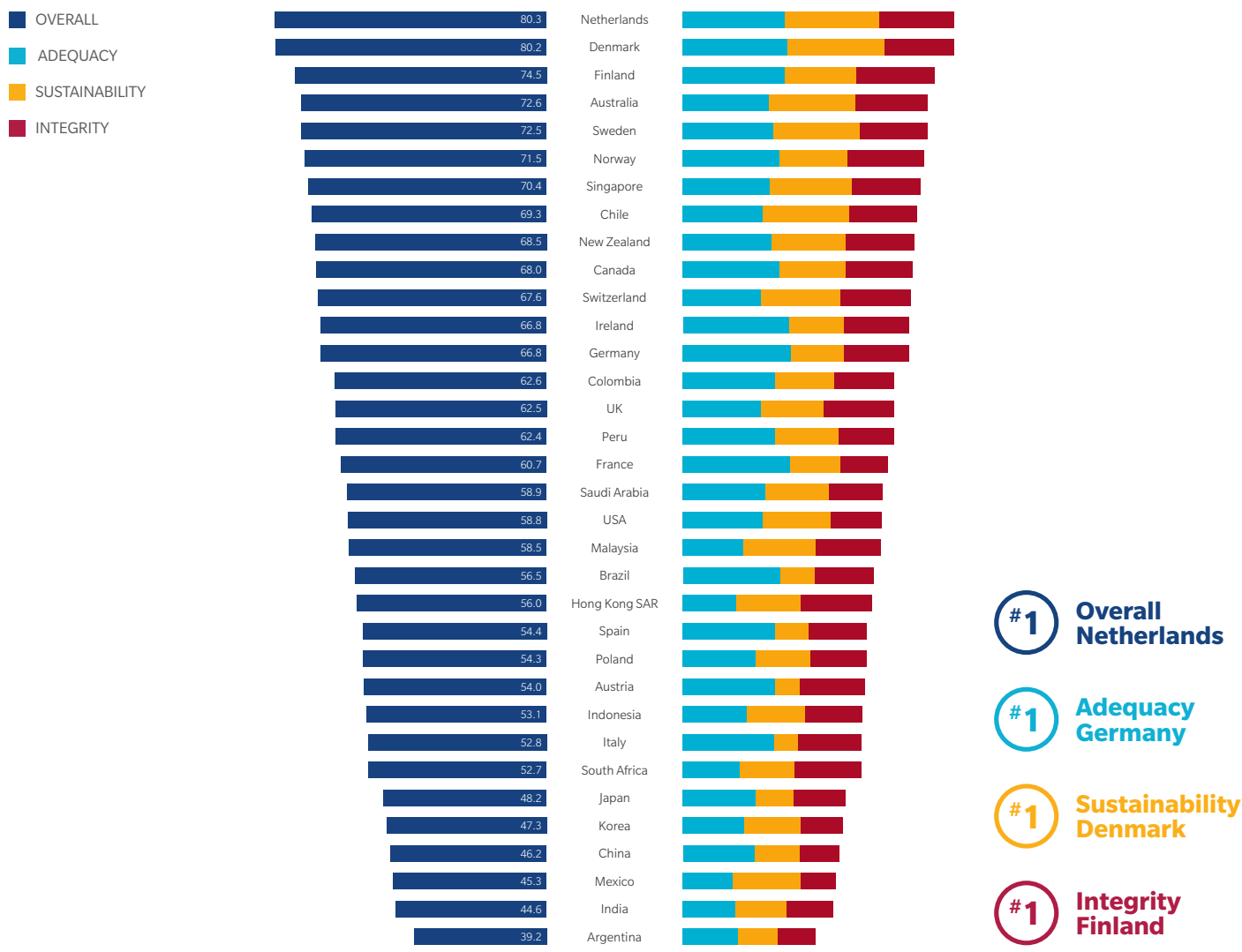




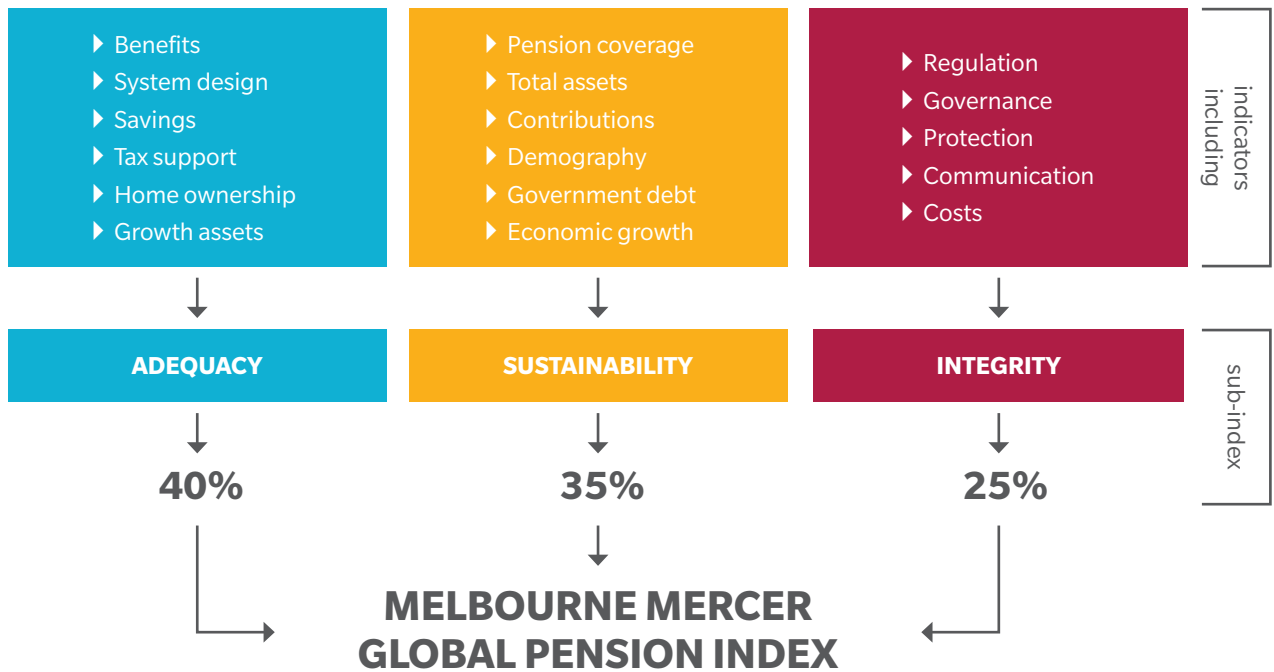
The Melbourne Mercer Global Pension Index (MMGPI) is published by the Australian Centre for Financial Studies (ACFS) in collaboration with Mercer, with most of the funding from the State Government of Victoria, as part of its ongoing support for leadership in the financial services sector.

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

## 2018 RESULTS



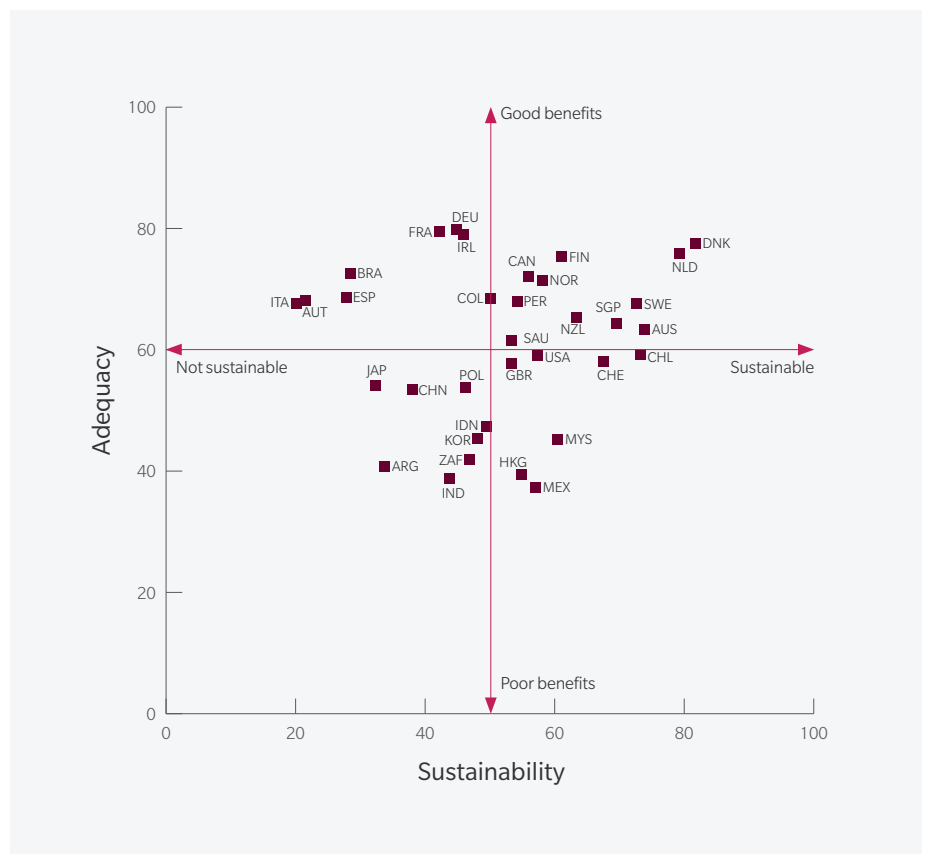
# CALCULATING THE MELBOURNE MERCER GLOBAL PENSION INDEX



## THE GROWING TENSION BETWEEN ADEQUACY AND SUSTAINABILITY

The natural starting place to having a world class pension system is ensuring the right balance between adequacy and sustainability. However, policymakers are struggling to balance the twin goals of delivering financial security for their retirees that is both adequate for the individual and sustainable for the economy.

As highlighted in the opposite chart, all systems should aim to adjust their settings so they are moving towards the top right quadrant. Through the study, policymakers can understand the characteristics of leading systems and find ways to improve their own.



# GLOBAL GRADES



Grade	Index Value	Countries	Description
<b>A</b>	>80	Netherlands Denmark	A first class and robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity.
<b>B+</b>	75–80	Nil	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>B</b>	65–75	Finland Australia Sweden Norway Singapore Chile New Zealand Canada Switzerland Ireland Germany	
<b>C+</b>	60–65	Colombia UK Peru France	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.
<b>C</b>	50–60	Saudi Arabia USA Malaysia Brazil Hong Kong SAR Spain Poland Austria Indonesia Italy South Africa	
<b>D</b>	35–50	Japan Korea (South) China Mexico India 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.
<b>E</b>	<35	Nil	A poor system that may be in the early stages of development or non-existent.










# 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

## 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 <b>70%</b> 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 <b>65%</b> net (after tax) replacement rate at retirement for a full-time worker on an average income</p>	 <p>Current pension fund assets should be more than <b>100%</b> 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 <b>60%</b> 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 <b>70%</b></p>	 <p>Clear funding requirements for both defined benefit and defined contribution schemes</p>

## WHAT IS THE MMGPI?

 <p>Delivers the world's <b>most comprehensive</b> comparison of pension systems</p>	 <p>Highlights the <b>common challenges</b> facing many countries</p>	 <p>Benchmarks a country's pension system based on three sub-indices: <b>Adequacy, Sustainability and Integrity</b></p>
 <p>Over <b>60%</b> of the world's population</p>	 <p>Measures <b>34</b> retirement income systems against more than <b>40</b> indicators</p>	 <p>Recommends actions for <b>improvement</b> for each country</p>
 <p>Includes <b>Hong Kong SAR, Saudi Arabia, Spain and Peru</b> as 2018 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>	

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.