



Pension Liabilities and Generational Relations: The Case of Vietnam

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This paper (Working Paper No.106, the Oxford Institute of Ageing (OIA), the University of Oxford, March 2006) estimates the size of pension liabilities and discusses generational relations for the PAYG DB pension scheme in Vietnam in a future aging society.

- Although the size, estimated by *closed-group approach*, is small in comparison with GDP2002, it indicates *implicit* debt to the government, and these liabilities are eventually paid by taxes. Therefore, current pensioners are winners, and current workers may be losers in the “generational battles”. The “battles” will be more severe if the economy is dynamically efficient.
- Intertemporal budget constraint is used to cushion financial shock, and redress generational balances.
- Reforms with sound governance and regulatory framework are immediately needed, and notional defined-contribution (NDC) is considered as an appropriate way to pursue.
- ***On-going related studies:*** (1) use stochastic simulations to re-estimate and address the issue in more details, and (2) explore a reform with notional defined-contribution (NDC) scheme.

