


Pension Information and retirement planning in France: an evaluation of public policy

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Introduction

- Increasing retirement related savings is one of the major issues in many OECD countries.
- Increasing longevity  Increasing pension risks
- Fully funded pension system : individuals have to manage the longevity risk.
- PAYG pension system : maintaining the standard of living after retirement is compromised.
- Improving retirement planning in this context is crucial, to manage:
 - The longevity risk
 - To maintain an adequate standard of living at old age.

Introduction

- Financially educated individuals : plan their retirement (Lusardi and Mitchell, 2011c) , and invest more efficiently (Calvert, Campbell, and Sodini, 2005).
- Low financial literacy → accumulate less wealth and transact in a high-cost manner (Lusardi et Tufano, 2008),

Introduction

- Improving financial literacy should be the first concern for policy makers (Gale and Levine 2011),
- Policy makers' role: improving the information quality to individuals, presenting it in a non complex manner.
- One way (among others) : **public pension information** (through pension statements/estimates).

Introduction

- Why implementing pension information?
 - To increase the public understanding about the pension reform and to motivate pension savings for old age.
 - To have a better acceptance of reforms (Boeri and Tabellini, 2010).
- How implementing it?
 - Pension information right (2003 pension reform in France): pension statement from the age of 35 and **indicative global estimate from the age of 55.**

Introduction

- Public interest group (*GIP Union Retraite*)
- Detailed information on the individuals' pension situation at the age of 35 and at 55 years old with an estimate of the pension (the “indicative global estimate”).
- Implementation of the pension information right:
 - 2007 to 2010: transitory period
 - 2011: first year of full implementation

	2007	2008	2009	2010	2011	2012
1949	58 years old					
1950		58		60		
1951		57			60	
1952			57			60
1953			56			
1954				56		
1955				55		
1956					55	
1957						55

- Implementation in 2007.
- End 2010, 1949 to 1955 cohorts had received their pension statement.

Introduction

- Discontinuity at the age of 56 in 2011: in this year, only cohorts from 1949 to 1955 had received the estimate of their pension:
- Regression discontinuity (RD) method combined with quantile regressions, to assess whether the changes in asset holdings are due to the pension information.
- First evaluation of the pension information system using the Survey on Health, Ageing and Retirement in Europe (SHARE Survey).

Data and statistics

- Data from the 4th wave of the Survey of Health, Ageing and Retirement in Europe (collected in 2011).
 - We focus on French data.
- We evaluate the impact of the pension information on:
 - The per capita household savings for long-term investment
 - The per capita household gross financial assets

Data and statistics

- Our sample:
 - Individuals born between 1949 and 1955 and still working the year receiving the pension estimate.
 - Individuals born between 1956 and 1960, they did not receive any pension estimate before 2011.

Data and statistics

Average assets held by cohorts on both sides of the birth year (euros)

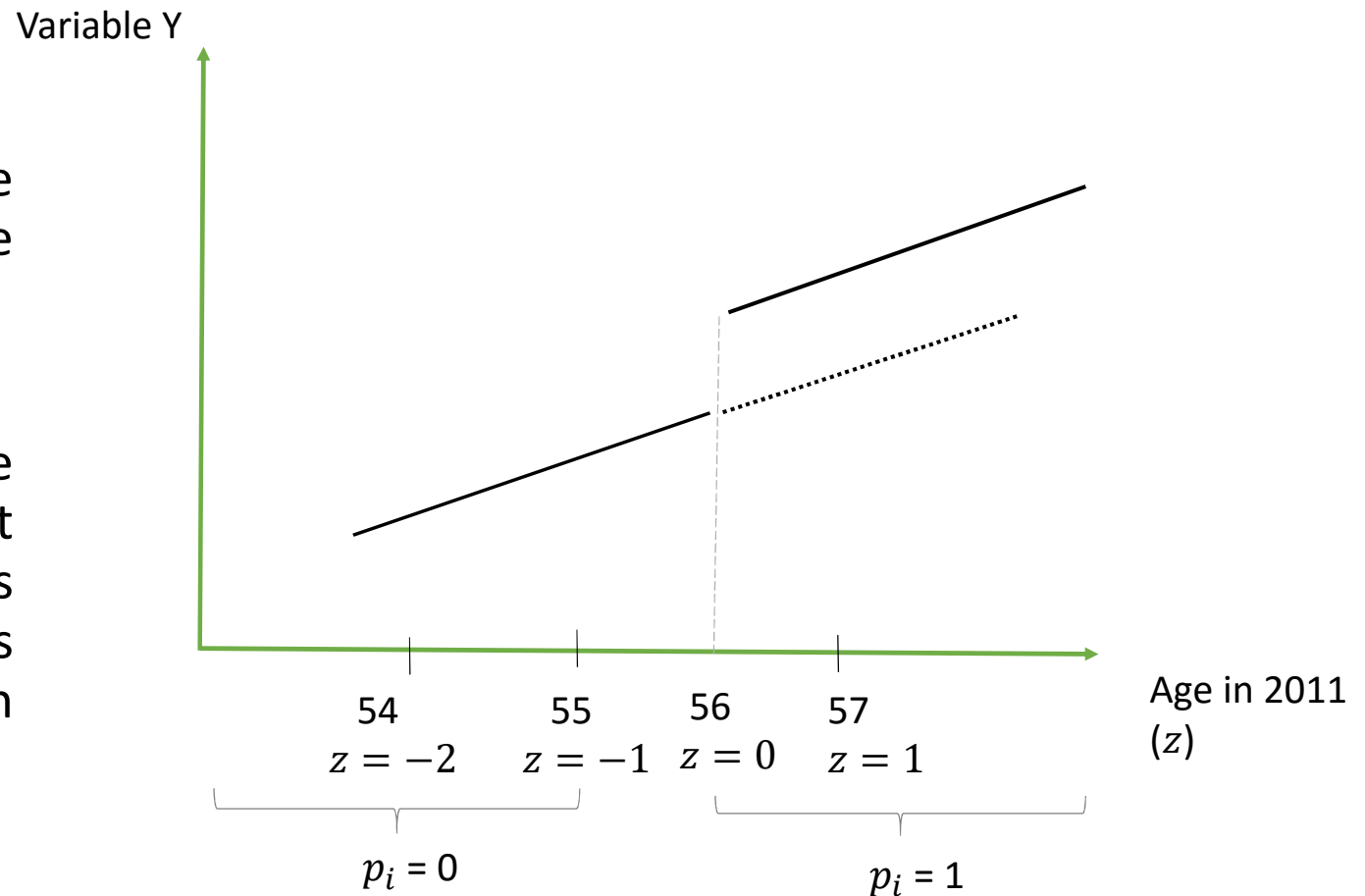
	N	Per capita savings for long term investment	Per capita financial assets
Birth<1956	953	17975	31061
Birth>1955	792	11276	20717

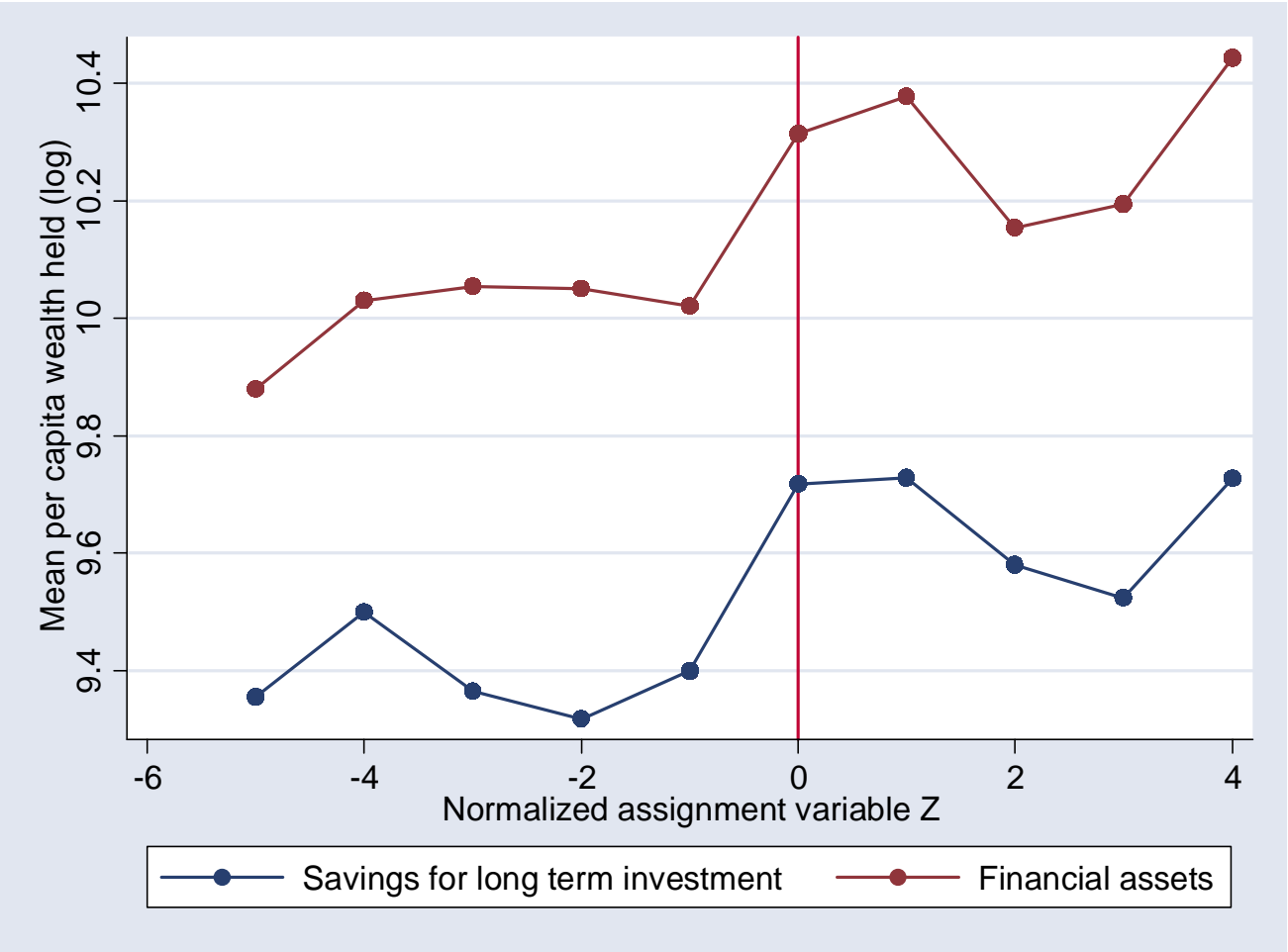
Methodology

- Receiving the indicative global estimate is the « **treatment** »
- Discontinuity according to the year of birth:
 - Born before 1956 : in 2011, they have received their pension estimate, they are « ***treated*** »
 - Born after 1955 : in 2011, they did not have received it, they are not treated (control).
- Strict discontinuity in 1955: Regression discontinuity (RD) design (Hahn et al., 2011; Imbens et Lemieux, 2008; Lee et Lemieux, 2010).

Methodology

- The objective is to estimate the average treatment effect at the threshold Z_0 .
- The assignment variable z , the birth year, is normalized so that the discontinuity point is represented by $z_0 = 0$. As consequence, $z_i = 1955$ -birth year.





Methodology

$$Y_{ij} = \beta_0 p_j + h(z_j) + \delta X_i + \varepsilon_{ij}$$

- Y_{ij} the wealth variable for the individual, born in year j (i.e. the value of the assignment variable Z), β : treatment effect, $h(z_j)$: the assignment variable.
- X_i Control variables

Methodology

- $h(z_j)$ is supposed to be continuous and capture the cohort effect on savings:
 - Linear
 - Spline linear
 - Quadratic
- The hypothesis that $h(\cdot)$ is smooth implies that, controlling other characteristics, the reception of the pension estimate (i.e. the treatment) is the only source of discontinuity in the wealth variable at age 56.

Methodology

Control variables:

- Educational attainment for the individual and his/her partner,
- Household composition (marital status and the number of children within the household),
- Household disposable income,
- Dummy variables indicate whether the respondent is self-employed, retired and homeowner,
- Dummy variable capturing health effects if the individual has declared being limited in his/her daily activities.

Results

The impact of the treatment on long term savings

	OLS
	(1)
h(.) linear	0.337
	(0.45)
h(.) spline linear	0.459
	(0.58)
h(.) quadratic	0.421
	(0.56)

Results

The impact of the treatment on long term savings

	OLS	q25	q50	q75
	(1)	(2)	(3)	(4)
h(.) linear	0.337	-	0.731	1.041***
	(0.45)	-	(1.21)	(3.21)
h(.) spline linear	0.459	-	0.739	1.077**
	(0.58)	-	(1.17)	(3.05)
h(.) quadratic	0.421	-	0.664	1.004**
	(0.56)	-	(1.08)	(2.98)

Results

The impact of the treatment on financial savings

	OLS	25th	50th	75th
	(1)	(2)	(3)	(4)
h(.) linear	-0.008	-0.018	0.270	0.249
	(-0.03)	(-0.05)	(1.46)	(1.41)
h(.) spline linear	0.066	0.102	0.372**	0.358**
	(0.20)	(0.28)	(2.00)	(2.15)
h(.) quadratic	0.042	0.058	0.308*	0.248*
	(0.14)	(0.37)	(1.74)	(1.69)

Results and conclusion

- Pension information has a significant positive impact on accumulation, but only on the highest part of the wealth distribution.
- With an elasticity for information between 1.004 and 1.04 for the 75th percentile, the impact is much stronger on long term savings than financial assets.

Results and conclusion

- Pension estimate reinforces the savings of those who already hold the highest levels of wealth.
- The pension information does not seem to have an impact on those who hold the lowest levels of wealth:
 - They might not be able to save,
 - They have a high replacement rate,
 - They do not make an effective use of information because of a poor financial literacy.
- Pension information in this case tends to reinforce inequalities.