International Federation of Pension Fund Administrators

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Progress of the Pension Systems
February-March 2019
No. 2

This document reports on progress in pension matters, factually accurate while maintaining maximum simplicity and brevity. It compiles the major changes that occurred in the pension systems in the February- March 2019 period, with emphasis on the development of the individually funded systems.

Document prepared by FIAP, based on press information. We thank FIAP member associations for the information and comments submitted. The content of this document may be fully or partially reproduced citing the source.

Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

Chile: *The mandatory contributions law for self-employed or independent workers came into effect last February 2. Self-employed workers who issued fee payment slips for an amount equal to or greater than 5 monthly minimum wages in 2018 are obligated to contribute.*

Mexico: *The government introduced a new universal pension program (Pension Program for the Welfare of the Elderly) for people over 68 (65 or more for indigenous people).*

Peru: *Despite ongoing doubts regarding the negative impact of the Early Retirement System (REJA) on the pension system, due to unemployment, Congress voted to permanently restore the REJA at the beginning of March, although with certain restrictions (formerly, its validity was only extended for 3 years).*

Investment Options

Mexico: *At the end of February, the Risk Analysis Committee (CAR) authorized the investment of the AFOREs in mutual funds with active strategies. International fund managers must meet a series of requirements for the AFOREs to be able to invest in their funds, such as at least 10 years of experience managing investment vehicles or investment mandates, as well as at least USD 50,000 million in assets under management.*

Nigeria: *Pension fund managers will be able to offer 4 types of funds with different levels of risk and age requirements (multi-funds).*

Reforms proposed or to be discussed

Brazil: *Government submitted a pension reform bill of law that increases the retirement age. With this proposal, which sets a minimum retirement age of 62 for women and 65 for men, the government aims to save 1.16 trillion reais (more than USD 300,000 million) in the next decade.*

Mexico: *The bill of law submitted to the Chamber of Deputies to reform the Retirement Savings System Law (SAR) seeks to reduce the concentration of investments of the AFOREs in government securities and move towards a Life Cycle Funds model.*

Dominican Republic: *Government submits a bill of law to reform the social security system. The following are some of the most important aspects of the bill: (i) Elimination of Social Security surcharges and arrears and the implementation of new penalties. (ii) Adjustment of the commissions charged by the AFPs. (iii) Strengthening of the Social Security Treasury (TSS) and the Board for the Information and Defense of Members (DIDA) (iv) New distribution of the overall contribution rate, which increases the contribution to individual accounts from 8 to 8.4%.*

Ukraine: *Government submits a bill of law that introduces a mandatory, privately managed individually funded system (second pillar).*

Competitions

Chile: *New AFP "UNO" offers the lowest commission in the market (0.69% on taxable income) and will be assigned all new members for the next two years.*

Crisis in public PAYGO systems

Argentina: *IMF recommends raising the retirement age by 5 years and adjusting the formula for calculating benefits, to make the system more sustainable.*

Croatia: *Government implements a series of measures to improve the long-term financial sustainability of the public pension system, among them: accelerating increases in the retirement age, reducing incentives for early retirement and facilitating transfers from individual accounts (second pillar) to the public PAYGO system.*

Nicaragua: *On February 1, the government implemented a social security reform package that significantly increases contributions and reduces the benefits of the country's social security program. However, experts say that these measures would only give it a nine-month financial break.*

Panama: *Population aging and the current high informality levels create the perfect storm for the collapse of the Social Security Fund's Disability, Old Age and Death (IVM) Program by 2025, if new contributors cannot be obtained.*

Paraguay: *The IMF and the OECD call for an urgent pension reform in the country. According to the specialists of these organizations, the current financial health of most of the pension funds in Paraguay calls for urgent reforms. The Retirement and Pension Fund of the Ministry of Finance, or Caja Fiscal, alone, had a deficit of 27% at the end of 2018.*

Relevant reports or presentations

Only 68% of the global population receives a pension. According to the ILO's recent report "Universal social protection for human dignity, social justice and sustainable development," only 68% of individuals at retirement age receive some type of pension, and in many countries with low income levels that proportion is barely 20%. Social Security coverage is particularly inadequate for the growing number of people with atypical forms of employment, amounting to approximately 1,400 million in 2017. Likewise, workers who participate in the informal economy, which accounts for approximately 2 billion of the world's employed population, i.e., more than 61.2% of global employment, are among those least covered by the social security systems. ***(Source: www.ilo.org; Date: 28.02.19).***

OECD publishes study on social security for "non-standard" workers. The document "The Future of Social Protection: What Works for Non-Standard Workers?" argues that social security programs have traditionally been designed for regular workers, i.e. full-time or part-time workers who depend on a single employer. However, rapid and profound technological changes, driven by globalization, digitalization and demographic change, are contributing to an increase in non-standard forms of work, such as self-employment, temporary work or work with multiple employers. This evolution of work patterns can lead to coverage gaps, since many non-standard workers cannot meet the required minimum contribution periods, or are only eligible for the most basic benefits. ***(Source: Social Security International Update; Date: Feb. 2019).***

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

The IMF recommends raising the retirement age and adjusting the formula for calculating benefits. The IMF technicians warned of future problems which not only Argentina, but all countries will have to face in their pension plans, and recommended raising the retirement age by five years. "In coming decades the decrease in fertility and the increase in longevity will profoundly change the distribution of the demographic pyramid in many countries, albeit at different rates," they explained, and assured that the system will be unsustainable within the next three decades. "The reforms mostly aim at containing the growth of the number of retirees, by modifying the key parameters of the system; for example, increasing the retirement age, tightening access rules and reducing the size of pensions through adjustments in the calculation of benefits," the technicians said. ***(Source: www.elintransigente.com, Date: 05.02.19).***

Pension debate still postponed. The creation of a Pension Sustainability Council was approved by law in mid-2016, and it was decided that this working group should prepare a project to redesign the pension system. The Council was created in 2018, and towards the end of that year, the Government admitted that no progress had been made in the matter and that there would be no pension reform during this administration. Today there are 55 economically dependent individuals for every 100 active people; this ratio is expected to remain unchanged until 2035 or 2040. The upward curve of senior citizen participation will begin at that point, causing the economically dependent to reach 72 per 100 active individuals by 2100. This will give rise to two significant challenges: fiscal and economic. In the fiscal area, there is the challenge of how to finance a system designed for another context. The greater presence of retirees and increased life expectancy call for more resources. As for the economic effect, if the proportion of active people is reduced, fewer resources will be generated; this will in any event be combined with the consequences of greater automation. ***(Source: www.lanacion.com.ar; Date: 16.02.19).***

Bolivia

Government delays the operation of the Public Administration until September, 2021. Despite the fact that the Public Administration (which would replace the existing AFPs in the country) was scheduled to start operating in June 2016, the Government has consistently postponed its startup. Now, in 2019, the Public Administration is still not ready to manage the system, so operational startup was postponed for another 30 months (to September, 2021). Hence, it was also determined that the AFPs must carry on as usual until the operational startup of the Public Administration and the express determination of the Pensions and Insurance Oversight and Control Authority (APS). The Cabinet deemed it necessary to extend the term, considering the magnitude of the transfer and validation procedures. ***(Source: www.eldeber.com.bo; Date: 21.03.19).***

Brazil

Government submitted a pension reform bill of law that increases the retirement age. With this proposal, which sets a minimum retirement age of 62 for women and 65 for men, the government aims to save 1.16 trillion reais (more than USD 300,000 million) in the next decade. The bill of law will also require Brazilians to contribute to the pension system for at least 40 years in order to retire with a full pension. The bill will be voted on next April 17 in the Chamber's Constitution and Justice Committee. Leaders of 11 political parties have expressed their support for the bill of law, on the condition that the proposed reductions in rural retirement and the payment of the Continuous Payment Benefit (BPC), paid to low-income elderly people, are eliminated from the text. They argue that these programs are not the main problem of the pension system, from a fiscal point of view. ***(Source: www.ahoranoticias.cl; Date: 20.02.19).***

Chile

The mandatory contributions law for self-employed or independent workers comes into effect. Law 21,133, which allows self-employed or independent workers to access Social Security benefits, was published in the Official Gazette on February 2. *Self-employed workers who issued fee payment slips for an amount equal to or greater than 5 monthly minimum wages in 2018 are obligated to contribute.* Payment of pension contributions will be mandatory in the next income tax filing process (April 2019). ***(Source: www.radiosago.cl; Date: 06.02.19).***

Government proposes introducing a longevity insurance to maintain the value of the programmed retirement pension. President Sebastián Piñera confirmed that the government is considering the possibility of incorporating a longevity insurance in the contributions to the expense of the employer, which operates when the worker's individual savings are exhausted, guaranteeing that programmed withdrawal pension amounts remain constant over time. This insurance would cover only the new pensioners who are beneficiaries of the Solidarity Pillar. ***(Source: www.latercera.com; Date: 03.24.19).***

Government opens up to the idea of increasing employers' contributions. President Piñera reiterated the significance of the pension reform being discussed in Congress. Although the bill of law considers, among other things, an increase of 4 percentage points in the contribution rate paid by the employer, the President confirmed the possibility of increasing that percentage up to 8 percentage points and extending the deadline for enforcing said increase. ***(Source: www.latercera.com; Date: 05.03.19).***

Women who pay pension contributions increased by 3.2% in 2018, the biggest increase in four years. More than 2.3 million women paid pension contributions to December 2018. This figure reflects a growth of 3.2% compared to the same month in 2017, the highest since 2014, according to the figures published in the Pension Commission's report "Characterization of Contributors to Unemployment Insurance and the Pension System, 2019." Despite the increase in the number of female contributors, there is still a considerable difference compared to men, who account for more than 3.2 million contributors to the system. ***(Source: www.economiaynegocios.cl; Date: 25.03.19).***

New AFP offers the lowest commission in the market and will be assigned all new members for the next two years. The new AFP "Uno" surprised the market after its bid in the Pensions Commission's tender for the assignment of new members from 2019 to 2021, was made public. On March 11 the PC had already authorized the operation of AFP Uno, the first fund manager to enter the market since 2007, when AFP Modelo appeared. The AFP offered a commission of 0.69% of taxable income, displacing AFP Modelo, with 0.77%, as the cheapest fund manager in the system. ***(Source: www.biobiochile.cl; Date: 27.03.19).***

Colombia

Government proposes that part-time employees can contribute to social security. This is stated in the National Development Plan (PND) presented by the country's president. According to the Ministry of Labor, more than 14.6 million Colombians work informally, which is why the PND proposed the idea that workers could start contributing by the hour. ***(Source: https://noticias.caracoltv.com; Date: 12.02.19).***

First inkling of the pension reform evident in the Development Plan. The Government postponed the presentation of its pension reform bill of law to March 2020, but its Development Plan (PND) included several hints of the adjustments to be expected in this regard, such as discarding the possibility of an individual having disability and old age pensions simultaneously, ensuring that those who do not have the minimum amount required for accessing a pension, despite having saved to that end, will have a permanent income in their old age, and avoiding judicial decisions that alter pension amounts when individuals opt for retirement via a life annuity. ***(Source: www.eltiempo.com; Date: 18.02.19).***

Costa Rica

Bill of Law seeks to authorize the withdrawal of 100% of complementary pension funds. A bill of law submitted by 6 legislative factions seeks to allow workers to withdraw 100% of their complementary pension funds. However, this has generated many contrary reactions, including that of the President of the Republic, who believes that this "is not the right way," adding that although it is attractive for people to have liquidity, the text of the bill of law is detrimental to the protection of workers in their old age. Workers are currently allowed to withdraw the entire fund only if the complementary pension does not exceed 10% of the basic pension of any other pension system. Otherwise, the money is paid out in monthly amounts as additional retirement income. ***(Source: www.crhoy.com; Date: 28.03.19).***

Dominican Republic

Government submits bill of law to reform social security. At the end of February, the Government submitted the expected bill of law for reforming Social Security Law 87-01 to the National Congress. The following are some of the most important aspects of the bill: (i) Elimination of Social Security surcharges and arrears and the implementation of new penalties. (ii) Adjustment of the AFP commissions, eliminating the additional annual commission on returns (24%) and replacing the cash flow commission (0.5% of salary) with a commission on the managed balance. The commission on the balance will be a maximum of 1.4% this year and will be reduced by 0.05% per year, to 0.85% of the balance in 2030. (iii) Strengthening of the Social Security Treasury (TSS) and the Board for the Information and Defense of Members (DIDA) (iv) New distribution of the overall contribution rate: of 9.97% of salary (2, 87% by the worker and 7.1% by the employer), 8.4% will go to the individual account (currently 8%), 0.95% to the disability and survival insurance (currently 1%), 0.4% to the Social Solidarity Fund and 0.07% to finance the Pensions Commission (these components do not vary), 0.1% and 0.05% to finance the Social Security Treasury and the Board for the Information and Defense of Members, respectively (both of them are new components). ***(Source: ADAFP).***

El Salvador

Workers criticize the slow implementation of the pension reform. The Committee of Workers in Defense of the Pension Funds (COMTRADEFOP) spoke out against what it considers an "infringement" of the Pension Savings System (SAP) reform, because the committees overseeing the investment risk and possible improvements to the system, implemented after the reform of the pension system, are not working. Although the Risk Committee created to monitor the interest rates of the placements made by the AFPs was constituted in August 2017, it has not met since October of that year. The Actuarial Committee, in turn, whose intended purpose is to ensure the operation of the SAP and ways to improve it, has still not been constituted. Neither has the Central Reserve Bank issued the investment regulations, due to which AFP investments continue to be concentrated mainly in public debt instruments. Finally, the reform of the pension system also determined that the pension fund would be split four ways: a special pension fund with the money invested to pay previous pensions; the other sub-funds would be separated based on risk levels: conservative, moderate and growth.

As of February 2019, the Financial Markets Commission has only reported two funds: the retirement and conservative funds. The other two sub-funds that allow for better returns, but with higher risk, are still pending implementation. ***(Source: www.laprensagrafica.com; Date: 29.03.19).***

Honduras

The Economic and Social Council will start reviewing the Pension Fund Managers (AFPs) bill of law. The initiative, which will then be sent to the National Congress for approval, will be reviewed in accordance with the provisions of the Framework Law of the Social Security System (in force as of September 2015), since the AFP Law is complementary to it. The Social Protection Law stipulated 18 months for the submittal of complementary laws to the Legislature, but to date, only the Honduran Institute of Social Security Law has been submitted to Congress. ***(Source: www.elheraldo.hn; Date: 02.17.19).***

Mexico

The reform of the AFORES will reduce the concentration of investments. The bill of law submitted to the Chamber of Deputies to reform the Retirement Savings System Law (SAR) seeks to reduce the concentration of investments of the AFOREs in government securities and move towards a Life Cycle Funds model. This initiative gives greater powers to the National Commission for the Retirement Savings System (Consar) to freely establish -subject to the opinion of the Bank of Mexico and the Ministry of Finance and Public Credit- the investments that the AFOREs can make, as well as the terms and conditions for switching to a Life Cycle Funds model. At the end of 2018, 51.37% of the investments of the AFOREs were in government securities. Fitch Ratings experts have criticized the fact that the investment system currently in place is very restrictive. In Siefore 4, where the accounts of the youngest workers are managed and where greater risks can therefore be assumed, only 45% can be invested in equities, whereas in other countries that limit is applicable to the more conservative funds. ***(Source: www.eleconomista.com.mx; Date: 18.02.19).***

The AFORES will be able to invest in mutual funds with active strategies. At the end of February, the Risk Analysis Committee (CAR) authorized investment by the AFOREs in mutual funds with active strategies. International fund managers must meet a series of requirements for the AFOREs to be able to invest in their funds, such as at least 10 years of experience managing investment vehicles or investment mandates, as well as at least USD 50,000 million in assets under management. Further details here. ***(Source: www.fundssociety.com; Date: 25.02.19).***

A universal old-age pension is introduced. On January 13, the government introduced a new universal pension program (Pension Program for the Welfare of the Elderly) for people over 68 (65 or more for indigenous people). The program replaces a social assistance program (Senior Citizens' Pension Program) for people over 65 who are not receiving a contributory pension. People between 65 and 67 who received the social assistance pension as of December 2018, will automatically receive the new universal pension. According to the government, the new program aims to reduce poverty in the country; it is estimated that 40% of people aged 65 or more are poor. The program benefits around 8.5 million people by expanding coverage (through the elimination of a means test) and by increasing the level of benefits compared to the former social assistance program. ***(Source: Social Security International Update; Date: Mar. 19).***

Nicaragua

Government implements a series of Social Security reforms. Last February 1, the government implemented a social security reform package that significantly increases contributions and reduces the benefits of the country's social security program. Among the changes introduced are: (i) increase in the contribution rate from 4 to 4.75% of income for workers and from 10 to 12.5% for employers (with less than 50 employees) or to 13. 5% (with at least 50 employees). (ii) Elimination of the tax ceiling. (iii) The income used to calculate old-age and disability pensions is the average monthly income of the insured in the last 375 weeks of contributions (instead of the last 250 weeks as was previously the case). (iv) A less generous pension calculation formula: for new old-age and disability pensions, the monthly benefit is now 20% of the average monthly income of the insured, plus 1% for every 52 weeks of contributions that exceed 150 weeks (previously it was 37% of average monthly income plus 1.15% for every 52 weeks of contributions over 150). (v) Maximum old-age pension of 70% of the average weekly income (there was previously no limit). ***(Source: Social Security International Update; Date: Mar. 19)***

Reforms to the Nicaraguan Social Security Institute (INSS) would only give it a nine-month financial respite. According to the Nicaraguan Foundation for Economic and Social Development (Funides), the social security reform implemented by the government in February, far from saving the INSS from bankruptcy and providing stability over time, only extended the agony. It points out that this reform only guarantees financial stability for nine months, after which it will revert to its crisis status, which dates back to 2013. According to its analysis, the worst part of it all is that the application of other severe economic measures adopted by the Executive will lead to the social security system losing 19.2% of its members this year alone, which, in addition to the members who opted out in 2018, would amount to an almost 40% accumulated reduction in the number of contributors by the end of this year. ***(Source: www.laprensa.com.ni; Date: 20.03.19).***

Panama

The future of Social Security finances is worrying. The aging of the Panamanian population and the current high informality levels create the perfect storm for the collapse of the Social Security Fund's Disability, Old Age and Death (IVM) Program by 2025, if there are no new contributors. ***(Source: www.panamaamerica.com.pa; Date: 11.02.19).***

Paraguay

The IMF raises the need for an agency to regulate the pension system and promote measures to foster the financial sustainability of the system. In its preliminary report on the assessment of the Paraguayan economy, the international organization mentions the pension funds and points out that it is still important to create an agency to supervise them. "The pension funds currently manage the money entrusted by the public under a few very rigid rules, but without supervision," warns the entity. The Fund ensures that supervision would mitigate risks, allow pension funds to invest in a wider range of assets and facilitate the development of a national capital market. He also argues that restoring the long-term sustainability of the pension system is another challenge that must be addressed now, before the demographic benefits dissipate. "This can be achieved through smooth and timely parametric adjustments of the retirement age, benefits and contribution rates," says the agency. ***(Source: www.abc.com.py; Date: 10.03.19).***

OECD calls for an urgent pension reform in the country. According to the agency's specialists, the current financial health of most of the pension funds in Paraguay calls for urgent reforms. The Retirement and Pension Fund of the Ministry of Finance, or Caja Fiscal, alone, had a deficit of 27% at the end of the first 2 months of the year, amounting to some USD 22.8 million. The agency also emphasized a series of recommendations. The first is to increase the coverage of the pension system, together with decisive action to reduce informality and improved methods for incorporating self-employed workers. Social coverage in the country is only 22% of the population. Second, reconsider parameters in the retirement systems, since there are large varieties of them, which makes it necessary to reformulate them, not only for financial sustainability reasons, but also to guarantee the equity of the entire pension system. Third, improve the governance and regulation of the pension system, since there are shortcomings in terms of pension fund investments and the supervision of the activities of the different savings banks. ***(Source:*** ***www.abc.com.py; Date: 31.03.19).***

Peru

Reform of the AFP system should aspire to greater competition, according to the Central Reserve Bank (BCR). According to the agency, the Private Pension System (SPP), managed by the AFPs must be reformed in order to expand the scope of investment portfolios and promote the entry of more fund managers. ***(Source: https://gestion.pe/economia; Date: 08.02.19).***

Members of the AFPs are retiring 6 years before the legal retirement age. The minimum age for retiring and applying for a pension in the SPP is 65, as in the national system. However, Peruvians have been able to advance their retirement with the changes approved to the legal framework of the private system. Thus, as of November 2018, the average retirement age dropped to 59. According to the Banking, Insurance and AFP Commission (SBS), this is explained by the modifications applied to the questioned Early Retirement System due to Unemployment (REJA). The last change, and perhaps the one with the greatest impact, occurred three years ago with the approval of Law No. 30425 - known as the 95.5% Law - which allows the withdrawal of almost all of the money accumulated in an AFP either at the time of legal retirement, or when accessing the REJA. Thus, retirement at 65 progressively diminished and retirement via REJA rapidly increased. ***(Source: https://elcomercio.pe; Date: 02.17.19)***

It has been proposed that the Recognition Bond for transferring funds from the Pension Normalization Office (ONP) to the AFPs should be updated. The recognition bond has not been updated since 2001, so a congresswoman submitted a bill of law to update it for members of the National Pension System (SNP) who wish to transfer their fund to an AFP.
In this transfer process, some pensioners find it difficult for the ONP to recognize their contributions. It is important to bear in mind that since 2002, contributors to the ONP who transfer their contributions to an AFP, cannot transfer all of their money. That is why the congresswoman's proposal seeks to enable workers to transfer all of their contributions from the ONP to an AFP. ***(Source: https://larepublica.pe; Date: 26.02.19).***

SBS wants members to be able to switch funds more easily. The SBS published a preliminary version of the draft resolution that proposes a reduction in the term that members of the Private Pension System (SPP) have for switching, under their responsibility, from one fund to another. Transfers currently take between 27 and 49 working days to become effective. This bill of law will reduce the process to between six and a maximum of 27 working days. The proposed term seeks to improve the efficiency of the fund switching process for members, including the elimination of the private security code, if conducted virtually, while maintaining the security protocols established by the AFPs to safeguard the identities of its members, said the SBS. ***(Source: https://elcomercio.pe; Date: 28.02.19).***

ONP runs out of funds to pay recognition bonds to retirees The ONP has not been able to pay recognition bonds to retirees, due to the greater number of people who opted for the REJA. Due to this situation, it has had to request additional funds from the Government. ***(Source: https://rpp.pe/economia; Date: 05.03.19).***

Congress approves amendments to the REJA. Despite ongoing doubts regarding the negative impact of the Early Retirement System (REJA) on the pension system, Congress voted to permanently restore the REJA at the beginning of March, although with certain amendments. In particular: (i) it was determined that REJA would be a permanent benefit (its validity was previously extended for only 3 years). (ii) Prove unemployment for 12 consecutive months. (iii) Reimbursement of contributions: if the pension calculated for the REJA is not equal to or greater than the National Minimum Wage (approx. USD 283), the AFP will proceed to reimburse 50% of the contributions of members in their individual accounts and the remaining balance will remain in their individual accounts until they retire. (iv) Job reinsertion: members under 65 who opt for any type of early retirement and then rejoin the labor market, must carry on contributing to an AFP. ***(Source: https://larepublica.pe; Date: 09.03.19).***

About 50% of workers are not enrolled in any pension system. 49.8% of the economically active population is not enrolled in any pension system, which means that around 8.5 million workers would have no way of financing their old age, disability or survival on turning 65, according to the Economics and Business Development Institute of the Lima Chamber of Commerce (CCL). There were 8.6 million members of the pension system in 2018, representing 50.2% of the EAP (Economically Active Population), with the private pension system accounting for the largest number of contributors with 7 million. ***(Source: www.americaeconomia.com; Date: 26.03.19).***

Uruguay

AFAPs insist on creating a sub-fund for young members to obtain higher returns. The private AFAPs propose advancing in the implementation of a third sub-fund focused on younger members, with the aim of achieving better long-term pensiones through investment in foreign equities. ***(Source: www.elobservador.com.uy; Date: 02.02.19).***

Europe

Croatia

Government implements a series of pension reforms. Last January 1, Croatia implemented a pension reform package aimed at increasing the adequacy of benefits, improving intergenerational equity and guaranteeing the long-term financial sustainability of the public pension system. The Croatian public pension system had a budget deficit of around USD 2,600 million in 2018. The main changes include the following: (i) It accelerates the increases in the retirement age: the legal retirement age for women (62 years and 4 months starting on January 1) will increase gradually by 4 months per year to 65 in 2027, equaling the retirement age of men. From then on, the retirement age for men and women will increase at the same rate to 67 in 2033. (ii) Parallel to the increases in the official retirement age, the early retirement age will gradually increase to allow retirement (with a reduced pension) up to 5 years prior to the official retirement age. The early retirement age for women (57 years and 4 months as of January 1) will gradually increase to 60 in 2027 (instead of 2030 as originally proposed), and the retirement age for men and women will subsequently increase to 62 in 2033 (instead of 2038). (iii) Changes in incentives for early and postponed retirement: early old-age pensions are now reduced by 0.34% per month before the official retirement age, or increased by 0.34% for each month of deferment. Pensions were formerly reduced/increased by 0.15% for each month of early/postponed retirement. (iv) All workers will be able to transfer the balances of mandatory individual savings accounts to the public social security program in order to obtain a higher social security benefit (this change was previously only allowed for those born between 1952 and 1961). ***(Source: Social Security International Update; Date: Feb. 2019).***

The country will need 10 million additional contributors in 30 years to pay pensions, according to BBVA Research. The organization's research department claims that, given the foreseeable increase of the number of pensioners, the system would have to add about 10 million contributors in next the 30 years to be able to do pay pensions. Since this is a highly unfeasible scenario, the agency claims that there are 3 alternative paths. The first is to increase fiscal pressure, introducing more taxes or cutting public spending on other budget items. The second one would involve structural reforms to reduce the unemployment rate, increase the rate of activity and employment, productivity and wages. The third is to encourage complementary savings, compensating the reduction of the average pension against the average salary with more savings. ***(Source: https://cincodias.elpais.com; Date: 02.17.19).***

Pension expenditure will rise to 18% of GDP by 2050. Pension expenditure in Spain will increase by four percentage points of GDP by 2050, to 18%, if pensions are pegged to the CPI and no measures are taken to compensate for this increase, according to the Economics Department of the European Commission. The report warns that the country faces "high fiscal sustainability risks" in the mid and long term. ***(Source: www.larazon.es; Date: 27.02.19).***

Given the current demographic pyramid, pensions will not suffice. According to Antonio Huertas, co-author of the book "La Revolución de las Canas", the existing pyramidal structure will result in pensions not sufficing to cover the needs of the growing retired population. According to OECD data, Spain will be the country with the oldest population by 2050, with 40% over 65. When retirement at 65 was implemented in Germany at the end of the 19th century, only one person in 100 reached that working age. Today, 95 of every 100 surpass that age. Work careers also start later. Therefore, according to the author, retirement can no longer be conceived in the traditional way. ***(Source: www.hoy.es; Date: 22.03.19).***

France

Government merges private sector occupational pension programs. As part of the government's efforts to simplify France's complementary pensions and make pensions fairer among different categories of employees, as well as to improve the financial sustainability of the programs, the government chose to merge the country's main occupational pension programs for private sector employees - the General Association of Retirement Institutions for Executives and the Association of Complementary Pension Plans for Employees, unifying benefits and contributions. ***(Source: Social Security International Update; Date: Feb. 2019).***

Spain

Public debt will exceed 130% of GDP if pensions are not reformed. Pegging pensions to the CPI will put pressure on spending, especially after 2030, as explained by the Independent Authority for Fiscal Responsibility

(AIReF) at its last debt observatory. In a scenario without pension reforms, maintaining the purchasing power of pensions would entail an increase in public debt of around 50 points of GDP by 2048. Hence, the pension expenditure forecast for the AIReF - which estimates an increase of almost 3% of GDP per year - would also affect the dynamics of the debt ratio, which will be 132.2% of GDP in the next 30 years. ***(Source: www.larazon.es; Date: 02.14.19).***

Ukraine

Government submits a bill of law that introduces a mandatory, privately managed individually funded system (second pillar). At the end of March, the National Securities and Market Commission finished drafting a bill for the introduction of a mandatory individually funded system (second pillar), in compliance with the mandate of the country's Council of Ministers. The bill has the approval of the ministries and government departments. After approval by the Government, it will be submitted to the Supreme Rada (Parliament of Ukraine) for consideration as a Government initiative. The bill of law complements the existing solidarity pension system with a new individually funded system, in which workers will pay contributions into their individual accounts. After reaching retirement age, which is also subject to change, workers can receive additional payments thanks to their individual savings. Furthermore, in case of the premature death of account holders, the money can be inherited in full by their descendants. The bill stipulates that pension funds will be managed by professional asset management companies that will be selected (licensed) in a transparent and competitive manner to meet the highest professional and ethical standards in the industry. The document stipulates the independence of the Government as a pension manager. The bill gives citizens the right to freely choose an authorized non-state pension fund or an asset management company in which they will save for retirement. A contribution of 2% of the worker's income has been proposed during the first year after the introduction of the individually funded pension system. In the following years, the contribution will increase by one percentage point per year, to reach its final amount of 10%. ***(Source: www.nssmc.gov.ua; Date: 27.03.19).***

Africa

Nigeria

Government reviews the provisions of the 2014 pension reform. Since mid-2018, the Nigerian National Pensions Commission (PenCom) has introduced a series of changes to the Pension Reform Act of 2014. In July 2018, PenCom published new investment guidelines for each pension fund manager to offer four types of funds with different levels of risk and age requirements (multi-funds), replacing the single fund structure. In September 2018, it issued guidelines to promote a micro-pension plan aimed at workers in the informal sector, with the potential to include some 12 million participants within a 5-year term and generate estimated retirement savings of USD 8,400 million. In October 2018, uniform rules were established for voluntary contributions. Finally, in February 2019, the "Pension Funds Investment Regulations" were introduced, setting out uniform rules and standards for the investment of the assets of investment funds. Although the 2014 law allows the assets of pension funds to be invested in corporate securities and public debt, asset diversification has been slow, with approximately 70% of the assets invested in federal government securities. ***(Source: Social Security International Update; Date: Mar. 19).***