

Overview of the Issue

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This issue features three original research articles, an issues & policy article and, as we noted in the Review of 2002 above, a new book review section. As in issues in our first volume, the articles in this issue span a broad range of topics.

The first article in the issue is by H. Fred Mittelstaedt (University of Notre Dame, USA) and John C. Olsen and presents *An Empirical Analysis of the Investment Performance of the Chilean Pension System*. The Chilean pension reform in the early 1980s was the first of major pension reforms in Latin America to introduce individual accounts and therefore the relatively long experience in Chile is informative for assessing the effects of introduction of individual accounts.

Mittelstaedt and Olsen assess whether risk-adjusted returns for Chilean pension funds have been different than those achievable elsewhere. Risk-adjusted returns on pensions could conceivably differ from the market because of market inefficiencies, asymmetric information, fund manager skill and the regulatory environment, among other factors. Using monthly data, Mittelstaedt and Olsen show that Chilean pension funds perform on a risk-adjusted basis no differently than Chilean mutual funds or indeed the Chilean stock market. This paper is a useful contribution to the literature on pension fund performance which to date has largely concentrated on OECD countries.

In the second article in the issue, Kazutoshi Miyazawa of Nanzan University, Japan, is on *Public Pensions and Take-off*. An extremely important issue in the choice of pension system is its effect on the broader economy and in particular on economic growth. Miyazawa's paper examines the effect of introducing a public pension system on economic growth. His three-period overlapping generations model incorporates public spending on education and decisions on human capital acquisition.

In his model, unfunded pensions encourage education through an income effect. At the same time, it leads to lower equilibrium prices of education which may encourage more education as well. The higher the level of education and hence human capital, the easier it is for an economy to escape from periods of low growth.

In the third article, Chia Ngee Choon and Albert Tsui of the National University of Singapore write on *Life Annuities of Compulsory Savings and Income Adequacy of the Elderly in Singapore*. Singapore's central provident fund (CPF) is the leading example of mandatory centralised defined contribution provision. They examine the adequacy of retirement benefits in Singapore by examining the lifetime expenditure needs of the elderly. They use a Monte Carlo simulation methodology to determine the amount needed at retirement, as in Albrecht and Maurer (JPEF, vol. 1, no. 3),

And, like McCarthy, Mitchell and Piggott (JPEF, vol. 1, no. 3), they find significant potential shortcomings in the savings of individuals in Singapore, despite compulsion in the system. In other words, there is a high probability that the lump sum available at retirement will not be enough to maintain the desired standard of living.

Tom Clark and Carl Emmerson have contributed for this issue an Issues & Policy piece on *Privatising provision and attacking poverty? The direction of UK Pension Policy under new Labour*. The UK has in recent years introduced major reforms to its pension system and these have involved introduction of quite a bit of means testing. This paper reviews the pension system in the UK along with these recent developments and in particular focuses quite a bit on the implications of increased reliance on means-tested benefits.

The issue closes with the inaugural section of our book reviews edited by Olivia Mitchell, executive director of the Pension Research Council at the Wharton School, University of Pennsylvania. In this issue, Jeremy Siegel (The Wharton School) reviews the book *Triumph of the Optimists: 101 Years of Global Investment Returns* by Elroy Dimson. David McCarthy (University of Oxford) reviews *Strategic Asset Allocation* by John Y. Campbell & Luis M. Viceira, and Gordon L. Clark (University of Oxford) reviews *Social Security Pension Reform in Europe* edited by Martin Feldstein and Horst Siebert.

This is an exciting issue of the Journal and we hope you enjoy it.

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