
U.S. Retirement System Rates a 'Low C': Mercer

By Editor Test *Thu, Oct 21, 2010*

Analysts at Mercer say the U.S. could improve its private pension system by, among other things, requiring that participants convert at least part of their retirement savings to an income stream.

The October 2010 edition of the Melbourne Mercer Global Pension Index, produced by Mercer and the Australian Centre for Financial Studies, ranks the U.S. retirement income system, including Social Security and private pensions, tenth among the retirement systems of major countries

The index gave the U.S. system a score of 57.3 on a scale of 100, with 61 being the average among 14 countries. It described the U.S. system as having “a progressive benefit formula based on lifetime earnings, adjusted to a current dollar basis, together with a means-tested top-up benefit; and voluntary private pensions, which may be occupational or personal.”

No country' system got an 'A' in the survey, which would have required a score of over 80. Five countries scored a 'B,' including the Netherlands (the highest, with a 78.3), Switzerland, Sweden, Australia and Canada.

The 'C' group included the U.K., Brazil, Chile, Singapore, the U.S., France and Germany.

The following table shows the position of the United States when compared to the thirteen other countries and some of the indicators that either scored relatively well or poorly.

According to Mercer, the overall index value for the American system could be increased by:

- Raising the minimum pension for low-income pensioners.
- Adjusting the level of mandatory contributions to increase the net replacement for median-income earners.
- Improving the vesting of benefits for all plan members and maintaining the real value of retained benefits through to retirement.
- Reducing pre-retirement leakage by further limiting the access to funds before retirement.
- Introducing a requirement that part of the retirement benefit must be taken as an income stream.