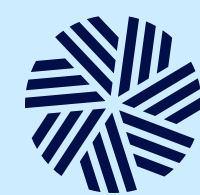


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Marsh CFA Institute Global Pension Index 2026

Feature chapter: The impact of aging
populations on pension schemes

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People are living longer, work is changing, and the pressures on retirement income systems are growing. The question, therefore, is no longer whether systems need to evolve, but how quickly and how effectively they can do so.

Foreword

In this context, we are proud to introduce the 2026 edition of the Global Pension Index under its new name, the Marsh CFA Institute Global Pension Index (MCGPI). This is the 18th edition of the Index, which has grown from benchmarking 11 systems to 55 systems over this period. It’s a milestone which reflects the Index’s relevance, and the strength of the partnership between Marsh and CFA Institute, united by a shared commitment to building trust in capital markets.

This year also marks an important moment for the report as Mercer moves forward as Marsh under a unified brand. While our name has changed, our purpose has not: to provide a trusted, independent benchmark of retirement income systems around the world, and to help policymakers understand what stronger systems look like in practice.

The Index continues to assess systems through the same three lenses: adequacy, sustainability and integrity. Together, they capture the balance every pension system must strike:

- **Adequacy** - Delivering meaningful retirement incomes today
- **Sustainability** - Remaining resilient for tomorrow
- **Integrity** - Earning the confidence of those who depend on it

The 2026 edition expands the conversation once again, with three new systems included and fresh evidence on how systems are responding to demographic change, market volatility and shifting workforce patterns. Some systems continue to make steady progress. Others still face difficult choices. But across the board, the message is clear: Better retirement outcomes are possible when reform is guided by evidence, long-term thinking and a commitment to trust.

We hope this report helps readers see not only where retirement systems stand today, but also how decisions can be better guided to potentially improve more systems globally. In a world of constant change, the challenge is not simply to protect retirement promises, but to strengthen them for the generations ahead.



Christine Mahoney
Global Defined Benefit/Defined Contribution (DB/DC) Leader, Marsh, Investments and Retirement



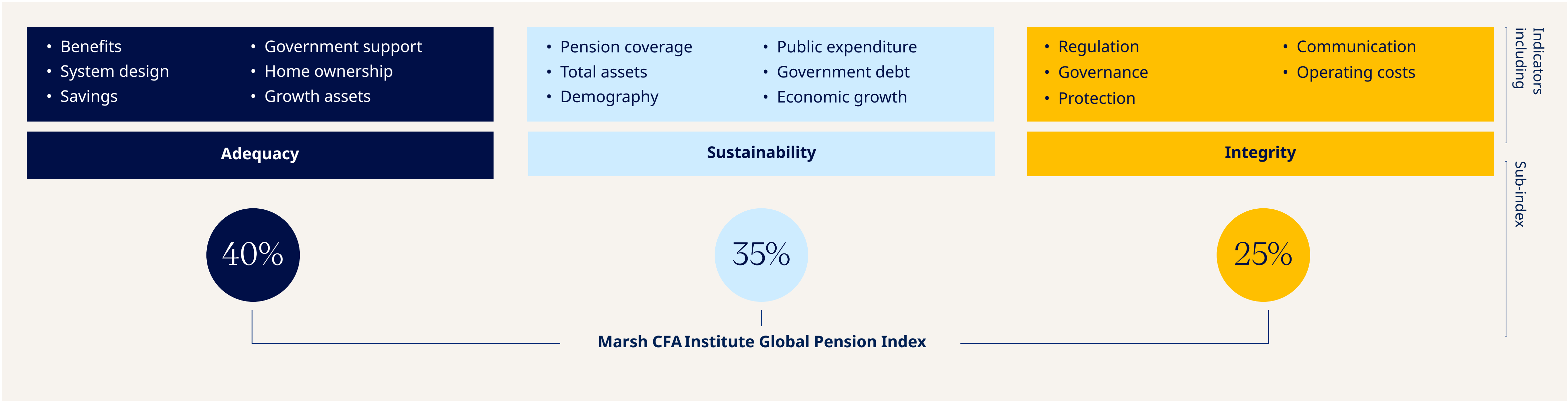
Mona Naqvi
Managing Director, CFA Institute Research and Policy Center

Aging populations, shifting workforce dynamics, and heightened geopolitical uncertainty are reshaping the retirement landscape. Against this backdrop, the Marsh CFA Institute Global Pension Index provides an established tool for benchmarking the world's retirement income systems, offering a structured basis to help decision-makers navigate the challenges ahead with greater clarity and confidence.

Executive summary

The Index offers a comparative lens through which to assess the adequacy, sustainability, and integrity of different retirement income systems. The three sub-indices are weighted: 40% for adequacy, 35% for sustainability, and 25% for integrity. Since the Index was first introduced in 2009, these weightings have remained unchanged, reflecting the enduring importance of balancing immediate needs with long-term sustainability and systemic trust. See Figure 1 below.

Figure 1. Calculating the Marsh CFA Institute Global Pension Index



Importantly, the Index acknowledges that no single pension model fits all. Systems vary widely due to cultural, economic, and political contexts: What works in one country or market may not be easily replicated in another. Still, common features — such as inclusive access, robust governance, and a minimum safety net pension — are consistently associated with stronger outcomes.

Each overall index score considers more than 50 indicators, some of which are based on data measurements that can be difficult to compare between countries or markets. For this reason, when the difference in the overall Index score is less than two or three points, a definitive statement that one system is better than another should be avoided.

On the other hand, when the difference is five or more, it can be fairly concluded that the higher Index score indicates a more effective better retirement income system. With the inclusion of the Dominican Republic, Kenya, and Qatar in 2026, the Index now examines 55 systems, covering 66% of the world's population. Each system is awarded a grade, as follows:

Figure 2. Marsh CFA Institute Global Pension Index descriptions

Grade	Index score	Description
A	80+	A robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity.
B+	75-79	A system that has a sound structure, with many good features, but has some areas for improvement that differentiate it from an A-grade system.
B	65-74	
C+	60-64	A system that has some good features but also has major risks and/or shortcomings that should be addressed; without these improvements, its efficacy and/or long-term sustainability can be questioned
C	50-59	
D	35-49	A system that has some desirable features but also has major weaknesses and/or omissions that need to be addressed; without these improvements, its efficacy and sustainability are in doubt.
E	0-34	A poor system that may be in the early stages of development or nonexistent.

As in previous editions, this year’s Index reveals wide disparities. Index grades and scores range from A-grade and 85.8 in the Netherlands to D-grade and 43.7 in Argentina, highlighting the diversity in how nations approach retirement.

We set out on Figure 3 a summary of the 2026 Index grades for each system, noting there are now 6 A-grade systems in the Index.

This study shows that the Netherlands, Denmark, Iceland, Singapore, Israel, and Australia have the best systems, each receiving an A-grade in 2026. Although the Netherlands is currently undertaking significant pension reform, moving from a mostly collective defined benefit structure to a more individual defined contribution (DC) approach, its system continues to receive the highest Index score.

Figure 3. Summary of the 2026 results
(newly included systems and systems whose grades have improved are shown in bold)

Grade	Systems		
A	Netherlands Denmark	Iceland Singapore	Israel Australia
B+	Chile Sweden	Finland Norway	
B	Switzerland Saudi Arabia Kuwait UK New Zealand Mexico	Hong Kong SAR Canada France UAE Oman Uruguay	Ireland Belgium Germany Portugal Croatia Qatar
C+	Kazakhstan Spain Colombia	Panama USA Dominican Republic	Malaysia China*
C	Taiwan Poland Japan Namibia Italy	Brazil Botswana Austria Korea (South) Peru	Vietnam Kenya Thailand Indonesia South Africa
D	Philippines India	Türkiye Argentina	
E	Nil		

* In this report, “China” refers to the pension system in the Chinese Mainland. The results for Hong Kong SAR and Taiwan are shown separately, as they have different pension systems.



The Netherlands retirement income system

The Netherlands has one of the strongest retirement income systems in the Index. It combines a near-universal state pension with broad occupational pensions and voluntary private saving. The result is a system that delivers strong coverage, solid adequacy and well-developed governance, while continuing to adapt to changing demographics and a more mobile labor market.

Why the system scores so highly

The Netherlands is one of only three systems in the Index which is not only A-graded overall, but also for each sub-index, given:

- **Adequacy** - The state pension provides a reliable income floor for almost everyone with a sufficient residency history. Occupational pensions are widely available and cover most employees through collective employer-based arrangements.

- **Sustainability** - A large pool of funded assets supports retirement income sustainability.
- **Integrity** - Strong governance, regulation and member protection reinforce integrity and confidence in the system.

It is a robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity.

Issues that required improvement

However, as with any system what has worked well in the past can present challenges for the future. Strains were being felt by both individuals and employers, given:

- Lower interest rates which made the defined benefit model harder to sustain and more sensitive to market movements.
- Funding rules which increased pressure on pension funds, which in some cases delayed indexation or reduced flexibility in benefit increases.
- An occupations pension design which was less suited to fragmented employment, self-employment and non-linear work patterns.

Legislative response

The key reform was to move from defined benefit arrangements towards defined contribution occupational pensions. The reform is intended to improve portability, fairness and clarity, while preserving the collective strengths that have helped the Netherlands achieve an A-grade system in the Index. Legacy rights are being converted into the new system rather than left in a closed old structure. The transition is expected to be completed by 2028, with greater emphasis on member communication because outcomes will vary more over time.

The change retains the key existing adequacy, sustainability and integrity features of the system, and has occurred while maintaining the A-grade Index scores.

“The transition from defined benefit to defined contribution pensions isn't about abandoning what works; it's about evolving those strengths to better serve people, in an increasingly dynamic labor market.”

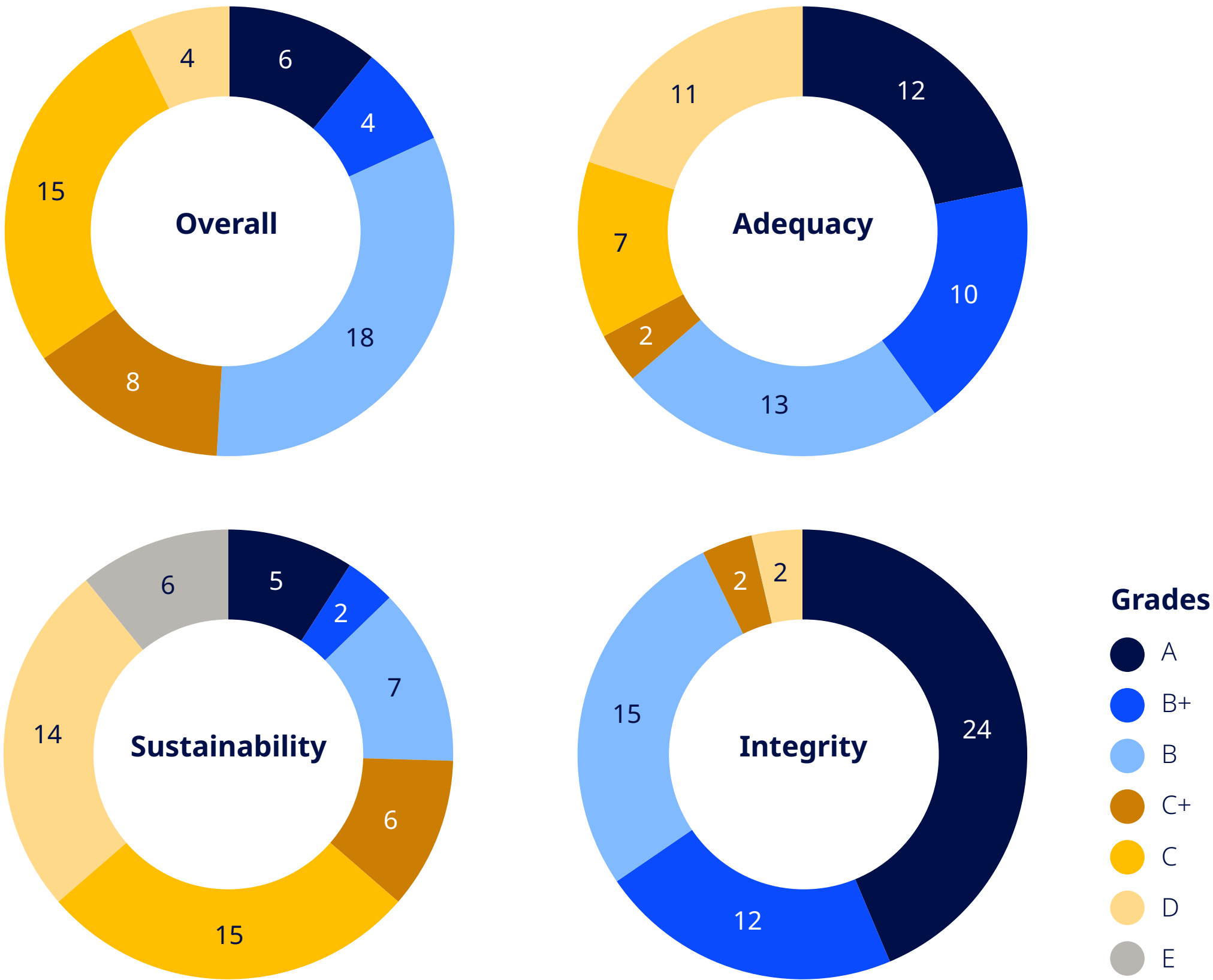
Marc Heemskerk,
Principal, Marsh, Investments and Retirement

Summary

The Netherlands has an A-grade system because it combines adequacy, sustainability and integrity well. The recent reform is intended to preserve those strengths while fixing the parts of the system that were under strain.

Figure 4 shows the number of systems achieving each grade, both at an overall level, and for each sub-index. It illustrates that Sustainability of pension systems is the measure which is most challenging.

Figure 4. Summary of grades



No system in this year’s Index is an E-grade system, which would be represented by an Index score below 35. A score between 35 and 50, representing a D-grade system, indicates a system that has some sound features but also

major omissions or weaknesses. A D-grade classification may also occur in the relatively early stages of the development of a particular retirement income system.

Figure 5 below shows the overall Index grades and scores for each system, including the grades and scores for each sub-index: adequacy, sustainability, and integrity. Each Index score represents a score between 0 and 100.

Figure 5. Index grades and scores for each system

System	Overall		Adequacy		Sustainability		Integrity	
	Grade	Score	Grade	Score	Grade	Score	Grade	Score
Argentina	D	43.7	C	54.7	E	31.2	D	43.5
Australia	A	80.6	B+	76.7	A	80.6	A	86.8
Austria	C	56.9	B	68.3	E	23.9	A	85.0
Belgium	B	68.1	A	81.1	D	41.2	A	84.9
Botswana	C	57.0	D	49.6	D	47.5	A	82.1
Brazil	C	57.0	B	69.1	E	32.1	B	72.6
Canada	B	70.6	B	67.1	B	66.6	A	81.7
Chile	B+	79.2	B+	78.5	B	73.5	A	88.2
China	C+	60.6	B	66.7	D	40.6	B+	78.8
Colombia	C+	63.3	B	65.4	C	54.3	B	72.4

System	Overall		Adequacy		Sustainability		Integrity	
	Grade	Score	Grade	Score	Grade	Score	Grade	Score
Croatia	B	66.1	C+	61.6	C	58.3	A	84.2
Denmark	A	84.1	A	84.2	A	84.8	A	82.9
Dominican Republic	C+	61.4	C	56.3	C	55.0	B+	78.5
Finland	B+	77.6	B+	79.2	B	66.5	A	90.5
France	B	70.3	A	85.0	D	49.3	B+	76.1
Germany	B	67.9	B+	79.8	D	47.2	B+	78.0
Hong Kong SAR	B	71.2	B	67.8	C+	62.1	A	89.4
Iceland	A	84.0	A	83.7	A	84.3	A	84.1
India	D	46.8	D	35.8	D	44.6	B	67.3
Indonesia	C	50.7	D	39.7	C	51.0	B	67.9
Ireland	B	69.7	B	72.7	C	55.1	A	85.4
Israel	A	81.9	B+	79.4	A	82.4	A	85.1
Italy	C	57.4	B	70.9	E	27.0	B+	78.3
Japan	C	58.0	C	58.8	D	48.5	B	69.9
Kazakhstan	C+	64.8	D	44.9	B	74.4	A	83.0

System	Overall		Adequacy		Sustainability		Integrity	
	Grade	Score	Grade	Score	Grade	Score	Grade	Score
Kenya	C	53.1	D	38.9	C	53.0	B+	76.0
Korea (South)	C	56.4	D	43.0	C	53.5	A	82.1
Kuwait	B	72.9	A	88.3	C+	60.1	B	66.4
Malaysia	C+	61.1	C	54.0	C	56.4	B+	79.0
Mexico	B	71.2	B+	77.2	C+	64.0	B	71.8
Namibia	C	57.5	C	50.8	C	50.2	B+	78.6
The Netherlands	A	85.8	A	87.7	A	82.6	A	87.2
New Zealand	B	71.4	B	66.5	B	68.0	A	84.0
Norway	B+	77.0	B+	78.0	B	66.4	A	90.4
Oman	B	69.9	A	80.3	C	54.7	B	74.8
Panama	C+	62.0	B	68.5	C	52.6	C+	64.9
Peru	C	55.7	D	48.5	C	51.3	B	73.2
The Philippines	D	49.2	D	44.7	C+	63.9	D	35.7
Poland	C	58.4	C+	60.2	D	45.6	B	73.3
Portugal	B	67.3	A	80.1	D	41.5	A	83.1

System	Overall		Adequacy		Sustainability		Integrity	
	Grade	Score	Grade	Score	Grade	Score	Grade	Score
Qatar	B	66.0	B	74.1	D	47.9	B+	78.4
Saudi Arabia	B	73.2	B+	77.2	C+	61.2	A	83.5
Singapore	A	82.0	A	82.8	B+	75.3	A	90.4
South Africa	C	50.4	D	37.3	D	47.8	B+	75.0
Spain	C+	63.3	A	83.0	E	33.0	B	74.3
Sweden	B+	78.8	B+	78.2	B+	76.2	A	83.6
Switzerland	B	73.6	B	68.4	B	72.8	A	83.1
Taiwan	C	59.7	C	51.0	C	57.1	B+	77.0
Thailand	C	52.2	D	48.2	D	45.2	B	68.3
Türkiye	D	46.6	D	46.5	E	29.4	B	71.0
United Arab Emirates (UAE)	B	70.0	A	84.9	D	45.3	A	80.8
United Kingdom (UK)	B	71.6	B+	75.6	C+	62.4	B+	78.0
Uruguay	B	69.7	A	80.2	C	55.2	B	73.3
United States of America (USA)	C+	61.6	B	66.5	C	57.1	C+	60.2
Vietnam	C	54.6	C	59.6	D	37.8	B	69.8
Average	--	65.3	--	66.5	--	55.4	--	77.2

Call to action

The Index seeks to promote pension reform to help enhance the financial security of all retirees. The World Economic Forum recognizes that financial security is an important element as pension systems look to address the demographic and financial challenges of global aging and to support individuals to be resilient in their longer lives.

The World Economic Forum has highlighted three key areas that may have the biggest impact on the overall level of financial security in retirement. These are to:

- **1. Provide a “safety net” pension for all**

- 2. Improve ease of access to well-managed, cost-effective retirement plans**

- 3. Support initiatives to increase contribution rates**

These key areas must be viewed in the context of future-proofing retiree outcomes to reflect longer lifespans and falling birth rates. See the *World Economic Forum report Future-Proofing the Longevity Economy: Innovations and Key Trends*, for reference, and refer to the special chapter in this year's report.

The World Economic Forum observations provide a good starting point to express the objectives of the overall retirement system as governments consider meaningful pension reform, noting that financial security should be considered as part of a holistic approach to the

challenges and opportunities of an aging global population that balances health, financial stability, and social considerations.

Accordingly, our report includes a series of suggestions for strengthening each retirement income system. This includes the A-grade systems, recognizing that even the best systems can be improved. While each system reflects its unique history, as well as cultural and economic conditions, some common themes for improvement emerge from historical data. A range of reforms can be implemented to help improve the long-term effectiveness of retirement income systems, including:

- Increasing coverage of employees (including non-standard workers) and the self-employed in the private pension system, recognizing that many individuals will not save for the future without an element of compulsion or automatic enrollment
- Reducing the leakage from the retirement savings system prior to retirement, thereby ensuring that the funds saved, often with associated taxation support, are used for the provision of retirement income

- Improving the governance of private pension plans and introducing greater transparency to improve the confidence of plan members
- Increasing the state pension age and/or retirement age to reflect increasing health-adjusted life expectancy, both now and into the future, thereby seeking to reduce the costs of publicly financed pension benefits
- Promoting higher labor force participation at older ages, which can increase the savings available for retirement and limit the continuing increase in the length of retirement
- Encouraging higher levels of private saving, both within and beyond the pension system, to reduce the future dependence on the public pension, while also adjusting the expectations of many workers
- Introducing measures to help reduce the gender pension gap and gaps that exist for minority groups in many retirement income systems

Many nations are facing an aging population due to falling birth rates and increasing life expectancies. These demographic changes have long-term implications and will profoundly affect future economic growth, living standards, and healthcare. They also impact pension systems, the subject of this special chapter.

Feature chapter: The impact of aging populations on pension systems

Is demography our destiny?

Understanding demographic changes and their long-term trends allow us to assess their significant influence on both public and private pension systems. Relevant demographic statistics include fertility rates, life expectancy, and net migration, all of which impact both aged dependency ratios and workforce participation. Considering each in turn:

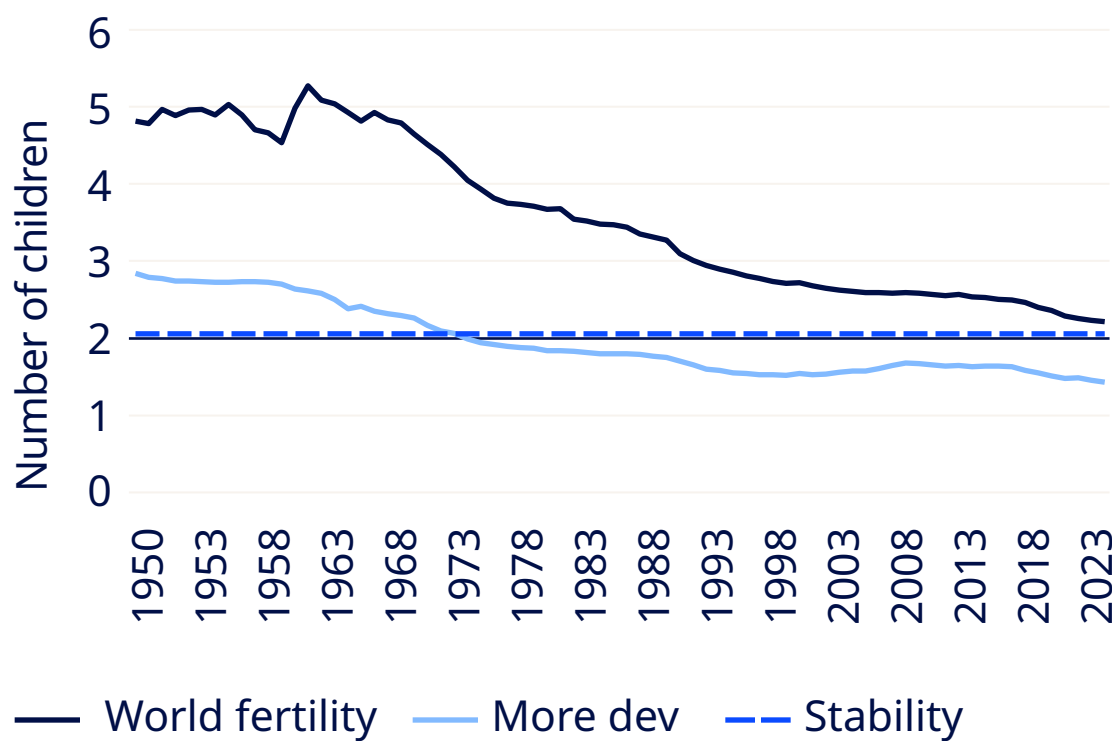
Fertility rates

Figure 6 shows total fertility rates since 1950 for two different groups of countries or markets:

1. Whole world, where the rate peaked in 1963, before a steady decline until it is now just above 2.1 — the replacement rate required to ensure a stable population.
2. More developed regions, as classified by the United Nations. These are typically those with a high Human Development Index score, which reflects their level of development in health, education, and

the standard of living. These countries or markets often have well-developed pension systems.

Figure 6. Falling fertility rates



Source: United Nations, World Population Prospects 2024, Estimates 1950–2023

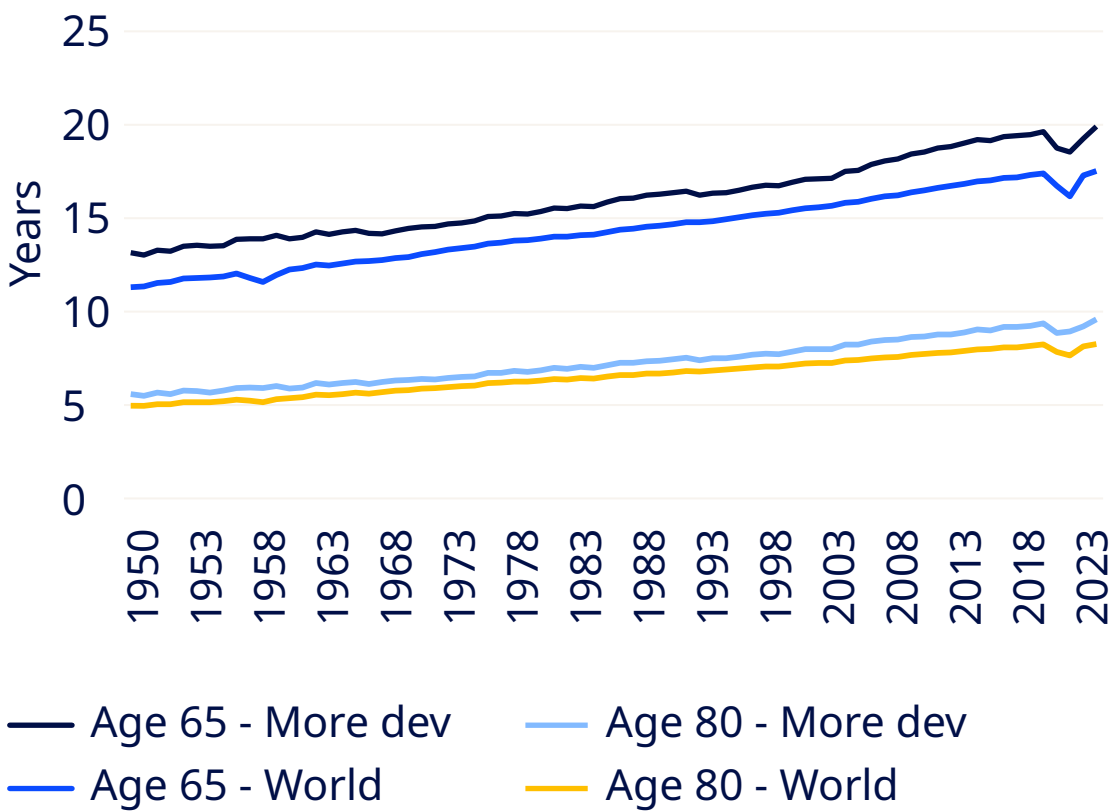
The fertility rate for the more developed regions dropped below the replacement rate of 2.1 in 1974 — more than 50 years ago. In broad terms, fertility rates have continued to decline since crossing that important threshold. Forty-three of the 55 systems included in the MCGPI now have fertility rates below 2.1, whilst 23 have rates below 1.5. Fertility rates in 2023 for the MCGPI systems ranged from 0.72 for Hong Kong SAR and South Korea to 3.0 for Kazakhstan and 3.2 for Namibia and Kenya.

Lower fertility rates will impact the size of the working population, constraining economic growth unless offset by productivity increases, later retirement, or immigration. Sustaining pension promises becomes harder, with lower fertility rates having a greater long-term impact.

Life expectancies

From a pension system perspective, life expectancy at or near retirement is more relevant than life expectancy at birth when considering how many years a retirement pension needs to last. Figure 7 shows life

Figure 7. Life expectancies at ages 65 and 80



Source: United Nations, World Population Prospects 2024, Estimates 1950–2023

expectancies (unisex) at ages 65 and 80 for the same two groups of pension systems shown in Figure 6.

Life expectancies have steadily increased since 1950, except for the recent blip due to the COVID pandemic. For pension systems in the MCGPI, the increases in life expectancies at age 65 since 1950 range from 2.4 years for the Philippines and 2.9 years for Kenya to 11.2 years for Hong Kong SAR and 14.0 years for South Korea. The life expectancy at age 65 for the more developed regions has increased by 50.9% and is now 20 years, whereas at age 80, it has increased by 68.8% and is now 10 years.

As a consequence, over time there will be a higher proportion of the population in most countries or markets aged in their 80s and 90s, with implications from a pension policy perspective.

Financial support is required throughout retirement, which may last 20, 30, or even 40 years, and not just at the point of entering retirement. Reflecting this, the Adequacy sub-index within the MCGPI now considers the level of income available at both entering retirement and at age 80.

Migration

While net global migration is by definition zero, the impact of an aging population can be slowed by those pension systems that have significant immigration policies. Compared to falling fertility rates and improving life expectancies, migration is subject to greater influence from geopolitical events and politics. Over the last 50 years regions like North America, Australasia, Western Europe, and the Gulf states have experienced significant net immigration that has impacted the demographics and ameliorated the extent to which the aged dependency ratio would otherwise have increased.

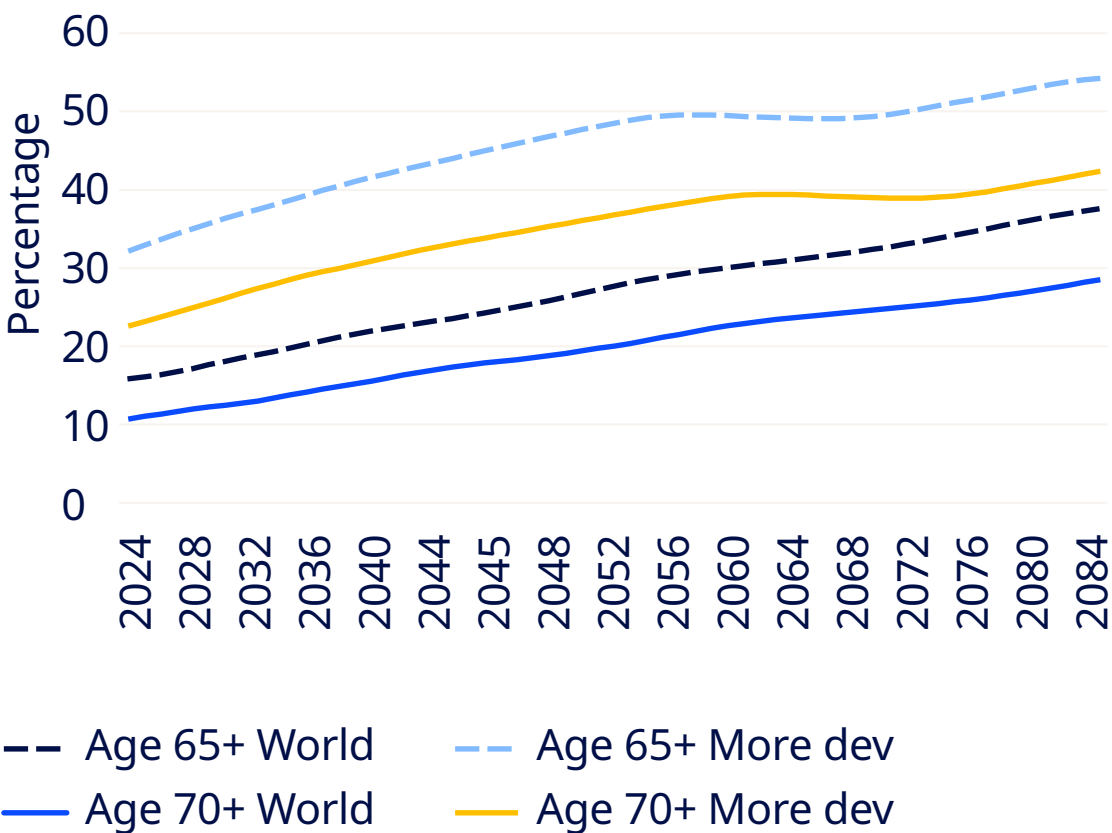
Aged dependency ratios

The aged dependency ratio has a significant bearing on many features of a pension system's economy, not least the taxation base and sustainability of its pension and aged care systems. Aged dependency ratios are projected to significantly increase over the next 60 years.

The traditional aged dependency ratio considers the population aged 65 and over divided by the population aged 15–64. For example, if the ratio is 25%, this suggests that there are

four potential workers for every older person. However, with younger people tending to stay in education longer, the use of age 15 is increasingly outdated. Similarly, the use of the traditional retirement age of 65 does not represent the future as life expectancies are rising and there is an expectation in many countries or markets that retirement occurs later, with more people working beyond 65. Perhaps a more realistic indicator of the aging population for the future is to consider the population aged 70 and over divided by the

Figure 8. Projected aged dependency ratios



Source: United Nations, World Population Prospects 2024, Medium fertility variant, 2024-2100

population aged 20–69. Figure 8 shows the projected aged dependency ratios for the next 60 years, using both definitions, for the world and for the more developed regions.

The aged dependency ratio for the more developed regions using the age 70 measure is projected to increase significantly during the next 30 years from 23% to 37% (or to put it another way, a decrease from 4.3 workers per older person to 2.7 workers per older person).

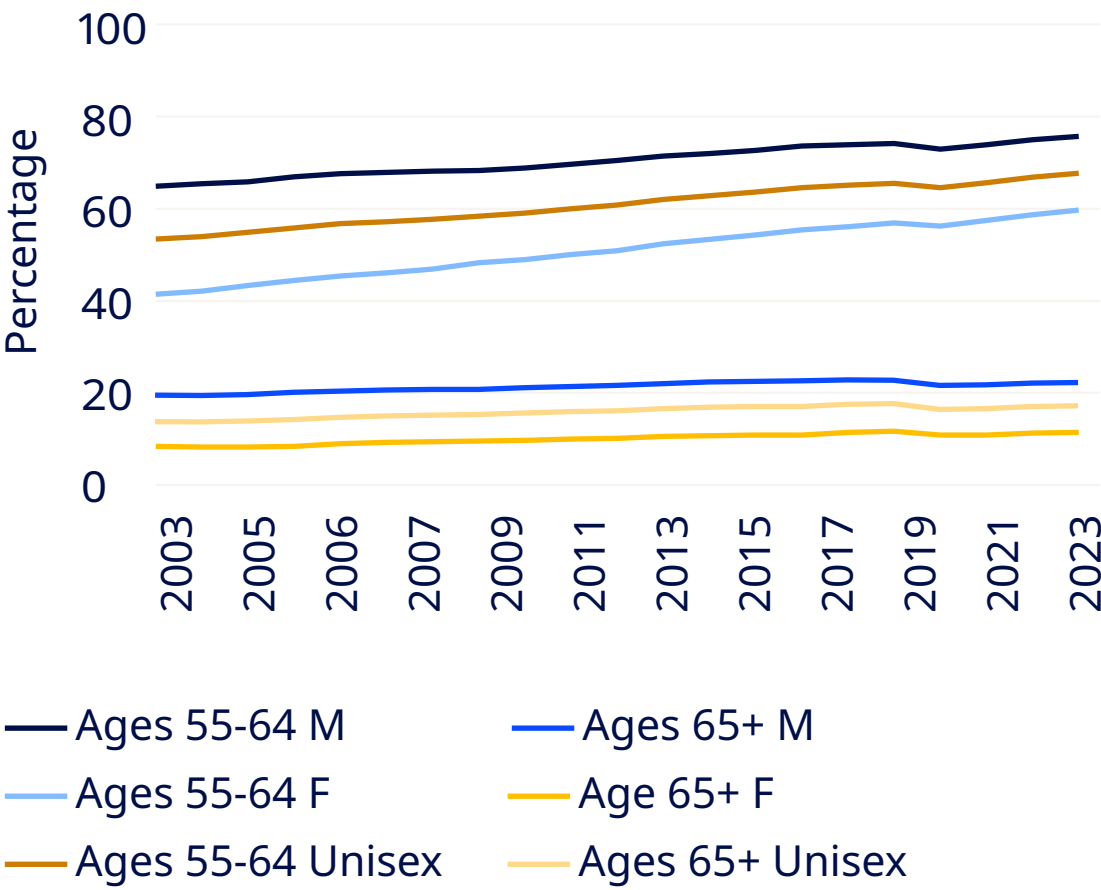
Interestingly, the projected age dependency ratios in 30 years' time using the age 70 metric for systems in the MCGPI are significantly higher than the average, with 81% for Hong Kong SAR, 62% for South Korea, 60% for Japan and Taiwan, 57% for Italy, and 56% for Spain.

Labor force participation at older ages

As individuals live longer and remain in good health, they may choose to work longer. The extent to which this translates to increased participation rates at older ages will reflect a country or market's pension and retirement policies, economic conditions, community expectations, and employment law. Figure 9 shows the increasing average labor force participation rate for the last 20 years for more

than 30 pension systems¹ currently in the MCGPI.

Figure 9. Labor force participation at older ages



Source: International Labor Organization, <https://ilostat.ilo.org/data/>, Data snapshot – Labor force participation rate

During this period, the average participation rate for those aged 55–64 increased by 15% (from 53% to 68%), with increased female participation a contributory factor in this increase. The increase in the average participation rate for those aged 65+ was a more modest 4% (from 13% to 17%). The largest increases for those aged 65+ were for Singapore (19%), New Zealand (16%) and Israel (12%).

Participation rates at older ages will reflect not only increased life expectancy but also healthy life expectancy (HALE). HALE is the number of years a person can expect to live in full health, accounting for both mortality and morbidity. HALE is a key indicator for both individuals and policymakers when responding to an aging population, as it captures both the quantity and quality of life. HALE is also increasing. For example, a study from the Robert N. Butler Columbia Aging Center at the Mailman School of Public Health uncovered significant improvements in the health of older adults in England when compared to previous generations². With HALE increasing and functional abilities improving at older ages, it is expected that labor force participation rates at these older ages will continue to rise in the future.

Demographic consequences for pension systems

An aging and longer-living population has significant consequences for the design and operation of pension systems. Pension systems therefore need to adapt to recognize the long-term implications of this demographic change.

Systems need to consider the impact of increased costs of pension provision with a larger retired population, inter-generational pressures, accommodating more flexibility around retirement ages, changes to pension fund investment strategies with many arrangements in net fund outflow, and the importance of funding with lower labor force participation. Considering these in turn:

Increased costs of pension provision

Reflecting aging populations, government expenditure for seniors is increasing. Since 2000, public expenditure on old-age and survivors benefits for the 27 members of the

Organization for Economic Co-operation and Development (OECD) included in the MCGPI has increased by an average of 1.5% of GDP.³ The increase would have been larger were it not for measured reform to benefit provision in several pension systems. Indeed, five of those (Australia, Chile, Germany, the Republic of Ireland, and the UK) decreased their expenditure.

The OECD is also projecting an increase in public expenditure on pensions in future decades. It is suggesting an average increase of 0.7% of GDP⁴ over the next 20 years for the 23 OECD members included in the MCGPI with only six countries projected to decrease their expenditure (Australia, Austria, Denmark, Finland, France, and Sweden). However, whilst costs are increasing, the change has typically been (and is expected to continue to be) gradual and so policymakers do not necessarily need to take immediate action. As a consequence, there will be steady but growing pressure to revisit pension systems, not least because increased pension costs in the absence of benefit changes will be accompanied by increased government costs for the aged relating to health and aged care.

Inter-generational pressure

The baby boomers have now largely retired, although they still represent an important voting bloc. Often, they have expectations of an indexed pension (paid by the government and/or from a defined benefit occupational pension scheme) to provide them with a financially secure retirement. The political pressure brought to bear by the boomers will make it difficult for governments to make changes to their public pension arrangements unless changes are coupled with other compensatory changes (for example, improved integration with aged care support).

Of course, any changes will impact not only on the boomers, but also on community confidence that future generations will enjoy a comfortable retirement. The level and pace of inter-generational wealth transfer can seem distant as younger generations face increasing housing unaffordability and potentially uncertain employment prospects. Yet without some more immediate changes, intergenerational inequity will increase leading to the possibility of the need for a more drastic change to pension systems in the future.

Requirement for a more flexible pension system design

One obvious consequence of recognizing increasing HALE and the improvement in functioning abilities of many older people is that many people will choose to remain in the workforce longer, albeit perhaps in different capacities. We are seeing many employees and employers embracing a more phased retirement with “blurring” between work and retirement. This trend is exacerbated by increasing heterogeneity in working careers with the rise of non-traditional employment, such as gig workers, and the ability of many to work part-time and from home.

This has implications for pension design and policy, which will need to recognize the increasing capabilities of those entering retirement phase.

Pension fund investment strategies

Demographics influence long-term investors such as pension funds. Population growth and population shape (i.e. age and health) will impact productivity growth. The United Nations has projected that the world population, 8

billion in 2023, will continue to grow until it peaks at around 10.3 billion in 2084.⁵ At the macro level, with a growing population, it will take many years before population change impacts economic growth, inflation, and capital markets expectations (and hence expected pension fund returns). However, individual pension systems will see earlier impact where there will be more rapid population decline (for example, former Eastern bloc countries like Bulgaria and Romania).

Over the past couple of decades, more global private pension fund systems have shifted from defined benefit to defined contribution, and those remaining defined benefit systems are often closed to new members. As pension fund membership ages, future benefit outflows will exceed the level of contributions or premiums in many cases, with implications for investment strategies of funded pension arrangements as liquidity and sequencing risks become more material.

Further, with more members in retirement phase (and for longer), pension funds and those defined contribution members with investment choice will likely gradually derisk and reduce asset allocations to growth assets,

mindful of liquidity, longevity, and sequencing risks. This is likely to be combined with product developments such as:

- Continued risk transfer of defined benefit pension liabilities to insurers.
- Pension funds developing offerings with more risk-averse features, such as offering retirement products that provide longevity protection to individual retirees.
- Defined contribution style retirement accounts following a life cycle investment pattern continuing through retirement becoming the accepted norm.

With US\$70 trillion⁶ invested today through private pension funds, this shift to more defensive and risk-aware assets has implications for global investments.

Importance of pension funding

The funding of future pensions and aged care both become more critical as the ratio of workers to retirees continues to decline. Very few systems, as they currently operate, are secure.

Consider the impact on the various retirement income pillars as defined by the World Bank:

- Pillar 0 represents the public pension paid to those above the eligibility age. Typically, this pension is funded on a pay-as-you-approach which means that the current generation of taxpayers is paying for the pension payments each year. Norway is one exception where their sovereign wealth fund transfers oil and gas revenues into the national budget, which is then used, in part, for pension payments. Another exception is New Zealand’s sovereign wealth fund which has been deliberately established to partially pre-fund the future cost of their universal state pension. Clearly such funds offset increasing pension costs.
- Pillar 1 represents the mandatory public pension with contributions linked to earnings and benefits calculated according to a prescribed formula. They often operate on a pay-as-you-go basis with limited funds set aside for the future. This means that these schemes are coming under significant financial pressure and this financial strain will inevitably grow in the future. A notable contrast, Singapore’s Central Provident Fund is fully funded with contributions from both

employers and employees that are invested primarily in Special Singapore Government Securities.

- Pillar 2 represents mandatory and fully funded pension arrangements in the private sector. Pillar 3 is like Pillar 2 but represents voluntary and fully funded pension arrangements in the private sector. The regulatory requirements of Pillars 2 and 3 are quite different from the government pensions paid from Pillars 0 and 1. Whereas governments can always, at least in theory, increase taxation or reduce benefits to ensure that these pensions are payable, this approach is not available to private sector pensions. Although these arrangements are theoretically fully funded, this may not be the case with defined benefits during periods of lower-than-expected investment returns or very low interest rates. Of course, lower-than-expected returns lead directly to reduced retirement benefits for participants in defined contribution arrangements. It is therefore essential that tight regulation related to funding is enforced by regulators to improve the probability that private pensions are sustainable.

To conclude, an aging population will put pressure on each of the various Pillars represented in the World Bank multi-pillar system. However, the most extreme pressures will be on unfunded arrangements unless they are restructured.

Policy responses

The consequences of an aging population on the design and sustainability of existing pension systems is likely to be material. Changes will be needed to many systems to ensure that they can provide adequate and sustainable retirement incomes for decades to come while maintaining community confidence.

We suggest the following three key policy responses for consideration:

- Clear objectives for pension systems
- Importance of funding pension systems
- Increased flexibility in product design and services

Considering each of these in turn:

Clear objectives for pension systems

Pension system stakeholders include:

- Individuals (or households) who expect to receive benefits during their retirement
- The government — or, perhaps more correctly, taxpayers — who will be paying for government-provided benefits
- The community, who will look at the societal impact of the system and will want to see fairness between and within generations
- Those involved within the pension industry itself, including fiduciaries, regulators, employers, investment managers, administrators, and financial advisers.

We suggest that each government should establish clear objectives for their overall retirement pension system, including the complementary roles of each pillar. These objectives will engender confidence in the community and help to build trust in the system over the long-term. As an example, after several years of debate, Australia has legislated an objective for its superannuation system as *“to preserve savings to deliver income for a dignified*

*retirement, alongside government support, in an equitable and sustainable way.”*⁷ Any future changes to superannuation legislation must be judged against this objective.

Another example is Switzerland which sets out in their Federal Constitution their three-pillar system and the roles and some features of each pillar. For example, the Old-Age pension *“must be sufficient to cover basic living expenses adequately”* and *“must as a minimum be adjusted in line with price trends.”*⁸

Of course, these objectives are not easy to develop. However, pension systems represent a long-term social compact between generations and for this reason, clear objectives represent an important component in developing long-term social cohesion. They also provide a compass when considering ongoing reform of pension systems, whether this be benefit levels, funding costs, retirement ages, products, or investment strategies. Clear objectives will assist with managing the pace of reform, as too radical a change agenda may cause instability and impact on public trust of the retirement income system. Poland’s pension reform in the late 1990s, which was subsequently largely reversed, is good example of this.⁹

Importance of funding

Aging populations are placing increasing pressure on government budgets. Sustainability concerns will require a review of many countries or markets' pension system funding arrangements and/or pension designs. There will be pressure to reduce benefits and/or pre-fund future retirement benefits.

Any transition to a more sustainable system must not place an unreasonable financial burden on a particular generation. However, at the same time it must recognize the consequences of reducing entitlements for population cohorts who rely on the “status quo.” In many cases, appropriate reforms will involve changes to both public and private pensions, with risks and responsibilities shared between different stakeholders. This will be more problematic in those countries or markets which rely almost solely on generous pay-as-you-go public pension programs without compensatory sovereign wealth funds. The sooner that these countries or markets address this growing funding challenge, the better for all stakeholders in the pension system.

Increased flexibility in product design and services

(a) Flexible retirement age

Many pension systems continue to use traditional retirement ages of 60 or 65 as a base. Yet, as life expectancies continue to increase, the natural consequence is that without a change to age at which individuals enter retirement phase, the expected period of retirement also increases. Left unchanged, in some cases, the possible period of retirement will approach the number of years of working age. This is not a sustainable outcome over the longer term, as the working age population reduces relative to the older population.

The solution is not as simple as just increasing the stipulated age of retirement, as there is significant variation in personal circumstances (for example, a manual worker may not be able to work as long as a white-collar worker). Given this range of circumstances, as well as the decreasing distinction between work and retirement, the concept of a single retirement age becomes less relevant. Two significant benefits of more flexible retirement ages are:

- The pension system will be providing benefits to individuals and households at a time that is most appropriate for them, rather than from a fixed retirement age.
- It is likely to encourage some individuals to stay in the workforce a little longer, which has important macroeconomic benefits over the longer term.

Retirement ages do not necessarily need to align between private pension funds and public systems — for example, private systems could allow access to retirement income from an earlier retirement age.

A flexible retirement age in defined contribution plans (whether personal or occupational-based plans) should be relatively straightforward as the accumulated benefit is normally paid to a pension provider or to the individual. It may be a little more difficult in respect of defined benefit pension plans. However, it is possible to adjust the pension payment in line with the commencement date of the pension, following the receipt of actuarial advice. Further, to avoid a pension system becoming a tax-preferred savings or a quasi-bequest vehicle, there needs

to be a limit to this flexibility and must be an age (for example, age 55) before which monies cannot be accessed for retirement and an age (for example, age 75) from which pensions must be payable.

Flexible retirement ages for public pensions can be more problematic. Most public pension programs pay a pension from a particular age, although some permit a higher pension to be paid if the commencement date is deferred and a reduced pension if it starts earlier than is normal. This flexibility is feasible if the pension is universal or determined by a formula but is more difficult for a means-tested pension, although the means test could be adjusted to encourage some ongoing employment.

(b) Retirement product design

There are many varieties of pension product designs — some are payable for life, while others are for a fixed term; some are indexed or revalued regularly, while others are linked to the financial markets. However, the most common feature is that once the payments have begun, they will continue. The individual retiree is often unable to break the arrangement, without incurring a significant loss.

Yet, in the context of an aging population and an increasing number of healthy older individuals who are willing and able to work, this lack of flexibility in retirement income products may present a barrier in encouraging some older workers to return to the workforce, often in a part-time capacity or to a less demanding job than held previously. For example, a retiree may be receiving a lifetime pension but has been approached for a part-time or "gig" job and thus no longer needs the same level of ongoing pension payments while that work continues. In addition, due to the two sources of income, they will be paying extra income tax. However, as the pension provider is unable to suspend pension payments due to conditions of the contract, the retiree may decide not to take up this employment opportunity.

Introducing flexibility will have consequences for pension design — a lifetime pension or annuity has been calculated or priced on the assumption that each individual will be part of a pool of individuals who have a range of personal circumstances and health conditions and that some averaging occurs. If individuals are able to make personal decisions about stopping and resuming their pension payments, there will likely to be some adverse selection arising from

those who make such decisions, which may mean that the assumed averaging may no longer be accurate. To address this, flexibility could begin with investment-linked drawdown products where there is no pooling of longevity risks.

Notwithstanding such difficulties, it is in the longer-term interest of the economy if pension providers enable retirees to suspend their pension payments for a period and then resume them at a later date with a resulting increased pension.

Conclusion

Demography is our destiny. Our global aging population has significant implications for the design and sustainability of pension systems. Policymakers cannot ignore the consequences of this. Those pension systems that consider and address the consequences today will be much better positioned to develop sustainable retirement income policies into the future.

The social and economic environments in which retirement income systems operate are changing constantly. This is why we review the questions used in the Index every year for context and clarity. Given the importance of longitudinal analysis of each system's grades from year to year, we do this with the view of evolving the questions asked rather than promoting wholesale change.

Changes from 2025-2026

Impact of new and updated questions

We have added a new question to the Integrity sub-index — Is it an established practice for the pension plan to have an app which is available to participants on their phone? — to reflect changing member expectations around communication and transactions. Members no longer want to rely on receiving information via mail/inbox: They want immediate access and to be able to carry out transactions in a paperless and instantaneous manner, much like the banking experience, which has become heavily app driven. We have given this additional question a 2.5% weighting in the Integrity sub-index.

We have reduced the overall weighting of questions focused on defined benefit (DB) in the Integrity sub-index by 2.5% to accommodate this new question, reflecting the reduction in relative prominence of DB plans in many systems since the MCGPI was first launched. We have removed two DB-related questions — one on the required funding period for DB shortfalls and another on key DB funding features. These questions had a combined weighting of 3%. Concurrently, we increased the weighting slightly (from 2% to 2.5%) for the DB question

asking whether minimum funding requirements exist.

As technology-related risks continue to grow, we increased the weighting of the two Integrity sub-index questions relating to cybersecurity instructions and guidance and data-breach reporting from 1.0% each to 1.5% each.

To allow for this weighting increase, we combined the questions on requirements for pension plans to have codes of personal conduct for its governing bodies with the question on personal requirements for pension plans trustees/fiduciaries (both in the Integrity sub-index), as both questions assess similar concepts, and reduced the overall combined question weighting from 5% to 4%.

These changes resulted in an increase in the average Integrity sub-index score of 0.4.

We also made minor but important adjustments to some existing questions. These included:

- Widening the definition of pension plans' governing bodies to include insurers in addition to trustees and fiduciaries

- Focusing only on protection of members benefits in cases of fraud, since mismanagement is a vague term and often unproven
- Removing the specific instance of employer insolvency or bankruptcy for protection of members accrued benefits, since plans are no longer sponsored exclusively by employers
- Adding specific examples of key information expected to be provided to new members on joining a plan
- Removing the requirement for annual reports to show all investments of the plan, since it may not be possible to list all derivatives for example, if invested in a managed fund
- Recognizing that in some systems, members do not incur fees and therefore this cannot be shown on member statements

These question updates assisted our local experts in evaluating their retirement income systems in cases where ambiguities may previously have existed.

Change of approach for net pension replacement rate (NRR)

This year's special chapter explores how aging populations affect pension system sustainability. One driver of an aging population is increasing life expectancies, resulting in retirees living longer in retirement. In light of that, we believe the Adequacy sub-index should consider the adequacy of retirement incomes both at the point of retirement and throughout it. The question on NRRs has therefore been updated to consider a 75% weighting to NRRs at retirement and a 25% weighting to NRRs at age 80.

This change in approach has reduced the average Adequacy sub-index score by 0.2.

Updated data

Since the publication of last year's Index, the OECD has published Pensions at a Glance 2025 OECD and G20 Indicators, which updated several data points used in the Index. For some systems, this led to significant changes to the Adequacy sub-index:

- The **basic or targeted pension expressed as a percentage of the average wage** has changed significantly in some systems. The Argentinian result has more than halved, which we understand is due to increases in wages relative to pension. For this system, the impact on the overall Index score has been a decrease of 2.4.
- The **net replacement rates at retirement** were increased materially for Australia (due to reflecting the means testing in retirement for those purchasing qualifying lifetime income products) and Chile (due to announced increases in contribution rates). For these systems, the impact on the overall Index score has been an increase of at least 2.9. This compares to Croatia where the net replacement rates at retirement were decreased (which we understand is due to a reduction in retirement age applied in modeling). For this system, the impact on the overall Index score has been a decrease of 2.3.

Additional systems

The Index has been expanded in 2026 to include three new retirement income systems: the Dominican Republic, Kenya, and Qatar. This addition continues our long-standing practice of considering a variety of systems from different economic, geographical, and political backgrounds. This approach highlights an important purpose of the Index: to enable comparisons of different systems around the world with a range of design features operating within different contexts and cultures. The Index now includes 55 retirement income systems covering more than 66% of the world's population.

Significant score changes

The Index scores for retirement income systems change from year to year due to updated data, questions, and/or pension reforms. Occasionally, scores are updated based on enhanced data promoting a better understanding of a pension system, often as local specialists interrogate the Index to see how a pension system could improve retirement outcomes for its citizens. The most significant changes in 2026 were for:

- **Oman** — an increase in the Index score of 9.0, due primarily to updated data for the minimum pension as a proportion of average wage (reflecting a more representative wage figure), updated data for coverage of the working age population in pension schemes, and updated data for pension scheme assets as a proportion of GDP
- **Taiwan** — an increase in the Index score of 7.9, due primarily to improved responses to Adequacy questions and updated data for household savings rate
- **Saudi Arabia** — an increase in the Index score of 5.6, due primarily to updated data for coverage of the working age population in pension schemes (reflecting a more accurate membership) and improved responses to several Integrity questions
- **UAE** — an increase in the Index score of 5.1, due primarily to an increase in the minimum pension as a proportion of average wage, improved responses to transition to retirement requirements (due to more availability of data on each Emirate), and updated data for coverage of the working age population in pension schemes



Figure 10 below compares the results for 52 systems from 2025 to 2026, demonstrating that the average value for the overall index has increased by 1.1.

Figure 10. A comparison from 2025 to 2026

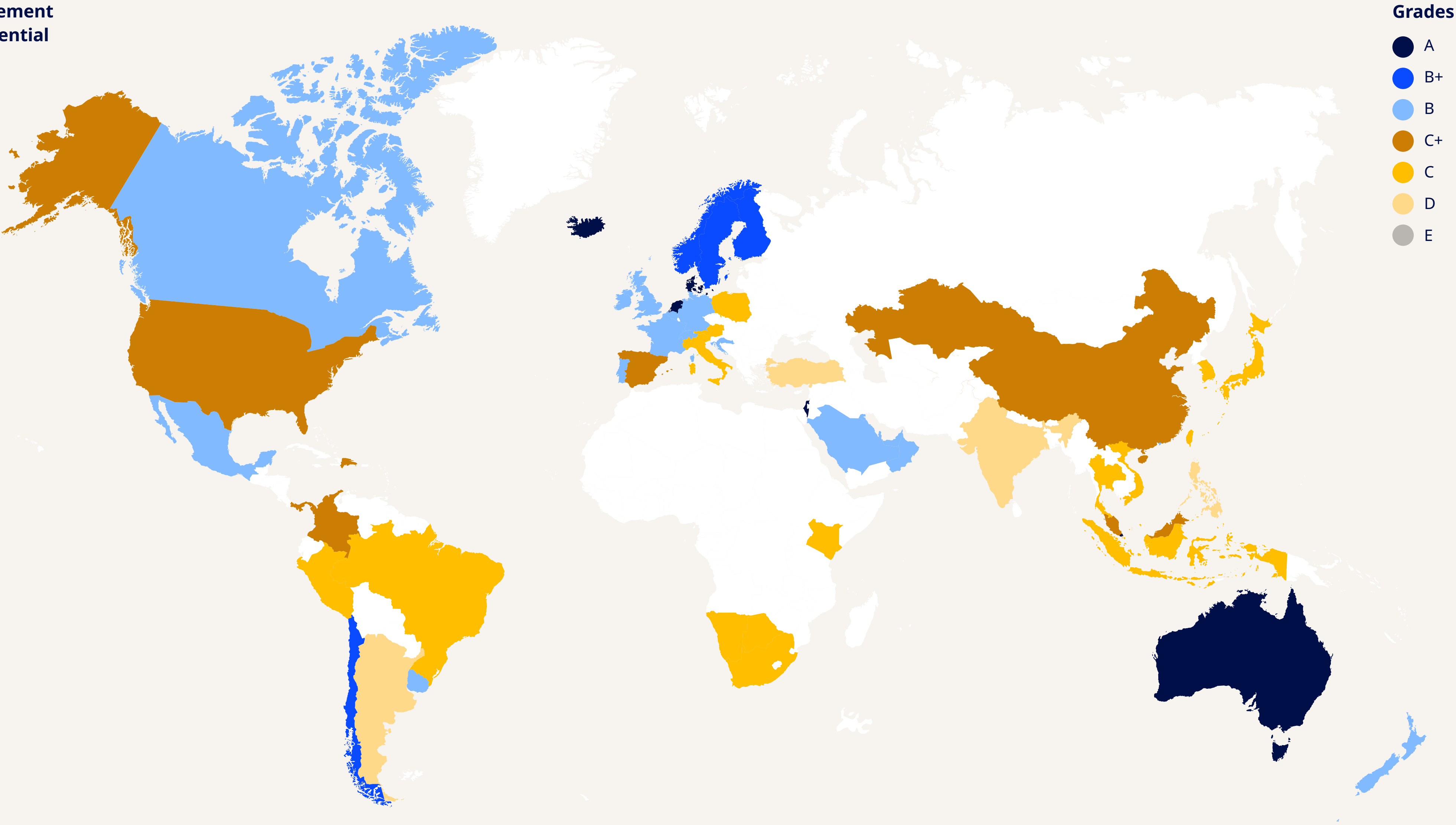
System	Overall index score		Sub-index score					
			Adequacy		Sustainability		Integrity	
	2025	2026	2025	2026	2025	2026	2025	2026
Argentina	45.9	43.7	60.8	54.7	31.3	31.2	42.4	43.5
Australia	77.6	80.6	69.0	76.7	81.1	80.6	86.4	86.8
Austria	54.5	56.9	67.5	68.3	24.0	23.9	76.4	85.0
Belgium	69.2	68.1	81.5	81.1	42.7	41.2	86.8	84.9
Botswana	59.8	57.0	54.3	49.6	48.0	47.5	85.0	82.1
Brazil	56.2	57.0	70.6	69.1	31.8	32.1	67.3	72.6
Canada	70.4	70.6	67.2	67.1	67.0	66.6	80.2	81.7
Chile	76.6	79.2	71.9	78.5	74.9	73.5	86.6	88.2
China	56.7	60.6	61.4	66.7	40.1	40.6	72.3	78.8
Colombia	62.5	63.3	64.3	65.4	55.9	54.3	69.0	72.4

System	Overall index score		Sub-index score					
			Adequacy		Sustainability		Integrity	
	2025	2026	2025	2026	2025	2026	2025	2026
Croatia	68.7	66.1	66.8	61.6	60.5	58.3	83.2	84.2
Denmark	82.3	84.1	82.9	84.2	85.0	84.8	77.6	82.9
Finland	76.6	77.6	77.4	79.2	65.6	66.5	90.6	90.5
France	70.3	70.3	85.2	85.0	48.6	49.3	76.8	76.1
Germany	67.8	67.9	81.0	79.8	47.5	47.2	75.0	78.0
Hong Kong SAR	70.6	71.2	66.6	67.8	62.0	62.1	89.2	89.4
Iceland	84.0	84.0	83.0	83.7	85.7	84.3	83.3	84.1
India	43.8	46.8	34.7	35.8	43.8	44.6	58.4	67.3
Indonesia	51.0	50.7	40.1	39.7	50.3	51.0	69.3	67.9
Ireland	67.7	69.7	72.9	72.7	51.6	55.1	81.8	85.4
Israel	80.3	81.9	75.6	79.4	83.2	82.4	83.6	85.1
Italy	57.0	57.4	69.4	70.9	27.9	27.0	77.8	78.3
Japan	56.3	58.0	57.1	58.8	48.0	48.5	66.8	69.9
Kazakhstan	65.0	64.8	47.0	44.9	74.2	74.4	81.1	83.0

System	Overall index score		Sub-index score					
			Adequacy		Sustainability		Integrity	
	2025	2026	2025	2026	2025	2026	2025	2026
Korea (South)	53.9	56.4	40.1	43.0	53.3	53.5	76.8	82.1
Kuwait	71.9	72.9	86.6	88.3	65.4	60.1	57.6	66.4
Malaysia	60.6	61.1	54.0	54.0	55.9	56.4	77.5	79.0
Mexico	69.3	71.2	73.5	77.2	64.1	64.0	69.8	71.8
Namibia	59.1	57.5	59.5	50.8	50.8	50.2	70.4	78.6
The Netherlands	85.4	85.8	86.1	87.7	83.5	82.6	86.8	87.2
New Zealand	70.4	71.4	65.2	66.5	68.2	68.0	81.7	84.0
Norway	76.0	77.0	77.8	78.0	65.2	66.4	88.4	90.4
Oman	60.9	69.9	68.3	80.3	44.6	54.7	71.7	74.8
Panama	59.1	62.0	62.1	68.5	52.5	52.6	63.8	64.9
Peru	55.3	55.7	55.4	48.5	48.5	51.3	64.8	73.2
The Philippines	47.1	49.2	40.6	44.7	64.4	63.9	33.2	35.7
Poland	57.0	58.4	59.5	60.2	45.9	45.6	68.6	73.3
Portugal	67.6	67.3	83.7	80.1	36.4	41.5	85.4	83.1

System	Overall index score		Sub-index score					
			Adequacy		Sustainability		Integrity	
	2025	2026	2025	2026	2025	2026	2025	2026
Saudi Arabia	67.6	73.2	75.0	77.2	54.6	61.2	74.2	83.5
Singapore	80.8	82.0	79.4	82.8	75.5	75.3	90.4	90.4
South Africa	51.0	50.4	38.0	37.3	48.2	47.8	75.7	75.0
Spain	63.8	63.3	83.0	83.0	34.2	33.0	74.4	74.3
Sweden	78.2	78.8	76.8	78.2	76.3	76.2	83.0	83.6
Switzerland	72.4	73.6	66.3	68.4	72.9	72.8	81.6	83.1
Taiwan	51.8	59.7	41.0	51.0	52.3	57.1	68.5	77.0
Thailand	50.6	52.2	47.9	48.2	44.8	45.2	63.1	68.3
Türkiye	48.2	46.6	49.0	46.5	31.1	29.4	71.1	71.0
United Arab Emirates (UAE)	64.9	70.0	79.4	84.9	40.6	45.3	75.5	80.8
United Kingdom (UK)	72.2	71.6	75.9	75.6	63.2	62.4	79.0	78.0
Uruguay	71.1	69.7	83.8	80.2	53.1	55.2	75.8	73.3
United States of America (USA)	61.1	61.6	64.1	66.5	59.9	57.1	58.0	60.2
Vietnam	53.7	54.6	57.1	59.6	38.7	37.8	69.3	69.8
Average	64.5	65.6	66.1	67.1	55.3	55.6	74.7	77.1

Explore a summary of each retirement system, their strengths, and potential areas of improvement [here](#).



Endnotes

- ¹ The pension systems selected for this calculation are those where reliable historical data is available.
- ² "Study Finds Slowing of Age-Related Declines in Older Adults" | Columbia University Mailman School of Public Health
- ³ OECD. *Pensions at a Glance 2025: OECD and G20 Indicators*, 2025. Table 8.2
- ⁴ OECD. *Pensions at a Glance 2025: OECD and G20 Indicators*, 2025. Table 8.4
- ⁵ United Nations World Population Prospects
- ⁶ *Pension Markets in Focus 2025* | OECD
- ⁷ "Objective of superannuation reforms pass Parliament" | Treasury Ministers
- ⁸ Federal Constitution of the Swiss Confederation, Article 112
- ⁹ Public Pension System and Outlook in: *IMF Staff Country Reports* Volume 2025 Issue 007 (2025)

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Reference

Marsh. Marsh CFA Institute Global Pension Index [Online], 2026, available [here](#).



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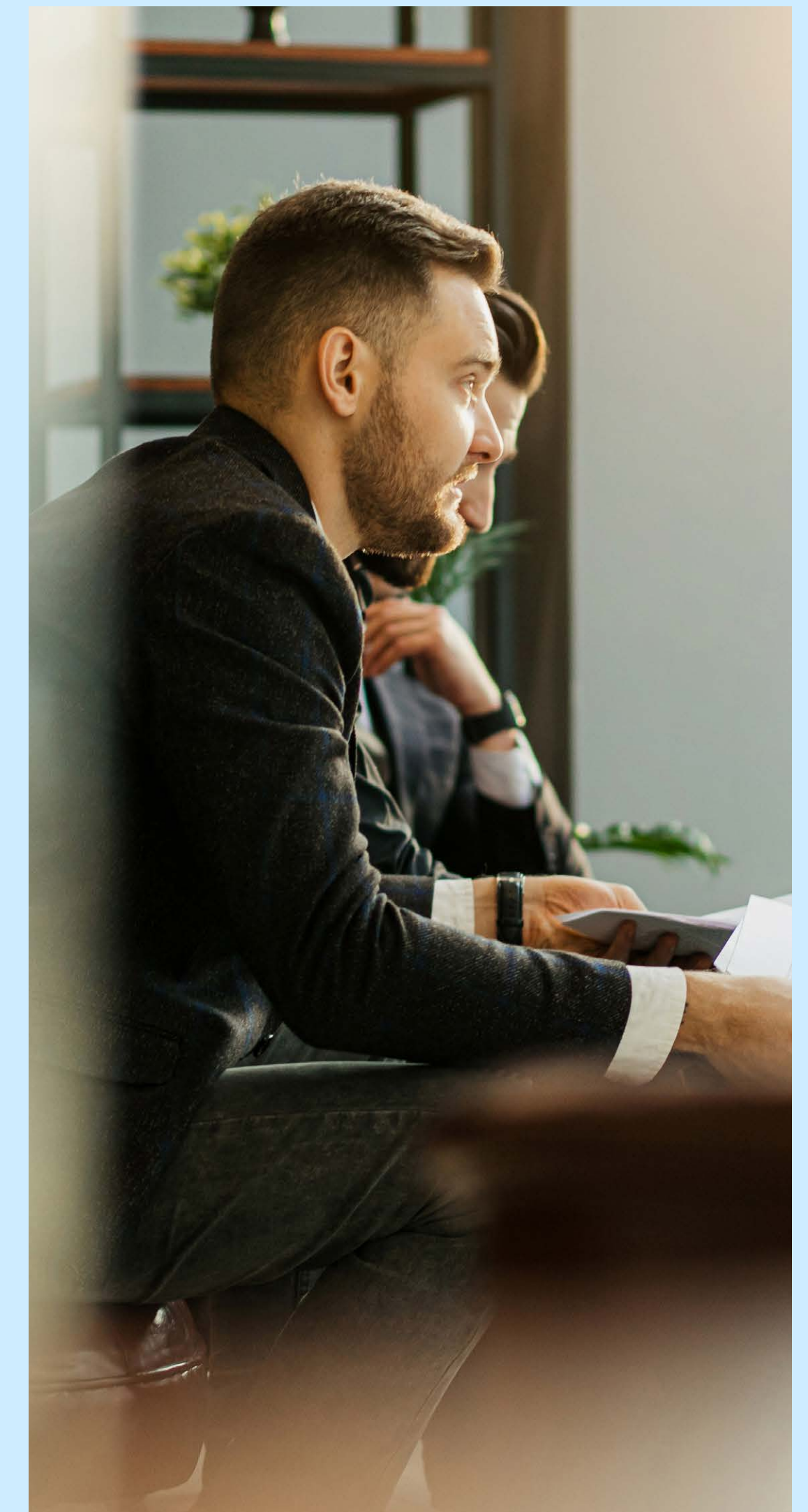
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