The Future of Retirement Security

Converting savings to income: An international comparison

An update to the 2024 report

Countries worldwide are reforming their retirement systems in response to longer lifespans and declining worker-to-retiree ratios that make traditional defined benefit plans increasingly unsustainable, and moving toward hybrid systems that combine the lifetime income guarantees of traditional pensions with the flexibility and financial sustainability of defined contribution plans.

This TIAA Institute report examines how eleven countries[1] are addressing the critical challenge of converting retirement savings into sustainable, guaranteed income in retirement and provides actionable insights for building more secure retirement systems and provides specific, actionable recommendations for U.S. policymakers.

The study evaluates systems across four dimensions: adequacy, financial sustainability, fairness, and plan design, revealing that successful retirement systems require balancing these elements through appropriate contribution rates, risk-sharing mechanisms, universal access to quality plans, and strong fiduciary oversight to guide participants toward sound decisions.

LONGEVITY FORCING CHANGES TO RETIREMENT SYSTEMS: REFORM NEEDED

Retirees will spend about two decades in retirement.

2X longer than 50 years ago.

Life expectancy up

17 years

since Social Security debuted in 1935.

Declining worker-to-retiree ratios.

Lower birth rates and productivity growth.

1 In 2024, we examined seven countries; this 2025 report includes four additional countries.

TIAA Institute

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Key insights

Integration is key to income conversion success: Incorporating annuity decisions into the process for accessing retirement savings achieves significantly higher annuitization rates.

Hybrid systems represent the future: Combining the best elements of both DB and DC plans ensure both sustainability and adequacy.

Contribution rates directly determine adequacy: Countries with the highest retirement replacement rates maintain the highest mandatory contribution rates.

Middle-income earners benefit most from annuitization: Very low-balance retirees cannot meet minimum thresholds and high-net-worth individuals prioritize flexibility and bequest motives.

Guaranteed income does not have to mean a fixed annuity: Some countries allow retirees to allocate some savings to variable annuities and keep part of their assets invested in the market.

> "A successful system needs to leverage the best elements of DB and DC plans to find a balance between the goals of adequacy, financial sustainability and fairness."
>
> Brendan McCarthy,
> Head of Nuveen Retirement Investing

A HYBRID SYSTEM COMBINES THE BEST ELEMENTS OF BOTH DB AND DC PLANS:

1. Universal participation in a high-quality plan also providing income in retirement
2. Contribution rate high enough to finance secure retirement
3. Risk sharing among participants, employers and governments to keep systems sustainable and equitable
4. Flexibility and portability aligning with evolving working patterns
5. Strong fiduciary oversight, plan design and advice to help individuals make good choices