

Fairest way forward on pensions to set a ceiling

Written by Chen Mao-hsiung 陳毛雄
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Reforming the pension system certainly has not been easy for the Democratic Progressive Party (DPP), yet it is something that must be done. Unlike the Chinese Nationalist Party (KMT), which relies on attracting voters with promises of benefits, the DPP started out as a party of reform, and most voters who back reform support the DPP. For this reason, President Tsai Ing-wen's (蔡英文) administration must push for reform or risk losing supporters.

It is perfectly normal for people with vested interests to defend those interests. Some of them have turned to support the DPP out of dislike for the KMT, but the DPP's effort to promote pension reform is now causing tension between the party and such voters. Obviously, in pushing for reforms, the DPP stands to lose support and is unlikely to gain popularity among this group. Therefore, the key issue should be how to minimize the loss of support rather than how to gain support. As the KMT is falling apart, now is an ideal time for carrying out reforms.

Many people considered former president Chen Shui-bian (陳水扁) an excellent mayor of Taipei. His strategy was to use mainstream public opinion as leverage against conservatives who resisted reforms.

For example, he transformed the Taipei City Government by changing the attitudes of public servants: Before his tenure, officials at Taipei City Hall often had a condescending attitude, but now they have changed and see themselves as serving city residents. Although Chen did lose support among public servants, he gained recognition from the majority of Taipei residents. This shows that, as long as one has the support of the public, it is alright to make a few people unhappy.

It is human nature to defend one's vested interests. Lowering the income replacement ratio should be the last solution for balancing pension funds as it would offend military personnel, public servants and public-school teachers.

Before retirement, each person has different duties and responsibilities, so it makes sense that everyone receives a different pension. However, after retirement, each person's contribution is the same. A person's pension therefore should not be based on their past salaries. The traditional pension scheme for political appointees is particularly unfair: After two years in office as a political appointee, an official is eligible for a pension plan that takes into account not only their experience as an appointee but also any previous experience in the military or in the

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public sector.

The best way to reform the pension system is to set a ceiling for pensions. The ceiling should be set based on the performance of the pension fund. While a small number of high-ranking officers in the military and public sector might be unhappy with such a change, most would welcome it with open arms. This way, the DPP could minimize the loss of support that reform will necessarily entail.

The national pension system is mostly funded by the government. In the same way as the National Health Insurance (NHI) program, it is a social benefit rather than a commercial insurance. With commercial insurance schemes, the more one pays, the more benefits one gets. However, with social benefits, the more one makes, the more one pays, yet the benefits remain the same for everyone.

This is why, in the NHI system, although premiums vary from person to person, everyone receives the same medical benefits. From the standpoint of a social benefit, it is only fair to set a ceiling on pensions to ensure the system's sustainability.

Chen Mao-hsiung is a retired National Sun Yat-sen University professor and chairman of the Society for the Promotion of Taiwanese Security.

Translated by Tu Yu-an

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