

Table 2.3

Contribution Rates to the Public PAYGO Pension Systems (December 2019) (\*) (\*\*)

Country	% taxable income			
	Worker	Employer	State	Total
<b>Latin America and the Caribbean</b>				
Bolivia (1) (2)	6,00 - 17,00	5,50 - 6,50	0,00 - 1,50	11,50 - 23,00
Chile (1)	19,39 (3)	-	-	19,39
Colombia (4)(5)	4,00	12,00	-	16,00
Costa Rica (7) (8)	3,34 - 13,0	5,08 - 14,36	0,41 - 1,24	9,66 - 21,00
Curacao	6,00	9,00	-	15,00
El Salvador (1)	7,50	7,50	-	15,00
Honduras	1,00	2,00	0,50	3,50
Mexico (1) (8)	2,125	5,950	0,425	8,50
Peru (5)	13,00	-	-	13,00
Dominican Republic (1)	2,87	7,10	-	9,97
Uruguay (7)	15,00	7,50	-	22,50
<b>Europe and Asia</b>				
Spain	4,70	23,60	-	28,30
Kazakhstan (1) (9)	-	25,50	-	25,50
Ukraine	-	22,00	-	22,00

Source: FIAP.

See notes (1) to (9) in the Appendix.

(\*) Shows information relating to contribution rates:

a. The countries in which the PAYGO system was closed down at the time of the reform, which incorporated the individually funded system, are: Bolivia, Chile, El Salvador, Kazakhstan, Mexico and the Dominican Republic. The reported contribution rates are those that were in force in the former distribution systems prior to the implementation of the reform.

b. The countries in which the PAYGO system is part of the new reformed system are: Colombia, Costa Rica, Peru and Uruguay. In these cases, the contribution rate to the public program is shown, but within the context of the new system (not the former pure PAYGO system). For Costa Rica, however, the contribution rates of the former PAYGO systems existing at the time of the reform are shown (in the new reformed system there is a rate of contribution to the public program which is complemented with an additional contribution rate to the individually-funded system, as shown in Table 2.1).

c. The countries in which reforms were introduced based on the individual funding of savings and in which the pure PAYGO system is still in force are: Curacao, Honduras, Spain and Ukraine. The reported contribution rates are those that are currently in force in the PAYGO systems of those countries.

(\*\*) Only the contribution rates for covering the old-age, disability and death risks of the public PAYGO systems are included in all cases. The financing of other risks is not included.

**Table 2.3**

<p><b>(1) Bolivia / Chile / El Salvador / Kazakhstan/ Mexico/ Dominican Republic:</b> These public pension programs do not receive new members and will tend to disappear as benefits are provided to existing members.</p>
<p><b>(2) Bolivia:</b> These are the ranges of the contribution rates to the former PAYGO system in force in 1996, depending on the type of complementary fund the worker was enrolled in. The PAYGO system covered long-term social security, including retirement, professional risk, disability and death. Prior to the 1997 reform (which introduced the individual accounts system), the PAYGO system consisted of a publicly managed fund (FOPEBA Basic Pension Funds), covering 43 per cent of the pensions of retirees, and a system of complementary funds (FONCOMs) privately managed by institutions organized and managed by the workers themselves, in the different branches of activity in which they are involved. The FONCOMs covered the additional 57 per cent of the pensions received by the beneficiaries, and comprised 34 different plans at the time of the 1997 reform (24 complementary funds for different occupational groups, such as miners, oil workers, railway workers, etc.); 8 pension schemes for university employees covering short and long-term social security benefits; and 2 insurance systems for retirement and health for bank employees and the police.</p>
<p><b>(3) Chile:</b> This is the average weighted contribution rate for the number of contributors in the 18 Social Security funds of the former Chilean pension system. There were a total of 18 different rates in the former system, depending on the program the worker was enrolled in. These rates range from a minimum of 8.52% to a maximum of 24.84%. The two programs concentrating the majority of contributors have rates of 18.84% and 18.62%.</p>
<p><b>(4) Colombia:</b> Pension contributions in the individually funded system are 16% of salaries. The employer is responsible for financing 75% and the worker the remaining 25%.</p>
<p><b>(5) Colombia / Peru:</b> The individually funded system competes with the PAYGO system.</p>
<p><b>(6) Costa Rica / Uruguay:</b> The individually funded system complements the PAYGO system.</p>
<p><b>(7) Costa Rica:</b> This is the contribution rate in the three public PAYGO defined benefit systems that were enforced prior to the year 2000 (when the Workers' Protection Law was promulgated, creating the mandatory individually funded second pillar). The three systems were the following: (i) the Disability, Old age, and Death Regime, which was financed by a tripartite contribution of 9.66% (3.34% worker; 5.08% employer; and 1.24% State); (ii) the Regime of the Judiciary, which was financed by a tripartite contribution of: 28.6% (13% the worker, 14.36% the State as employer; and 1.24% the State); and (iii) the National Teachers Regime, which was financed by a tripartite contribution of 15.16% (8% the worker; 6.75% the employer; and 0.41% the State).</p>
<p><b>(8) Mexico:</b> These are the contribution rates that were in force between 1973 and 1992 for the Disability, Old age, Unemployment at an Advanced Age, and Death Account (IVCM), a system designed to function as a partially funded defined benefits system. The Retirement Savings System (SAR) was introduced in 1992, initially functioning as a complement to the IVCM account (the employer had to contribute 2 additional percentage points to an individual account of the worker, which was invested in a bank in the financial system and delivered in a single package on reaching the retirement age). At the time of the pension reform that introduce the individually funded system in 1997, all members of the former system had to mandatorily switch to the new system. In the case of the transition generation that had chosen the benefit according to the rules of the former system, the Federal Government will absorb the resources accumulated in the individual account and will be fully responsible for the payment of the pension.</p>
<p><b>(9) Kazakhstan:</b> This is the contribution rate to the format PAYGO system in force in 1997, one year prior to the beginning of the gradual implementation of the pension reform that introduced a mandatory individually-funded system. At the time of this reform, all members of the former system had to mandatorily switch to the new system. The pensions granted under the former system are granted in proportion to length of service and the rights acquired under the former system until December 1997. Starting in January 1998, the contribution rate destined to the individually funded system is 10% of the worker's salary (fully financed by the worker) and the rest in the form of a tax (15.5%; financed by the employer) destined to the financing of pensions granted under the forma PAYGO system, the disability and survival pensions and other Social Security benefits (the rate destined to financing these benefits has been reduced in time since the demands on the system have decreased as the payment of pensions under the former system extinguishes; the State is still paying pensions to retirees under the forma PAYGO system, and according to actuarial calculations, these payments are expected to be minimal by the year 2060).</p>