

International Federation of Pension Fund Administrators



Progress of the Pension Systems June - July 2016 No. 3

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 June-July 2016 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 or under discussion)

- ✓ **Honduras:** The launching of the Private Contributions System (RAP), which will compete with the other existing private fund managers (workers can choose to remain in the RAP's AFP or switch their resources to another AFP in the market), has been delayed for six months.
- ✓ **Lithuania:** A ceiling on the contributions to the public PAYGO program has been approved as of 2017 (there is currently no ceiling); the ceiling will be sixty times the average annual salary in the economy in 2022.
- ✓ **Ukraine:** The tax code has been amended to exempt low income workers from paying taxes.
- ✓ **Israel:** An increase in the minimum contribution rate has been implemented for defined contribution occupational pension plans.

Crisis in the public PAYGO systems

- ✓ **Costa Rica:** The House of Representatives agreed to submit three bills of law for saving money in the pension regimes financed by the government (special contribution on pensions that exceed ten times the lowest basic wage in the Public Service; ceilings on pensions of special pension regimes, and a higher contribution rate).
- ✓ **Panama:** Reforms to the Social Security Fund (CSS) are being debated; they seek to revive the Disability, Old Age and Death Program (IVM), which is at risk and will be running a deficit by 2019.

Decumulation/Withdrawal of funds on retirement/Pension modes

- ✓ **Chile:** New mortality tables came into effect as of July 1, 2016; they will be applicable for calculating programmed withdrawal and life annuity pensions.
- ✓ **Holland:** A new variable life annuity pension mode has been approved.
- ✓ **Hong Kong:** A discussion has been initiated aimed at allowing withdrawals for purchase housing.
- ✓ **Peru:** The law that allows 25% of the AFP fund to be used for purchasing a housing unit has been published (to pay the down payment for purchasing a first housing unit, or paying off a mortgage loan). It also allows members of the AFPs to withdraw 95.5% of the total fund available in their individual accounts on turning 65 (also applicable to programmed withdrawals retirees).
- ✓ **Peru:** A new staggered life annuity pension mode has been approved. This is a defined pension into segments; its duration will be determined by the retiree and it can be taken out in soles or dollars, with a guaranteed period of up to 15 years. Approval by the pensions regulator is pending.
- ✓ **South Africa:** The mandatory purchase of life annuities has been postponed for at least another two years.

Reforms proposed or to be discussed

- ✓ **Argentina:** New law creates the Social Security Sustainability Council, entrusted with drafting a reform of the pension system.
- ✓ **Chile:** Association of AFPs agrees that the pension system requires changes, but that returning to the PAYGO system is unthinkable; improvements should aim at strengthening each one of the pillars of the existing pension system.
- ✓ **El Salvador:** The Citizens' Pension Initiative (ICP) will draft a plan for reforming the pension system. It comprises the Salvadoran Association of Pension Fund Managers (Asafondos) and other agencies; its purpose is to generate a consensual approach to the reform, with the participation of citizens and academic institutions, and technical assistance from multilateral organizations.
- ✓ **USA:** Experts propose that the next government should address important challenges in pension matters, expanding the voluntary private system and providing sufficient pensions within the framework of greater longevity.
- ✓ **Holland:** The Social and Economic Council has proposed a new pension model based on a collective risk-sharing approach.
- ✓ **Peru:** The new Government will create a Multi-party Commission for the reform of the pension system. The model will be similar to Chile's, with experts discussing the best proposals for the comprehensive reform of the pension system.
- ✓ **Poland:** Government denies that the second pillar private pension funds will be consolidated under a single state agency.
- ✓ **Uruguay:** The debate on solutions to the "fifty-year-olds" problem continues. An ample discussion has been convened for addressing this matter; there is already consensus that the Fund Managers are not the problem, but rather that there is a design issue that must be reviewed by the Social Security Bank (BPS).

Diversification and investment risk / Multifunds

- ✓ **Chile:** The Chamber of Deputies approved the bill of law that will allow the AFPs and insurance companies to invest in infrastructure projects. Approval by the Senate is pending.
- ✓ **Costa Rica:** The House of Representatives has set the financing of infrastructure through private pensions, through trusts, as a priority.
- ✓ **Japan:** Defined contribution plans must mandatorily offer conservative investment funds by default to workers who do not make an active choice.
- ✓ **Dominican Republic:** The Risk Assessment Committee has authorized the AFPs to invest the pension funds in the Real Estate Investment Fund; this is the first investment of this type

Voluntary Pension Saving (VPS)

- ✓ **Costa Rica:** Regulator seeks ways to reinforce voluntary pensions, through: (i) Sole Pension Dossier, with information for the projection of pensions and the degree of VPS necessary for achieving a replacement rate; and (ii) contribution by default to the voluntary pension system. Proposals will be put forward in 2017 and 2018.
- ✓ **India:** The possibility of allowing voluntary contributions by workers to the Employees Provident Fund (EPF) is being discussed.
- ✓ **Mexico:** A pilot test with account statements has been launched to encourage greater voluntary savings; the new model comprises graphic, attractive and simple stimuli, based on a behavioral-economics approach, for evoking a response and encouraging saving.
- ✓ **Poland:** The Ministry of Development seeks to encourage Voluntary Pension Saving through automatic enrollment.

Retirement age

- ✓ **Poland:** Proposal for reducing the retirement age from 67 to 65, for men and women; if approved, the change would come into effect in 2018.
- ✓ **Morocco:** The law that increases the retirement age from 60 to 63 by 2022, has been approved

News highlights in this issue



The Ministers of Finance of the Pacific Alliance recognized the progress made to ensure the mutual recognition of issuers and the extension of financial instruments and negotiating mechanisms within the Latin American Integrated Market (MILA); they valued the progress made in streamlining the tax treatment of income obtained by the recognized pension funds of the countries of the Pacific Alliance when they invest in member countries in the region, and called for an assessment of mechanisms that would enable strengthening the investments of the AFPs in the region.



The Chamber of Deputies approved a bill of law that would allow the AFPs and insurance companies to invest in infrastructure projects; the bill must still be reviewed by the Senate; the proposal would allow the AFPs to invest resources in areas that have been restricted until now (for example, specialized funds or directly in office buildings or commercial premises), and also acquire the invoices of SMEs (commonly known as factoring), a system that enables small and medium-sized enterprises to obtain financing for their development.



As of October 2016, members who wish to switch pension regimes must receive personal counseling. Members who wish to switch from a Defined-Benefit Average Premium Plan (RPMPD) fund manager, such as Colpensiones, to the Individual Savings with Solidarity System (RAIS), managed by the private pension funds, or vice versa, must receive personalized counseling from both agencies as a necessary condition for justifying the switch .



The pilot account statement tests for encouraging greater voluntary savings has begun. The new account statement, initially sent to 120,000 people, contains graphic, attractive and simple stimuli (based on an Ideas42 economic-behavioral approach, a company specializing in behavioral economics); among other things, the account statements presents: (i) a traffic light to graphically represent savings "health"; (ii) the personal monthly income estimate on retirement, based on current savings habits; and (iii) messages focusing on the benefits of starting to save today and not waiting until tomorrow, evoking a sense of urgency



The new government will appoint a committee for reforming the pension system. Authorities have said that the reform of the pension system will be carried out in a consensual manner, through the appointment of a multi-party committee, similar to the model applied in Chile, with experts analyzing the best proposals for the comprehensive reform of the pension system.

Relevant studies or reports

Libertad y Desarrollo (LyD) [document](#) states that there are objective arguments that prove that the idea of returning to a PAYGO system in Chile is not viable. Under the former Chilean PAYGO system, only those who complied with a minimum number of contributions received a pension, and therefore 50% of contributors received no pension whatsoever, and also lost all they had saved during their active working lives. Only considering this correction (incorporating the pensions that = 0), the old age pensions of the former system would have been 47% lower than those provided by the current system. The document highlights the fact that in order to advance, there must be an effort to eliminate the barriers that prevent people from saving more (in frequency and amount) and for a longer period of time: (i) raise the contribution rate with additional contributions from the employer or worker (seeking to avoid informality); (ii) seek out mechanisms that encourage certain population groups (women, young people and the elderly) to be able to find formal employment that suits their time and flexibility requirements; (iii) gradually incorporate the contributions of self-employed workers to the system; (iv) increase the legal contribution age (especially for women), and adjust future changes of this threshold based on new potential changes in the life expectancy of the population. (Source: www.lyd.org; Date: July 2016).

New [book](#) of the Inter-American Development Bank (IDB) points out the importance of saving and the challenges facing the pension system. The book starts off by pointing out that is important save in order to prosper in good times. The study puts forward political options for encouraging additional saving, from recommendations for generating a savings culture at a personal level, to tax policies that promote efficiency in expenditure without affecting investment. It also addresses the challenges of the pension systems and how demographic changes will impact future requirements of resources for caring for our senior citizens. (Source: www.iadb.org; Date: July 2016).

New [report](#) of the Organization for Cooperation and Economic Development (OECD) examines the differences in life expectancy on retirement between countries, and their implications for retirement policies. Chapter 6 of this publication shows that higher socio-economic groups live longer than lower socio-economic groups, and that differences can increase over time. Given the disparities encountered, the OECD recommends the following: (i) the pension fund and life annuity providers that mainly attended to higher socio-economic groups, probably underestimate the longevity risk of their clients, since they use mortality assumptions for the average population and not for more specific groups; (ii) governments must contribute to producing more detailed and frequently updated mortality

data, in order to obtain better longevity risk assessments for different socio-economic groups; (iii) policymakers must encourage the development of new pension modes and life annuities that meet the requirements of the different socio-economic groups; (iv) policymakers must be aware that the adjustment of the retirement age and other parameters of the pension system, based on increases in life expectancy, will be disadvantageous for the lower socio-economic groups (given their lower life expectancy); thus, a more sensible approach would be to make the necessary parametric adjustments for maintaining a constant ratio between the retirement age and the number of years of contributions (over time, and between the different socio-economic groups). (Source: *OECD; SocialSecurity International Update*; Date: July 2016).

A [study](#) of the Global Center for Excellency in Financial Literacy states that financial literacy programs contribute to sound savings decisions. The study uses the administrative data of all the active workers of the Federal Reserve System of the USA, to examine the participation and contributions to the *Thrift Saving Plan* (TSP, a defined contribution pension program similar to the 401-k, offered to civil servants in the USA). It found that workers with greater financial literacy contributed 3 percentage points more of their income to the TSP program, compared to workers with lesser literacy. (Source: <http://qflec.org/>; Date: June 2016).

A [study](#) by the Mexican pensions regulator (CONSAR) diagnoses the pension systems in different countries, and the measures they have adopted for expanding coverage. The document presents the pensions coverage situation in different countries; some have achieved extensive coverage through a combination of contributory and non-contributory measures; the study shows that in order to improve coverage with fiscal responsibility, it is recommendable for the pension system to adequately promote mandatory and voluntary savings by workers throughout their working lives, and that non-contributory pensions financed with general taxes should only be complementary to mandatory and voluntary savings. It highlights countries like Australia, Canada, Chile and New Zealand, that have high levels of coverage and controlled public spending, through a solid contributory pension system complemented with a non-contributory pension. (Source: www.consar.gob.mx; Date: July 2016).

Latin America, the Caribbean and North America

The Pacific Alliance (PA)

The Ministers of Finance of the PA agree to advance in financial integration. In their 10th meeting, the Ministers: (i) recognized the progress made in ensuring the mutual recognition of issuers and the extension of financial instruments and negotiating mechanisms within the Latin American Integrated Market (MILA); (ii) valued the progress made in streamlining the tax treatment of income obtained by the recognized pension funds of the countries of the Pacific Alliance when they invest in member countries in the region, and (iii) called for an assessment of mechanisms that would enable strengthening the investments of the AFPs in the region. (Source: www.elmercurio.com; Date: 01.07.2016).

Latin America and the Caribbean

Argentina

The Historical Redress to Retirees and Pensioners Law was promulgated. The law mainly addresses the following points in pension matters: (i) a three-year pension emergency has been declared, for the Executive to be able to reach agreement with the retirees involved in legal proceedings (approx. 2.4 million beneficiaries); (ii) the Social Security Sustainability Council was appointed for drawing up a reform of the pension system; (iii) a lifetime, non-contributory Universal Senior Citizens Pension was created for all people aged 65 or more, who do not receive any other type of social benefit, granting a monthly provision of 80% of the minimum pension, and updated twice per year. The law stipulates that the Sustainability Guarantee Fund of the Argentine Integrated Pension System can be used for paying compensation in lawsuits. (Source: www.lv16.com.ar; Date: 22.07.2016).

Chile

New mortality tables came into effect as of July 1, 2016. These tables are used for calculating programmed withdrawal pensions, additional contributions for disability and survival pensions, and the technical reserves that insurance companies that offer life annuities and participate in the disability and survival insurance must constitute. Women who are currently 60 years old (the legal retirement age) will live to an average age of 90.31, 1 year and 2 months more than in the previous tables; it is estimated that the life expectancy of men who are now 65 years old (the legal retirement age) will be 85.24 years on average, 7 months more than in the tables currently in use. Programmed withdrawal pensions awarded after July 1, 2016, will drop on average 2.3% for women and 2.1% for men (this percentage is distributed over more retirement years to cover longer survival). (Source: www.spensiones.cl; Date: July 2016).

As of July 2016, the Disability and Survival Insurance Premium (SIS) will increase from 1.15% to 1.41%. For the fifth time, and in a sole, simultaneous public tender, the six AFPs tendered for the SIS, due to which the new value of the premium rose by 0.26 percentage points (in effect from July 2016 to June 2018); the cost of the SIS is 1.03% for women, so 0.38% (the difference between 1.41% and 1.03%) of their taxable income is paid into their individual accounts on a monthly basis. (Source: www.aafp.cl; Date: 12.07.2016).

The Chamber of Deputies approved the bill of law that allows the AFPs and insurance companies to invest in infrastructure projects. The measure, which must now be reviewed by the Senate, is part of a series of improvements aimed at boosting productivity and expanding economic growth capacity. The project would allow the AFPs to invest resources in areas that have been restricted until now (for example, through specialized funds or directly in office buildings or commercial premises), and also acquire the invoices of SMEs (commonly known as factoring), a system that enables small and medium-sized enterprises to obtain financing for their development. (Source: www.latercera.com; www.diarionvwe.com; Date: 19.07.2016).

Association of AFPs agrees that the pension system requires changes, but that returning to the PAYGO system is unthinkable. In the light of the massive march against the AFP system, the Trade Association said that it is open to dialog, discussion and all efforts for improving the system and advancing to a situation in which the pillars of the system (first non-contributory pillar, second individual accounts pillar, and third voluntary savings pillar) will be more robust than they are today. Nonetheless, it said that it is unthinkable to eliminate the AFP program and return to the public PAYGO system, since it is financially unsustainable in the current demographic context, and does not provide a solution for the low pensions issue. (Source: www.cooperativa.cl; www.latercera.cl; www.emol.com; Date: 25.07.2016).

Colombia

Bill of law seeks to ensure the stable employment of workers who are about to retire. The bill of law, which is about to be approved, in the final debate in a plenary session of the House of Representatives, stipulates that no Colombian worker can be dismissed within three years of retirement. (Source: www.eltiempo.com; www.camara.gov.co; Date: 27.07.2016).

As of October 2016, members who wish to switch pension regimes must receive personal counseling. According to Circular 016 of 2016, members who wish to switch from a Defined Benefit Average Premium Plan (RPMPD) fund manager, such as Colpensiones, to the Individual Savings with Solidarity System (RAIS) managed by the private pension

funds, or vice versa, must receive personalized counseling from both agencies as a necessary condition for justifying the switch. See further details [here](#). (Source: www.superfinanciera.gov.co; Date: 10.05.2016).

Costa Rica

The House of Representatives agreed to submit 3 bills of law for saving money in the pension regimes financed by the government. These bills are: (i) Dossier 19.25, which would create a special contribution on pensions that exceed ten times the lowest basic wage in the Public Service; (ii) Dossier 19.661, which sets ceilings to pension amounts in special pension regimes charged to the national budget, reduces pension hikes and makes requirements for accessing them stricter¹; and (iii) Dossier 19.310, which would require public servants who contribute for obtaining a pension charged to the National Budget, as well as active Pensioners, to pay higher contributions (which could be up to 18% of salary; the current ceiling is 9%). (Source: *La Nación*; Date: 16.06.2016).

The House of Representatives has set the financing of infrastructure through private pension funds as a priority. The law authorizing the development of transport infrastructure through trusts, which is about to be passed, allows the use of complementary pension funds. Government is willing to make this possible. (Source: www.larepublica.net; Date: 21.06.2016).

Regulator seeks ways of reinforcing voluntary pensions. The pensions regulator (SUPEN) will seek to boost the Voluntary Pensions Regime (VPR), through two proposals that would come into effect in 2017 and 2018: (i) Creation of a "sole pensions dossier," with the help of the Central Bank and the Pension Operators, that enables people to perform pension projections to calculate how much they must save voluntarily to achieve a specific target replacement rate; (ii) Establish default voluntary pension contributions, so that people who do not want to make voluntary contributions must "actively" decide not to do so. (Source: www.elfinanciero.cr; Date: 01.07.2016).

El Salvador

Citizens' Initiative for Pensions (ICP) will draft a plan for reforming the pension system. The ICP comprises the Committee of Workers in Defense of the Pension Funds (Comtradefop), the National Association of Private Enterprise (ANEP), the Association of Pension Fund Managers (Asafondos) and the Salvadoran Foundation for Economic and Social Development (Fusades); its purpose is the creation of an integral project that brings together the technical proposals of each institution to generate a single consensual

vision of the reform, with the participation of citizens and academic institution, and with technical assistance from multilateral agencies such as the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), the Bank World (BM) and other domestic and international experts on the subject of pensions. The final project must offer protection of the rights of workers and must be constitutionally viable, financially sustainable and transparent. It is worth mentioning that the reform bill of law submitted by the government is still in Congress, has not been studied, and does not have sufficient votes for its approval. (Source: www.elsalvador.com; ASAFONDOS; Date: July 2016).

IMF calls for the pension reform not to hinder the country's development, and for parametric adjustments to the individually funded system. In order to reach a new financial agreement with the country, the IMF requires the government to reduce its expenditure, focus subsidies, increase the VAT and reduce government bureaucracy, among others; in pension matters, the IMF recommends that coverage and sustainability of pensions must be ensured (which contrasts with the government's proposal) without interfering with the sustainable development of the country, and also calls for considering parametric adjustments (such as increasing the retirement age and the contribution rate, among other aspects). (Source: www.elsalvador.com; Date: 22.07.2016).

United States

Experts propose that the next Government should address important challenges in pension matters. Numerous experts have said that the person elected President in the November elections will have to address important challenges in pension matters, including, for example: (i) Facilitating access to the voluntary private pension system; and (ii) Doing more for ensuring sufficient retirement income, in the context of greater longevity. James A. Klein, Chairman of the Council of American Benefits, believes that the next Government will have to address Social Security from a comprehensive standpoint, also considering health coverage, disability and long-term care. (Source: www.pionline.com; Date: 25.07.2016).

Honduras

The launching of the AFP of the Private Contributions System (RAP) has been delayed for 6 months. With the passage² of the [Framework Law of the Social security System](#), the RAP must become an AFP and manage the savings of workers enrolled in the system through individual accounts; the AFP was scheduled to start operating in June, but it

¹ For example, pension amount calculations will no longer be based on 100% of the average of the 12 best salaries in the last 24 months, but rather on 80% of that average.

² This law came into effect on September 4, 2015.

requested a term extension, and will now start operating in six months time³. (Source: www.laprensa.hn; Date: 03.06.2016).

Mexico

The pilot account statement test for encouraging greater voluntary savings has begun. CONSAR and the AFORES began sending the new account statements, with graphic, attractive and simple stimuli, based on an economic-behavioral approach; the design is the result of the findings of the [2015 study](#) conducted by Ideas42, a company specializing in behavioral economics; the new prototype was sent as a sample to 120 thousand savers; the new prototype has 6 features: (i) a traffic light to graphically represent savings "health"; (ii) The personal monthly income estimate on retirement, based on current savings habits; (iii) messages focusing on the benefits of starting to save today and not waiting until tomorrow, evoking a sense of urgency through coins; (iv) questions that encourage thought on the amount necessary for covering family expenses and future contingencies (concept of family motivates action), together with use of images for helping to plan the necessary savings, and in a simple manner show that savings can improve future lifestyles; (v) list of practical steps to start saving; (vi) compare the growth of savings through different mechanisms (AFORE vs others). (Source: www.consar.gob.mx; Date: 13.06.2016).

Panama

Reforms to the Social Security Fund (CSS) are being debated. They seek to revive the Disability, Old Age and Death Program (IVM), which is at risk and will be running a deficit by 2019. The Chamber of Commerce, Industry and Agriculture of Panama (CCIAP) warns that new actuarial studies must be undertaken (the existing studies were conducted in 2011), in order to assess the financial reality of the CSS before speculating on changes in contribution rates, numbers of contributions, and others variables for its revival. (Source: <http://laestrella.com.pa>; <http://www.wradio.com.co>; Date: July 2016).

Paraguay

A Paraguayan pension model has been proposed. In view of the announced eventual collapse of the pension system of the Social Security Institute (IPS) within three or four decades, the Member of the Chamber of Advertisers of Paraguay (CAP), Hugo Cataldo, has proposed introducing the mixed Uruguayan pension model, in which the PAYGO system covers contributors to a certain level of income, and contributors above that level are covered by an individually funded system

³The RAP's AFP must compete with other existing private fund managers (workers can choose to remain in the RAP's AFP or switch their resources to another AFP in the market). If workers decide to keep their savings in RAP's AFP, they will still be able to access automatic housing loans and other

chosen by the contributor. (Source: www.abc.com.py; Date: 31.05.16)

Peru

The law that enables using 25% of the AFP fund for housing, has been published. The law stipulates that members may use 25% of such funds at any time, to: (a) make a down payment for the purchase of a first property, as long as it involves a mortgage loan awarded by an entity of the system financial; or (b) repay a mortgage loan used for the purchase of a first property, granted by a financial agency. The law also states that: (i) after they turn 65, members can choose between receiving the pension due to them in any pension mode, or requesting the AFP to pay out up to 95.5% of the total amount of the fund available in the individual accounts (in the installments stipulated by the member); (ii) members who exercise the option of withdrawing the funds will have no rights to any state guarantee benefit; (iii) the 4.5% remaining in the individual accounts must be withheld and transferred by the AFP directly to EsSalud (for health coverage); (iv) the above applies to members of the Special Early Retirement System and programmed withdrawal retirees. (Source: www.andina.com.pe; <http://diariooficial.elperuano.pe>; Date: 29.06.2016).

A new staggered life annuity pension mode has been approved. The new mode proposes a defined pension in two segments; its duration will be determined by the retiree, and it can be taken out in soles or dollars, with a guaranteed period of up to 15 years. The first Segment will be for receiving the total amount of the highest pension to be granted, according to the term chosen by the member. The second segment will include a pension equivalent to 50% or 75% of the amount agreed for the first retirement segment. If the member dies, Survival pensions will be generated in both segments of the pension, pursuant to the percentages established by law, and based on the income bracket of the member at the time that he died. Members who have turned 65, those who meet the early retirement requirements, and those receiving Programmed Withdrawal pensions, can access this mode. This product will be offered once it has been approved by the SBS, which is still pending. (Source: www.inese.es; Date: 28.07.2016).

The new government will appoint a Committee for reforming the pension system, and plans to introduce an unemployment insurance. Alfredo Thorne, the new Minister of Economy, said that the reform of the Peruvian pension system will be carried out in a consensual manner, through the appointments of a multi-party Committee, similar to the

benefits provided by this institution. It is worth mentioning that under the new Social Security system, workers make a consolidated contribution of 6.5% to the Disability, Old Age and Death System (IVM System).

model applied in Chile, with experts analyzing the best proposals for the comprehensive reform of the pension system; he also said that the government will seek to establish and unemployment insurance similar to the one introduced in Chile some years ago, to encourage workers to seek formal employment. (Source: www.economiaynegocios.cl; Date: 27.07.2016)

The Dominican Republic

The Risk Assessment Committee has authorized the AFPs to invest the pension funds in the Real Estate Investment Fund. The [Resolution](#) authorizes the investment of the pension funds in the Pioneer Real Estate Investment Fund, which is the first fund of this kind to receive this approval. (Source: www.sipen.gov.do; www.elnuevodiario.com.d; Date: 28.06.2016).

Legally resident foreigners can enroll in Security Social. People who have benefited from the National Plan for the Regularization of Foreigners and have the required official documentation and a valid employment contract, will be included in the Dominican Social Security System. The measure was approved by the National Social Security Council as part of a government initiative. (Source: <http://hoy.com.do> Date: 07.06.2016).

Uruguay

The debate on solutions to the "fifty-year-olds" problem continues⁴. The Social Security Bank (BPS) has convened an ample discussion for addressing this matter; there is already consensus that the Fund Managers are not the problem, but rather that there is a design issue that must be reviewed by the Social Security Bank (BPS); the following options are being assessed: (i) change the retirement calculation; the affected parties would receive a pension in the transitional system (only via BPS) stemming from an apportionment of their contributions prior to 1996, and another pension under the mixed system with their subsequent contributions; the possibility is being considered of making the adjustments in stages, fully recognizing the difference if the person retires at age 65, 80% at age 64 etc., in order to encourage delaying retirement and significantly reducing the cost for the state; (ii) provide workers between 51 and 59 years of age with the option of choosing between the mixed and transition regimes (i.e., the possibility of opting out of the AFAP). (Source: www.elpais.com.uy; www.teledoce.com; National Association of AFAP, ANAFAP; (Date: July 2016).

⁴Group constituted by workers currently between 50 and 59 years of age (they fell within the transition stage in 1996 when they were under 40 and they were forced to join the AFAP due to their wage level); when calculating pensions, the Social Security Bank (BPS) does not recognize all of their former contributions, but only considers the amount up to the first level of the mixed system.

Europe

Global

European Union EU grants funding to monitor cross-border pensions. The EU approved funding for the "Track and Trace your Pension in Europe" (TTYPE) Consortium, for the purpose of conducting a pilot project for tracking and tracing the pension benefits of cross-borderworkers⁵; the pilot project will begin in Holland and Belgium, and will then be extended to 5 other member countries. (Source: *Global Retirement Update AON*; Date: June 2016).

Holland

A new pension model based on a collective risk-sharing approach has been proposed. The Social and Economic Council presented a study on the ideal future development of the pension system, proposing different alternatives; among these, it says that an interesting option is to advance towards a collective risk-sharing approach. (Source: *Global Retirement Update AON*; Date: June 2016).

Lithuania

The introduction of a contribution ceiling in the public PAYGO program (SÖDRA) as of 2017, has been approved. On June 29, the Executive [approved](#) a ceiling on contributions by workers to SÖDRA as of 2017, which will be 120 times the average annual wage in the economy (currently EUR 89,760, approx. USD 99,980); the limit will then be reduced to 108 times the average annual wage in 2018; to 96 times in 2019; to 84 times in 2020; to 72 times in 2021; and to 60 times in 2022 (there is currently no ceiling on contributions to SÖDRA); as of 2017, the contribution of the employer to SÖDRA will also be reduced by 1 percentage point, from 23.3% to 22.3%. (Source: *Global Retirement Update AON*; www.ssa.gov; www.baltic-course.com Date: June 2016).

Poland

Proposed reduction of the retirement age from 67 to 65. A controversial plan for reducing the retirement age of men and women must first be discussed in terms of fiscal feasibility. If approved, it will be applied as of 2018. (Source: *Global Retirement Update AON*; Date: June 2016).

Ministry of Development seeks to encourage voluntary pension savings through automatic enrollment. The Ministry

⁵Workers who render services in a member country (country of employment) while residing in another member country (country of residence) will be denominated cross-border workers.

is drafting proposals to revive the third voluntary pension savings pillar; one of the main measures would be to introduce automatic enrollment, with default payment of a percentage of the worker's daily wage to a voluntary savings account, unless the worker decides to opt out of the plan. (Source: *Global Retirement Update AON*; date: June and July 2016).

Government denies that the second pillar private pension funds will be consolidated under a single state agency. The Prime Minister said that the private pension funds will not be nationalized, but that they will probably be transferred to the Individual Pension Accounts of the third voluntary savings pillar (IKE, by its Polish acronym). (Source: *Global Retirement Update AON*; <http://www.thenews.pl>; www.mr.gov.pl; Date: July 2016).

Ukraine

The tax code has been amended to exempt low-income workers from paying taxes. As of July 1, workers who receive a State pension of up to 10 times the minimum subsistence wage for the disabled⁶ (approx. USD 460), are exempt from paying personal income tax (above this limit, the applicable tax is 18% on the portion of the pension that exceeds this limit). Previously, people with monthly pensions greater than 3 times the minimum monthly wage were subject to a tax rate of up to 20%. (Source: *Social Security International Update*; date: July 2016).

Africa

South Africa

The mandatory purchase of life annuities has been postponed for at least another two years. An amendment was signed by the President, whereby the mandatory purchase of a life annuity for the payment of provident pension fund benefits must be studied for at least another two years. (Source: *Global Retirement Update AON*; Date: June 2016).

Asia and the Pacific

Hong Kong

A discussion has been initiated aimed at allowing withdrawals for purchasing housing. The discussion falls within the framework of the mandatory defined contributions program (*Mandatory Provident Funds*, MPF). The chairman of the regulatory authority of the MPF said that prices in the real estate sector are high, and therefore purchasing a property is a way of accumulating wealth. (Source: *Global Retirement Update AON*; Date: June 2016).

India

The possibility of allowing voluntary contributions by workers is being discussed. The discussion concerns the occupational pensions that cover the workers of 180 specific economic sectors, in companies with more than twenty workers, in the defined contribution Employees Provident Fund (EPF); workers (and their employers) currently pay a mandatory contribution to the EPF of 3.67% of their wages. (Source: *Global Retirement Update AON*; Date: June 2016).

Israel

An increase in the minimum contribution rate has been implemented for defined contribution occupational pension plans. As of July 1, 2016, the employer's minimum contribution rate increased from 6% to 6.25% and the worker's contribution from 5.5% to 5.75%; as of January 1, 2017, such rates will increase to 6.5% for the employer and 6% for the worker; the measure is part of the amendments to the law for strengthening the private occupational pension system, and also includes the streamlining of the contribution rates of different levels, reducing fiscal benefits for high income individuals, and increasing the responsibility of employers in financing administrative costs. (Source: *Global Retirement Update AON*; Date: June 2016).

Japan

New rules and regulations governing defined contribution plans facilitate investment options. Amendments to the law stipulate that among other things, pension plans must offer conservative investment funds by default for those workers that do not make an active choice. (Source: *Global Retirement Update AON*; Date: June 2016).

Morocco

The law that increases the retirement age from 60 to 63 has been approved. The increase will be gradual, reaching 63 years of age for men and women by 2022. (Source: *Global Retirement Update AON*; Date: July 2016).

⁶This wage level is UAH 1,130 (approx. USD 46).