

CONCLUSIONS

Adequacy Task Force

- For measuring adequacy the average population salary replacement ratio method should be considered. This method analyses each individual's pension against the average working population salary. The adequacy of the pension is no longer linked to the individual, but takes into account the situation of the current active population, and shows both the existing (or non-existing) intergenerational balance and 'inter-category balance'.
- Retirement readiness should also be evaluated. That could be done by comparing the expected financial situation at normal retirement age with expenditure thresholds. Evidence was provided that shocks to wealth do not affect consumption today but are incorporated into individuals' projections of the future.
- Another important factor in measuring retirement income adequacy is how well the workers' living standards are maintained after retirement, using income and wealth data.
- More attention should be given to measuring pension adequacy for the self-employed since, as a consequence of the recession, the self-employed stand out as vulnerable group with relatively modest pension entitlements.
- The Internal Rate of Return, IRR, should be taken into account as a useful indicator to consider intergenerational fairness. Specifically it is proposed that the internal rate of return be used as a measure for the adequacy of pension benefits not to fall below zero.