



Allianz Pension Index

Pillar III: Adequacy

Coverage is decisive

Financial sustainability is only one side of the coin. As important is the question of whether the pension system provides an adequate standard of living in old age. This is not only determined by the benefit level that a pension provides. In order to assess the adequacy of pension systems we also take into account the coverage ratio of today's and tomorrow's pensioners, the access to financial services – crucial for building up sufficient retirement savings – and the integration of elderly workers in the labor market.

When discussing the adequacy of pension systems, the first thing that comes to mind is the benefit level. According to ILO standards, the benefit ratio of a first-pillar pension should range between 40% and 60% of an

average wage since public pensions are often the only source of income in old age. The latest available OECD statistics indicate that Brazil has one of the most generous pension systems worldwide, with a benefit ratio of 89%. Bahrain, Denmark, the UAE, the Philippines, Luxembourg, Argentina, Qatar, Portugal, Colombia, Italy and Austria complete the list, with the gross benefit level of a male employee who earned 100% of the average wage ranging between 70% and 80%. The "poorest" pensioners can still be found in Kenya, Lebanon and South Africa. In these countries, the gross benefit level is merely 15%. Germany, the US and Japan can also be found in the bottom third of this list, with benefit levels ranging between 30% and just above 40% (see Figure 10).