



**COMPARED REGULATIONS SERIES**

# **Contribution Rates and Maximum Taxable Income in the Countries with Individually Funded Systems<sup>1</sup>**

**Santiago, October 2010**

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<sup>1</sup> Drawn up by PrimAmérica Consultores for the International Federation of Pension Fund Administrators (FIAP).

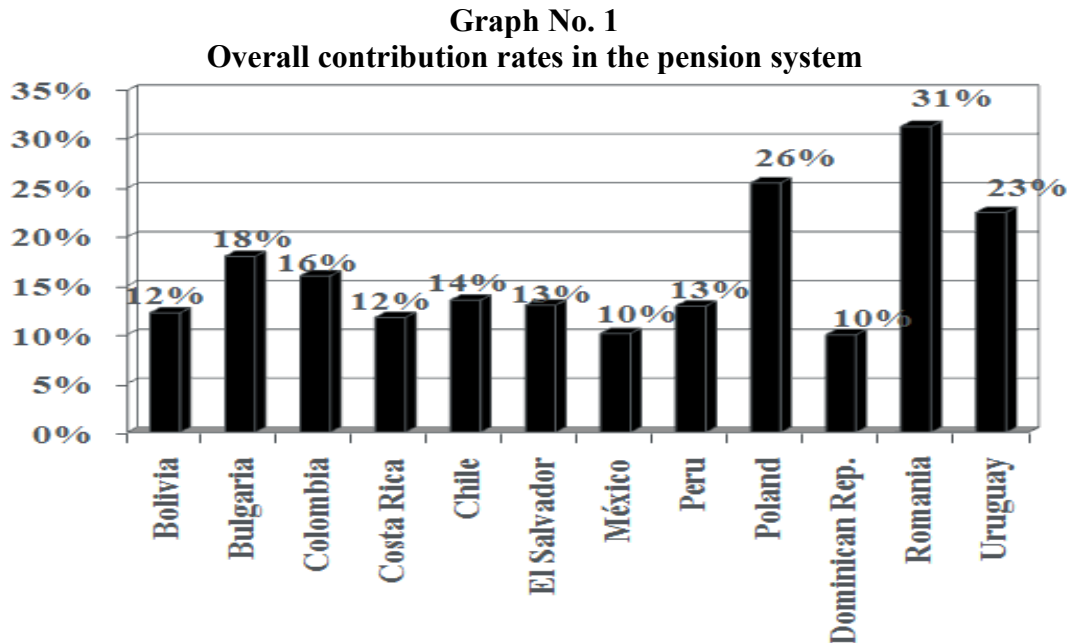
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## Executive Summary

The purpose of this study is to present and compare the contribution rates and the maximum taxable incomes in force as of December, 2009, in the individually funded pension systems of twelve FIAP member countries. The report is an update of the study published in March, 2007.

At the end of 2009, significant differences were observed in the overall contribution rates established for the different countries studied (see Graph No. 1). These fluctuated between a minimum of approximately 10.0% of income in the Dominican Republic and Mexico and maximums of 25.5% in Poland and 31.3% in the Romania. Most of the countries (seven out of ten) have contribution rates ranging from 10.0% to 13.5%, including the cost of the disability and survival insurance.



Source: In house, based on information submitted by the Associations of Pension Fund Administrators, revision of the rules and regulations and gathering of information from the web sites of the supervising agencies and the Pension Fund Administrators in each country.

There are several reasons for the differences in the contribution rates between countries. An initially important factor is the design and organization of the systems. The majority of countries with private individually funded contributory pillars complementing public systems, such as Poland, Uruguay, Bulgaria and Romania, have overall contribution rates higher than the systems in countries that only have private individually funded contributory pillars (Bolivia, Chile, El Salvador and the Dominican Republic) or those in which they compete with the public system (Colombia and Peru). The exceptions are Costa Rica and Mexico, which have complementary systems, but their contribution rates are relatively low.

Complementarity between the private and public programs also explains the relatively low levels of contribution rates to the individually funded pillars in mixed systems, in which the public regime receives most of the contributions (except in Mexico). The average contribution rate to funded programs in the mixed systems is 7.3 percentage points less than the average contribution rate to funded programs in countries that only have funded systems or where such systems compete with the public system<sup>2</sup>.

Secondly, the differences between countries can be explained by the regulations of each pension system which pursue different objectives in terms of the level of benefits that the pension programs are expected to finance. These differences in objectives could explain the low contribution rates in Costa Rica, Mexico and the Dominican Republic, for example.

Furthermore, there could also be differences arising from the different administration commission structures. There are countries like Bolivia, Costa Rica and Mexico where the fund managers obtain part or all of their income from commissions or charges that are discounted from balances and not from salaries.

Finally, the differences between countries can be explained by the different degrees of coverage, financial structure and accident rates of the disability and survival insurance, the financing of minimum or solidarity pensions and the expenses of the supervising agencies.

The percentage of income destined to financing the disability and survival insurance ranges from 0.96% in Peru to 6.0% in Poland. Nonetheless, even after discounting the contributions destined to this insurance, there are still considerable differences between countries. In fact, the net contribution rates to the funded programs range from 2.0% in Romania to 14.06% in Uruguay.

In Colombia and the Dominican Republic, the total contribution rate to the pension system includes a part that finances minimum and solidarity pension benefits, and in the case of the Dominican Republic, a percentage is also destined to covering the expenses of the system's supervising agency.

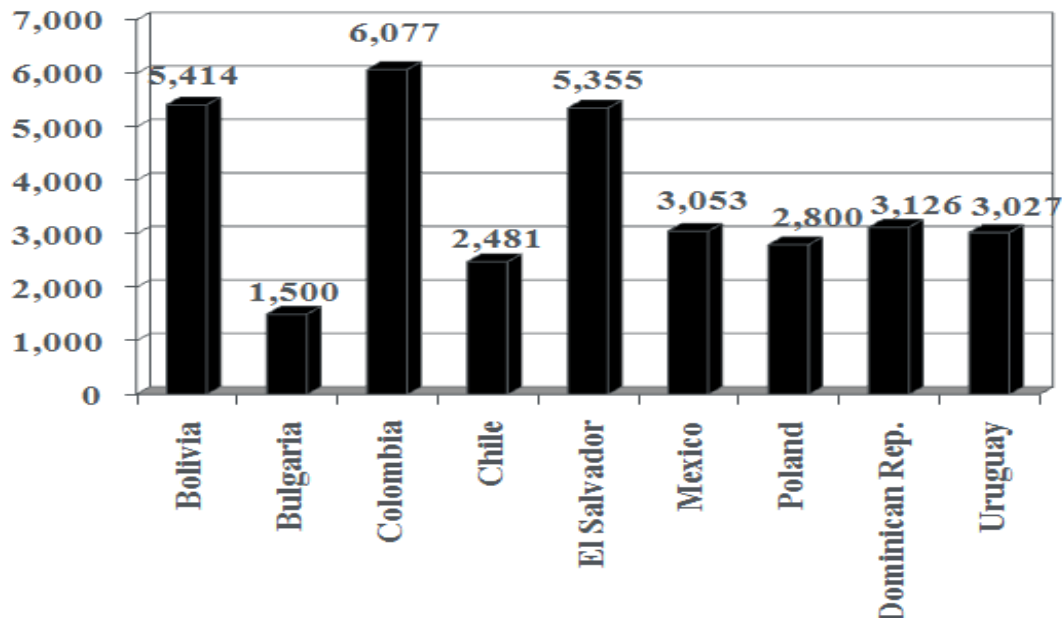
Moreover, there are significant variations in the maximum taxable incomes (see Graph No. 2) for paying pension contributions in the different countries. The maximum taxable income ceilings range from US\$ 1,500 per month in Bulgaria to US\$ 5,414 in Bolivia and US\$ 6,077 in Colombia. There is no taxable income ceiling in three countries (Costa Rica, Peru and Romania). These variations can be attributed to different factors, such as differences in the enforcement of mandatory pension contribution in different countries as well as differences in their respective salary levels.

The study concludes that, in general, workers finance most of the contribution amount, 53% of the total, although employers also make a significant contribution of 46% of that amount, on average. State participation in financing the contributory pension systems in the countries studied is marginal at 1% of contributions.

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<sup>2</sup> The calculation for Uruguay was excluded because in that country the contribution rate to the funded program can vary significantly depending on the option the worker chooses.

**Graph No. 2**  
**Maximum Taxable Incomes (US \$)**



Source: In house, based on information submitted by the Associations of Pension Fund Administrators, revision of the rules and regulations and gathering of information from the web sites of the supervising agencies and the Pension Fund Administrators in each country.

However, the percentages of total contributions financed by the workers vary considerably across countries, ranging from 17% in Mexico to 100% in Bolivia and Peru. Employers, on the other hand, finance from 0% in the two latter countries up to 75% in Colombia.

Most of the contributions to funded programs are destined to the individual accounts which finance the old age, disability and survival benefits. Expressed as a percentage of income, such contributions range from 2% in Romania to 12.06% in Uruguay, with the average being 8.10%.

Additionally, in the majority of countries, the contribution rates to the pension programs include commissions paid to the pension fund managers, which are expressed as a percentage of income<sup>3</sup>.

The rest of the contributions are destined to financing the disability and survival insurance.

<sup>3</sup> In three countries, however, this is not the case. Costa Rica has commissions that are a percentage of contributions, managed balances and yields. Mexico only has commissions as a percentage of salaries. In Romania, an upfront fee is charged and discounted from the monthly contributions; there is also a commission as a percentage of the balance (net assets).

## **I. Introduction**

The study presents and compares the contribution rates and taxable ceilings in force as of December, 2009, in the new individually funded pension systems that have been put in place in twelve countries in Latin America and Europe. The same information is provided for the public pension systems that complement and compete with the individually funded system.

The study also shows how the financing of the contributions is split between the worker, the employer and, when pertinent, the State, as well as the destination of such contributions; in other words, the percentages of the contributions that are deposited in the individually funded accounts, that pay the commissions charged by the pension fund managers and that finance the disability and survival insurance premiums.

The study is of a descriptive nature. The information submitted directly to FIAP by the Trade Associations of the different countries included in the study was processed and analyzed; the Web pages of the agencies that supervise the pension systems were visited and when necessary, the text of the regulations governing such systems was examined.

The contribution rates presented for each country in this study are simple averages.

The authors are grateful for the support provided by the Trade Associations through the information and the subsequent comments submitted.

## **II. Results**

The results of the study are presented in Charts Nos. 1 to 4. The Appendix includes some sources of information extracted from the Web and used as complements for the information submitted by the Associations and the revision of the rules and regulations.

Chart No. 1 shows the contributions rates in force as of December, 2009, in the pension systems of the different countries considered in the study. The contributions paid into the individually funded pillar have been differentiated from those transferred to the public system, when pertinent. The contributions destined to the individually funded account, the payment of the pension fund managers' commissions and the financing of the disability and survival insurance, are shown in the individually funded program.

There are three different types of pension system organization in the countries analyzed:

- ***Pension systems with private or public and complementary or mixed contributory components.***

Bulgaria, Costa Rica, Mexico, Poland, Romania and Uruguay.

Contributions to the pension system are distributed between both systems in the countries where complementary pillars exist.

- ***Pension systems that only have one private, individually funded, contributory component.***

Bolivia, Chile, El Salvador and the Dominican Republic.

- ***Pension systems with a private, individually funded, contributory program which competes with a public program***

Colombia and Peru.

Information on maximum taxable incomes for paying pension contributions is also included in Chart No. 1.

Chart No. 2 breaks down the contribution rates presented in Chart No. 1 into workers', employers' and State contributions, where pertinent. Chart No. 3 breaks down the contribution rates destined to the individually funded program into the proportion paid into the individual account, the commission paid to the fund managers and the part that finances the disability and survival insurance. Finally, Chart No. 4 shows the contribution rates to the public programs.

Below we comment on the statistics presented in the different charts.

**a) Overall contribution rates to the pension systems.**

The overall contribution rates paid into the pension systems (private and public components, if pertinent) as a percentage of salaries or taxable incomes, range from a minimum of 10% in the Dominican Republic and Mexico to maximums of 25.5% in Poland and 31.3% in Romania, including the disability and survival insurance coverage (Chart No. 1).

Most countries (seven out of twelve) have contribution rates that fall within a range of 10% to 13.5%. Only five countries fall outside this range, namely Colombia (16%), Bulgaria (18%), Uruguay (22.5%), Poland (25.5%) and Romania (31.3%). Almost all these countries with relatively high contribution rates have mixed or complementary pension systems that include private and public contributory components (Bulgaria, Uruguay, Poland and Romania). The exception is Colombia.

On the other hand, the countries that only have one individually funded program, or where this program competes with the public program, generally have lower contribution percentages (Bolivia, Chile, El Salvador, Mexico, the Dominican Republic and Peru).

**b) Contribution rates destined to the funded programs**

The contribution rates paid into the funded programs, including the percentage destined to the disability and survival insurance, range from minimum values of 2.00% and 4.25% in Romania and Costa Rica, respectively, and a maximum of 15% in Uruguay.

The five countries with the lowest percentages of contributions to this type of programs (Romania, Costa Rica, Bulgaria, Poland and Mexico) have mixed systems in which the public system receives the greater part of the contributions (except for Mexico).

The minimum contribution percentage in systems that only have one funded component, or in which this program competes with the public program, is 9.5%, corresponding to the Dominican Republic. The maximum is 14.5% in Colombia.

**c) Tax ceilings**

Most of the countries have established maximum taxable incomes for pension contribution purposes. These ceilings vary from US\$ 1,500 per month in Bulgaria to US\$ 5,414 in Bolivia and US\$ 6,077 in Colombia. The fact that Bolivia is among the countries with the highest tax ceilings of all the pension systems studied calls one's attention, since it is one of the countries in which contributors earn the lowest average incomes<sup>4</sup>.

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<sup>4</sup> According to AIOS information as of June, 2009, the average monthly salary in the Bolivian pension system was US \$ 465, the lowest among nine Latin American countries (after the Dominican Republic and Colombia).



**Chart No. 1**  
**Contribution rates – New Pension Systems**  
**(to December 2009)**

Country	Type of System	Contribution Rate New System (1)										Tax Ceiling (US\$) (*)
		Total (% Taxable Income))	Individually Funded Program			Public program			Other Concepts			
			% contribution in individual account and commissio ns	Disability and Survival Insurance	Total Individual Funding	% Contri bution	Disability and Survival Insurance	Total Public Program		%		
<b>Latin America</b>												
Bolivia	AFP	12.21%	10.50%	1.71%	12.21%	-	-	-	-	-	-	US\$ 5,414
Colombia (2)	AFP	16.00%	13.08%	1.42%	14.50%	-	-	-	1.50% (3)	-	-	US\$ 6,077 (4)
Costa Rica (2)	AFP + Public Syst.	11.75%	4.25%	-	4.25%	7.50%	(5)	7.50%	-	-	-	No Ceiling
Chile (2)	AFP	13.51%	11.64%	1.87%	13.51%	-	-	-	-	-	-	US\$ 2,481
El Salvador (2)	AFP	13.00%	11.80%	1.20%	13.00%	-	-	-	-	-	-	US\$ 5,355
Mexico (2)(6)	AFP + Public Syst.	10.10%	7.60%	-	7.60%	-	2.50% (7)	2.50%	-	-	-	US\$ 3,053
Peru (2)	AFP	12.91%	11.95%	0.96% (8)	12.91%	-	-	-	-	-	-	No Ceiling (9)
Dominican Rep. (2)	AFP	9.97%	8.50%	1.00%	9.50%	-	-	-	0.47% (10)	-	-	US\$ 3,126 (11)
Uruguay (2)(12)	AFP + Public Syst.	22.50% (13)	14.01%	0.994%	15.00%	7.50%	(14)	7.50%	-	-	-	US\$ 3,027
<b>Europe</b>												
Bulgaria (2)	AFP + Public Syst.	18.00%	5.00% (15)	-	13.00%	(16)	13.00%	-	US\$ 1,500	-	-	13.00%
Poland (2)	AFP + Public Syst.	25.52%	7.30%	-	12.22%	6.00% (17)	18.22%	-	US\$ 2,800	-	-	12.22%
Romania (2)	AFP + Public Syst.	31.3%	2.00%	-	2.00% (18)	(19)	(19)	29.3%	-	-	-	No Ceiling

(\*) Data and exchange rates used as of December 2009:

- **Bolivia:** 1 BOB = 0.1425 USD
- **Chile:** 1 CLP = 0.0016 USD
- **El Salvador:** 1 SVS = 0.1143 USD
- **México:** 1 MXN = 0.0763 USD
- **Uruguay:** 1 UYU = 0.0510 USD
- **Bulgaria:** 1 LEV = 0.75 USD

→ **Poland:** 1 PLN = 0..3472 USD

- (1) Simple averages; in addition to the contributory programs, some countries also have non-contributory pension programs.
- (2) The former pension systems continue operating in these countries but new workers entering the labor market can join them in only some countries. The contribution rates to the public pension systems are shown in Chart No. 4.
- (3) This percentage is destined to the Minimum Pension Guarantee Fund of the private individually funded system (RAIS). Furthermore, if a member receives a monthly income equal to or greater than four legal, valid minimum monthly wages, he must contribute an additional 1% at least of his contribution base salary, which is destined to the Solidarity Pension Fund. The current percentages are the following:

>=4 and <16	1%
>=16 and <17	1.2%
>=17 and <18	1.4%
>=18 and <19	1.6%
>=19 and <20	1.8%
>=20	2%

- (4) The rules and regulations set a tax ceiling of 25 minimum wages. The figure shown in the chart is the dollar equivalent as of December, 2009.
- (5) The public program is responsible for the disability and survival insurance coverage. Part of the contribution destined to this program is used for such coverage. Nonetheless, the country's rules and regulations do not specify how the contributions are split among the different benefits granted by the public program. This is why there is no information on the percentage of the income that is destined to paying the disability and survival insurance.
- (6) The Social Quota is a benefit granted by the Federal Government, amounting to 5.5% of the general minimum wage valid for the Federal District (SMGVDF), for each day of work and is adjusted for inflation on a quarterly basis. The rate of 6.5% is jointly contributed by the worker (1.125%), the employer (5.15%) and the state (0.225%).
- (7) The disability and survival insurance is managed by the Mexican Social Security Institute (IMSS).
- (8) Calculated assuming an income equal to or less than the taxable ceiling applied to the disability and survival insurance premium. For higher incomes, the total percentage of discounts diminishes due to the existence of the taxable ceiling for insurance purposes.
- (9) There is a taxable ceiling only for the purpose of paying the disability and survival insurance premium (US \$ 2,530).
- (10) Of this percentage, 0.4% is destined to the Social Solidarity Fund and 0.07% to financing the operation of the Superintendency of Pensions.
- (11) The rules and regulations set a taxable income of 20 minimum wages. The figure shown in the chart is the dollar equivalent as of December, 2009. For contribution, tax exemption and sanction purposes, the national minimum wage is equal to the simple average of the legal minimum wages of the private sector established by the National Salary Committee of the Ministry of Labor. Information provided by República AFAP.
- (12) The employer's contribution is only applicable to the public program. The destination of the worker's contribution depends on the wage bracket he falls into and the chosen option. In practice, there are different categories of taxable income for determining the contributions destined to each program; they are given below:
- **First level:** Includes taxable incomes up to US \$ 1,009 per month. At this level, contributions must be paid in to the public PAYGO system. However, members can opt between contributing 50% of their personal contributions to the individually funded system and the other 50% to the public PAYGO system.
- **Second level:** Includes workers in the US \$ 1,009 to US \$ 3,027 per month taxable income bracket. In this case, workers contribute 15% of their taxable income up to US\$ 1,900 to the PAYGO system and 15% of amounts between US\$ 1,900 and US\$ 3,027 per month to the individually funded system. They can choose between contributing 50% of their 15% contribution on incomes up to US\$ 1,900 to the individually funded system and 100% of the balance to the PAYGO system.
- **Third level:** Includes workers who are in the taxable income bracket in excess of US\$ 3,027 per month. In this case, contributions on amounts up to US\$ 1,009 must be destined to the PAYGO system and contributions on the remaining income are destined to the individually funded system.
- (14) The disability and death benefit is received from both programs. Hence, part of the contribution to the public program is destined to paying the disability and survival insurance. There is no information available on the percentage of the contribution to the public program that is destined to paying the disability and survival insurance.
- (15) Only those born after December 31, 1959 participate in the new pension system; those born before that date remain in the former public system.
- (16) The public pensions program is responsible for paying the old age and disability pensions. Hence, part of the contribution is destined to paying the disability and survival insurance, but there is no information available on the percentage destined to paying this insurance.
- (17) The public program is responsible for managing the disability and survival insurance.
- (18) Will increase to 6% in 2017.

(19) The public program manages the disability and survival insurance. The total contribution rate to this program (29.3%) includes the coverage of these contingencies, but there is no separate contribution percentage destined to this insurance. Furthermore, there is a public fund (which is not part of the social security system) for financing disability pensions, which receives contributions from employers (but not from workers), which range from 0.15% to 0.85% of the worker's salary.

Source: In house, based on information submitted by the Pension Fund Administrators Associations, review of the rules and regulations and gathering of information on the web sites of the supervising agencies in each country and the Pension Fund Administrators.

Only three countries do not have maximum taxable incomes, namely Costa Rica, Peru and Romania. Nonetheless, in Peru there is a tax ceiling for paying the disability and survival insurance premium (US \$ 2,530).

***d) Financing of the disability and survival insurance***

Information on the percentage of the salary destined to financing the insurance is not available in all countries. Among those that do have available information, Poland has the highest rate at 6%, followed by Mexico with 2.5% of salaries.

In the remaining countries, the percentage of the salary destined to insurance ranges from 0.96% en Peru to 1.87% en Chile<sup>5</sup>.

***e) “Net” contribution rates paid in the funded systems***

The net contribution rates paid in the funded programs, i.e. discounting the percentage destined to financing the disability and survival insurance, range from 2.00% in Romania to 14.06% in Uruguay.

***f) Who finances contribution payments?***

Chart No. 2 shows the distribution of the contribution rates between workers, employers and the State, where pertinent, in the new pension systems.

It can be seen that, on average, workers finance the largest proportion of the contributions, with 53% of the total, although employers also make a significant contribution with 46%, on average

State participation in financing the contributory pension systems is marginal, with 1% of contributions. In fact, the State only contributes to these systems in two countries, namely Costa Rica and Mexico. In Costa Rica it contributes 2% of overall contributions and in Mexico 14%<sup>6</sup>.

The percentage of contributions financed by the workers varies significantly across countries, from 17% in Mexico to up to 100% in Bolivia and Peru. On the other hand, employers finance between 0% in the latter countries and 75% in Colombia.

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<sup>5</sup> A new bidding process for the disability and survival insurance was held in 2010, reducing the rate to 1.49% of income.

<sup>6</sup> For this calculation, a worker with a salary equivalent to five minimum wages was assumed.

**Chart No. 2**  
**Structure of Contribution Rates – Pension Systems**  
**(as of December 2009)**

Country	Individually Funded Program (1)			Public Program			Other Concepts			Total Pension System			
	Worker	Employer	State	Worker	Employer	State	Worker	Employer	Total				
	Total			Total			Total Worker	Total Employer	Total State				
<b>Latin America</b>													
Bolivia	12.21%	-	-	-	-	-	-	-	-	12.21%	-	-	12.21%
Colombia	3.63%	10.88%	-	-	-	-	0.38%	1.13%	1.50% (2)	4.00%	12.00%	-	16.00%
Costa Rica	1.00%	3.25%	-	4.25%	4.75%	0.25%	7.50% (3)	-	-	3.50%	8.00%	0.25%	11.75%
Chile	11.64%	1.87% (4)	-	13.51%	-	-	-	-	-	11.64%	1.87%	-	13.51%
El Salvador	6.25%	6.75%	-	13.00%	-	-	-	-	-	6.25%	6.75%	-	13.00%
Mexico	1.125%	5.15%	1.325% (5)	7.60%	1.750%	0.125%	2.50%	-	-	1.750%	6.90%	1.450%	10.10%
Peru	12.91%	-	-	12.91%	-	-	-	-	-	12.91%	-	-	12.91%
Dominican Rep.	2.87%	6.63%	-	9.50%	-	-	-	0.47%	0.47% (6)	2.87%	7.10%	-	9.97%
Uruguay	15.00%	-	-	15.00%	7.50%	-	7.50%	-	-	15.00%	7.50%	-	22.50%
<b>Europe</b>													
Bulgaria	2.20%	2.80%	-	5.00%	7.20%	-	13.00%	-	-	8.00%	10.00%	-	18.00%
Poland	7.30%	-	-	7.30%	5.46%	-	18.22%	-	-	12.76%	12.76%	-	25.52%
Romania	2.00%	-	-	2.00%	8.50%	-	29.30%	-	-	10.50%	20.80%	-	31.30%

(1) When pertinent, the percentages accumulated in the individual accounts, the percentages paid in commissions to the Pension Fund managers and the cost of the disability and survival insurance are added.  
(2) This percentage is destined to the Minimum Pension Guarantee Fund. Furthermore, if the member perceives a monthly income equal to or higher than four valid, legal minimum wages per month, he must contribute at least 1% of his minimum contribution base salary to the Solidarity Pension Fund. The current percentages are as follows

>=4 and <16	1%
>=16 and <17	1.2%
>=17 and <18	1.4%
>=18 and <19	1.6%
>=19 and <20	1.8%
>=20	2%

- (3) The contribution includes the disability and survival insurance.  
(4) Even though the employers of male and female workers pay 1.87% of the taxable income, the cost of the insurance for men is 1.87% and 1.67% for women. The difference between these values is deposited in the individual account of the female contributor. Between July 2009 and June 2011, only companies with more than 100 workers must assume the cost of the disability and survival insurance. As of June 2011, all employers must finance the cost of the disability and survival insurance (transitory rule of the last pension reform).  
(5) The Social Quota is a benefit contributed by the Federal Government; it amounts to 5.5% of the general minimum wage in force for the Federal District (SMGVDF) for each day worked and is adjusted to inflation on a quarterly basis.  
(6) 0.4% of this percentage is destined to the Social Solidarity Fund and 0.07% to financing the operation of the Superintendency of Pensions.

Source: In house, based on information submitted by the Pension Fund Administrators Associations., reviewal of the rules and regulations and gathering of information on the web sites of the supervising agencies in each country and the Pension Fund Administrators.

The contribution rate for workers as a percentage of salary, including, when pertinent, the disability and survival insurance, ranges from a minimum of 1.755% in Mexico to a maximum of 15.0% in Uruguay. On the other hand, in those countries where employers contribute to the pension system, their contribution rate varies from 1.87% of income in Chile to 20.8% in Romania (as we saw previously, they do not contribute in Bolivia and Peru).

In some countries, the financing of certain specific benefits is assigned to workers and employers. For example, In Chile the contributions paid into the individually funded account (10%) and the commissions paid to the fund managers (1.64%) are financed by the workers, whereas the cost of the disability and survival insurance is financed by the employers<sup>7</sup>. In the case of Uruguay, Poland and Romania, the employers' contributions are fully destined to the public pension program.

#### ***g) Destination of the contribution rates in the individually funded programs***

The major part of the contributions to the individually funded programs is destined to the individual accounts, in other words, for financing the old age, disability and survival benefits. These contributions range from 2.0% in Romania to 12.06% in Uruguay, with an average of 8.10% (See Chart No. 3).

Furthermore, in the majority of countries there are contributions destined to paying the commissions charged by the pension funds as a percentage of income. The commissions range from 0.25 in Bulgaria to 1.95% in Peru and Uruguay. Only three countries, namely Costa Rica, Mexico and Romania, do not have commissions defined as a percentage of income. Nonetheless, they do have other types of commissions. The Costa Rican fund managers charge commissions as a percentage of contributions, managed balances and yields. In Mexico, they only charge a commission as a percentage of the balances. In Romania they charge an upfront fee which is discounted from the monthly contributions; there is also a commission as a percentage of the balance (net assets). There are other countries that charge commissions as a percentage of the managed balances and/ or the yields obtained, but that information is not presented or analyzed in this study.

The rest of the contributions are destined to financing the disability and survival insurance, which is analyzed in section "d".

#### ***h) Contribution rates to the public systems***

Finally, Chart No. 4 shows the contribution rates paid into the public pension systems. These are still operative, either because they complement or compete with the funded programs, or because they provide coverage to a group of members who were not

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<sup>7</sup> There was a change in the legislation with the 2008 pension reform. As of 2009, companies with more than 100 workers and public companies had to assume responsibility for the disability and survival insurance. From mid 2011 onwards, all employers, regardless of their size, must pay the contributions for financing the insurance.

obligated to change to the new system or who did not choose it; but in these latter systems the public systems do not receive more new workers entering the labor market (Chile, El Salvador and the Dominican Republic).

**Chart No. 3**  
**Composition of Contribution Rates – Pension System**  
**(As of December, 2009; percentage of income)**

Country	Individually Funded Program				Total
	Individually Funded Account	Administration Commission	Subtotal	Disability and Survival Insurance	
<b>Latin America</b>					
Bolivia	10.00%	0.50%	10.50%	1.71%	<b>12.21%</b>
Colombia (1)	11.50%	1.58%	13.08%	1.42%	<b>14.50%</b>
Costa Rica	4.25%	(2)	4.25%	(3)	<b>4.25%</b>
Chile (4)	10.00%	1.64%	11.64%	1.87%	<b>13.51%</b>
El Salvador	10.30%	1.50%	11.80%	1.20%	<b>13.00%</b>
Mexico	7.60%	(5)	7.60%	(6)	<b>7.60%</b>
Peru	10.00%	1.95%	11.95%	0.96% (7)	<b>12.91%</b>
Dominican Rep.	8.00%	0.50%	8.50%	1.00%	<b>9.50%</b>
Uruguay (8)	12.056%	1.95%	14.006%	0.994%	<b>15.00%</b>
<b>Europe</b>					
Bulgaria	4.75%	0.25%	5.00%	(9)	<b>5.00%</b>
Poland	6.86%	0.44%	7.30%	(10)	<b>7.30%</b>
Romania	2.00%	(11)	2.00%	(12)	<b>2.00%</b>

- (1) The percentage destined to the Minimum Pension Guarantee Fund of the individually\_funded private system (RAIS) is not included, nor are the additional contributions to the Pension Solidarity Fund.
- (2) 3.59% of contributions are discounted as commission (up to a maximum of 4%) There are also commissions based on a percentage of the balance.
- (3) The disability and survival benefits are covered by the public program.
- (4) The 1.87% commission for the Disability and Survival Insurance (SIS) is applicable to self-employed workers, volunteers and dependent workers of companies with less than 100 workers; in the case of dependent workers of companies with more than 100 workers, the employer bears the cost of the SIS. This is because the changes to the SIS that affected the accrued income came into effect as of July 1, 2009 and therefore affected the contributions paid in August, 2009. First of all, in companies with less than 100 workers, members will still finance the SIS. Secondly, companies with 100 or more contributing workers and state agencies must finance the SIS contribution of all workers, except those of young people who are receiving pension subsidies. (As of July, 2011, this measure will be extensive to all companies). The cost of the SIS was set at 1.87% of the gross income of workers for all the AFPs in the first bidding (July, 2009). The second bidding took place in May, 2010 setting the cost of the SIS at 1.49% of gross salary as of July, 2010.
- (5) As of March, 2008, the Afores only charge commissions on managed balances, so 100% of contributions are paid in to the individual account.
- (6) The disability and survival insurance premium is financed with contributions by the worker (0.625%), the employer (1.75%) and the State (0.125%), but is managed by the Mexican Social Security Institute (IMSS).
- (7) This percentage assumes an income equal to or less than the tax ceiling for the payment of the insurance premium
- (8) Information submitted by Republica AFAP.
- (9) The disability and survival benefits are covered by the public program.
- (10) The public program manages the disability and survival insurance. 3% of the 6% contribution rate is paid by the worker and 3% by the employer.
- (11) There is an upfront fee which is discounted form the monthly contributions. The average fee as of December, 2009, was 2.5% (2.5% is the maximum, which means that all the AFPs were charging the maximum percentage). There is also an annual commission that is a percentage of the balance (net assets) of 0.6% (the maximum legal amount).
- (12) The public program manages the disability and survival insurance.

Source: In house, based on information submitted by the Pension Fund Administrators Associations, reviewal of the rules and regulations and gathering of information on the web sites of the supervising agencies in each country and the Pension Fund Administrators.



**Chart No. 4**  
**Contribution Rates – Public Pension Systems**  
**(As of December, 2009)**

Country	Former System			Total % Income	Taxable Ceiling (US\$)
	% Taxable Income				
	Worker	Worker	Worker		
<b>Latin America</b>					
Colombia (1)(7)	4.00%	12.00%	-	16.00%	US \$ 6,077 (2)
Costa Rica (8)	2.50%	4.75%	0.25%	7.50%	No Ceiling
Chile	18.60% (3)	-	-	18.60%	US \$ 2,481
El Salvador	7.00%	7.00%	-	14.00%	US \$ 5,355
Peru (7)	13.00%	-	-	13.00%	US \$ 2,530 (4)
Dominican Rep. (5)	2.58%	6.42%	-	9.00%	US \$ 3,126 (6)
Uruguay (5) (8)	15.00%	7.50%	-	22.50%	US \$ 3,027
<b>Europe</b>					
Bulgaria (5) (8)	5.80%	7.20%	-	13.00%	US \$ 1,500
Poland (5) (8)	5.46%	12.76%	-	18.22%	US \$ 2,800
Romania (8)	8.5%	20.8%	-	29.3%	No Ceiling

- (1) Pension contributions in the individually funded regime are 16% of income. The employer finances 75% and the worker the remaining 25%.
- (2) The rules and regulations establish a tax ceiling of 25 minimum wages. The figure shown in the chart is the dollar equivalent as of December, 2009.
- (3) There are a total of 17 different rates in the former Chilean tax system, depending on the program the worker is enrolled in. These rates range from a minimum of 18.52% to a maximum of 24.84%. The two programs in which the majority of contributors are enrolled have rates of 18.62% and 18.64%, which are the ones shown in the chart.
- (4) There is only a tax ceiling for paying the disability and survival insurance premium.
- (5) Information as of June, 2006.
- (6) The rules and regulations establish a tax ceiling of 20 minimum wages. The figure shown in the chart is the dollar equivalent as of December, 2009.
- (7) The individually funded program competes with the public system.
- (8) The individually funded program complements the public system.

Source: In house, based on information submitted by the Pension Fund Administrators Associations, reviewal of the rules and regulations and gathering of information on the web sites of the supervising agencies in each country and the Pension Fund Administrators.

The contribution rates to the public program range from a minimum of 7.5% in Costa Rica to a maximum of 22.5% in Uruguay and 29.3% in Romania.

Among the countries that have closed access to the former pension system, in other words, where it no longer receives new workers entering the labor market, Chile has the highest contribution rate at 18.6%. The former system in the Dominican Republic, in turn has a lower contribution rate of 9.0%.

Among the countries that have kept the public pension system open, either because it complements or competes with the funded system, Costa Rica and Romania have the lowest and the highest contribution rates, respectively.

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