



MERCER
CFA INSTITUTE
GLOBAL
PENSION
INDEX

2020

REPORT
HIGHLIGHTS

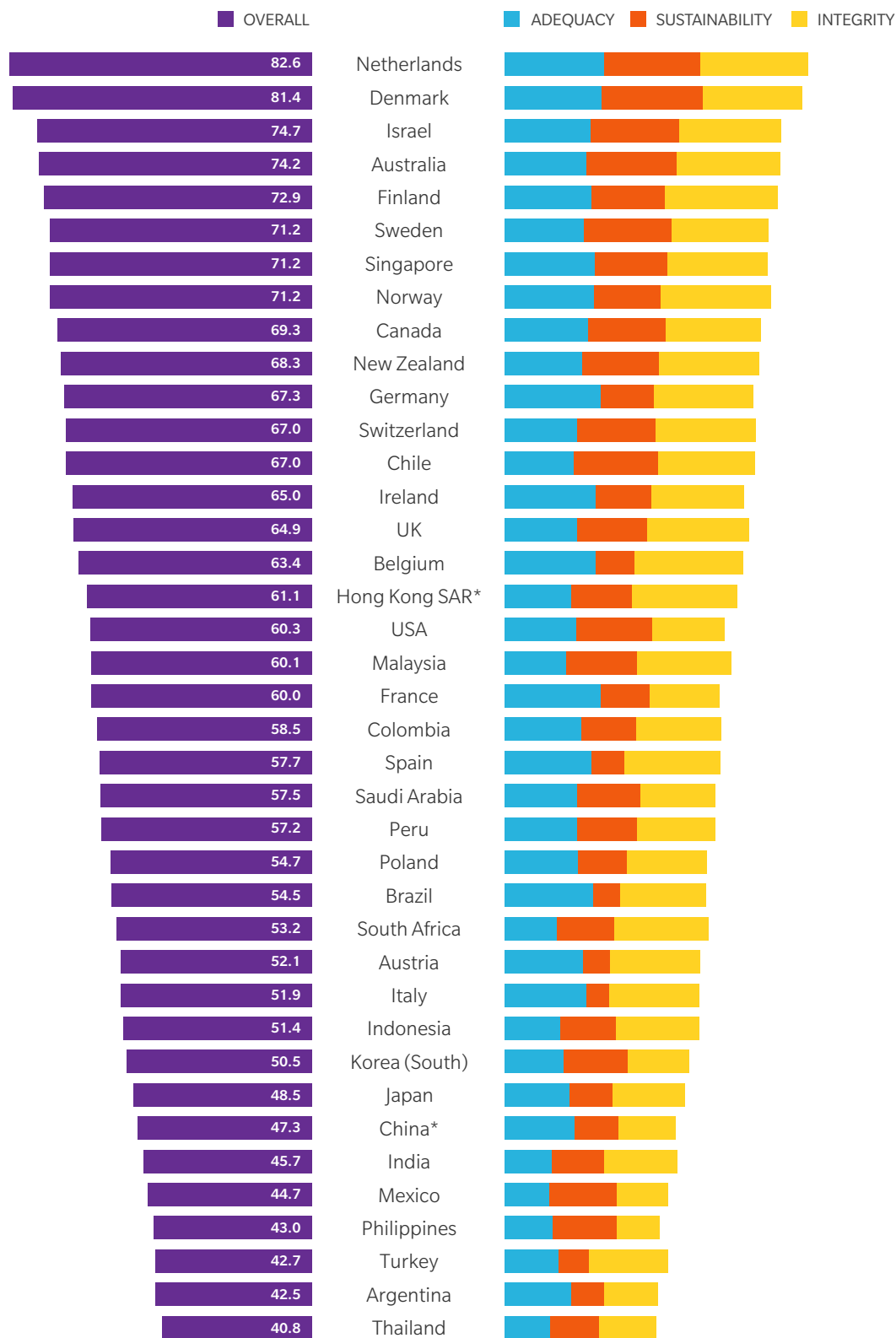


Financial security in retirement is critical for both individuals and societies as most countries are now grappling with the social, economic and financial effects of ageing populations.

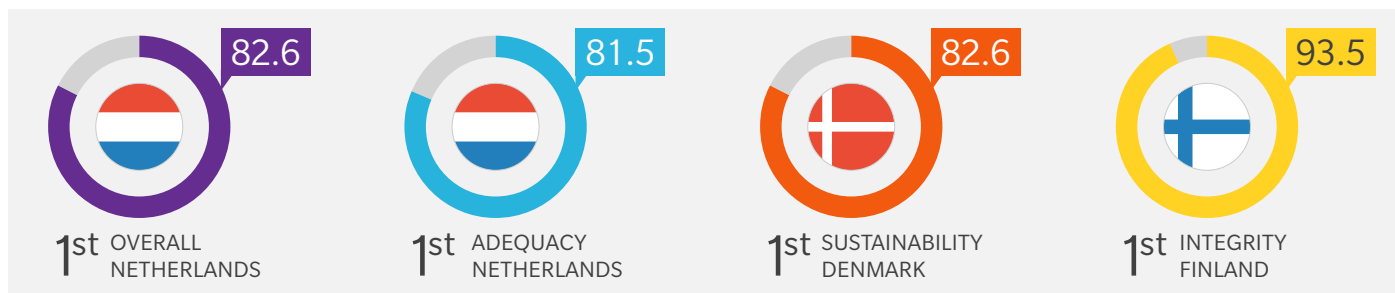
In 2020 these issues have been accentuated by COVID-19, but it is not only the pandemic and ageing populations that represent challenges for pension systems around the world. The current economic environment with historically low interest rates, an economic recession in many countries and reduced investment returns are placing additional financial pressures on existing retirement income systems.

Now, more than ever before, the challenges of the time present us with an opportunity to come together as a global community, in order to learn from each other, with the aim of providing retirees with dignity and confidence.

2020 Results



2020 - 1st place results

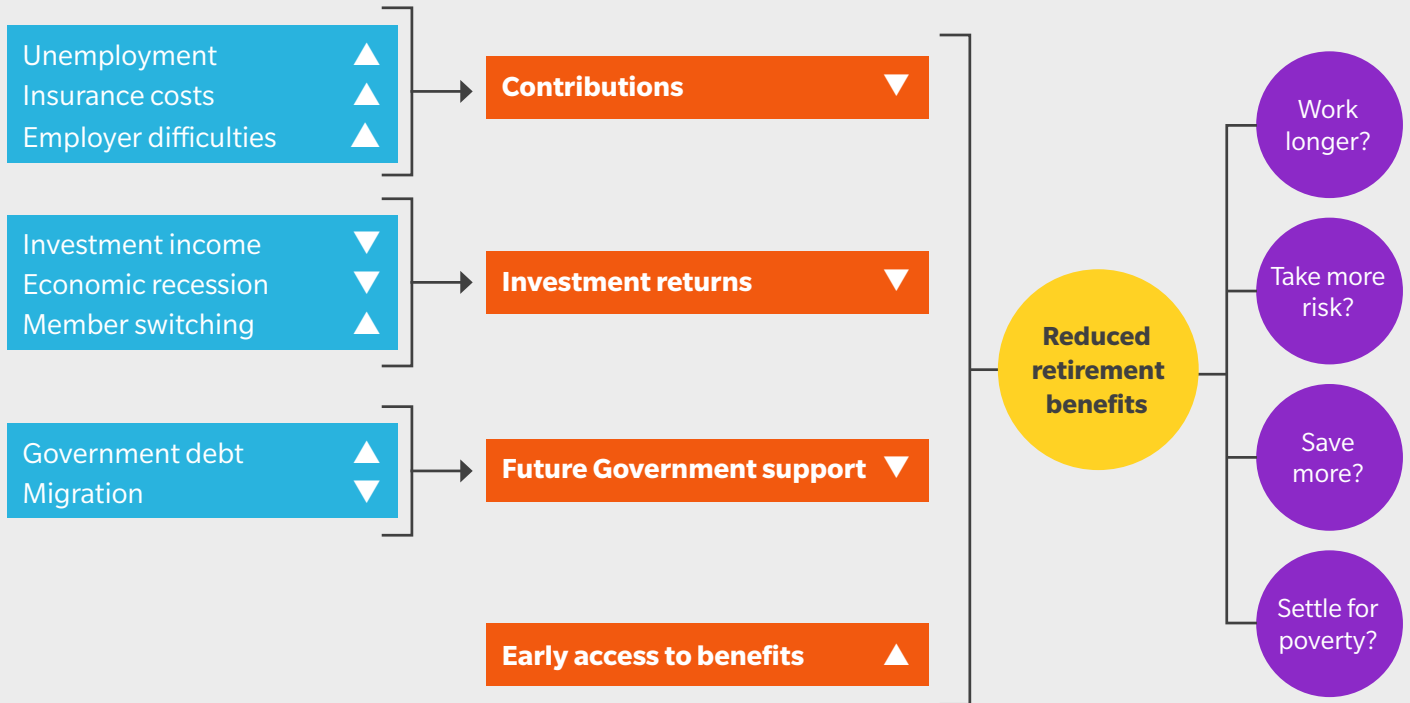


* In this report China refers to the retirement income system in mainland China whereas Hong Kong SAR refers to the retirement income system in Hong Kong, a Special Administrative Region (SAR) of China.

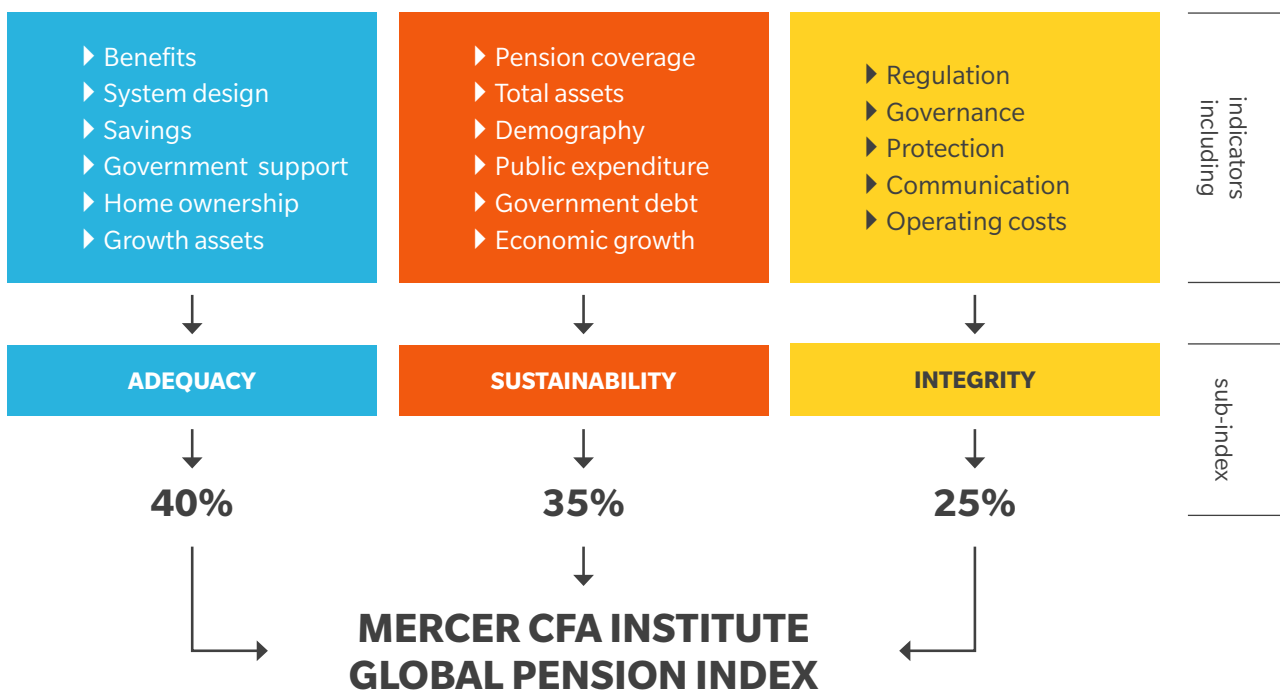
COVID-19 and its impact on pension systems around the world

Governments, pension regulators, individual members and plan fiduciaries have responded in a variety of ways to COVID-19. The unusual events of 2020 has had several immediate effects but will also have some long term impacts on pensions.

Each of these impacts is likely to have a negative effect on the provision of future retirement income, as shown below.



Calculating the Mercer CFA Institute Global Pension Index












Moving towards a better pension system

To improve the provision of adequate and sustainable retirement incomes around the world, global pension reforms in the following areas should be considered:


- Increase coverage of employees and the self-employed in private pensions
- Increase the state pension age and/or retirement age over time
- Promote higher labour force participation at older ages
- Encourage higher levels of private saving to reduce dependence on public pensions
- Reduce the leakage from the retirement savings system prior to retirement
- Introduce measures to reduce the gender gap
- Improve the governance of private pension plans and introduce greater transparency to improve the confidence of plan members and the community

What does the ideal system look like?

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

| ADEQUACY | SUSTAINABILITY | INTEGRITY |
|---|---|--|
|  <p>A minimum pension is provided to the poor that represents a reasonable percentage of average earnings in the community</p> |  <p>At least 80% of the working age population should be members of private pension plans</p> |  <p>A strong prudential regulator supervising private pension plans</p> |
|  <p>At least 70% net (after tax) replacement rate at retirement for a full-time worker on a median income</p> |  <p>Current pension fund assets should be more than 100% of GDP to fund future pension liabilities</p> |  <p>Regular member communications including the provision of personal statements, projected retirement income and an annual report</p> |
|  <p>At least 60% of accumulated retirement benefits to be taken as an income stream</p> |  <p>Labour force participation rate for those aged 55-64 should be at least 80%</p> |  <p>Clear funding requirements for both defined benefit and defined contribution schemes</p> |

What is the Global Pension Index?

| | | |
|---|---|--|
|  <p>Delivers the world's most comprehensive comparison of pension systems</p> |  <p>Highlights the common challenges facing many countries</p> |  <p>Benchmarks a country's pension system based on three sub-indices: Adequacy, Sustainability and Integrity</p> |
|  <p>Covers almost two-thirds of the world's population</p> |  <p>Measures 39 retirement income systems against more than 50 indicators</p> |  <p>Recommends actions for improvements in each system</p> |
|  <p>Includes Belgium and Israel as the 2020 additions</p> |  <p>Reviews global pension systems and assesses the benefits they provide, their ongoing sustainability in the context of ageing populations and the level of trust and transparency within their operations</p> | |

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