

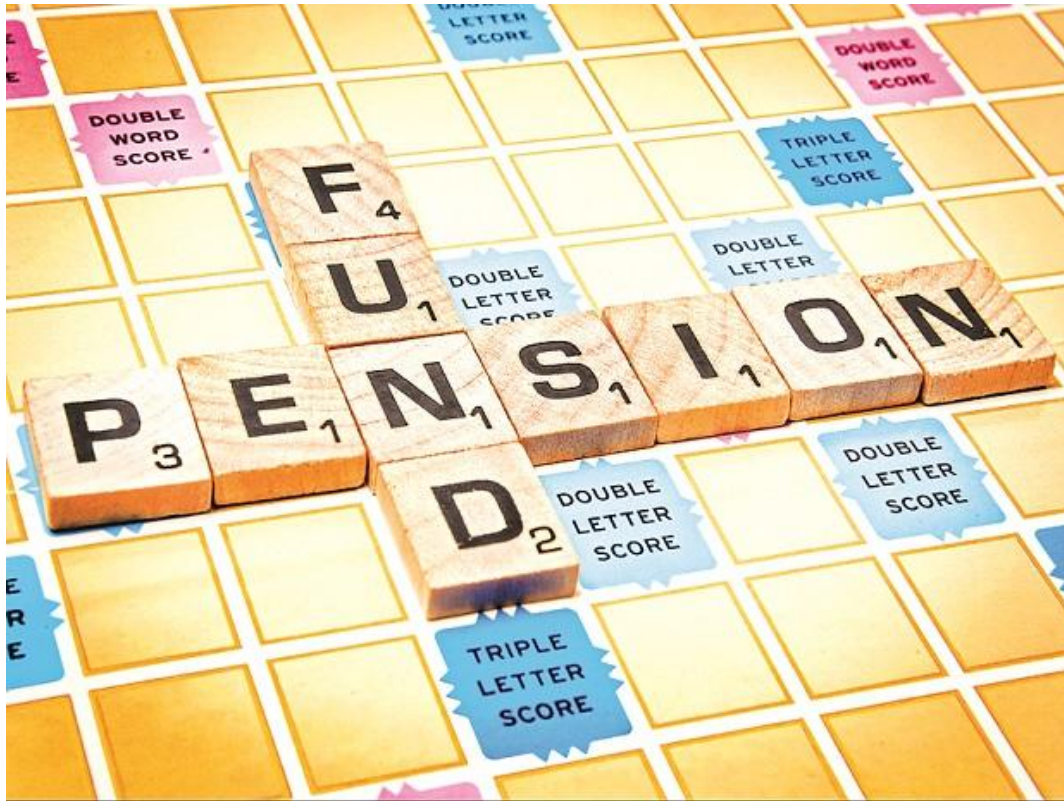
Global Pension Systems Rankings 2021

By IASToppers | 2021-10-21 17:40:00



Global Pension Systems Rankings 2021

As per the global study done by Mercer Consulting, the **Indian pension system** ranks a lowly **40th** in a comparative index of **43** systems in the Global Pension Systems Rankings 2021.



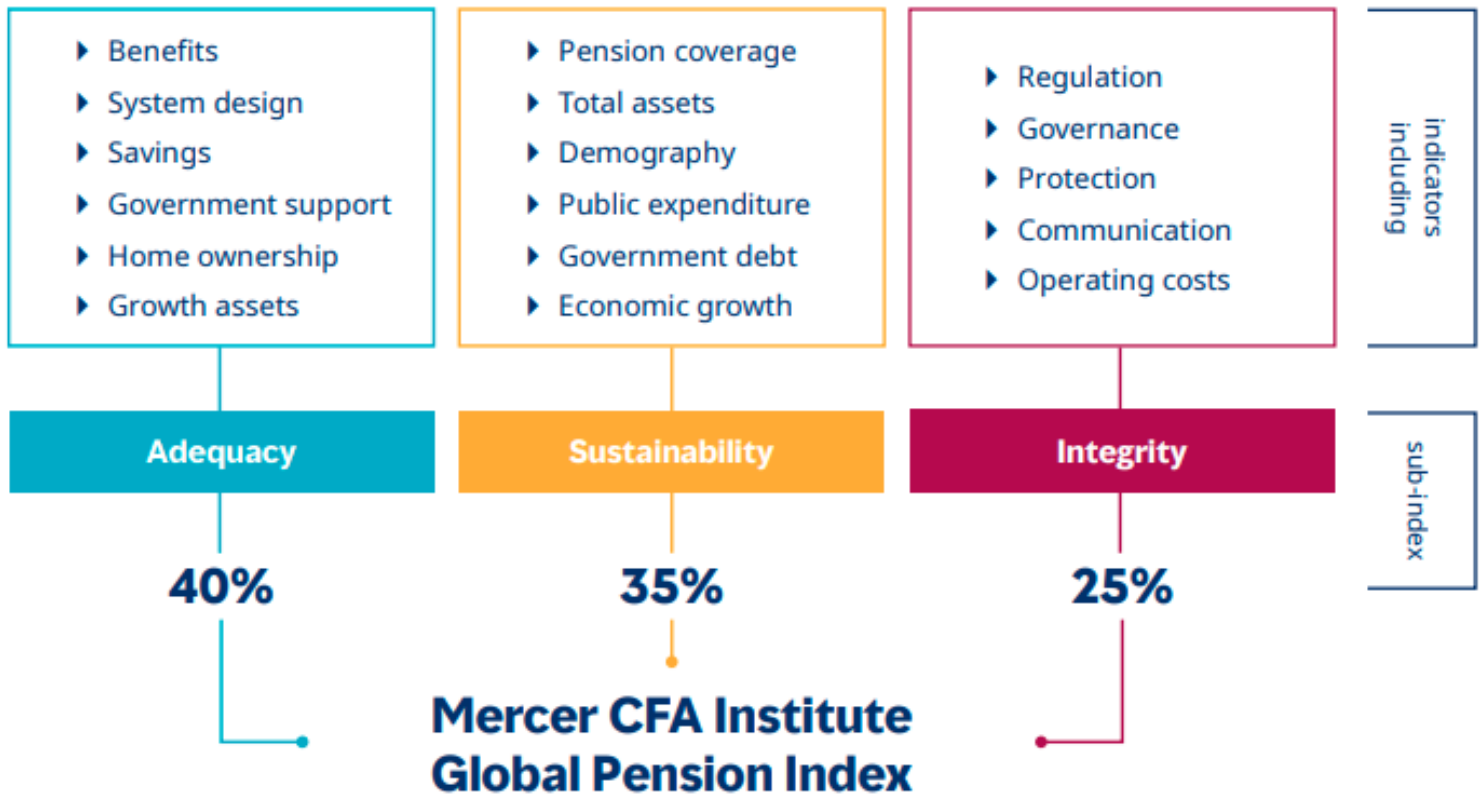
[Ref: Business Standard]

Aim: To benchmark each retirement income system using more than 50 indicators.

About Mercer CFA Institute Global Pension Index(MCGPI):

- MCGPI is an annual survey by Mercer Consulting, which aims to benchmark the retirement income system.
- MCGPI uses three sub-indices, **adequacy, sustainability, and integrity** to measure each retirement income system against more than 50 indicators.
 - The **adequacy sub-index** represents the adequacy of the benefits that are being provided
 - The **sustainability** sub-index represents the likelihood that the current system can provide benefits in the future.
 - The **integrity** sub-index includes many legislative requirements that influence the overall governance and operations of the system which affect the level of confidence that citizens have in their system.
- The Index is published by Mercer, in collaboration with CFA Institute and the Monash Centre for **Financial Studies**.

Calculating the Mercer CFA Institute Global Pension Index



[Ref: Mercer]

Major Highlights:

- Iceland has the **best pension system** in the world.
- India had an overall **index value of 43.3** among the countries analyzed.
- The index highlights key strengths of retirement pension systems around three sub-indices **adequacies, sustainability, and integrity**, where India scored 33.5, 41.8, and 61.0, respectively.

India's Pension System:

43.3 India's index value in 2021, a decline from 45.7 in 2020, primarily due to a fall in the net replacement rates

- Introducing a minimum level of support for the poorest aged individuals
- Reducing the level of household debt as a percentage of GDP
- Increasing the pension age as life expectancy continues to increase
- Reducing government debt as a percentage of GDP

[Ref: Bussiness Standard]

- The workforce in India manages pension savings on its own for the most part as the coverage under private pension arrangement is just about 6% in India.
- 90% of the total workforce being in the unorganized sector, measures should be taken to get a larger workforce under pension savings

Netherlands, Denmark lead with A grade retirement systems

A world map illustrating the global distribution of major world religions. The map uses a color-coded system to show the prevalence of different faiths across various regions. Christianity is represented in pink, Islam in blue, Hinduism in green, Buddhism and Judaism in yellow, and other religions in dark blue. The map shows that Christianity is dominant in North America, Europe, and parts of South America and Africa. Islam is prevalent in the Middle East, North Africa, and parts of Southeast Asia and Africa. Hinduism is concentrated in South Asia, particularly in India. Buddhism and Judaism are found in smaller, more localized areas, while other religions are scattered across various parts of the world.

[Ref: Pension Plus]

- India had an overall index value of 43.3 among the countries analyzed, lower than the **index value**

of 45.7 for 2020.

Facts about Pension plan in India:

- **There are 2 phases of pension plans in India:**
 - The **accumulation phase** and **vesting phase** are the two phases of pension plans in India.
 - The investor pays annual premiums until they reach their retirement age in the accumulation phase.
 - The vesting phase begins when the investor reaches their retirement age.
- **Withdrawal of the entire retirement corpus in one go at retirement is not allowed.**
 - On retirement, an individual is not allowed to withdraw the entire accumulated retirement corpus.
 - They can only withdraw one-third of the accumulated corpus while receiving the rest in the form of an annuity.
- **Annuities are taxable**
 - Contributions made towards pension plans are exempted for tax under section 80CCC up to a maximum limit of Rs. 1 Lakh.
- **Pension plans only guarantee positive returns**
 - Pension plans in India do not guarantee a fixed return on their retirement savings.
 - Even the best pension plans only guarantee a positive return on the investment.
- **Freedom to choose from a variety of pension plans**
 - Pension plans sponsored by government-approved mutual funds feature a balanced investment approach.
 - They follow investment in both equity and debt in a 40:60 proportion.