Pension Model

The ideal pension would be a defined benefit scheme whereby workers would be required to contribute a minimum portion of their earnings into a pension scheme. The assets of this pension scheme would be held in custody on behalf of the worker.

Pension income would be subject to tax at preferential rates reflecting the credit and investment risk the individual assumed. Under no circumstances would the pension custodian or manager have discretion into the investment of the workers' funds. All assets will by default be placed on fiduciary deposit with the relevant central banks in their respective currencies. The pension scheme would require banking licenses with the major central banks. Thus USD will be held in a fiduciary deposit with the US Fed, GBP with the Bank of England, Euro with the ECB etc etc. Workers may self manage their investments within limits, choosing from a set of approved investments, which have been pre screened and on which due diligence has been performed. A small fee, being the cost of professional due diligence may apply, such cost to be minimize through scale. Under no circumstances will the pension scheme be obliged to fund the country's national debt. The assets of the worker must be segregated from the balance sheet or the pension administrator and custodian. In the event of bankruptcy of the pension administrator, trustee or custodian, or indeed the state, the assets of workers shall be protected by way of a legal segregation of assets in the individual names of the relevant workers.

The above structure is but one way in which workers' pensions can be protected from the direct, indirect or de facto expropriation by their governments.

Any so-called defined contribution pension scheme without adequate protections from financial oppression and expropriation by government should be classified a tax. Individuals should account for such pensions schemes in their own balance sheets accordingly for planning purposes.

The advantage of the above structure also is that it avoids underfunded pension liabilities since the assets and liabilities are always in balance to contributions, withdrawals and equity and gains or losses. The major loser in such a structure are governments who rely on cheap financing from captive pension funds who have not the ability to choose freely what to invest in.

Any mature economy also requires some sort of social security and medical insurance. This should be funded separately from the pension which is purely for funding retirement liabilities. A social security and medical insurance fund should be funded out of tax and based on collective benefit model to provide basic unemployment benefits, retirement income and medical care. The level of benefit should be kept to a bare minimum. Additional expenses beyond the most basic level of care can be funded out of the defined contribution pension scheme.

The administration, custody and stewardship of this social security and medical insurance fund should be independently managed, outsourced to arms length professional fund managers, and where there are potential conflicts of interest such as where the fund may seek to invest in government securities, a higher standard of corporate governance and due diligence is necessary to ensure that there is no indirect or de facto expropriation of funds by government. The assets of such a fund should also be held in safe custody apart from any government or private commercial construct’s balance sheet.