

Overview of the Issue

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Within the global debate regarding the provision and management of retirement pensions, two issues continue to attract the attention of academics and practitioners alike. They are the role of payout annuities in a well-balanced portfolio and the corporate governance of pension plans. We are happy to present the current issue of the JPEF which addresses both of these topics and provides a number of interesting and important conclusions.

Our first article is by Irena Dushi and Anothony Webb from the International Longevity Centre in the US. In their paper, entitled *Household Annuitization Decisions: Simulations and Empirical Analysis*, the authors build on previous research that has identified the so-called “Option Value” in waiting to annuitize by implementing a dynamic programming model for (married) couples as opposed to individuals. In the case of a couple, they show that it may be optimal to delay annuitization until an age between 73 and 82 and in some cases it may never be optimal to annuitize. However, they claim that it is usually optimal for single men and women to annuitize at ages between 65 and 70. These results can be contrasted with predictions of a simple life-cycle (Yaari) model under which it is optimal to annuitize as soon as one has the chance to do so fairly. Using data from the Asset and Health Dynamics Among the Oldest Old and the Health and Retirement Study panels, Dushi and Webb explain that part of the reason that many currently retired households do not buy private annuities is that they already have exceptionally high proportions of their wealth pre-annuitized, such as through Social Security.

Our second article is by Paul Gerrans and Marilyn Clark-Murphy from Edith Cowan University in Western Australia. In the paper, entitled *Gender Differences in Retirement Savings Decisions*, the authors focus on gender differences in savings and asset allocation behavior. They employ survey data from the Superannuation Scheme for Australian Universities and arrive at a number of interesting insights relating to the interaction between investment choices and demographic variables and how one must exercise caution in interpreting results from this survey. For example, although they find evidence to suggest that younger females are more likely to select lower risk investments for their portfolio compared to younger males, they also find that “being informed” and having “more education” – which were two of the many questions in the survey – reduced the likelihood of this effect. The authors conclude by arguing that future studies of the impact of gender on investing must be careful to account for a variety of demographic factors that might actually reverse the uncontrolled results.

This issue also includes three papers in our Issues and Policy section. Agar Brugiavini and Vincenzo Galasso from University of Venice and Bocconi University respectively examine recent pension and social security reform in Italy. Mario Catalan from John Hopkins University reviews the literature of pension fund governance in developing countries. Our fifth and final paper is by Gordon Clark from the Said Business School at University of Oxford which also examines pension fund governance by focusing on the various codes of practice as well as the rules and procedures for decision making *vis a vis* trustee competence and expertise.

Finally, this issue concludes with our book review section, edited by Olivia Mitchell from the Wharton School. Various authors review eight recent additions to the pension economics and finance arena. The books are:

- “A Review of Fiscal and Generational Imbalances” by J. Gokhale and K. Smetters; Reviewed by L. J. Kotlikoff.
- “Coming Up Short: The Challenge of 401(k) Plans” by A. H. Munnell and A. Sunden; Reviewed by W. Even.
- “The Distributional Aspects of Social Security and Social Security Reform” edited by M. Feldstein and J. B. Liebman; Reviewed by J. W. R. Phillips.
- “Saving Social Security: A Balanced Approach” by P. A. Diamond and P. R. Orszag; Reviewed by M. C. MacGuineas.
- “A History of the Public Sector Pensions in the United States” by R. L. Clark, L. A. Craig and J. W. Wilson; Reviewed by C. Eitelberg.
- “Pension Reform in an Integrated Europe”, edited by O. Castellino and E. Fornero; Reviewed by R. Disney.
- “Postal Savings and Fiscal Investment in Japan” by T. F. Cargill and N. Yoshino; Reviewed by J. Piggott.
- “The Economic and Financial Consequences of Global Aging”, by K. McMorrow and W. Roeger; Reviewed by P. S. Hewitt.

We hope you enjoy.