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Media release

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Mercer CFA Institute Global Pension Index 2022 calls for a shift in super mindset

- **Mercer CFA Institute Global Pension Index sees Australia ranked sixth for second consecutive year**
- **Index compares 44 retirement income systems, covering two-thirds of world's population**
- **Mercer recommends that government, funds and employers work to shift the culture of superannuation from accumulation to managing superannuation in retirement**

Australia's retirement income system has been ranked sixth for the second consecutive year in the 14th annual Mercer CFA Institute Global Pension Index (MCGPI).

The MCGPI is a comprehensive study of global pension systems, accounting for almost two-thirds (65 per cent) of the world's population. It benchmarks 44 retirement income systems around the world, highlighting strengths and shortcomings in each system, and suggesting possible areas of reform to provide more adequate and sustainable retirement benefits.

Australia's retirement income system again received a B+ grade, while the top three systems (also unchanged from 2021) – Iceland, the Netherlands, and Denmark – were found to be sustainable and well-governed systems, earning them an A-grade.

Dr. David Knox, Senior Partner at Mercer and lead author of the study, highlighted the importance of strong retirement schemes in light of growing economic uncertainty, and amongst other recommendations, called for increased collaboration and engagement between government, superannuation funds and employers.

"Individuals have been assuming more responsibility for their retirement savings for some time; amidst high levels of inflation and rising cost of living pressures, they are doing so in an increasingly complex and volatile environment.

"While the necessary industry reforms may take time and careful consideration, policymakers must do all they can to ensure retirement schemes are supported, developed and well-regulated so that they are able to serve retirees at an individual level," said Dr. Knox.

Maria Wilton, CFA Institute Board of Governors and MCGPI Advisory board member highlighted the need for sensible and steady policies and actions in the wake of increased market volatility and an uncertain investment environment.

“Negative annual returns posted by most super funds for the last financial year need to be viewed against their positive long-term track record and the institutional strength of Australia's retirement income system,” Ms. Wilton said.

“Our system has again ranked very strongly and the policy reforms and reviews that are in flight should continue to improve financial outcomes for retirees and their access to financial advice. The increase in the SGC rate to 10.5 per cent, and the Retirement Income Covenant partially address our weak link with respect to our Adequacy score and will help improve our ranking over time.

“CFA Institute is committed to assisting investment professionals navigate the challenging investing environment and improve financial outcomes for retirees,” she said.

Reflecting on the study, and 30 years of compulsory super in Australia more broadly, Dr. Knox noted that the Australian super system – while strong - needs to shift its culture and focus from accumulation to management and spending of superannuation balances in retirement.

“The primary purpose of compulsory superannuation has been, for the past thirty years, focused on accumulation of savings for a healthy retirement. Australia has done this well, and the system continues to perform strongly against global pension systems. But there are opportunities for further improvement, particularly when it comes to retirement income. There needs to be a mindset shift so that members perceive superannuation as less of a nest egg and more of an income for consumption,” he said.

And according to Dr. Knox, if this shift isn't achieved, Australian retirees risk compromising their quality of life by living below a standard they can afford.

“On a macro level, if we have an ageing population who have significantly reduced their spending, we risk the economy shrinking, in an environment where reduced wage growth, rising inflation and reduced investment returns across many asset classes has placed additional financial pressures on existing retirement income systems. This culminates in Australians living below their means,” said Dr. Knox.

“A mindset shift requires time and an investment in education across the community and industry at large. Superannuation fund trustees have published their funds' retirement strategies which is a step in the right direction. We now need to educate and empower Australians to play a proactive role in managing their super and ensuring that the system supports their transition to retirement.

“At the end of the day, it comes back to the objective of super – that is, a system that is fair and equitable to all, and which provides Australians with the income to maintain their lifestyle in the decades ahead.”

By the numbers

Australia achieved an index value of 76.8 overall, 70.2 for adequacy, 77.2 for sustainability and 86.8 for integrity.

Iceland had the highest overall index value (84.7), closely followed by the Netherlands (84.6) and Denmark (82.0). Thailand had the lowest index value (41.7).

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 (85.8) and sustainability (83.8), and Finland for integrity (93.3). The systems with the lowest values across the sub-indices were India for adequacy (37.6), Austria for sustainability (22.7), and the Philippines for integrity (30.0).

In comparison to 2021, Mexico showed the most improvement as a result of pension reform, which improved outcomes for individuals and pension regulation.

2022 Mercer CFA Institute Global Pension Index

System	Overall Grade	Overall Score	Adequacy	Sustainability	Integrity
Iceland	A	84.7	85.8	83.8	84.4
Netherlands	A	84.6	84.9	81.9	87.8
Denmark	A	82.0	81.4	82.5	82.1
Israel	B+	79.8	75.7	81.9	83.2
Finland	B+	77.2	77.5	65.3	93.3
Australia	B+	76.8	70.2	77.2	86.8
Norway	B+	75.3	79.0	60.4	90.3
Sweden	B	74.6	70.6	75.7	79.5
Singapore	B	74.1	77.3	65.4	81.0
UK	B	73.7	76.5	63.9	83.0
Switzerland	B	72.3	68.7	70.5	80.7
Uruguay	B	71.5	84.5	50.6	79.8
Canada	B	70.6	70.8	64.7	78.6
Ireland	B	70.0	75.9	53.5	83.7
New Zealand	B	68.8	64.0	64.7	82.1
Chile	B	68.3	60.0	70.3	78.9
Germany	B	67.9	80.5	44.3	80.9
Belgium	B	67.9	80.8	39.1	87.5
Hong Kong SAR	C+	64.7	61.5	52.1	87.6
USA	C+	63.9	67.5	61.2	61.7
Colombia	C+	63.2	65.2	55.3	71.3
France	C+	63.2	84.6	40.9	60.1
Malaysia	C+	63.1	57.2	60.2	76.9
Portugal	C+	62.8	84.9	29.7	73.9
UAE	C+	61.8	63.8	51.9	72.6
Spain	C+	61.8	80.0	28.7	78.9
Saudi Arabia	C	59.2	61.4	54.3	62.5
Poland	C	57.5	59.5	45.4	71.2
Mexico	C	56.1	63.1	57.1	43.6
Peru	C	55.8	54.7	51.5	63.7
Brazil	C	55.8	71.1	27.8	70.5

Italy	C	55.7	72.3	23.1	74.7
Austria	C	55.0	69.8	22.7	76.5
South Africa	C	54.7	44.2	49.7	78.4
Japan	C	54.5	58.0	44.5	63.0
China	C	54.5	64.4	39.3	60.0
Taiwan	C	52.9	42.0	53.2	69.8
Korea	C	51.1	40.1	54.9	63.5
Indonesia	D	49.2	39.3	44.5	71.5
Turkey	D	45.3	45.6	29.8	66.6
India	D	44.4	37.6	40.7	60.4
Argentina	D	43.3	55.6	29.4	42.9
Philippines	D	42.0	40.5	52.3	30.0
Thailand	D	41.7	41.3	36.4	50.0

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About the Mercer CFA Institute Global Pension Index (MCGPI)

The MCGPI 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.

This year, the Global Pension Index compares 44 retirement income systems across the globe and covers 65 percent of the world's population. The 2022 Global Pension index includes one new retirement income system – Portugal.

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.

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.

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

About Mercer

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CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organisation 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 190,000 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.

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