

Executive Summary



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After the Covid-19 pandemic, pension reform is back in the spotlight. But although the challenge is a global one, the focus of reform differs: policymakers in industrialized countries are more concerned about sustainability, while those in many emerging markets are faced with the all-important task of broadening the coverage of the pension system in the first place.

We designed the Allianz Pension Index (API) to comprehensively assess the sustainability and adequacy of pension systems. This index is based on three sub-indices and takes into account 40 parameters that are rated on a scale of 1 to 7, with 1 being the best grade. The current edition covers 75 countries and is based on the latest available data as of March 2023.

The first sub-index of the API assesses the pace of demographic change, public indebtedness and general living standards; it therefore reflects the structural preconditions that any pension reform has to take into account. This starting point is most favorable in Israel, the Netherlands and Norway, albeit with an average score of around 3, indicating less-than-stellar preconditions. In Greece, China, Portugal and Italy, on the other hand, the results indicate a need for further reforms amid rapidly aging societies and limited financial leeway to subsidize the social system.

The second sub-index is the sustainability index, which assesses how well a pension system is prepared to cushion the impact of demographic change. The existence of supplementary capital-funded elements, incentives to postpone retirement, the introduction of demographic factors in the adjustment of retirement benefits and the retirement age play a crucial role in this respect. Best performers in this sub-index are Egypt and Indonesia, mainly thanks to the increases in their retirement ages and the introduction of capital-funded elements into their pension systems. At the bottom of the scale are Sri Lanka and the United Arab Emirates, given their low retirement ages and a lack of incentives to postpone retirement.

The third sub-index of the API rates the adequacy of pension systems, questioning whether they provide an adequate living standard in old age. This includes benefit levels, coverage of the pension system, access to financial services and the integration of older workers in the labor market. Denmark and the Netherlands, the countries leading the adequacy ranking, have strong capital-funded second and third pillars. At the bottom of the ranking are emerging markets such as Uzbekistan and Laos, where the coverage of the workforce population is still comparatively low and a great part of the population still has no access to financial services.