

Key results

Pension wealth measures the total value of the lifetime flow of retirement incomes. For average earners, pension wealth for men is 9.3 times annual earnings on average in OECD countries. The figure is higher for women – 10.6 times individual earnings – because of their longer life expectancy.

Replacement rates give an indication of the pension promise, but they are not comprehensive measures; they look only at benefit level at the point of retirement. For a full picture, life expectancy, retirement age and indexation of pensions must also be taken into account. Together, these determine for how long the pension benefit is paid, and how its value evolves over time. Pension wealth – a measure of the stock of future flows of pension benefits – takes account of these factors. It can be thought of as the lump sum needed to buy an annuity giving the same flow of pension payments as promised by mandatory retirement-income schemes.

Gross pension wealth for both men and women is highest in the Netherlands at 17.6 and 20.3 times average earnings, respectively nearly twice the OECD34 figure of 9.3 and 10.6 times earnings. Pension wealth for average earners is lowest in Mexico at around 4.8 times earnings for men and 5.1 for women, due to relatively low replacement rates.

Higher replacement rates mean that pension wealth tends to be higher for low earners than for average earners. For men with half- average earnings, pension wealth is 12.3 times individual earnings on average, compared with 9.3 times for average earners. Similarly, for women with low earnings, pension wealth of 14.1 compares with 10.6 times individual earnings for average earners. In the two countries where pension wealth for low earners is highest (Denmark and Luxembourg), its value is between almost 20 to 21 times individual earnings for men and around 23 times individual earnings for women.

Impact of life expectancy

In countries with shorter life expectancies, such as Hungary, Mexico, Poland, the Slovak Republic and Turkey, the expected duration of retirement is shorter, and so, other things equal, the pension promise becomes more affordable. The effect is the reverse in Switzerland and the Nordic countries, where life expectancies are high. Unlike measures of replacement rates, the link between affordability and life expectancy is captured by the pension-wealth indicator.

Similarly, since women's life expectancy is longer relative to men, their pension wealth is relatively higher in all countries. This is simply because pension

benefits can be expected to be paid over a longer retirement period. Also, some countries still have lower retirement ages for women; this extends the payment period even further.

Pension wealth is also affected by pension ages. A low retirement age such as in Luxembourg increases the pension wealth. Many countries have therefore increased or plan to increase the legislative pension ages to reduce pension wealth and increase the financial stability of pension schemes.

Impact of indexation

Pension wealth is also affected by indexation rules. Although most OECD countries now index pensions in payment to prices, there are exceptions: Luxembourg, for example links pensions to average earnings, while six countries, comprising Australia, the Czech Republic, Estonia, Finland, the Slovak Republic and Switzerland, index to a mix of price inflation and earnings growth. In normal times, at least, earnings tend to grow faster than prices, so that pension wealth is higher with these more generous indexation procedures than with price indexation.

Different indexation policies also affect the pension wealth of women relative to men. Women's longer life expectancy means that they tend to benefit more from more generous indexation procedures (above price inflation, for example).

Variations are again seen among non-OECD countries with South Africa at only 1.3 times individual earnings for average earners for men and 1.6 for women and Saudi Arabia at 18.4 times individual earnings for men and 19.3 for women. The low value for South Africa results from a combination of the low replacement rate and low life expectancy.


Definition and measurement

The calculation of pension wealth uses a uniform discount rate of 2%. Since the comparisons refer to prospective pension entitlements, the calculations use country-specific mortality rates by age and sex projected for the year 2060, using the latest UN population data. Pension wealth is expressed as a multiple of gross annual individual earnings.

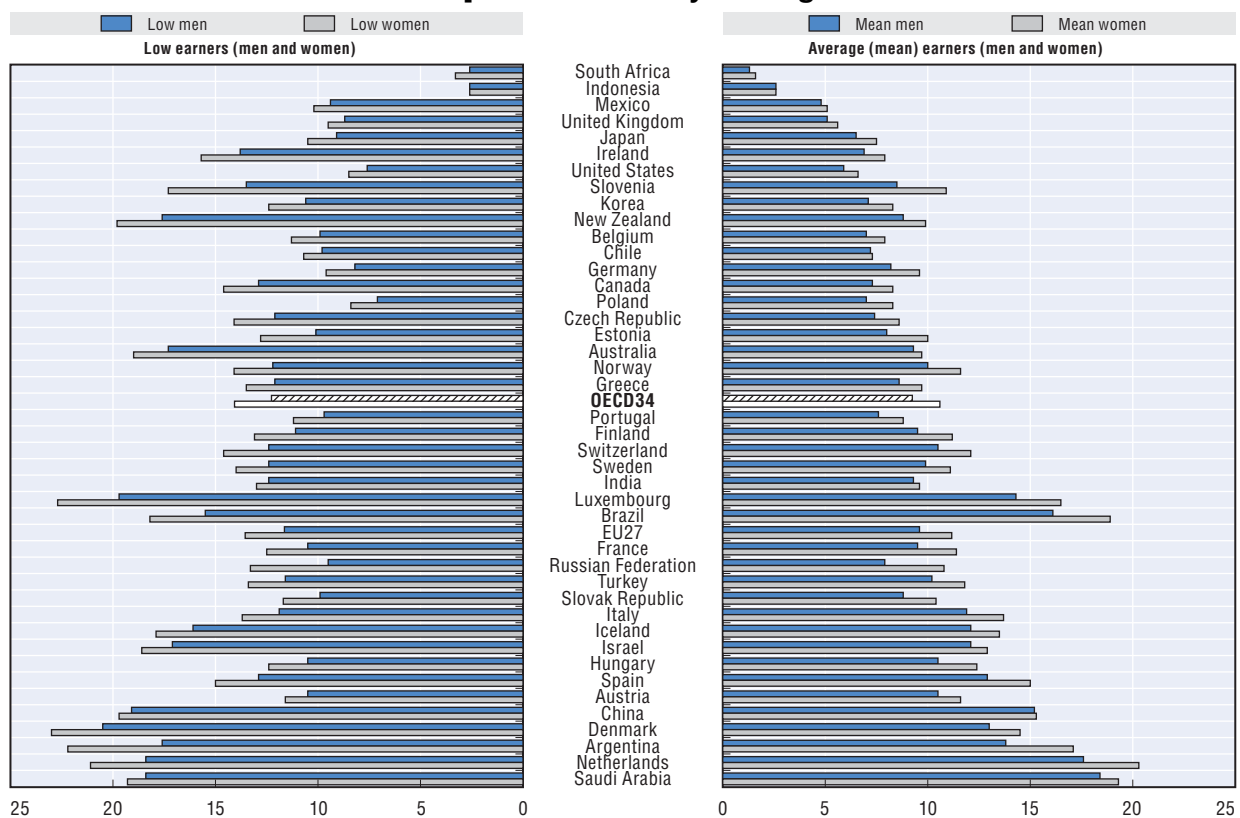
4.13. Gross pension wealth by earnings

	Individual earnings, multiple of mean						Individual earnings, multiple of mean													
	0.5			1.0			0.5			1.0			1.5							
	Men			Women			Men			Women										
OECD members													OECD members (cont.)							
Australia	17.3	9.3	6.6	19.0	9.7	6.6	Norway	12.2	10.0	7.9	14.1	11.6	9.1	Poland	7.1	7.0	7.0	8.4	8.3	8.3
Austria	10.5	10.5	10.1	11.6	11.6	11.2	Portugal	9.7	7.6	8.1	11.2	8.8	9.1	Slovak Republic	9.9	8.8	8.5	11.7	10.4	10.0
Belgium	9.9	7.0	5.1	11.3	7.9	5.8	Slovenia	13.5	8.5	8.0	17.3	10.9	10.2	Spain	12.9	12.9	12.9	15.0	15.0	15.0
Canada	12.9	7.3	4.9	14.6	8.3	5.5	Sweden	12.4	9.9	12.0	14.0	11.1	13.4	Switzerland	12.4	10.5	7.0	14.6	12.1	8.1
Chile	9.8	7.2	6.4	10.7	7.3	6.2	Turkey	11.6	10.2	10.2	13.4	11.8	11.8	United Kingdom	8.7	5.1	3.5	9.5	5.6	3.8
Czech Republic	12.1	7.4	5.8	14.1	8.6	6.8	United States	7.6	5.9	5.1	8.5	6.6	5.7	OECD34	12.3	9.3	8.2	14.1	10.6	9.4
Denmark	20.5	13.0	10.4	23.0	14.5	11.6	Other major economies							Argentina	17.6	13.8	12.5	22.2	17.1	15.4
Estonia	10.1	8.0	7.2	12.8	10.0	9.1	Brazil	15.5	16.1	17.3	18.2	18.9	20.3	China	19.1	15.2	13.9	19.7	15.3	13.8
Finland	11.1	9.5	9.5	13.1	11.2	11.2	China	19.1	15.2	13.9	19.7	15.3	13.8	India	12.4	9.3	8.2	13.0	9.6	8.4
France	10.5	9.5	7.7	12.5	11.4	9.2	Indonesia	2.6	2.6	2.6	2.6	2.6	2.6	Indonesia	2.6	2.6	2.6	2.6	2.6	2.6
Germany	8.2	8.2	8.2	9.6	9.6	9.6	Russian Federation	9.5	7.9	7.3	13.3	10.8	10.0	Russian Federation	9.5	7.9	7.3	13.3	10.8	10.0
Greece	12.1	8.6	7.5	13.5	9.7	8.4	Saudi Arabia	18.4	18.4	18.4	19.3	19.3	19.3	Saudi Arabia	18.4	18.4	18.4	19.3	19.3	19.3
Hungary	10.5	10.5	10.5	12.4	12.4	12.4	South Africa	2.6	1.3	0.9	3.3	1.6	1.1	South Africa	2.6	1.3	0.9	3.3	1.6	1.1
Iceland	16.1	12.1	11.7	17.9	13.5	13.0	EU27	11.6	9.6	8.8	13.6	11.2	10.2	EU27	11.6	9.6	8.8	13.6	11.2	10.2
Ireland	13.8	6.9	4.6	15.7	7.9	5.2														
Israel	17.1	12.1	8.1	18.6	12.9	8.6														
Italy	11.9	11.9	11.9	13.7	13.7	13.7														
Japan	9.1	6.5	5.6	10.5	7.5	6.5														
Korea	10.6	7.1	5.2	12.4	8.3	6.1														
Luxembourg	19.7	14.3	13.5	22.7	16.5	15.5														
Mexico	9.4	4.8	4.6	10.2	5.1	4.6														
Netherlands	18.4	17.6	17.4	21.1	20.3	20.0														
New Zealand	17.6	8.8	5.9	19.8	9.9	6.6														

Source: OECD pension models.


StatLink  <http://dx.doi.org/10.1787/888932907452>

4.14. Gross pension wealth by earnings and sex



Note: Countries are ranked in order of gross pension replacement rates (GRR) of average earners, i.e. mean GRR in Figure 4.2.

Source: OECD pension models.

StatLink  <http://dx.doi.org/10.1787/888932907471>



From:
Pensions at a Glance 2013
OECD and G20 Indicators

Access the complete publication at:
https://doi.org/10.1787/pension_glance-2013-en

Please cite this chapter as:

OECD (2013), "Gross pension wealth", in *Pensions at a Glance 2013: OECD and G20 Indicators*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/pension_glance-2013-18-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.