

WHAT IS THE MMGPI?

WORLD'S **MOST COMPREHENSIVE**
COMPARISON OF PENSION SYSTEMS

COVERS CLOSE TO **60%** OF
THE WORLD'S POPULATION

ARGENTINA AND MALAYSIA
WERE **NEW ADDITIONS** IN 2016

MEASURES **27** RETIREMENT INCOME
SYSTEMS AGAINST MORE THAN **40**
INDICATORS

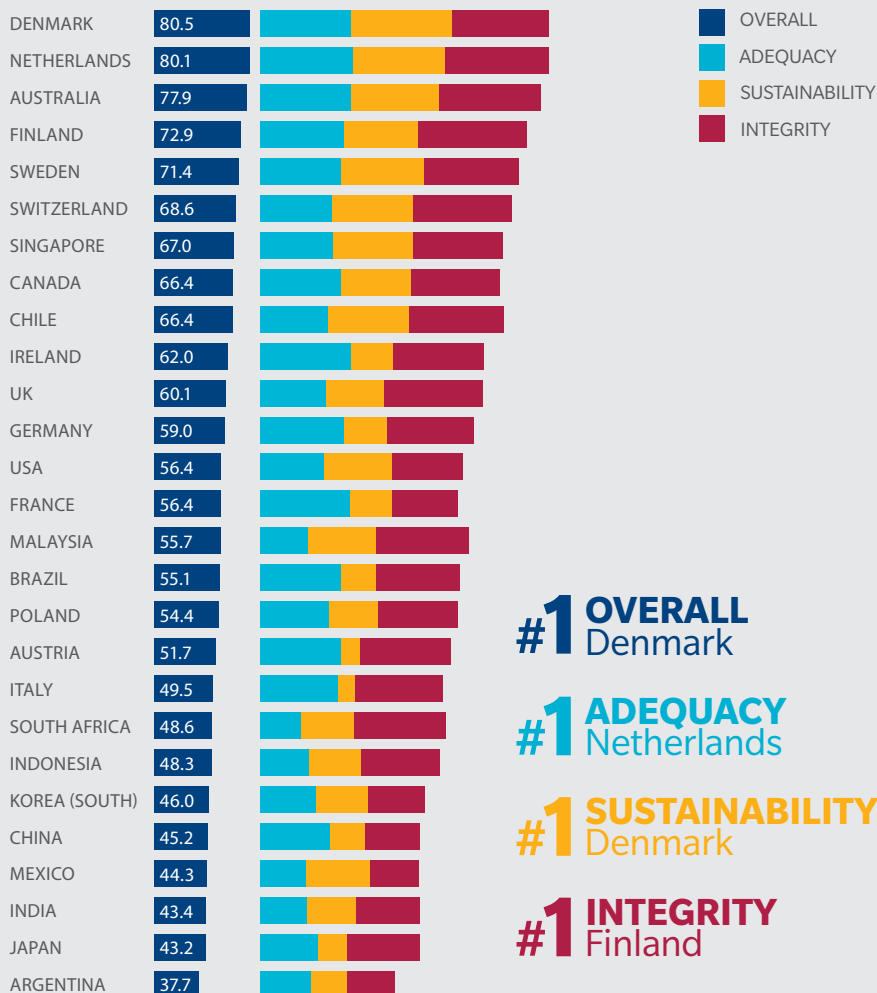


HAS PUT THE **SPOTLIGHT ON**
GLOBAL MACRO TRENDS:

- ASSET ALLOCATION FOR PENSION FUNDS
- POST-RETIREMENT SOLUTIONS IN A DC WORLD
- TRANSPARENCY & TRUST IN PENSION SYSTEMS
- SUSTAINABILITY OF PENSION SYSTEMS
- IMPACT OF AGEING POPULATIONS

BENCHMARKS A COUNTRY'S PENSION SYSTEM
BASED ON 3 SUB-INDICES: **ADEQUACY**,
SUSTAINABILITY AND **INTEGRITY**

2016 RESULTS



#1 OVERALL
Denmark

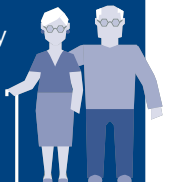
#1 ADEQUACY
Netherlands

#1 SUSTAINABILITY
Denmark

#1 INTEGRITY
Finland

THE IMPACT OF AGEING

➡ The challenge for many developed economies is how to encourage some older workers to remain in the workforce.



➡ Without changes to retirement and eligibility ages for social security and private pensions, there will be increasing pressure on our retirement systems to the detriment of the older members of society.

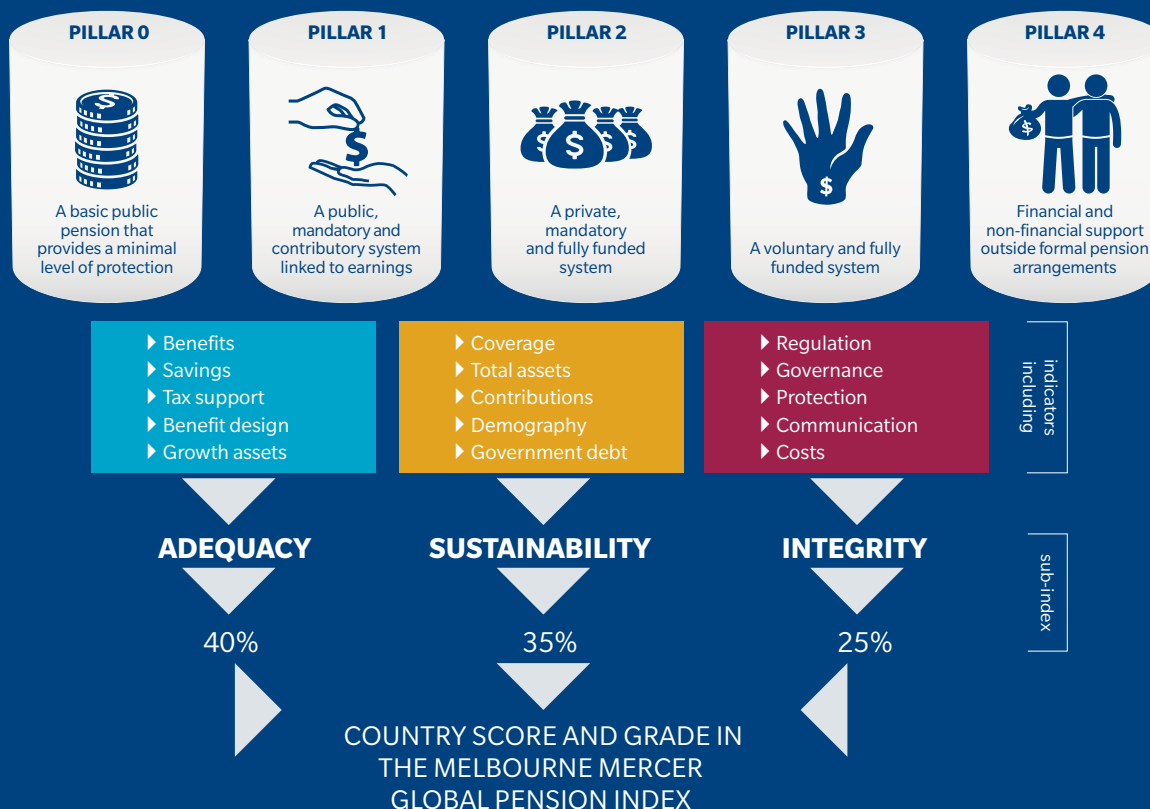


➡ The MMGPI is an important reference for policy makers around the world to learn from the most adequate, sustainable and trusted systems.



CALCULATING THE MELBOURNE MERCER GLOBAL PENSION INDEX

The Index uses a multi-pillar approach to compare retirement income systems.



RECOMMENDATIONS

There is no perfect pension system that can be applied universally, but there are many common features that can be shared for better outcomes.

ADEQUACY



A minimum pension is provided to the poor that represents a reasonable percentage of average earnings in the community



At least **70%** net (after tax) replacement rate at retirement for a full-time worker on a median income



At least **50%** of accumulated retirement benefits to be taken as an income stream

SUSTAINABILITY



At least **70%** of the working age population should be members of private pension plans



Current pension fund assets should be more than **100%** of GDP to fund future pension liabilities



Labour force participation rate for those aged 55-64 should be at least **65%**

INTEGRITY



A strong prudential regulator supervising private pension plans



Regular member communications including the provision of personal statements, projected retirement income and an annual report



Clear funding requirements for both defined benefit and defined contribution schemes



BIG IMPROVERS IN 2016 ARE IN ASIA



INDIA

+3.1 with an improved net replacement rate



SINGAPORE

+2.3 with increased level of support for the poor



KOREA (SOUTH)

+2.2 with several small improvements

GLOBAL SCORECARD FOR RETIREMENT SAVINGS



GRADE	INDEX VALUE	COUNTRIES	DESCRIPTION
A	>80		A first class and robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity.
B ⁺	75–80		A system that has a sound structure, with many good features, but has some areas for improvement that differentiates it from an A-grade system.
B	65–75		
C ⁺	60–65		
C	50–60		A system that has some good features, but also has major risks and/or shortcomings that should be addressed. Without these improvements, its efficacy and/or long-term sustainability can be questioned.
D	35–50		A system that has some desirable features, but also has major weaknesses and/or omissions that need to be addressed. Without these improvements, its efficacy and sustainability are in doubt.
E	<35	Nil	A poor system that may be in the early stages of development or a non-existent system.

THE VERY SIGNIFICANT IMPACT OF AGEING POPULATIONS

In 2016 we look beyond the annual rankings to analyse demographic factors influencing retirement system sustainability and the impact of an ageing global population.

Longer life expectancies and **lower fertility rates** are rapidly driving an ageing population and the impact is **underestimated** by many governments and communities.

INCREASING LIFE EXPECTANCIES

Over the last 40 years, life expectancies have increased by **13.9 years** (weighted by population) due to:



Better medical treatment and technology



Lifestyle improvements

“

THIS ANALYSIS INDICATES THAT SEVERAL EUROPEAN AND ASIAN COUNTRIES ARE NOT CURRENTLY WELL PLACED TO COUNTER THE SIGNIFICANT EFFECTS OF THEIR AGEING POPULATIONS.

– MMGPI 2016 REPORT

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To reduce the consequences of an ageing population and ensure their pension system is sustainable, countries must **increase**:

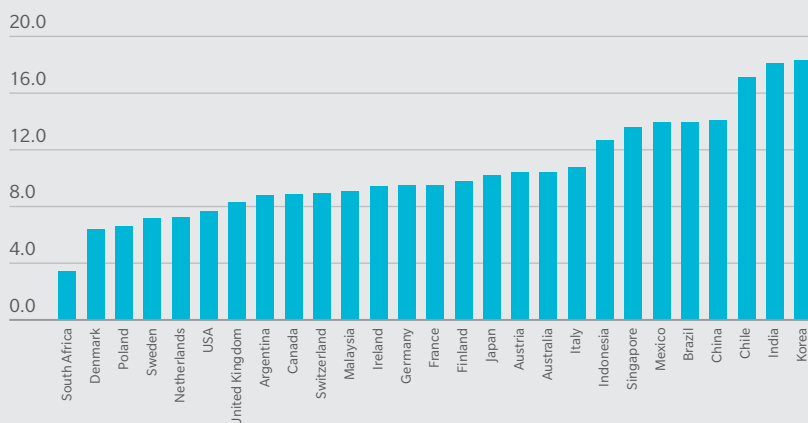
01 Labour force participation at older ages

02 The pension eligibility age and/or retirement age

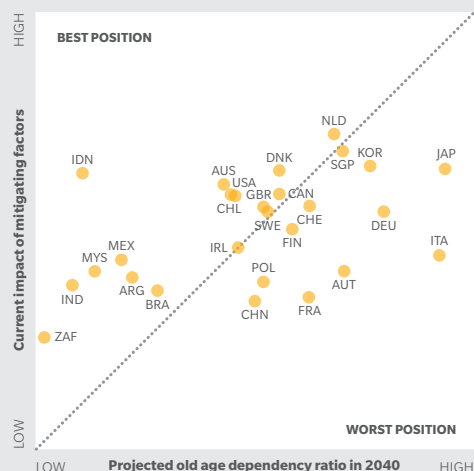
03 The level of pension fund assets set aside for the future

Improvement in life expectancy at birth over the last 40 years

Years



How is each country going?



INCREASING OLD AGE DEPENDENCY RATIOS*

16.9



or **5.9 workers** for every **older person**

1980

21.2



or **4.7 workers** for every **older person**

2010

42.7



or **2.3 workers** for every **older person**

2040
(projected)

* Measured as the population aged 65 and over, divided by the population aged 20 to 64, multiplied by 100.

The MMGPI looks objectively at both the publicly funded and private components of a system as well as personal assets and savings outside the pension system. It is published by the Australian Centre for Financial Studies in conjunction with Mercer and is funded by the Victorian State Government.

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