



Media release

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Global Pension Index calls for pension systems reform to close gender gap in retirement income

- **Causes of gender pension gap mixed, with all systems carrying weaknesses**
- **Mercer CFA Institute Global Pension Index sees new entrant Iceland top the list**
- **Index compares 43 retirement income systems, covering two-thirds of world's population**

New York, October 19, 2021, 12:01 AM EDT – Iceland's retirement income system has been named the world's best in its debut in the 13th annual Mercer CFA Institute Global Pension Index (MCGPI). The Netherlands and Denmark have taken second and third places respectively in the rankings, after a decade of competing for the top spot. The study also reveals that there is much that pension systems can do to reduce the gender pension gap – an issue inherent in every system.

The MCGPI is a comprehensive study of global pension systems, accounting for two-thirds (65 per cent) of the world's population. It benchmarks retirement income systems around the world highlighting some shortcomings in each system and suggests possible areas of reform that would provide more adequate and sustainable retirement benefits. The top three systems, all receiving an A-grade, were sustainable and well-governed systems, providing strong benefits to individuals.

President and CEO at CFA Institute, Margaret Franklin, CFA, said it was more important than ever to understand how retirement benefits could be improved.

"The pandemic has exacerbated socio-economic inequality in many parts of the world. And, from a long-term investment perspective, we're operating in an extremely challenging environment with historically low interest rates and, in some cases, negative yields clearly impacting returns," Ms Franklin said.

"Compounding the issue, the gender pension gap presents additional and urgent challenges, with women facing their retirement years with fewer benefits. With these concerns in mind, the promise of a secure retirement depends on policymakers and industry stakeholders taking collective action to examine the strengths and weaknesses of pension systems, with the purpose of delivering better retirement benefits to every individual," she said.

Senior Partner at Mercer and lead author of the study, Dr David Knox, agreed with Ms Franklin, saying it was imperative for participants in the pension industry to act now.

"Governments the world over have responded to COVID-19 with significant levels of economic stimulus, which has added to government debt, reducing the future opportunity for governments to support their aged population.

Retirement schemes globally are tipping further towards accumulation-style plans, away from traditional defined benefit plans. Despite the challenges, now is not the time to put the brakes on pension reform – in fact, it's time to accelerate it. Individuals are having to take more and more responsibility for their own retirement income, and they need strong regulation and governance to be supported and protected," Dr Knox said.

Gender differences in pension outcomes

The MCGPI's analysis highlighted that there was no single cause of the gender pension gap, despite all regions having significant differences in the level of retirement income across genders.

"The causes of the gender pension gap are mixed and varied. Every country and region has employment-related, pension design and socio-cultural issues contributing to women being far more disadvantaged than men when it comes to retirement income," Dr Knox said.

While employment issues are major contributors and are well known – more female part-time workers, periods out of the workforce for caring responsibilities and lower average salaries, for example – the study found that pension design flaws were aggravating the issue. This includes non-mandatory accrual of pension benefits during parental leave, absence of pension credits while caring for young children or elderly parents in most systems, and the lack of indexation of pensions during retirement, which have a larger impact on women due to longer life expectancy.

"We know that closing the gender pension gap is an enormous challenge given the close link of the pension to employment and income patterns. But, with poverty among the aged more common for women, we can't afford to sit idle," said Dr Knox.

"There are a number of actions that pension industries can take. As a start, they must remove eligibility restrictions for individuals to join employment-related pension arrangements. Regardless of how much you earn, how much you work or how long you've been working for, every individual should have the ability to participate in a pension scheme that provides adequate benefits.

"Pension funds can also introduce credits for those caring for the young and old. Carers provide a valuable service to the community and shouldn't be penalized in their retirement years for taking time out of the formal workforce," he said.

By the numbers

Iceland had the highest overall index value (84.2), closely followed by the Netherlands (83.5). Thailand had the lowest index value (40.6).

The Index uses the weighted average of the sub-indices of adequacy, sustainability and integrity. For each sub-index, the systems with the highest values were Iceland for adequacy (82.7), Iceland for sustainability (84.6) and Finland for integrity (93.1). The systems with the lowest values across the sub-indices were India for adequacy (33.5), Italy for sustainability (21.3) and the Philippines for integrity (35.0).

In comparison to 2020, China and the UK showed the most improvement as a result of significant pension reform, which improved outcomes for individuals and pension regulation.

2021 Mercer CFA Institute Global Pension Index

System	Overall index value	Sub-index values		
		Adequacy	Sustainability	Integrity
Argentina (42)	41.5	52.7	27.7	43.0
Australia (6)	75.0	67.4	75.7	86.3
Austria (33)	53.0	65.3	23.5	74.5
Belgium (17)	64.5	74.9	36.3	87.4
Brazil (30)	54.7	71.2	24.1	71.2
Canada (12)	69.8	69.0	65.7	76.7
Chile (16)	67.0	57.6	68.8	79.3
China (28)	55.1	62.6	43.5	59.4
Colombia (25)	58.4	62.0	46.2	69.8
Denmark (3)	82.0	81.1	83.5	81.4
Finland (7)	73.3	71.4	61.5	93.1
France (21)	60.5	79.1	41.8	56.8
Germany (14)	67.9	79.3	45.4	81.2
Hong Kong SAR (18)	61.8	55.1	51.1	87.7
Iceland (1)	84.2	82.7	84.6	86.0
India (40)	43.3	33.5	41.8	61.0
Indonesia (35)	50.4	44.7	43.6	69.2
Ireland (13)	68.3	78.0	47.4	82.1
Israel (4)	77.1	73.6	76.1	83.9
Italy (32)	53.4	68.2	21.3	74.9
Japan (36)	49.8	52.9	37.5	61.9
Korea (38)	48.3	43.4	52.7	50.0
Malaysia (23)	59.6	50.6	57.5	76.8
Mexico (37)	49.0	47.3	54.7	43.8
Netherlands (2)	83.5	82.3	81.6	87.9
New Zealand (15)	67.4	61.8	62.5	83.2
Norway (5)	75.2	81.2	57.4	90.2
Peru (29)	55.0	58.8	44.2	64.1
Philippines (41)	42.7	38.9	52.5	35.0
Poland (27)	55.2	60.9	41.3	65.6
Saudi Arabia (26)	58.1	61.7	50.9	62.5
Singapore (10)	70.7	73.5	59.8	81.5
South Africa (31)	53.6	44.3	46.5	78.5

Spain (24)	58.6	72.9	28.1	78.3
Sweden (8)	72.9	67.8	73.7	80.0
Switzerland (11)	70.0	65.4	67.2	81.3
Taiwan (34)	51.8	40.8	51.9	69.3
Thailand (43)	40.6	35.2	40.0	50.0
Turkey (39)	45.8	47.7	28.6	66.7
UAE (22)	59.6	59.7	50.2	72.6
UK (9)	71.6	73.9	59.8	84.4
Uruguay (20)	60.7	62.1	49.2	74.4
USA (19)	61.4	60.9	63.6	59.2
Average	61.0	62.2	51.7	72.1

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About the Mercer CFA Institute Global Pension Index

The Global Pension Index benchmarks retirement income systems around the world highlighting some shortcomings in each system and suggests possible areas of reform that would provide more adequate and sustainable retirement benefits.

The Global Pension Index is a collaborative research project sponsored by [CFA Institute](#), the global association of investment professionals, in collaboration with the [Monash Centre for Financial Studies \(MCFS\)](#), part of Monash Business School at Monash University, and Mercer, a global leader in redefining the world of work and reshaping retirement and investment outcomes.

This year, the Global Pension Index compares 43 retirement income systems across the globe and covers two-thirds (65 per cent) of the world's population. The 2021 Global Pension Index includes four new systems – Iceland, Taiwan, UAE and Uruguay.

The Global Pension Index uses the weighted average of the sub-indices of adequacy, sustainability and integrity to measure each retirement system against more than 50 indicators.

For more information about the Mercer CFA Institute Global Pension Index, [click here](#).

About Mercer

[Mercer](#) believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. Mercer's approximately 25,000 employees are based in 43 countries and the firm operates in 130 countries. Mercer is a business of [Marsh McLennan](#) (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 78,000 colleagues and annual revenue of over \$18 billion. Through its market-leading businesses including [Marsh](#), [Guy Carpenter](#) and [Oliver Wyman](#), Marsh McLennan helps clients navigate an increasingly dynamic and complex environment. For more information, visit www.mercer.com. Follow Mercer on Twitter [@Mercer](#).

About CFA Institute

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 175,000 CFA® charterholders worldwide in more than 160 markets. CFA Institute has nine offices worldwide and there are 160 local societies. For more information, visit www.cfainstitute.org or follow us on [LinkedIn](#) and Twitter at [@CFAINstitute](#).

About the Monash Centre for Financial Studies (MCFS)

A research centre based within Monash University's Monash Business School, Australia, the MCFS aims to bring academic rigour into researching issues of practical relevance to the financial industry. Additionally, through its engagement programs, it facilitates two-way exchange of knowledge between academics and practitioners. The Centre's developing research agenda is broad but has a current concentration on issues relevant to the asset management industry, including retirement savings, sustainable finance and technological disruption.