Report on Ph.D. Thesis Defense

Ph.D. Candidate	Meng Channarith
Main referee	Wade Pfau
Referees	大山 達雄 James Rhodes Roberto Leon Gonzalez 高橋 アナマリア（ICU）
Dissertation Title	Social Security and Retirement Planning Issues in Emerging Market Countries

Presentation and Results:

1. Mr. Meng presented his dissertation in about 50 minutes, and the presentation was followed by comments and questions from the members of the examination committee and other participants. The thesis was written under the direct supervision of Associate Prof. Wade D. Pfau. The thesis was organized into five chapters. The first is an introduction requested by Prof. Oyama, and the 2nd to 5th chapters each represent an independent paper. Chapter 2 has received a "revise and resubmit" request from International Economic Review, which is listed as a Category 1 journal in the GRIPS economics group rankings and is widely recognized as one of the leading journals in the field of economics. Chapter 3 is published already in Volume 10, Issue 1 of Journal of Personal Finance. Chapter 4 is currently under review at Pensions: An International Journal. Chapter 5 is provisionally accepted for publication pending minor revisions in Journal of Family and Economic Issues. I am confident that the dissertation contents will eventually result in four published papers in internationally recognized peer-reviewed journals.
2. The meeting of the Examination Committee was held immediately after the presentation. The Committee was chaired by Professor Tatsuo Oyama and included Assoc. Prof. Pfau, Assoc. Prof. Leon-Gonzalez, and Prof. Takahashi, who served as the external examiner. Prof. Rhodes heard the presentations separately and provided his comments. The Committee decided that both the contents of the dissertation and the public defense were satisfactory for conferring the doctoral degree. Prof. Leon-Gonzalez and Prof. Takahashi were quite satisfied and did not think that further revisions were necessary. However,

Prof. Oyama expressed some concerns about the format, contents, and presentation which could potentially improve the clarity and impact of the dissertation. It was, therefore decided that the required changes and revisions be made in the dissertation before the final submission. It was further decided that Associate Prof. Wade Pfau and Prof. Oyama will be responsible to check and validate the revisions.

3. Mr. Meng has made the changes recommended by the examination committee members and has given a detailed report of the changes to me. I have examined those changes and I am satisfied that he has fully followed the required portion of the recommendations of the examination committee. I approve that the dissertation is complete. Prof. Oyama still would like to provide a separate final approval.

Summary of the Thesis

In accordance with the international trends in the field of economics, this dissertation includes chapters which each represent a distinct paper that is ready for journal submission. In this student's case, he actually completed four chapters of four independent papers, compared to the more customary three chapters. While all four chapters are about the same general topic indicated in the dissertation title, each chapter employs a distinct methodology and framework. This dissertation will contribute to the debate about public pensions development and personal retirement planning in emerging market countries.

Chapter 1 is an introduction.

Chapter 2 investigates the impacts of pension funds on capital market development, both for stock markets and bond markets. For the overall sample of countries, it finds that pension fund financial assets have positive impacts on stock market depth and liquidity as well as private bond market depth. However, when one splits the countries into two groups according to their level of financial development, the impacts are only significant for countries with 'high' financial development. These findings are based on a biased-corrected Least Square Dummy Variables (LSDVC) estimator. Countries with 'low' financial development should reconsider their management approach and investment strategies.

Researchers have mostly focused on U.S. historical data to develop the 4 percent withdrawal rate rule. This rule suggests that retirees can safely sustain retirement withdrawals for at least 30 years by initially withdrawing 4 percent of their savings and

adjusting this amount for inflation in subsequent years. But, the time period covered in these studies represents a particularly favorable one for U.S. asset returns that is unlikely to be broadly experienced. This poses a concern about whether safe withdrawal rate guidance from the U.S. can be applied to other countries. Particularly for emerging economies, defined-contribution pension plans have been introduced along with under-developed or non-existing annuity markets, making retirement withdrawal strategies an important concern. Chapter 3 studies sustainable withdrawal rates for a sample of 25 emerging countries and find that the sustainability of a 4 percent withdrawal rate differs widely and can likely not be treated as safe.

Most literature about retirement planning treats the working (accumulation) and retirement (decumulation) phases separately. The traditional approach decides on safe withdrawal rate, uses it to derive a wealth accumulation target, and then calculates the savings rate required to achieve this wealth target. Because low sustainable withdrawal rates tend to occur after bull markets, such a formulation will push individuals toward unnecessarily high savings rates to attain their desired retirement spending goals, reducing their feasible lifestyle prior to retirement. By jointly considering both phases of retirement planning, Chapter 4 provides savings rate guidelines for individuals in 25 emerging market countries. The savings rates calculated here are those which provide an adequate success rate in financing desired retirement expenditures using bootstrapped Monte Carlo simulations. For many emerging market countries, these savings rates will be high, given the high volatility of returns for savings instruments and the inflationary environment. Starting to save early and using a relatively low stock allocation, a finding that contrasts with studies about the United States, provide the lowest necessary savings rate for a given probability of success.

Using the Cambodia Socioeconomic Survey 2004, Chapter 5 measures the potential impacts of cash transfer programs for children to identify schemes and target groups that will have the most effect on poverty and school attendance. It concludes that the largest impacts occur by targeting poor children. If this proves to be too administratively costly, then targeting children in rural areas or targeting all children living in the ten poorest provinces will also yield significant poverty reduction. With regard to improving school attendance, the same targeted groups generally provide the biggest impacts as well, though the impacts on school attendance tend to be smaller than on poverty reduction.

Comments of Committee Members

1. Prof. Leon-Gonzalez was satisfied with the dissertation and did not find any issues needing corrected before the final version. He asked several comments at the defense about matters such as whether standard errors can be created for the safe withdrawal rates and why 30 years is chosen for a retirement duration (Ch 2), as well as whether households can invest in the manner described (Ch 2 and 3). He also asked about downsides from cash transfers (Ch 4).
2. Prof. Rhodes met with the student to hear his presentation and to provide comments. He did not ask for any changes before the final submission. He did ask several general questions in his evaluation form for consideration in future research.
3. Prof. Takahashi, provided a number of comments before the defense date, which Mr. Meng incorporated into his dissertation prior to the defense date. She was satisfied with these revisions and did not ask for any more changes.
4. Prof. Oyama did express some concerns about the formatting and organization of the dissertation. In response to Prof. Oyama's suggestions, Mr. Meng made a number of changes. These are detailed below, but first a brief summary. He renamed the dissertation so that it doesn't include the word "Essays" in the title (though it is very common for economics dissertations to be titled this way now). He moved the original Chapter 1 back to the end as Chapter 5, in order to deemphasize it. That paper had been first because it was in chronological order for when the papers were written, but it is the weakest chapter and it makes sense to move it to the end. Mr. Meng also added more detail to the table of contents. He also added more and the methodology and quantitative analysis to the chapters to fulfill Prof. Oyama's request to lengthen the other chapters. He also added a new introductory chapter to the dissertation which provides a stronger overview including details about the methodology and links between the chapters. Prof. Oyama also had other comments which were optional and I decided with Mr. Meng did not need to be make. For instance, Prof. Oyama thought the chapter about savings should be before the chapter about retirement, which makes sense in looking at someone's life. However, one must know how much they spend in retirement before knowing how much to save, and so it does make sense to have the chapter about the retirement period before the chapter about saving for retirement.

Prof. Oyama would like to also confirm the adequacy of these changes in Mr. Meng's dissertation.

I should note as well that Mr. Meng was able to revise his dissertation more quickly that Prof. Oyama may have expected. This is because Mr. Meng already had a lot of additional materials prepared which were not incorporated into the dissertation in order to keep the chapters as short as possible for the purposes of submitting to journals. As well, since finishing the dissertation draft, Mr. Meng has been busy revising his Chapter 2 to respond to referee comments from International Economic Review, and some of those comments relating to methodology and presentation of results are related to Prof. Oyama's requests.

As for more details about the revisions related to Prof. Oyama's comments

In response to the comments made by Prof. Oyama at the defense:

- Mr. Meng revised the organization of the dissertation by making it more balanced. He revised his formerly chapter 2, 3 and 4 by providing more details results, analysis, and discussions to increase the length and focus of those chapters. He also tried to reduce the less important details from the former Chapter 1 so that it becomes shorter but still retains the same quantity and quality of the findings. After revising, the former Chapter 2 consists of 33 pages, former Chapter 3 consists of 23 pages, former Chapter 4 consists of 26 pages, and former Chapter 1 consists of 34 pages. This is more balanced.

- Also, he moved the former Chapter 1 to the end, so that the focus and dominance of the dissertation is not on that chapter.

- These revisions result in the change of the dissertation title to "Social Security and Retirement Planning Issues in Emerging Market Countries".

- He also arranged the contents of the dissertation, and now looking at the table of contents provides a clearer and more detailed picture of its contents.

In the week after the defense, Mr. Meng met with Prof. Oyama to receive further instructions about revisions. After this meeting, he made the following revisions as well:

Chapter 1

- As suggested, he arranged again the dissertation by adding another introductory chapter besides the executive summary. The new chapter consists of all the components suggested, including the background and importance of the research, research objectives, research framework, and lastly the structure of the dissertation.

Chapter 2

- Regarding Chapter 2, the role of pension funds in capital market development, in addition to the revisions asked from International Economic Review, he also further revised and incorporated Professor Oyama's comments such as providing more computational results and deriving "quantitative conclusions" in an appropriate way.

Chapter 3

- He incorporated the comments by emphasizing more on the importance of the study on the sustainable withdrawal strategy in the emerging market countries. He added the demographic trends and the longevity risks in these countries to further show the importance of the study in these countries.

- As suggested, he added one more paragraph giving more details about the bootstrapping approach in terms of its assumptions, advantages, and disadvantages over traditional Monte-Carlo simulations.

- He also added more major numerical results from the findings.

Chapter 4

- Similarly to Chapter 3, he gave more details about the bootstrapping approach.

- He also added more numerical results and more analyses with more result tables to support the findings, conclusions, and policy implications. Therefore, Chapter 3 and 4 now have more detailed analysis and elaboration.

- He also argues that locating the chapter on “withdrawals” before the chapter on “savings rates” is appropriate, since for the chapter on “savings rates”, one of the contributions is showing that focusing on the concept of safe withdrawal rates to derive the necessary savings rates (so-called isolated approach) is not so appropriate and ends up with higher savings rates, compared to the new “integrated” approach. And, for comparison purposes, the paper also applies the concept of withdrawal rates, so it is better to first introduce and study about “withdrawal rates” before moving to “savings rates”. Also, the main literature starts the focus with the concept of the safe withdrawal rates with little attention on the savings rates.

Respectfully submitted,
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