

International Federation of Pension Fund Administrators



Progress of the Pension Systems October– November 2017 No. 6

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 October - November 2017 period, with emphasis on the development of the individually funded systems.

Document prepared by FIAP, based on press information. We thank FIAP member associations for the information and comments submitted. 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)

El Salvador: The reform of the pension system came into effect, increasing the contribution rate from 13 to 15%, introducing a longevity insurance, and establishing the automatic adjustment of the retirement age in accordance with changes in life expectancy.

Chile: Pension funds can invest in alternative assets as of November 1. The new authorized investment alternatives are: instruments for investing in foreign private capital assets, foreign private debt, infrastructure works and the non-residential real estate sector

Costa Rica: Congress passes reform of the pension system of the judiciary (public PAYGO) that substantially reduces pension amounts, increases the percentage of workers' contributions from 11% to 13% and raises the retirement age to 65.

Uruguay: The Central Bank introduced a series of changes that modify the way that the life annuities paid by the mixed pension system are calculated, particularly the updating of the mortality tables and their periodic adjustment schedule, as well as the modification of the technical interest rate. With these measures, the regulator hopes to attract private insurers to the annuities market.

Investment options

Mexico: Siefores will gradually switch to life-cycle funds towards the end of this year, or early next year. A distinguishing feature of life-cycle funds are ongoing savings strategies in an investment portfolio based on the workers age, which are continuously modified until the time he stops working.

Pensions at a Glance Report 2017

OECD: In its annual report on pension systems, the OECD warns of the need for major reforms in member countries for mitigating the impact of population aging, growing inequality among the elderly, and the changing nature of the labor market. The report notes that public expenditure on pensions for the OECD as a whole has increased around 1.5% of GDP since 2000.

Reforms proposed or to be discussed

Brazil: The Government would be willing to compromise on important aspects of its proposal for reforming the pension system (such as for example, increasing the number of years of contributions required for a full pension) for it to be adopted as soon as possible.

Peru: The Social Protection Commission (CPS) delivered its Final Report with its proposal for reforming the pension system. The proposed reform seeks to unify the public and private systems in a pillar-type structure: a first state-funded anti-poverty pillar, and a second mandatory contribution pillar. Although this proposal contains some positive aspects (such as closing down the PAYGO system and eliminating the possibility of withdrawing 95.5% of the funds), in FIAP's opinion it introduces some extremely negative changes for the development and stability of the pension system, fully defeating its purpose.

Crisis in public PAYGO systems

Colombia: The regressive nature of the public PAYGO system is disturbing. According to the director of the National Planning Department, 75% of the government's expenditure earmarked for the payment of pensions, is paid to the 40% of richest pensioners in the country.

Spain: Pension cuts, in real terms, are not sufficient for balancing Social Security accounts, which will be almost half the 2018 public deficit, and 1.4% of GDP. Hence, different international agencies (OECD, IMF) have called for ongoing reforms of the pension system and promoting private savings.

Ukraine: The government has called for a series of changes for providing greater financial sustainability to the public PAYGO system. These changes include: increasing the minimum number of years of contributions for accessing a partial pension from 15 to 25; modifying the formula for calculating benefits, for existing and future retirees; and the introduction of automatic pension indexing. It is worth mentioning that the current deficit of the public PAYGO system is USD 5,250 million.

Relevant reports or presentations

In its [Pension at a Glance 2017](#) report, the OECD stressed the need for ongoing reforms in the pension systems of its member countries. According to the agency, major reforms are required in all OECD member countries for mitigating the impact of population aging, growing inequality among the elderly, and the changing nature of the labor market. The report points out that overall public expenditure on pensions in the OECD has increased by approximately 1.5% of GDP since 2000. Nonetheless, the pace of growth is expected to decrease substantially due to the reforms already implemented. Only in the last two years, one-third of the OECD member countries increased contribution rates, another third changed the formulas for calculating benefits, and 3 countries increased the official retirement age. The reforms will reduce the incomes of future pensioners, and due to greater longevity, it is essential to postpone the retirement age in order to ensure a decent pension. (Source: [OECD Press Release](#); Date: 05.12.17).

Government proposes reforming the pension system. The Government has proposed modifying the existing pension system. It intends to adjust the pension calculation formula, so that pensions are pegged to inflation. With the new system, pensions would rise half as much in 2018 as was expected with the current means of calculation. Initially, the changes in the pension system do not include changes in the retirement age. However, this will occur in the special systems (also denominated "privileged") that allow early retirement. In such cases, convergence to an overall retirement age will be sought. According to the President of the Republic, "Anses is on its last legs," which is why the approval of the pension calculation reform is required for reducing the fiscal deficit. He also said that a far-reaching assessment of the pension system must be undertaken, for which the Government intends to convene a Committee of Experts. This Committee will be entrusted with drawing up a pension reform.

(Sources: [www.lanacion.com.arg](#); Date: 31.10.17;
[www.eldiariodelapampa.com.ar](#); Date: 10.11.17;
[www.republica.com.uy](#); Date: 01.11.17).

Bolivia

The pension fund could be unsustainable due to the increase in the number of retirees. Since the promulgation of Law No. 065 in 2010, Mandatory Individually Funded Social Security, managed by the AFPs, has been replaced by the Integral Pension System. The Integral Pension System respects deposits in individual accounts while people are saving, but on

retirement their accumulated balances are transferred to a common PAYGO pension fund. The pension amount no longer depends on the accumulated fund, and operates like a PAYGO system in practice. Law No 065 also reduced the limit for accessing an old age pension from 70% to 60% of salary, and the retirement age from 65 to 60. These changes resulted in the number of pensioners increasing from 2,000 to 14,000 in the last 7 years. The concern lies in whether the common fund will be able to finance this exponential increase in the number of pensioners. According to experts, the law was passed without the necessary actuarial studies for ensuring the sustainability of the system. Furthermore, the fact that this PAYGO mechanism is inequitable, because not all contribute in equal proportions, has also been criticized. (Source: [www.eldia.com.bo](#); Date: 22.10.17).

Mortality tables have not been updated since the 1990s. The mortality tables used by the AFPs and insurance companies for calculating pensions and life annuities date back to the 1990s. The AFPs have called on the authorities to update them periodically. (Source: [www.paginasiete.bo](#); Date: 16.10.17).

Brazil

The Social Security deficit is USD 5,180 million. In August, the General Social Security System chalked up a deficit of BRL 16,900 million (USD 5,180 million), growing by 8.4% compared to the same month last year. (Source: [www.diariodolitoral.com.br](#); Date: 18.10.17).

Moody's considers pension reform in Brazil unlikely. Moody's Risk Rating Agency considers it unlikely that the expected pension reform in Brazil will go ahead, despite the fact that President Michel could be absolved of the corruption charges brought against him. According to the agency, time is running out and support for the reform is dropping, making substantial changes unlikely. It also emphasized that the pension reform is essential for Brazil's credit prospects. Without it, it is estimated that Social Security expenditure will rise to 9.6% of GDP by 2025, absorbing two-thirds of public spending. Under a no-reform scenario, it would be virtually impossible for the Government to maintain current expenditure in areas such as health and education, never mind expenses such as investment, which is already minimal. (Source: [www.fundssociety.com](#); Date: 23.10.17).

Government gives way in negotiations for approving the reform of the pension system. The Brazilian Government is willing to compromise on important parts of its proposal for reforming the pension system, to ensure that it is approved as soon as possible. The government originally intended to increase the number of years of contributions required for a full pension from 15

to 25, but this measure has not been accepted. It will also not change the rules governing the Continuous Cash Benefit granted to the low-income disabled elderly and rural workers. Without including these changes, the fiscal savings of the tax reform would be half of what was initially estimated by the Government. (Source: <https://mundo.sputniknews.com>; Date: 10.11.17).

Chile

Chile is the Latin America leader in the Global Pension Index. Many countries view Chile as an example in pension matters. This is confirmed by the 2017 Melbourne Mercer Global Pensions Index. With a rating of 67.3 points, the Chilean pension system ranked tenth this year in a list of 30 countries with the best pension models worldwide. That score was higher than the 66.4 points it achieved in 2016. Chile leads the ranking among its peers in Latin America. The three countries topping the list of the countries with the best pension systems worldwide are Denmark, the Netherlands and Australia. (Source: www.latercera.cl; Date: 24.10.17).

Strengths of the Chilean pension system must be defended. The Chilean pension system has been at the center of the political debate lately. Non-governmental organizations, political parties and presidential candidates, among others, have severely criticized the contribution of the individually funded system to the country, and many of them have even proposed a return to the PAYGO system. This questioning ignores the contribution of the AFP system to the Chilean capital market, since it has extended its scope and reduced financing costs, with all the impacts it creates on further investment, more and better jobs, and direct effects on the wages of workers, and also because the AFP have faithfully fulfilled their original mandate: to multiply the funds of members. While the Chilean pension system is recognized and admired in other parts of the world, there are people in Chile who insist on returning to models that have failed in one country after another, due to ideological bias. The shortcomings still evident in the existing pension system can be resolved by extending its coverage, extending the retirement age, raising contributions, and improving competition in the system. (Source: *Editorial La Tercera*; Date: 01.11.17).

Pension funds will be able to invest in alternative assets. As of November 1 this year, the AFPs will be able to invest in alternative assets. The new investment alternatives authorized in Chile are: instruments for investing in foreign private capital assets, foreign private debt, infrastructure works and the non-residential real estate sector. Regarding investment percentages, Fund A (the riskiest) can invest up to 10% of its fund in these assets; Funds B and C can invest up to 8% and 6%,

respectively, while Funds D and E (the most conservative) can invest up to 5%. However, as long as there is no clarity regarding brokerage commissions (currently charged on managed funds, although a draft bill of law proposes that at least some of them be paid by the AFPs), the AFPs are not expected to invest in alternative assets, whose brokerage fees tend to be higher. (Sources: www.fundssociety.cl; Date: 25.10.17; www.elmostrador.cl; Date: 31.10.17).

Fitch Ratings criticizes the proposal for creating the Collective Savings Council. The agency said that from a technical standpoint, the factors that make government management inefficient are: the additional costs entailed by a new government agency, borne by all inhabitants; the uncertainty generated if this new body can indeed achieve levels of competitiveness in the returns of the funds it manages; and the management commission that a nascent public agency will charge its members. Among the negative consequences, the agency also mentioned the productivity report prepared by the Ministry of Finance, indicating a possible increase in unemployment resulting from increasing contributions by 5 percentage points, to the expense of the employer. (Source: www.economiaynegocios.cl; Date: 18.10.17).

Millennials' pensions will be lower due to low savings. Millennials are facing two pension challenges: they have higher life expectancy than previous generations, and are facing a period of significant reductions in interest rates. This, added to the low contribution rate, predicts that their pensions will be well below expectations. Thus, according to the experts, they must save more than 10% of their salaries to improve their pension amounts. They must realize that their retirement income will depend on their savings efforts during the active phase. (Source: www.df.cl; Date: 13.11.17).

The proposals of the presidential candidates are diametrically opposed. The candidate of Chile Vamos, Sebastián Piñera, proposes increasing contribution rates to 14% (charged to the employer), fully paid into workers' accounts in their respective AFPs. He also proposes strengthening the existing solidarity pillar, increasing fiscal contributions by 42%. The pro-Government candidate, Alejandro Guillier, on the contrary, intends to go ahead with the reform proposed by the current administration, which seeks to create a new "collective savings" body to be financed with an additional 5% contribution charged to the employer, of which 2% would be earmarked for solidarity purposes, and only 3%, managed by a public entity, would go to the individual accounts of members. For the purpose of attracting Frente Amplio voters (far-left coalition), Guillier has declared that he is open to evaluating the closure of the AFPs. (Source: www.cooperativa.cl; Date: 27.11.17).

Only 6% of the newly incorporated self-employed workers in the last year save for their pensions.

According to reports of the Superintendency of Pensions and the National Institute of Statistics, 109 thousand new self-employed workers have been incorporated in the last year, of which only 6% save for their retirement. Only three of every 100 contributors to the AFP system are self-employed (working on their own or as employers), and are not required by law to save for their pensions. However, this category of contributors grew by 4.6% in the last 12 months (compared to 1.2% for dependent workers). According to experts, the increase in the number of self-employed contributors is mainly due to the new structure of the labor market, and efforts are being made to gradually make it mandatory for these workers to contribute to their pensions. The low percentage of contributing self-employed workers is still worrying. (Source: www.economiaynegocios.cl; Date: 13.10.17).

Colombia

The sustainability of the Colombian pension system is still threatened, according to the Mercer Global Pensions Index. This report states that the financial sustainability of pensions in Colombia could be threatened by the high replacement rates in the public system, with a lack of assets backing up pensions and funded through the national budget, i.e., subsidized by taxes, as well as the informality of the labor market, which limits intergenerational solidarity and the entry of new contributions that help to finance the system. (Source: www.rcnradio.com; Date: 24.10.17).

National Association of Financial Institutions (ANIF) proposes closing Colpensiones to new members and raising the retirement age. The Chairman of ANIF has proposed raising the retirement age of Colombians by 5 years, from 62 to 67 for men, and from 57 to 62 for women. He also proposed that Colpensiones (public PAYGO system) should be closed to new members as of January 2019. Nonetheless, it must continue operating for those enrolled to that date, in order to guarantee their pensions. Those who are 10 years from retirement will not be subject to any changes, because they already have acquired rights. (Source: www.larepublica.co; Date: 09.11.17).

The regressive nature of the public PAYGO system is disturbing According to the director of the National Planning Department, the pension debt in Colombia is 103% of GDP (approximately USD 300 billion), but even more worrying than the amount of the debt, is its regressive nature, since 75% of government pension expenditure is paid to 40% of the richest pensioners in

the country. This evidences the regressive nature of the PAYGO systems. (Source: www.bluradio.com; Date: 09.11.17).

Costa Rica

Congress passes the reform of the pension regime of the Judiciary. The Legislative Assembly passed a reform of the pension system of the judiciary, that substantially reduces pension amounts, increases the percentage of workers' contributions from 11% to 13% and raises the retirement age to 65. With the reform passed in first debate, officials of the judiciary will not receive 100% of the salary of the last 24 months, but only 80% of the average of the last 240 months. The reform also caps the monthly pension amount at \$ 7,000, which was not the case previously. The decision was adopted by the legislators on the basis of a study by the University of Costa Rica (UCR), according to which the benefits currently enjoyed by the judiciary officials would make the system financially unfeasible in the short term. (Source: <http://informa-tico.com>; Date: 30.10.17).

Dominican Republic

The Dominican Association of Pension Fund Managers (ADAFP) defends the pension model. Within the framework of the Forum "Pensions of America Masterclass," the Chairman of ASOFONDOS, Kirsis Jáquez, defended the feasibility of obtaining adequate levels of pensions under an individually funded model, as long as members contribute regularly on their entire salary, the returns of the AFPs are maintained, and the retirement age is adjusted in accordance with life expectancy. (Source: <http://elcaribe.com.do>; Date: 10.11.17).

Low contribution rates, low retirement age, and high evasion and avoidance are the main problems of the Dominican pension system. The Chairman of AFP Popular, Eduardo Grullón, commented on the main issues in the countries pension system, within the framework of the Forum "Pensions of America Masterclass." In his view, some of the factors affecting the Dominican pension system are the low contribution rate (8% of salary), low contribution density (approximately 47% of contributors have contributed for less than 50% of the time they have been enrolled) and the low levels of wages on which contributions are paid (mainly due to avoidance or evasion). The low retirement age (60) also has a negative effect. (Source: <http://almomento.net>; Date: 10.11.17).

El Salvador

The reform of the Pensions Savings System Law came into effect. The reform to the pension system came into effect last October 6. Some of the main changes introduced are the following: (i) Increase in the contribution rate from 13 to 15% of salary (7.25% charged to the worker and 7.75% to the employer) as of November. (ii) Part of the contribution (2%) will be used to finance the longevity insurance (Solidarity Guarantee Account, CGS), which will be activated to cover life annuity pensions when the savings in the individual account have been exhausted. (iii) Automatic adjustment of the retirement age in accordance with changes in life expectancy. It will be mandatory to review this parameter in the country every five years. An Actuarial Committee will conduct the first assessment in 2021. (iv) Creation of 4 multifunds: the 'Growth Fund' which will be able to invest between 30 and 45% of total assets in equities; the "Moderate Fund" which will be able to invest between 20 and 30%; the "Conservative Fund" which will be able to invest a maximum of 20% in equity, and the "Special Retirement Fund" which will invest exclusively in fixed income instruments. (Source: <http://elmundo.sv>; Date: 30.10.17 y 10.10.17).

Financial Institutions will be able to offer VPS. With the reform, organizations such as banks and insurance companies will be able to offer voluntary savings pension products. Prior to the reform, the AFPs were the only financial institutions that could manage mandatory and voluntary savings. After the reform, the AFPs will continue to manage mandatory savings, but will have competition in voluntary savings. Furthermore, even workers who are not enrolled in an AFP can engage in VPS. (Source: <http://elmundo.sv>; Date: 30.10.17).

Honduras

Experts recommend raising the contribution rate. Experts believe that the contribution rate of individuals to a pension system should be between 10 and 13% of salary. The contribution rate is currently 3% (distributed in equal parts between the worker and the employer) of the first minimum wage (approx. USD 375) to the disability, old age and death system (public PAYGO system). Another 3% is paid into the Private Contribution System (RAP), but on the excess amount over and above one minimum wage. Once the AFP Law has been passed, the latter 3% can be managed by the RAP or another AFP. Experts warn that if existing conditions are maintained, workers will receive low pensions on retirement (Source: www.elheraldo.hn; Date: 16.10.17).

Members of the private system will be able to access life annuities starting next year. Members can currently

withdraw all of their accumulated savings (in RAP or other AFPs), but starting next year, they will be able to access a life annuity on retirement. (Source: www.elheraldo.hn; Date: 15.10.17).

Mexico

Gradual switch of the Investment Companies Specializing in Pension Funds (Siefors) to life-cycle funds. The transition of the Siefors to life-cycle funds is expected to start at the end of the year, or early next year. AMAFORE, Consar and the Ministry of Finance and Public Credit are jointly working on defining the details for the migration to these funds. A distinguishing feature of life-cycle funds are ongoing savings strategies in an investment portfolio based on the worker's age, which are continuously modified until the time he stops working. With these funds, employees will no longer have to switch Siefors, since they will be in the fund for life. The fund will also provide a life annuity, which is currently not offered by the Siefors. Life-cycle funds are expected to strengthen competition in the life annuities market. Life-cycle funds would also provide the AFOREs with additional opportunities for modifying their investment regimes and expanding their investments in domestic and international equities. Increasing pensions is the ultimate purpose of this change. (Source: www.eleconomista.com.mx; Date: 24.10.17).

Authorities acknowledge the need for a comprehensive reform of the pension system Within the framework of FIAP's 15th International Seminar and the AFORE's 2nd National Convention, the Chairman of Consar acknowledged that without a comprehensive reform, the achievements of the AFOREs in the last 20 years would be at risk. The main challenges facing the system are high labor informality, low coverage and the low level of savings, in general. In this regard, the Chairman of AMAFORE, said that if reforms are not made, Mexico runs the risk of lagging behind in pensions. (Source: www.eluniversal.com.mx; Date: 01.11.17).

With 'AFORE Niños,' children can start saving for retirement. With the 'AFORE Niños' account, children can start saving for their retirement at any age. The parents or legal guardians will manage the account until the child is of age. During this time, they will receive a statement every four months showing movements and deposits, and watch how their money grows. The National Commission for the Retirement Savings System (Consar) underscored that the main purpose of the measure is to promote savings culture from early childhood. (Source: www.20minutos.com.mx; Date: 20.10.17).

AforeMovil captures more workers. Consar said that two and a half months after the launching of this App, it

had been downloaded by 210 thousand people, 10 thousand of whom are self-employed workers who are now enrolled in an AFORE. "It is worth mentioning that self-employed workers were virtually non-existent in the retirement savings system even before the release of Aforemovil," the agency pointed out. The application allows you to save online, and check the balance and account statement and the enrollment of assigned and registered workers. It has a calculator for enrolled members, as well as a GPS tool for workers with more than seven thousand savings points. According to Consar, the application is part of the technological modernization process of the pension system. (Source: www.elpulsolaboral.com.mx; Date: 10.11.17).

Consar and Vitalis are studying the project "Miles for Retirement" to encourage voluntary pension savings. The project proposed by the consulting firm Vitalis, is based on the "spend to save" idea, which would destine a percentage of the amount of the purchase to savings whenever a member uses his credit card. According to its backers, the measure would be especially effective for encouraging retirement savings among all individuals, whether formally employed or not, and would also address the lack of coverage of self-employed workers. (Source: www.entornointeligente.com; Date: 10.10.17).

Peru

Life annuities drop due to the withdrawal of 95.5% of the pension funds. The law allowing the withdrawal of up to 95.5% of pension funds in the AFPs on retirement, has affected the life annuities market, according to the SBS. From May 2016, when this rule came into effect, to August this year, 95% of members who completed their retirement processes chose to withdraw their money. A total of PER 7,982 million (US\$ 2,465 million) has been withdrawn by 123,648 members. Only 1% opted for a pension, and 4% chose a combination of a pension and fund withdrawals. This situation is worrisome, because it is unknown what the withdrawn funds were used for. People who do not adequately manage their savings run the risk of being left without any other source of income in their old age. (Sources: <http://rpp.pe>; Date: 18.10.17; <https://archivo.gestion.pe>; Date: 24.10.17).

The Social Protection Commission (CPS) delivered its Final Report. The Commission's reform proposal seeks to unify the public and private systems in a pillar-type structure: a first state-funded anti-poverty pillar, and a second mandatory contribution pillar. Although this proposal contains some positive aspects (such as closing down the PAYGO system which currently competes with the individually funded system, and eliminating the possibility of withdrawing 95.5% of the funds), in FIAP's opinion it introduces some extremely negative changes

for the development and stability of the pension system, fully defeating its purpose. The changes we consider negative, include: (i) the creation of a centralizing agency, involving the creation of a public or private monopoly solely entrusted with the collection and management of accounts, and the payment of benefits, among other functions. Among other issues, this monopolistic entity entails high political risk, even more so if it is a government agency, because it could use all collected funds for purposes other than pensions. (ii) Committee of Notables; it is a clear risk to the interests of members that pension fund investment portfolios are determined by a Committee of Notables elected by the Government (Ministry of Economy and Finance). There is a clear risk that this Committee would opt for investments pursuing interests other than those of members.

(iii) It complicates the investment mechanism and supposedly involves a reduction in commissions, although this is not entirely clear. (Source: <http://rpp.pe>; Date: 21.11.17; [FIAP](#)).

64% of new members opt for the individually funded system. New workers entering the labor market in Peru can choose to enroll in the individually funded system (AFPs) or the public PAYGO system (ONP). According to official figures, between January and July 2017, 64% of young people chose to enroll in one of the AFPs. It is worth mentioning that in order to qualify for a pension in the ONP, members must have at least 20 years of consecutive contributions, whereas, in order to receive a pension in an AFP, no minimum years of contribution are required. In fact, according to the Peruvian Institute of Economy (IPE), 2 of every 3 ONP contributors will not receive a pension, because they fail to meet the 20-years-of-contribution requirement. (Source: <https://gestion.pe>; Date: 19.10.17).

The public PAYGO system is unsustainable. Experts agree that the National Pension System (public PAYGO system) is unsustainable. According to their projections, subsidizing the system would require the equivalent to 2.5% of GDP by 2055, explained by the number of pensioners, which will far surpass the number of contributors. Until 2016, 33% of monthly pension payments were funded by the Government, via fiscal spending. They therefore propose closing the Fund and giving beneficiaries a closure bond, in order to place the next generations of contributors in an individually funded system. (Source: <https://peru21.pe>; Date: 17.10.17).

Congress will discuss the elimination of the 20-years-of-contribution requirement for accessing a pension. Congress has not ruled out submitting a motion for eliminating the minimum 20-year-contribution requirement for accessing a pension in the National Pension System (SNP), in order to revert the current

situation in which people who contribute for less than 20 years are not entitled to a pension. These individuals will receive a minimum pension instead. (Source: <https://gestion.pe>; Date: 24.10.17).

75% of young workers do not contribute to the pension system. The Lima Chamber of Commerce of (CCL) revealed that 75% of young workers up to 25 years of age do not contribute to the pension system, which is largely explained by the high rate of informality in the Peruvian labor market. Hence, the CCI warns that aside from the adjustments to the existing pension system, it is urgent to prioritize the sustained increase in the productivity of economic agents, for reducing informality in the labor market. (Source: <http://semanaeconomica.com>; Date: 17.10.17).

AFP Integra proposes a new performance-based commission system. AFP Integra submitted a proposal to the SBS for a new retribution system: the performance-based commission. This proposal consists of two different charges: a 0.7% Commission on the managed fund (which is currently 1.2% in this AFP) and 5% on the returns generated for the member by the fund manager, provided they are positive. Switching to this system would be voluntary, but irreversible. (Source: <https://elcomercio.pe>; Date: 18.10.17).

Uruguay

Regulator seeks to attract private insurers to the life annuities market. Last October, the Central Bank of Uruguay (BCU) introduced a series of changes to the way in which the life annuities paid by the mixed pension system are calculated. One of the main changes was the updating of the mortality tables, and the definition of their periodic adjustment schedule. The technical interest rate (currently 1.5%) on the other hand, will be determined by a yield curve of government issued debt securities, indexed to the Average Wage Index (IMSN), which will be adjusted every six months. These changes will come into effect as of 2018. The regulator expects the new regulations to attract new players to the market, and that this competition will positively affect pension amounts. Experts have pointed out that although the changes are going in the right direction, they will not be sufficient for "balancing the system" before 2019, which suggests that private insurers will not be entering the market anytime soon. It is worth mentioning that the only agency offering life annuities in the country to date is the State Insurance Bank, a government agency running at a loss. The main issue faced by insurers is the lack of long-term investment instruments indexed to the Average Wage Index (IMSN), whereby pensions are adjusted every year. So there is uncertainty regarding the ability to match the income generated by the investment of the

reserves with the obligations generated by the life annuities. (Source: www.elobservador.com.uy; Date: 19.10.17).

Europe

Ireland

An automatic enrollment system has been proposed. The Government has designed a road map for a pension reform, which would include automatic enrollment in private pension plans as of 2021. (Source: [Aon Hewitt, Global Retirement Update](#); Date: October 2017).

Spain

OECD questions the future of the pension system. Rapid population aging and the problems involved in finding a job and maintaining a long-term professional career, threaten the prospects of future Spanish pensioners, who will suffer growing inequality, making it difficult for women and low-skilled workers to access adequate pensions in future, the OECD warned. (Source: <http://www.elperiodicoextremadura.com>; Date: 19.10.17).

Pensions continue to increase the public deficit. The cut in pension amounts in real terms is not sufficient for balancing Social Security accounts, which will be almost half the 2018 public deficit, and 1.4% of GDP. The pension deficit will be equal to the entire public deficit by 2020. Given this scenario, it is clear that the structure of the existing PAYGO system will have to be modified to ensure its sustainability. Nonetheless, the Toledo Pact has not put forward any specific reform proposal to date. (Source: <http://www.bolsamania.com>; Date: 20.10.17).

IMF warns that the Government should provide Spaniards with better information regarding their future pensions, and encourage private savings. IMF experts have pointed out the importance of fully implementing the reforms agreed between 2011 and 2013 for relieving demographic pressures on contributory pensions, because if they are not implemented, expenditure on contributory pensions would double to 22% of GDP by 2050. The agency considers transparency and information for workers to be able to make optimal savings decisions to be essential for the success of current and future reforms. "A public pension cannot be expected to provide the entire income required by a retiree. If such expectations do exist, it must be clearly stated that they cannot be met," added the agency. Thus, the IMF experts are committed to measures that contribute to intra and inter-generational equity for boosting acceptance of the reforms of the pension system. The IMF also recommends measures that encourage longer working lives, restricting access to early

retirement, extending the reference period for calculating pension, linking the retirement age to changes in life expectancy, and reviewing the grounds for allowing the collection of multiple pensions. Finally, the agency was clear in pointing out that private saving represents a logical source for compensating the drop in retirement income due to the lower benefits of public pensions. (Source: www.libremercado.com; Date: 14.10.17).

PwC survey reveals that most experts are in favor of increasing the official retirement age. More than 350 experts, managers and entrepreneurs with whom PwC is drawing up its Economic Consensus, agreed that the Spanish demographic problem is a time bomb, which requires attracting immigrant labor (this is "very important" for 45.2% of participants) or creating new incentives for women entering the labor market (initiative backed by 52.9%). But aside from these two proposals, the initiative with the most support is to increase the official retirement age (backed by 65.4%). It is worth mentioning that recent reforms in Spain already increased the official retirement age from 65 to 67 (which will be fully effective in 2027). Another 38.5% of the experts consulted believe that the most active measure would be to reduce future pension benefits. (Source: <https://cincodias.elpais.com>; Date: 16.10.17).

The Netherlands

Government will submit its pension reform proposal to consultation. The Government agreed to submit its pension reform proposals to social partners early in 2018. The reform seeks to introducing new pension system with individual accounts, maintaining a certain degree of collective risk-sharing. The project also includes the option of lump-sum withdrawals on retirement. (Source: [Aon Hewitt, Global Retirement Update](#); Date: October 2017).

Ukraine

Government approves modifications to the public PAYGO system. The government has approved a series of changes for providing greater financial sustainability to the public PAYGO system. It is worth mentioning that the current deficit of the public PAYGO system is USD 5,250 million, and that the IMF conditioned a loan to the country on adjustments to its pension system. These changes include: (i) increasing the minimum contribution-payment period for accessing a partial pension from 15 to 25 years; (ii) the modification of the formula for calculating benefits, for existing and future retirees; (iii) the introduction of automatic pension indexing; (iv) increasing the minimum old age pension from USD 49 to USD 54. (Source: [Social Security International Update](#); Date: November 2017).

Asia and the Pacific

Thailand

The government sets the retirement age. The government decreed that the official retirement age will be 60 as of September 1, with workers entitled to receive labor compensation on retirement. There was no official retirement age previously. (Source: [Social Security International Update](#); Date: November 2017).