

ALLIANZ PENSION REPORT 2020

THE SILVER SWAN

Allianz Research
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SAS Health & Retirement Conference 2020

Singapore, September 2, 2020

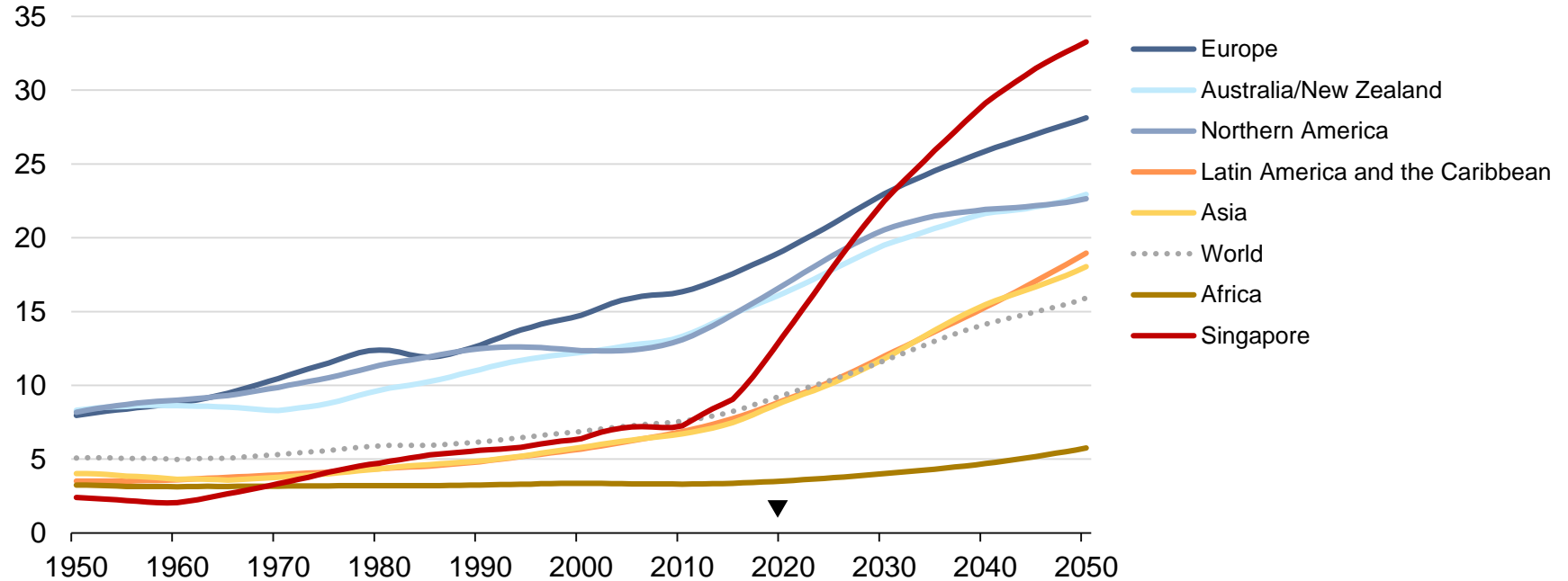
 EULER HERMES

Allianz 



THE WORLD POPULATION IS AGING RAPIDLY

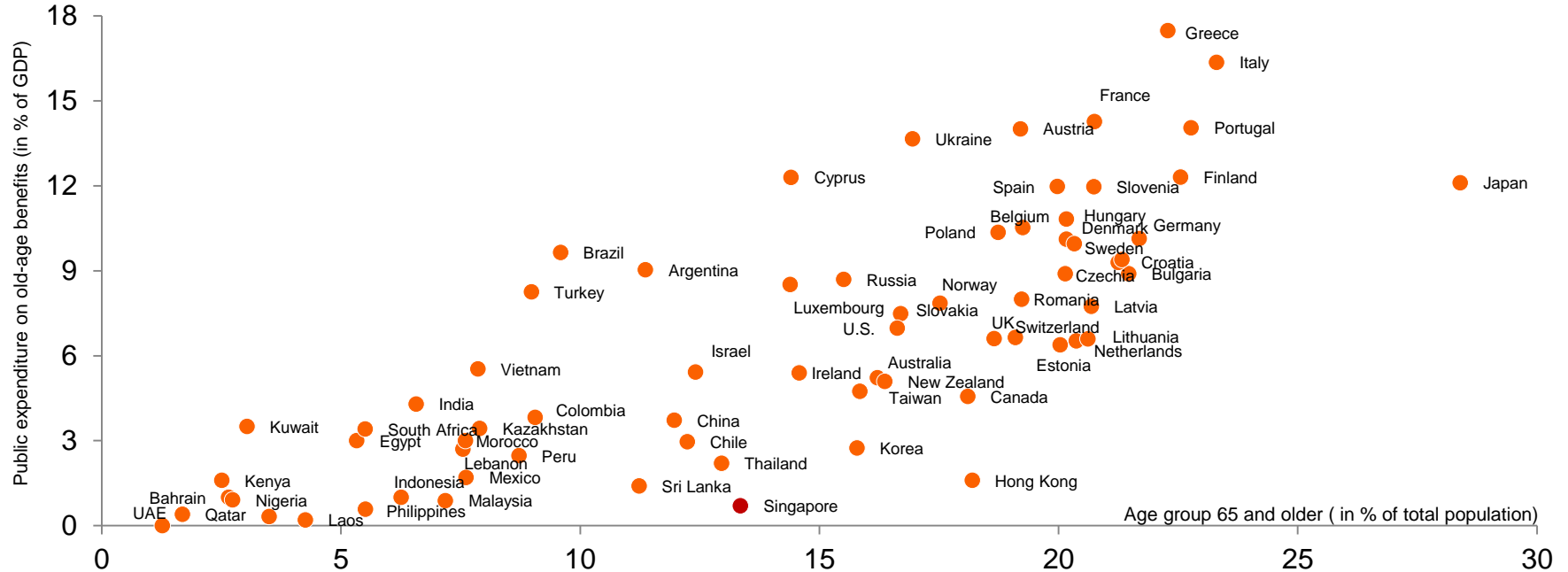
Share of population aged 65 and older (in % of total population)



Source: UN Population Division.

AGING DOES NOT COME CHEAP

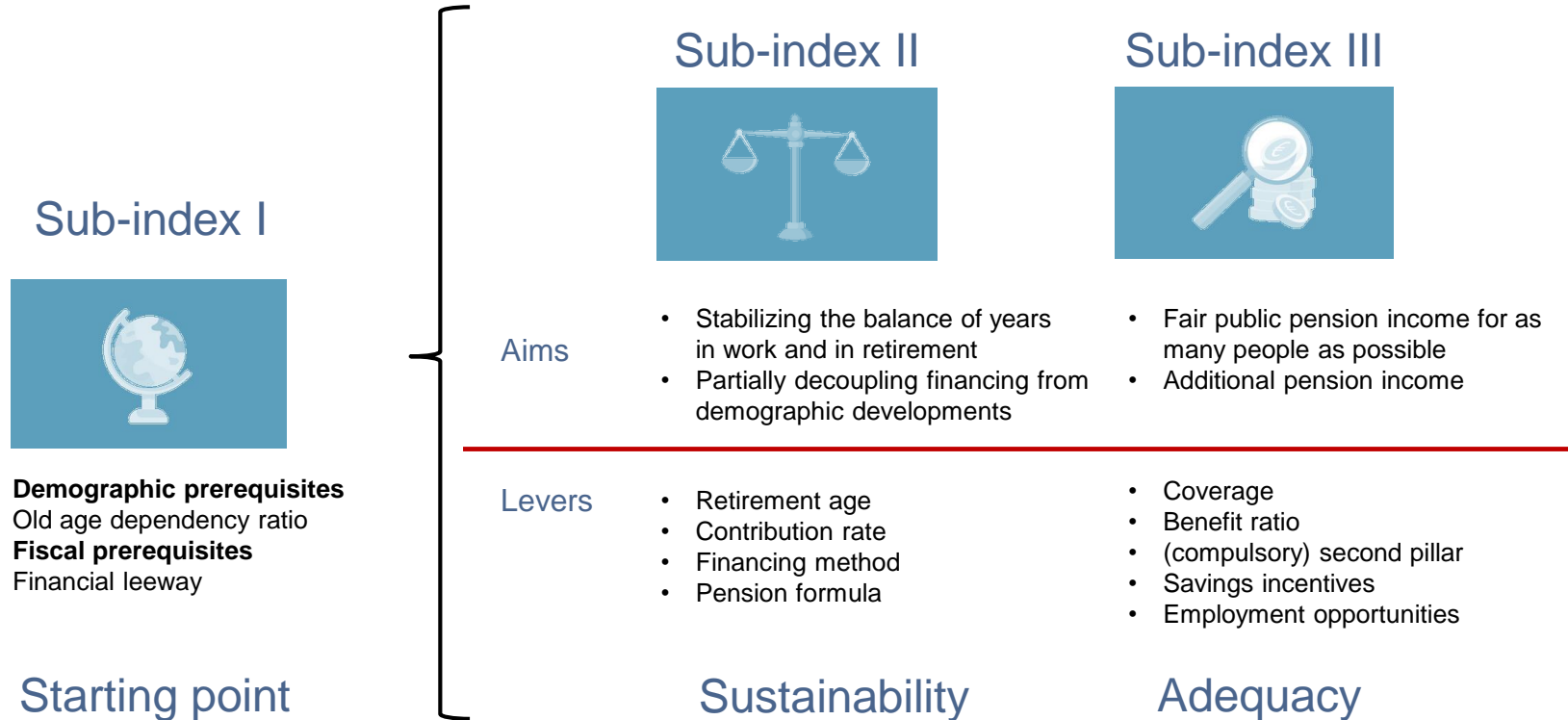
Share of population aged 65 and older in total population and public expenditure for old-age benefits in % of GDP



Sources: UN Population Division, ILO.

HOW WELL ARE PENSION SYSTEMS PREPARED?

The Allianz Pension Index



HOW WE MEASURED THE PREPAREDNESS FOR THE EXPECTED DEMOGRAPHIC CHANGE – THE API

The proprietary **Allianz Pension Index (API)** is designed to comprehensively analyze pension systems in terms of sustainability and adequacy.

The index is based on three sub-indices:

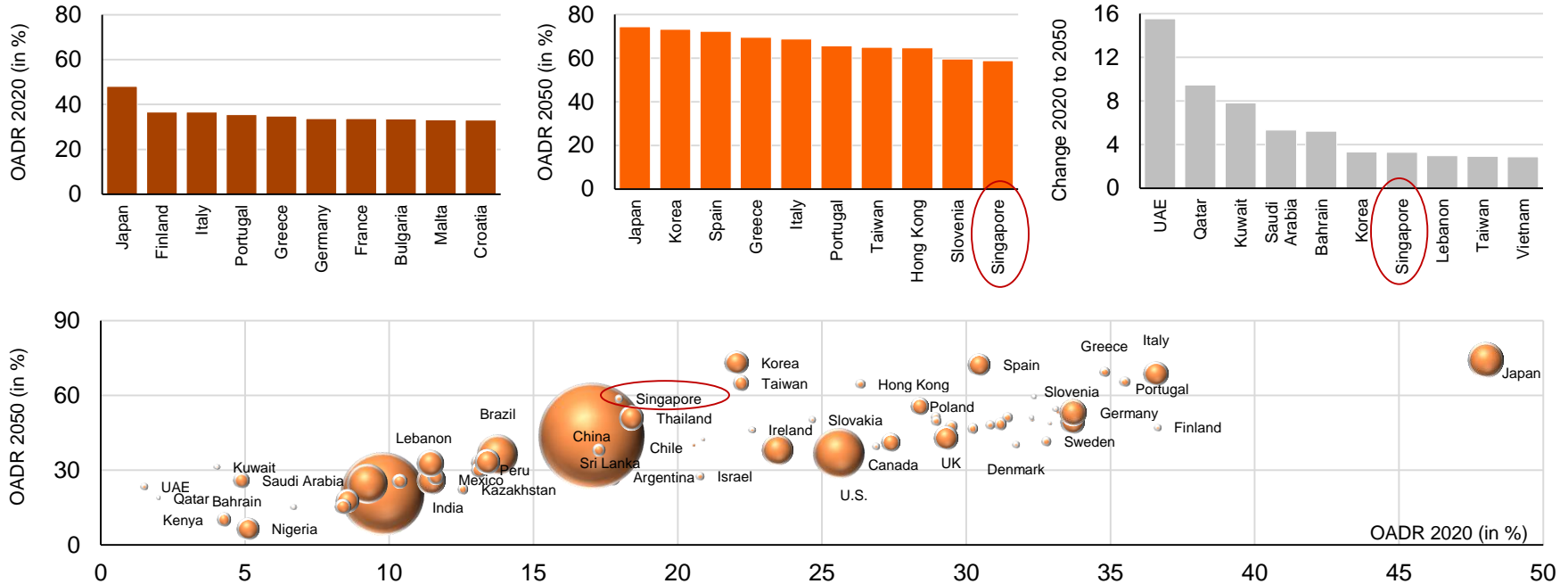
- **Financial and demographic starting points**
(combining demographic change and the public financial situation)
- **Sustainability**
(measuring how pension systems react to demographic change)
- **Adequacy**
(questioning whether the pension system provides an adequate standard of living in old age)

It takes into account 30 parameters, which are rated on a scale of 1 to 7, with 1 being the best grade. 70 countries were analysed, based on the latest available data as of March 2020.

Combining all three sub-indices, the overall results range between 2.9 for Sweden and Belgium and 5.4 for the Lebanon. The trade-off between the sustainability and the adequacy of a pension system still seems to hound most policymakers. Yet, there is no country that stands out in balancing this trade-off.

OLD-AGE DEPENDENCY RATIOS WILL INCREASE

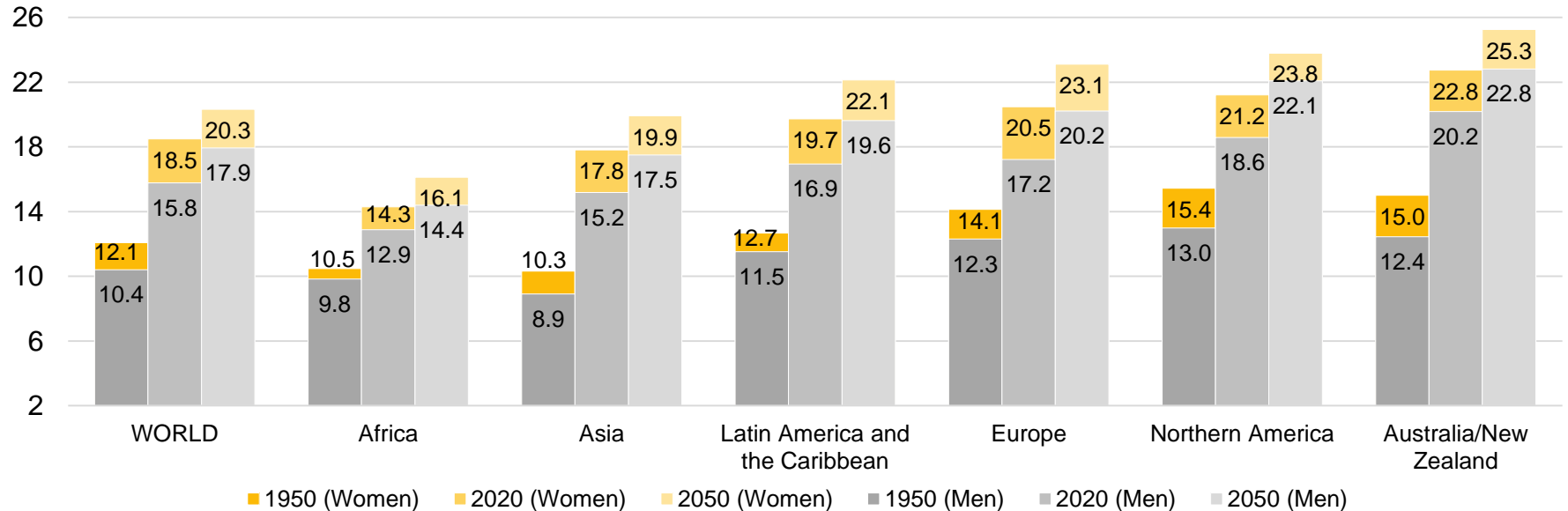
Old-age dependency ratios (population aged 65 and older in % of population aged 15 to 64)



Source: UN Population Division.

THE ELDERLIES ARE GETTING OLDER: FURTHER LIFE EXPECTANCY KEEPS INCREASING

Further life expectancy at age 65 (in years)

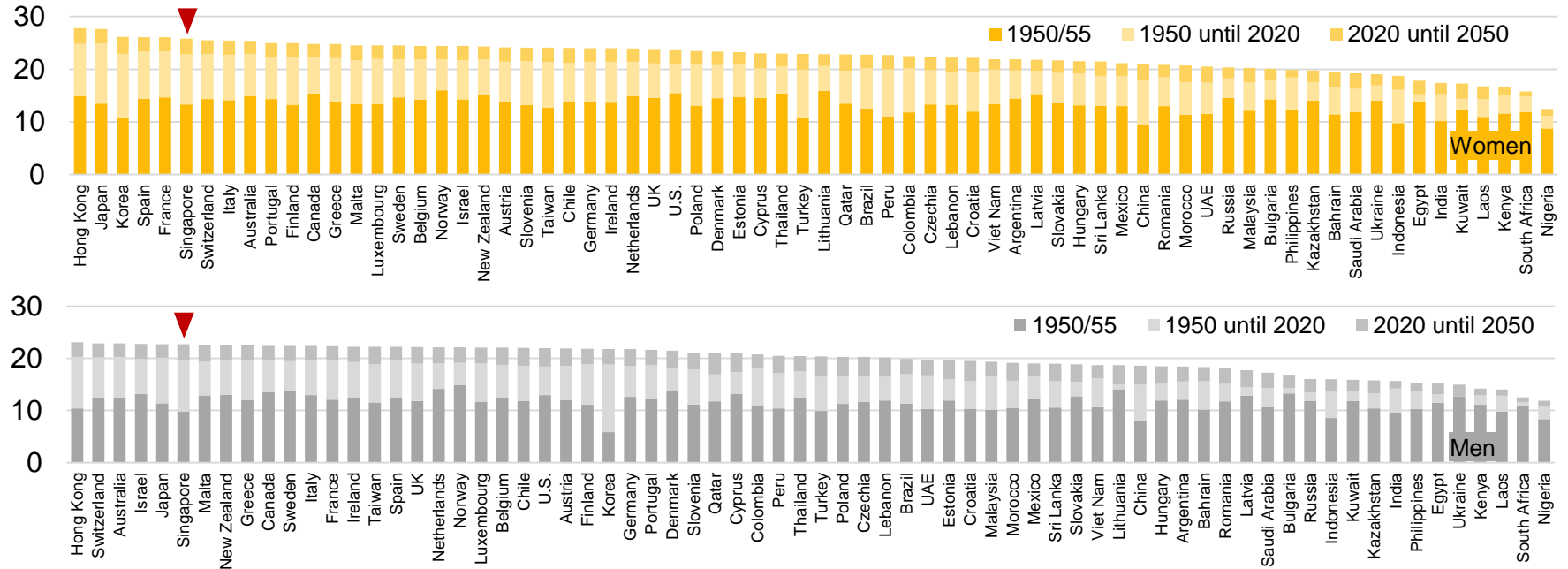


Source: UN Population Division.



SINGAPORE'S RETIREES HAVE ONE OF THE HIGHEST FURTHER LIFE EXPECTANCIES WORLDWIDE

Further life expectancy at age 65, absolute and development (in years)

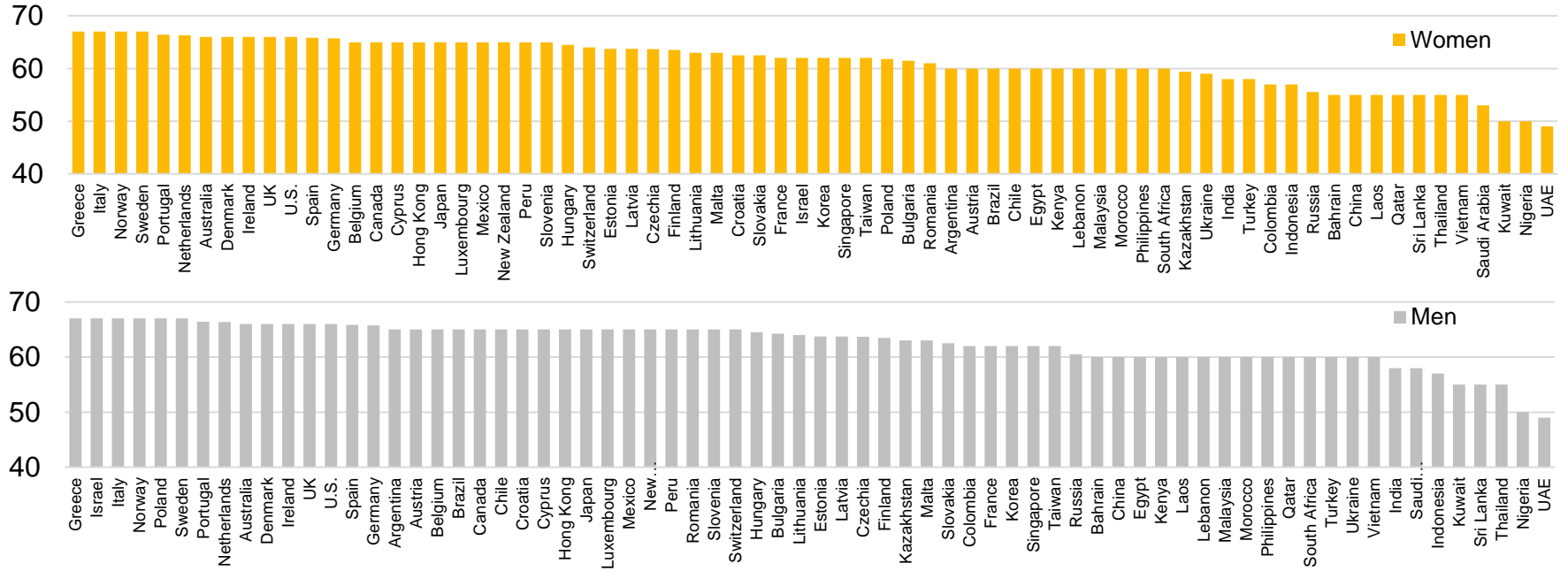


Source: UN Population Division.



LEGAL RETIREMENT AGES IN MANY COUNTRIES DO NOT REFLECT THE GAINS IN LIFE EXPECTANCY

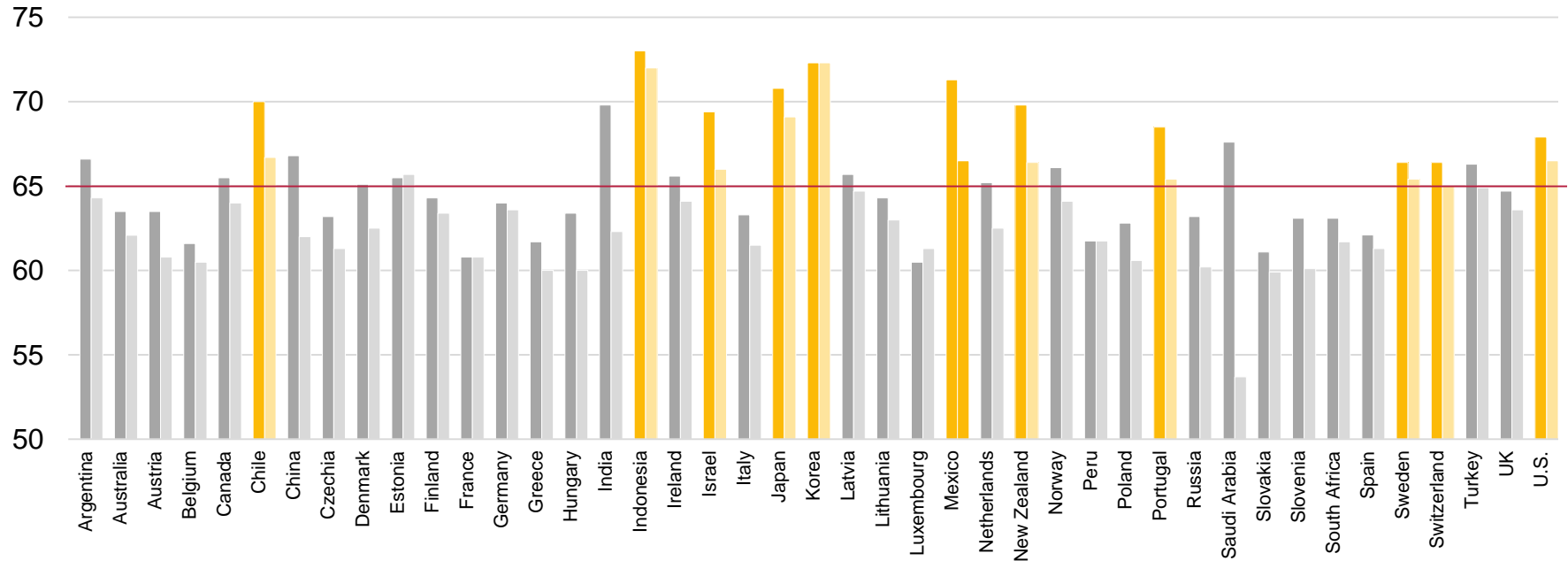
Legal retirement ages (in years)



Source: UN Population Division.

RETIREMENT STARTS IN MOST CASES BEFORE 65

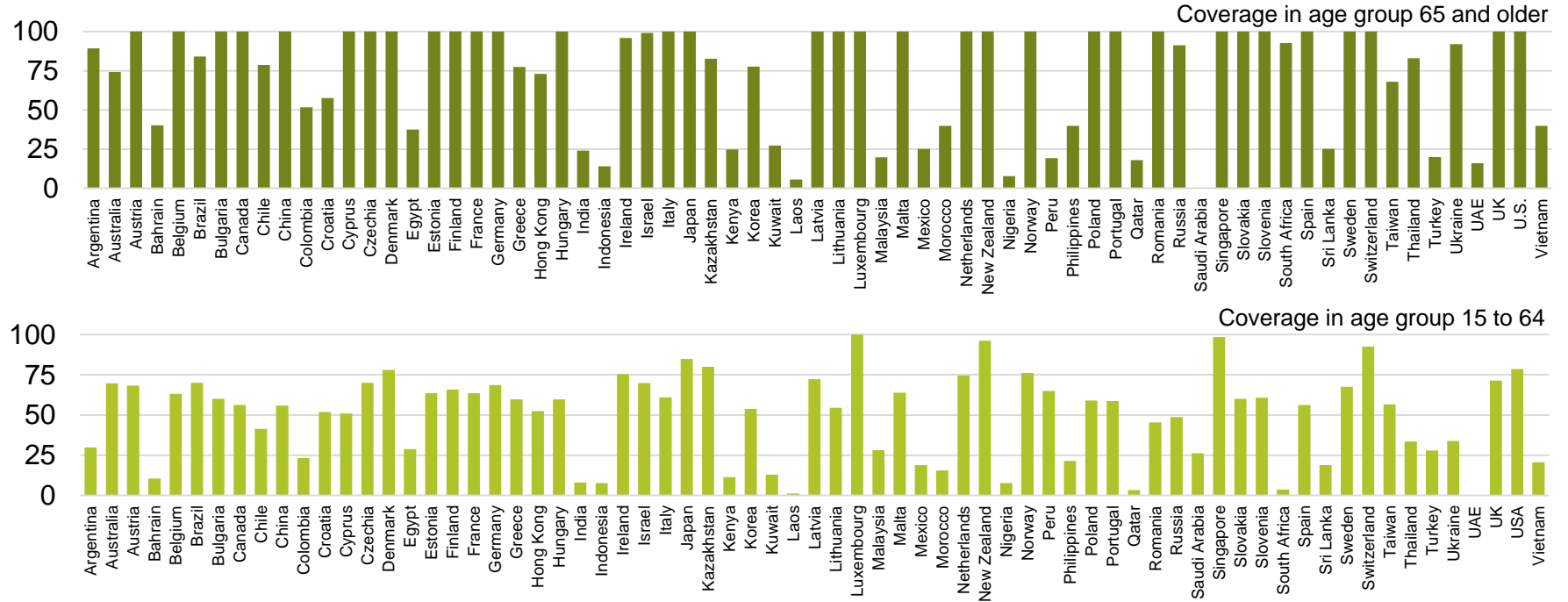
Effective retirement ages (in years)



Source: OECD.

MARKED DIFFERENCES IN PENSION COVERAGE

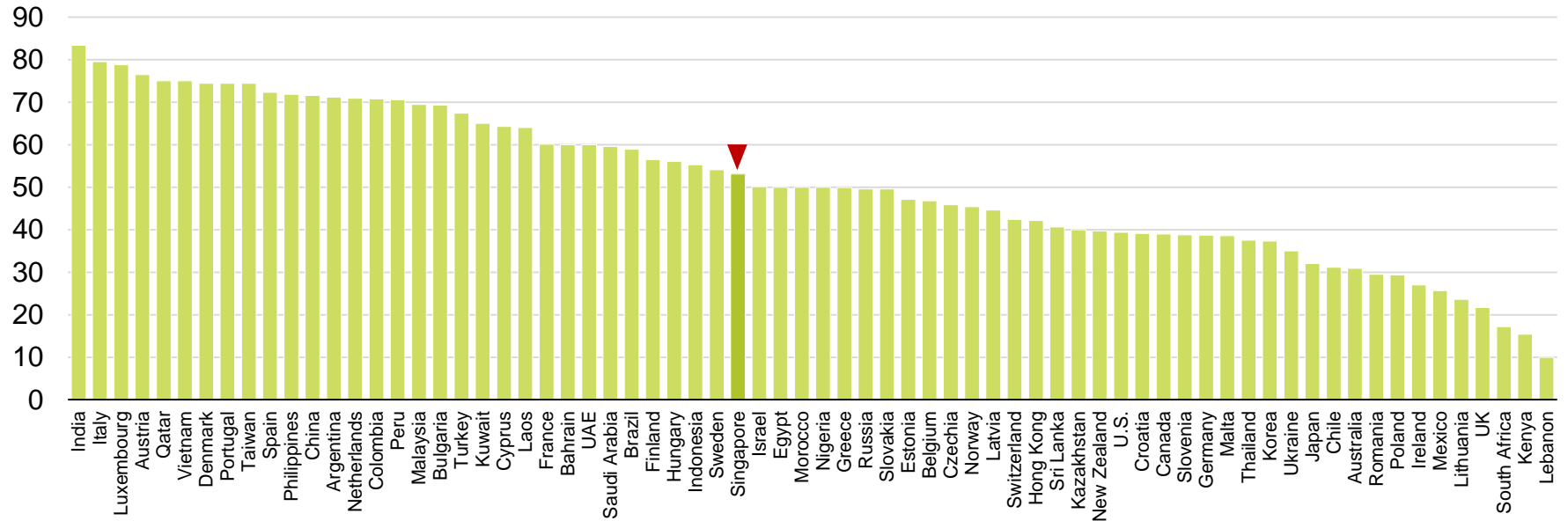
Coverage rates, by age groups



Sources: ILO, national social security providers.

PENSION SYSTEM GENEROSITY IS NOT A QUESTION OF ECONOMIC DEVELOPMENT

Gross benefit ratios (in %)

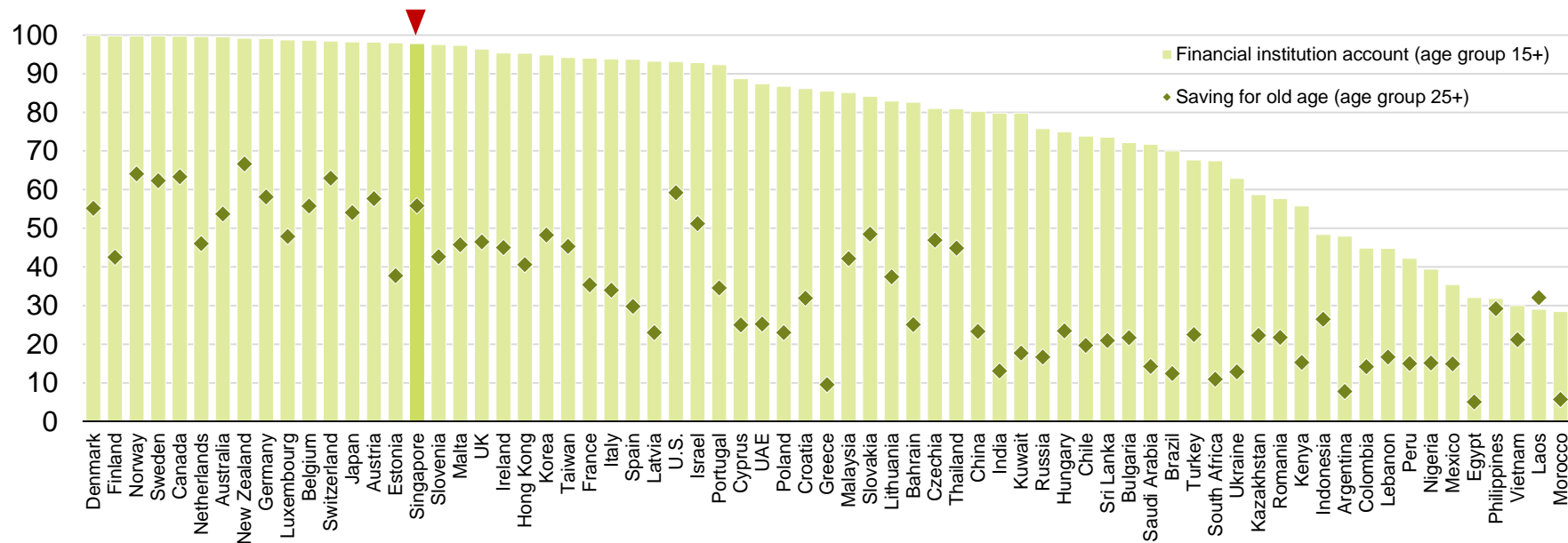


Sources: OECD, national social insurance providers and national statistical offices.

ACCESS TO FINANCIAL SERVICES AND OLD AGE AS SAVINGS MOTIVE



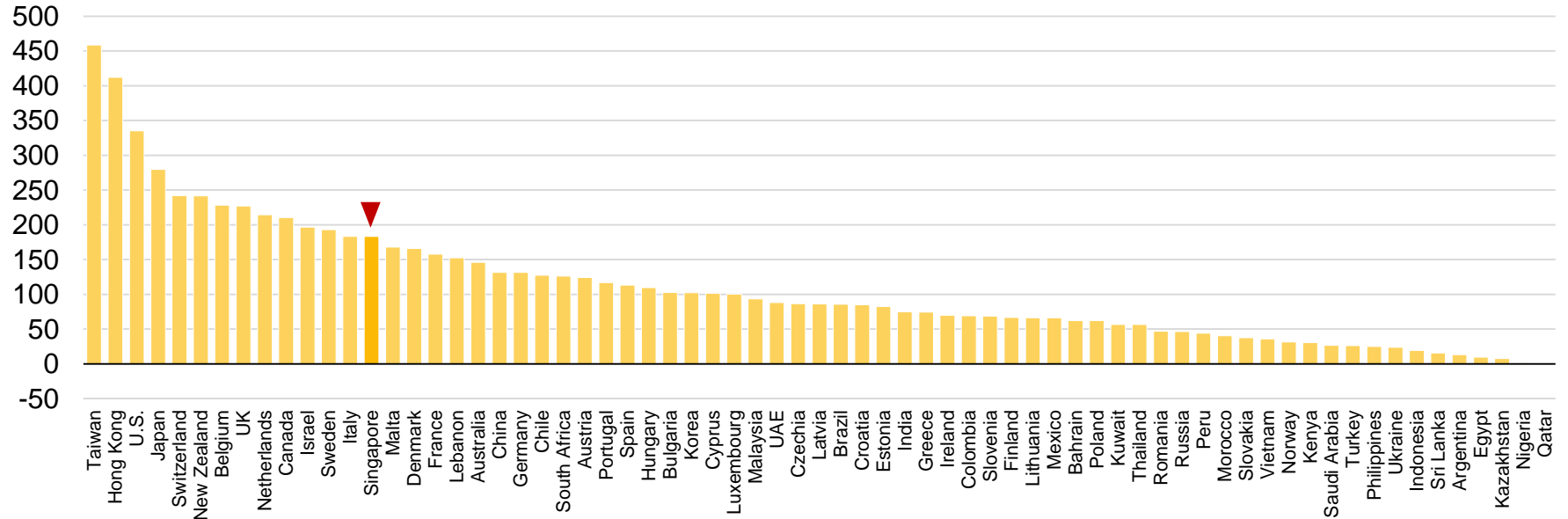
Share of persons with a financial institution account and stating old age provision as savings motive (in % of age group)



Source: Worldbank.

MARKED DIFFERENCES IN PRIVATE HOUSEHOLDS' FINANCIAL WEALTH

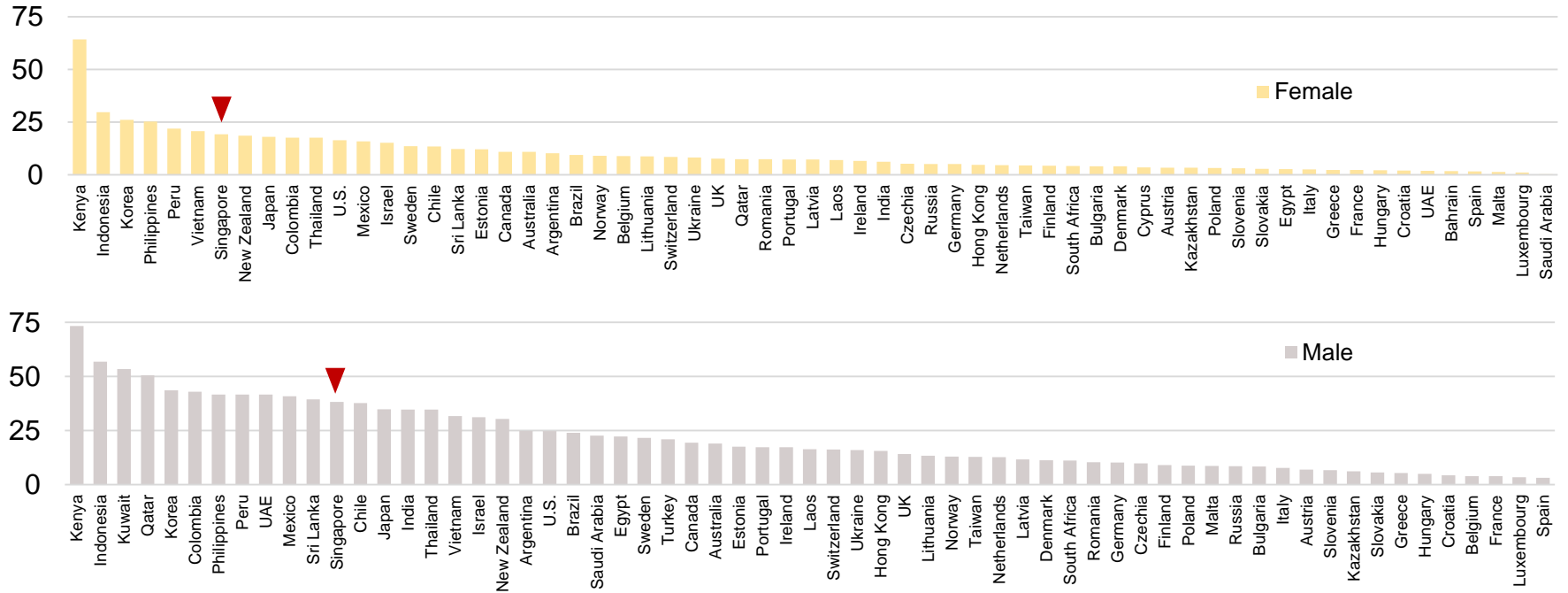
Private households' net financial assets (in % of GDP)



Source: Allianz Global Wealth Report.

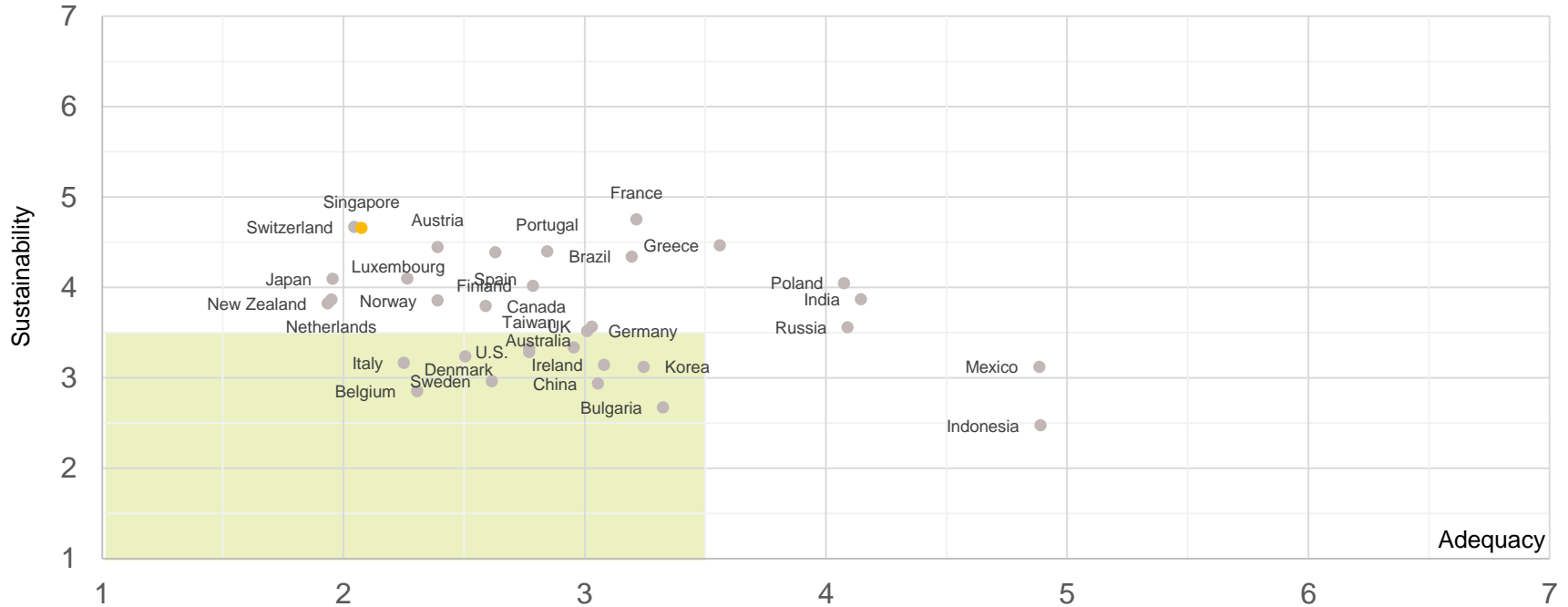
MARKED DIFFERENCE IN ACTIVITY RATES

Activity rates in the age group 65 and older (in %)



Source: ILO.

TRADE-OFF BETWEEN SUSTAINABILITY AND ADEQUACY IN SELECTED COUNTRIES



Source: Allianz Economic Research.

MOST COUNTRIES STILL HAVE TO PREPARE THEIR PENSION SYSTEM FOR THE DEMOGRAPHIC CHANGE

Allianz Pension Index 2020											
COUNTRY	Rank	Result	COUNTRY	Rank	Result	COUNTRY	Rank	Result	COUNTRY	Rank	Result
Sweden	1	2.91	Finland	21	3.49	South Africa	41	3.93	Malaysia	61	4.52
Belgium	2	2.92	Israel	22	3.51	Turkey	42	3.95	Kuwait	62	4.59
Denmark	3	2.96	Switzerland	23	3.52	Brazil	43	3.98	Laos	63	4.63
New Zealand	4	3.00	Japan	24	3.52	Spain	44	3.98	Nigeria	64	4.63
United States	5	3.04	Estonia	25	3.53	Hungary	45	4.05	Bahrain	65	4.70
Australia	6	3.13	Germany	26	3.56	Croatia	46	4.05	Qatar	66	4.78
Netherlands	7	3.13	Lithuania	27	3.57	Slovenia	47	4.07	Saudi Arabia	67	5.03
Norway	8	3.16	Indonesia	28	3.59	Cyprus	48	4.08	Sri Lanka	68	5.18
Bulgaria	9	3.16	Korea	29	3.59	Portugal	49	4.12	United Arab Emirates	69	5.29
Canada	10	3.24	Singapore	30	3.61	Romania	50	4.12	Lebanon	70	5.45
China	11	3.25	Peru	31	3.72	France	51	4.16			
Czech Republic	12	3.26	Malta	32	3.74	Thailand	52	4.18			
Latvia	13	3.27	Russia	33	3.78	Chile	53	4.22			
Ireland	14	3.31	Austria	34	3.84	Poland	54	4.27			
Luxembourg	15	3.35	Mexico	35	3.84	Kenya	55	4.33			
United Kingdom	16	3.36	Egypt	36	3.88	Ukraine	56	4.36			
Slovak Republic	17	3.36	Philippines	37	3.91	Vietnam	57	4.37			
Italy	18	3.39	India	38	3.91	Greece	58	4.43			
Taiwan	19	3.43	Hong Kong SAR	39	3.92	Argentina	59	4.46			
Kazakhstan	20	3.48	Colombia	41	3.93	Morocco	60	4.47			

Rating from 1 to 7, with 1 = best and 7 = worst.

Source: Allianz Pension Report.



BACK UP

THE METHODOLOGY IN DETAIL

Financial and Demographic Starting Point	20%	Budget and Demographic Change	100%	Financial Leeway	40%	Budget Deficit 30%	Public Spending for Old Age 70%			
				Demographic Change	60%	OADR 2019 10%	OADR 2050 40%	Change 2019-2050 50%		
Sustainability	40%	Preconditions	60%	Retirement Age (Men/Women)	80%	MC/TSIR (2020) 10%	MC/TSIR (2050) 40%	Change MC/TSIR (2020 - 2050) 50%		
				Minimum Contribution Period	20%	MCP (Men) 50%	MCP (Women) 50%			
		Finances	40%	Financing	70%	Financing Method 25%	Contribution rates 75%			
				Pension Formula	30%	Early Retirement Deductions 50%	Demographic Factor? 50%			
Adequacy	40%	First Pillar	50%	Coverage	70%	Coverage 65+ 30%	Coverage 15-64 60%	Obligation? 10%		
				Benefits	30%	Gross Benefit Ratio 80%	Minimum Pension 20%			
		Other Pension Income	50%	Second Pillar	20%	Financing Method 80%	Obligation? 20%			
				Financial Assets	70%	Access to Financial Services 30%	Old-age as Savings Motive 10%	Private HH Net Financial Assets 30%	Gini Coefficient 30%	
Gainful Employment	10%			Activity ratio 65+ (M) 50%	Activity Ratio 65+ (W) 50%					

Source: Allianz Economic Research.