

HEALTH WEALTH CAREER

2016 INTERNATIONAL SOCIAL SECURITY CONFERENCE

Demographic and Social Changes

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CEO Mercer Malaysia

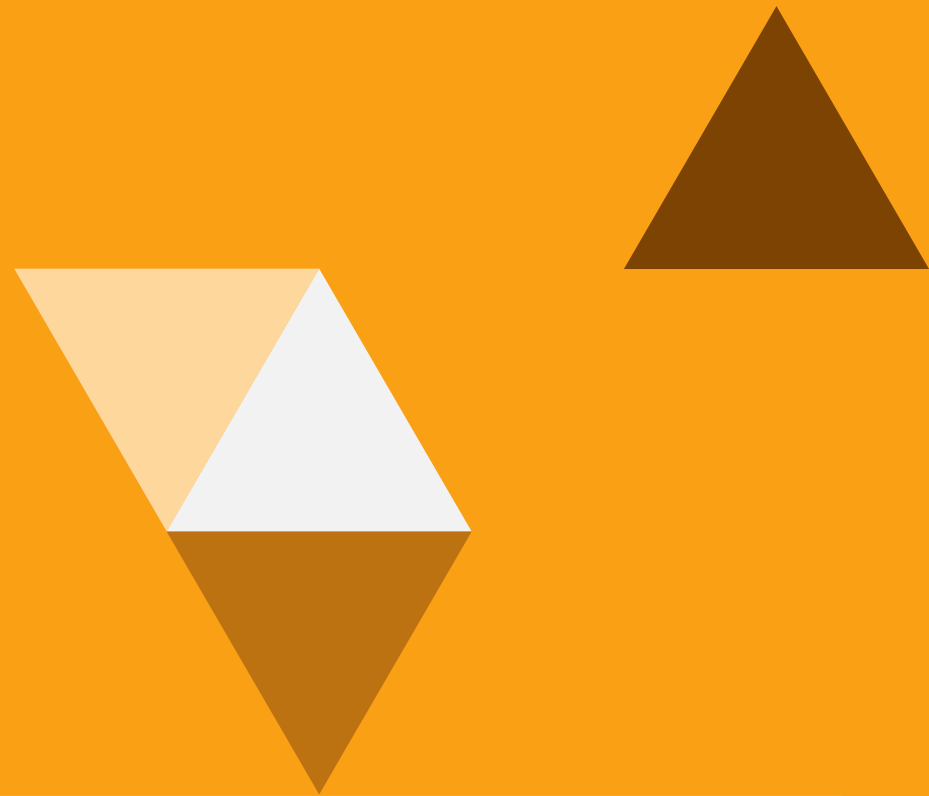
AUGUST 2016
KUALA LUMPUR

MAKE TOMORROW, TODAY  MERCER

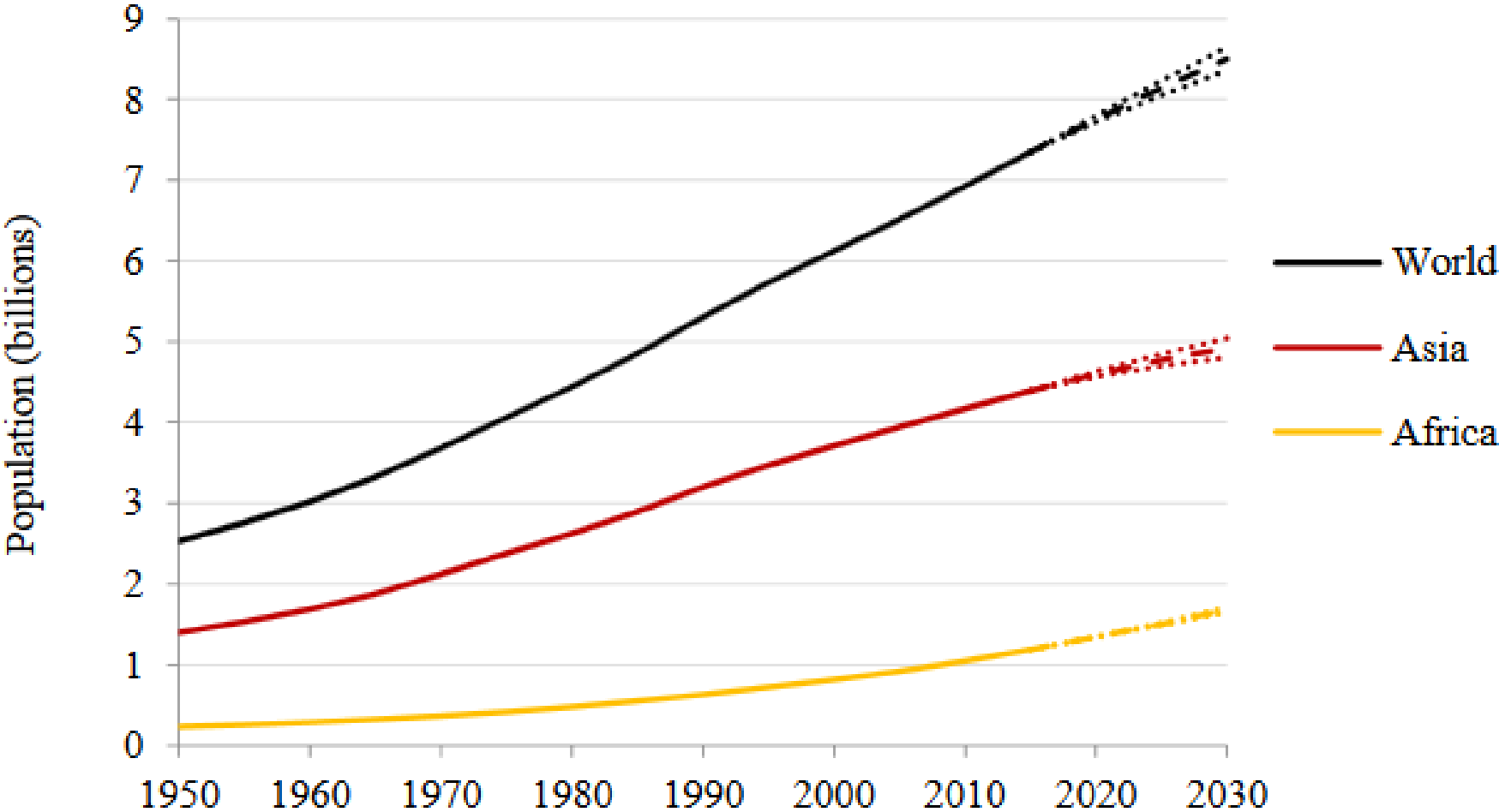
AGENDA

- **Demographic Changes/The Aging Crisis**
- **What is the Savings Gap today?**
- **Overview of Retirement Systems in Asia**
- **What can be done?**

THE AGING CRISIS

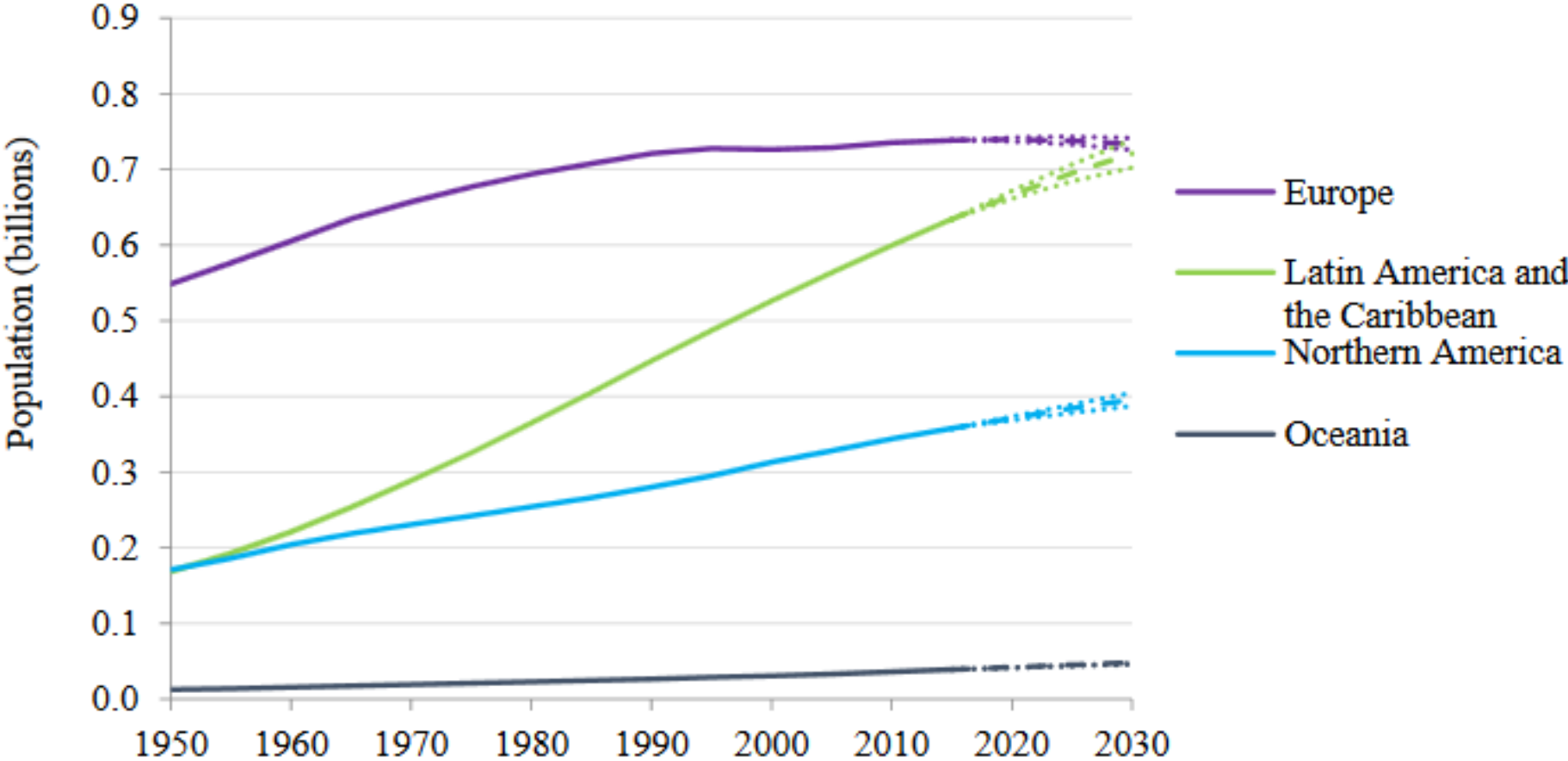


WORLD POPULATION GROWTH 2030



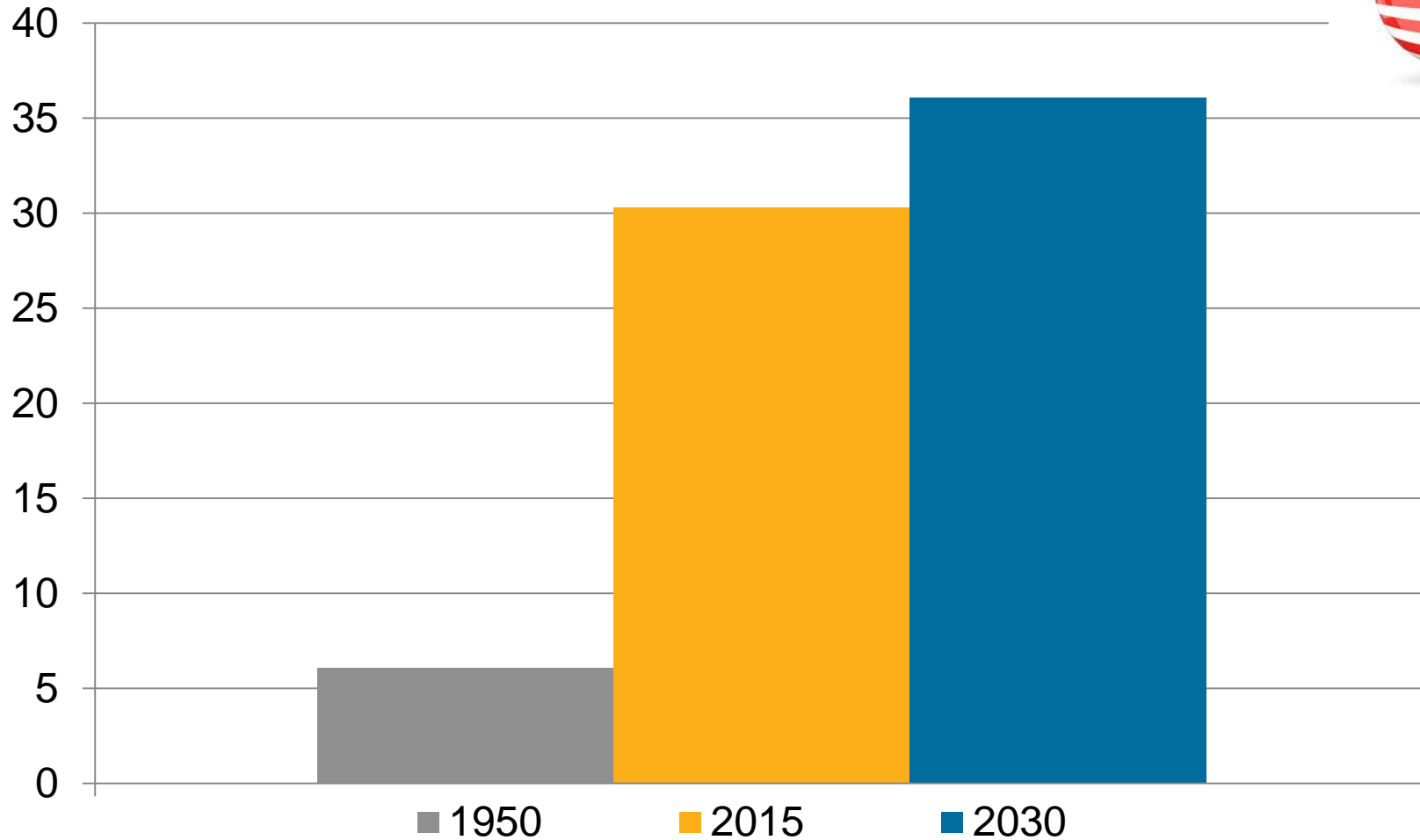
SOURCE: UN DEPT OF ECONOMIC AND SOCIAL AFFAIRS, 2015

WORLD POPULATION GROWTH 2030



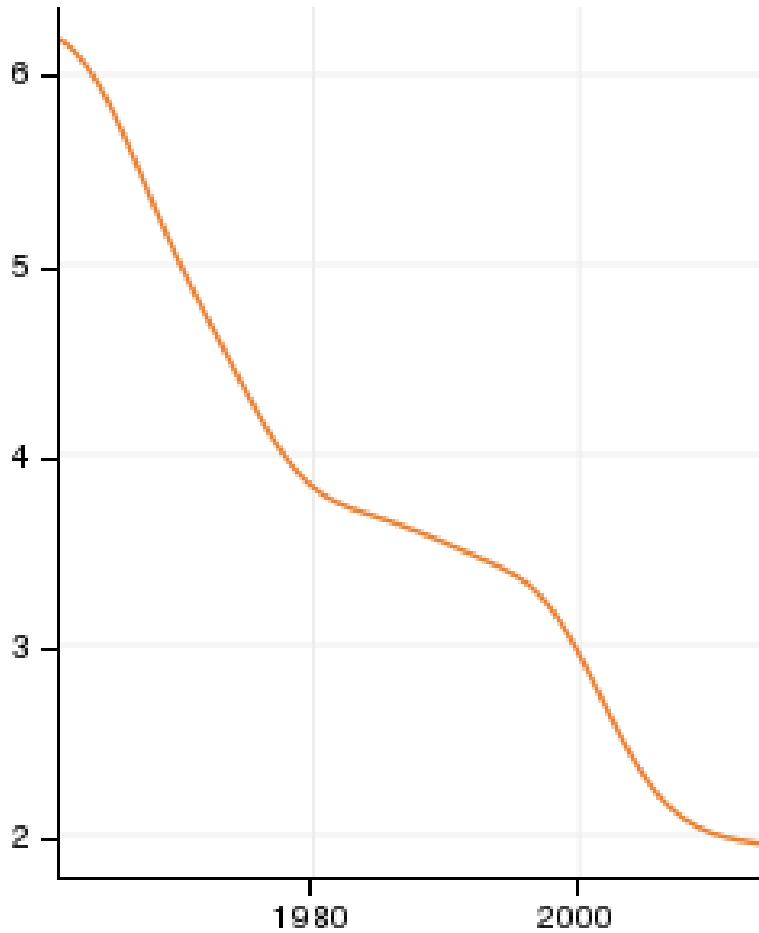
SOURCE: UN DEPT OF ECONOMIC AND SOCIAL AFFAIRS, 2015

POPULATION 2030 (MILLIONS)



SOURCE: UN DEPT OF ECONOMIC AND SOCIAL AFFAIRS, 2015

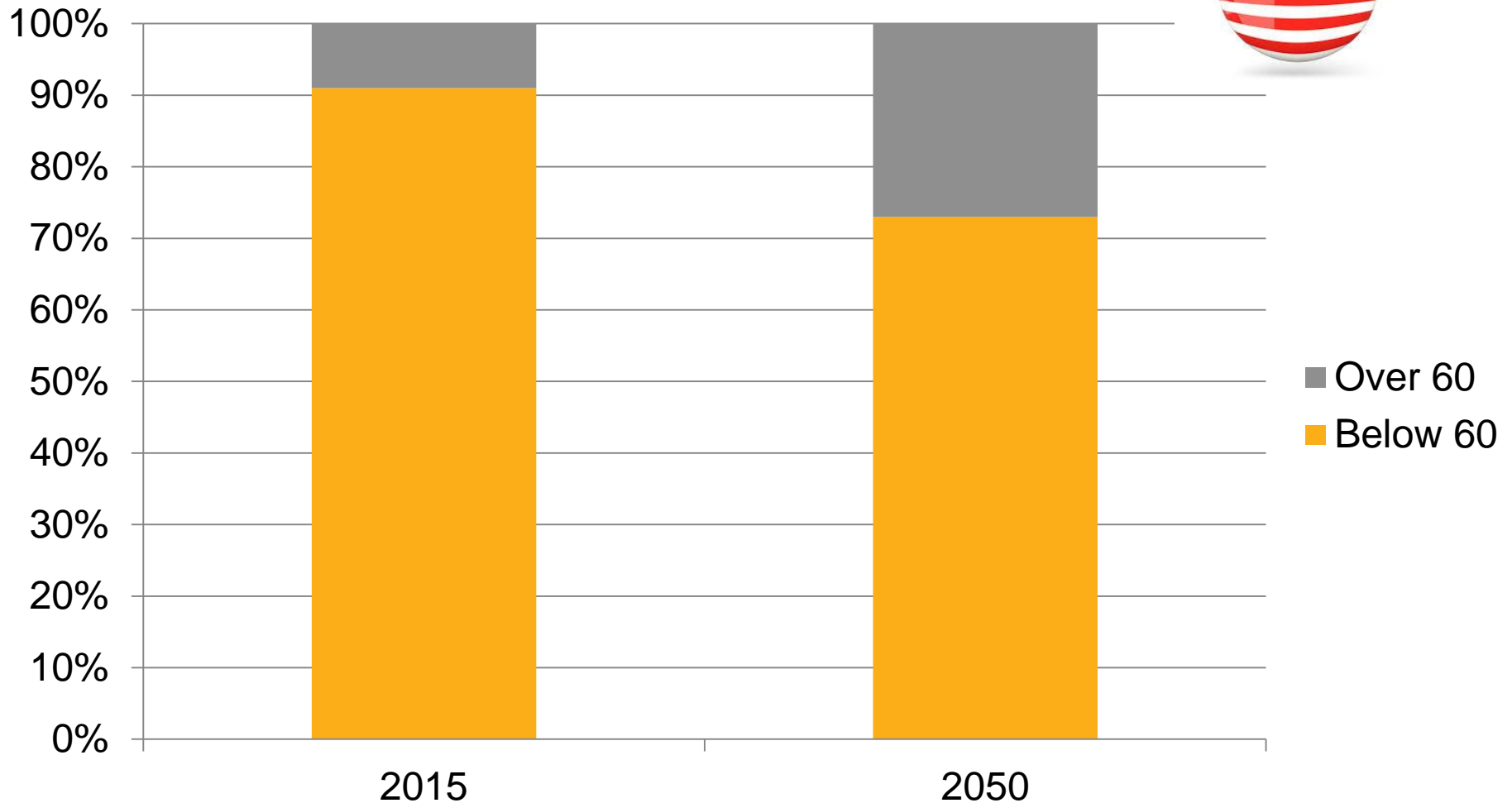
FERTILITY RATE FALLING



FERTILITY RATE
CONTINUES TO FALL

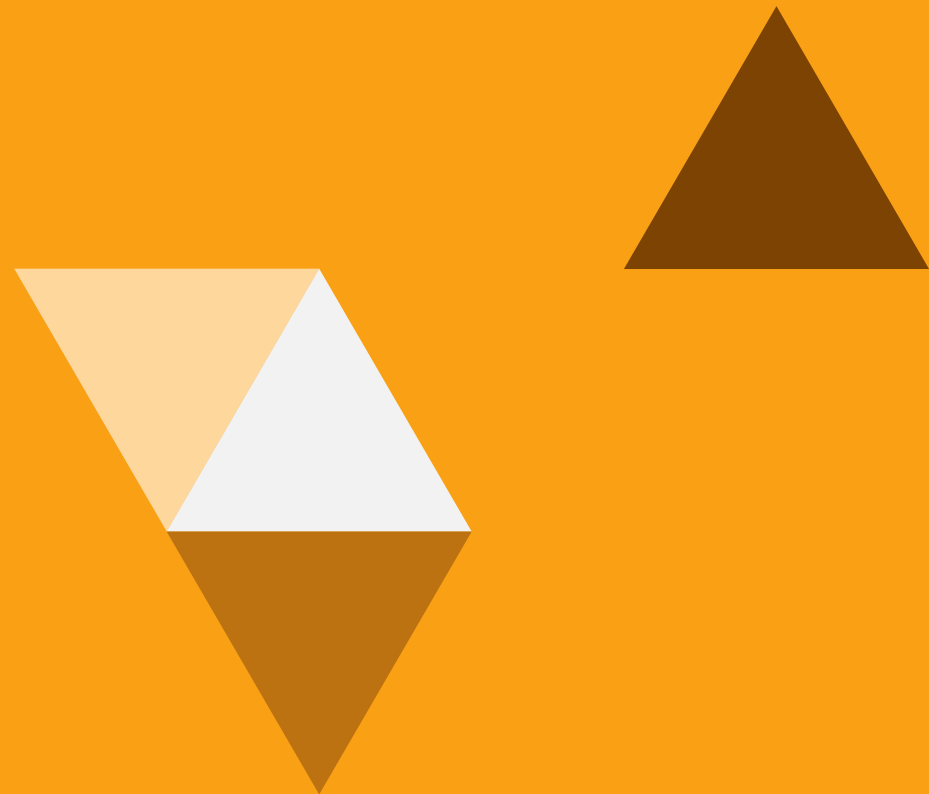
SOURCE: UN DEPT OF ECONOMIC AND SOCIAL AFFAIRS, 2015

OVER 1 IN 4 RETIRED IN 2050



SOURCE: UN DEPT OF ECONOMIC AND SOCIAL AFFAIRS, 2015

THE SAVINGS GAP



DO YOU HAVE A RETIREMENT SAVINGS TARGET?

1. YES

2. NO

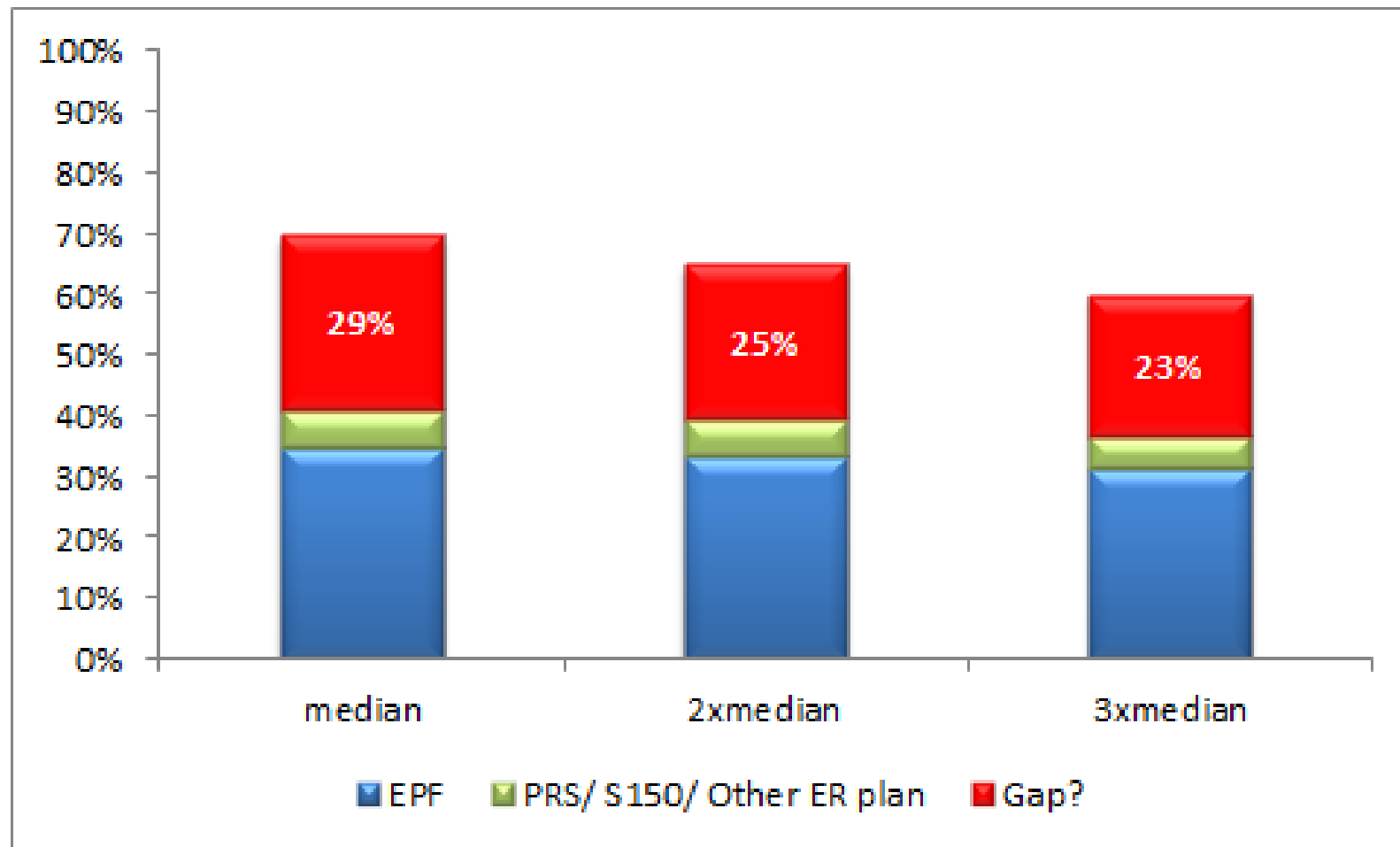
WHATS A REASONABLE RETIREMENT INCOME?

1. Up to 50% of salary
2. From 50% to 70% of salary
3. Over 70% of salary

HOW LONG WILL A MALAYSIAN MALE LIVE FOR (ON AVERAGE AFTER 55)

1. Up to 15 years
2. Between 15 and 20 years
3. Over 20 years

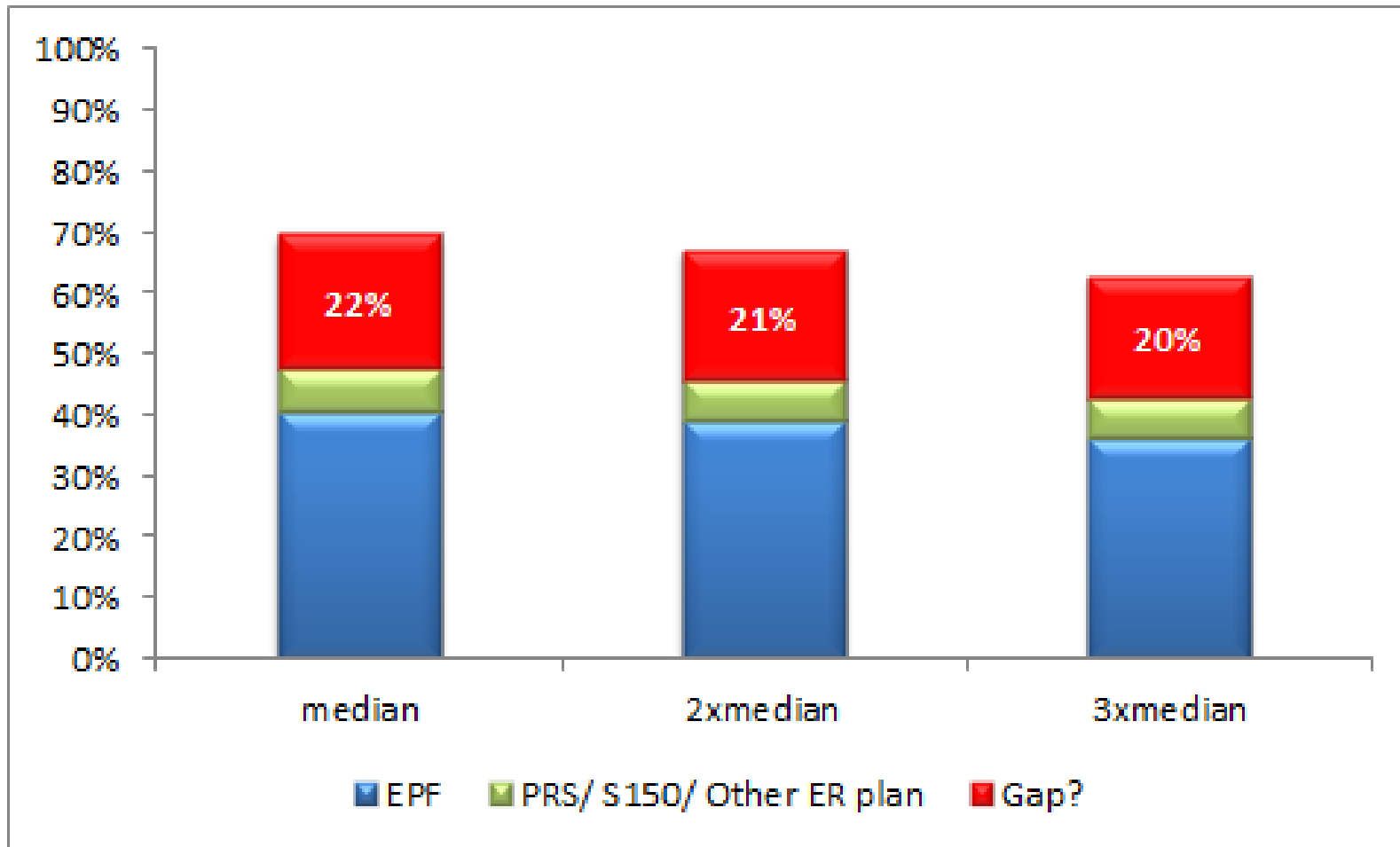
THE SAVINGS GAP – RETIRE AT 55



- **Significant shortfall at all salary levels; assumes 30 years of contributions to EPF**

SOURCE: MERCER ANALYSIS

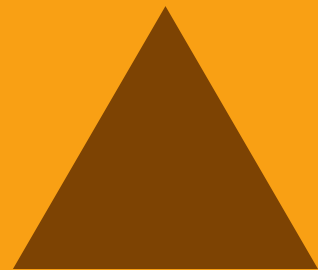
THE SAVINGS GAP – RETIRE AT 60



- **5 YEARS MAKES A BIG DIFFERENCE; assumes 35 years of contributions to EPF**

SOURCE: MERCER ANALYSIS

RETIREMENT SYSTEMS



MELBOURNE MERCER GLOBAL PENSION INDEX



- ▶ Benefits
- ▶ Savings
- ▶ Tax support
- ▶ Benefit design
- ▶ Growth assets

- ▶ Coverage
- ▶ Total assets
- ▶ Contributions
- ▶ Demography
- ▶ Government debt

- ▶ Regulation
- ▶ Governance
- ▶ Protection
- ▶ Communication
- ▶ Costs

ADEQUACY

40%

SUSTAINABILITY

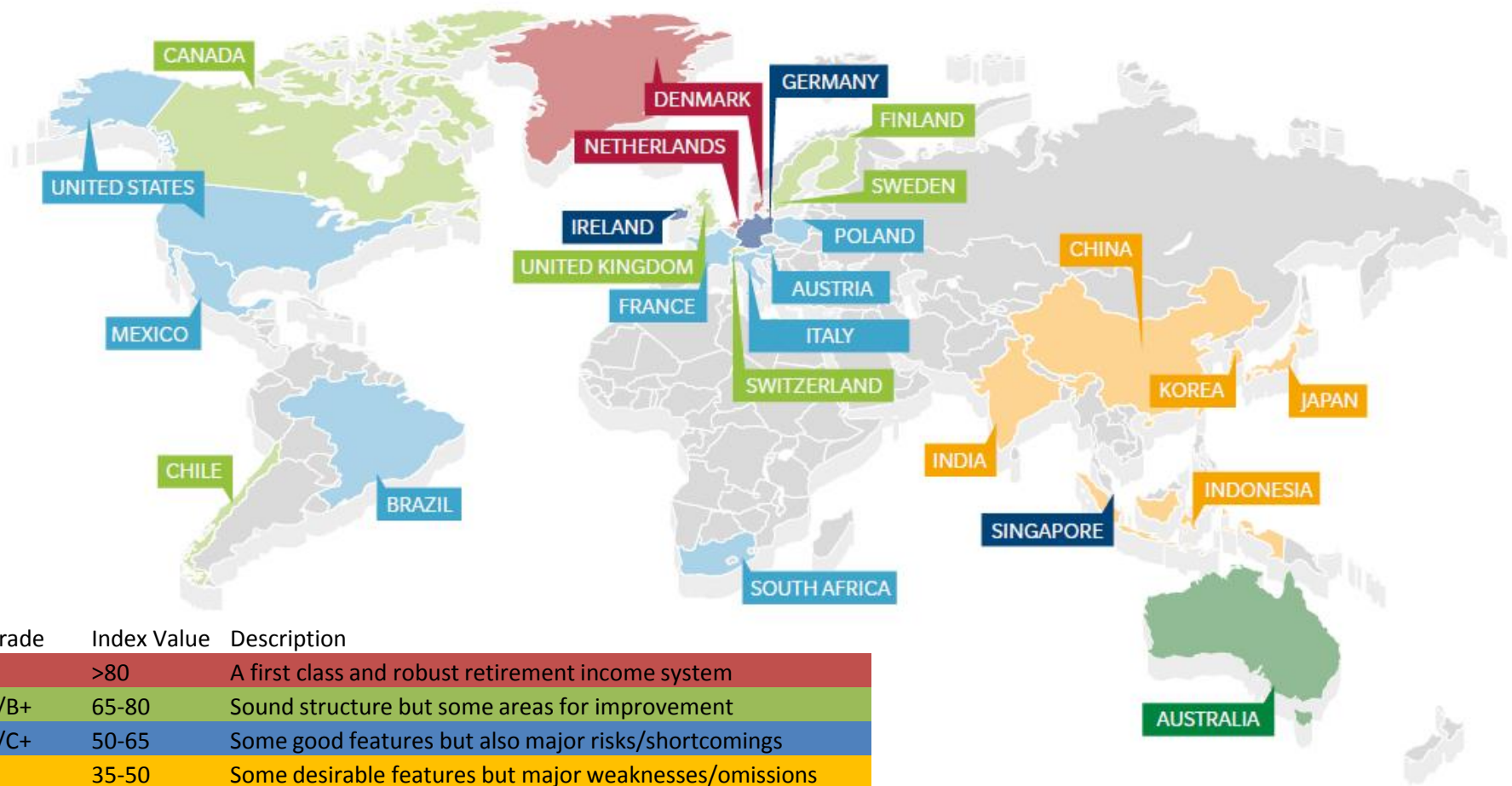
35%

INTEGRITY

25%

MELBOURNE MERCER
GLOBAL PENSION INDEX

MELBOURNE MERCER GLOBAL PENSION INDEX – 2015 REPORT



Grade	Index Value	Description
A	>80	A first class and robust retirement income system
B/B+	65-80	Sound structure but some areas for improvement
C/C+	50-65	Some good features but also major risks/shortcomings
D	35-50	Some desirable features but major weaknesses/omissions
E	<35	Poor system, may be early stage of development

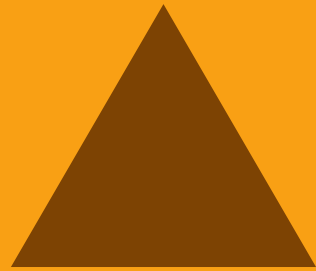
RETIREMENT ACROSS ASIA

Country/ Territory	Retirement Age	Expected Time in Retirement (Men)	(Pillar 1) Social/State Pension	(Pillar 2) Mandatory Occupational Plan	(Pillar 3) Voluntary Occupational Plan	Pension Assets US\$/billion
Malaysia	55	24	No	Yes (DC Lump Sum)	Yes (limited Lump Sum)	190
Hong Kong	MPF 65 ORSO 60	19	Yes (DB Pension means tested)	Yes (DC Lump Sum)	Yes (DB/DC Lump Sum)	120
China	Male 60 Female 55	19	Yes (DB Pension)	Yes (DC Pension)	Yes (limited Pension)	600
Singapore	62 (65 under RRA)	21	No	Yes (DC Pension)	Yes (limited Lump Sum)	170
Indonesia	58	20	No	Yes (DC Lump Sum)	Yes (DC Lump Sum)	15
Japan	65	21	Yes Pension	No	Yes (DB/DC Lump Sum)	2,800
Australia	65	19	Yes (DB – Pension means tested)	Yes (DC Lump Sum)	Yes (DB/DC Lump Sum)	1,500

SOURCE: MERCER ANALYSIS, PUBLIC INFORMATION

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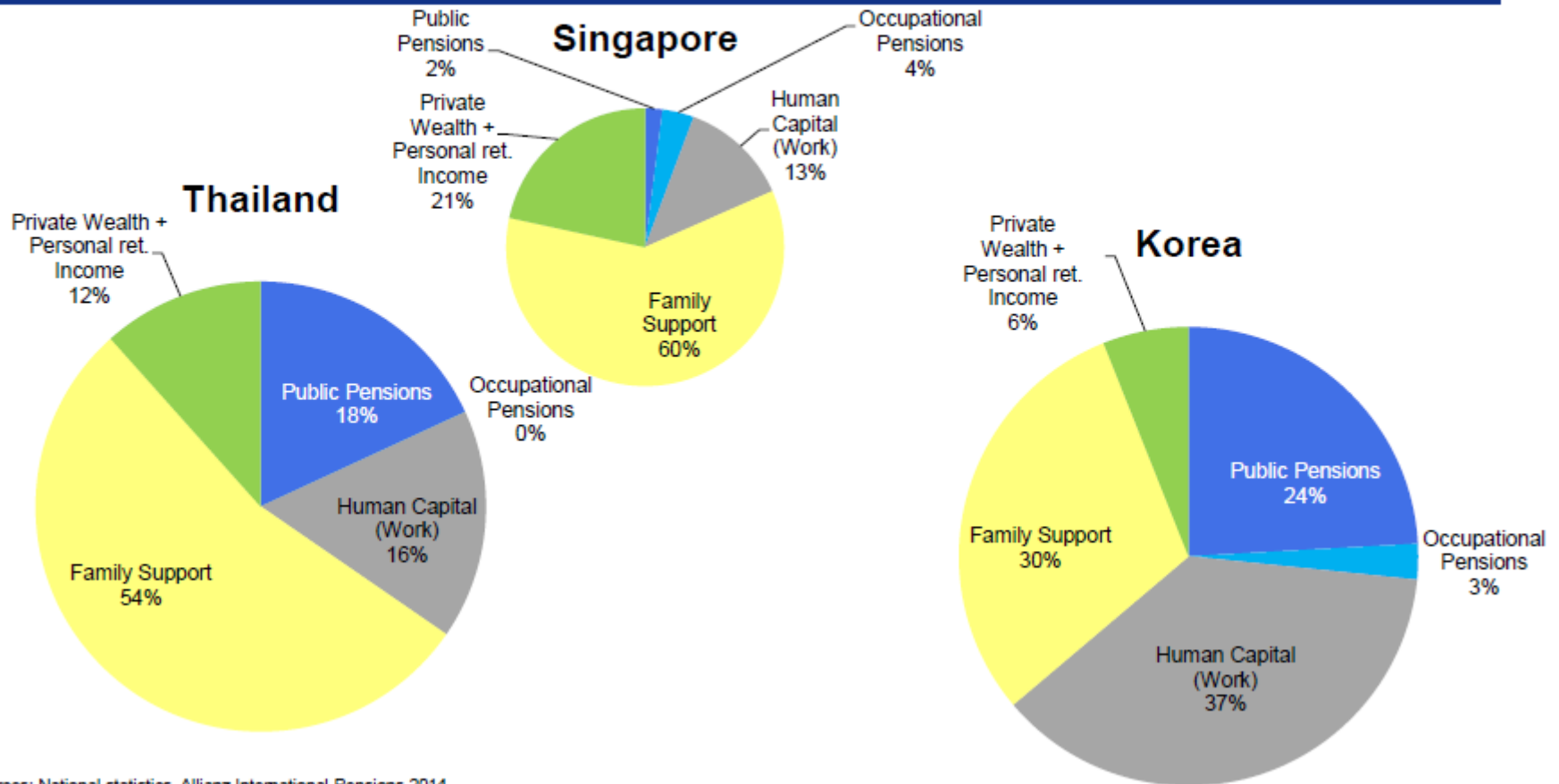
WHAT CAN BE DONE?



SOURCES OF RETIREMENT INCOME

What is the retirement income mix in Asia today?

Importance of retirement income sources in % of retirement income; around 2010



Sources: National statistics, Allianz International Pensions 2014

SOURCE: ALLIANZ, 2013

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SOURCES OF RETIREMENT INCOME

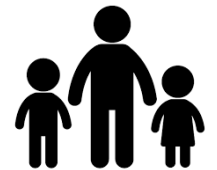
Importance of old age income sources in % of recipients; around 2008



Source: Masud, Jariah et al.: Gender Differences in Income Sources of the Elderly in Peninsular Malaysia, Age: 55-75

SOURCE: ALLIANZ, 2013

SHARED RESPONSIBILITY





- **Basic pension for poorest citizens**
- **Lifetime income** instead of lump sum
- Tax incentives
- Robust regulation
- Cross border
- Incentivise employers and providers

- Provide access to pension plan
- Contributions
- Financial education
- Innovate and create new products

CLOSING THOUGHTS

- We have time to fix the retirement gap in Asia
- Lots of lessons on what not to do from mature markets
- A basic **lifetime pension** should be a fundamental right for the poorest citizens

MAKE



TOMORROW,
TODAY

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