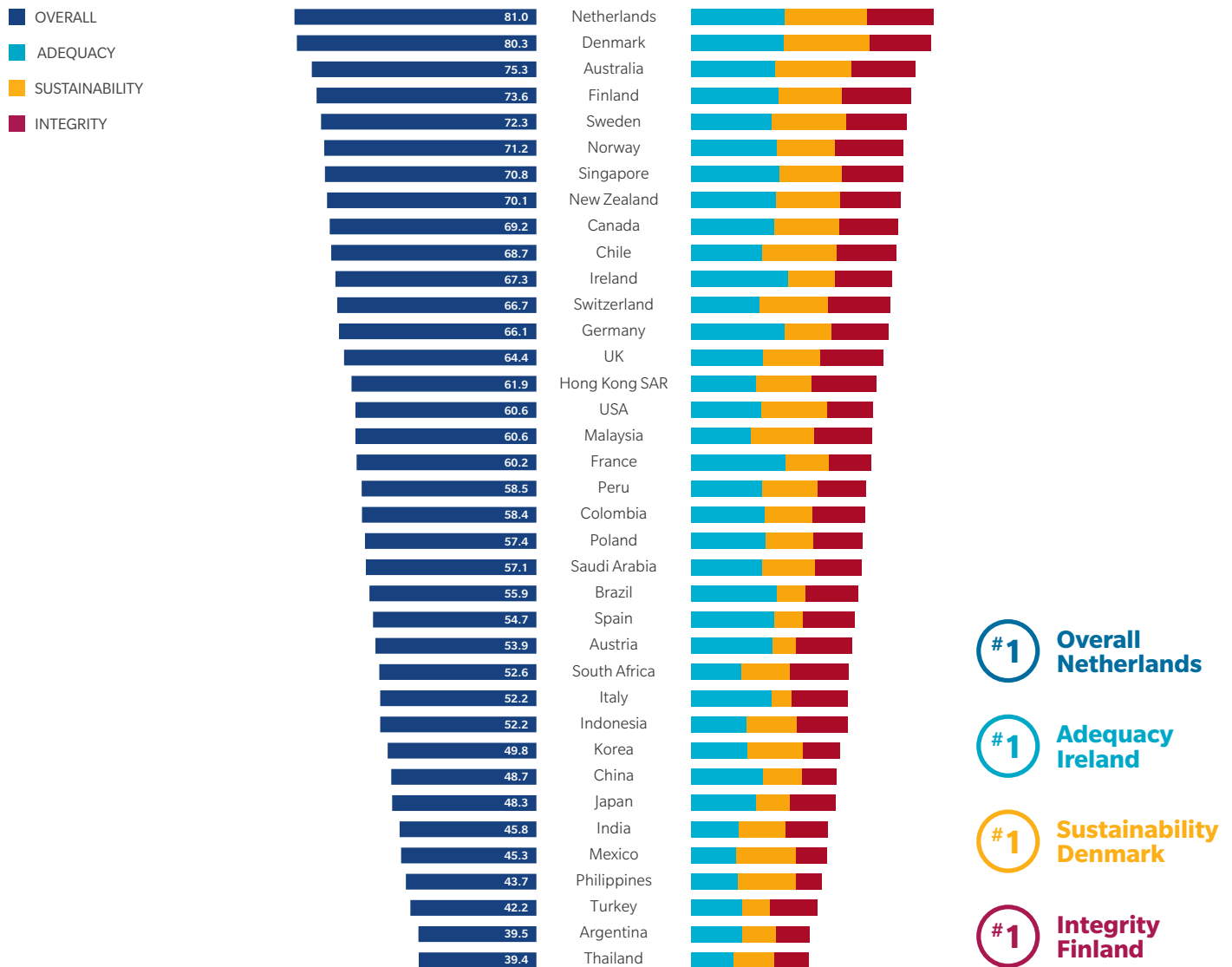


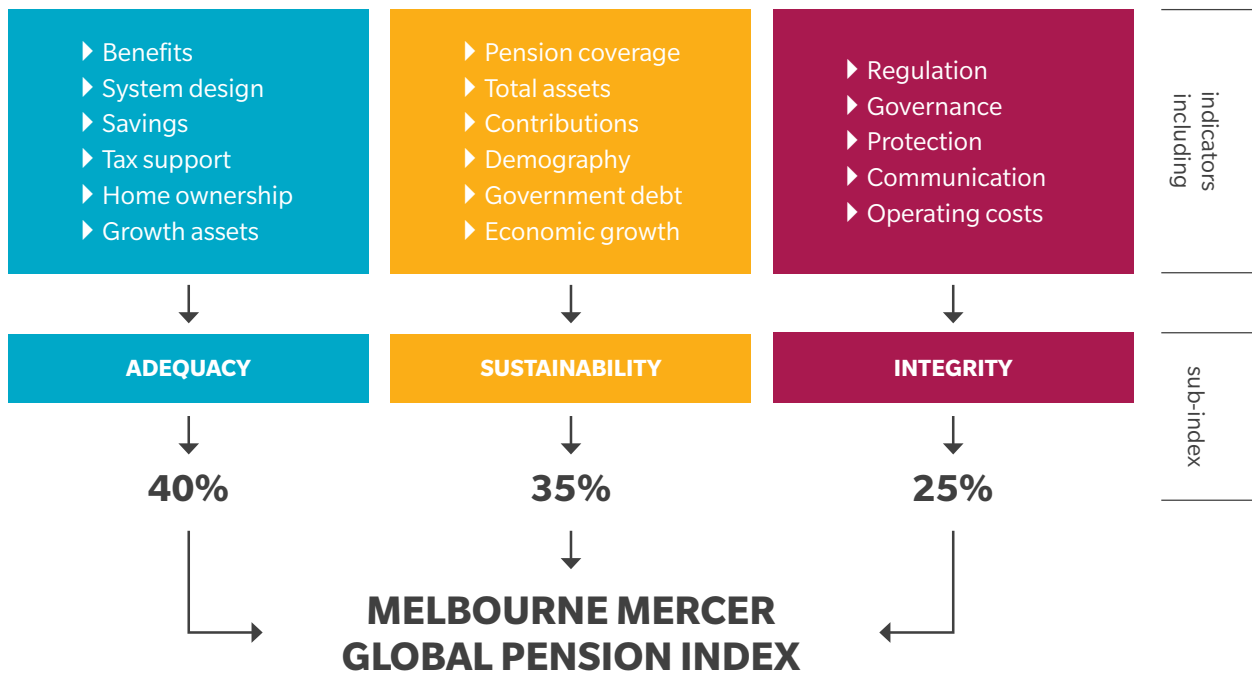
The Melbourne Mercer Global Pension Index (MMGPI) is published by the Monash Centre for Financial Studies in collaboration with Mercer, with funding from the State Government of Victoria, as part of its ongoing support for leadership in the financial services sector.

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

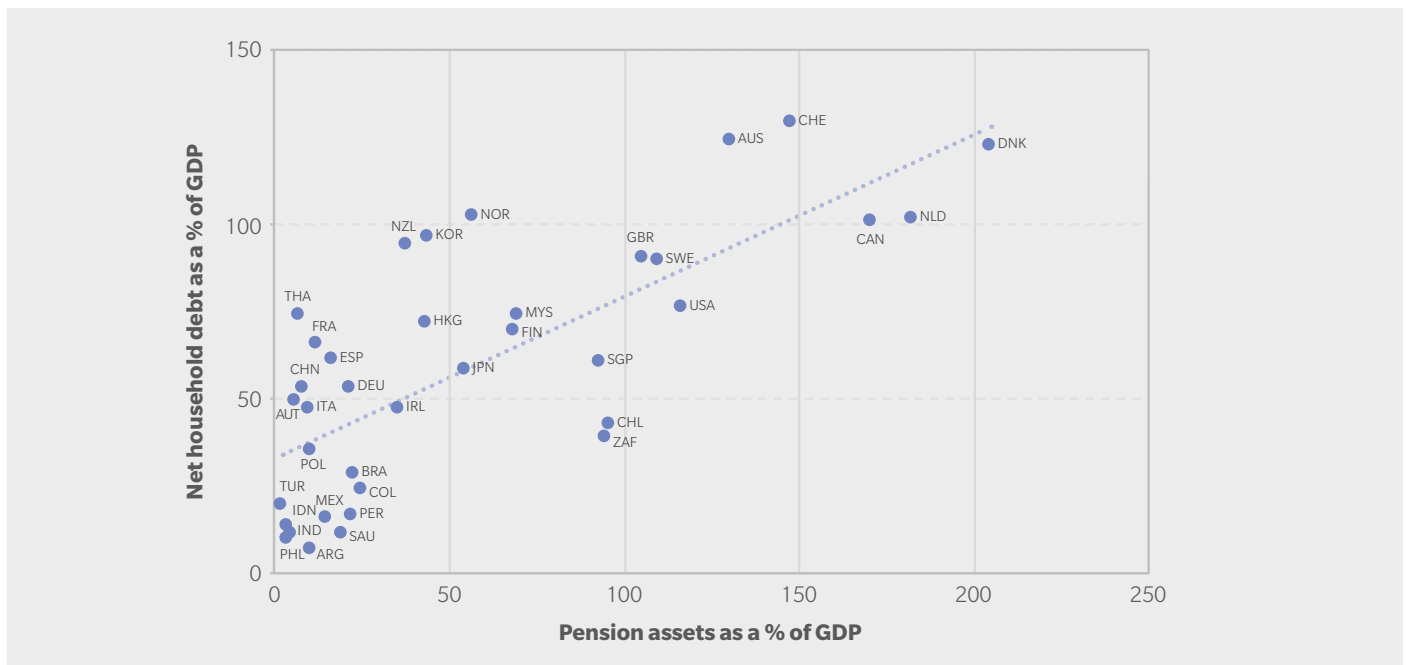
## 2019 RESULTS



# CALCULATING THE MELBOURNE MERCER GLOBAL PENSION INDEX



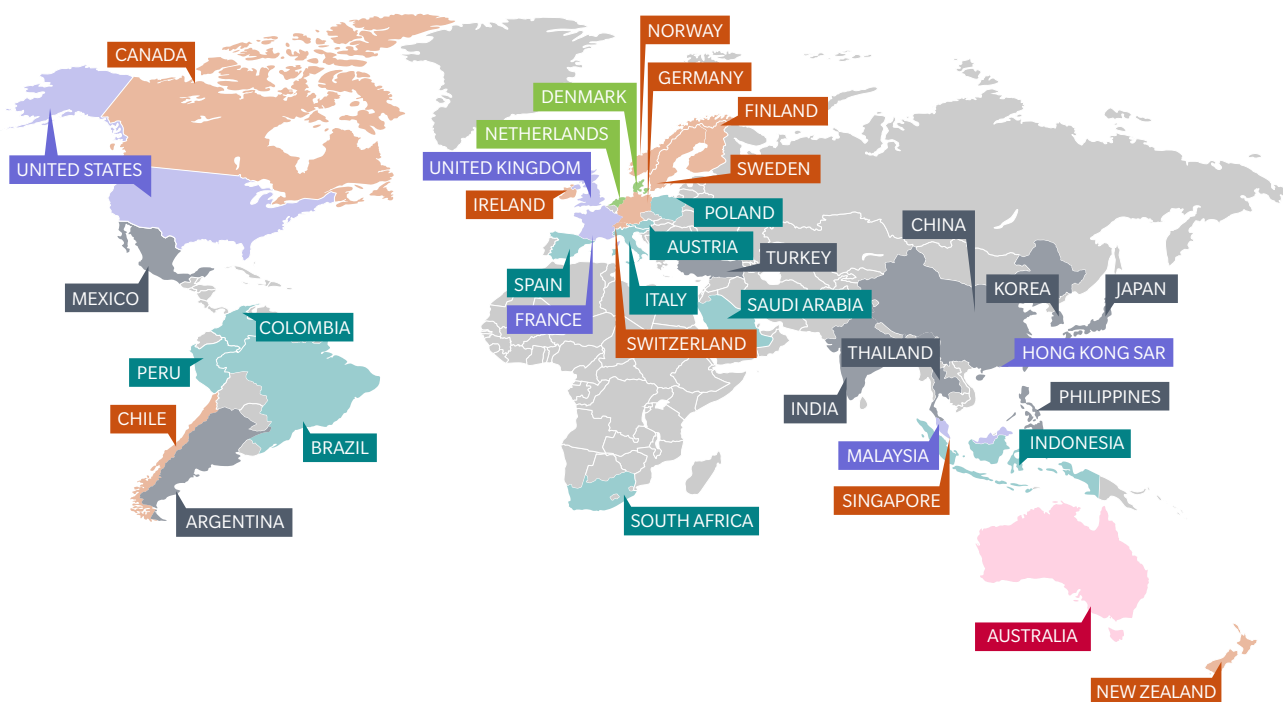
## AN INTERESTING RELATIONSHIP BETWEEN PENSION ASSETS AND NET HOUSEHOLD DEBT



One of the advantages of the Index is that relationships between certain variables related to savings and pension schemes can be explored. The above graph shows the relationship between the levels of pension assets and net household debt for each country, both expressed as a percentage of GDP. The relationship is strong, with a correlation of 74.4 per cent.

There are likely to be several causes of this strong relationship but the well-known wealth effect is probably a major factor in many economies. That is, consumers feel more financially secure and confident as the wealth of their homes, investment portfolios or accrued pension benefits rise. In short, if your wealth increases, you are more willing to spend and/or enter into debt.

# GLOBAL GRADES



Grade	Index Value	Countries	Description
<b>A</b>	>80	Denmark Netherlands	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	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>B</b>	65–75	Canada Chile Finland Germany Ireland New Zealand Norway Singapore Sweden Switzerland	
<b>C+</b>	60–65	France Hong Kong SAR Malaysia UK USA	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	Austria Brazil Colombia Indonesia Italy Peru Poland Saudi Arabia South Africa Spain	
<b>D</b>	35–50	Argentina China India Japan Korea (South) Mexico Philippines Thailand Turkey	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 retirement age and/or the state pension age as life expectancies continue to rise in most countries
- 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 increasing the trust and confidence 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>70%</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>63%</b> of the world’s population</p>	 <p>Measures <b>37</b> retirement income systems against more than <b>40</b> indicators</p>	 <p>Recommends actions for <b>improvement</b> for each system</p>
 <p>Includes <b>Philippines, Thailand and Turkey</b> as the 2019 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 Monash Centre for Financial Studies in conjunction with Mercer and is funded primarily by the State Government of Victoria.