International Federation of Pension Fund Administrators

Progress of the Pension Systems
December 2016 - January 2017
No.1

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 December 2016 - January 2017 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.

Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

Costa Rica: *A one percentage point increase in the contribution rate paid into the public PAYGO system by workers was approved. Thus, the contribution rate would increase from 2.84% to 3.84%, increasing the total contribution rate (worker, employer, State) from 9.16% to 10.16%.*

Peru: *Fund management commissions drop after third bidding process, with AFP Prima offering the lowest mixed commission (0.394%).*

Japan: *Government approved a reform package that includes the reduction of the benefits of the public PAYGO program pensions, by changing the way in which current payments are adjusted, and restricting future pension increases.*

Crisis in public PAYGO systems

Costa Rica: *Study of the public PAYGO system reveals that the fund would be exhausted by 2030 if substantial reforms are not made.*

Nicaragua: *IMF warned that the public PAYGO system is financially unsustainable and could fall into crisis by 2024.*

Spain: *The reserve fund of the public PAYGO system would be depleted by 2017. Government would have to resort to borrowing to be able to pay pensions.*

Investment options.

Mexico: *The investment limits of the AFOREs in equities and energy company bonds, increased by 5%. Members can also choose the Investment Fund (SIEFORE) they prefer. They can switch funds free of charge every 3 years.*

Bolivia: *Government makes it mandatory to invest 5% of the pension funds in agricultural loans.*

Reforms proposed or to be discussed

Brazil: *Government expected to approve a pension reform setting the minimum retirement age at 65, in the first half of 2017. 49 Years of contributions to the system will also be necessary to be able to access a full pension. The reform also seeks to standardize the public and private employee pension systems, and makes the conditions for heirs to receive pensions stricter.*

Chile: *Central Bank warns of the negative effects of the additional contribution of 5% (charged to the employer) being assigned to the PAYGO system. According to the Bank, this would lead to a drop of 1.3% in domestic savings, with negative impacts on all macroeconomic variables: employment would drop, informality would increase and the long-term GDP would diminish. This scenario also entails a high risk of fiscal problems, generating an increase in public debt of up to 40% of GDP by 2050. This mechanism is the one that would least increase pensions in the long term, raising them by 19%. If the 5% is paid into the individually funded accounts, it would generate an increase in domestic savings of 1.2%, 1% more than the growth of the long-term GDP, and pensions would increased by 42.2% on average.*

Costa Rica: *Deputies submit a Bill of law for the Superintendency of Pensions to regulate and supervise the public pension system (PAYGO), introducing the individually funded system as an alternative to the PAYGO system.*

El Salvador: *The Minister of Finance told Congress that if there is no progress in the pension reform in 2017, the pension funds would have to be nationalized. This was met with fierce opposition.*

Spain: *The Toledo Pact seeks formulas for alleviating the problems of the public PAYGO system. Proposals are expected to be submitted in April. Individual funding has been put forward as an alternative.*

Retirement Age

Finland: *The retirement age will gradually increase from 63 to 65, starting January 1, 2017, and future increases will be automatically linked to life expectancy.*

Netherlands: *The retirement age will automatically increase to 67, starting in 2022, due to increased life expectancy.*

Poland: *A law that reduces the retirement age to 60 for women and 65 for men was enacted on December 19, 2016. This reverses the increases approved by the previous Government (in 2012), which gradually increased the retirement age for women from 60 to 67, and from 65 to 67 for men.*

Reports or relevant presentations

OCDE Pension Outlook 2016 reveals growing importance of defined contribution plans (CD). The 2016 report shows that DC plans have expanded in all OECD countries. The assets and/or the number of members in CD plans in the 2002 - 2015 period increased in 10 of the 16 OECD countries with available information. In fact, DC assets represent more than 50% of the GDP in 13 OECD countries in 2015, and more than 100% of GDP in 7 of them. The report also predicts that in countries such as the Netherlands, the United Kingdom and the United States, pensions financed by the second pillar will account for 30-40% of the total pensions of workers. In view of the above, the report makes a series of recommendations to Governments, including: (i) support the enrollment of lower-income workers in DC plans with lump sum subsidies, or "matching." (ii) Strengthen the life annuities market. (iii) Regulate pension advisers. (iv) Foster financial literacy. ***(Source: www.oecd.org; Date: 05.12.16).***

Libertad y Desarrollo (LyD) published a study on pensions and years of contribution in Chile. Using the information recently published by the Superintendency of Pensions, including information on average pension amounts compared to the number of years of contribution, LyD published a study that confirms how wrong it is to judge the Chilean pension system by its average pensions. The document draws 4 conclusions from the published figures: (i) higher savings, higher pensions. Even though it is obvious, the figures confirm that self-financed pensions grow as the number of years of contribution increase. (ii) Most people contribute for only a few years: 57% of pensioners contributed for less than 20 years; 28% contributed for less than 10 years, and only 11% contributed for more than 30 years. (iii) Women contribute less than men, which negatively affects their pension amounts. (iv) Low contribution density: Pensioners who received their first payment in November, 2016, had a contribution density of 53%, which means that on average they only contributed for about half of the time they were enrolled in the system. The analysis of the information enables concluding that better pensions require an increase in the level and density of contributions. This entails, for example, better job opportunities and changes in the legal retirement age. ***(Source: Libertad y Desarrollo; Date: 27.01.2017.***

Relevant news of the period

Latin America, the Caribbean and North America

Bolivia

Government makes it mandatory to invest 5% of the pension funds in agricultural loans. The Government decided to make 5% of the resources of the Pension Funds available for providing loans of up to 10 years to the livestock and agriculture sector, with the aim of strengthening the country's productive sector. According to experts, this measure involves a great risk for the contributions and the future of the insured. Even more so if we take into account that agricultural activity is subject not only to market risks, but also to environmental risks. Moreover, the agricultural sector is not one of the sectors with the best credit performance in the country. ***(Source: www.la-razon.com; Date: 17.01.16).***

Brazil

Pension reform still on hold. The country currently spends nearly 8% of GDP on paying pension benefits, a figure that the OECD predicts will reach16% if no changes are made. Brazil does not have a minimum retirement age at present, and there are different pension systems for the private sector, government employees and the military. Due to this situation, the Government has proposed a pension reform that sets a minimum retirement age of 65, requiring workers to contribute for 49 years to receive full retirement benefits. The reform also includes the establishment of a single retirement system for government employees and private sector workers, and stricter conditions for workers' heirs to receive pensions after their death. The approval of the changes in the pension system requires the favorable vote of at least three fifths of Congress, with two rounds of voting in each one of the chambers. Government officials hope that the reform will be adopted in the first semester of 2017. ***(Source: www.fundssociety.com; Date: 23.01.17).***

Chile

Superintendency of Pensions (SP) launched a new web tool providing information on returns, costs and quality of service of the AFPs. Last December 9, the SP made the web tool "Learn and Decide," available to the public. It will provide users of the pension system with fast and easy access to information regarding three aspects of the AFPs: returns, costs and quality of service. ***(Source: SP announcement; Date: 09.12.2016).***

Superintendency publishes new figures on pensions compared to years of contributions. For the purpose of providing more and better information, the Superintendency of Pensions (SP) published new statistics on its web site related to the number and amounts of pensions paid, compared to the number of years of contribution in the individually funded system One of the report's key findings is that the new pensioners in November 2016 contributed, on average, for slightly more than half of their working lives. Furthermore, 55.5% of the total number of pensions paid to the month of November 2016 (to 435,357 people), were paid to members who had contributed for 20 years or less in the system. 15% of total pensions for this group, on average, are funded by the State through the solidarity complement. It is also evident that pension amounts for new and established pensioners are in direct proportion to the number of years of contribution. Nonetheless, only 10% of pensioners contributed for more than 35 years. Further details here. ***(Source: www.t13.cl; Date: 03.01.2017)***

The average pension in Chile is similar to the average pension in Spain, with a three times lower contribution rate. According to SP data, the average pension in November, 2016, of those who contributed for 35 years or more, was CLP 645,000, (some EUR 920), while in Spain the average pension (in the PAYGO system) is EUR 900, but with a contribution rate three times higher. The Chilean pension system has been recognized for decades as a pioneering model for improving retirement pension systems. ***(Source: Boletín Latino AFP; Date: 19.01.16).***

The Production and Trade Confederation (CPC) proposed 22 measures for improving the Chilean social security system. The CPC unveiled its "Report of the Advisory Committee of the CPC," which sets out its recommendations for improving the existing pension system model in Chile. Among the proposed measures are: increase the contribution rates, promote voluntary collective savings, increase the retirement age, and the gradual incorporation of self-employed workers in the pension system. ***(Source: www.fundssociety.com; Date: 26.01.2017).***

Central Bank warns of the negative effects of the additional contributions being paid into the PAYGO system. An assessment requested from the Central Bank by the Ministry of Finance, analyzed the macroeconomic effects of the different alternatives discussed regarding the assignment of the additional 5% of individual contribution. If the 5% is paid into the individually funded accounts of workers, it would generate an increase in domestic savings of 1.2%, 1% more than the growth of the long-term GDP, and pensions would increase by 42.2%. Alternatively, if the 5% is paid into the traditional PAYGO system, domestic savings would drop by 1.3% and it would have a negative effect on all macroeconomic variables: employment would drop, informality would increase and the long-term GDP would diminish. At the same time, this scenario carries a high risk of fiscal problems, generating an increase in the public debt up to about 40% of GDP by 2050. This mechanism is also the one that would least increase pensions in the long term, raising them by 19%. ***(Source: www.emol.com; Date: 27.01.2017).***

Minister of Finance discusses the possible destination of the 5% additional contribution. Although there is still no formal bill of law, the Ministry of Finance has announced its position on the assignment of the 5% additional contribution charged to the employer. It has proposed that almost half of the contribution should go to individual "notional" accounts, which would not be managed by the AFPs. Meanwhile, the remaining part would comprise an important solidarity component, embracing three ideas. The first one involves a small percentage being used for leveling pensions between men and women; the second one in an extreme old age insurance that would enable increasing the pensions of existing retirees; and the third one in an intra-generational old-age insurance, in which the contributions of each cohort (for example a group between 20-24 years of age) are paid into a common fund that belongs only to that generation. ***(Source: www.df.cl; Date: 31.01.2017).***

Survey reveals that 60% of Chileans prefer a pension system in which individual saving predominates. This was revealed in a survey conducted by the Adolfo Ibáñez University's School of Government and CADEM. 21% of Chileans, in turn, would not be willing to contribute to a PAYGO system. ***(Source: www.emol.com; Date: 02.02.2017).***

A law allowing the pension funds to invest in alternative assets has been enacted. The Productivity Law, which updates the regulations governing the diversification of pension fund portfolios, was enacted in October 2016. It especially authorizes investment in non-traditional assets (debt or private equity, real estate and infrastructure assets), shares of concessionary companies in infrastructure projects, and mutual fund bonds. It also eliminates obstacles relating to investment fund share subscription agreements. It increases the limit per issuer applicable to domestic investment fund shares from 35% to 49%, requiring fewer investors to create a Fund. The new law will be effective as of November 1, 2017. Further details here. ***(Source: www.safp.cl).***

Colombia

Asofondos says that it is a priority for public and private pension systems to complement one another. In the Anif and Asofondos Thematic Seminar "Pension and Labor Performance in Colombia," Santiago Montenegro, the Chairman of Asofondos, suggested that given the high informality rate existing in Colombia (around 65%), as well as the greater life expectancy of Colombians, the public pension system, as it has been designed, is no longer sustainable. According to Montenegro, before raising the retirement age, Colombia should introduce institutional changes in the pension system, focus on subsidizing the poorest elderly population, and reform the labor market. The Trade Association sees the need to complement the existing public and private pension systems as a priority. In practice, this would entail that the public PAYGO pillar would focus on complementing the individual accounts of the poorest segment of the population. **(Source: Asofondos Press Release; Date: 12.11.2016).**

Experts recommend increasing the retirement age. The legal retirement age in the system managed by Colpensiones (the public system) is currently 62 for men and 57 for women. Furthermore, pensions are paid on an average of 10 years of contributions. These two variables must be modified, according to OECD experts. In particular, it has been suggested to set the retirement age for men and women at 65. Changing the formula for calculating pensions in the public system has also been suggested. The OECD also proposed reducing the minimum pension to less than a minimum wage, but that would involve a constitutional reform. ***(Source: www.elpais.com.co; Date: 31.01.2017).***

Costa Rica

Actuarial study reveals that the public PAYGO system's fund would be exhausted by 2030 if substantial reforms are not made. A study by the University of Costa Rica (UCR) for assessing the financial health of the Disability, Old Age and Death System (IVM), warned that the system would fall into crisis by 2030 if concrete measures are not taken. In particular, it proposes raising the retirement age from 65 to 70. it also proposes gradually raising the worker-employer-state contribution from 9.16% to 26.4% of the wages of workers. In the new distribution, the employer would contribute 13.99%, the worker 8.72%, and the State 3.69%. This percentage would be achieved by 2049, with adjustments starting in 2019. It has also been proposed that the pension benefit should be reduced from 60% to 40% of the average salary of the retiree, and be complemented with the complementary mandatory pension. These measures would be necessary for making the system sustainable. ***(Source: www.nacion.com; Date: 20.12.2016).***

A 1% increase in the contribution rate of workers to the public PAYGO system has been approved. After the results of the actuarial study of the UCR were published, last January 12 the Costa Rican Social Security Fund (CCSS) agreed to raise the current contribution of 2.84% of the monthly salary to the IVM, to 3.84% as of June 1. The contribution rate of the State had already been increased from 0.58% to 1.24% in July 2016. With the agreed modification, the contribution to the PAYGO system will increase from 9.16% 10.16%. The employer's contribution will remain at 5.08%, the worker's contribution will be 3.84%, and the state's contribution 1.24%. ***(Source: www.nacion.com; Date: 13.01.2017).***

CCSS proposes nationalizing complementary pensions due to the crisis of the system. Due to the crisis in the public PAYGO system, the option of nationalizing complementary pensions (second individually funded pillar) has been put forward. The second pillar funds amount to USD 8,500 million. The announcement of this proposal has generated a backlash from experts and authorities, including the Superintendency of Pensions. ***(Source: www.estrategiaynegocios.net; Date: 16.01.2017 and 20.01.2017).***

Deputies submit a bill of law for the Superintendency of Pensions to supervise the public PAYGO system. The members of the Legislative Committee for the Oversight of Public Revenue and Expenditure will submit a bill of law for the Superintendency of Pensions to supervise and regulate the IVM pension system, since it does not do so at present. ***(Source: www.nacion.com; Date: 20.01.2017).***

The individually funded system has been proposed as an alternative to the IVM. The announcement of an eventual collapse of the public system has driven the discussion on alternatives for the country's pension system. The establishment of a private individually funded system was part of the discussion. The country currently has an individually funded system, but it is complementary to the PAYGO system. ***(Source: www.larepublica.net; Date: 31.01.2017).***

El Salvador

Opposition categorically rejects the nationalization of the pension funds. The Minister of Finance announced before Congress that if there is no progress in the reform of the pension system this year, it will be necessary to fully nationalization the pension funds. The opposition has flatly rejected any measure of this type. ***(Source: www.elmundo.sv; Date: 12.01.17).***

Honduras

The individually funded system is consolidating. The Honduran financial system began in 2017 with 4 AFPs and several financial groups interested in forming part of the sector. In 2016, the National Banks and Insurance Commission (CNBS) approved the operation of the AFP BAC/Credomatic and regulated the incorporation of the Private Contribution System(RAP) into the sector. AFP Atlántida and AFP Ficohsa were already operating. The AFP sector is still awaiting the passing of the new law governing its operations and setting out the rules of the game for all players. ***(Source: www.laprensa.hn; Date: 02.01.2017).***

Mexico

Members can choose the investment fund (SIEFORE) of their choice for the first time. Although members were already allowed to switch AFOREs once a year, they could not choose their preferred investment funds, and were automatically assigned to a fund according to their age. From now on, members can choose their preferred investment fund. They will be able to switch funds, free of charge, every three years. The procedure will be performed via internet, and the aim is to give greater power of decision to workers regarding their savings in the AFORE. The free choice of SIEFOREs is also expected to encourage competition among fund managers. ***(Source: CONSAR Press Release; Date: 31.01.2017).***

AFORES will be able to increase their investments in equities and productive state enterprises. The AFOREs will be able to increase their investments in equity and Petroleos Mexicanos (Pemex) and Federal Electricity Commission (CFE) projects, due to amendments to the investment regime. Said changes were approved by CONSAR, and consist in raising the limits for the AFORES to invest in equity by 5 percentage points (with the exception of the most conservative fund, SB0), and the limits for investing in Productive State Enterprises (Pemex and CFE) by 5 percentage points (reaching a maximum of 10% of the portfolio, for all funds) (***Source*** : ***www.economiahoy.mx Date: 10.01.2017***).

Record number of voluntary savings deposits in 2016. The National Commission for the Retirement Savings System (Consar) reported that there were a record number of voluntary savings deposits in the Pension Fund Managers (AFOREs) in 2016. Voluntary contributions increased by 14.6% compared to voluntary savings amounts recorded in 2015, and by 46.1% compared to contributions in 2014. According to Consar, these increased savings can be explained by the campaigns sponsored by Consar, the Afores and the Mexican Association of Afores, as well as the creation of additional channels for making voluntary savings deposits. ***(Source: www.eluniversal.com.mx; Date: 17.01.16).***

Nicaragua

The public PAYGO system will be insolvent by 2024. According to the IMF, the Disability Old Age and Death Program (IVM) of the National Institute of Social Security (INSS) faces serious sustainability issues, which would make it insolvent by 2024. It called on the country to urgently introduce measures for addressing the problem, among them: systematically increasing the contribution rate, increasing the retirement age from 60 to 65, calculating pension benefits on the average of the entire working life, and not only on the average of the last 5 working years, as is currently the case, and doubling the number of years of contributions required for accessing a pension, from 15 to 30 years. ***(Source: www.laprensa.com.ni; Date: 13.12.2016).***

Peru

Fund management fees drop after the third bidding process. New members of the private pension system (PPS) between June 2017 and May 2019 will be automatically enrolled as Prima AFP members, since this fund manager offered the lowest mixed commission (on the flow and on the balance) in the third bidding process organized by the Superintendency of Banking, Insurance and AFPs (SBS). Unlike the previous bidding process, in which only AFP Habitat offered a lower rate, three of the four AFPs in the market participated this time around. AFP Prima offered a mixed commission of 0.394%, comprising: the monthly commission of 0.18% on flow, and the yearly commission of 1.25% on the balance. ***(Source: www.andina.com.pe; Date: 15.12.2017).***

It is estimated that members of the AFPs will withdraw some MUSD 106 per month in 2017. According to industry estimates, members of the SPP will withdraw an average of PEN 350 million (approx. US$ 106 million) per month from their retirement funds in 2017, as freely available funds and for mortgage purposes. This is the result of the law that grants free availability of 95.5% on retirement, and 25% for mortgage purposes (at any time). The amounts of the withdrawals have forced the AFPs to invest in more liquid assets. ***(Source: www.andina.com.pe; Date: 10.01.2017).***

Life annuities have dropped by about 40%. The enactment of the law that enables members of the AFPs to withdraw up to 95.5% of their pension funds, had a great impact on the life annuities market, because it had contracted by almost 40% at the end of 2016. The new legal framework of the SPP gives more freedom to retirees, whose main risk is not knowing how to properly manage the money in their individual accounts, because they are not familiar with the instruments. ***(Source: www.diariocorreo.pe;; Date: 22.01.2017).***

Dominican Republic

Improving pensions and the diversification of investments are the main challenges of the pension system in 2017. According to Kirsis Jaquez, Chairman of the Dominican Association of Pension Fund Managers (ADAFP), achieving better pensions for workers and greater diversification that favorably impacts the Dominican economy, are two of the main challenges of the Dominican pension system in 2017. ***(Source:*** www.elnacional.com.do***; Date: 11.01.2017).***

Uruguay

Uruguay signs a Social Security convention with the U.S. and Luxembourg to eliminate double Social Security contributions. Last January 10, the United States and Uruguay subscribed a totalization agreement to exempt employers and workers in the United States and Uruguay from the double social security tax obligation. The agreement will also enable calculating the number of years of work in any country when calculating retirement. This provision benefits individuals who have worked for several years in different countries and do not have sufficient months of contributions [separately] to access a pension, but can access a pension with the combined number of months of contribution in different countries. A similar agreement was ratified last January 20 with Luxembourg. ***(Sources: www.ladiaria.com.uy; Date: 11.01.2017 and www.prensa-latina.cu; Date: 18.01.2017).***

Europe

Spain

Reserve Fund of the public PAYGO system will be exhausted by 2017. Government will resort to borrowing to be able to pay pensions. According to estimates, the reserve fund amounts to about MEUR 15,000, which is enough to cover only another two months, so it is estimated that the fund will be exhausted in 2017. In this scenario, the government would resort to borrowing in order to pay pensions, said the State Secretary for Budgets and Expenditure in Congress, within the framework of the Follow-up and Assessment Committee of the Toledo Pact Agreements. The Secretary has ruled out the creation of a specific tax to finance pensions. ***(Source: www.abc.es; Date: 20.12.2016).***

The payment of public pensions will once again be the biggest item of government expenditure in 2017. Spending on public pensions in 2017 will be approximately MEUR 140,000, representing more than 40% of the total yearly budget. This amount includes contributory and non-contributory pensions paid by the government, as well as government payouts to supplement the incomes of retirees who have not contributed sufficiently and cannot access the fixed minimum pension each year. Increasing Social Security expenditure has forced the Toledo Pact to find ways of alleviating the system. The Parliamentary Commission is working to have a battery of measures ready in the next couple of months, probably in April, for sustaining public pensions and ensuring their future. ***(Source: www.finanzas.com; Date: 15.01.2017).***

Individually funded accounts have been suggested as an alternative to the existing PAYGO system. Due to the financial sustainability issues affecting the existing PAYGO system, experts are increasingly advocating an individually funded system in which individual workers would save their own pensions and invest them to multiply their value. In fact, Pilar González de Frutos, Chairman of the Spanish Union of Insurance Companies (UNESPA) has called for the establishment of a "quasi-mandatory" private pension system to counter the public pensions crisis. ***(Source: Boletín Latino AFP; Dates: 16.01.2017 and 25.01.2017).***

Finland

Reform of the occupational pension program implemented. The reform of the occupational pensions program (PAYGO) was implemented on January 1, 2017. Its main changes are (i) gradually increase of the minimum retirement age (3 months per year) from 63 to 65, and future increases (of up to two months per year) automatically linked to changes in life expectancy. (ii) The rate of accumulation of benefits is standardized to 1.5% of annual income for all age groups, up to the maximum retirement age (previously there were differences according to the age at which the contributions were made). Further details regarding the Finnish pension system here. ***(Source: Social Security International Update; Date: January 2017).***

The Netherlands

Automatic increase of the retirement age approved in the public PAYGO system. On October 31, the Dutch Government announced that the retirement age for public pensions in the first pillar will automatically increase to 67 years and 3 months in January, 2022, due to the increased life expectancy in the Netherlands. The change, which is part of a 2012 amendment to the General Old-

Age Pensions Law, aims to improve the long-term sustainability of the pension system by gradually increasing the retirement age from 65 to 67 (initially in 2023, but later brought forward to 2021) and automatically link future increases (of 3 months per year) to changes in the average life expectancy at 65. The law requires the Government to announce the automatic increases at least 5 years prior to implementation. ***(Source: [Social Security International Update](); Date: December 2016***

Poland

Legal retirement age is reduced. A law was enacted last December 19 that reduces the retirement age in Poland's multipillar pension system to 60 for women and 65 for men. The law, which will come into effect on October 1, 2017, reverses the increase in the retirement age approved by the previous Government in June 2012, whereby retirement ages would increase gradually from 60 to 67 for women (by 2040) and from 65 to 67 for men (by 2020). ***(Source: [Social Security International Update](); Date: January 2017).***

Switzerland

The guaranteed minimum rate of return of second pillar occupational pensions has been reduced. The minimum guaranteed interest rate for the second pillar mandatory pensions will drop from 1.25% to 1% on January 1. This is the lowest rate since the Government introduced the second pillar in 1985. According to the Government, the rate reduction is the result of the current environment of low global interest rates. It is worth mentioning that Switzerland's multipillar pension system includes a second mandatory pillar for employees with an annual income from a single employer of more than USD 20,881, operating on a defined contribution basis, with a minimum guaranteed rate of return applied to contributions. ***(Source: [Social Security International Update](); Date: December 2016).***

United Kingdom

Brexit may affect the sustainability of pension funds. The Pensions and Lifetime Savings Association (PLSA) warned that the sustainability of the pension funds in the United Kingdom depends on the strength of the economy, the financial system and regulatory systems, all of which are under threat with the exit of the United Kingdom from the European Union. ***(Source: [www.ipe.com](); Date 18.01.2017)).***

Asia and the Pacific

Japan

Benefits of the public PAYGO system reduced. Last December 14, the Government approved a package of reforms including a reduction in the benefits of the pensions of the public PAYGO program, changing the way in which current benefit payments are adjusted, and restricting future pension increases based on wages and inflation. According to the Government, this law seeks to maintain the sustainability of the system with an increasingly aging population. ***(Source: [Social Security International Update]();; Date: January 2017).***