OECD Journal on Budgeting
Volume 2013/3

The Swedish pension system after twenty years: Mid-course corrections and lessons

by
Kent Weaver and Alexander Willén*

Elements of the Swedish pension reform enacted in the 1990s have served as a model for reform initiatives in a number of other countries. Sweden's experience suggests that a Notional Defined Contribution (NDC) pension reform can be sustained in a supportive political environment, but it has not been immune to electoral pressures to prevent visible cuts in pension benefits. Moreover, efforts to lengthen working lives have encountered major barriers both in the way that the state pension system is perceived and in the structure of the occupational pension system. Design of Sweden's individual account tier has major successes in lowering administrative costs and in providing information across sources of retirement income, but efforts to increase active engagement in selecting retirement savings portfolios have faltered. Sweden has modified its new pension system in several ways over the past decade to address perceived problems and political concerns, and debates are now arising on a "Pension Reform 2.0" package of more comprehensive changes.

JEL classification: H5, H55.

Keywords: Pension reform, pension system, income contribution, retirement, stabilising mechanisms.

* R. Kent Weaver is Professor of Public Policy and Government at Georgetown University and a Senior Fellow in Governance Studies at the Brookings Institution. In 2014-15, he is the Olof Palme Visiting Professor at the University of Stockholm. Alexander Willén is a Ph.D. student in Policy Analysis and Management at Cornell University. They would like to thank Bo Könberg, Marja Lemne and Annika Sundén for comments on earlier versions of this paper.

1. Introduction

During the 1990s, Sweden carried out a major reform of its public pension system, with most of the legislation enacted between 1994 and 1998. The new system was proclaimed by its designers to be financially sustainable indefinitely, despite a rapidly aging population. Several components of the new system, including a large Notional Defined Contribution (NDC) tier with an automatic balancing mechanism, a defined contribution tier with centralised administration of accounts and a state-sponsored default fund, and collective investment funds for managing surpluses in the NDC tier, were considered highly innovative.

Most elements of the new Swedish pension system have now been in place for twenty years, and it has been viewed as an important model for pension reform in other countries (see for example Holzmann and Palmer, 2006; Holzmann, Palmer and Robalino, 2012 and 2013). This paper examines the Swedish experience since 1994, including several mid-course corrections that have been made. It also draws both positive and negative lessons from the Swedish experience for policymakers in other countries.

2. Sweden enacts new pension system

Sweden has a very extensive welfare system. By the late 1960s, the public pension system in Sweden consisted of three tiers. A flat-rate basic pension (*folkpension*) operated on a Pay-As-You-Go basis. A partially pre-funded earnings-related national supplementary pension (ATP) was added to the flat-rate pension in 1959 after a very contentious political debate. The ATP was widely regarded as the "jewel in the crown" that helped to solidify middle class support for the Social Democratic welfare state (Lundberg, 2003; Loxbo, 2007 and 2013). Both tiers were financed largely by earmarked employer contributions. A means-tested pension supplement was created in 1969 to provide a higher pension floor to those whose earnings-related benefits were very low. The pension supplement, in combination with the other two tiers, moved almost all seniors in Sweden out of poverty.

By the 1980s, funding the pension system through payroll taxes was becoming increasingly problematic due to slower economic growth and an aging population. This was further exacerbated by design features of the old system that led to a poor linkage between earnings and benefits and to distortions in the labour market (for a discussion, see Könberg, Palmer and Sundén, 2006: 451-452). To address these challenges, successive Swedish governments enacted a number of ad hoc incremental changes in the pension system, including restrictions on early retirement. They also enacted more fundamental changes that would stabilise financing and benefits for the long term and therefore keep pensions from becoming a recurrent (and divisive) item on the policy agenda (see Anderson and Immergut, 2007: 367-372).

The enactment of fundamental reforms was accelerated by the election of a four-party centre-right (non-Social Democratic) minority government in 1991 that faced a severe economic and budgetary crisis and lacked a parliamentary majority. The new government sought to develop a reform package that could obtain broad support from parties in the Swedish parliament across the dividing line between centre-right parties and parties of the left, lowering the risk that any reform would be reversed when the Social Democrats, at that time still by far the largest party in Sweden, returned to power. The pension working group, initially comprised of members from all seven parties represented in parliament, issued their first report in August 1992, including a sketch of proposed principles for reform. An agreement was reached in January 1994 supported by the four centre-right coalition parties and the Social Democrats, but not the smaller Left or New Democracy parties, and legislation based on that agreement was enacted in June 1994. The working group of five parties supporting the reform continued its work after the Social Democrats returned to power in September 1994, and most implementing legislation was enacted by 1998, after a two-year delay caused by conflict within the Social Democratic Party about whether to move forward (Könberg, Palmer and Sundén, 2006).

The new pension system has several major characteristics, including a permanently fixed 16% contribution rate for a new earnings-related pension, and the addition of a relatively modest (2.5% of payroll) mandatory defined contribution "premium pension" tier. There was also a new income-tested "guarantee pension," financed from general revenues and payable from age 65, to replace the former pension supplement.[1]

The key change was replacement of the former flat-rate pension and earnings-related pension by a new "income pension" based on what came to be called Notional or Non-Financial Defined Contribution (NDC) principles (see Holzmann and Palmer, 2006; Williamson, 2004; Settergren, 2001). Sweden's NDC pension system bases benefits on earners' lifetime contributions to the system, which may include contributions made on a person's behalf by the state for periods of unemployment, child-caring, disability or sickness, military service, etc. In terms of stabilising pension system finances, the key feature of the new NDC pension tier is an "automatic balancing mechanism" that uses a complex formula to correct for increases in life expectancy and slow wage growth by lowering initial benefits (for those who have not yet retired) and benefit indexation (for retirees) until the system comes back into balance (for details on the formula used in the system, see for example Lindquist and Wadensjö, 2009). Payroll tax rates for the NDC tier were permanently fixed at 16% of earnings, and general revenues cannot be used to pay benefits. Thus, NDC pensions make any automatic adjustments exclusively on the benefit side. Pensions are indexed to developments in real wages rather than prices. Rather than simply raising the "standard" retirement age, the new pension system sidestepped the retirement age issue entirely by setting a flexible retirement age for receiving the income and premium pensions beginning at age 61, with increased incentives for continued work. The NDC tier uses "buffer funds" of past surpluses to smooth spending across demographic peaks and valleys.

Several aspects of the structural reform enacted in the 1990s contributed heavily to its adoption. The reform package was extremely complex and many of its specific provisions were opaque. Those who were at or near retirement (those born in 1937 or earlier) received pensions largely under the old rules, while those born in the next sixteen cohorts received an increased share of their pensions under the new system: only those born in 1954 or later were fully under the new system (see Ministry of Social Affairs, 2010: 15). Thus older workers, who are most likely to pay attention to pension issues, were less affected, lowering the prospects for political opposition. Many aspects of the proposed reforms, such as the introduction of a life expectancy index and a new post-retirement inflation index, were highly technical. These reforms made future benefits dependent on later developments, including the performance of the Swedish economy, performance of individuals' investment funds, and demographic trends, thus allowing reductions to occur without politicians having to take direct, visible actions. Thus, it is difficult for most voters to conceptualise, let alone estimate, the impact of the various budgetary fail-safes in the "notional defined contribution" tier of the new pension system and to develop a clear sense of how much lower (if at all), that their pensions would be in the future. It is also difficult for potential partisan opponents of the reform to articulate a clear and convincing critique of it that voters can understand. Moreover, pension reductions were supposed to accrue slowly over a long period of time. In addition, increasing the linkage between social insurance pension benefits and lifetime contributions allowed politicians to claim that the new system was more "fair." This helped to defuse opposition from those who would stand to lose in the new system. All of these factors meant that politicians were unlikely to incur voter retribution for supporting cuts in pension obligations.

The fact that the pension restructuring bore the fingerprints of most of the largest parties lessened the potential for finger pointing and partisan conflict even further. And while the Social Democrats consulted with their traditional partners in the blue-collar labour confederation, Landsorganisationen (LO), labour and employers did not participate directly in the negotiations. The fact that party representatives could bargain without social partners exercising veto power over solutions far from their preferred positions helped to facilitate major trade-offs rather than simply incremental reforms on some major issues, including addition of an individual accounts tier and long-term stabilisation of contribution rates (favoured by conservatives) and increased investment freedom for the state buffer funds (for Social Democrats). The same cartelistic behaviour carried over to the public debate process as well. As one member of the pension working group put it:

> "Some would argue that it's a bad thing about that group – that we buried valuable differences of opinion. And there could be something to that. The very fact that we did agree, the five parties, [meant that] there wasn't much heat in the first public debates. We did our best to provide study materials and tried to be out there talking. But the heat wasn't there because we weren't angry with anyone. In a way, it's a democratic problem. You can't change a system which is too generous if there is someone to take political advantage of it. So then democracy doesn't work well with a heated debate. On the other hand, it's a price for democracy that too much agreement also takes away some of the useful political debate."[2]

3. Lessons learned from the Swedish premium pension reform

Experience since the enactment of the Swedish pension reform suggests several lessons for countries considering reform initiatives of their own. Overall, the lessons from Sweden are as much about politics as about technical issues of design and economic consequence: many of the problematic features of the Swedish system reflect political compromises and constraints when the system was being set up, and efforts to address those features are also constrained by the need to maintain a broad multi-party consensus on pension reform to avoid stalemate or policy bidding wars that could undermine the objectives of the reform. Similar constraints are likely to be encountered in other countries, so Sweden's experiences in implementing and adjusting its reform are likely to be as useful to other countries as its policy design features.

3.1. Maintaining a broad political support base for pension reform, both among political parties and key interest groups is critical to avoiding erosion of reform initiatives

One notable feature of Sweden's implementation of its new pension system is that the cross-party pension working group established to design the system was maintained in a modified form (initially referred to as the Implementation Group) after the new system was established. This mechanism has facilitated resolution of conflicts as new issues arise during implementation. Equally important, it has helped to sustain multi-party commitment to the pension system and enabled collaborative solutions to emerging problems.

Cross-party consultation groups are extremely fragile, however, and success of the mechanism depends on the willingness of the parties to co-operate and compromise with each other. Even modest transgressions may evoke distrust that causes the group to break down, something that can have significant repercussions on the stability of the system.

The biggest political challenge to maintaining support for the pension reform across bloc lines occurred after the 2006 election, when a new four-party centre-right coalition government was elected into office after twelve years out of power. The new government enacted legislation that lowered the pensions of early retirees – rather than calculating the pension for early retirees based on 93% of their income, it was to be based on 80% of their income – and it did so without getting approval of the five party pension group. The Social Democrats argued that modifications of the pension system required unanimous agreement among the five parties, while the government argued that the pension agreement did not apply to early retirement (Fröman, 2007; Nandorf, 2007). As one of the Social Democratic politicians involved in the pension reform put it, the decision made by the centre-right coalition-government:

> "… was against the principle of the pension reform. Although it was a very small question, it was on the principle very serious […] The way that the new government didn't understand how to take care of the reform, making these kind of changes without discussing it with the Social Democratic party. That changed the culture."[3]

The Social Democrats argued that they had scrupulously complied with this principle throughout their time in office, and decided to manifest their disappointment by calling off all ongoing cross-party pension discussions until the issue was resolved (TT, 2007b). Moreover, they publicly announced that, unless this policy was reversed, the centre-right coalition had destroyed the five-party pension agreement that had served the country well since the 1990s (Sahlin and Eneroth, 2007).

Eventually, a special committee was created to resolve this issue, but the negotiations quickly broke down (TT, 2007a). Discussion resumed a few months later, and in November 2007 the centre-right coalition-government agreed to reverse the contested policy. They justified this reversal by a desire to preserve and save the pension agreement (Runblom, 2007). These negotiations also resulted in the establishment of Pensionsgruppen, a renewed consultation group consisting of representatives from each of the five parties supporting the original pension accord to facilitate cross-party pension discussions and avert similar conflicts from arising in the future. A detailed document covering both the history of the pension agreement and its provisions was created to guide this group and minimise the risk of future breakdowns, as turnover in the group led to new members joining the group who had not been involved in the creation of the initial reform (Ministry of Social Affairs, 2010).

The Swedish pension reform thus provides both good and bad news for proponents of fundamental pension reform. The good news is that it is politically possible in a democratic society to undertake quite profound reforms of old age pensions that shift substantial risks for poor economic performance and increased longevity from government (and taxpayers) to pensioners, even when that pension system is a mature contributory plan. The bad news is that this may only be possible when policy elites operate in a cartelistic manner across party lines rather than in an open, participatory manner with major stakeholders directly represented in the negotiations. And policy change may be most attainable when the public is baffled by the complexity and opacity of a pension restructuring package rather than when they understand it.

3.2. Automatic stabilising mechanisms can help to make pension retrenchment more politically feasible, but design features that increase the visibility and volatility of cutbacks make them more vulnerable to political interference

Given the political difficulties of enacting pension retrenchment, it is not surprising that election-seeking politicians in Sweden were attracted to automatic stabilising mechanisms (ASMs) that make pension cutbacks or raise revenues in the future without direct intervention by politicians. Such ASMs essentially change the "default": painful policy changes go into effect unless politicians take positive action to block them, so politicians have "clean hands" when retrenchment occurs. ASMs are likely to be particularly effective when their effects are slow and invisible to the public – for example, making inflation adjustments in pension benefits that produce nominal benefit increases each year, but that are below inflation. Indeed, a recent study for the Swedish insurance company Folksam argued that the percent of final salary (averaged across the last four years of work) replaced by initial public pension benefits fell from 61% for the cohort born in 1938 to 49% for the cohort born in 1946, though the absolute amount received was higher for the latter group because they had much higher lifetime earnings (Folksam, 2014).[4]

Two aspects of the Swedish ASM – officially called the "automatic balancing mechanism" in Sweden, and known in common parlance as the "brake" – make it less likely to avoid public notice, however. *First*, the annuity divisor used to calculate the initial benefit in the income pension includes an adjustment factor that produces higher initial benefits, but causes annual benefit adjustments in later years to be 1.6% of the previous year's base below what they would otherwise be. This mechanism makes the decline in initial replacement rates less visible, but it also makes it more likely that there will be highly visible nominal benefit cuts in some years. *Second*, the income pension benefit is particularly vulnerable to the economic disruptions caused by financial crises because the solvency of the income pension system is based in part on the value of accumulated contribution surpluses that are held in five "buffer funds".[5] About 60% of these funds are invested in equities in Sweden and overseas.

This vulnerability was made evident during the Great Recession, a financial crisis that led to a decline in the value of the assets held by those funds of more than 21% in 2008. This was expected to lead to a 3.28% reduction in income pension benefits in 2010, though low-income retirees would be protected by an increase in the guarantee pension (Försäkringskassan, 2009). The annual adjustment in income pension benefits for retirees already receiving pensions is shown in Table 1. Clearly there has been a high level of volatility in pension benefits, including three years – 2010, 2011 and 2014 – in which there has been a downward nominal adjustment in income pension benefits. As shown in the

Table 1. **Annual nominal adjustment in income pension and ATP benefits in payment compared to former price index, 2002-2014**

	Income-pension and ATP pension adjustment index	Former price index	Single-year difference	Cumulative difference
2002	+3.3	+2.7	+0.6	+0.6
2003	+3.6	+1.8	+1.8	+2.3
2004	+1.8	+1.8	+0.0	+2.3
2005	+0.8	+0.3	+0.5	+2.9
2006	+1.1	+0.8	+0.4	+3.2
2007	+1.6	+1.5	+0.1	+3.3
2008	+2.8	+1.7	+1.1	+4.4
2009	+4.5	+4.4	+0.1	+4.5
2010	-3.0	-0.9	-2.0	+2.4
2011	-4.3	+0.9	-5.2	-2.9
2012	+3.5	+2.8	+0.7	-2.2
2013	+4.1	+1.1	+2.9	+0.6
2014	-2.7	-0.2	-2.5	-1.9

Source: Pensionsmyndigheten (2014b), *Orange Rapport: Pensionssystemets årsredvisning 2013* [*Orange Report: Annual Report of the Pension System 2013*], Stockholm: Pensionsmyndigheten.

last column of Table 1, this led to a significant decline between 2009 and 2014 in indexed benefits relative to the price-based index formerly used to adjust benefits.

3.3. Automatic stabilising mechanisms are not "politician-proof", especially as elections get near

Although ASM policies may be politically attractive, they may encounter political opposition both in the adoption stage and once they are actually triggered. It may be politically easier to stand by and do nothing while visible "automatic" cuts go into effect than to enact those cuts directly, but it may be even more politically expedient to block the cuts rather than allowing them to go into effect, especially if they are scheduled to occur at politically sensitive times in the electoral cycle. The experience of Sweden in the wake of the worldwide financial crisis beginning in 2007 sheds light on this dynamic, and offers valuable lessons to policymakers interested in putting automatic stabilising mechanisms in place (see Kruse, 2010; Settergren, 2010).

Would the stabilising mechanism hold up under the pressure of nominal benefit cuts, especially with a general election scheduled for September 2010? A former Social Democratic Finance Minister, Erik Åsbrink, suggested injecting SEK 200 billion in general revenues into the pension system to prevent triggering the "brake," asking "are the five parties behind the pension arrangements ready to go to the polls on this, with all the opportunities for other parties – inside and outside parliament – to propose measures that would seem far more attractive to 1.6 million pensioners?" (Åsbrink, 2008). The Swedish Social Insurance Agency suggested alternatives for adjusting the automatic balancing mechanism and how the buffer funds should enter the calculation of the notional defined contribution "balance ratio". Sweden's Minister of Social Affairs suggested additional policy options, including compensating retirees from the state budget. The matter was then referred to the multi-party pensions working group representing the five parties that had agreed to the original 1990s pension reform package. The working group agreed to a change that would base the activation of the automatic balancing mechanism on buffer fund balances averaged over the past three years rather than over only the last year. Thus any benefit cuts that were made in benefits based on swings in the buffer fund balances were likely to be moderated over time – phasing in more slowly, but also rebounding more slowly during stock market upturns. While the five parties that belong to the pension group rejected the Swedish Social Insurance Agency's preferred option for changes in the balancing mechanism, the change that they endorsed is consistent with the principles of their original agreement by not injecting new money into the system. It is at least arguably a "fine-tuning" improvement because it weakens the measure's volatility.

In addition to adjusting the automatic balancing mechanism, the centre-right coalition government also reduced taxation on pension benefits so that very few pensioners would experience a cut in their nominal net benefits, again reducing the visibility of the cutbacks. Since the onset of the Great Recession, the government has embarked upon five rounds of tax reductions on pension benefits (Table 2). The aggregate cost of these tax cuts amounts to SEK 16.45 billion annually (about USD 2.5 billion), equivalent to an increase of SEK 2 100 in monthly disposable income for the average pensioner (Finansdepartementet, 2014).

Table 2. **Selected legislative and administrative changes in the Swedish pension system after enactment of the automatic stabilising mechanism**

Year enacted	Government type	Nature of change	Effective date or phase-in period
2003	Social democratic minority coalition	Restriction of eligibility and benefits in Survivors pension and early pension	2003
2004	Social democratic minority coalition	Public-private co-operation in administrative structure	2004
2007	Conservative-led majority coalition	Contraction in outreach to first-time choosers	2007
2008	Conservative-led majority coalition	Tax cut on pension benefits	2009
2009	Conservative-led majority coalition	Revision of automatic balancing mechanism in income pension to reduce volatility (and reduce cuts in short term)	2010
2009	Conservative-led majority coalition	Tax cut on pension benefits	2010
2008	Conservative-led majority coalition	New pension administrative structure	2010
2010	Conservative-led majority coalition	Tax cut on pension benefits	2011
2010	Conservative-led minority coalition	New default fund for *Premiepensionssystemet*	2010
2011	Conservative-led minority coalition	Prohibition of bulk trade for *Premiepensionssystemet*	December, 2011
2012	Conservative-led minority coalition	Increase of pensioners' housing supplement *(Bostadstillägget)*	2013
2013	Conservative-led minority	Tax cut on pension benefits	2014

The most substantial tax cut was enacted in the fall of 2010, came into force in January 2011, and reduced the aggregate tax burden of pensioners by SEK 7.5 billion (Finansdepartementet, 2014). This tax cut reduced the incidence and visibility of the cutbacks caused by activation of the automatic stabilising mechanism substantially, allowing 85% of the retirees to enjoy an increase in pension benefits rather than causing a reduction in pension benefits for 80% of the Swedish pensioners (TT, 2010). The most recent tax cut, which came into effect in January 2014, had a similar, albeit smaller, effect (Larsson, 2013b).

The principal justification that the centre-right coalition government has relied upon for rationalising these tax cuts has been that retirees were disproportionally affected by the crisis and the associated recession, and that the tax cuts served to minimise the undesirable spill-over effects on pensioners (TT, 2010). More politically salient, however, is the fact that following the implementation of Jobbskatteavdraget, an employment income tax credit, in 2007, retirees have faced higher income tax rates than workers. The tax differential has been heavily criticised by pensioners' organisations, and the government has further justified the tax cuts on pension benefits by a desire to offset the tax inequality between these two groups (Reinfeldt et al., 2012) – even though the employment tax credit had been enacted by the very same government. The centre-right coalition government was presumably unwilling to go to the polls in 2010, and is most likely disinclined to go to election in 2014, with more than 1.6 million upset pensioners (TT, 2010).

The tax cuts illustrate the reluctance of politicians to accept the political risks associated with automatic stabilising mechanisms – especially nominal (and thus very visible) cutbacks in benefits in the period leading up to elections. They also show that ASMs do not necessarily shield the government from public pressure or prevent it from engaging in blame-avoidance behaviour, and that politicians can respond to this pressure in ways other than a direct modification of the automatic balancing mechanism.

Overall, the experience of the first major "pothole" of the Swedish NDC system suggests substantial resilience of automatic stabilising mechanisms. The automatic balancing mechanism, while modified in details, remains largely unchallenged in its broad principles. But Swedish experience also suggests that a high degree of volatility in the automatic stabilising mechanisms can make retrenchment more visible – and intervention by politicians more likely.

3.4. Putting automatic stabilising mechanisms in place is unlikely to eliminate periodic ad hoc pension reforms

As shown in Table 2, the new Swedish pension system has been far from set in stone since the enactment of the 1990s pension reform. While the fundamental structure of the system remains intact, almost every major component of the new system except for the payroll tax rate has been subject to revision. The automatic balancing mechanism in the income pension has been revised to make it less volatile – and to make cutbacks less visible. Taxation of pension benefits has also been altered to make cutbacks in pension benefits less severe and less visible. Premiepensionsmyndigheten (the Premium Pension Agency) has been eliminated as a separate agency, with its functions merged into the new Pensionsmyndigheten (Pension Agency) separated from the National Social Insurance Board. Efforts to get individuals to make an active choice in the premium pension system have been scaled back substantially. Access to Housing Supplement benefits for seniors has also been eased.

3.5. Major changes in retirement behaviour and retirement savings behaviour require clear signals and relatively intrusive instruments to affect behaviour – strong penalties for non-compliance rather than just "nudges"

Rather than setting a standard retirement age, the new Swedish pension system sets a flexible retirement age between 61 and 67. A flexible retirement age can be a mechanism for lowering opposition to pension retrenchment if it is supplemented with incentive mechanisms that encourage workers to remain in the labour market longer. This approach also has drawbacks, however: a flexible retirement age is more politically palatable precisely because it does not send a clear signal about the need to work longer to maintain anticipated pension levels. The risk is that as a result of this ambiguous signal, many workers will not alter their behaviour, and will end up with inadequate pensions.

Although Swedes now receive annual pension statements that clearly show the impact of delaying retirement on benefits, changes in retirement behaviour under the new pension system have been modest. The age of labour market exit has increased by 1.3 years since 1994, but labour force participation rates for workers aged 65-74 measured in full time equivalents have been stagnant since 2008, and increased life expectancy has meant that the gap between the age of labour market exit and average life expectancy has actually increased slightly since the late 1990s (SOU, 2013: 124-126; see also Pensionsmyndigheten, 2014a). The dominant trend has been a dispersion of retirement ages under the new, more flexible retirement age system. The percentage of persons taking their public pensions at age 65 declined 21.9% for the cohort born in 1948 (55.4%) compared to the cohort born in 1938 (77.3%). The percentage of persons taking their public pension prior to age 65 increased 15.4% between the two cohorts (from 10.3% to 25.7%) while the percentage of individuals not taking a pension before age 66 increased by 6.5%, from 12.4% to 18.9% (Pensionsmyndigheten, 2014b).

A Swedish government commission of inquiry reporting in April 2013 (SOU, 2013) has recommended a variety of measures to try to further increase labour market participation by older workers. The commission recommended increasing the minimum age of receipt for the income and premium pensions from 61 to 62 in 2015. The commission also recommended setting a "target" or "recommended" retirement age that would provide a stronger signal to workers about the appropriate age to retire and receive an adequate pension. Changes in the minimum age for receiving the income pension, premium pension and guarantee pension would all be linked to increases in the target retirement age (and thus to life expectancy) beginning in 2019 – thus, the earliest age for receipt of the income and premium pensions would be 62 in 2015 and 63 in 2019, while the minimum age for the guarantee pension would be 66 beginning in 2019. The commission also recommended increasing the age below which employees are protected from compulsory retirement from 67 to 69, increasing the minimum age for payment of occupational pensions from 55 to 62, strengthening protections against age discrimination, and giving older workers more opportunities to upgrade their skills. In short, the commission recognised that stronger signals and floors need to be sent to encourage later retirement, and that workplace barriers need to be addressed as well as pension system signals.

3.6. Factors outside the state pension system may pose important barriers to longer working lives

A recent government investigation suggests that an increasing number of individuals desire to work past 65 (SOU, 2013), but that they have encountered multiple barriers to doing so. These barriers include provisions in many occupational pensions that allow them to be paid starting at age 55. Moreover, for 70% of Swedish workers, occupational pensions normally start paying automatically at age 65 (SOU, 2013: 50). The progressive structure of charges for occupational pensions frequently makes it more expensive for employers to keep an older worker on the job than to hire a younger work in his or her place (Inspektionen för Socialförsäkringen, 2012a). Moreover, because these provisions are the result of bargaining between the social partners, they are not easily adjustable through legislation.

3.7. Requirements for longer working lives will exacerbate inequality

The fact that effective retirement ages, after an initial upswing, seemed stuck around age 63 means that many pensioners will have inadequate incomes in retirement. Leaders of the Moderate Party, including Prime Minister Fredrik Reinfeldt, have argued that it will be necessary for Swedes to work longer in the future – perhaps even up to age 75 – if they are to receive adequate pensions (Larsson, 2012; Stenberg, 2013a). As noted above, a government-appointed commission has recommended a more modest increase in the retirement age band. However, raising the pensionable age will increase concerns about the fairness of the system, given the lower life expectancy and greater physical requirements of jobs held by many workers with low lifetime earnings, because they will not be able to stay in their current jobs.

3.8. Engaging citizens – especially young workers – in planning for retirement saving is extremely difficult

A new mandatory "premium pension" individual account system was a major component of Sweden's 1990s structural pension reform. Patterns of participation in that system illustrate well the barriers to engagement in retirement planning and actual participation in retirement savings decisions. In the initial round of pension fund choice, which occurred in 2000, 67% of eligible individuals in Sweden made an active choice of pension funds. Even in the initial round, some individuals were much more likely than others to make an active choice of pension funds: controlling for other attributes, those who were employed in the financial services sector and had substantial private savings were much more likely (at least 1.3 times as likely) to make an active choice of pension funds than others (Engström and Westerberg, 2003). Individuals with high incomes and advanced education were also more likely to make an active choice. The same survey suggests that engaging non-native speakers in retirement savings schemes can be particularly difficult: those born outside the Nordic region were less than 60% as likely to make an active choice as those from the region. Fund managers are unlikely to devote a lot of resources to appealing to this group because they perceive that the management fees that they may receive from attracting this group's savings are likely to be low.

The Swedish case also suggests potential barriers to participation that may increase over time. Active choice of a pension fund dropped rapidly after the initial year: only 8% of those eligible to choose a fund for the first time in the 2005 round did so, and active choice of funds fell further in 2007 and in later years to less than 2% (Table 3). In 2013, only one per cent of new labour market entrants made an active choice of funds (Pensionsmyndigheten, 2014c). Further, as the last two rows of Table 3 show, after the initial round only one-fifth or fewer of those who came into the Premium Pension after the initial round made an active fund choice post-entry in the first few years after they came into the system. It should be noted, however, that the very large group (all labour market participants) that came into the system in the initial 2000 round were not only more numerous but were also older and had higher earnings than the small cohorts of new labour market entrants that came into the Premium Pension system in later years. As a result, individuals who had chosen their own Premium Pension portfolios still constituted 55% of participants, and held 72% of the capital, at the end of 2013 (Pensionsmyndigheten, 2014c).

Table 3. **Active choice and non-choice by entrants to the premium pension system (percentage)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
% Making choice in entry year	67.0	18.0	14.0	8.4	9.4	8.0	7.4	1.6	1.6	1.6	1.6	1.5
Men	66.0	16.8	14.3	8.3	9.5	7.7	7.5	1.7	1.8	1.8	1.7	1.7
Women	68.0	18.2	14.0	8.4	9.3	8.3	7.4	1.6	1.4	1.5	1.4	1.4
% of entrants still in the default fund in 2010	25.0	61.0	66.0	71.0	72.0	78.0	79.0	85.0	89.0	92.0	98.4	n.a.
% of entrants making choice after entry	8.0	21.0	20.0	21.0	19.0	14.0	14.0	13.0	9.0	6.0	n.a.	n.a.

Source: Pensionsmyndigheten (2012b), *Premiepensionen: Pensionsspararna och pensionärerna 2011* [*The Premium Pension: Pension Savers and Pensioners 2011*], Stockholm Pensionsmyndigheten Document PID119407.

Studies of the Swedish premium pension suggest that a number of reinforcing factors led to the dramatic decline in active choice among new entrants to the system between 2000 and 2007 (Weaver, 2005; Thaler and Sunstein, 2009). Perhaps most important is the fact that after the initial round, only new labour market entrants were choosing funds. The new entrants in later rounds were young, which meant that they were far from retirement and thus particularly prone to myopia about the need to start saving for retirement early. They also had little money at stake so perceived little incentive to make a fund choice, and they were presented with too many options (465 in the initial round, and approaching or exceeding 800 in recent rounds; see Table 4). Sweden's Premium Pension Agency (PPM) mounted substantial outreach campaigns in the initial rounds and tried to increase Internet accessibility for making choices. But private fund managers, recognising both the small sums at stake and the very broad field of funds available, did not mount substantial campaigns in later rounds to attract new entrants into the Premium Pension system. Moreover, much of the information that was provided by fund managers was overly simplified and even inaccurate (Thaler and Sunstein, 2009: Chapter 9). The media also paid much less attention to pension fund choice in the rounds held after 2000. The widespread publicity given to the negative returns experienced by most premium pension savers in the early years of the premium pension – especially those in many of the most popular fund choices – may have diluted enthusiasm for making an active choice. The state-sponsored (though autonomously operated) default fund also outperformed the weighted average of actively-chosen funds in the first years of the premium pension system, which likely further decreased the attraction of active engagement and fund choice.

Table 4. **Number of registered funds in the premium pension system**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Funds	625	664	697	725	779	785	773	777	789	797	793	850

Source: The Annual Reports of the Swedish Pension System (2003-2013), available at Pensionsmyndigheten's publication page, *http://secure.pensionsmyndigheten.se/Sok.html?sv.url=12.70e56c27145a7fdc958301b6&tab=3&query=publikationer&page=0.*

3.9. Keeping workers engaged in retirement savings is as difficult as securing initial engagement

Keeping individuals engaged in retirement planning is just as challenging as getting individuals engaged in the first place – and just as important, since portfolios that are appropriate for young workers may not be appropriate for older workers. As of 2011, only 55 per cent of those who made an active choice of pension portfolios upon entering the Swedish premium system, and only 23 per cent of those who originally opted for the default fund, had made any changes since that time (Pensionsmyndigheten, 2012b: 61).

The emerging evidence on low levels of active and continuing engagement in publicly-sponsored retirement investment schemes suggests that governments need to think through how and at what stages of life (e.g., at the time that children begin school, at certain "round-numbered" birthdays) they can improve financial literacy and engage contributors, especially when individual account funds are only a small part of total expected pension benefit. Governments also need to think through more specific engagement strategies for particular sectors of the labour force who are least likely to do so on their own, and create differentiated messages for different age groups. For younger workers, for example, the messages should include the need for asset diversification and a concern with long-term asset growth, while for older workers messages should include giving consideration to adjusting their portfolios and, in some cases, potential vehicles for annuitisation of assets.

3.10. Financial literacy efforts are difficult and have low returns

Evidence from a number of countries suggests that individuals' levels of financial literacy and engagement in retirement savings planning affect their preparedness for retirement in a variety of ways. People who are more financially literate are more likely to avoid high cost debt, diversify investment risk, engage in retirement planning, and be aware of pension fund management fees (see for example Lusardi and Mitchell, 2011, Sundén, 2013). A number of recent studies from many OECD countries suggest that there are major gaps in most individuals' financial literacy.

To improve the financial literacy of the public, and ensure that every eligible individual participates, Sweden's Premium Pension Agency initially pursued substantial information and education campaigns to facilitate active choice of pension funds. In the initial round of active choice, PPM mailed information to pension savers, launched advertising campaigns and engaged in outreach activities to groups with special needs. PPM also mailed an annual fund catalogue to every new participant in the premium pension system, containing information on past rates of return, risk level and fees for each of the funds. Outreach efforts were scaled back in later years as the high costs (paid for out of the administrative fees charged to current participants in the premium pension system) and low returns on those efforts became clearer, and commitment to active choice both among politicians and the Premium Pension Authority waned. A printed catalogue is no longer mailed to new participants, but can still be ordered from the website. To make information on fund options easily accessible to the pension savers, the Pension Agency (successor agency to the PPM) currently maintains a webpage that is continuously updated to ensure that the pension savers receive the most accurate information available.

Despite PPM's efforts to communicate information to pension savers, few have been able to translate this information into useful knowledge that allows them to make active choice: many do not look at the information, do not understand the information, or are overwhelmed by the amount of information that they receive. In an annual survey of new premium pension participants sponsored by the PPM, only 7% of the 2009 respondents fully agreed with the statement "I have sufficient knowledge for making an informed decision about my premium pension", while 29% fully disagreed (PPM, 2009).[6] This response distribution is almost identical to the one obtained in the 2005 survey (Table 5).

Table 5. **Survey response to "I have sufficient knowledge for making an informed decision about my premium pension"**

	2005	2006	2007	2008	2009
Fully agree	8	7	10	7	7
Partially agree	17	15	18	12	14
Neither agree nor disagree	22	20	28	30	22
Partially disagree	20	17	21	24	27
Fully disagree	31	36	22	25	29
Don't know	1	3	2	2	1

Source: The Annual Reports of the Premium Pension System (2005-2009), available at Pensionsmyndigheten's publication page, *http://secure.pensionsmyndigheten.se/Sok.html?sv.url=12.70e56c27145a7fdc958301b6&tab=3&query=publikationer&page=0.*

Although this unsatisfying result can be a consequence of a multitude of factors, it is likely that the design of the PPM system, which assumes that individuals can, on their own, put together a diversified portfolio of up to five funds from among 800 options, is overly optimistic. Government commissions have proposed the implementation of guidance services, increased financial education in high school, and a framework that can be used to pick appropriate funds. However, the state is not allowed to provide recommendations for private investments, which means that any proposals to guide fund choice must be carefully designed. In November 2011, the Pension Agency introduced a web-based "Fund Selection Guide" (*fondvalsguiden*) that allows users to specify their risk tolerance, time horizon, fund management tolerance and other sources of retirement income. Based on that information, the Fund Selection guide recommends five funds with low fees and high returns. A proposal to create a warning system that alerts pension savers when their funds have dropped significantly in value has also been proposed.

3.11. Permissive entry for funds in an individual account system may overwhelm system participants, increase system costs, and increase risks

There are enormous differences across national individual retirement fund systems in the degree and types of restrictions that they place on funds that can be offered. Some offer relatively open access to all funds that meet asset diversity requirements, while others offer only a few fund choices. In some countries, employers play a substantial role in setting the options available to their workers.

The simplest option available to governments is to allow open access to all funds that meet minimum diversification requirements. This also has some political attractions, since it does not require government to undertake the politically fraught role of picking and choosing fund providers. As behavioural economists have noted, however, this "just maximise choice" policy also has important disadvantages (Thaler and Sunstein, 2009). *First*, it may discourage some participants from making an active choice because they are overwhelmed by the range of choices. *Second*, if those making the choices are not highly motivated, they make poor choices. International evidence suggests several biases and flaws in the investment practices of poorly informed and intermittently engaged individuals that may lead to sub-optimal returns – and to inadequate retirement incomes (see especially Benartzi and Thaler, 2007). Moreover, because individuals differ in their preferences, biases and information levels, the types of sub-optimal investment decisions that occur will vary across individuals.

Swedish policy-makers refrained from establishing stringent entry requirements for fund providers in the premium pension system. Fund providers must i) meet the directive of the EU on portfolio diversification (with the exception of Swedish equity funds); ii) agree to give fund rebates to the Premium Pension Agency; and iii) allow contributors the right to change funds as frequently as they like without charges (Weaver, 2004).

With minimal entry barriers, the Swedish pension savers are faced with hundreds of funds to choose from (Table 4). The overwhelming drop in initial active fund choice by new entrants to the premium pension system has already been noted, and choice overload is almost certainly among many factors contributing to this outcome. The concentration of many funds in Sweden's premium pension system in specific industries or regions also increases volatility in the accounts of individuals who invest in those funds. Other investment practices noted in the literature have also been found in Sweden. *First*, some individuals pay too much attention to recent fund performance, believing that it is a reliable indicator of future asset performance; they thus overinvest in highly volatile funds or those that have overly concentrated assets. *Second*, many individuals have a "home bias," overinvesting in domestic assets and with domestic fund managers with whom they are familiar, regardless of that fund's actual performance (see SOU, 2005). At the end of 2011, for example, those who chose their own portfolios in the Swedish premium pension system had an average of 25.5% of their assets in Swedish equities (Pensionsmyndigheten, 2012b).[7] Moreover, eight of the ten most self-chosen funds in the premium pension system measured by percentage of persons choosing were offered by fund companies based in Sweden – five from the same company. The other two were offered by a Norway-based fund manager (Pensionsmyndigheten, 2012b: 43-45). *Third*, individuals may also be susceptible to advertising claims that provide little actual information on the performance of the fund. (Cronqvist, 2005). Given these multiple potential sources of investment bias – with different implications for return on retirement savings – there is no simple set of decision rules regarding the options offered in a retirement savings system that will protect a heterogeneous set of individuals against all of the risks.[8]

3.12. Centralised administration of an individual account system can contribute to higher returns for account holders and improved information on total expected retirement income streams

High management fees on fund balances and transaction fees can eat up a sizeable share of retirement savings in individual accounts over time. Fees can be kept low in several ways, notably by centralising some functions in government or an independent agency to take advantage of economies of scale rather than having them performed by employers or even by individuals. Sweden has chosen to centralise a number of functions, including collection of contributions (through the tax system), decisions on which funds are available to participants, negotiation of fee structures with fund managers, management of switches between funds, provision of default funds, and provision of information on fund balances and likely income streams upon retirement.

The centralisation of some of the account management functions has proven to have a number of advantages, most notably in lowering system costs and administrative burdens on employers. It can also give governments additional bargaining leverage in dealing with fund providers. In Sweden, for example, the Pension Agency requires that all funds participating in the Premium Pension system provide a discount on their normal fund management fees. These discounts range from 0.3% to 0.5% percent of assets annually, which the Pension Agency estimates will result in eventual increases of 10-15% in premium pensions payable (Pensionsmyndigheten, 2012b). Overall, fees are very low, especially for those who choose the default fund (discussed further below). All participants in the Premium Pension system pay an administrative fee to the Pension Authority. In 2013, the fee was 0.14% of account balances, with a cap of SEK 110 (about USD 16.60); averaged across all pension savers the fee was SEK 74 (about USD 11.20) or 0.1%. In addition, participants in the Premium Pension system pay fees to pension fund managers, which average 0.39% (after rebates) for those who have chosen their own funds. Fees are 0.12 for those under age 55 in the default fund, declining to 0.07% for those aged 75 and above (Pensionsmyndigheten, 2014b). Lower administrative fees are an important contributor to the higher long-term average performance of the default fund over the weighted average of the self-chosen funds for all cohorts of entrants into the Premium Pension System

(Pensionsmyndigheten, 2014b: 20-21). Caps on fees for funds in the "fund marketplace" (i.e., self-chosen funds) are under consideration in the Pensions Agency (Englund, 2014).

Centralised account management has also facilitated provision of information to workers on expected income streams in retirement that cumulates across sources. The vehicle for this information is Minpension ("My Pension"), a web-based service launched in December 2004 as a partnership between the trade association for Swedish insurance companies and state pension agencies (PPM, 2006: 9). The service provides a comprehensive overview of individuals' current pension savings and allows pension savers to calculate their projected future pensions. The service is available to all current pension savers in Sweden, and is offered free of charge. When the service was launched it provided an overview of an individual's current state pension and occupational pensions under collective agreements (Tjänstepension). In 2005, the service was expanded to enable pension savers to manually upload information on their private pension savings (PPM, 2007). In 2007, private pension savings were more fully integrated into the service, fund providers were allowed to upload information on PPM savings, and occupational pensions for those outside of collective agreements were added (PPM, 2007). Although initial reluctance by the PPM fund providers meant that the majority of pension savers were unable to obtain information about their premium pensions on Minpension, later years have seen a substantial improvement in the co-operation between fund providers and Minpension. Currently, 98% of total pension capital and 83% of private pension capital are available on Minpension (Pensionsmyndigheten, 2012:4). The service had 1.7 million registered members in 2012, roughly 31% of current Swedish pension savers. However, major information gaps remain, especially among the estimated 2.3 million pension savers who either have no access to, or do not use, the internet (Pensionsmyndigheten, 2013: 43).

In order to increase the number of registered users, there have been a number of advertising campaigns aimed at raising awareness about the service. The most substantial campaign took place in 2011, when Minpension was advertised in the "orange envelope" (the annual pension statement sent to all system participants), as well as on selected popular webpages, in newspapers and on television, resulting in 150 000 new members for Minpension – the largest increase since the launch of the web-based service in 2004 (Pensionsmyndigheten, 2013: 47).

3.13. Get the design of the default in an individual account system right, including changes in optimal asset allocations over the life cycle

Given the low interest of most workers in making active choices about their retirement savings, many if not most of them are likely to end up in whatever the default option is. That has clearly been the case in Sweden after the initial 2000 round.

Several characteristics of the default fund are likely to be critical in determining how successful the default fund is in providing an adequate income in old age for those who end up in it. Recent experience from Sweden suggests several lessons about good practices for such funds. As noted above, they should have very low administrative fees, since high fees on fund balances and transactions can eat up a sizeable share of retirement savings over time. *Second*, they should take a life-cycle approach, moving from higher-risk-and-return asset classes to lower volatility assets as retirement nears. *Third*, the balance between asset classes should take into account not just the funds in the individual account scheme but the broader government-sponsored retirement income stream as well. The main Swedish default fund, for example, allocates 100% of fund balance into stock funds until age 55, at which point it gradually drops every year until age 75, when it reaches 33% of fund balances. The logic of this allocation is that about 85% of the individual's pension contributions go towards an income-related pension (supplemented by a guarantee pension for those with low lifetime earnings) that does not have a high degree of market volatility: taking a higher degree of risk for the individual account portion is therefore justifiable. Finally, default options can be combined with a limited set of investment options rather than a one-size-fits-all approach, but it is unlikely to attract many participants. Sweden's default fund offers alternatives that are higher risk or lower risk than the standard default, as well as an option that is equally balanced between equities and interest-bearing securities. The alternatives offer the same low fees as the main default option. In practice, however, very few savers have chosen these alternatives: more than 99% of contributors and invested funds using the AP7 are in the main "Såfa" fund (Palm and Johannisson, 2011).

3.14. Dividing responsibility for defined benefit and individual account DC tiers in separate agencies may constrain efficiency, cost-effectiveness, and integration of technology and service delivery

As a part of the Swedish pension reform, a new Premium Pension Agency was assigned the responsibility of administrating the premium pension, while the existing Social Insurance Agency continued to be responsible for other income support programs for the elderly.[9]

By utilising two separate agencies, the government tried to make the distinction between the premium pension, where individuals were expected to manage their own pension portfolios, and other income support programmes. They also believed that this would augment communication efficiency with pension savers and maximise operational efficiency and cost-effectiveness (SOU, 2006). Moreover, the design of the premium pension system makes it subject to capital market regulations and insurance laws and places the system under the supervision of the Ministry of Finance, while the income pension is supervised by the Ministry of Social Affairs.

Although theoretically sound, this decision led to a number of unanticipated problems (SOU, 2006). *First*, the multi-agency structure led to lack of co-ordination and communication between the two administrative units, as well as uncertainty concerning the specific tasks that pertained to each unit. As a consequence, the two authorities oftentimes pursued the same tasks, independently from each other, which led to a type of "double information work" (notably two separate IT-systems) that raised administrative costs. The division of responsibility also led to confusion concerning which agency to contact when the pensioners needed help.

Following a number of government-sponsored investigations regarding the administrative structure of the pension system (see, for example, Statskontoret, 2002; SOU, 2003; RRV, 2003; SOU, 2005), several modifications to the administrative structure were made. The two authorities improved co-ordination of administrative routines, established a working group to improve communication and co-operation, and developed a joint strategy for disseminating pension information to the public (SOU, 2006). At the beginning of 2010, a new Pensions Agency (Pensionsmyndigheten) was created by taking pensions functions out of the Social Insurance Agency and merging them with the Premium Pension Agency. However, the Pensions Agency continues to purchase many services from the

Social Insurance Agency, which has created a new set of co-ordination problems (Inspektionen för Socialförsäkringen, 2010 and 2011).

3.15. Anticipate that private interests will try to take advantage of individuals' low information and high anxiety about retirement incomes for their own benefit

Given the low levels of financial literacy of many individuals and the limited success of financial literacy campaigns in addressing those gaps, it is not surprising that many people use professional investment advisors or other financial intermediaries to guide (or take over) management of their retirement savings portfolios, paying a fee for that service. How well these services do at compensating for the financial literacy gap depends on whether they are reaching the people who need them most, and whether they offer good value for money.

Swedish experience suggests that individuals who have limited financial literacy skills and feel low pension efficacy may be particularly susceptible to heavily marketed appeals by financial consultants to take over management of accounts in deals that offer very poor value for money. Consultancy firms emerged in Sweden after 2000 to manage individual premium pension accounts on behalf of pension savers in exchange for annual service charges (approximately SEK 1 000, or about USD 150) (Nordh, 2013). This fee is billed directly to the client and is in addition to the account and fund management fees charged by the premium pension system. There are currently more than 700 000 individuals registered with PPM consultants.[10] The PPM consultancy business is highly profitable, with small PPM consultancy firms having recorded annual profits that exceed SEK 100 (Palm, 2012). A recent report published by the Social Insurance Inspectorate (Inspektionen för Socialförsäkringen, 2012b) suggests that these services are most commonly used by individuals with low levels of education and income. Unfortunately, the government's failure to anticipate this auxiliary market development has allowed PPM-consultants to take advantage of a fairly unregulated market (Lucas and Flores, 2012).[11]

A number of problems have emerged. *First*, PPM consultants use the lax legal framework to report higher than actual returns, engaging in false advertisement as a means to attract clients (Eriksson, 2013). *Second*, the laws governing the PPM consultants enable them to receive "kick-backs" (commission) from the owners of the funds that they choose to invest their clients' money in. As a consequence, rather than investing the clients' premium pension money in high-return low-risk funds, some PPM consultants may choose funds that guarantee them a high commission (Lindemark, 2008). The Social Insurance Inspectorate (Inspektionen för Socialförsäkringen, 2012b), in a report that attempted to match consultancy users with non-users with similar characteristics, estimated that users had a small added return net of consultancy fees, but also noted that the widespread use of mass fund switches increased overall transaction fees and led to fund value fluctuations for other participants in the premium pension system and increased information technology costs for the Pensions Agency.

Problems with respect to the PPM-consultancy industry have been exacerbated by Swedish laws that dictate that oral agreements are binding and that costumers do not have the right to withdraw from transactions made in public places (*canvasförsäljning*). By designing sales strategies revolving around telephone and canvas sales, the PPM consultants have been able to utilise these laws to isolate consumers and persuade them to purchase consultancy services without giving them time to deliberate (Gustavsson, 2009). Once the consumers have acquired additional information and call the PPM consultants to revoke the oral agreement or the canvas purchase, the PPM consultants refuse. These problems threaten the credibility and public support of the new pension system; in 2012, 9% of all phone calls made to the Pensionsmyndigheten revolved around complaints regarding contractual agreements with PPM consultants (Eriksson, 2013).[12]

To partially combat the issues surrounding the PPM-consultancy industry, the government implemented a law in 2011 that prohibited bulk trade via "*robotskjutning*" [automatic triggering of bulk trades] by PPM consultants (Friskman, 2011). By implementing a captcha-solution to prevent bulk trades via "*robotskjutning*", mass switching of funds is no longer possible. This policy resulted in a drop from 4.6 million fund changes in 2011 to 1.4 million in 2012, while the number of individuals making changes fell from 1.1 million to 600 000 (Pensionsmyndigheten, 2014c, 31). While two PPM consultancy companies left the market in response to the policy, the majority responded by raising the service fees and establishing funds-of-funds (Lindemark, 2012). Although these funds-of-funds are available free of charge via *fondtorget* (funds that participate in the premium pension system), the pensions savers continue to rely on PPM consultants for managing their premium pension, and the money spent on PPM consultancy services did not decrease post-legislation. Rather, it increased by SEK 140 million (Lindemark, 2012).

The broad lesson of these experiences is that profit-incentives can create perverse auxiliary markets around a retirement savings system, taking advantage of the fact that some individuals – especially those with low financial literacy – are struggling to make informed decisions about their retirement savings. Educating pension savers on the workings of the financial markets, or establishing comprehensive regulations to combat undesirable market developments, can partially mitigate this risk, but those who need financial education most may be least likely to obtain it. Moreover, difficulties in anticipating the precise form that these potential auxiliary market developments will take means that policymakers may be left scrambling to address them once they have developed.

3.16. Mandatory individual accounts may further exacerbate inequality concerns

Yet another concern relates to whether Sweden's premium pension system is contributing to new forms of inequality among seniors. At least three potential areas of concern are suggested by the Swedish experience. A *first* potential problem is that there are likely to be varying levels of engagement across different social groups. Thus if financial returns for those who take default options are significantly below the median, they may have lower incomes in retirement as a result. A *second* potential area of concern, as noted earlier, is that individuals who have limited financial literacy skills and feel low pension efficacy may be susceptible to appeals to marketing from financial intermediaries to manage their accounts in deals that offer very poor value for money.

A *third* potential area of concern relates to individuals who do take an active role in their retirement savings but make poor choices when doing so. While most individuals choose the default or stay with their original fund choices, there is tremendous variation in the tails of the distribution. Because the Swedish premium pension system allows concentration in very specific asset classes and unlimited fund switches, it is possible for expert market timers to do extremely well and poor choosers to do very poorly. This raises the question of whether it is fair to place individuals with knowledge of financial markets at a competitive advantage in an activity that is mandated by the state. That this may be an undesirable element of the premium pension system was noted in 2012 by the Minister of Social Insurance, Ulf Kristersson, who argued that "the skilled individuals should be rewarded, but on the other hand, the system is mandatory and one must ask oneself how much risk one is willing to accept in a mandatory system" (TT, 2012).

Potential solutions to this third issue are currently being explored. Reaching an agreement about what to do – if anything – to combat the dispersion of outcomes and prevalence of non-choice has been politically difficult, reflecting disagreements within current four-party centre-right governing coalition and the pension working group. The Liberal Party (Folkpartiet) is content with the current system. The Moderates, the largest party in the coalition appointed Peter Norman, former managing director of the AP7 default fund, to be Minister of Financial Services and he, not surprisingly, likes the default fund and use of index funds. The opposition Social Democrats, on the other hand, have never liked the premium pension system.

Concerns over inequality induced by government policy may echo more loudly in Sweden than in many other countries given its history as a social democratic welfare state that places a high value on equality and fairness. That two individuals with identical earnings histories might enjoy vastly different returns on the premium pension portion of their pension is thus highly controversial. Even though such issues may be less salient in other countries, it is an inevitable consequence of mandatory retirement savings schemes that offer a wide range of fund choices. None of these potential inequality-enhancing problems are insurmountable: restrictions on asset specificity, frequency of fund switches and fund administrative charges are all potential ways to address these "new inequality" concerns. Regulation of financial consultants can also be useful. In considering the design of mandatory retirement savings schemes, policymakers need to consider the extent of specific new inequality risks, their likely incidence, and how much of each risk they are willing to tolerate.

3.17. Pension Reform 2.0

As Sweden approached the twenty-year anniversary of the 1994 legislation that established the new pension system, pension reform was once again an important issue on Sweden's policy agenda. Five separate expert groups were examining specific aspects of the pension system, focusing on the age of retirement, the premium pension system, the structure of the automatic balancing mechanism, the structure of the buffer funds in the income pension, and problems connected with premium pension consultants.

Several forces came together to bring about the resurgence of interest in legislative change. One was that the automatic balancing mechanism triggered pension cuts in 2010, 2011, and 2014 – and triggered more severely than had originally been anticipated, with substantial swings in both an upward and downward direction. Moderating those swings is in the interest of all of the signatories of the pension agreement in order to keep populist parties (notably the right-wing Sweden Democrats) and the Left Party, who are not members of the pension accord, from exploiting the issue for their own political gain. Changes are unlikely to affect the basic structure of the system, since any changes must gain the acquiescence of all five parties that are members of the pension working group; failure to do so would risk breaking up the pension agreement and setting off a bidding war that all parties would like to avoid (Schøyen and Stamati, 2013). But cracks in the five party agreement are emerging: in August 2013, Stefan Löfven, the leader of the Social Democratic Party, labelled the premium pension "an expensive flop". He argued that it cost billions of kronor in management fees, and that transferring those funds into the income pension system could keep the pension brake from hitting so often. But rather than proposing a break with the pension accord, he said that changes should be negotiated within the five-party agreement (Thurfjell and Stiernstedt, 2013).

Current proposals to increase the minimum and "target" retirement ages will be controversial with the Social Democrats as well as labour unions and pensioners organisations, and the government will have to give up something in return – for example, increasing the share of the current 18.5% payroll tax that goes to the income pension system, with a declining share devoted to the premium pension, in exchange for an increase in the minimum age for various components of the Swedish pension system (including negotiated occupational pensions). Other changes, such as shifting payroll tax above the earnings threshold that currently goes to the general treasury rather than the pension system (and does not accrue pension contribution credits) into the income pension system to make the system "brake" hit less frequently have also reached the elite discussion agenda (Dahlberg, 2014). Having more issues on the agenda could give a governing coalition more bargaining chips, and allow all parties in the Pension Working Group to claim that they have gained something in a new comprehensive accord, much as occurred in the 1990s negotiations. But as in the 1990s, Sweden is likely to face the trade-off of having a relatively closed debate centred in the Pension Working Group that facilitates agreement but stifles useful public debate and public understanding.

Notes

1. The guarantee pension requires far more resources than the pension supplement it replaced, since it took over much of the function of supporting very low income pensioners who had previously received the flat-rate pension.
2. Interview, November 2000.
3. Interview, 2013.
4. The decline in initial replacement rates was partially offset by a rise in the replacement rate for occupational pensions, which rose from 17-21% of final salary. All figures are calculated on a gross (pre-tax) basis (Folksam, 2014).
5. About 12% of the assets used in calculating the balance ratio are "fund assets" in the buffer funds. The remainder is made up of "contribution assets" – statistically adjusted prior contributions.
6. The survey was discontinued in 2010 following the merger of the PPM into the Pensions Authority.
7. In contrast, the 7th AP Equities Fund, the equities component of the Premium Pension default fund, holds only 3.6% of its assets in Swedish equities. See Pensionsmyndigheten, 2014e.
8. For a detailed discussion of risk management in defined contribution systems and account of different national experiences, see Ashcroft and Stewart, 2010.
9. Specifically the new Income Pension, the old ATP pension, guarantee pension, survivor's pension, housing for seniors, and other small pension-related benefits under the old law.
10. A recent survey conducted by Pensionsmyndigheten indicates that this number might be even larger, approximateley 1.2 million (Nordh, 2013).
11. In particular, 1) PPM-consultants are not monitored by the Financial Services Authority unless the company combines PPM consultancy with securities business; 2) they are exempted from the Federal Law of Financial Consultancy as they are not considered "Individual Economic Consultants"; and 3) they are generally not subject to scrutiny by the Board of Consumer Complaints as the service charge falls below the minimum required for involving the *Allmäna Reklamationsnämnden*.
12. In addition, the majority of the individuals calling to complain about the consultants explicitly thought that the PPM Consultancy Firms were government owned firms operating through *pensionsmyndigheten* (Avanza Bank, 2012b).

Bibliography

Anderson, K.M., and E.M. Immergut (2007), "Sweden: After Social Democratic Hegemony", pp. 349-395 *in* E.M. Immergut, K.M. Anderson and I. Schulze, *The Handbook of West European Pension Politics*, Oxford and New York: Oxford University Press, pp. 349-395.

Åsbrink, E. (2008), "Höjt utgiftstak krävs för att rädda pensionerna" ["Extended Ceilings Needed to Save Pensions"], *Dagens Nyheter*, 18 November 2008.

Ashcroft, J. and F. Stewart (2010), "Managing and Supervising Risks in Defined Contribution Pension Systems", *International Organisation of Pension Supervisors Working Paper,* No. 12, *http://dx.doi.org/10.2139/ssrn.1809741*.

Avanza Bank (2012a), "Krav på ny lag för att stoppa ppm-rådgivare" ["Demand for New Law to Stop PPM Consultants"], Avanza Bank, 13 April, available at *www.avanza.se/aza/press/press_article.jsp?article=220053*.

Avanza Bank (2012b), "Problemen kvar med PPM-rådgivare" ["Problems with PPM Consultants Remain"], *Avanza Bank*, 24 September, available at *www.avanza.se/aza/press/tema/premiepensionen/228926/visa.jsp*.

Benartzi, S. and R.H. Thaler (2001), "Naïve Diversification Strategies in Retirement Savings Plans", *American Economic Review*, 91(1): 79-98.

Björkmo, M. and S. Lundbergh (2010), "Restructuring Sweden's AP Funds for Scale and Global Impact", *Rotman International Journal of Pension Management*, 3: 30-36.

Bosworth, B. and K. Weaver (2011), "Social Security on Auto-Pilot: International Experience with Automatic Stabiliser Mechanisms", *Centre for Retirement Research at Boston College Working Paper,* No. 2011-18, available at *http://crr.bc.edu/working-papers/social-security-on-auto-pilot-international-experience-with-automatic-stabiliser-mechanisms/*.

Brown, A. (2010), "Swedish Elections: The Impact of Immigration", *The Guardian*, 17 September, available at *www.guardian.co.uk/world/2010/sep/18/swedish%1eelections%1efar%1eright*.

Cronqvist, H. (2005), "Advertising and Portfolio Choice", *Centre for Research on Pensions and Welfare Policies Working Papers*, No. 44, available at *http://dx.doi.org/10.2139/ssrn.920693*.

Dahlberg, J. (2014), "Pensionerna måste stärkas" ["Pensions Must Be Strengthened"], *Svenska Dagbladet,* 24 May, p. 5.

Englund, C. (2014), "Pensionsmyndigheten vill ha avgiftsta" ["Pension Agency Wants to Have Price Ceiling"], *Dagens Nyheter*, 19 May.

Engström, S. and A. Westberg (2003), "Which Individuals Make Active Investment Decisions in the New Swedish Pension System?", *Stockholm School of Economics Working Paper Series in Economics and Finance*, No. 527, *http://info.worldbank.org/etools/docs/library/67915/oxford2004/pdf/Engstrom_Westerburg_2003.pdf*.

Eriksson, H. (2013), "Sparare skräms av PPM-rådgivare" ["Pension Savers Are Frightened by PPM Consultants"], *Dagens Nyheter*, 28 January, *www.dn.se/ekonomi/din-ekonomi/sparare-skrams-av-ppmradgivare*.

Finansdepartementet (2014), *Sänkt skatt för pensionärer* ["Lower Tax for Pensioners"], updated 8 January 2014, *www.regeringen.se/sb/d/17062/a/207194*, accessed 7 June 2014.

Folksam (2014), *Vad blev det för pension 2014 En jämförelse mellan pension och slutlön för årskullarna 1938 till 1946* [What Became of Pensions 2014, A Comparison Between Pension and Final Salary for the Birth Cohorts 1938-46], *http://mb.cision.com/Public/1524/9566853/934f4a142397d552.pdf*, accessed 9 June 2014.

Friskman, C. (2011), "Pensionsgruppen stoppar massfondbyten i PPM" ["The Pension Group Prohibits Bulk Trading in the PPM"], *Sveriges Radio*, 5 April, *http://sverigesradio.se/sida/artikel.aspx?programid=83&artikel=4440044*.

Fröman, M. (2007), "PRO välkomnar fortsatta partiöverläggningar om förtidspensioner" ["PRO Welcomes Continued Cross-Party Discussions on Early Retirement Pensions"], *Pensionärernas Riksorganisation*, 16 January, *www.pro.se/Press/Nyhetsarkiv/PRO%1evalkomnar%1efortsatta%1epartioverlaggningar%1eom%1ealderspension%1efor%1efortidspensionarer/*.

Försäkringskassan (2009), *Orange Report: Annual Report of the Swedish Pension System 2008*, Stockholm, Försäkringskassan.

Gustavsson, M. (2009), "Den svarta PPM-listan" ["The PPM Black List"], *Privata Affärer*, 19 November, *www.privataaffarer.se/pension/ppm-radgivarna-med-flest-klagomal-93569*.

Hennel, L. (2007), "Regeringen backar om förtidspensionärers pension" ["The Government Reverses Decision on Pension for Early Retirees"], *Svenska Dagbladet*, 29 October, *www.svd.se/nyheter/inrikes/politik/valet2010/regeringen%1ebackar%1eom%1efortidspensionarers%1epension_542785.svd*.

Holzmann, R. and E. Palmer (eds.) (2006), *Pension Reform: Issues and Prospects for Non-Defined Contribution Pension Schemes*, Washington, DC, The World Bank.

Holzmann, R. et al. (eds.) (2012), *Nonfinancial Defined Contribution Pension Schemes in a Changing Pension World, Vol. 1. Progress, Lessons and Implementation*, Washington, DC, The World Bank.

Holzmann, R. et al. (eds.) (2013), *Volume 2: Gender, Politics and Financial Stability – Nonfinancial Defined Contribution Pension Schemes in a Changing Pension World*, Washington, DC, The World Bank.

Inspectionen för Socialförsäkringen (2010), *Den nya Pensionsmyndigheten: En förstudie* [The New Pension Agency: A Preliminary Study], Stockholm, Inspectionen för Socialförsäkringen, Report 2010: 10.

Inspectionen för Socialförsäkringen (2011), *Att samsas om systemen: Pensionsmyndighetens köp av verksamheteskritiska tjänster av Försäkringskassan* [Sharing Systems: The Pensions Agency's Purchase of Mission-Critical Services from The Social Insurance Agency], Stockholm, Inspectionen för Socialförsäkringen, Report 2011: 19.

Inspektionen för Socialförsäkringen (2012a), *Lönekostnader för äldre och drivkrafter till förtida ålderspensionering* [Salary Costs for Older Workers and Incentives for Early Retirement], Stockholm, Inspectionen för Socialförsäkringen, Report 2012: 10.

Inspektionen för Socialförsäkringen (2012b), *Utvärdering av externa förvaltningstjänster i premiepensionen* [Evaluation of External Management in the Premium Pension], Stockholm, Inspectionen för Socialförsäkringen, Report 2012: 16.

Könberg, B. et al. (2006), "The NDC Reform in Sweden: The 1994 Legislation to the Present", pp. 449-466 *in* R. Holzmann and E. Palmer (eds.), *Pension Reform: Issues and Prospects for Non-Defined Contribution Pension Schemes*, Washington, DC, The World Bank.

Kruse, A. (2010), "A Stable Pension System: The Eight Wonder", Chapter 4 in T. Bengtsson (ed.) (2010), *Population Ageing – A Threat to the Welfare State? The Case of Sweden*, London and New York, Springer.

Larsson, M. (2013a), "Så vill politikerna ändra pensionen" ["Thus do the politicians want to change pensions"], *Dagens Nyheter*, 26 February, *www.dn.se/ekonomi/pensionsskolan/sa-vill-politikerna-andra-pensionen*.

Larsson, M. (2013b), "Sänkt skatt för pensionärer" ["Tax Reduction for Pensioners"], *Dagens Nyheter*, 2 September, available at *www.dn.se/ekonomi/sankt-skatt-for-pensionarer-1/Lindemark*, Jonas (2008) "Osäker framtid för PPM-förvaltning" ["Uncertain Future for PPM Consultants"], *Morningstar*, 8 May, *www.morningstar.be/be/news/article.aspx?articleid=56274&categoryid=145*.

Lindmark, J. (2011), "Självklart bra med fler än 5 PPM-fonder" ["Obviously Better with More than 5 PPM Funds"], *Morningstar,* 17 March, *www.morningstar.se/Articles/Chronicle.aspx?title=sjalvklart-bra-fler-an-5-ppm-fonder*.

Lindemark, J. (2012), "Kritik mot att PPM-rådgivare fortsätter fakturera" ["Criticism Against the PPM Consultants for Continuing to Charge Fees"], *Morningstar*, 26 March, *www.morningstar.se/Articles/News.aspx?title=kritik-ppm-radgivare-fortsatt-fakturera*.

Lindquist, G.S. and E. Wadensjö (2009), "Retirement, Pensions and Work in Sweden", *The Geneva Papers on Risk and Insurance Issues and Practice*, 34: 578-590.

Loxbo, K. (2007), *Bakom socialdemokraternas beslut: En studie av den politiska förändringens dilemman- från 1950-talets ATP-strid till 1990-talets pensionsuppgörelse* [Behind the Social Democrats' Decision: A Study of the Dilemmas of Political Change – From the 1950s ATP Conflict to the 1990s Pension Agreement], Växjö, Växjö University Press.

Loxbo, K. (2013), "The Fate of Intra-Party Democracy: Leadership Autonomy and Activist Influence in the Mass Party and the Cartel Party", *Party Politics* 19 (July): 537-554.

Lucas, D. and J. Flores (2012), "Krav på ny lag mot aggressiva PPM-rådgivare" ["Demand for A New Law Against Aggresive PPM Consultants"], *Dagens Nyheter*, 13 April, *www.dn.se/ekonomi/krav-pa-ny-lag-mot-aggressiva-ppm-radgivare*.

Lundberg, U. (2003), *Juvelen i kronan. Socialdemokraterna och den allmänna pensionen,* Stockholm, Hjalmarson and Högberg.

Lusardi, A. and O.S. Mitchell (2011), "Financial Literacy Around the World: An Overview", *NBER Working Paper*, No. 17107.

Ministry of Social Affairs (2010), *The Swedish Pension Agreement and Pension Reform* [translation of Ds:2009:53], Stockholm, Fritzes Customer Service.

Nandorf, T. (2007), "Regeringen har brutit mot pensionsuppgörelsen" ["The Government Has Violated the Pension Agreement"], *Dagens Nyheter*, 5 January, *www.dn.se/nyheter/politik/regeringen-har-brutit-mot-pensionsuppgorelsen*.

Nordh, C. (2013), "Förvaltningstjänster för premiepensionen: Undersökning bland allmänheten 15 och äldre" ["Management Services for the Premium Pension: Survey of People Aged 15 and Over"], *Pensionsmyndigheten, http://secure.pensionsmyndigheten.se/download/18.203532fd13c9a619914fbb/Undersokning+forvaltningstjanster+for+premiepension+undersokning+bland+allmanheten.pdf*.

Palm, K.W. and I. Johannisson (2011), *Redovisning av de statliga utbudet I premiepensionsystemet* [*Review of State Options in the Premium Pension System*], Stockholm, Pensionsmyndigheten Document PID112640, 31 May.

Palm, K.W. (2012), "Var fjärde är orolig inför pensionen" ["Every Fourth Individual Worries About their Pension"], *Svenska Dagbladet*, 6 April, available at *www.svd.se/opinion/brannpunkt/var-fjarde-ar-orolig-infor-pensionen_6979777.svd*.

Palme, M. and I. Svensson (1999), "Social Security, Occupational Pensions, and Retirement in Sweden", pp. 355-402 *in* J. Gruber and D. Wise (eds.), *Social Security and Retirement Around the World*, Chicago, University of Chicago Press.

Palmer, E. (2002), "Swedish Pension Reform: How Did It Evolve, And What Does It Mean for the Future?", pp. 171-205 *in* M. Feldstein and H. Siebert (eds.), *Social Security Pension Reform in Europe*, Chicago and London, University of Chicago Press.

Pensionsmyndigheten, Publications page, *http://secure.pensionsmyndigheten.se/Sok.html?sv.url=12.70e56c27145a7fdc958301b6&tab=3&query=publikationer&page=0*, accessed 20 July 2014.

Pensionsmyndigheten (2012a), *Effekter av massfondbytesstoppet* [*Effects of the Prohibition of Fund Bulk Trading*], Stockholm, Pensionsmyndigheten 2012:257.

Pensionsmyndigheten (2012b), *Premiepensionen: Pensionsspararna och pensionärerna 2011* [*The Premium Pension: Pension Savers and Pensioners 2011*], Stockholm Pensionsmyndigheten Document PID119407.

Pensionsmyndigheten (2013), *Orange Rapport: Pensionssystemets årsredvisning 2012* [*Orange Report: Annual Report of the Pension System 2012*], Stockholm, Pensionsmyndigheten.

Pensionsmyndigheten (2014a), *Medelpensioneringsålder och utträdesålder 2013* [*Average Retirement Age and Labour Market Exit Age 2013*], Stockholm, Pensionsmyndigheten.

Pensionsmyndigheten (2014b), *Orange Rapport: Pensionssystemets årsredvisning 2013* [*Orange Report: Annual Report of the Pension System 2013*], Stockholm, Pensionsmyndigheten.

Pensionsmyndigheten (2014c), *Premiepensionen: Pensionsspararna och pensionärerna 2013* [*The Premium Pension: Pension Savers and Pensioners 2013*], Stockholm Pensionsmyndigheten Document PID136121.

Pensionsmyndigheten (2014d), *Omräkningen av tilläggs- och inkomstpensionen sedan 2002* [*Recalculation of the Supplemental- and Income Pension Since 2002*], *http://secure.pensionsmyndigheten.se/download/18.70e56c27145a7fdc 95831389/1374652298460/130726+Omräkningen+av+tilläggs-+och+inkomst pensionen+sedan+2002.pdf*.

Pensionsmyndigheten (2014e), *Sjunde AP-Fonden 581371 AP 7 Aktiefond* [*Seventh AP-Fund 581371 AP7 Equities Fund*], updated 4 June 2014, available at *https://secure.pensionsmyndigheten.se/fundfact/581371.pdf,* accessed 8 June 2014.

Premiepensionsmyndigheten (2009), *Årsredovisning PPM 2009* [*Annual Report PPM 2009*], available at *http://secure.pensionsmyndigheten.se/download/18.51c42ff713cdd49a130aeaa/Årsredovisning+PPM+2009.pdf*.

Privata Affärer (2009), "PPM rådgivning kvalificerat bondfångeri" ["PPM Consulting Qualified Confidence Trick"], *Privata Affärer*, 6 November, *www.privataaffarer.se/pension/ppm-radgivning-kvalificerat-bondfangeri-93216*.

Reinfeldt, F. et al (2012), "Pensionärernas skatt sänks med en femtilapp per månad" ["Taxation on Pension Benefits Reduced 50 SEK Per Month"], *Dagens Nyheter*, 17 September.

RRV (2003), *Vad kostar pensionerna? En granskning av administrationskostnaderna för den inkomstrelaterade allmönna pensionen* [How Much Does the Pension Cost? An Examination of the Administrative Costs of the Income-Related Public Pension], *Riksrevisionsverket*, 2003:21.

Runblom, K. (2007), "Regeringen backar om förtidspensioner" ["The Government Reverse Decision on Pension for Early Retirees"], *Ekot*, 29 October, *http://sverigesradio.se/sida/artikel.aspx?programid=83&artikel=1685615*.

Sahlin, M. and T. Eneroth (2007), "Alliansen bryter pensionsreform" ["The Alliance Violates the Pension Reform"], *Svenska Dagbladet*, 24 October, *www.svd.se/opinion/brannpunkt/alliansen-bryter-pensionsreform_524225.svd*.

Schøyen, M.A. and F. Stamati (2013), "The Political Sustainability of the NDC Pension Model: The Cases of Sweden and Italy", *European Journal of Social Security,* 15: 79-101.

Settergren, O. (2001), "The Automatic Balancing Mechanism of the Swedish Pension System: A Non-Technical Introduction", National Social Insurance Board, *Working papers in Social Insurance*, 2001: 2.SOU (2003); *Försäkringskassan – den nya myndigheten* [*The Social Insurance Agency – The New Authority*], Statens offentliga utredningar, 2003: 106.

SOU (2005), *Svårnavigerat? Premiepensionssparande på rätt kurs* [*Difficult Waters? Premium Pension Savings on Course*], Statens offentliga utredningar, 2005: 87.

SOU (2006), *Ny Pension – Ny Administration* [*New Pension – New Administration*], Statens offentliga utredningar, 2006: 111.

SOU (2013), *Åtgärder för ett längre arbetsliv* [*Measures for a Longer Working Life*], Statens offentliga utredningar 2013:25.

Statskontoret (2002), *Bättre styrning av socialförsäkringens administration* [*Better Management of the Social Insurance Agency's Administration*], Statskontoret 2002: 26.

Stenberg, E. (2013), "Fler måste kunna byta karriär mitt i livet" ["More Must Be Able to Change Careers Mid-Life"], *Dagens Nyheter*, 27 February, *www.dn.se/nyheter/politik/fler-maste-kunna-byta-karriar-mitt-i-livet*.

Sundén, A. (2013), "The Challenge of Reaching Participants with the Message of NDC," pp. 257-274 *in* R. Holzmann, E. Palmer and D. Robalino (eds.), *Nonfinancial Defined Contribution Pension Schemes in a Changing Pension World, Vol. 2. Gender, Politics and Financial Stability*, Washington, DC, The World Bank.

Tapia, W. and J. Yermo (2007), "Implications of Behavioural Economics for Mandatory Individual Account Pension Systems", *OECD Working Paper on Insurance and Private Pensions*, No. 11.

Thaler, R. and C.R. Sunstein (2009), *Nudge: Improving Decisions About Health, Wealth, and Happiness*, London, Penguin Books.

Thurfjell, K. and J. Stiernstedt (2013), "Lofven: "PPM har blivit en dyr flopp'" ["Lofven: "PPM Has Been an Expensive Flop'"], *Svenska Dagbladet*, 25 August, *www.svd.se/naringsliv/stefan-lofvens-sommartal-ppm-har-blivit-en-dyr-flopp_8453250.svd*.

TT (2007a), "Pensionssamtal bröt samman" ["Pension Discussion Collapsed"], *Svenska Dagbladet*, 29 May, *www.svd.se/nyheter/inrikes/pensionssamtal-brot-samman_232547.svd*.

TT (2007b), "Pensionssänkning kan rivas upp" ["The Pension Reduction May Be Reversed"], *Svenska Dagbladet*, 15 February, *www.svd.se/nyheter/inrikes/pensionssankning-kan-rivas-upp_201781.svd*.

TT (2010), "Sänkt Skatt för Pensionärer" ["Tax Reduction for Pensioners"], *Dagens Nyheter*, 27 March, *www.dn.se/nyheter/valet-2010/sankt-skatt-for-pensionarer*.

TT (2012), "Premiepensionen granskas" ["The Premium Pension Examined"], *Svenska Dagbladet*, 12 September, available at *www.svd.se/naringsliv/investera/pension/premiepensionen-granskas_7494362.svd*.

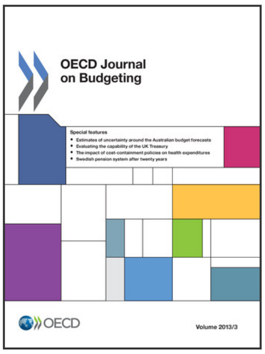
Turner, J. (2009a), *Social Security Financing: Automatic Adjustments to Restore Solvency*, Washington, DC, AARP Public Policy Institute.

Turner, J. (2009b), *Individual Pension Accounts: The Innovative Swedish Reform*, Washington, DC, AARP Public Policy Institute.

Weaver, K. (2004), "Design and Implementation Issues in Swedish Individual Pension Accounts", *The Social Security Bulletin*, 65(4).

Weaver, K. (2005), "Social Security Smörgåsbord? Lessons from Sweden's Individual Pension Accounts", *The Brookings Policy Brief Series,* No. 140.

Williamson, J.B. (2004), "Assessing the Pension Reform Potential of a Notional Defined Contribution Pillar", *International Social Security Review*, 57, 1, 47-64.



From:
OECD Journal on Budgeting

Access the journal at:
https://doi.org/10.1787/16812336

Please cite this article as:

Weaver, Kent and Alexander Willén (2014), “The Swedish pension system after twenty years: Mid-course corrections and lessons”, *OECD Journal on Budgeting*, Vol. 13/3.

DOI: https://doi.org/10.1787/budget-13-5jxx3sx58x9t