

Table 1.1

## Countries that have reformed their individually-funded savings systems (December 2015)

| País                       | Year<br>(*) | Type of System |                         |                          |
|----------------------------|-------------|----------------|-------------------------|--------------------------|
|                            |             | Single (1)     | Mixed<br>Integrated (2) | Mixed<br>Competitive (3) |
| Latin America              |             |                |                         |                          |
| Chile                      | 1981        | ●              |                         |                          |
| Peru                       | 1993        |                |                         | ●                        |
| Colombia                   | 1994        |                |                         | ●                        |
| Uruguay (a)                | 1996        |                | ●                       |                          |
| Bolivia (b)                | 1997        | ●              |                         |                          |
| Mexico                     | 1997        | ●              |                         |                          |
| El Salvador                | 1998        | ●              |                         |                          |
| Costa Rica                 | 2000        |                | ●                       |                          |
| Panama (***)               | 2000        |                | ●                       |                          |
| Dominican Republic         | 2003        | ●              |                         |                          |
| Curaçao (****)             |             |                | ●                       |                          |
| Honduras (c)               | 2015        |                | ●                       |                          |
| Central and Eastern Europe |             |                |                         |                          |
| Hungary (d)                | 1999        |                | ●                       |                          |
| Poland (e)                 | 1999        |                | ●                       |                          |
| Sweden                     | 1999        |                | ●                       |                          |
| Bulgaria (f)               | 2002        |                | ●                       |                          |
| Latvia                     | 2001        |                | ●                       |                          |
| Croatia                    | 2002        |                | ●                       |                          |
| Estonia                    | 2002        |                | ●                       |                          |
| Kosovo                     | 2002        | ●              |                         |                          |
| Russian Federation         | 2003        |                | ●                       |                          |
| Lithuania                  | 2004        |                | ●                       |                          |
| Slovakia                   | 2005        |                | ●                       |                          |
| Macedonia                  | 2006        |                | ●                       |                          |
| Romania                    | 2008        |                | ●                       |                          |
| United Kingdom             | 2012        |                | ●                       |                          |
| Armenia                    | 2014        |                | ●                       |                          |
| Czech Republic (**)        |             |                | ●                       |                          |
| Ukraine (**)               | 2017        |                | ●                       |                          |
| Asia                       |             |                |                         |                          |
| Australia                  | 1992        | ●              |                         |                          |
| Kazakhstan (g)             | 1998        | ●              |                         |                          |
| Hong-Kong                  | 2000        | ●              |                         |                          |
| China (h)                  | 1997        | ●              |                         |                          |
| India (***)                | 2004        |                |                         |                          |
| Brunei                     | 2010        |                | ●                       |                          |
| Africa                     |             |                |                         |                          |
| Nigeria                    | 2005        | ●              |                         |                          |
| Ghana (**)                 | 2010        |                | ●                       |                          |
| Egypt (****)               | 2012        | ●              |                         |                          |
| Malawi (**)                |             | ●              |                         |                          |

Source: FIAP.

(\*) Year in which the mandatory pension system started operating.

(\*\*) Reform approved but not yet implemented.

(\*\*\*) Reform for civil servants.

(\*\*\*\*) Reform proposed but not yet approved or implemented.

See notes (1) to (3) and (a) to (h) in the Appendix.

**Table 1.1**

**(a) Uruguay:** The law establishing the mixed system was promulgated on 3/09/95 but the system started operating on 01/04/96.

**(b) Bolivia:** While the enactment of the Law No. 065 of Pensions, on December 10, 2010, established the creation of the Public Management Body for Long-term Social Security, as a National Strategic Public company in charge of the administration of the Integrated Pension System (SIP), establishing a transition period for the start of activities in which the Pension Fund Administrators (AFP) continue to perform all its functions. The same Law establishes that the SIP is composed of the Contributory Scheme, the Semi Contributory Scheme and the Non-Contributory Scheme. In addition, this Act established a "Solidarity Contribution", funded by the worker. Bolivia is classified in this Table 1.1 as a "Single" system, because the current system is based on individual funding (the PAYGO system is closed), regardless of whether it is administered by private entities or by a State agency.

**(c) Honduras:** The Framework Law of the Social Security System came into effect on September 4, 2015. Pursuant to this law, the Private Contribution System (RAP) will be transformed into an AFP, for managing the savings of the workers enrolled in this regime, through individual accounts. This AFP will start operating in June, 2016, and must compete with other existing private fund managers (workers can opt to remain in the AFP of the RAP or transfer their funds to another AFP in the market). It must be pointed out that under the new Social Security system, workers make a consolidated contribution of 6.5% to the Disability, Old Age and Death regime (IVM, public PAYGO system) (3.5% paid by the employer; 2.5% by the worker, 0. and 5% by the State). Contributions to an individually funded account ( in the AFP of the RAP or any other) are Voluntary for workers who earn up to HNL 8,882.3 (approx. USD 388). Those who surpass that salary threshold, mandatorily contribute 6% on the excess salary (up to a ceiling of three minimum wages) to an individually funded account ( managed by the AFP of the RAP or any other private fund manager).

**(d) Hungary:** A 2010 amendment to the social security law terminated the diversion of contributions to second-pillar individual accounts and automatically transferred account balances to the social insurance program (unless an account holder opted out). Since 2009, participation in the individual account program is voluntary.

**(e) Poland:** On February 1, 2014, a pension reform was adopted which, among a serie of changes, established the following: (i) enrollment in the individually funded pillar is voluntary for new workers entering the labor market; (ii) members already enrolled in the individually funded pillar can opt out and contribute only to the PAYGO pillar.

**(f) Bulgaria:** On December 19, 2014, the government approved a series of measures that modify the Social Security Code, which state that as of January 1, 2015: (i) enrollment in the individually funded pillar is voluntary for new workers entering the labor market; and (ii) members already enrolled in the individually funded pillar can opt out and contribute only to the PAYGO pillar. The new legislation is not put into practise as its consequences are subject to public discussion.

**(g) Kazakhstan:** After a pension reform in 2013 all private pension funds (and all their assets) were integrated in one public fund – Unified Accumulative Pension Fund.

**(h) China:** Refers to a mandatory individual accounts pilot plan for formal workers which began in 2001 in the province of Liaoning. Individual accounts currently operate only in a small group of provinces, although they are expected to be implemented countrywide in future.

**(1) Single System:** Membership of the system is mandatory for dependent workers in most cases. Mexico is different in that it has a multiple administration (private, public, cooperatives, etc.) and benefits can be defined or undefined during the transition period, since workers who were members of the PAYGO system at the time of the reform can choose, at the time of retirement, between the amount accumulated in the individual accounts or attention calculated on the basis of the rules and regulations or perform PAYGO system. In these countries, the members of the former system had several options: in Chile they were given a deadline for deciding on whether they would stay or switch; in El Salvador only one intermediate age group has the same option (older members must stay, but younger members must switch); and in Mexico all members of the former system must mandatorily switch to the new system, and in the case of the transition generation who choose the benefit according to the rules of the previous system, the Federal Government will absorb the funds accumulated in the individual account and will be fully responsible for the payment of the pension.

**(2) Mixed Integrated System:** The individually funded and the PAYGO systems coexist. The contribution as a percentage of the worker's income is distributed among both regimes. Membership of one of the two regimes is mandatory depending on age and the level of income (Uruguay), on age (Bulgaria and Poland) and by type of work (Bulgaria).

**(3) Mixed Competitive System:** The individually funded and PAYGO regimes complete. Workers (those who were enrolled at the time of the reform as well as those entering the labor market) are obligated to choose one of these regimes. The worker's contribution is fully paid into the chosen regime.