MELBOURNE MERCER GLOBAL PENSION INDEX

2017 REPORT HIGHLIGHTS

The Melbourne Mercer Global Pension Index (MMGPI) is published by the Australian Centre for Financial Studies (ACFS) in collaboration with Mercer, with most of the funding from the State Government of Victoria, as part of its ongoing support for leadership in the financial services sector.

The primary objective of this research is to benchmark each country's retirement income system so we can all learn from each other and thereby improve our systems and generate better outcomes for our present and future retirees.

WHAT IS THE MMGPI?

Delivers the world's **most comprehensive** comparison of pension systems

Measures **30** retirement income systems against more than **40** indicators

Covers **60%** of the world's population

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

Includes **Colombia**, **New Zealand** and **Norway** as 2017 additions

Benchmarks a country's pension system based on three sub-indices: **Adequacy**, **Sustainability** and **Integrity**

Highlights the **common challenges** facing many countries

Recommends actions for **improvement** for each country

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CALCULATING THE MELBOURNE MERCER GLOBAL PENSION INDEX

- Benefits
- System design
- Savings
- Tax support
- Home ownership
- Growth assets

ADEQUACY — 40%

- Pension coverage
- Total assets
- Contributions
- Demography
- Government debt
- Economic growth

SUSTAINABILITY — 35%

- Regulation
- Governance
- Protection
- Communication
- Costs

INTEGRITY — 25%

indicators including

sub-index

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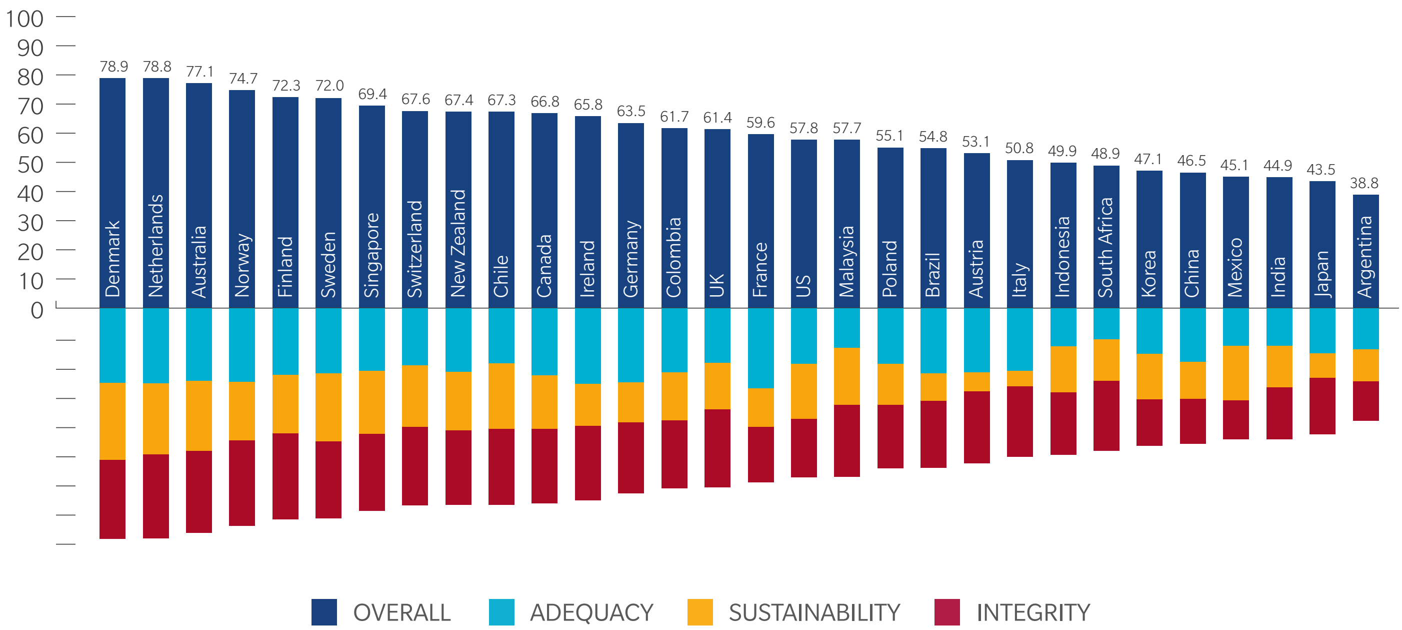
2017 RESULTS

#1 Overall Denmark

#1 Adequacy France

#1 Sustainability Denmark

#1 Integrity Finland



GLOBAL GRADES

Grade	Index Value	Country	Description
A	>80	Nil	A first class and robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity.
B+	75–80	Denmark Netherlands Australia	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	Norway Finland Sweden Singapore Switzerland New Zealand Chile Canada Ireland	
C+	60–65	Germany Colombia UK	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.
C	50–60	France US Malaysia Poland Brazil Austria Italy	
D	35–50	Indonesia South Africa Korea China Mexico India Japan Argentina	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.

MOVING TOWARDS A BETTER PENSION SYSTEM

To improve the provision of adequate and sustainable retirement incomes around the world, countries should consider the following recommendations:

- Gradually increase the average retirement age as life expectancies continue to rise
- Increase the level of savings, both inside and outside pension funds, to ensure that more people are less reliant on the government in their future retirement years
- Increase the coverage of private pensions across the labour force, including the self-employed and "gig" employees, to provide improved integration between various pillars
- Reduce the access of benefits by members before retirement to ensure that the funds are preserved until retirement
- Improve the transparency of the operations of pension plans thereby improving the understanding and trust of all stakeholders

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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
A minimum pension is provided to the poor that represents a reasonable percentage of average earnings in the community	At least **70%** of the working age population should be members of private pension plans	A strong prudential regulator supervising private pension plans
At least **65%** net (after tax) replacement rate at retirement for a full-time worker on a median income	Current pension fund assets should be more than **100%** of GDP to fund future pension liabilities	Regular member communications including the provision of personal statements, projected retirement income and an annual report
At least **60%** of accumulated retirement benefits to be taken as an income stream	Labour force participation rate for those aged 55-64 should be at least **70%**	Clear funding requirements for both defined benefit and defined contribution schemes

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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 primarily by the State Government of Victoria.

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