SUPER MEMBERS COUNCIL

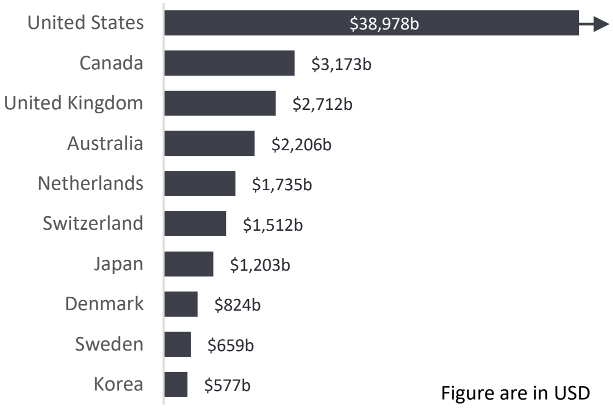
Global Pension Rankings

Research Note - February 2025

Summary

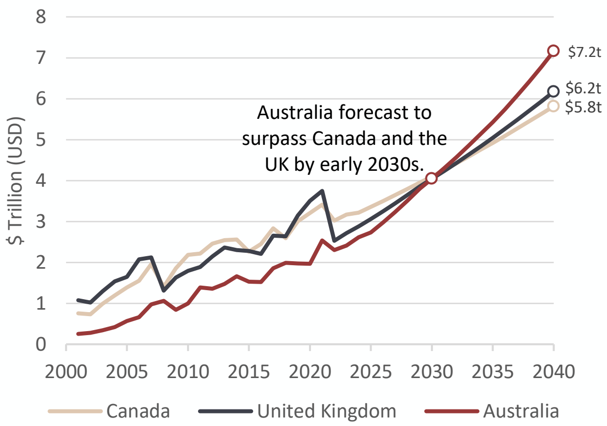
- Australia currently has the fourth-largest pension system globally, ranking behind the United States, Canada, and the United Kingdom.
- Our projections indicate that Australia will surpass Canada and the UK to become the second-largest global pension market within the next decade, driven by increases in the Superannuation Guarantee and continued strong investment performance.
- Addressing unpaid superannuation will further enhance the strength and integrity of Australia's superannuation system.

Figure 1. Total assets of pension providers. 2023



Source: OECD Pension Markets in Focus 2024.

Figure 2. Australia to be the second largest within the next decade



Source: SMC Analysis, OECD Pension Markets in Focus 2024, APRA Annual Bulletin June 2024, ATO SMSF quarterly statistical report September 2024, Superannuation Pensions Retirement Outcomes SPROUT Model.

Data sources and methodology

We project the future size of Australia's superannuation sector through a detailed sectoral analysis of fund cash flows. Our analysis begins with data from the APRA Annual Superannuation Bulletin (June 2024) and the ATO Self-Managed Super Funds (SMSFs) Quarterly Report (September 2024).

Total contribution projections are derived from our microsimulation model of the tax and superannuation system, which accounts for increases in the Superannuation Guarantee, wage increases, and population growth. Future pension benefits and lump-sum payments are estimated using the Superannuation Pensions Retirement Outcomes (SPROUT) Model. Additionally, we model insurance premiums and operating expenses based on historical trends, while assuming investment returns for both APRA-regulated funds and ATO-regulated SMSFs align with long-term historical averages, based on the longest available data for each sector.

For Canada and the United Kingdom, our starting point is the OECD Pension Markets in Focus (2024) publication, which provides data on the total assets of pension providers across OECD countries in US dollars from 2001 to 2023. We first convert US dollar estimates of pension assets into local currency to abstract from changes caused by exchange rate movements.

To project future pension assets, we fit multiple trend models—linear, second-order polynomial, and exponential functions—and select the second-order polynomial model as it offers the best in-sample fit (R-squared) and superior out-of-sample validation. We conduct additional statistical tests to confirm the robustness of this approach.

We convert local currency estimates of the size of the pension system back into USD estimates by assuming exchange rates will return to their average 10-year level over the next five years.

Our projections are subject to several uncertainties, including potential changes in policy settings that could affect contributions, benefits, taxation, and investment returns. Differences in underlying asset allocations across pension systems may also result in varying return profiles over the projection period.

Nevertheless, our findings align with projections from the Thinking Ahead Institute, which also anticipates Australia becoming the second-largest global pension market by 2030, provided current growth momentum continues (Global Pension Assets Study, 2025).