng. **Tomas Virdzek** of Matej Bel University in Banska Bystrica gave a speech on "Dismantling the myths about the pension funds' performance from the

saver perspective." They calculated (during selected periods of several years) a number of cumulative rates of return and the cost of some pension funds in Poland and Slovakia and stated their positive correlations for a given fund. They also proposed and calculated the rate of return for an investor of pension funds, which turned out to be much lower than the rate of economic growth and comparable to the inflation of consumer goods. They concluded that the main beneficiaries of the funds are the funds themselves. Ph.D. **Tymoczko Dobiesław** and M.A. **Dorota Okseniuk**, representing the SGH and the NBP, argued in a lecture titled "Passive management - the way of improving efficiency of pension funds" that passive management is a remedy for the ineffectiveness of all funds, especially if one calculates the rate of return per unit of risk.

The session continued on the second day, and the meetings were chaired by Professor **Adam Samborski** (University of Economics in Katowice, Poland). An interesting presentation titled "From pension funds to piggy banks: (perverse) Consequences of the Stability and Growth pact in the crisis", enriched with numerous anecdotes about the greed of politicians from different countries who in different situations reach for the resources accumulated in pension schemes, was delivered by Professor **Bernard Casey** of WARWICK University in the UK. He discussed examples of many countries, pointing to the widespread treatment of pension funds by European governments as piggy banks to be broken down during long-term public finance deficits. According to another speaker on "Gender and Pension Reforms in Poland after 1989," Ph.D. **Joanna Ratajczak-Tuchołka** (Poznań University of Economics), the Polish pension system has been evolving, but its targets are still not clear, particularly the degree of redistribution of contribution benefits by gender, the financial position of the insured and their families. Ph.D. **Kamila Bielawska** (University of Gdansk) in the paper titled "The impact of fiscal situation on the retreat from mandatory pension funds: the case study of Hungary and Poland" showed on the basis of her own calculations and statistics that pension funds are only one of several significant sources of public deficit of the pension system in Poland. In addition, assets of pension funds and their growth are not considered reserves and revenues according to European System of Accounts (ESA95), and their change would involve a need to include future pension obligations to the public debt (uncomfortable for many European governments). Then Ph.D. **Radosław Kurach**

opted for keeping the common Polish pension funds in "Mandatory capital pension pillar - why should we keep it alive? ." He argued that pension funds invest in non-public sector of the economy and diversify the risk of the PAYG pension system. He noted that the demographic risk of diversification requires investing abroad, but this in turn, carries both the exchange and political risk. In addition, today's regulations do not allow funds to protect themselves against that risk. In his paper on "Demographical, economic and institutional determinants of funded pension plans operations in Europe. Examinations Comparability," Ph.D **Tomasz Brzęczek** from the Department of Economics at Poznań University of Technology presented statistical data on selected demographic and economic indicators of 27 countries in Europe and the development indicators of their capital pension sector. The indicators after the standardization have created a system which helped him to calculate the distance between each pair of countries. He presented pairs of countries on a dendrogram in a system of indicators, which are closely similar to the determinants of pension systems. He suggested that such a choice of countries for comparative studies provides comparability of reform ratings or structures of pension systems in line with the "ceteris paribus". The penultimate lecture was given by Professor **Adam Samborski** (University of Economics in Katowice, Poland) on "Pension fund governance, investment strategies and their roles in corporate governance. The case of Poland." He discussed the legal-economic constitution of Pension Societies' functioning statutes, governing bodies and the documentation of activities. He highlighted a low level of these functions' fulfillment, particularly regarding information on the participants of Pension Societies but also companies whose shareholders are the Pension Societies. The final paper of the conference titled "Security through balance - evaluation of proposed changes in Polish pension system" was presented by Ph.D., Assistant Professor **Marek Szczepański** (University of Technology). Point by point, he voiced a thorough assessment of the government's plans to the capital pension pillar. He considered the proposed voluntary of funds as fictional due to the only possible direction of the transfer of contributions to ZUS (Social Insurance Board) and the finality of the decision. He cast doubt on long-term balancing of public finances due to the redemption of treasury bonds owned by pension funds. He pointed out the hidden growth of future liabilities of the public sector and the current increased investment risk of pension funds.

The conference was summarized by Professor **Maciej Żukowski** in five points. First, he emphasized the timelessness of retirement security topics which still enjoy a growing interest among scholars, like their social importance in times of permanent deficit of public finances. Second, he concluded that the pension system, though complicated, is part of the economic system as well as a complement to the health care system and social services, which in turn requires the conduction of an interdisciplinary and comprehensive study of these systems and their functions. Third, he reflected, after Professor Elaine Fultz, that the 1998 pension reform introduced private pension funds and pensions and drastically burdened the existing pension system and the current changes have been occurring rapidly but in the opposite direction. Fourth, he justified the existence of pension systems and their experts with the need of an institutional retirement security plan and its financing. He endorsed this idea citing the study results obtained by Professor John Turner confirming the lack of financial and economic education of society and problems with access to information - a huge gap in reference to financial institutions. Fifth, he thanked the organizers and speakers for fruitful preparation of the conference and he thanked other participants for their interest in the topic and participation in the discussion. The conference was officially closed by the Chairman of the Organizing Committee Ph.D., Assistant Professor Marek Szczepanski who thanked the guests and the Committee composed of Ph.D Ewa Badzińska, MSc. Agata Budzyńska, Ph.D. Tomasz Brzęczek, Ph.D Małgorzata Gajowiak and MSc. Andżelika Libertowska.

The report was prepared by:

Tomasz Brzęczek
Marek Szczepanski