

# An Introduction to the Mercer Pension Index with a Focus on Austria

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# MERCER CFA INSTITUTE GLOBAL PENSION INDEX 2021

Der Mercer CFA Institute Global Pension Index vergleicht seit mehr als 10 Jahren die Altersvorsorgesysteme. Mit inzwischen 43 Ländern deckt er fast zwei Drittel der Weltbevölkerung ab.

- **Zielsetzung**
  - Detailanalyse der Versorgungssysteme und Vergleich im Zeitablauf
  - Vergleich einzelner Länder (Lessons Learned) – was kann man von anderen Ländern lernen
  - (Strategische) Empfehlungen (zum Beispiel Gender GAP oder Nachhaltigkeit)
- **Analyse der drei Säulen/Schichten der Altersversorgung**
  - Gesetzliche Rente inklusive Grundsicherung
  - Betriebliche Altersversorgung
  - Private Vorsorge
  - Wir vergleichen System und keine Einzelfälle und wir verwenden möglichst objektive Daten (OECD Studien, Weltbank und lokale Fragebögen)
- **Verwendung von 3 gewichteten Sub-Indizes und über 50 Indikatoren**
  - Angemessenheit (Adequacy 40%): Welche Leistungen werden voraussichtlich gezahlt? Wie ist das zu erwartende Versorgungsniveau?
  - Nachhaltigkeit (Sustainability 35%): Können die bestehenden Systeme weiterhin die Leistungen gewährleisten? Ist die langfristige Finanzierbarkeit gewährleitet?
  - Integrität (Integrity 25%): Fördern die Systeme das Vertrauen? Gibt es gesetzliche Kontrollmechanismen?

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## Ausgewählte Länder im Vergleich

Land	Gesamtergebnis	Angemessenheit	Nachhaltigkeit	Integrität
Dänemark	#3 82,0	#4 81,1	#2 83,5	#13 81,4
Deutschland	#14 67,9	#5 79,3	#28 45,4	#15 81,2
Island	#1 84,2	#1 82,7	#1 84,6	#1 86,0
Niederlande	#2 83,5	#2 82,3	#3 81,6	#3 87,9
Österreich	#33 53,0	#20 65,3	#42 23,5	#23 74,5
Schweiz	#11 70,0	#19 65,4	#8 67,2	#14 81,3

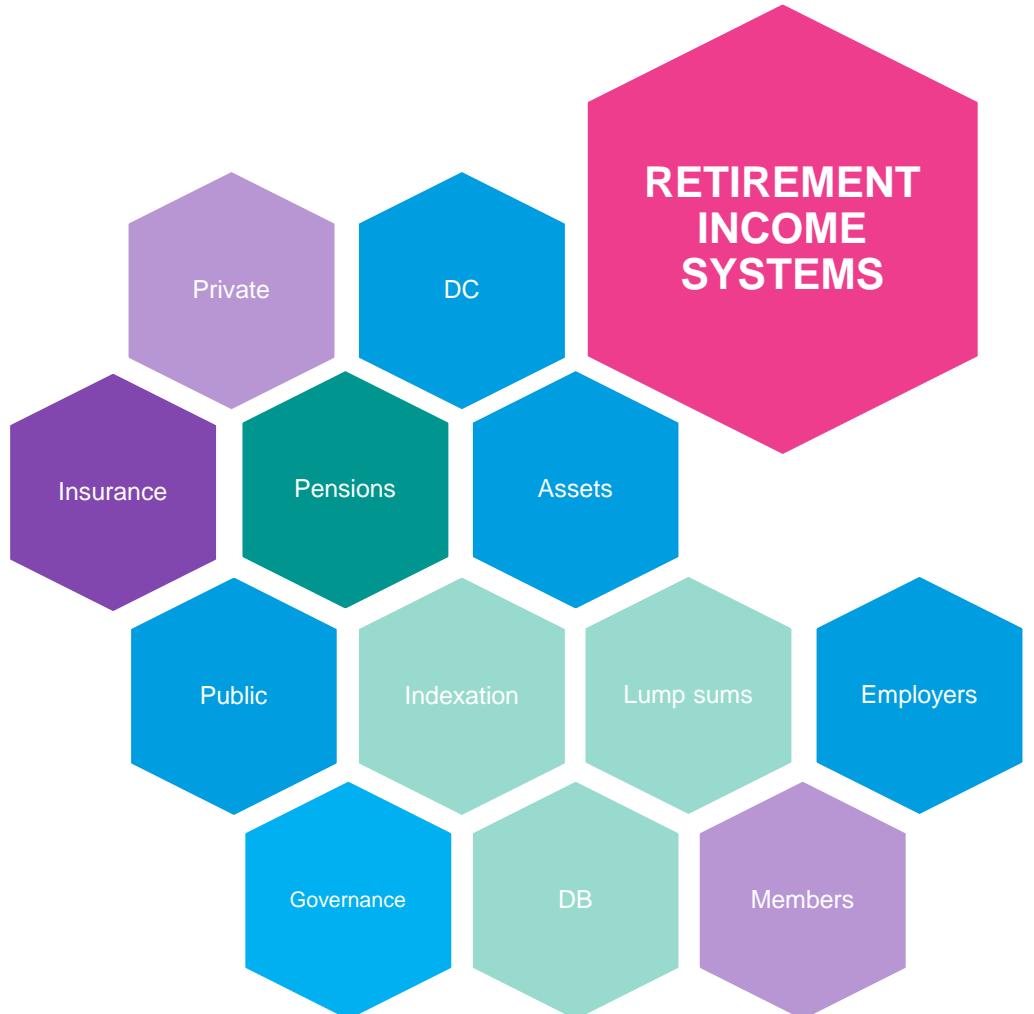
Niederlande und Dänemark lagen schon seit Jahren auf den vorderen Plätzen.

Im letzten Jahr verdrängt durch den Neuzugang Island. Allerdings sollte man berücksichtigen, dass Island von der Einwohneranzahl in etwa so groß wie Vorarlberg ist!

Österreich liegt in der Gesamtwertung auf Platz 33, was insbesondere daran liegt, dass das österreichische Pensionssystem großen Aufholbedarf im Thema Nachhaltigkeit hat und hier an vorletzter Stelle vor Italien liegt.

# The Global Pension Index 2021 ...

# Pension systems are all different but important



**Even before the outbreak of the pandemic, retirement savings and old-age pension systems were facing significant challenges.**

**.... the health and economic crisis is increasing the risk that people may be unable to save enough for retirement.**

OECD, 2020



It's too important  
to ignore



# Some comments on the Index

- We use **objective data** from international agencies and each country
- It is comparative or relative; **not absolute**
- Subjective elements (eg community confidence) are important but **very difficult to measure** around the world
- Some desirable data is **not available** for every system
- More than **50 indicators** used; inevitably, weightings are subjective
- The index represents **the overall “system”**, not
  - what an individual may receive
  - the best pension fund available

# The fundamental questions

## ADEQUACY



What benefits  
are likely to be  
paid?

## SUSTAINABILITY



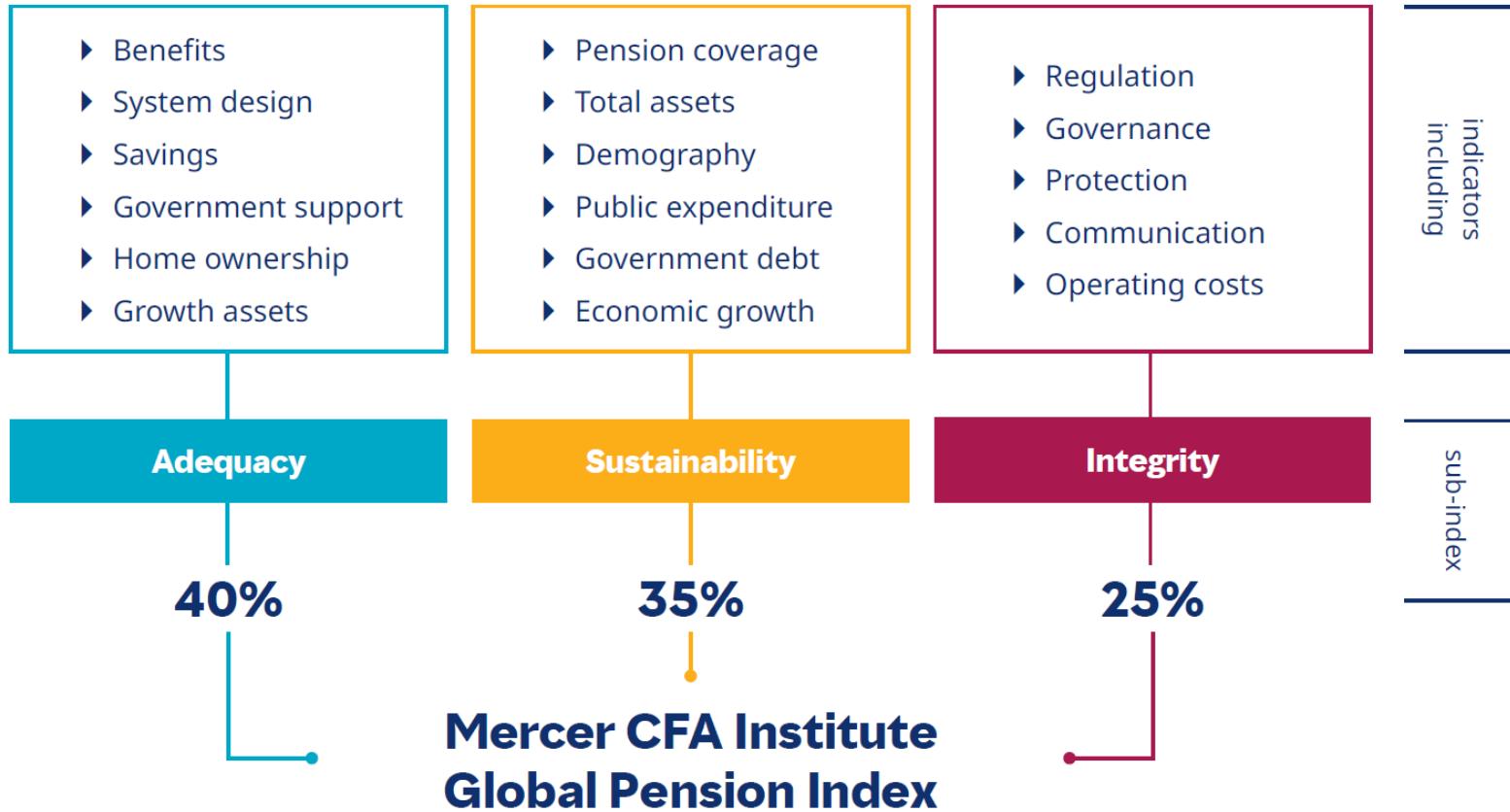
Can existing  
systems keep  
delivering?

## INTEGRITY



Are the systems  
encouraging  
confidence?

# Calculating the Global Pension Index



# Changes from 2021 to 2022

## Ongoing developments



New sub-indexes in each category



Including Portugal as additional system



Updated OECD data



Updated UN Population Prospects



# Adequacy

- Minimum (or base) pension
- Net replacement rate (weighted)
- System design features
- Household savings/debt
- Home ownership
- Level of “growth” assets

**#1**

Iceland

82.7

**#2**

Netherlands

82.3

**#3**

Norway

81.2

... #20 Austria (65.3)

... Philippines, Thailand, India



# Sustainability

- Coverage of funded pension plans
- Level of pension assets as % of GDP
- Demographic issues
- Mandatory contributions with funding
- Labour force participation rate at older ages
- Public pension costs/Net government debt
- Real economic growth

**#1**

Iceland

84.6

**#2**

Denmark

83.5

**#3**

Netherlands

81.6

... #42 Austria (23.5)

... Brazil, Austria, Italy



# Integrity

- Regulation of private pension plans
- Governance requirements for pension plans
- Protection of members' benefits
- Communication to members
- Costs of the system

**#1**  
**Finland**

93.1

... #23 Austria (74.5)

... Mexico, Argentina, Philippines

**#2**  
**Norway**

90.2

**#3**  
**Netherlands**

87.9



# Austria

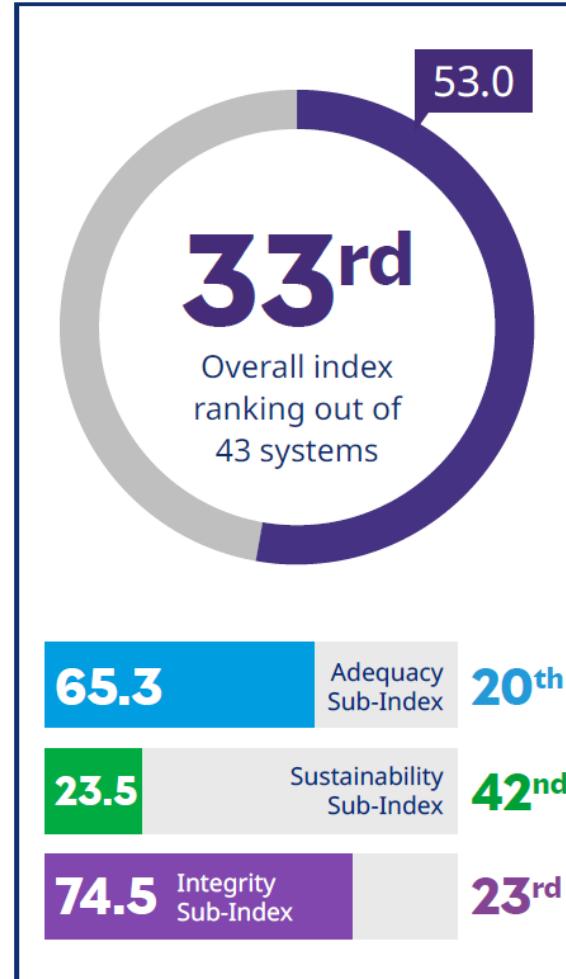
Austria's retirement income system consists of a hybrid defined benefit public scheme with an income-tested top-up for low-income pensioners and voluntary private pension plans.

The overall index value for the Austrian system could be increased by:

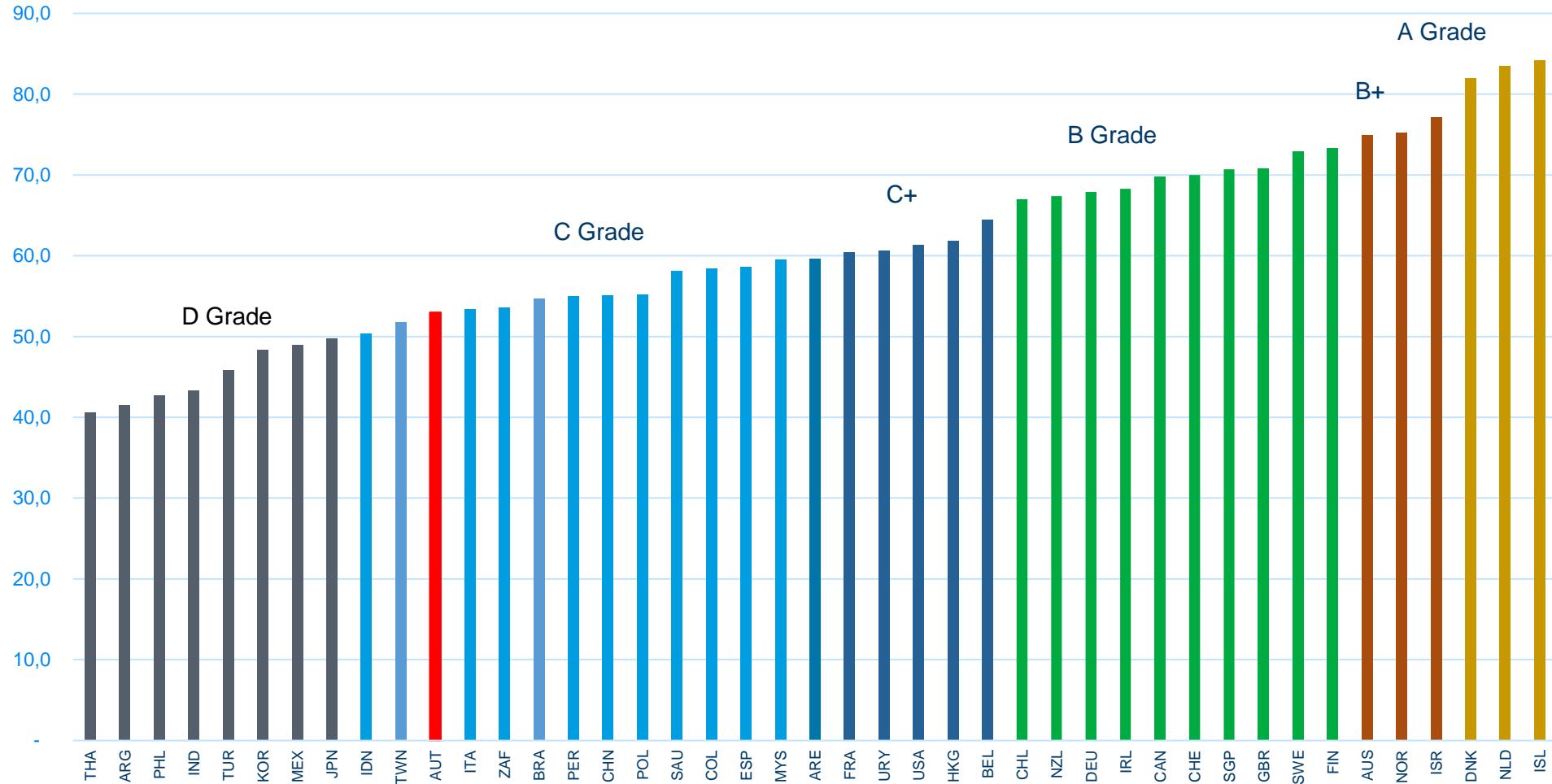
- increasing the minimum level of support for the poorest aged individuals
- introducing a minimum access age so that the benefits from private pension plans are preserved for retirement purposes

- increasing coverage of employees in occupational pension schemes thereby increasing the level of contributions and assets (which could be done by collective bargaining agreements or tax effective regulation)
- introducing arrangements to protect the pension interests of both parties in a divorce
- increasing the labour force participation rate at older ages

The Austrian index value increased from 52.1 in 2020 to 53.0 in 2021 due to small increases in the adequacy and sustainability sub-indices.

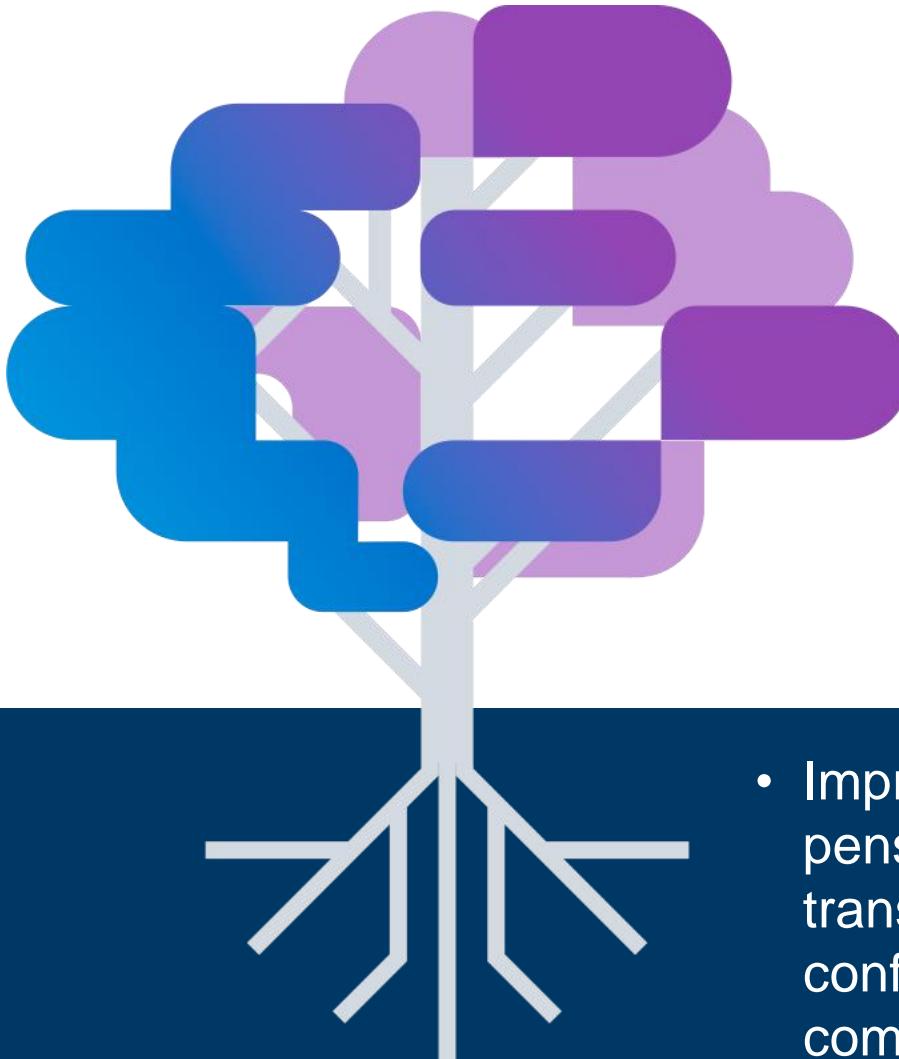


# Overall results for 2021



# Global pension reforms are needed

- Increase **coverage** of employees and the self-employed in private pensions
- Encourage higher levels of **private saving** to reduce dependence on public pensions
- Reduce the **leakage** from the retirement savings system prior to retirement

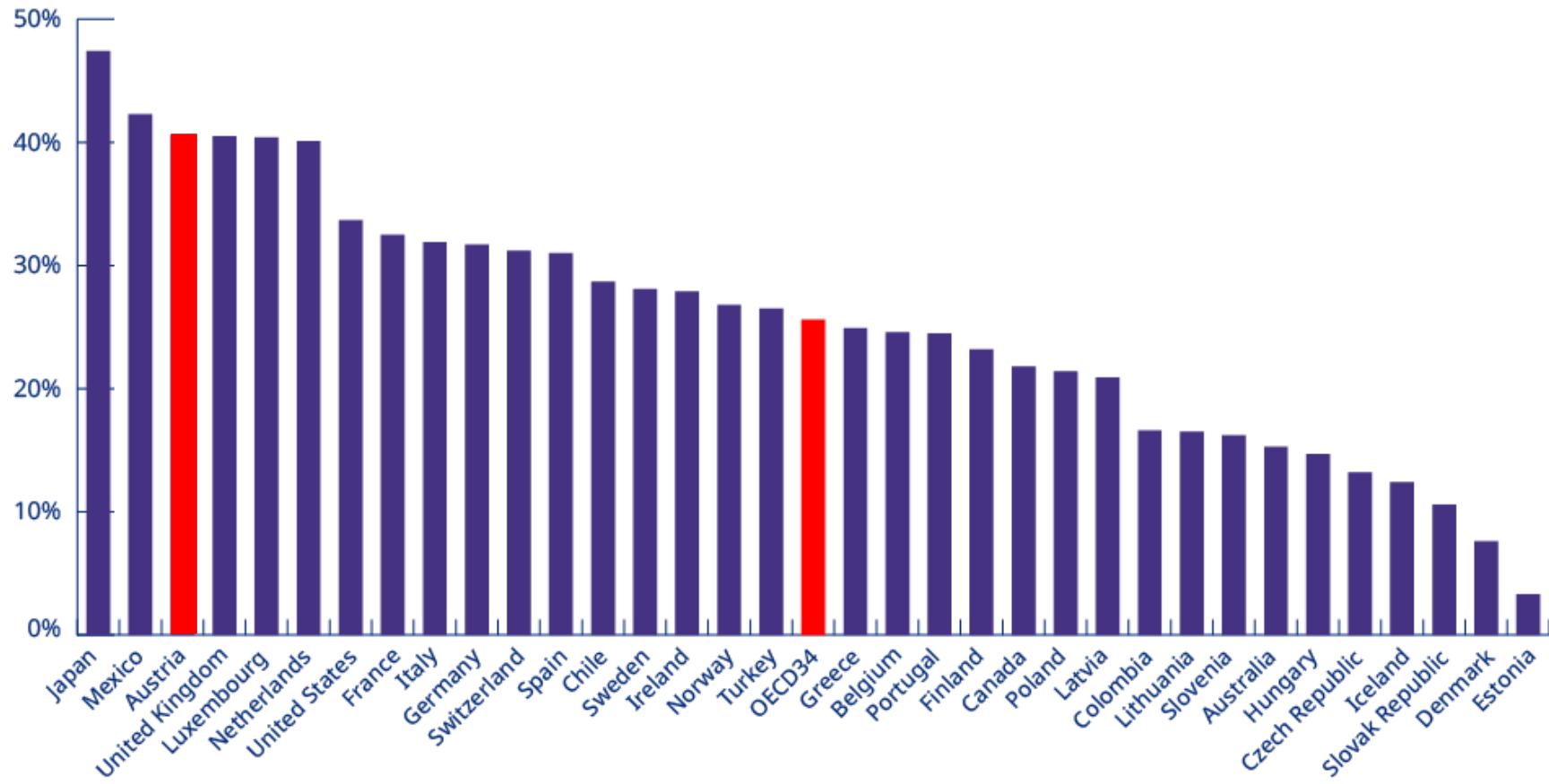


- Increase the **state pension age** and/or retirement age over time
- Promote higher **labour force participation** at older ages
- Improve the **governance** of private pension plans and introduce greater transparency to improve the confidence of plan members and the community

# The gender pension gap



# The Gender Pension Gap



Source: OECD (2021)

**There are many causes**

**There is also great variation between societies**



### Employment related

- Part time
- Shorter careers
- Caring responsibilities
- Lower salaries



### Pension design

- Eligibility
- Lack of carer credits
- DB to DC schemes
- Gender annuities



### Socio-cultural

- Child care availability
- Pension industry campaigns
- Impact of a divorce
- Working patterns

# Recommendations to reduce the gap

## Employers

- Encourage flexibility in workplaces
- Parental leave for both parents
- Gender balance throughout

## Pension Industry

- Remove eligibility restrictions
- Introduce pension credits for carers
- Improve communication

## Governments

- Provide affordable child care
- Equalise retirement ages
- Require contributions during leave

**Pension reform is a combined effort by all stakeholders**

**Download the new full report 2022 and  
more on our website on 11<sup>th</sup> October 2022**

[www.mercer.com/globalpensionindex](http://www.mercer.com/globalpensionindex)



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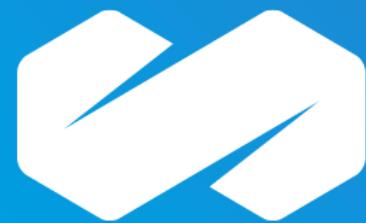
Versicherungsmakler und Berater in Versicherungsangelegenheiten, eingeschränkt auf die Vermittlung

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**brighter**



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