International Federation of Pension Fund Administrators

Progress of the Pension Systems
August 2018 - September 2018
No. 5

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 August- September 2018 period, with emphasis on the development of the individually funded systems.

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

Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

✓ ***Germany:*** *A package of measures will come into effect as of January 1,2019, that: (i) guarantees a replacement rate of up to 48% of the average wage until 2045, after 45 years of contribution; (ii) recognizes parents with children born before 1992 in tax matters; (iii) puts a cap of 20% on social security contributions (the rate is currently 18.6%).*

✓ ***Lithuania:*** *As of January 1, 2019, a recently enacted law will modify the Social Security contribution rates from 31.18% 1.47% for employers, and from 9% to 19.5% for workers (the overall rate will drop from 40.18% 20.97%). The law also provides for an increase in the income tax (from a flat rate of 15% to a progressive tax of up to 27%).*

✓ ***Australia:*** *New rules were introduced in the "Superannuation" pension program as of July 1, 2018, which will allow its participants to use part of their voluntary contribution balances to buy their first home; those aged 65 years or more will be able to contribute up to USD 222 thousand of the proceeds from the sale of their homes to their savings accounts.*

Pension Education and Advisory Services

✓ ***Mexico:*** *Amafore and the Interactive Museum of Economics (MIDE) created two financial programs for primary and high schools, for the purpose of raising awareness of retirement issues from an early age. These on-line programs were developed with teachers specializing in financial matters.*

Investment of the pension funds

✓ ***Pacific Alliance:*** *Advances in financial integration through the Funds Passport. One of the novelties is that Chilean regulations have been updated, making some Colombian, Mexican and Peruvian securities exempt from registration in the foreign securities registry.*

✓ ***Chile:*** *The AFPs have already invested some USD 3,000 million in alternative assets (1.6% of the funds) and they our fine-tuning and honing their strategies. Maximum investment could reach USD 13,000 million if the maximum limits defined by the Central Bank are applied.*

✓ ***El Salvador:*** *One year after the pension reform, the rules and regulations governing the diversification of the investment portfolios of the pension funds have still not been issued.*

✓ ***Dominican Republic:*** *ADAFP and the Hotels and Tourism Association signed an agreement to identify investment opportunities for pension funds in the tourism sector, thus boosting economic development and improving the returns of the funds.*

✓ ***Uruguay:*** *CFA Society Uruguay recognized the four pension funds after they adopted CFA Institute's investment code of ethics.*

Reforms proposed or to be discussed

✓ ***Brazil****: President Temer will attempt to approve the pension reform before leaving office.*

✓ ***Chile****:*

- *Pension reform is 90% complete and will be submitted to congress in October.*
- *Government assigns utmost urgency to draft bill on contribution by self-employed workers.*
- *Regulator proposes modifying Pension Offer Certificates received by affiliates, to make them easier to understand and allow for better comparison between the pension mode alternatives.*
- *Regulator proposes simplifying the mechanism for transferring members between AFPs by means of biometric identification devices.*

✓ ***Mexico****: The legislative team of the newly elected President, López Obrador, is preparing a pension reform, which: (i) will increase the non-contributory pensions of people over 68 (instead of 65, as at present); (ii) will streamline all pensions under an individual account system; (iii) will increase the contribution rate from 6.5% to 13.5%; and (iv) will increase the retirement age (currently 65).*

✓ ***Peru****:*

- *Government proposes exclusive, voluntary, tax exempt pension products (Programmed Withdrawal and Life Annuity) for members who withdrew their funds under the 95.5% Law.*
- *Regulator proposes that AFP members can increase their non-pension contributions through retail discounts (thanks to agreements between the AFPs and service companies).*

✓ ***Dominican Republic****: ADAFP asserts that evasion and avoidance threaten pensions level, and proposes a reform to: (i) increase the contribution rate from 8% to 9%; (ii) improve the Treasury's collection capabilities; (iii) increase the retirement age from 60 to 65; (iv) introduce a more transparent commission-charging mechanism.*

✓ ***Russia****: Chamber of Deputies approves pension reform that raises retirement age from 60 to 65 for men, and from 55 to 60 for women. The bill of law must now be approved by the Upper House.*

✓ ***Ukraine****: There are currently two pension reform projects that have not been legally discussed, that propose the introduction of a mandatory individually funded pension savings pillar. The maximum contribution rate would be 7% or 15%, depending on the project.*

Crisis in public PAYGO systems

✓ ***Germany:*** *Alarms sound due to the low level of income of pensioners. According to a study, half of the workers currently between 55 and 64 years of age will not have the funds for maintaining a decent standard of living after retirement.*

✓ ***Brazil:*** *The government foresees that social security will consume three times more resources in 2019 than health, education and public safety together, due to which a pension reform is urgently required.*

✓ ***Spain:*** *The government will use the reserve fund to pay pensions to the end of the year, although it does not expected to exhaust it. It was also announced that 14.5 million new jobs must be created to finance pensions until 2050, which will be impossible according to projections, so further adjustments and arrangements will be necessary as of 2019.*

✓ ***Mexico:*** *It was announced that pension expenditure tripled between 2008 and 2018, amounting to 3.7% of GDP, with an upward trend in future. This is explained by the increase in the number of workers who will retire under the different PAYGO plans.*

✓ ***Panama:*** *The current reserve of the disability, old age and death program will be exhausted by 2025, so alternatives for resolving the financial crisis of the Social Security Fund (CSS) must be found.*

✓ ***Peru:*** *Due to the precarious financial situation of the ONP, the agency that manages the PAYGO system, it was announced that the only option for returning the savings of those with less than 20 years of contributions (the requirement for obtaining a pension in the system), would be for it to become a public AFP.*

Publications and relevant projects

BBVA presented its "Pensions In Figures," project for monitoring the status of the pension system in Spain. It intends to do so through a series of sustainability, sufficiency, and sentiment indicators, as well as other macroeconomic and social indicators, accompanied by a documentary archive with the latest press releases, applicable legislation and bibliography on pension issues. These indicators will enable assessing the impact of the different decisions taken by the executive branch, such as the recent delay in the implementation of the Sustainability Factor, or the two-year suspension of the Pension Revaluation Index. It also aims to be a meeting place for the educational and research community, complementing the research work carried out by the Expert Forum of the BBVA Pensions Institute for the last five years. ***(Source: www.jubilaciondefuturo.es; Date: 26.09.2018)***

Natixis Investment Managers published its 2018 Global Retirement Index The analysis, which evaluated 43 countries on the factors that drive safety in retirement, comprises four subsections: material well-being, standard of living, health and finances in retirement. The top 3 countries in the global index are: Switzerland (84%), Iceland (84%) and Norway (81%). The top three regions in the index are North America (74%), Western Europe (69%) and Eastern Europe and Central Asia (51%). The report highlighted the fact that Latin America was the region with the best rating in the world, obtaining 75% in terms of standard of living, surpassing Asia Pacific and the Eastern European and Central Asian region, which were rated at 26% and 56% respectively. Despite its good standard of living performance, Latin America has the lowest percentage in terms of material well-being among the five regions analyzed in the report, with 18% (the highest was Western Europe with 63%, followed by North America, Eastern Europe and Central Asia, and Asia Pacific, with 62%, 52% and 28% respectively). Chile surprisingly ranks third in the subsection "Finances in Retirement," with 78%, behind New Zealand (79%) and Singapore (79%). ***(Source: www.im.natixis.com; Date: 06.09.2018).***

The MIT Press for CESifo (Munich, Germany) and CEPAR (Sydney, Australia) published a book on the "Taxation of Pensions." In this book, experts from a number of countries explore the interconnection between the taxation of pensions and retirement income provision. Their contributions are especially timely, given recent demographic and political events, including population aging, which prolongs the time between the payment of contributions and the reception of benefits, the mobility of capital and work brought about by globalization and the complexity of taxation within and between countries. The chapters document the various forms of taxation of pension systems; they use economic theory to explain qualitative and quantitative observations and consider whether the observed interaction between taxation and pensions is efficient. Theoretical views are followed by rigorous analysis of the taxation of pensions in specific countries, including Denmark, Sweden, Portugal, Australia, Germany, the United Kingdom and the United States. ***(Source: http://mitpress.mit.edu/books/taxation-pensions; Date. August 2018***

PwC published the latest edition of the Golden Age Index. One of the conclusions reached by this version of the report is that extending the working life of individuals to reflect population aging could add USD 3.5 billion to the GDP of the OECD in the long term. For example, increasing the employment rate for people over 55 to the levels of New Zealand, could generate a long-term economic boost of approximately USD 815 billion in the U.S., USD 406 billion in France and USD 123 billion in Japan. This would add up to approximately $ 3.5 billion in the OECD. This economic boost would lead to significant social and health benefits for the elderly, who lead more active lives and have higher self-esteem when they carry on working, if they wish to. ***(Source: www.pwc.com; Date: August 2018).***

World Bank publishes report on the future of work. The paper "The Future of Work: Race with - not against - the Machine," argues that the fears commonly expressed on the negative long-term effects of new technologies on the job market are obsolete. Nonetheless, it points out that in the short and medium term, the effect can be serious for certain types of work, locations and populations. Hence, policies are required for facilitating the flexibility and mobility of the labor market, introducing and strengthening social protection and safety nets, and improving education and training. ***(Source: www.wordbank.org; Date: August 2018).***

The Center for Public Studies (CEP) in Chile published a study on the importance of increasing contribution density. The aim of this article is to examine how measures such as increasing the contribution rate, raising the retirement age and increasing contribution densities would affect the replacement rate of individually funded pensions. Simulations that provide replacement rates under different alternatives were conducted for such purposes. The conclusion is that the first two measures (increasing contribution rates and the retirement age) are necessary and desirable, but if not accompanied by an increase in the latter (contribution density) the pensions issue will remain unresolved, since a significant percentage of the population will continue receiving very low pensions. ***(Source: www.cepchile.cl; Date: August 2018).***

Relevant news of the period

Latin America, the Caribbean and North America

Pacific Alliance

The Financial Markets Commission (FMC) reports progress in financial integration in the Alliance through the Funds Passport. One of the novelties is that the regulations in Chile were updated so that the following will be exempt from registration in the foreign securities registry: (i) the securities registered in the Colombian Securities and Issuers Registry; (ii) funds, or families of mutual funds authorized by the Colombian Financial Commission; (iii) the securities registered in the National Securities Registry of Mexico; and (iv) the securities registered in the Public Registry of the Peruvian Stock Market. Other advances include the approval of regulatory changes in Peru, which will enable greater marketing of Chilean funds in that country, and the regulatory changes recently introduced by the Colombian Financial Commission in this matter. The measures are a step in the right direction in the integration of the Pacific Alliance securities markets and the development of a deeper regional market. ***(Source: http://www.cmfchile.cl; Date: 13.08.2018).***

President Temer will attempt to approve the pension reform before leaving office. The country's president, Michel Temer, will attempt to approve the reform of the pension system after the presidential elections in October and before leaving office on January 1, 2019, as he announced on Twitter. He also said that he will try to persuade his successor to push through the reforms. ***(Source: https://mundo.sputniknews.com; Date: 25.09.2018).***

The government foresees that social security will consume three times more resources in 2019 than health, education and public safety together. Ministry of Planning data indicates that without a pension reform, the expenditure ceiling will be incompatible with the country's budgetary reality as of 2020. ***(Source: https://g1.globo.com; Date: 16.09.2018).***

Chile

The pension reform is 90% complete and will be submitted to Congress in the first half of October. One of the matters that have already been defined is that the bill of law will be submitted with an additional mandatory contribution of 4% by the employer, whereas it has still not been decided whether the contribution of up to 1% that the government is considering for the "dependency insurance" will be included in the reform. ***(Source: www.latercera.com; Date: 25.09.2018).***

Government assigns utmost agency to the bill of law governing contributions by self-employed workers. The draft bill proposes that the monthly withholding on the fees of self-employed workers will rise gradually for eight years, by 0.75% per year, to reach 16% in 2026, and would increase by 1% in the ninth year, to finally amount to 17%. The bill proposes that contributions will be paid in the annual income tax declaration, and will be destined to pay, first of all, the Disability and Survival Insurance (SIS), then the social insurance against risks of occupational accidents and diseases; third, the child-support insurance; fourth, common health contributions; fifth, contributions to the individually funded account and payment of the commissions of the AFPs, and finally, pending outstanding balances. ***(Source: www.latercera.com; Date: 13.08.2018).***

The AFPs have already invested USD 3 billion in alternative assets and they are fine-tuning and honing their strategies. At the end of August, investment in alternative assets by the Chilean pension funds was slightly more than USD 3 billion, representing 1.6% of total investments. Multifund E, which had no investments in alternative assets until August, reported an investment of USD 17 million in the domestic alternative assets category. If the current exposure of each multi-fund is compared with the limits allowed by the legislation, the alternative assets category of the Chilean pension funds could reach USD 13 billion. Four fund managers have so far submitted their investment policies to the Chilean Pensions Commission, and two are in the formulating and team building process. ***(Source: http://www.fundssociety.com and www.economiaynegocios.cl; Date: 06.09.2018 and 23.09.2018).***

Bill of law published that improves the Pension Amount Consultation and Offers System (SCOMP), to improve the information people receive when they retire. It was jointly announced by the Chilean Pensions Commission (SP) and the Financial Markets Commission (CMF). Both regulatory agencies propose a series of changes to the Pension Offer Certificates, issued by SCOMP and received by affiliates, to make them more understandable for the users of the system in terms of pension amounts and alternatives, the differences between them and the payment of commissions, among other issues. Further details here. ***(Source: www.spensiones.cl; Date: 16.08.2018).***

The Chilean Pensions Commission published the rules and regulations that seek to facilitate and simplify the transfer of members between AFPs. The initiative proposes conducting such transactions without the need for prior enrollment by users, or prior obtainment of a security code, as is currently the case. The AFPs must therefore provide biometric identification devices or other authorized mechanisms for remote authentication and/or develop APP applications for such purposes. The instruments or electronic means used must have certificates of efficiency, granted by specialized entities and presented to the SP. Existing alternatives of transfers on paper and in agencies will remain in place. Further details here and here. ***(Source: www.spensiones.cl; Date: 30.08.2018).***

Colombia

Warning of rapid pace of population aging. In 1985, 3.8% of Colombians were over 60 years old. Eight years later the figure jumped to 4.52%, and then reached 6.31% in 2005 and 9.23% this year, 2018 (according to preliminary figures from the 2018 population census). According to experts, aging will entail pension pressure (due to the increased tax burden on the Periodic Economic Benefits program), and will require a structural shift in the pension system and the structure of care for the elderly. ***(Source: www.elheraldo.co; Date: 05.09.2018).***

Dominican Republic

ADAFP says that evasion and avoidance are jeopardizing pension levels. There is "evasion and avoidance" in the Dominican Social Security System's pension model "and those factors contribute to projecting a degree of pension insufficiency for workers affected by these irregularities on retirement," said the Executive Chairman of the Dominican Association of Pension Fund Managers (ADAFP), Kirsis Jáquez. She explained that those who do not contribute to Social Security are guilty of evasion, but there is another type of evasion: fraudulent contributions on wages below what workers actually receive. The Chairman of the ADAFP said that the pension fund debate should be on how to improve and strengthen the pension system, so that all members have adequate and sufficient pensions when they retire from active working life. Jaquez cited a proposal made by the ADAFP to improve pension levels, which includes: (i) a one-point increase in workers contributions, from 8% to 9%; (ii) the Treasury should have greater collection capabilities; (iii) increase the retirement age from 60 to 65; and (iv) replace commission collection with a more transparent mechanism, eliminating the management commission granted to the AFPs. ***(Source: https://www.elcaribe.com.do; Date: 04.09.2018).***

Agreement signed for identifying investment opportunities in the tourism sector. The Dominican Association of Pension Fund Managers (ADAFP) and the Hotels and Tourism Association of the Dominican Republic (ASONAHORES) signed a collaboration agreement for identifying safe and profitable investment opportunities for the pension funds managed by the AFPs, in order to boost the growth of the tourism sector and strengthen it for the economic development of the country. ***(Source: www.diariolibre.com; Date: 16.09.2018).***

El Salvador

AFPs without regulations for diversifying the investments of the pension funds. One year has passed since the reform of the country's pension system was passed, and the authorities of the financial system (Central Reserve Bank and the Financial Markets Commission) have still not approved the technical rules and regulations that would allow the AFPs to diversify the investment portfolio of workers' funds. It has also been pointed out that the following are still lacking: (i) the regulations and the appointment of the delegates who will make up the Actuarial Committee that will review the retirement age in 2021; (ii) develop a voluntary savings instrument for the self-employed; and (iii) develop a mechanism that controls payments by employers and crosscheck pensions with the data base of the Salvadoran Social Security Institute (ISSS). ***(Source: http://elmundo.sv; Date: 28.09.2018).***

Population aging will raise the public debt to 80% of GDP by 2040. If the country does not apply fiscal reforms in the next two decades, population aging will push public debt over 80% of the Gross Domestic Product (GDP) by 2040, and to 100% by 2050, due to higher expenditure on health and social security services for the elderly, revealed a study by the Dr. Guillermo Manuel Ungo Foundation (Fundaungo). ***(Source: http://elmundo.sv; Date: 19.09.2018).***

Mexico

The legislative team of newly elected President Andrés Manuel López Obrador is already preparing a pension reform. According to Carlos Noriega, Executive Chairman of AMAFORE, the second generation of reforms to the pension system will begin on December 1 when the new federal government takes office. Spokesmen for the new government have reiterated that non-contributory pensions of adults over 68 will be increased (instead of 65, as at present). They have also pointed out that the reform will consider three other aspects: (i) the streamlining of all pension systems to operate under an individual accounts system; (ii) an increase in the contribution rate from 6.5% to 13.5%; (iii) an increase in the retirement age (currently 65). ***(Source: https://vanguardia.com.mx; www.dineroenimagen.com; www.economiahoy.mx; Date: September 2018).***

Pension expenditure triples in a decade. Expenditure in the pension system tripled between 2008 and 2018. Whereas MXN 254 billion (approx. USD 13,408 million) were destined to the payment of pensions a decade ago, MXN 793.7 billion (approx. USD 41,897 million) were budgeted this year. The problem is that projections are not at all favorable, because spending pressure will remain bullish for at least another three decades. The study of the Center for Economic and Budgetary Research (CIEP) "Pensions in Mexico: 100 years of inequality," states that the disorganization and lack of control in pension financing and expenditure has resulted in pension expenditure representing 15.5% of the Federal Expenditures Budget and 3.7% of GDP, with an upward trend in the next few years. This type of expenditure tends to grow, since the number of workers who retire increases year after year in the different PAYGO plans, peaking in 2034 for the IMSS, in 2035 for the ISSSTE, in 2030 for the Federal Electricity Commission, and in 2055 for Pemex. Experts point out that the problem would have been greater if the administration of President Ernesto Zedillo had not made the changes to the pension funding system in 1997. ***(Source www.informador.mx; Date: 25.09.2018).***

Starbucks opened its first store attended exclusively by senior citizens. The Starbucks Mexico coffee chain became a multi-generational business on opening its first store attended exclusively by senior citizens between 60 and 65 years of age, in Coyoacán, on Grandparents' Day. It thus became the first store of its kind in Latin America. "It will be an opportunity for senior citizens to reinsert into the labor market," said a spokesman for the chain. ***(Source: www.lagranepoca.com; Date: 29.08.2018).***

Classes on retirement imparted to children and young people The Mexican Afores Association (Amafore) and the Interactive Museum of Economics (MIDE) created two financial education programs for primary and high schools, for the purpose of raising awareness of retirement issues from an early age. The programs aim to generate a culture of saving and financial security among Mexicans of all ages. These on-line programs were developed with teachers specializing in financial matters. They are independent of the curriculum, so that all public or private schools can impart them. They can even be imparted in workshops outside of schools, starting with some groups of teachers. ***(Source: www.elfinanciero.com.mx; Date: 06.09.2018).***

Voluntary savings grow 20% compared to the same period last year and exceed USD 3,502 million. Voluntary savings have grown 500% in the last six months, explained by the implementation of a strategy including the following aspects: (i) new channels for the recruitment of voluntary savings (more than 12 thousand savings collection points); (ii) the mobile AFORE application; (iii) the www.e-sar.com.mx; portal and (iv) broad dissemination. ***(Source: www.gob.mx; Date: 17.09.2018).***

Panama

Entrepreneurs analyze impact of financial crisis on the Social Security Fund (CSS). It was announced that the current reserve of the Disability, Old-Age and Death program will be exhausted by 2025, due to which the next government will have to seek reform alternatives and solve the financial crisis of the CSS. If these reforms are not implemented, the next administration will be limited to carrying out social work in order to be able to live with the deficit and pay retirees. ***(Source: www.telemetro.com; Date: 13.09.2018).***

Peru

13% of enrolled members have already spent all their savings under the 95.5% Funds Withdrawal Law. Far from fulfilling the purpose of doing justice to people for the low pensions they would receive in the private pension system, the law that allows the withdrawal of up to 95.5% of AFP funds has put them in a worse situation, according to a study by the BID. According to the study, there are two main reasons why AFP members have withdrawn their money: (i) 39% of those who answered believe that they can manage their savings better than their AFP or an insurer; and (ii) 35% of those who answered mentioned the need for liquidity. Nonetheless, the decisions these people took contradict their justification for the withdrawal: 13% of those who opted for withdrawal have already spent everything; 28% are saving their withdrawals, and 9% have invested them. The remaining 50% have destined their withdrawals to a combination of options. The funny thing is that almost 70% of people who put their money in the bank, or other savings alternatives outside the pension system, say that their returns will be zero, or else they have no idea how much they will be. ***(Source: https://elcomercio.pe; Date: 12.09.2018).***

Government proposes incentives for wooing back members who withdrew 95.5% of their AFP funds. The Executive submitted a draft bill to the Congress of the Republic that creates exclusive pension products for members who withdrew their funds from the AFPs. They will not pay income tax and will no longer contribute to Social Health Insurance (Essalud). Thus, members who voluntarily return to their AFPs may receive a pension. The proposal creates two new pension modes: Programmed Withdrawal Return 95.5, and 95.5 Family Life Annuity. In order to encourage the return of these people to the system, these pension products, created exclusively for those who withdrew their funds from the AFPs, will not be subject to income tax. ***(Source: https://gestion.pe/; Date: 11.09.2018).***

AFP members may voluntary increase their funds through retail discounts. These regulations, previously published by the regulator, would allow the AFPs to enter into agreements with service companies, which would become alternative means for members who no longer contribute to their pension funds to make voluntary contributions for purposes other than pensions in their respective individually funded accounts, should they wish to do so. The AFPs explained that the way this would work would be, for example, that the 10% discount offered to a young person purchasing products in an affiliated outlet, would be destined to the member's pension fund instead of being deducted from the sale. Experts point out that voluntary savings for purposes other than pensions are a savings mechanism which, insofar as it generates trust, will allow members to transfer these amounts to their pension accounts later on, in order to receive a pension. Further details here and here. ***(Source: https://gestion.pe/; Date: 20.09.2018).***

The ONP insists on becoming a public AFP. The precarious financial situation of the Pension Standardization Office (ONP) is becoming increasingly evident, and given this situation, the agency itself acknowledges that its best alternative is to become a Public Pension Fund Manager (AFP). The head of the agency, Alejandro Arrieta, insisted - before the Employment and Social Protection Committee in Congress - that the ONP must abandon the PAYGO system, as is the case in the Private Pension System (SPP). He explained that this would be the only alternative for returning savings to those who do not meet the required 20 years of contribution (many people do not receive a pension in the PAYGO system because they do not meet the legal requirement of 20 years of contributions to the ONP, and end up in costly legal procedures claiming this right). ***(Source: https://elcomercio.pe; Date: 26.09.2018).***

Uruguay

The four pension funds adopted the CFA's code of ethics. CFA Society Uruguay recognized the four Pension Savings Fund Managers and the Uruguayan Investment Funds Manager due to their adoption of CFA Institute's Investment Manager Professional Conduct Code. Thus, the country stands out worldwide as one in which all the pension and mutual fund managers adopted the highest standard of ethics and professional conduct in the industry. ***(Source: http://www.fundssociety.com; Date: 12.09.2018)***

Europe

European Community

Europe takes another step towards the privatization of pensions. On September 3, the European Parliament's Economic Committee voted on the regulations governing a pan-European individual pension product (PEPP). This is a new type of voluntary individual pension, designed to offer savers more options and more competitive products for retirement. These products will complement the current public pensions. Further details here and here. ***(Source: http://arainfo.org; Date: 08.09.2018)***

Germany

System underpinned to guarantee pensions until 2025. The package of measures, which will come into effect as of January 1, 2019, states that pensions up to 48% of the average salary will be received after 45 years of contributions (level guaranteed until 2025). Other measures include: (i) an additional tax recognition of the time dedicated to the care of children for parents with children born before 1992; and (ii) contributions to the Pension Fund, which currently stand at 18.6%, must not exceed 20%. ***(Source: http://www.eleconomista.es; Date: 03.09.2018).***

Alarms sound due to the low level of income of pensioners. According to the German Institute for Economic Research in Berlin (DIW), half of the German workers who are currently between 55 and 64 years of age will not have the funds for maintaining a decent standard of living after retirement. The institute even warns that, if many of those affected do not use their own private pensions, the percentage of affected pensioners could rise from 50% to 63%. ***(Source: www.eleconomista.es; Date: 17.09.2018).***

Lithuania

Parliament enacted a law at the end of June, amending the Social Security contribution rates of employers and employees. The law also introduces a contributions ceiling. The law will come into effect as of January 1, 2019. Under the new law, the employer's contribution rate will drop from 31.18% to 1.47%, and the contribution rate financed by workers will increase from 9% to 19.5%. Thus, the total contribution rate will drop from 40.18% to 20.97%. The annual cap in contributions in 2019 was set at 120 times the average monthly wage of the previous year; at 84 times the average monthly salary in 2020 and from 2021 onwards, at 60 times the average monthly salary. The new law is part of a series of laws passed at the end of June, including a personal income tax increase (from a flat tax of 15% to a progressive tax of 20% or 27%, depending on the salary level) and a legal salary increase to compensate for the higher income tax and social security contribution rates. According to the Government, the reforms aim to reduce the cost of labor for companies and make the social security contribution system more transparent. ***(Source: International Update Social Security Administration; Date: August 2018).***

Spain

Government will use the reserve fund to pay pensions to the end of the year, although it does not expected to exhaust it. The Minister of Labor, Immigration and Social Security, Magdalena Valerio, admitted that it "will be very difficult to maintain the payment of contributory pensions at 100%" only with social security contributions. ***(Source: www.servimedia.es; Date: 19.09.2018)***

14.5 million new jobs must be created between now and 2050 to be able to finance pensions. 14.5 million new jobs must be created to finance pensions until 2050, rising from slightly more than 18 million to 33 million employed individuals, in order to be able to finance the pensions of the nearly 15,000,000 pensioners expected by mid-century, according to the study "Pensions in Spain," conducted by the General Council of Economists. European Commission data suggest that between 2020 and 2050, employment in Spain will oscillate between the 18.5 and 19.5 million, below the 33 million needed. Thus, if the projections of the European Commission are fulfilled, according to the study, the current deficit of the public pension system will increase from 1.6% of GDP to 6.3% by 2050. The Minister of Social Security, Octavio Granado, said that given this situation "we will have to find a new arrangement" for the system as of 2019. ***(Source: http://www.europapress.es; www.libremercado.com; Date: 26.09.2018).***

Russia

Controversial reform of the pension system that increases the retirement age, approved. On September 27, the Chamber of Deputies approved the controversial pension reform that raises the retirement age from 55 to 60 for women and from 60 to 65 for men. The draft bill was approved with 332 votes in favor and 83 against, and will now be sent to the Upper Chamber for its consideration. The initiative, which aims to ensure the sustainability of the system, has sparked numerous protests throughout the country. The initial draft bill proposed increasing the retirement age of women to 63, but President Vladimir Putin introduced an amendment to reduce it to 60, to curb discontent. ***(Source: www.elespectador.com; Date: 27.09.2018).***

Ukraine

Two reform draft bills propose the introduction of a mandatory individually funded pension savings pillar. There are currently two competing pension reform draft bills, which have not yet been legally discussed, which would introduce a mandatory individual pension savings pillar. One was submitted by Members of Parliament in July, and the other one by the Pensions Supervisor in June. Depending on the draft bill of law, individual savings accounts may be managed by pension management companies (Chilean-style) or by a central authority (similar to the Swedish PPM system). Contribution collection would be centralized (either through the Ukrainian PAYGO Fund or through the Tax Authority) and assets would be managed by licensed pension fund managers (both draft bills). Contributions would come from workers' wages, i.e., the contributions of the PAYGO system would not be used, so the pension reform would not give rise to a transition debt. Both draft bills assume that the contribution rate will start at 2% of gross wages and would then increase (by 1% per year until it reaches 7% in the parliamentary draft bill; or 10% of average salary growth, up to 15%, according to the supervisor's draft bill). Participation would be mandatory (for all individuals under 35, according to the parliamentary draft bill, or for all individuals under 60, including self-employed workers, according to the supervisor's draft bill). The parliamentary draft bill suggests that there are no investment strategy options and the supervisors draft bill assumes three life cycle portfolios (conservative, balanced, dynamic), with a conservative fund for those over 50. ***(Source: http://w1.c1.rada.gov.ua; https://www.nssmc.gov.ua; http://www.pionline.com; Date: September 2018).***

Asia and the Pacific

Australia

New rules enable using part of voluntary savings for purchasing a home. On July 1, the Australian Government implemented new rules in the country's pension program (Superannuation), which will allow its participants to use part of their account balances to buy their first home and pay special contributions after selling their homes at age 65 or more. Under the rules of the First Home Super Saver (FHSS) measure, participants can withdraw up to US$ 22,200 of their voluntary contributions, plus the returns on those contributions, to help cover the downpayment for the purchase of their first home. On the other hand, according to the rules of the Downsizer Contribution measure, participants aged 65 or more can contribute up to USD 222,000 of the proceeds from the sale of a house to their retirement savings accounts. The two measures are intended to help younger Australians to become homeowners by giving them access to more financial resources and by encouraging older Australians to move to housing more suitable to their age. ***(Source: International Update Social Security Administration; Date: August 2018).*** .