



Media release

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Global Pension Index 2021: Hong Kong's retirement system ranked second in Asia with slight increase in overall index value

- Asia's retirement systems continue to lag the world's as the overall index value average of 52.2 trails the global average of 61
- Hong Kong improves overall index value to 61.8, ranking 18th globally, and ranks 1st with highest integrity score in Asia
- Iceland named the world's best in its debut, closely followed by the Netherlands and Denmark
- Urgent reform needed as pandemic widens gender pension gap in Asia and the world

Hong Kong, October 19, 2021 – Hong Kong's overall index value increased from 61.1 in 2020 to 61.8 in 2021, according to the [13th annual Mercer CFA Institute Global Pension Index](#) (MCGPI)¹, a study of 43 retirement income systems across the globe, which covers almost two-thirds of the world's population. The 2021 Global Pension Index, which reviews each retirement system through three weighted sub-indices (adequacy, sustainability and integrity) includes four new systems – Iceland, Taiwan, UAE and Uruguay.

Across each of the sub-indices measured, Hong Kong saw improvements in its scores. The Hong Kong retirement system achieved the highest integrity score in Asia with 87.7, followed by adequacy (55.1) and sustainability (51.1).

Hong Kong is ranked fourth globally for the integrity sub-index, where factors which affect the citizens' confidence level in the system are considered; 21st for sustainability, which measures the likelihood of the system's ability to provide benefits in the future; and 31st for the adequacy sub-index, which considers how Hong Kong's system is designed to provide adequate retirement benefits.

Adeline Tan, Mercer's Wealth Business Leader in Hong Kong, said: "Hong Kong continued to lead with the highest integrity score in Asia and made improvements overall. Efforts by the government and employers to encourage employees to save early are also bearing fruit, with an increase in voluntary employee contributions to the MPF. The pension gap between genders is arguably a consequence of differences in remuneration and working period, with women more likely to leave the workforce for family reasons, and this gap can only close with greater awareness and deliberate actions from employers and the government."

¹ The MCGPI is a comprehensive study of global pension systems, accounting for two-thirds (65 per cent) of the world's population. It benchmarks retirement income systems around the world highlighting some shortcomings in each system and suggests possible areas of reform that would provide more adequate and sustainable retirement benefits

Representative of CFA Society Hong Kong, Conrad Yan, said: “For the third year running, Hong Kong is ranked second in Asia with a C+ grade. There is clear room for improvement in the adequacy score. Although the tax deduction regime on deferred annuity and voluntary MPF contributions that was introduced in 2019 would help encourage personal savings, the impact of the aging population in Hong Kong must not be underestimated. More needs to be done to avoid over-reliance on the social security net in the future. For example, the government could accelerate the removal of the offsetting mechanism against severance and long service payments, consider increasing the deduction cap of the tax deduction regime for deferred annuity and voluntary MPF contributions, and enhance the reverse mortgage and deferred annuity programs. The government could work with the Mandatory Provident Fund Schemes Authority to enhance the pension system so that it becomes ‘the’ preferred savings and investment platform for retirement in Hong Kong.”

Hong Kong’s C+ grade connotes a pension system that has some good features, with areas that should be addressed over time. The Hong Kong system was given the same grade as a number of developed economies like Belgium, France and the USA.

The 2021 Global Pension Index also found that Asia’s retirement systems continue to lag the world’s. Asia’s overall index value average was 52.2, against a global average of 61.

Globally, Iceland’s retirement income system (84.2) has been named the world’s best in its debut, closely followed by the Netherlands (83.5) and Denmark (82). For each sub-index, the systems with the highest values were Iceland for adequacy (82.7), Iceland for sustainability (84.6) and Finland for integrity (93.1). The systems with the lowest values across the sub-indices were India for adequacy (33.5), Italy for sustainability (21.3) and the Philippines for integrity (35.0).

Gender differences in pension outcomes

This year’s study also underscored the need for urgent reform to reduce the gender pension gap – an issue inherent in every system.

Across the Organisation for Economic Co-operation and Development (OECD) member countries, the gender pension gap or difference in retirement income that men and women receive, averages 26%, with the gap ranging from 3% in Estonia to 50% in Japan². The MCGPI’s analysis highlighted that the causes of the gender pension gap are multifold with employment-related, pension design and socio-cultural issues contributing to women being far more disadvantaged than men when it comes to retirement income.

Gender diversity continues to improve globally but there is still work to be done in Hong Kong. According to The Women’s Foundation, a non-profit organization dedicated to improving the lives of women and girls in Hong Kong, there is an [average gender pay gap of 22%](#), 30% of working mothers confront biases at work and drop out of the workforce due to caring responsibilities, and women account for only 13.9% of directors in Hong Kong-listed companies.

While employment issues are major contributors and are well known – more female part-time workers, periods out of the workforce for caring responsibilities and lower average salaries, for example – the 2021 Global Pension Index found that pension design flaws were aggravating the issue. This includes non-mandatory accrual of pension benefits during parental leave, absence of pension credits while caring for young children or elderly parents in most systems,

² Towards Improved Retirement Savings Outcomes for Women, March 2021, OECD

and the lack of indexation of pensions during retirement, which have a larger impact on women due to longer life expectancy.

Janet Li, Mercer's Wealth Business Leader for Asia, said, "Closing the gender pension gap needs to be a multi-stakeholder undertaking, from employers playing an active role to ensure gender equity in pay, to individuals taking initiatives improving their financial literacy. Our study shows that failure to address the gender retirement savings gap will have long-term costs for businesses, particularly in their ability to attract and retain talent, as well as for society. We need to act now and urgently.

"The pension industry can take the lead by removing eligibility restrictions for individuals to join employment-related pension arrangements. This could be expanded to include part-time or informal workers who represent a large population of working women in Asia. Credits for those caring for the young and the old could also be introduced to ensure that individuals who have had to take time out of the formal workforce due to caregiving responsibilities are not left behind."

2021 Mercer CFA Institute Global Pension Index

System	Overall index value	Sub-index values		
		Adequacy	Sustainability	Integrity
Argentina (42)	41.5	52.7	27.7	43.0
Australia (6)	75.0	67.4	75.7	86.3
Austria (33)	53.0	65.3	23.5	74.5
Belgium (17)	64.5	74.9	36.3	87.4
Brazil (30)	54.7	71.2	24.1	71.2
Canada (12)	69.8	69.0	65.7	76.7
Chile (16)	67.0	57.6	68.8	79.3
China (28)	55.1	62.6	43.5	59.4
Colombia (25)	58.4	62.0	46.2	69.8
Denmark (3)	82.0	81.1	83.5	81.4
Finland (7)	73.3	71.4	61.5	93.1
France (21)	60.5	79.1	41.8	56.8
Germany (14)	67.9	79.3	45.4	81.2
Hong Kong SAR (18)	61.8	55.1	51.1	87.7
Iceland (1)	84.2	82.7	84.6	86.0
India (40)	43.3	33.5	41.8	61.0
Indonesia (35)	50.4	44.7	43.6	69.2
Ireland (13)	68.3	78.0	47.4	82.1
Israel (4)	77.1	73.6	76.1	83.9
Italy (32)	53.4	68.2	21.3	74.9
Japan (36)	49.8	52.9	37.5	61.9

Korea (38)	48.3	43.4	52.7	50.0
Malaysia (23)	59.6	50.6	57.5	76.8
Mexico (37)	49.0	47.3	54.7	43.8
Netherlands (2)	83.5	82.3	81.6	87.9
New Zealand (15)	67.4	61.8	62.5	83.2
Norway (5)	75.2	81.2	57.4	90.2
Peru (29)	55.0	58.8	44.2	64.1
Philippines (41)	42.7	38.9	52.5	35.0
Poland (27)	55.2	60.9	41.3	65.6
Saudi Arabia (26)	58.1	61.7	50.9	62.5
Singapore (10)	70.7	73.5	59.8	81.5
South Africa (31)	53.6	44.3	46.5	78.5
Spain (24)	58.6	72.9	28.1	78.3
Sweden (8)	72.9	67.8	73.7	80.0
Switzerland (11)	70.0	65.4	67.2	81.3
Taiwan (34)	51.8	40.8	51.9	69.3
Thailand (43)	40.6	35.2	40.0	50.0
Turkey (39)	45.8	47.7	28.6	66.7
UAE (22)	59.6	59.7	50.2	72.6
UK (9)	71.6	73.9	59.8	84.4
Uruguay (20)	60.7	62.1	49.2	74.4
USA (19)	61.4	60.9	63.6	59.2
Average	61.0	62.2	51.7	72.1

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About the Mercer CFA Institute Global Pension Index

The Global Pension Index benchmarks retirement income systems around the world highlighting some shortcomings in each system and suggests possible areas of reform that would provide more adequate and sustainable retirement benefits.

The Global Pension Index is a collaborative research project sponsored by [CFA Institute](#), the global association of investment professionals, in collaboration with the [Monash Centre for Financial Studies \(MCFS\)](#), part of Monash Business School at Monash University, and Mercer, a global leader in redefining the world of work and reshaping retirement and investment outcomes.

This year, the Global Pension Index compares 43 retirement income systems across the globe and covers two-thirds (65 per cent) of the world's population. The 2021 Global Pension Index includes four new systems – Iceland, Taiwan, UAE and Uruguay.

The Global Pension Index uses the weighted average of the sub-indices of adequacy, sustainability and integrity to measure each retirement system against more than 50 indicators.

For more information about the Mercer CFA Institute Global Pension Index, [click here](#).

About Mercer

[Mercer](#) believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. Mercer's approximately 25,000 employees are based in 43 countries and the firm operates in 130 countries. Mercer is a business of [Marsh McLennan](#) (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 78,000 colleagues and annual revenue of over \$18 billion. Through its market-leading businesses including [Marsh](#), [Guy Carpenter](#) and [Oliver Wyman](#), Marsh McLennan helps clients navigate an increasingly dynamic and complex environment. For more information, visit www.mercer.com. Follow Mercer on Twitter [@Mercer](#).

About CFA Institute

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behaviour in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 175,000 CFA® charterholders worldwide in more than 160 markets. CFA Institute has nine offices worldwide and there are 160 local member societies. For more information, visit www.cfainstitute.org or follow us on [LinkedIn](#) and Twitter at [@CFAINstitute](#).

About the Monash Centre for Financial Studies (MCFS)

A research centre based within Monash University's Monash Business School, Australia, the MCFS aims to bring academic rigour into researching issues of practical relevance to the financial industry. Additionally, through its engagement programs, it facilitates two-way exchange of knowledge between academics and practitioners. The Centre's developing research agenda is broad but has a current concentration on issues relevant to the asset management industry, including retirement savings, sustainable finance and technological disruption.