Retirement Income
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U.S. ranked 15th in pension excellence: Mercer

By Editorial Staff *Fri, Oct 23, 2015*

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The Netherlands has leapfrogged Australia in the 2015 Melbourne Mercer Global Pensions Index, coming second only to Denmark in the global ranking of pension systems, *IPE.com* reported this week. The U.S. was ranked 15 out of 25 countries with a score of 56.3.

Both the Dutch and Danish systems were highlighted as "first class" in the seventh edition of the survey, while Sweden rose from sixth place to tie for fifth with Switzerland. Though Finland fell to sixth, it retained the highest overall sustainability ranking of 92.4 – an increase over the record 91.1 calculated in 2014.

The 25 countries' scores were calculated by assessing a pension system's adequacy, sustainability and integrity, with each of the three categories given a weighting of 40%, 35% and 25%.

The UK, which ended mandatory annuitization, narrowly retained its ninth-place ranking, nearly dropping out of the group of six countries deemed to have a sound system.

Unlike 2014, which saw Ireland and Germany tied for 12th place, Ireland pulled ahead to claim 11th, increasing its score by less than 1 point, while Germany's score dropped 0.2 points to 62.

France came 13th, improving on its 2014 ranking, while Poland remained 15th. Austria, meanwhile, slipped one spot to 18th, ahead of Italy, the last-ranking European country at 20th. Italy saw its ranking decline by one, despite its score increasing to 50.9.

The report once again urged the country to increase participation in workplace plans and the level of contributions by participants.

Top-ranking Denmark was also presented with a number of reform suggestions, with the report proposing changes that would better protect accrued benefits in the event of fraud at a pension provider.

The report, which has added two countries to its index in recent years, is likely to resume the practice next year, author David Knox told IPE. Knox, a senior partner at Mercer in

Australia, cited Spain as one of next year's potential European entrants. He added that Latin American countries could join as well in the coming years.

For the first time, the report examined data gathered over the past seven years, investigating how the systems improved key areas, including time spent in retirement, since the first report was published in 2009.

"During this six-year period, five countries – namely Australia, Germany, Japan, Singapore and the UK – have increased their current pension age, which acted to offset the increase that would have otherwise occurred from increasing life expectancies," the report said.

"Despite these increases, life expectancy has increased at a faster rate, thereby lengthening the period of retirement." The report also examined the level of government debt built up by all participating countries, noting that a number of countries had sought to cut expenditure.

"Such developments may improve the sustainability of the pension system," the report said, "but, inevitably, some of these changes also affect the adequacy of the pension itself. This highlights the natural tension in all retirement income arrangements between adequacy and sustainability."