

Pension Funds Pooling: Macro-Economic and Social Implications

ABSTRACT

To cope with the under-saving problem in countries implementing defined-contribution pension systems, we propose to pool individual's contributions into dedicated pension funds, particularly for disadvantaged groups of society. Using Israeli data, we measure the impact of pooling at two levels: the social level, by improving income inequality, and the macro-economic level by reducing governmental expenditure on support payments. We conclude that pooling will raise the fraction of savers and reduce management fees. It is expected to particularly help two disadvantaged groups: Arabs and ultra-Orthodox Jews. Government's expenditure on support payments to retirees is expected to decline by about 63%.

Keywords: Pension, Inequality, Management fees, Retirement, Government expenditure

JEL Classifications: H55; G38; J32.

