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A STUDY ON THE RETIREMENT PENSION SYSTEM IN PRACTICE ACROSS SELECTED COUNTRIES

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ABSTRACT

Retirement pension system is diverse and often involve several different programs and schemes. A comparison of the different pension systems around the world can be invaluable for policy makers, governments, and the pension industry itself. The study provides a brief reference of retirement provisions in practice across countries such as the Netherlands, Denmark, China, Malaysia, Singapore, South Korea, Australia, United States of America, United Kingdom, Switzerland, France, and Canada

Keywords: Retirement pension systems, retirement age, pension sources, pension index.

INTRODUCTION

Sustaining after sixty years of age or post-retirement is becoming a global challenge due to a troubled global economy accompanied by a longer life expectancy due to advanced medical facilities available across the globe. We can find certain countries providing the social security measure, certain other countries implementing senior citizen schemes and pension

system that are in practice. Many other countries lack facilities supporting and serving the old age citizens. The quality of pension system available to workers varies greatly across the globe. Many governments have increased the age when citizens can receive money from the social security plans to minimize the number of people in the system. Retirement is handled differently depending on where you lived across the globe. The study focuses on the schemes or provisions implemented or in force in selected countries to support the old agers.

PURPOSE OF STUDY

The study aims to throw light on the various retirement income systems in practice across the globe and to get insight on the features of the retirement income systems adopted by countries and the variation in fixation of retirement for the countries under study.

Following are the countries under study.

The Netherlands

The Netherlands is one of the best places in the world for retirees due to its robust and sustainable pension system. Around 30% of Netherland residents are at the age of 65. The Netherlands pension system frequently tops the Mercer's 2024 Global Pension Index with high ratings for adequacy, sustainability and integrity. Netherland's pension age is 67 as for the year 2024. The Netherlands pension system has three pillars namely state, workplace and private pensions governed by the General Old Age Pensions Act referred to as Algemene Ouderdomswet or AOW. For each year you live or work in the Netherlands, you build 2% towards your state pension. To receive the full pension, the retiree must have 50 years of contribution. If full allocation is not achieved, pension is calculated based on number of years of contribution. Occupational or company pension funded by employer and employee contribution and Private Pension schemes funded by voluntary personal contribution are other sources of retirement income system. Netherlands have planned to introduce pension lumpsum withdrawal which will allow retirees to withdraw a maximum of ten percent of their accrued retirement pension on their retirement date.

Denmark

The Danish pension system is divided into three different kinds of pensions: the statutory pension, the labour market pension, and the individual pensions. The statutory pension consists of state pension and disability pension. There is also ATP livslang Pension which is a lifelong pension which covers most of the Danish population. The state pension is a regular pension paid by the Danish government. State pension is called Folkepension. Denmark's present pension age is 69 years based on future indexation. The general rule for receiving Danish State Pension is to be a Danish Citizen. Denmark's pension system is in close resemblance to the pension system encouraged by the world bank way back in 1994 which signifies multifaceted pension system.

China

China's pension system is centered upon three pillars: The first pillar is the state endorsed public pension established in 1990, the second pillar was enterprise annuities introduced in 2004, and to supplement both the pillars, the third pillar personal pension also called as individual retirement accounts was set up in 2022. In China, the national council for social security fund was established to operate and manage the national social security fund. On December 15, 2024 China announced the implementation of Private Pension scheme. The statutory retirement age for Chinese national will be 63 years for men and 58 years for women in managerial and technical roles. Women in ordinary workforce will retire at the age of 55 years. Within two decades, China's retirement age population is projected to surpass the entire population of the United States.

Malaysia

This country in Southeast Asia enforces a compulsory retirement age of 60 for public sector employees. Early retirement is an option at age 40 after at least 10 years of government

service. Public sector workers are provided with two types of retirement schemes, including the pension scheme, which entails a monthly fixed income, a service gratuity, and a free medical treatment at government hospitals. The Employees Provident Fund scheme provides for retirement through a mandatory savings account in which employees and employers make monthly contributions.

The employee provident fund is the basic provision for the Malaysian pension system. It is governed by the Employees Provident Fund Act of 1991 and provides defined contribution type benefits to members. To enhance the financial security several changes were made by the Malaysian government to the EPF known as 'Beyond Savings' initiative. Source: Allianz Global Investors. Malaysian government has introduced Pension cards under section 23, Pension Rules 1980 for pensioners or recipients of pension under the public service. The pension cards are personal identification which enables the pensioner to obtain medical facilities at government clinics or hospitals. The minimum retirement age in Malaysia is 60 years. The Malaysian pension scheme has a single, compulsory, defined -contribution fund called the employees provident fund which covers most of the private sector workers.

The government has a mandatory retirement savings scheme for all Malaysians working in the private sector. The retirement age in the private sector is 60.

The percentage of retirement income that comes from pensions is much lower in Malaysia than in many other countries, with public and private pensions combining to comprise a mere 30% of all retirement income.

Singapore

Singapore's pension system is one of the oldest and refined schemes considering Asia. The system has the Central Provident fund in which the funds accumulate in individual accounts of the scheme beneficiaries. In addition, a non -contributory pay -as-you -go pension scheme exist from the government known as government pension scheme for certain categories of civil servants. The Singaporean system operates on a fully funded basis financed by the employer and employee contributions credited to the account. Retirement age is 63 years for Singaporean nationals. Singapore's retirement income system ranks seventh out of forty-seven retirement income systems reviewed in the 15th annual Mercer CFA institute Global Pension Index .

South Korea

South Korea's retirement pension system is called the National Pension system that provides social insurance coverage for senior citizens. The NPS provides basic pension and an earnings-related pension. The official retirement age in south Korea is 60 years of age. South Korea has social security number known as Korean Social Security Number which is connected to the National Pension Scheme. To qualify for a pension, a person must have contributed to the NPS for at least 10 years and be at least 62 years old.

Australia

The modern Australian retirement income system comprises three elements referred to as three pillars. Publicly provided means tested age pension, mandatory private superannuation saving and voluntary saving schemes. Australia has a full centre link age pension. The age pension age in Australia is 67 years for both men and women and be an Australian citizen. The age pension is a regular fortnightly payment from the Australian government.

In Australia the social security program is called Age Pension. To receive Age Pension you must be at least 66 and meet the 10-year qualifying Australian residence requirements.⁸

Income, assets, and other circumstances affect how much pension an Australian worker will get. As of October 2020, the qualifying age for Age Pension is 66 years. It raised by six months every two years, reaching 67 by July 1, 2023.

Australia has a relatively conservative and mandatory retirement saving system for its citizens, which requires them to put away 9.5% of their salaries every year into a private/public account called a [superannuation](#) account. This amount will be raised to 12% between 2021 and 2025.

Australia's Minimum drawdown requirement for account-based pensions

Current drawdown requirements

The annual minimum drawdown requirement is the key regulatory requirement for account-based pensions in Australia. It aims to ensure that account-based pensions are used to provide income in retirement.

The annual minimum drawdown amount is determined by multiplying the value of the pension account balance at 1 July by an age-based rate that increases from 4 per cent for those aged under 65 to 14 per cent for those aged 95 or more (see table below).

Age	Minimum payment percentage
Under 65	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95 or more	14

These rates aim to ensure that funds are withdrawn from the tax-free environment over time. Earnings on assets supporting superannuation pensions are tax free, as is the pension income for people aged 60 or over.

United States of America

The American state pension system OASDI- (Old age, survivors, and disability insurance program) functions on a pay-as-you-go basis and is financed through social security taxes paid by employers and employees, tax revenues paid by upper income social security beneficiaries and interest earned on accumulated trust funds reserves. The statutory retirement age depends on the retiree's year of birth and is between the age of 65 to 67. The pension plan that's more popular in America is the 401(K) plan . 401(K) plans enables employees and employers to make tax deferred contributions from their salaries to their plans.

United Kingdom

In United Kingdom , the statutory state pension system consists of a basic state pension and an earnings related additional pension known as the state second pension .These are financed through earnings related national insurance contributions. Participation in the state pension system is mandatory. The pension age in UK is fixed at 66 years. individuals of state pension age have access to pension credit., a means tested benefit comprising Guarantee Credit, a top-up which is based on a weekly minimum income and savings credit, for those aged 65 years who are rewarded for making some savings towards their retirement.UK follows automatic enrolment where citizens are automatically included in pension programme unless they opt out.

Switzerland

The pension system in Switzerland comprises of three pillars namely basic state old-age and survivor's insurance scheme, mandatory occupational pension, and private pensions. It is one of the countries where the three pillars contribute equally to old-age income. The old age and survivor pension insurance is otherwise called as Alters- und Hinterlassenenversicherung. This insurance scheme is obligatory and covers all persons domiciled in Switzerland. A person is eligible for the public pension when he or she pays contribution for one full year. Pension age is 65 for men and 64 for women. The benefits of

the pension is based on the years of contribution and the average income during the insurance period.

France

France pension system is made up of three pillars: The French state pension, compulsory supplementary pensions and voluntary occupational and personal arrangements. The basic state pension can never exceed a maximum French pension rate of 50% of the social security ceiling. The legal retirement age is 65 for men and women. The funds are financed according to a pay-as-you-go system, based on employer and employee contributions. Annual contributions are immediately redistributed to current pensioners instead of investing

Canada

Canada's pension system is characterized by public and private pension system schemes. Most of the Canadians depend on the public pension system made up of two tiers. Tier 1 is a flat rate pension from the old age security programme and tier 2 is an earnings-related pension from the mandatory Canada pension plan. The third tier of Canada's retirement income system is made up of voluntary pension savings. Here the pension age is 65 years.

FINDINGS

Many countries have very effective retirement income system in practice whereas some of the countries need to improve on its parameters of supportive retirement income system. Common challenges pension systems around the world need to address include increasing the average retirement age due to rising life expectancy, encouraging more savings, and limiting access to funds before retirement. There is no perfect social security system. All pension systems require good government and good management to function well. All systems must cope with macroeconomic uncertainties--inflation, unemployment, wage growth rate, changes in demographics, and changes in interest rates.

CONCLUSION

To conclude retirement pension systems in practice across the globe are wide and vivid but centred mostly on the governments contribution schemes and plans in practice. As a provident fund or accumulated corpus fund, senior citizens benefit from the contributions made purely for post-retirement income needs. Retirement income systems across the globe vary in retirement policies opted and in delivering the benefits of comfortable retirement life to its citizens.

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