

The countries with the best pensions – and where Britain ranks

Telegraph Money reveals how generously countries treat their retirees

By [Lauren Almeida](#), Senior Money Reporter 29 October 2023 • 7:00am



Britain is often accused of offering its older citizens some of the worst pensions in Europe, but a new report shows that huge spending on both the state pension and subsidised private pension schemes means that overall, [the UK ranks in the top 10 best places for retirees in the world.](#)

Certainly, Britain ranks poorly in international comparisons when the state pension is looked at in isolation. [Despite the Government's expensive triple lock policy](#) (which promises to increase the state pension every year in line with the highest of inflation, wage growth or 2.5pc), Britain frequently ranks

among the lowest for the “pension replacement rate of average salary” metric calculated by the Organisation for Economic Co-operation & Development.

But a brighter picture emerges from a global pension index compiled by Mercer, the actuarial firm. Its more holistic survey scores pension systems across private and state schemes, based on measures of adequacy, sustainability and integrity. On this list, Britain ranks higher than average at an overall score of 73, compared with a typical 62.9.

The Netherlands tops the Mercer ranking with a score of 85. Dutch retirees receive a flat-rate state pension and most workers are enrolled in a workplace pension scheme.

Dutch employers famously use [“collective defined contribution” schemes](#). Unlike with a defined benefit scheme, members’ retirement income is not guaranteed, but savers instead put their money into one collective pot. This allows the pension fund’s managers to spread longevity and investment risk across all the members and contrasts with the more common “defined contribution” schemes, under which each worker bears all the risk for his or her pension income.

In Britain, Royal Mail is launching a new pension scheme similar to the Dutch model and will enrol 150,000 workers from next year.

Iceland came second at 83.5. There, retirees receive a basic state pension and also save into mandatory private pension schemes at work. Denmark followed at 81.3; it also has a basic public pension scheme as well as a means-tested supplementary benefit. The Danish also save into workplace defined contribution schemes.

Overall, Britain ranked 10th globally. Here, [state pensions are nominally funded by National Insurance contributions](#). The state pension age is 66, although it is rising to 67 and is due to rise again to 68 in the 2040s. You

must have 35 years of National Insurance contributions to qualify for the full state pension.

[Britain also has an "auto-enrolment" system](#), under which most workers are automatically signed up to their workplace pension scheme. The employer must contribute at least 3pc of each employee's salary into their pot, while the employee usually contributes at least 5pc.

Workers' contributions benefit from tax relief at their highest tax rate and any investment growth is tax free. For example, a taxpayer in England who earns £55,000 a year will pay 40pc tax on income above the higher-rate tax threshold of £50,270, or on around £5,000 of their earnings. If that worker makes a £10,000 pension contribution in a given year, 40pc tax relief will be due on just under £5,000 and 20pc relief on the rest.

Mercer suggested that the British system could be improved by raising the minimum retirement income for low-income pensioners, [helping the self-employed to save more into their private pots](#) and increasing contribution levels under auto-enrolment.

France scored worse than Britain, ranking 25th with an index score of 61.7, thanks in part to a low score for sustainability. Mercer said the system could be improved by getting older people to stay in work for longer.

However, [more than a million French workers took to the streets](#) earlier this year to protest against plans to increase what is one of the lowest retirement ages in Europe. Under the new proposals, citizens would have to reach the age of 64, instead of 62, and have 43 years of work under their belt by 2030 to earn a full state pension. It would mark the first increase in the French retirement age in more than a decade. It rose from 60 to 62 in 2010.

The lowest scores were for India at 45.9, the Philippines at 45.2 and Argentina at 42.3.

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