International Federation of Pension Fund Administrators

Progress of the Pension Systems
April 2018 – May 2018
No. 3

This document reports on progress in pension matters, being factually accurate while maintaining maximum simplicity and brevity.. It compiles the major changes that occurred in the pension systems in the April 2018 - May 2018 with emphasis on the development of the individually funded systems..

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Executive summary by area of interest who

New Pension Programs and Social Security Reforms (approved)

- ✓ ***Brazil****: Future public servants in the Federal District will have a new complementary social security contribution model as of July. Public servants will contribute 11% of the ceiling set by the National Social Security Institute (INSS), currently USD 1,567.*
- ✓ ***El Salvador****: Self-employed workers can now contribute to the Salvadorean Social Security Institute (ISSS).*
- ✓ ***Peru****:*
  - *The Congressional Economy Commission approved the elimination of the requirement of five years of permanence in the Private Pension System (SPP) so that members can make Voluntary Contributions for Purposes other than Pensions (AVSFP). The eventual enactment of the law will encourage self-employed workers who are already enrolled in the SPP, but who have stopped contributing, to be able to engage in this type of savings*
  - *In mid-March, the SBS approved the new mortality tables for calculating pensions in the family annuity and deferred annuity modes, which will be applicable to individuals retiring as of January 1, 2019. The new table raises the life expectancy of men and women by more than three years, estimating that a healthy 65 year old person (the official retirement age) will live on average to the age of 87.5 if male and 90.8 if female*
- ✓ ***Uruguay****: The creation of a new Pension Unit was approved in April. It will evolve in line with the Average Nominal Salaries Index, for the purpose of enabling the issuing of bonds adjusted to salaries that provide coverage for the liabilities of insurers, which would improve their credit rating and encourage them to participate in the annuities market.*

Pension Education and Advisory Services

- ✓ ***Mexico:*** *CONSAR launches a new financial and social security education web module "Savings and future: The adventure of my life,, which seeks to encourage pension savings habits.*
- ✓ ***New Zealand:*** *Kiwi Wealth becomes the first approved financial services provider in the country for providing personalized robo-advisor advice to the KiwiSaver savings system.*

Investment of the pension funds

- ✓ ***Mexico:***
  - *Amafore has approved 11 new iShares-BlackRock ETFs for investment due to risk factors, allowing the AFORES to develop Smart Beta strategies to satisfy the need for international investments and protect themselves against exchange risks.*
  - *The AFORES have invested more than USD 35 billion (approx. US$ 1,758 million) to finance the construction of the new Mexico City international airport (NAICM), through the mechanism known as Fibra E.*
- ✓ ***Peru:*** *The Central Bank has raised the foreign investment operating limit of the AFPs from 48% to 49% (48.5% as of June, and 49% as of July)*
- ✓ ***Dominican Republic:*** *The State is approaching the 85% ceiling for capturing pension funds. The Dominican Association of Pension Funds (ADAFP) understands that portfolios must be diversified and better market conditions must be created so that investments are not only concentrated in government instruments*

Reforms proposed or to be discussed

- ✓ ***Argentina****: The Pensions Sustainability Council must submit a bill of law for a new pension reform within 6 months.*
- ✓ ***Chile****: The pensions technical team is assessing the possibility of immigrants withdrawing their funds if they leave Chile prior to retirement.*
- ✓ ***Colombia****: Asofondos proposed the creation of a single individually funded pension savings system, eliminating the public PAYGO system and reinforcing the solidarity pillar to protect the poorest. Fedesarrollo, in turn, proposed ending the competition between the PAYGO and the individually funded pension systems, and working for them to complement each other.*
- ✓ ***El Salvador****: The IMF says that additional measures are needed to reinforce the fiscal and social sustainability of the pension system, by increasing the retirement age and non-contributory pensions, among other measures.*
- ✓ ***Lithuania****: In April the government proposed a reform of the second individually funded pillar (voluntary), which among other things, stipulates the automatic enrollment of younger workers (under 40).*
- ✓ ***Mexico:*** *The IDB has recommended making it mandatory for self-employed workers to save for retirement, while experts and the industry have once again pointed out the need to race the mandatory contribution rate to improve pensions (from the current 6.5% to 13% or 15%). According to AMAFORE, a comprehensive reform of the pension system will be a pending task for the next administration.*
- ✓ ***Dominican Republic:*** *ADAFP has called for the system to provide better pensions, proposing an increase in the mandatory contribution from 8% to 9.4% and encouraging voluntary contributions.*
- ✓ *The Superintendency of Pensions is evaluating a project that regulates the situation of foreigners who have contributed to the system and decide to emigrate prior to retirement.*
- ✓ ***Uruguay****: The National Association of AFAPs (ANAFAP) Is promoting a new pension savings subfund for people under 35, which would invest in domestic and international equity, with the aim of improving the future pensions of its members.*

The Crisis in public PAYGO systems

- ✓ ***Brazil:*** *Fitch Ratings said that the pension system requires further measures to avoid its fiscal collapse.*
- ✓ ***Costa Rica:*** *Work was resumed on the reform of the PAYGO system in April, with a six-month time frame. In May, the Chamber of Deputies agreed to strengthen this system with a contribution of up to 15% of the profits of State public companies.*
- ✓ ***Nicaragua****: In response to acts of violence, the government announced that it will not continue with the proposed reforms to the PAYGO system. An increase in the contribution rate from 22.25% to 29.5% of wages had been proposed as of 2019, among other measures.*
- ✓ ***Spain****: According to the OECD, the 1.6% rise in pensions announced for 2018 and 2019 calls into question the guarantees of financial equilibrium of the economy since it would have an accumulated cost by 2030 of almost EUR 40,000 million. The Bank of Spain has warned that pensions will cost an additional 3.5% of GDP by 2050, and the only remedy for this is to reduce the replacement rate and rely on an automatic revaluation mechanism to ensure the sustainability of the pension system. According to the BBVA, the country will have the highest dependency rate in Europe by 2050 (77.5 senior citizens over the age of 65 for every 100 people of working age).*
- ✓ ***France****: President Macron has proposed a reform of the PAYGO system which will be formalized in 2019, the central core of which will be to implement a points system whereby pensions will be the same for identical careers and income (which does not currently occur due to the different pension systems in place).*

Relevant reports or presentations

The European Commission published a report on the sufficiency of pensions in the European Union (EU). Volume I of this 2018 edition of the triennial report focuses on the comparative analysis of the adequacy of pensions in the 28 EU member states, examining the current standard of living of the elderly and how it is influenced by pension systems. It starts with an overview of recent pension reforms and concludes by analyzing the main challenges for the adequacy of future pensions and ways of addressing the problem. Volume II provides a more detailed description of the pension systems and the sufficiency of pensions in each one of the 28 Member States. Among the report's conclusions is that the reforms carried out by most member states continue to affect the criteria used for calculating pensions: especially the retirement age (increasingly), the computation period consider for determining pension amounts and revaluation rules. Another one of the conclusions is that 18% of people aged 65 or more in the EU were at risk of poverty or exclusion in 2016, a figure that has not changed much since 2013, as well as the fact that life expectancy increases have continued to exceed the increase in the duration of working careers (the retirement timespan is expected to be 53% of the working life timespan by 2060). ***(Source: http://ec.europa.eu; Date: 26.04.2018).***

A new IDB study "The Future of Work: Regional Perspectives," discusses how technology could affect labor markets in coming years. The study indicates that recent technological innovations in fields such as robotics, automation and artificial intelligence have reduced the number of workers required in a number of sectors, while simultaneously reducing costs and increasing reliability. This trend has led public policy makers, academics, company chairmen and entrepreneurs to ask themselves what kind of jobs will be affected, what new skills will be required for future jobs and how governments can facilitate the transition. The study identifies specific policies that countries in different regions could adopt to meet the challenges and seize the opportunities afforded by these new technologies. ***(Source: https://publications.iadb.org; Date: April 2018).***

The United States Social Security Administration has published its latest report "Social Security Programs Throughout the World: The Americas, 2017". This report provides a comparison of international social security systems in 37 countries in the Americas. It summarizes the five main social security programs in those countries: (1) old age, disability and survival (OADS); (2) illness and maternity; (3) accidents at work; (4) unemployment; and (5) family allowances. The other regional volumes of the series focus on the social security systems of the European, Asian, African and Pacific region countries. ***(Source: International Update SSA; Date: April 2018).***

CONSAR publishes report on the digitalization of the Retirement Savings System in Mexico. The document describes the ongoing process of digitalization of the pension system between 2013 and 2018. According to the report, this digitalization was achieved by means of a strategy based on cutting-edge technology that sought to improve user knowledge, strengthen authentication processes, expand service coverage and create an inclusive system accessible to the entire population through avant-garde electronic means. The operational strategy was based on five pillars: (i) new regulatory framework; (ii) digital files; (iii) biometric authentication; (iv) mobility: voluntary savings through correspondents and AforeMóvil; and (v) digital supervision. ***(Source: https://www.gob.mx; Date: 07.05.2018).***

ECLAC and the ILO publish a report on labor insertion of senior citizens in Latin America and the Caribbean. Edition No. 18 of this report. emphasizes the fact that the percentage of people aged 60 and over in the labor force will increase from 7.5% to 15.0% between 2015 and 2050. Population aging, and to a lesser extent a moderate increase in the labor participation of senior citizens, would contribute to this. According to the report, on average 58% of men between 65 and 69, and 52% of men aged 70 or more in the region still do not receive a pension from a contributory system, with even higher rates for women. This situation forces many senior citizens to work (the overall employment rate in the region for people aged 60 and over is 35%). This proportion is still high in cohorts that have already passed the official retirement age: 39% in the 65 to 69 cohort and 20% in the 70 or more cohort. The report concludes that: (i) The coverage of the pension systems must be expanded and supplemented with non-contributory pensions, in order to ease the pressure on the elderly, which forces them to continue working, usually in low productivity jobs; (ii) Given the accelerated aging process in many Latin American countries, the conditions and financing of inclusive and sustainable pension systems must be examined; (iii) It is essential to apply policies that guarantee adequate working conditions for senior citizens who prefer to continue working beyond retirement age, without infringing the rights acquired throughout their working lives and under flexible working conditions, such as, for example, part-time work. ***(Source: www.ilo.org; Date: 22.05.2018).***

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

Macri advances in another pension reform for the 2019 elections. The government issued a resolution creating the Pension Sustainability Council, entrusted with submitting a bill of law within 6 months for a new pension reform to be debated in Congress. In accordance with the stipulated rules and regulations, this Council must prepare a bill that proposes a new, all embracing, comprehensive, solidary, public and sustainable PAYGO social security system. ***(Source: www.eldestapeweb.com; Date: 24.05.2018).***

Brazil

Fitch Ratings says that the Brazilian pension system requires additional measures. The firm published a report highlighting the impact of the lack of pension reform on local and regional Brazilian government systems. Fitch believes that the pension burden is a significant factor contributing to the recent fiscal collapses in Rio de Janeiro, Rio Grande do Sul and Minas Gerais. The agency also says that many states are "unable to prepare for upcoming pensions and consume large portions of their budgets that would otherwise be assigned to education and healthcare." ***(Source: www.inese.es; Date: 29.05.2018).***

Aspiring presidential candidate considers including an individually-funded system in a future reform of the pension system. The aspiring presidential candidate Ciro Gomes is considering a pension reform proposal that divides the system into three groups of beneficiaries. The first group would include low income Brazilians (e.g. those earning up to two minimum wages) who would receive a minimum income after 65 years of age through a social benefit from the government. Those earning more than two minimum wages, up to a ceiling that has still to be defined, would be part of a contribution system, similar to the existing system. Workers in a third wage bracket would contribute to an individually-funded pension system. ***(Source: Date: https://politica.estadao.com.br; Date: 18.05.2018).***

Future public servants in the Federal District will have a new social security contribution model as of July. After the reform, these public servants will be part of the Complementary Pensions Foundation of the Public Servants of the Federal District (DF-Previcom), a complementary retirement fund that is in the process of being created. These public servants will contribute 11% on the ceiling set by the National Social Security Institute (INSS), currently R$ 5,645.80 (approx. USD 1,567). Public servants who received up to the INSS ceiling will continue to be linked to the Public Servants Social Security Institute (Iprev-DF), and the pensions of those who receive more will be linked to two systems: Iprev,-DF in which the public servant contributes 11% and the employer 22%; and DF-Previcom, a voluntary enrollment system in which the public servant contributes to complement the part of the salary that exceeds the INSS at a rate of up to 8.5% (in which case the employer will contribute the same value). ***(Source www.correiobraziliense.com.br; Date: 30.04.2018).***

Chile

Members enrolled in AFP Planvital will be able to switch AFPs as of next July. The Superintendency of Pensions has announced that workers enrolled in AFP Planvital, or who enroll prior to next July 31, will be released from the obligation to contribute to that fund manager (the winner of the last members' tender) for 24 months as of August 1. This is because the AFP announced that it will increase the commission on contribution payments as of that date. Because transfers between AFPs are not immediate, since the enrollment of new members is considered as of the first day of the month in which they signed the transfer order, the workers who had individually-funded accounts in AFP Planvital can proceeded to switch fund managers as of July 2018. Furthermore, due to the fact that the last bidding process for providing the individually-funded accounts management service, scheduled for next August, was declared void, those who start contributing as of that date will be allocated to the AFP that offers the lowest commission on contributions at the time of the worker's. enrollment. Nonetheless, workers allocated in this way will be free to switch to another AFP should they wish to do so. ***(Source: www.spensiones.cl; Date: 25.04.2018).***

Production and Trade Confederation (CPC) created a committee for entering the pension debate and proposed 7 guiding reform principles. The so-called "Senior Citizens and Pensions Committee" is headed by the president of the CPC, Alfonso Swett, and comprises the former finance minister Rodrigo Valdés; the associate researcher at Clapes UC, Sergio Urzúa; the economist David Bravo; the economist Andrea Tokman; the Chancellor of Duoc UC, Ricardo Paredes; the general manager of the CPC, Fernando Alvear, and the lawyer Gonzalo Cordero. The purpose of the Committee is to put forward public policy proposals in the pension discussion for improving the standard of living and dignity of those who have already retired or are about to do so, in areas such as training and instruction, labor market insertion, mobility and transportation, healthy lifestyles and autonomy, among others. On May 31, the Commission announced the seven guiding principles that the reform should incorporate, in its opinion, including a sense of urgency, sustainability and social validation, a gradual but significant increase in contributions, strengthening of incentives to contribute and to formally work towards and increase incentives for people to voluntarily postpone their retirement age. Further details here. ***(Source: http://www.economiaynegocios.cl; http://www.cpc.cl; Date: Mayo 2018).***

The Financial Market Commission (CMF) is conducting a study on Life Annuities and has pointed out that the SCOMP can be improved. Joaquín Cortez, Chairman of the Financial Market Commission (FMC), referred to the críticism of life annuities (LA) by the National Economic Prosecutor's Office, pointing out that the Commission is conducting a study on the existing regulatory framework, in which the FMC's work is an important aspect, the results of which will be addressed with all stakeholders in a timely manner. Regarding the Pension Amounts Consultation System (SCOMP), Cortez said that it has undoubtedly entailed much progress since 2004. Nonetheless, the system can be improved after almost 15 years of operation, especially in improving the transparency of information regarding pension amounts and intermediation costs for prospective retirees. According to Cortez, risk classification is an issue that people should bear in mind when deciding on an LA, while also seeking out the best mechanism for the better understanding and processing of this information. ***(Source: http://www.pulso.cl; Date: 20.04.2018).***

A technical pensions team is assessing whether immigrants should be allowed to withdraw their funds if they leave Chile prior to retirement. The team is assessing the Social Security status of immigrants who contribute in Chile and their situation should they permanently leave the country. They are studying the possibility of allowing people who contributed to their pensions to be able to withdraw their funds when they leave the country, without having to wait until retirement age. It is mandatory by law for foreigners entering the Chilean labor market to contribute, hence they have individually-funded accounts. However, if they leave the country permanently, they cannot withdraw their pension funds from the AFPs until they reach retirement age, unless they are professionals or technicians (Law 18.156). ***(Source: http://www.economiaynegocios.cl; www.df.cl; Date: May 2018).***

Study proposes changes to the legal framework of the multifunds of the AFPs. The five multifunds of the AFPs are well ranked in terms of risk. However, the order would be exactly the opposite if the risk were compared with the accumulated long-term return. This is the conclusion of the study, entitled "Fifteen years of defined contribution: evaluating the Chilean pensions experience," prepared by the researchers Bernardo Pagnoncelli, of Adolfo Ibañez University; Hans Schlechter, of the Catholic University; and Arturo Cifuentes of Clapes UC. The study concludes that the regulator should control the risk level of each Multifund by measuring the entire portfolio, and not on the basis of an asset class limit, as currently occurs. According to the study, a change in the risk assessment method could increase the returns of pensioners by between1% and 2% per year, which would have a tremendous impact on pensions. One of the indicators used by the study to reach its conclusion is the Sharpe ratio, which shows to what extent the return on an investment compensates the investor for assuming risk in his investment. The result is that investors in the riskiest funds receive poor compensation for the higher risk they assumed, the report says. Ultimately, considering long periods of time, fund A (riskiest) shows the lowest returns against its risk level, and E (the most conservative) the highest. ***(Source: http://www.pulso.cl; Date: 16.04.2018).***

Colombia

Nearly half of all active people in the country are informally employed. 2.9 million people were economically active in Colombia in 2017, of which almost 14.4 million (63.2%) worked informally since they did not contribute to pensions and were not enrolled in Social Security. This figure stood at 11.6 million (50.8%) in the 23 cities and metropolitan areas, and at 11.2 million (49.4%) in the cities surveyed by the National Administrative Department of Statistics (Dane). Although the high rate of exclusion from the formal labor system is still one of the main problems affecting the Colombian economy, by reducing productivity, reducing the tax base or contributing to low pension coverage, this gap has been gradually reduced in the last few years, dropping from levels close to 60% in the country's 23 metropolitan areas and 13 cities in 2010, to less than 50% today. In order to address this issue, the Chairman of Asofondos, Santiago Montenegro, said that the gap between the average salary and the current legal minimum wage would have to be increased, which would convince more people to opt for formal employment. ***(Source: www.larepublica.co; Date: 29.05.2018).***

Asofondos proposed the creation of a single individually-funded pension savings system. The trade association officially announced its proposal for reforming the pension system in the last FIAP International Seminar / 11th FIAP-ASOFONDOS Congress. The proposal consists in eliminating the public PAYGO system (RPM) and enrolling all contributors in the individually-funded system. Main characteristics: (i) The new system would be operated by public and private AFPs, with identical rules and regulations; (ii) It provides for a better designed PAYGO complement in which those who have contributed for at least 1,150 weeks, but do not have sufficient capital, can also retire, as currently occurs in the private pension funds by means of the so-called Minimum Pension Guarantee Fund; (iii) A special pension regime would be created for informal workers and disabled individuals(similar to the PEBS - Periodic Economic Benefits System - for complementing the contributions made by such individuals in the past with government subsidies (iv) The solidarity pillar will be strengthened to protect the poorest through the Colombia Seniors program, whose resources could come from the current privileged pension subsidies drawn from the country's budget. A reform implemented in these terms would be self-sustainable, would benefit formal and informal workers, and would eliminate subsidies to higher pensions. ***(Source: www.asofondos.org.co; Date: 12.04.2018).***

Multipillar system: Fedesarrollo's proposal for reforming the pension system. Fedesarrollo proposes ending the competition between the PAYGO and the individually-funded pension systems and working for them to complement each other. The agency's proposal, published in a report, comprises four pillars: (i) First Pillar: A state-managed PAYGO system aimed at guaranteeing a basic pension for all contributors; (ii) Second Pillar: a privately managed individual savings pillar, whose purpose is to complement pension benefit for workers with greater savings capacity; (iii) Third Pillar: A voluntary savings pillar that channels the excess savings of households responsible for voluntary savings; and (iv) Zero or non-contributory pillar, which has a welfare role in reducing poverty, and grants monetary subsidies, focusing on the most vulnerable segments of the population. The First Pillar would receive contributions from all formal workers on the first current legal monthly minimum wage - SMMLV. The Second Pillar, on the other hand, would collect the contributions of workers earning more than the SMMLV, and save them in their individual accounts in the AFPs, thus complementing their basic pensions (for example: a worker whose monthly income is 4 SMMLV will contribute on 1 SMMLV to the First Pillar and on 3 of the remaining SMMLVS to the Second Pillar. The replacement rate on retirement would be obtained by adding the basic benefit provided by the First Public Pillar operated by Colpensiones, plus the annuity resulting from the individual savings in the Second Pillar. The pensions granted jointly by both systems would be higher than a minimum wage and would increase as workers make higher contributions. Colpensiones would grant a decreasing subsidy, as the total savings of members (first and second pillars) increase, ensuring that subsidies are focused on the poorest segment, since the replacement rate would be 100% for those who always contributed on 1 SMMLV, and would decrease as the total savings from Second Pillar contributions increase. ***(Source https://actualicese.com; Date: 28.05.2018).***

The country joins the OECD. The country officially applied for membership of the Organization for Cooperation and Economic Development (OECD) in 2013. On May 25 and following on the meeting of the delegates of member countries, Colombia was accepted as a member of what has been called the 'Club of good practices' which already comprises a permanent group of 36 countries. "This is great news for our country. It is the most important organization that promotes the best public policies in the world," said President Juan Manuel Santos. ***(Source: www.elcolombiano.com; Date: 25.05.2018).***

Government is studying amendments to the minimum returns of the pension funds. In January this year, the Government issued Decree 059 of 2018 which amends the calculation of the minimum returns of the Special Programmed Withdrawal Fund, stipulating that this will be calculated on the weighted sum of the returns calculated on the basis of a set of market indexes defined by the Financial Superintendence and representative of the Treasury Securities (TES) market, denominated in UVR, the local equities and the foreign stock market. The spread and terms for calculating minimum returns were also defined. This modification made it necessary to review the minimum returns calculation methodology for the other pension funds, and the way that accumulated returns are calculated. Government sources revealed that this review is contained within the regulatory agenda of the Financial Regulation Unit (FRU) for the second half of this year. The government added that as a complementary measure, and in order to stimulate better investments, the FRU has also included the commission on performance in the management of these pension funds in the country in its 2018 work agenda. ***(Source: http://www.valoraanalitik.com; Date 18.05.2018).***

Costa Rica

In the initial debate, deputies approved the reform that will benefit the public PAYGO system. In the initial debate, the Deputies approved the reform of Article 78 of the Workers' Protection Law, which seeks to benefit the Disability, Old Age and Death System (DOAD; PAYGO system), of the Costa Rican Social Security Fund (CCSS). Thus, the DOAD will be strengthened with the contribution of up to 15% of the profits of state-owned companies. It also seeks to extend CCSS coverage to non-salaried workers living in poverty. ***(Source https://elperiodicocr.com; Date 23.05.2018).***

IMF warns of urgent changes required to the pension system. The international agency issued a report on the state of the financial system in Costa Rica, warning of the urgent changes required in the Disability, Old Age and Death Regime (DOAD, PAYGO system or first pillar) and the Mandatory Complementary Pension System (second pillar), so that both can continue to operate in accordance with the purposes for which they were created. It pointed out that the first pillar is under pressure and requires urgent reforms to ensure its sustainability. It added that the second pillar has inadequacies that hinder the growth that the system requires. The mainly inadequacies include: (i) market price valuation of assets in an illiquid market, which could give rise to bonds being valuated with uncompetitive criteria; (ii) the concentration risk due to the existence of few issuers in the market; and (iii) the short duration of the investment portfolios of the pension funds. In this regard, the IMF recommended the adoption of the valuation to maturity of part of the assets that pension operators maintain to maturity. ***(Source: www.elfinancierocr.com; Date: 09.04.2018).***

Discussion of the reform of the public PAYGO system will begin. As is well known, an actuarial study by the UCR of the PAYGO system (IVM) published in 2016, indicated that if urgent measures are not taken, it is estimated that the income from contributions and investments will no longer be sufficient to cover expenses in 2022- 2028, making it necessary to resort to the reserve, which would be exhausted in 2027-2034. Thus, a round table convened to reform the pension system in November 2017 submitted 33 reform proposals, the most important being: (i) increasing the retirement age; (ii) transferring funds from the Social Development and Family Allowances Fund (Fodesaf) to the IVM; and (iii) transferring Banco Popular's contribution, corresponding to 0.25% of salaries, to the IVM. However, after six months of dialog between businessmen, trade unionists and the Government, none of the proposed measures for making the pension system sustainable have been resolved, and discussions will resume in April this year with a six-month timetable. In this regard, Román Macaya, the future Chairman of the Costa Rican Social Security Fund (CCSS), commented that the country will have to look for new sources of financing to face the looming economic crises in the IVM PAYGO system and health insurance. ***(Sources: www.larepublica.net; www.nacion.com; Date: Abril 2018).***

Initiative seeks to inject 3% from complementary pensions into the IVM. A bill aims to create new sources of financing for the IVM PAYGO system, injecting 3% from the Capitalization Fund and the Mandatory Complementary Pension System. The Labor Capitalization Fund, corresponding to funds that workers can withdraw in case of dismissal, or every five years of working for the same employer, would contribute 1.5%. The Mandatory Complementary Pension System would contribute 1.25% and the remaining 0.25% would be a State solidarity contribution. *(Source:* ***www.elmundo.cr; Date: 06.04.2018).***

El Salvador

Self-employed workers can now contribute to the ISSS. The Salvadorean Social Security Institute (ISSS) officially announced the enrollment of self-employed workers in the Social Security system, which would enable it to cover up to 48,000 new users in the next 5 years. The program is aimed at all self-employed workers, whether engaged in physical or intellectual activities, who are not subordinate, and who had been excluded from Social Security thus far. Citizens can enroll in two contribution modes: individual, which includes health and economic benefits for enrolled workers, and family contribution, which provides the same benefits, not only to the contributor, but also to the spouse and children under the age at 12. The contribution of workers who decide to join the system will be $40 per month for individual contributions, and $56 for contributions benefiting the family group. Payment will be made in person or online, on the platform of the Virtual Office of the ISSS (OVISSS), which will issue a voucher for payment in banks. ***(Source: http://elmundo.sv; Date: 03.05.2018).***

5,305 people have already made advance withdrawals from their retirement savings. The 2017 reform of the pension savings system included several mechanisms aimed at guaranteeing more returns and duration of workers' pension funds, as well as measures for guaranteeing the sustainability of government finances. It also included the possibility of making a "self-loan" of up to a maximum of 25% of the balance of the pension savings account, i.e., a mechanism for withdrawing an advance on the balances of contributors in their AFP accounts. 10 years of contributions are required by men of 56 and women of 51 for accessing this benefit. Age requirements will be gradually reduced. If the advance is not returned by the official retirement age, retirement will have to be postponed. The Salvadorean Association of Pension Fund Managers (ASAFONDOS) announced that 5,305 members had already made use of this mechanism between November 17, 2017 and February 18, 2018, entailing a total disbursement of USD 31.2 million for advances on the balance in that period. The mechanism has been more frequently used by women, with a total of 3,124, compared to 2,181 men. This means that each member, whether male or female, has withdrawn USD 5,880 on average. ***(Source: https://www.laprensagrafica.com; Date: 09.04.2018).***

According to the IMF, raising the retirement age should be considered, among other reforms, for the fiscal and social sustainability of the pension system. The 2017 reforms of the pension system took pressure off the country's finances, although the problem has not been entirely resolved, according to the latest declarations of an IMF mission to the country. According to the International Monetary Fund (IMF), these measures are required for further reinforcing the fiscal and social sustainability of the pension systems:

(i) **Increase the retirement age**, currently 55 for women and 60 for men. Although the law contemplates a moderate increase of a maximum of 1 year in 2022, higher retirement age increases would improve future replacement rates in the pension system;

(ii) **Improve the coverage of benefits for the poorest segments**, since according to the IMF, the amendments to the law improve coverage only among contributors to the system, and do not help the most vulnerable segments. One way of improving things would be to increase the coverage of the modest non-contributory basic pension.

(iii) **Improve the system's cost efficiency**. For the IMF, it is also important to review the commissions of the pension funds, which are still too high and should be reduced given the low risk profile of their investments (most of the money is invested in government bonds).

(iv) **Back up the fiscal budget.** The liquidity and solvency of the pension system ultimately depends on the budget. The proposed budgetary allocation, according to the IMF, would be insufficient for covering pension obligations in most years, and the broader fiscal guarantee mechanism has not been completely clarified. To ensure credibility, the accounts of the pension system must be integrated into tax decisions, with the full cost of its implications. (Source: www.laprensagrafica; www.imf.org; Date: 04.04.2018).

Mexico

Automating voluntary savings would ensure better pensions. According to CONSAR, given the fact that the current level of mandatory retirement contributions is very low, automating voluntary savings and increasing voluntary contributions would enable improving pensions. Further details here. ***(Source www.gob.mx; Date: 23.05.2018).***

Voluntary savings break the record. At the end of April, 2018, voluntary savings in the Afores reached their highest level in the history of the Retirement Savings System (SAR), amounting to MXN 62,314.9 million (approx. USD 3,129 million), announced the National Commission for the Retirement Savings System (CONSAR). This amount includes both voluntary and solidarity savings (by those who contribute to the State Employees' Social Security and Social Services Institute, ISSSTE) representing an increase of 24.6% in real terms with respect to April 2017. In a press release, the regulatory body pointed out that in the last five years (April 2013-April 2018) voluntary savings grew by 294%, from MXN 15.8 billion (approx. USD 793 million) to 62.3 billion (approx. US $ 3,129 million). The Commission considered that the campaigns organize by this body, the Pension Fund Managers (AFORES) and their Trade Association (AMAFORE), contributed to these results, as well as the opening of 15 voluntary savings points - through the recent incorporation of Yastás and PuntoRecarga - which also contributed to the growing trend observed in the last couple of years. ***(Source: www.20minutos.com.mx; www.consar.gob.mx; Date: 16.05.2018).***

CONSAR launches a new financial and social security education web module "Savings and future: The adventure of my life." This is a mini-portal that seeks to encourage social security habits among Mexicans through a novel mechanism for selecting one's main lifetime projects, while learning to anticipate the future. In a simple and dynamic way, the mini-portal allows people to project, visualize and choose the lifetime projects with which they will build their own adventure. Further details here. ***(Source: www.gob.mx; Date: 21.05.2018).***

According to the IDB, retirement savings should be mandatory for self-employed workers. Self-employed workers who are not enrolled in the Mexican Social Security Institute (IMSS) or the Mexican Civil Service Social Security and Services Institute (ISSSTE) should have access to a mandatory pension savings system, which would contribute to a greater commitment to retirement savings, said David Kaplan, senior specialist in labor markets and social security at the Inter-American Development Bank (IDB). In his opinion, voluntary savings should be complemented by mandatory savings, as other informal workers do, and systems such as home savings can also be implemented, i.e., a constant savings percentage is deducted from the monthly salaries of self-employed workers, or else make pension savings should increase with each salary increase. ***(Source www.eleconomista.com.mx; Date 15.05.2018).***

Experts deem it necessary to increase contribution rates for improving pensions. The current mandatory contribution rate is 6.5%, pursuant to the provisions of the Mexican Social Security Institute Law (IMSS), the lowest in the 34 countries of the Organization for Economic Cooperation and Development (OECD). Given this reality, the Chairman of the Global Aging Institute, Richard Jackson, recommended that the country should increase the pension savings contribution rate of Mexican workers to 13%. With the contribution rate close to 7%, including the Social Contribution, Mexican workers would achieve a replacement rate of 25 or 30%. Nonetheless, he pointed out that the intention is to offer a minimum of 50 or 60% to retired workers, so ideally, the contribution rate should be doubled, or even raised to 15%. Mauricio Alarcón, CEO of Afore Coppel, is of the same opinion, since the low pension savings contributions paid by Mexican workers have yet to the increased in this six-year term. ***(Source: http://www.elpulsolaboral.com.mx; www.eleconomista.com.mx; Date: May 2018).***

The Afores invested USD 1,758 million in the new airport. The AFORES have invested more than MXN 35 billion (approx. USD 1.758 billion) for financing the construction of the new Mexico City International Airport (NAICM), by means of a mechanism known as Fibra E, CONSAR announced. It pointed out that the investment of the pension system in productive activities exceeded MXN 1 billion (approx. USD 50.214 billion) in December 2017, of which almost 330 billion (approx. USD 16.571 billion) was allocated for financing infrastructure. Fibra E was created in 2015. It is an investment vehicle similar to the Master Limited Partnerships (MLP) that arose in the American market in the 80s. It issues trust stock certificates for energy and infrastructure investments, which can only be acquired by institutional groups. ***(Source: http://lajornadasanluis.com.mx; Date: 09.05.2018).***

The World Bank would welcome a Secretary of Pensions. To resolve the problem of the pension system in Mexico, which has more than 1,000 different regimes and absorbs ever more resources from the public treasury, it would be a good idea to create an organization that would have experts on the subject, said Carlos Végh, chief economist of the World Bank for Latin America and the Caribbean. According to the economist, if that executive department of government is created, it should not become a bureaucratic monster and should be managed by experts in the field who are capable of studying the different existing systems. ***(Source: www.eleconomista.com.mx; Date: 23.04.2018).***

Pension reform on hold: Amafore. The reform of the pension system is one of the pending tasks that the incoming administration must address, regardless of which candidate wins the electoral process. This is the opinion of the Chairman of the Mexican Association of Pension Fund Managers (Amafore), Carlos Noriega, while attending the 5th Special General Meeting of the Inter-American Social Security Conference (CISS). He said that the pension issue goes beyond any particular government, but that the necessary changes for strengthening the system must be implemented in the incoming administration, after the proposed reform of the system presented in 2013 was shelved during the current administration. According to him, a complete pension system that provides well-being to the elderly must contain three components: a non-contributory system such as the Government 65 programs and others; another contributory element such as the AFORE accounts; and a third voluntary savings element. ***(Source: www.24-horas.mx; Date: 20.04.2018).***

Smart Beta Strategies: Amafore approves 11 new iShares-BlackRock ETFs for investment due to risk factors in Mexico. These new instruments will give the Mexican pension funds exposure to five different factors: value, momentum, quality, size and minimum volatility in ETFs domiciled in the United States and Ireland (UCITS). The Afores will thus be able to develop Smart Beta strategies to access risk factors with global, regional and specific country exposures, helping them to satisfy the need for international investments and protect themselves against exchange risks, especially during these times of high volatility ***(Source: http://www.fundssociety.com; Date: 04.04.2018).***

Nicaragua

Adjustments to the PAYGO pension system give rise to protests, leaving some 30 dead. After the Government announced a series of reforms to save the public PAYGO system from bankruptcy, protests have left a balance of 30 dead and more than 60 injured, in addition to widespread looting throughout the country. The measures proposed by the government include increasing the contribution rates of workers to the public PAYGO system from 6.25% to 7% of wages, and those of employers from 19% to 21% as of July 2018, and to 22.5% as of 2019 (i.e., an increase in the joint contribution rate from 22.25% to 29.5% of wages as of 2019). It has also been proposed that future pensioners will have to contribute 5% of their pensions to the PAYGO fund. Another one of the measures eliminates the current tax ceiling of USD 2,350, with contributors henceforth having to contribute on the entire amount of their wages. The Government justified the measures, aimed at preventing the bankruptcy of the Social Security Institute. However, due to the unfortunate acts of violence, the government announced that it would annul the reforms. ***(Source: FIAP based on El Mercurio; Date: April 2018).***

Specialists believe that the individual accounts system could be an unviable option for saving Social Security. While the country anxiously awaits the reinstatement of the round table charged with discussing a reform of the Social Security system to ensure its continuity, some specialists believe that one of the options that should be considered is the private pension system, also known as the individual accounts system. Those in favor of this option believe that if mistakes made in other countries are avoided, and a law is passed based on the local reality, and third parties are prevented from managing the savings of contributors, the private pension system could become one of the most viable options for guaranteeing the subsistence of the Nicaraguan Social Security Institute (INSS), an agency which could face problems in meeting its financial obligations in 2019 if it does not promote changes, according to the International Monetary Fund (IMF). However, other specialists claim that although this system is the fairest - because the worker recovers everything he saved throughout his working life on retirement -, the multimillion actuarial deficit that the INSS has carried for decades would make it impossible to implement it in the country. Efforts have already been made in Nicaragua to switch to this model and abandon the model in place. Individual savings accounts were considered as an option for saving the INSSin 2000, and two laws were promulgated, but they were repealed in 2005. Further details here. ***(Source: www.laprensa.com.ni; Date: 03.05.2018).***

Peru

The Central Reserve Bank raises the foreign investment operating limit of the AFPs from 48% to 49%. The increase will be scheduled as follows: (i) To 48.5% as of June 1; (ii) To 49% as of July 1. The purpose of this measure is to encourage greater diversification of the investments of the AFPs. The AFPs as a whole had invested 45.8% of their portfolios abroad as of May 18 this year. With this ½ percentage point rise in the foreign investment limit, the AFPs would have an additional USD 243 million to invest in financial instruments in international markets. ***(Source: http://www.bcrp.gob.pe; Date 28.05.2018).***

Mechanisms will be sought for paying contributions to the AFPs. The Association of Private Pension Fund Managers (AAFP) is seeking mechanisms for identifying the real delayed contributions of AFP members in private companies and facilitating their payment, according to the Chairman of this Trade Association, Giovanna Prialé. She said that the Ministry of Labor and Promotion of Employment (MTPE) has an electronic record of workers' payrolls, which would enable determining the current debt if it could be combined with the AFPs' database. "This would be very beneficial for employers [companies], because it would allow them to plan their payment options and comply with this initiative," said the executive. ***(Source: http://www.elperuano.com.pe; Date: 06.04.2018)***

People who are not enrolled could also engage in voluntary savings for purposes other than pensions. The Congressional Economic Commission approved the elimination of the requirement of five years of permanence in the Private Pension System (SPP) for members to be able to make Voluntary Contributions for Purposes other than Pensions (AVSFP). AVSFP allows members to save freely (unlimited deposits and withdrawals) and the possibility of switching savings to a pension contribution in the future, which would be added to the mandatory contribution made by dependent workers. The amendment of Article 30 of the SPP Law - which must still be discussed in the Work Commission and then in the Plenary Session of Congress - seeks to promote savings and at the same time increase the supply of products, which already include mutual funds and fixed-term deposits (conservative). Giovanna Prialé, Chairman of the AAFP, anticipated that the eventual enactment of the bill will encourage self-employed workers who are already enrolled in the SPP, but stopped contributing, to engage in this type of savings. There are slightly more than 3 million of these workers. ***(Source: https://gestion.pe; Date: 07.04.2018)***

The SBS insists that the new mortality tables will not affect the pensions of those who have already retired. In mid-March, the SBS approved the new mortality tables for calculating pensions in the family annuity and deferred annuity modes, which will be applicable to individuals retiring as of January 1, 2019. The proposal increases the life expectancy of men and women by more than three years. Life expectancy for men was 83 in 2004, and 87 for women. With the new mortality tables applicable to the AFPs, it has been estimated that a healthy 65-year-old person (at the official retirement age) will live on average to 87.5 if male, and 90.8 If female. These new mortality tables were prepared with technical advice from the Organization for Economic Cooperation and Development (OECD), and with Peruvian instead of Chilean data, taking into account the characteristics of the Peruvian Private Pension System (SPP). The SBS explained that the pensions of workers who are already retired will not be affected by the new mortality tables, because pension conditions were previously determined by contract. ***(Source: http://rpp.pe; Date: 09.05.2018).***

República Dominicana

The Dominican government is approaching the 85% ceiling for capturing pension funds. The Superintendency of Pensions (Sipen) recorded that 46.95% of pension funds were invested in Central Bank (CB) certificates and 28.95% in bonds issued by the Ministry of Finance as of March 31, 2018. When adding the placements in financial agencies that also belong to the State, such as Reserve Bank certificates of deposit (5.09%), it was concluded that 80.99% of the pension funds are deposited in government instruments. The investment limit, stipulated in Resolution 139 of the Risk and Investment Limits Rating Commission (CCRyLI), proves that the AFPs only have 6.05% left to invest in government bonds and 3.05% of the margin allowed to be allocated to the CB, since the maximum limit is 35% and 50%, respectively. Kirsis Jáquez, Executive Chairman of the Dominican Association of Pension Funds (ADAFP) understands that portfolios must be diversified and better market conditions must be created so that investments are not only concentrated in government instruments. ***(Source: www.eldinero.com.do; Date: 10.05.2018).***

ADAFP calls for the system to provide better pensions. Kirsis Jáquez, Executive Chairman of the Dominican Association of Pension Fund Managers (ADAFP), said that Dominicans deserve a system that provides more and better pensions, an objective that will only be achieved by increasing the contribution of members and encouraging voluntary savings. Among the proposed measures are: (i) Increase contributions to the mandatory account, from 8% to 9.4%, waiving the administration fee of 0.5%, allocating

0.4% to the member's account and 0.1% to the Social Security Treasury (TSS); (ii) Encourage voluntary contributions to the pension system, by means of tax exemptions for voluntary contributions and afford members flexibility in accessing their voluntary fund to purchase a home, invest in education or resolve any health issues; (iii) Extend pension protection by strengthening the TSS to monitor contributions; and (iii) diversify investment options, so that investments are not only concentrated in government and Central Bank instruments, and allow investment in international markets. ***(Source: www.eldinero.com.do; Date: 27.04.2018).***

A draft copy of the rules and regulations governing the situation of foreigners who contribute in the DomRep and emigrate prior to retirement age, is being discussed. The Superintendency of Pensions (Sipen) launched the public consultation of the draft regulation governing the situation of foreigners who have Contributed to the Dominican Social Security System and decide to emigrate prior to retirement. The draft proposes that in order to request the transfer of funds, workers must be enrolled in the pension system of their country of origin. Another condition is the existence of international agreements, ratified by the National Congress, between that country and the Dominican Republic. ***(Source: www.argentarium.com; Date: 03.04.2018).***

Uruguay

The National Association of AFAPs (ANAFAP) Is promoting a new pension savings subfund for people under 35. The ANAFAP announced in a press release that it presented the technical study "Outlines of Multifunds: A proposal for Uruguay," which proposes the creation of a third sub-fund in the country and analyzes the situation of the Latin American countries that have this type of system. This third pension savings subfund is designed for members under the age of 35 and will invest in local equities, but mainly in international equities, with the aim of diversifying assets, increasing performance and improving the future pensions of its members. The proposed scheme calls for modifying the current Pension Savings Fund, comprising the Accumulation Sub-fund (with members under 55 years of age), and the Retirement Sub-fund (with members over 55 years of age). With the new multi-funds design, members of the pension system would be distributed into three different profiles: (i) The first group would be made up of those who are a few years away from retirement, and thus their savings would be placed in instruments with very little volatility, which help to stabilize their value and avoid potential losses due to the occurrence of extraordinary events in the last years of work (this could be added to the current Retirement Subfund); (ii) A second group would include members in intermediate stages of accumulation, with an intermediate investment horizon, greater than those approaching retirement age, but lower than younger members, with whom they currently share the investment structure of the Accumulation Sub-fund; (iii) The third group would include people in the initial stages of accumulation of contributions and would allow the diversification of the investment portfolio, providing the possibility of generating additional returns. The ANAFAP's proposal entails deriving the contributions of people under the age of 35 to this fund by default. Nonetheless, they will be able to switch them to the Accumulation Subfund if they wish to. *(Source:* ***www.elobservador.com.uy; Date: 30.05.2018).***

The Central Bank (BCU) has proposed that the Social Security Bank (BPS) should reduce the gap between the "most and least expensive" AFAP commissions from 180% to 50%. The Central Bank presented a proposal to the Social Security Bank to gradually reduce the maximum commissions charged by the AFAPs, as stipulated in the law that authorized the so-called "50-year-olds" to opt out. The law passed in 2017, stipulates that the management commissions that the AFAPs charge their members "may not exceed the system's lowest commission by more than 50%," (which is currently AFAP Republica's commission of 4.7%), within a maximum of 24 months. The BCU's proposal states that the highest commission currently exceeds the lowest commission by 180%. In order to comply with the 50% gap stipulated by the law, the agency presented a plan for reducing the gap by 130% within two years, at a rate of 16.25% per quarter. The BCU will give the AFAPs 90 days to comply with the cap determined in each quarter. Thus, no company may charge a commission of more than163.75% of the lowest commission after June 30, 2018. The AFAPs will also be obligated to change the way in which they report the cost of commissions and the insurance premium discount to their members. So far, the companies indicated these amounts as a percentage of the total wage, generating lower percentages. From now on, they must express such discounts as percentages of the effective contribution of the worker. ***(Source: http://www.uypress.net; Date: 10.05.2018).***

50-year-olds: 2,000 have already opted to switch from the AFAP to the BPS. The Social Security Bank (BPS) began providing advisory services in May to the cohort of "50-year-old" workers[1] who meet the requirements set forth in Law 19.590 promulgated at the end of 2017 (and came into effect on April 1, 2018), which under certain conditions allows the parties whose compensation has been impaired by the mixed system to opt out of the AFAP

[1] The so-called "50-year-olds" are workers who were under 40 in 1996, at the outset of the mixed system, and were forced to join an AFAP due to their wage levels, but some of them are negatively affected in their retirement.

and retire under the former system (only through the BPS). By May 24 there were already some 30,000 people scheduled for advisory services from the pension agency regarding their situation. Through these services the BPS provides an estimated pension projection and the life annuity they could access, depending on their type of occupation and the social security system they choose. The decision to opt out will be irrevocable and will be made only once within 90 calendar days from the day following the date on which the advisory services were provided. According to the BPS, 2,098 people decided to make use of the option provided by law and switch their contributions from the AFAP to the BPS (some1,400 active workers and 700 retirees). Individuals over 52 can make an appointment for receiving advisory services until March 31, 2019, since they will be unable to change their pension regime after that date. ***(Source: https://negocios.elpais.com.uy; Date: 28.05.2018).***

Moody's considers the new Pension Unit to be "positive." Last April 4, the Legislative Branch approved the creation of this new unit that will quote on a daily basis and will evolve in accordance with the Average Nominal Salaries Index (the same one used for adjusting pensions in January each year.) The purpose of this new unit will be to allow the Uruguayan government, and eventually private sector companies, to issue bonds adjusted to salaries, which would provide much-needed coverage for the liabilities adjusted to salaries of the pension insurers and improve their credit profile, encouraging them to participate in the annuities market. For Moody's rating agency, the creation of the new unit, together with other regulatory changes in effect as of January 1 (in mortality tables and discount rates for calculating income), aims to improve the financial strength of the pensions insurance industry, and attract new companies to that segment, although it is unlikely that private insurers will immediately return to the industry, since the main obstacle for new entrants is still the mismatch between assets and liabilities, and it remains to be seen if the new issue of securities adjusted to salaries will cover the needs of insurers. *(Source:* ***https://negocios.elpais.com.uy; Date: 19.04.2018).***

Europe

Spain

The OECD warns: rising pensions put the long-term fiscal balance at risk. The Organization for Economic Cooperation and Development (OECD) has increased its GDP growth forecasts to 2.8% this year and 2.4% next year, but this good performance is not devoid of risks, one of which is the latest 1.6% rise in pensions announced by the government this year and for 2019, since this infringes the two criteria introduced in the last pension reform of 2013 (revaluation and sustainability), calling into question the guarantees of financial balance of the Spanish economy in coming years. Rising pensions will have an accumulated cost by 2030 of nearly EUR 40.000 billion, according to BBVA Research. ***(Source: https://cincodias.elpais.com; Date: 30.05.2018).***

The Bank of Spain warns: pensions will cost an additional 3.5% of GDP by 2050. The Bank of Spain (BdE) is adamant: population aging is the main risk to the economy, hindering the potential growth of the country and drastically increasing the level of expenditure by 3.5% of the Gross Domestic Product (GDP) by 2050. There are only two remedies: reduce the replacement rate and rely on an automatic revaluation mechanism to ensure the sustainability of the pension system. And it does not confirm that it is the CPI. The political cost of undertaking such reforms is high: parliamentary fragmentation is hampering the implementation of far-reaching legislative measures, a situation that has conditioned the implementation of the "Sustainability Factor" for two years, until 2021, and has put the IPC back in the picture as a point of reference for the revaluation of payments. ***(Source: http://www.bolsamania.com; Date: 29.05.2018).***

Spain will have the highest dependency rate in Europe by 2050. According to BBVA, the country is taking the lead among the countries with the oldest populations in the world (77.5 people over 65 for every 100 people of working age), driven by high life expectancy and one of the lowest fertility rates. ***(Source: www.jubilaciondefuturo.es; Date: 14.05.2018).***

France

Pension reform underway. During the election campaign that brought him to power in June 2017, President Emmanuel Macron promised that a universal retirement system would be created in which one euro of contributions would grant the same pension rights, provided that it has been paid, whatever the status of the person. Initially scheduled for this year, this pension reform law has been postponed until 2019, and Jean-Paul Delevoye has been appointed as the high commissioner of the pension reform to appease the opposition. Deleyove, Chairman of the Environmental, Social and Economic Council (EESC) between 2010 and 2015, is a highly reputed consensus builder. France's PAYGO pension system is unsustainable, with contributions close to 28% of wages and mandatory pension regimes in the first and second pillar having a variety of specific rules. The reform will seek to unify the rights and rules of pensions, so that with identical careers and identical income, pensions will be identical (which does not currently occur due to the different existing pension systems). and a points system, rather than a notional accounts system, will probably be preferred. In principle, the voluntary retirement age will be kept at 62 and the PAYGO system will be kept in place (the contributors will at all times pay the pensions of retirees with their contributions). Nonetheless, a complement has been considered, which could be individually-funded or funded with a mandatory complementary contribution system for high income individuals (between EUR 120 -160 thousand per year). The government launched a "citizen consultation" on pension reform on Thursday, May 31. Further details here and here. ***(Source: www.ipe.com; www.republica.com; Date: May 2018).***

Lithuania

The country is planning a far-reaching reform of second pillar pensions. The second pillar of the pension system in this country is voluntary, with workers deciding whether or not to participate in said pillar. The reform proposed by the government in mid-April this year considers the following points: (i) Automatic enrollment of younger workers (under 40) in the second pillar, with the right to opt out, delay or temporarily suspend payments; (ii) A 50% cut in management fees; (iii) A reduction in the minimum amount currently required for purchasing a Life Annuity; (iv) The obligation of the pension funds to introduce investment strategies based on the life cycle of workers; and (v) A change in the contribution formula. On this last point, under the current scenario of "maximum accumulation" in the second pillar, savings between 2016 and 2019 are financed by the so-called "2 + 2 + 2" system: 2% of the salary comes from contributions to the social security system, with an additional 2% on the salary financed by the worker, plus a matching state contribution of 2%, but based on the average Government salaries of the previous year. The government has proposed replacing this over the next five years with a '4 + 2' formula, eliminating transfers within the social security system and doubling personal contributions on wages. Automatic enrollment is expected to save the fund managers of the pensions industry considerable sums in sales and marketing costs. The IMF has said that these reform proposals appear to be on the right track. ***(Source www.ipe.com; Date: May 2018).***

Asia and the Pacific

New Zealand

Kiwi Wealth becomes the first approved financial services provider in the country for providing personalized robo-advisor advice to the KiwiSaver savings system. These are customized financial advisory services generated by computer programs specifically based on the financial circumstances of individuals and / or their financial objectives, without a human consultant involved. The robotic consultant gathers and uses information about a client's retirement objectives and financial situation to make the pertinent recommendations and changes that allow workers to achieve their retirement goals. ***(Source: www.kiwiwealth.co.nz; Date: 18.05.2018).***