



Progress of the Pension Systems

June-July 2018

No. 4

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 June-July 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)

Armenia: The Armenian government extended the coverage of the country's mandatory individually funded accounts program to private sector workers (previously mandatory only for public sector workers).

Peru: The Banking, Insurance and Pensions Authority (SBS) simplified the offer of products for accessing pensions, so that members can make better decisions based on a smaller number of options.

China: Government launches a pilot voluntary pension program in three provinces of the country.

Turkey: Mandatory automatic enrollment in private pensions is extended for small employers.

Investment options

Pacific Alliance: As part of the financial integration framework currently being forged, the mutual funds of member countries will be marketed in Peru, without having to register in the Peruvian registry.

Peru: The Central Reserve Bank (BCR) agreed to raise the foreign investment operating limit of the AFPs from 49% to 50%.

Chile: AFPs prepare to start investing in alternative assets.

Information Campaigns

Honduras: Ficohsa Pensiones y Cesantías carries out a successful educational campaign on the importance of pension savings for retirement.

Mexico: Consar launches new media campaign promoting voluntary savings, which seeks to gradually and increasingly promote savings habits.

Panama: The Public Servants' Individually Funded Pension Savings System (SIACAP) will launch the institutional campaign "Prepare for your future," aimed at encouraging old-age savings, starting on August 1.

Reforms proposed or to be discussed

Chile: Reform of the pension system will be announced next September. Strengthening the Solidarity Pillar, improving self-financed pensions, increasing competition in the AFP industry, and creating incentives to postpone retirement are among the proposal's main objectives.

Colombia: Asofondos presented its proposals for a comprehensive reform of the pension system, which includes improving and reinforcing the Colombia Mayor (Colombia Seniors) program, consolidating the Periodic Economic Benefits System (Beps), encouraging voluntary savings and strengthening the corporate governance of Colpensiones. el gobierno corporativo de Colpensiones.

Crisis in public PAYGO systems

Brazil: President Temer admits that the next Government will have to assume the reform of the public pension system, but warns that it is a controversial issue.

Colombia: Only 10% of Colpensiones affiliates will retire in 2050. The low coverage of the pension system, the high degree of inequity and the questionable financial sustainability of the public system are the main issues.

Denmark: The Government approved a series of reforms to the country's universal state pension system, which will change the residency requirement for accessing a full pension, in order to reduce fiscal pressure on the public pension system by means of stricter qualifying conditions.

United States: The Social Security Reserve Fund will be exhausted by 2034, due to low economic growth in previous years, along with population aging.

Spain: The Pension Reserve Fund (the "piggy bank") has diminished by approximately 88% since 2011.

Uruguay: Banco de Previsión Social (the Social Security Bank) estimates that it will double its deficit in the next five-year period.

Present and Future of Social Security in Latin America and the Caribbean 2018

ILO: More than half of Latin American workers do not contribute to a social security system covering risk factors such as illness, unemployment and those associated with old age.

Relevant reports or presentations

ILO: Population aging well bring pressure to bear on the labor market and pensions. Increased life expectancy and falling birth rates have considerably slowed global population growth; this trend is expected to continue in coming decades, bringing considerable pressure to bear on the labor market, according to the International Labor Organization (ILO) in its [“World Employment and Social Outlook”](#) report. An immediate consequence of this slowdown, it said, is that the growth of the global workforce will not be enough to compensate for a rapidly growing pool of retirees and will bring pressure to bear on the pension systems and the labor market as a whole. In this regard, it considers it essential to promote the employability of workers through lifelong learning, in order to increase their employment opportunities, even at more advanced ages. The ILO’s study also pointed out that specific measures are required to encourage the participation of older workers in training and skills updating programs, in order to help reduce the risk of labor market alienation and early retirement, which will bring more pressure to bear on the pension systems. (Source: [www.20minutos.com.mx](#); Date: 03.07.18).

ILO: More than half of Latin American workers do not contribute to social security. More than half of Latin American workers do not contribute to a social security system covering risk factors such as illness, unemployment and those associated with old age, according to the ILO’s report [“Present and Future of Social Security in Latin America and the Caribbean”](#) which highlights the need for forceful action to close existing and future coverage gaps. According to the agency, existing systems in the region are at a crossroads marked by the need to respond to coverage requirements (amount of the population covered), sufficiency (level of benefits) and sustainability (ability to guarantee coverage and benefits). (Source: [www.latercera.com](#); Date: 25.06.18).

Relevant news of the period

Latin America, the Caribbean and North America

Pacific Alliance

The Chairman of Grupo Sura, David Bojanini, highlights the role of the pension funds in greater financial integration in the Pacific Alliance. He pointed out that due to their investment capacity, the pension funds have been instrumental in the development of capital markets in the Pacific Alliance countries. He also stressed that an ideal measure for promoting such

integration would be to consider any investment in these territories by the regional pension funds as a domestic investment. (Source: [www.valoraanalitik.com](#); Date: 27.06.18).

Mutual funds of Pacific Alliance countries will be sold in Peru. As part of the financial integration framework currently being forged in the Pacific Alliance, progress has been made in establishing a “Funds Passport.” This mechanism will facilitate the distribution of the shares of funds that have been authorized in any of the member countries of the commercial block. In this regard, the Peruvian Securities Market Authority (SMV), in line with developments in Chile and Colombia, approved the regulations governing the recognition of foreign funds from Pacific Alliance countries, without them having to register in the Peruvian registry. Thus, the implementation of regulatory requirements for funds from other countries to offer their shares through distributors has been completed. With this approval, licensed mutual funds in the Pacific Alliance countries can act as distributors between Peruvian investors, providing investors with a wider range of investment instruments to enable them to diversify their risks. (Source: [https://andina.pe](#); Date: 18.07.18).

Brazil

President Temer says that the next president will have to reform Social Security, while acknowledging the controversial nature of the issue. President Michel Temer said that his successor will have to reform Social Security, but acknowledged that the issue is “rather controversial” and “deserves to be broadly debated.” For Temer, the reform is definitely part of the country’s political agenda, despite not having voted on it in his Government, and will be discussed in the presidential elections. (Source: [https://g1.globo.com](#); 03.07.18).

Chile

President of the Republic Announces pension reform in his first State of the Nation address. Strengthening the Solidarity Pillar, improving self-financed pensions, increasing competition in the AFP industry and creating incentives to postpone retirement are among the proposal’s main objectives. The initiative will be submitted to Congress in September, according to the agenda. (Source: [www.economiaynegocios.cl](#); Date: 03.06.18).

The AFPs are preparing to invest in alternative assets. AFP Capital already has an alternative assets investment and risk management policy and the manuals and procedures required by the Pension Authority for these

transactions, with which they would be ready to start transactions in these types of assets. Another fund manager licensed to work with these instruments is AFP Habitat. The other AFPs are expected to present their alternative assets investment and risk management policies in the next few months. It is worth mentioning that the modification of the pension funds investment system came into effect in November 2017, including new instruments such as real estate assets, private capital, private debt, infrastructure and other assets traded in private markets. (Source: www.latercera.com; Date: 04.06.18).

Association of AFPs (AAFP) proposes the reimbursement of funds to those who have contributed for less than 5 years. According to the AAFP, the pensions received by individuals who retire with less than five years of contributions, and are not part of the 60% of the most vulnerable population, are so low that a scheduled reimbursement of their savings would probably be more useful to them. Nonetheless, experts in the field have suggested that in order to avoid disincentives to contribute, it would be better to focus on individual account balances rather than the number of years of contributions. (Source: <http://www.adnradio.cl>; Date: 19.06.17).

Pensions expert proposes bidding on the portfolio of former members of the AFPs. Salvador Valdés, a pensions expert, proposed that the Pension Authority's bidding for new members should include the former members of the pension system, randomly choosing blocks of 800 thousand contributors with balances lower than CLP 15 million (approx. USD 23,000), and a taxable income of less than CLP 1 million (USD 1,527). He said that this system would consider enrollment for more than six years to avoid interference with the new members bidding system, as well as leaving all individuals who do not wish to bid for their services free to act at will. (Source: www.df.cl; Date: 20.06.18).

Regulator approves the extension of the investments of insurers to improve Life Annuity pension offers. The Financial Markets Commission (CMF) issued a new amendment of the rules and regulations that seeks to make the investment regime applicable to insurance companies more flexible. This will allow insurance and reinsurance companies to diversify their investment portfolios, enabling them to increase their exposures in assets with the best long-term returns, which is expected to lead to a better pension offer by insurers. (Source: www.cmfchile.cl/portal/prensa/604/w3-article-25110.html; Date: 25.06.18).

AFP Provida launches program in favor of gender equity. The ProVida Mujer Program was launched with the aim of contributing to gender equity in pensions. The initiative will provide concrete tools for enhancing the growth and employment stability of women, in addition to generating pension education opportunities that will contribute to improving their pension situation. There are currently several reasons why women receive lower pensions than men. These include their low presence in the workforce, lower-paid jobs, lower wages than men in the same job, large pension gaps due to maternity and caring for children or seniors, in addition to greater life expectancy, among others. ProVida created this program focused on women in an attempt to change this reality. (Source: www.latercera.com; Date: 22.07.18).

New workers will be free to choose their AFP. Since no AFPs participated in the last bidding process, those who are starting to contribute to the system will be automatically assigned to the cheapest AFP, but can switch AFPs if they wish to. (Source: www.pauta.cl; Date: 28.07.18).

Colombia

Young people in Colombia are beginning to contribute to pensions. 82% of members of the private pension funds are below the age of 45. Young people are increasingly contributing to pension funds, according to figures published by the Colombian Association of Pension and Unemployment Fund Managers, Asofondos. (Source: <http://caracol.com.co>; Date: 28.06.18).

Asofondos presented its comprehensive proposal for the reform of the pension system. The Chairman of the Trade Association, Santiago Montenegro, warned that the pension system, as it exists today, could collapse by 2065 if the necessary measures are not taken. Montenegro explained that his proposals include improving and strengthening the Colombia Mayor (Colombia Seniors) program, whereby subsidies are offered to adults over 65 years of age living in poverty. Asofondos' proposal also considers consolidating the Periodic Economic Benefits System (Beps) to ensure incomes for the elderly. Another idea put forward by the Trade Association is to strengthen the corporate governance of Colpensiones by adopting a structure similar to that of Banco de la República. The Chairman of Asofondos was emphatic in urging that citizens should be encouraged to engage in voluntary savings to improve future pensions. Likewise, he called for the structuring of policies for reducing the informal economy affecting half of the country's population in urban areas, and more than 60% in rural areas. "The comprehensive pension reform should seek the well-being of the elderly rather than reducing the

government's fiscal deficit" said Montenegro. (Source: www.valoraanalitik.com; Date: 05.07.18).

Only 10% of Colpensiones affiliates will retire in 2050. The low coverage of the pension system, the high degree of inequity and the questionable financial sustainability of the public system were the main issues identified by the speakers at the international seminar "Pension Reform Alternatives in Colombia" organized by Banco de la República, Cisoe and the ILO. Apart from the fiscal issues of the public pension system, only 10% of contributors are expected to receive a pension in 2050, due to the lack of contributors. Source: www.vanguardia.com; Date: 06.07.18).

The Colombian Association of Pension and Unemployment Fund Managers (Asofondos) launched the campaign 'It's my money, it's my future' as part of a pension education campaign. To make people aware of pension and unemployment issues, Asofondos launched the campaign 'It's my money, it's my future' whereby it aims to create, through different media channels, an image of proximity, impart knowledge and, above all, awareness that the money that workers save in private funds today and in the future is theirs alone, and will never cease to be theirs under any circumstance. Source: www.larepublica.co; Date: 23.07.18).

The National Trade Union Council (CGN) proposes that Colpensiones should function like the AFPs. he CGN has proposed that the Colombian Pension Fund Manager (Colpensiones) should be transformed to compete as an agency of the Individual Savings with Solidarity System (RAIS), i.e. no longer operating as a PAYGO system as it has done to date, also creating a single contributory pillar that eliminates arbitration between systems and reduces the inequities generated under the existing system. he CNG also calls for an individual accounts and defined contribution system in which pensions are proportional to what each worker has contributed, creating a system that does not demand budget resources and eliminates the subsidies currently granted, mostly to high income individuals. Another two controversial proposals are: to gradually reduce the replacement rate from 65% to levels commensurate with the financial sustainability of the system; and to reduce the amount of the survivor's pension from the current 100% to a figure somewhere between 70 and 80%. t warned that the existing pensions model is highly inequitable. he subsidies granted in the public pension system in 2014 were 2.4% of GDP. f this total, 74% was assigned to individuals in the 2 highest income quintiles. Source: www.eldiario.com.co; Date: 23.07.18).

National Association of Financial Institutions (ANIF) proposes a "pension draft" for increasing the coverage of the system. Only one in every 4 seniors in Colombia manages to access a pension, and it is difficult to improve this situation under current conditions. Bearing in mind that large parametric and labor market adjustments take time, the ANIF says that it is urgent to take other parallel routes to avoid the occurrence of a real "social pension timebomb", in which two-thirds of the elderly are currently at risk of falling into poverty. Hence the proposed 'pension draft' system. The idea is that people who are a few weeks from retirement can 'buy' the number of months of contributions they need to be able to access a pension. his purchase could be financed with bank loans and, according to ANIF, access to the pension is the guarantee for repaying bank, strictly regulated by the Financial Authority. Source <http://www.portafolio.co>; Date: 26.07.18).

El Salvador

IMF recommends promptly increasing the retirement age. he IMF said that the retirement age increase recommended to El Salvador should be promptly implemented and warned that "there is no margin for postponement in the pension reform agenda." he pension reform approved in September last year limits the increase in the retirement age to one year, and the first increase will occur in 2022. n its final report on the Article IV Consultation with El Salvador, the agency said that the country should increase the retirement age, currently 60 for men and 55 for women, by more than one year. According to the IMF, increasing the retirement age is a sustainable solution to the problems of the pension system and must be implemented promptly because "they require time to receive political and social, support and much more (a decade or more) to produce meaningful macro effects." Source: <http://elmundo.sv>; Date: 09.06.18).

United States

The Social Security Reserve Fund will be exhausted by 2034. According to the latest report published by the government, the Social Security system (which finances old age, disability and death pensions) will be insolvent by 2034. This is a stark reminder of the problems that the program will face in the midterm if a reform plan is not drawn up in the next few years. According to government authorities, low economic growth in previous years, along with population aging, has contributed to deteriorating Social Security projections. Source: www.eleconomista.es; Date: 06.06.18).

Honduras

FICOHSA Pensiones y Cesantias carries out a successful educational campaign. Ficohsa Pensiones y Cesantias and Fruit of The Loom successfully launched a training program aimed at educating their employees regarding the importance of pension savings for retirement. The initiative was launched in the northern part of the country. The training was imparted to more than 9 thousand collaborators who showed their interest in the matter and enthusiastically conducted consultations. The training includes guidance on what a pension fund is, how to achieve one's ideal pension, and the importance of saving for retirement. **Source:** www.latribuna.hn; **Date:** 24.07.18).

Mexico

Consar warns that the defined benefit pension systems face sustainability risks. The National Commission for the Retirement Savings System (Consar) warned that it is highly likely that "given the demographic changes in coming decades, it will be impossible to pay the same benefits that pensioners are currently receiving." The pension systems of universities, States and municipalities that are still run on a defined-benefit basis are facing sustainability issues, warned Consar. In a [press release](#), he said that these systems are at risk due to demographic transition, fiscal sustainability, intergenerational equity and governance issues and the politicization of benefits and valuations. He said that although a majority of workers in Mexico are already under the protection of a defined contribution system, in which the AFORES participate, a number of defined benefit systems still survive throughout the country. One of the main challenges faced by these defined benefit schemes is demographic transition, because they were created at a time when there was lower life expectancy of the population, in addition to a growing population of young people. In a defined benefit system, savers' contributions finance the pensions of retirees. However, questions arise regarding the future sustainability of these types of systems. **(Source:** <https://aristeguinoticias.com>; **Date:** 11.06.18).

Consar proposes making it mandatory for self-employed individuals to contribute to an AFORE. Only 0.5% of the total number of members enrolled in the Retirement Savings System are self-employed workers. Given this reality, Consar has raised the possibility of implementing a reform to make it mandatory for self-employed workers to gradually contribute to an AFORE, as is currently occurring in Chile. **(Source:** <https://tuinterfaz.mx>; **Date:** 21.06.18).

Consar warns that Mexico needs more pension products. The first workers who contributed entirely to the Retirement Savings System (SAR) will start retiring in the next five years, with a subsequent increase, due to which a retirement instruments market must be developed to satisfy individual requirements. This was stated by Consar in the document "[Decumulation phase in the SAR: international experiences and recommendations](#)," which highlights some of the challenges facing the Mexican pensions system for improving this stage. He explained that the SAR retirement market comprises only two instruments: programmed withdrawal and life annuities indexed to inflation. There are only four insurance companies offering life annuities in the pension system, whereas programmed withdrawal can only be offered by the worker's Afore. The regulatory body of the Afores said that a developed pension instruments market that meets individual requirements is necessary for the decumulation phase. **(Source:** <http://amqueretaro.com>; **Date:** 09.07.18).

Fintech would be a key player in pensions. Fintech is a collaborative partner of the pension companies and should also be considered in any potential reform to the Mexican pension system, said Nadia Ornelas, Deputy Director of Innovation of Sura Mexico. "Among the many areas of opportunity available to Fintech, is encouraging financial inclusion and facilitating savings, in this case for retirement. Technology makes it possible to design and operate new products that encourage voluntary contributions in a simpler way and reach a greater segment of the population," he said. In fact, the OECD itself has pointed out that Fintech can improve the ways in which pension providers interact with individuals: improved communication techniques can encourage greater commitment; digital deployment can reduce compliance costs; robo-advisors can make financial: www.elfinanciero.com.mx; **Date:** 28.06.18).

AFORES celebrate 21 years of operation in the midst of significant challenges. The Chairman of Consar said that the individually funded accounts system managed by the AFORES has many pending issues, which have not been able to be addressed at a political level. On the one hand, the majority of workers are informal, which prevents the retirement savings system from covering all Mexicans. Furthermore, the AFORES are faced with an investment market in which it is increasingly more difficult to obtain the high yields they achieved previously, acknowledges the regulator of the sector himself. **(Source:** www.elpulsolaboral.com.mx; **Date:** 28.06.18).

President López Obrador proposes universal pension. The new president's proposal to establish a universal

pension has been well received by the Mexican Association of Consulting Actuaries. According to the entity, a measure of this nature would cost the equivalent to 0.82% of GDP. It also believes that a universal pension is needed in the country because of the high percentage of the population that is not enrolled in social security. However, the ILO specialist David Kaplan warns that if a truly universal pension were to be established, i.e., including those with contributory pensions, care should be taken to prevent it from subsidizing informality. He warned that due to the high informality rate in Mexico, one has to think about work incentives that will go hand-in-hand with the implementation of a universal pension. (Source: www.eluniversal.com.mx; Date: 05.07.18; www.dineroenimagen.com, Date: 17.07.18).

Consar launches new media campaign to promote voluntary savings. Within the framework of its 2013-2018 Comprehensive Communication Strategy, Consar presented its new communications campaign called "[The savings rhythm](#)". This campaign consolidates the cycle initiated in 2013, when Consar launched a new communications strategy to combat socio-cultural attitudes of detachment, distrust and ignorance, while gradually and progressively promoting the practice of saving among its target audience. 10 campaigns were conducted in total. (Source: www.gob.mx; Date: 24.07.18).

Paraguay

A bill of law has been submitted for the creation of a Pensions and Retirement Authority. This project seeks to create a regulatory body and diversify the funds in several financial instruments, not only in savings deposit certificates. This law is expected to ensure better control and transparency in the management of pension funds. (Source: www.ultimahora.com; Date: 04.06.18).

Panama

Campaign seeks to encourage pension savings. The Public Servants' Individually Funded Pension Savings System (SIACAP) will launch the institutional campaign "Prepare for your future," aimed at encouraging old-age savings, starting on August 1. The campaign, which includes radio spots, messages on social networks, representation and talks to members in different public institutions, is part of the activities to be performed within the framework of SIACAP's 18th anniversary, also seeking to encourage members to make additional contributions to their individual account through online banking, or over the counter at the National Bank of Panama, and that those members who are not contributing will start contributing again. (Source: <https://metrolibre.com>; Date: 27.07.18).

AFP Habitat Perú reinforces the experiences of members by launching chatbot. In early June, AFP Habitat launched its new intelligent chatbot named Habi, which is available on Facebook Messenger. Through Habi, more than one million members can resolve their queries and perform other transactions 24/7. 80% of members of the AFPs are part of the generation known as "millennials," so allowing them to access information about their pension savings through social networks is an effective strategy. The Habi robot can: send the account statement by inbox; report on the last contribution paid in by the employer, update contact data, compare the returns and commissions of the four AFPs in the market, among other actions. New questions and procedures will also be added in the next few months. (Source: www.peru-retail.com; Date: 31.05.18).

AFP industry players warn of the need to incorporate self-employed workers into social security. According to the Chairman of AFP Habitat, a regulatory framework must be created that will allow the AFPs to offer savings alternatives for future pensions for self-employed workers. He pointed out that only one in four Peruvians save for a pension, either in the public system (Pension Standardization Office, ONP) or in an AFP, due to which he considers it necessary to incorporate self-employed workers as part of a reform of the pension system. (Source: <https://larepublica.pe>; Date: 01.06.18).

The head of the Pension Standardization Office (ONP) is in favor of converting his institution into a "public AFP." Alejandro Arrieta defended the transformation of the ONP (the agency charged with managing public pensions under a PAYGO system) into a State AFP, because this change would prevent affiliates of the public system from being deprived of the right to a pension if they contribute for less than 20 years. Under the current system, those who do not complete 20 years of contributions do not receive any pension, which according to the authority, implies that "the poor subsidize the rich." The transformation of the ONP into a public AFP, should be accompanied by a minimum pension insurance and pension contribution incentives, he said. (Source: <https://larepublica.pe>; Date: 05.06.18).

In another 5 years there will be no retirees in the private pension system. This is due to the law that allows retirees to withdraw 95.5% of their funds from the AFPs, which would entail zero new pensioners within five years, because they will all want to withdraw and spend most of their funds. According to the experts, the majority of members who withdraw their funds consume them, instead of purchasing a pension product. Two years after this measure came into effect, 95% of members at retirement age chose to withdraw all their money and only 1% opted for retirement. Experts warn that the

purpose of social security is not that people should save for a certain number of years, but that they should have a pension. (Source: <https://peru21.pe>; Date: 07.06.18 y <https://gestion.pe>; Date: 09.06.18).

Extending early withdrawal would give rise to massive fund withdrawals from the AFPs. Congress is assessing the possibility of extending the Early Retirement System (REJA) to 2021 (the program was originally intended to end in December, 2020), as well as including individuals over 40 years of age (only men over 55 and women over 50 can currently access it). This program was created as a temporary measure to protect people over 55 who did not have unemployment income, since a requirement for applying to the REJA is that the worker must have been unemployed for at least 12 consecutive months. According to Giovanna Prialé, Chairman of the Association of AFPs, the measure would encourage members to stop contributing to the system, and would also encourage approximately 468,000 people to apply to the REJA for withdrawing 95.5% of their funds between 2018 and 2021, which would amount to a sum of approximately PEN 25,000 million (USD 7,620 million). According to the Association of AFPs' statistics, 71.4% of members who withdrew 95.5% of their funds did so through REJA, while 26.4% did so via retirement at the official retirement age, i.e. 65. Likewise, Prialé pointed out that there have been cases of people who become informal workers in order to be considered unemployed and thus benefit from early retirement. (Source: <http://semanaeconomica.com>; Date: 14.06.18).

AFP Prima advances with its "matching contributions" pilot plan. As the winner of the last tender for new members, Prima AFP is carrying out the 'matching contributions' pilot plan to encourage the enrollment of new members in the private pension system (SPP), especially self-employed and informal workers who make up 70% of the economically active population (EAP) of the country, i.e., about 11.2 million people. This program (implemented in partnership with the University of the Pacific and financed by the international NGO, IPA) proposes subsidizing the contributions of potential members by between 50 and 100% for six months, after which they will be expected to have acquired the necessary discipline to continue contributing to the system. The first results of the pilot plan will be known within five months. The results of the pilot plan will enable assessing whether the program should be scaled up, or even propose that it should become a public policy. (Source: <https://elcomercio.pe>; Date: 25.06.18).

The foreign investment limit is increased to 50%. The Central Reserve Bank of Peru (BCR) agreed to raise the foreign investment operating limit of the AFPs from 49%

to 50%. The purpose of this measure is to encourage greater diversification of the investments of the AFPs. Increasing the limit by one percentage point would provide the AFPs with an additional USD 480 million to invest in financial instruments in international markets. (Source: <https://gestion.pe>; Date: 29.07.18).

Regulations governing mutual funds in the Pacific Alliance approved. The mutual funds of Pacific Alliance member countries may be distributed in Peru without the need to register them in the country, as long as they are registered and/or licensed in their country of origin and supervised by the competent authority. This is part of the process of financial integration of the Pacific Alliance. Only short or very-short-term foreign funds can be distributed in the country as of November 1, provided they abide by the conditions set forth in the new regulations governing foreign funds. Other types of foreign funds will be able to be distributed as of March, 2019. (Source: <https://elperuano.pe>; Date: 20.07.18).

The Banking, Insurance and Pensions Authority (SBS) simplified the offer of products for accessing pensions. The purpose is for members to be able to make better decisions from among a smaller number of options. When a worker chooses to retire, his AFP offers him a wide range of products he can choose for accessing a pension. One of them, for example, is to transfer his funds to an insurance company, which will offer him a pension under specific conditions. For the purpose of making the choice simpler for retirees, the SBS reduced the number of products they can choose from by 75%. Thus, there will now only be 31 retirement pension products, 27 for disability pensions and 27 for survival pensions. This amendment aims to contribute to the decision-making process and the choice of a pension mode by members of the Private Pension System, systematically presenting the main characteristics and particularities of pension products, said the entity. (Source: <https://larepublica.pe>; Date: 24.07.18).

Dominican Republic

The procedure for terminally ill members to be able to withdraw their pension funds has been streamlined. The National Social Security Council (CNSS), has updated the procedure that allows members of the Individually Funded System of the Contributory Regime with terminal illness to withdraw their contributions to the AFPs, eliminating the requirement of submitting a life prognosis equal to or less than six months, a decision that will enable members' requests to be processed more quickly. (Source: <https://diariodigital.com.do>; Date: 11.06.18).

Uruguay

AFAP Republic adopted the CFA assets manager code.

AFAP Republic adopted the CFA Institute's Assets Manager Code (AMC), representing the highest standards of ethics, transparency and professionalism. The AMC describes the ethical and professional responsibilities of the pension funds or companies that manage assets on behalf of their clients. For investors, the code provides a point of reference for the behavior that should be expected of asset managers, providing a higher level of trust. Thus, AFAP Republic has become the second fund manager to have this certification, with Union Capital AFAP being the first one to have been granted it. (Source: www.elobservador.com.uy; Date: 26.06.18).

Banco de Previsión Social (the Social Security Bank) estimates that it will double its deficit in the next five-year period.

Banco de Prevision Social, the agency responsible for paying public PAYGO pensions, estimates that its deficit will double in the next 5 years. Whereas in 2015 it required assistance for USD 390 million, it is expected to require USD 806 million in 2019. (Source: <https://negocios.elpais.com.uy>; Date: 19.07.18)

Europe

Germany

A commission has been created to guarantee pensions as of 2025. While pensions will rise this year in Germany by 3.4% in the West and 3.2% in the East of the country, the federal Government has already taken measures to ensure the uncertain future of pensioners' incomes. To this end, a Committee comprising four women and six men, in representation of the parties in Government, unions and employers, must work on a concept that will ensure the future of pensions as of 2025. The Government assumes that the contribution rate will not exceed 20% of gross salary by then, and that pensions will not drop below 48%. In about 2025, demographic change will entail a severe burden for the federal pension system due to population aging. A solution already being discussed is to raise the retirement age beyond the current 67 years of age. (Source: www.eleconomista.es; Date: 11.06.18).

Armenia

The coverage of the individual accounts program is extended and the contribution rates changed. As of July 1, the Armenian government extended the coverage of the country's mandatory individually funded accounts program to private sector workers born after December 31, 1973, and temporarily changed the contribution rates

for employees and the government. As of 2014, participation in the individually funded program has been mandatory for public-sector workers born after December 31, 1973 and voluntary for public and private sector workers born before January, 1 1974. Once a worker has enrolled, the decision cannot be reversed. According to the government, the purpose of the program is to stimulate economic development, improve the long-term financial sustainability of the public pension system and raise the relatively low levels of retirement savings in the country. The overall contribution rate of the individually funded system is 10% of the worker's income. According to this temporary measure, as of July 1 the Government will contribute 7.5% of income up to a ceiling of USD 1,037 (AMD 500,000) and the worker will contribute 2.5% of the same income. The Government and the worker previously contributed 5% of the monthly income of the worker, up to AMD 500,000. As occurred prior to the reform, the worker will contribute 10% on income over this ceiling. (Source: [Social Security International Update](#); Date: Julio 2018).

Denmark

Reforms to the state universal pension approved. The Government approved a series of reforms to the country's universal State pension (folkepension), which will change the residency requirements for a full pension (applicants must have resided in the country for at least 90% of the time between age 15 and the retirement age for accessing a full pension) and the number of payment options for deferral supplements will increase for those individuals who postpone their retirement (henceforth, those who defer their retirement will be able to receive their pension supplement through a life annuity, an annuity for 10 years, or a combination of a pension plus an annuity for 10 years). The reforms aim at reducing the fiscal pressure on the public pension system by means of stricter qualifying conditions and promoting longer working lives (Source: [Social Security International Update](#), Date: June 2018).

Spain

The Pension Reserve Fund has diminished by approximately 88% since 2011. The Pension Reserve Fund, the so-called "pensions piggy bank," closed last year with a total value of MEUR 8,085.37 (USD 9,377 million), equivalent to 87.9% of the funds that the piggy bank had in 2011. The piggy bank's resources have been used because the revenue of the social security system is not enough for covering all obligations. (Source: www.nuevatribuna.es; Date: 19.07.18).

Spain achieves a new all-time historical aging record. In 2017 the country had 120 senior citizens over 64 for

every 100 children under 16, with is a new historic aging record. This figure represents a 2% increase compared to last year, when the aging index stood at 118%. The contributor-pensioner ratio also ended 2017 with a minimum value of 2.2. If this trend continues, it is estimated that there will be slightly more than one person working per pensioner by 2052, jeopardizing the sustainability of the PAYGO system. (Source: www.inese.es; Date: 20.07.18).

Great Britain

The British will have to "contribute more" to Social Security after 'Brexit'. The British Prime Minister, Theresa May, has acknowledged that the Government has begun studying the possibility of increasing Social Security contributions after 'Brexit', while promising an increase in expenditure of EUR 28,000 million by 2023, which is money "saved" from its European contributions when it left the block. (Source: www.europapress.es; Date: 17.06.18).

Iceland

Changes have been implemented in the mandatory occupational pensions program. The contribution rate paid by employers in the private sector under Iceland's mandatory occupational pension program increased from 10% of gross earnings of employees to 11.5%. The contribution increase aims to raise additional income for the Icelandic pension funds and streamline occupational pensions for public and private sector employees. The 11.5% contribution rate paid by private sector employers now matches the rate paid by the government for its employees. (Source: Social Security International Update; Date: Julio 2018).

Russia

It has been proposed to delay the retirement age for the first time in almost a century. The Russian Prime Minister proposed delaying the retirement age to 65 for men and 63 for women, for the first time in nine decades. A relatively long transition period is proposed, with progressive increases as of 2019, to reach retirement for men at 65 by 2028 and 63 for women by 2034. The bill of law must now be approved by Parliament. (Source: www.tribunanoticias.mx; Date: 21.06.18).

Asia and the Pacific

China

Government launches a pilot voluntary pension program. The Chinese government launched a one-year voluntary pension savings (third pillar) pilot plan, which

offers tax incentives to encourage participation. The program covers the majority of employed and self-employed individuals in three locations: Shanghai, Fujian and Suzhou. The program is part of an ongoing effort by the Government to develop a multipillar pension system and encourage more retirement savings in the rapidly aging country. (Source: Social Security International Update; Date: Junio 2018).

Turkey

Mandatory automatic enrollment in private pensions is extended for small employers. As of July 1, Turkish employers with 10-49 employees in the public and private sectors must automatically enroll employees under the age of 45 in a defined contribution pension plan in the country's private pension system (Bireysel Emeklilik Sistemi, BES). The BES is a voluntary automatic enrollment program. Implemented in 2017, the automatic enrollment program is intended to increase long-term domestic savings and improve retirement options for workers. (Source: Social Security International Update; Date: July 2018).