Steve Utkus: Japan is actually at a pivotal point in the evolution of its defined contribution system. It has historically been quite small, but in recent years, it’s begun to grow rapidly, and the government is considering a number of reforms to expand its use. They’re increasing tax incentives for the programme, and they’re actually doing something that’s interesting, mimicking something that happened in the U.S., which is they’re helping to introduce a policy of default investing, so that, traditionally, Japanese invest most of their money in bank deposits. But these default investments are diversified portfolios that are suitable for long-term retirement savings, and that’s a very exciting development. There has been this historic evolution of many defined contribution retirement systems from a guaranteed framework to a more portfolio diversification framework. It happened in some of the Asian systems historically. It happened in the U.S. 15 years ago. Typical person starting to save for retirement would put their money in something that looked familiar, which was a, a bank deposit, a money market fund. But now they’re buying target-date funds, which are diversified portfolios for their savings, and I think that’s obviously better for long-term retirement outcomes. So I think Japan is
in some ways following a path that others have shown the way forward on, and that’s a good development.