

Overview of the Issue

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This issue is the first of volume 7 of the *Journal of Pension Economics and Finance*. The issue has four research articles and a book review section. The first article by Paul Sweeting (University of Bristol and Fidelity Investments International) looks at the *Cost and Value of UK Defined Benefit Provision* (Sweeting, 2008). In the UK, employers have by and large dealt with the problem of increasing defined benefit costs by switching to defined contribution for new employees but leaving in place defined benefit plans for existing employees. Sweeting's paper quantifies some of the cost differences for companies, incorporating tax effects, and finds that the impact of defined benefit costs is usually significant but varies considerably by age of employee and other circumstances.

The second paper in the issue (Koh, Mitchell, Tanuwidjaja and Fong, 2008) looks at *Investment Patterns in Singapore's Central Provident Fund System*. As noted by (McCarthy, Mitchell and Piggott, 2002) there is a tremendous amount of investment in Singapore's provident fund in housing, so much so that individuals risk low levels of cash at retirement. This paper analyses the further problem that individuals choose to invest most of their non-housing assets in the government default funds and explores policy options for reform.

The next article in the issue (Even and MacPherson, 2008) provides a new look at investments in employer stock by US defined contribution plans. Using a combination of stock return data and form 5500 filings, the authors look at what influences employee investments in employer stock and how much employer stock holdings reduce risk adjusted returns. Self-investment in defined contribution plans has been widely cited as a major problem and the authors find some evidence of mitigating circumstances such as the tendency for those with other pensions to hold employer stock. In addition, employer stock is less common among firms with older workers. Pension plans that hold under 20% in employer stock only underperform modestly but at high levels of employer stock investment the authors find significant impact on risk adjusted performance.

The final article in the issue (Rocha, Morales and Thorborn, 2008) takes an empirical look at the evolution of the annuity rate in Chile. Because of the individual account pension reform in Chile in the 1980s, Chile has had a significant history of annuity markets and pricing. The authors look at how the evolution of the annuity rate has depended on financial factors as well as competitive factors such as market concentration.

The issue closes with a book review section (edited by Olivia Mitchell). For news about forthcoming articles and other content, we encourage you to take a look at the Journal website (<http://www.pensions-journal.com>).

References

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