Progress of the Pension Systems[1]
October - December 2015

No. 4

1. Document prepared by FIAP, based on press information. We thank FIAP member associations for the information and comments submitted. The contents of this document may be reproduced citing the source.

This document compiles the main legal changes that occurred in the pension systems from October - December, 2015, as well as the trends observed in the discussion of the regulatory changes that countries must address in social security matters. Where applicable, it also names and explains the initiatives implemented by different stakeholders, which although they are not part of the existing legal framework, have a marked impact on the development of social security systems.

News highlights in this issue

- The Pacific Alliance promotes pension portability
- Chile: The Ministers' Committee was formed with a view to analyzing the package of measures proposed by the Presidential Advisory Commission for the Pension System.
- Colombia: FASECOLDA warns that the pension reform must be previously discussed
- El Salvador: The Government makes it clear that it has no intention of nationalizing the pension system.
- Mexico: The OECD published a report on the Mexican pension system, which puts forward and evaluates proposals based on the best practices observed by the Agency.
- Peru: A project allowing the withdrawal of 95.5% of contributions to the AFP on reaching the age of 65, has been approved.

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I. Miscellaneous

• The Latin American pension funds increased their foreign investment at an annual compound growth rate of 20% from 2008 to 2014. Latin America was the region with the highest global growth rate: pension plan assets increased from USD 184 billion in 2008 to USD 528 billion in 2014, with an annual growth rate of 19.2%. Regarding asset distribution in Latin America, fixed income assets still predominate over all other assets, with 58% invested in bonds (USD 295 billion), followed by variable income at 34% (USD 177 billion), alternative investments at 6% (USD 31 billion) and finally, 2% in money markets (USD 13 billion). Despite this preference for bonds, equity is the asset with the highest annual growth rate in the region of 23%. This increase in the proportion of assets invested in equities is more in line with the global asset distribution trend, in which 44% of total assets are invested in equities, compared with 28% in fixed income, 26% in alternative assets and 2% in the money market. (Source: www.fundssociety.com; Date: 05.10.2015).

• The pension funds increased their placements in foreign investment to 31% of total assets in 2014. The report "Beyond their borders: evolution of foreign investment by pensionfunds," produced by PwC Luxembourg, examines the critical role played by pension funds in the global economy. Pension plans currently comprise vital financial resources for millions of people. In fact, pension plan assets are more than 100% of GDP in some countries. The salient points in the report are the following: (i) Individuals must make ever greater efforts to transform their financial assets into retirement income, which points to the rate of population aging as one of the main challenges facing pension systems; (ii) The need for diversification in pension plans, by asset class and geographical exposure, with investment in foreign assets being one of the most effective ways of achieving diversification objectives; (iii) Finally, it emphasizes the way in which regulatory restrictions affect the proportion of assets that pension plans can invest abroad, as well as the possible impacts on their growth. Global pension fund assets grew to US$ 37.6 billion in 2014. The report reveals a predominant bias towards equities in the global distribution of pension fund assets, with 44% of the total assets invested in shares, 28% in bonds, 26% in alternative assets, and 2% in money markets, at the end of 2014. The report reveals a predominant bias towards equities. In terms of absolute growth, the asset class that most grew globally within pension funds investment portfolios, was alternative assets. As a result of a greater need for diversification, foreign investment of the pension funds of most OECD countries (excluding the United States) grew significantly in the six year period covered by the study. Whereas foreign investment stood at about 25% of the total assets of pensions in 2008, it increased to 31% in 2014. (Source: www.fundssociety.com; Date: 08.10.2015).

• The OECD publishes "The 2015 Pension Outlook." This issue (see here) basically reviews and discusses the following points: (i) Measures concerning pension systems that have been promulgated or put into practice in the OECD countries between September 2013 and September 2015; (ii) Evaluation of short employment terms and their impact on pension rights; (iii) The impact on future replacement rates caused by the implementation of parametric reforms; and (iv) An exhaustive selection of public pension policy indicators, as well as profiles of pension systems in the OECD and G20 countries. Among other aspects, the report highlights the fact that: (i) Approximately 50% of OECD member countries have introduced changes aimed at improving the financial sustainability of the pension system (taxes and contribution rates have been raised in the defined benefit systems, and the retirement age will rise, on average, from 64 in 2014, to 65.5, according to legislative changes); (ii) The future net replacement rate of mandatory systems for an average worker's salary in OECD countries is 63%, and due to indexation based on prices, the gross replacement rate will drop by 6 percentage points between the retirement age and 80 years of age; (iii) In countries with high poverty rates and low social benefits among the elderly, there is scope for increasing the value of their social protection payments, even after taking into account their GDP per capita rate; and (iv) Labor, financial and fiscal policies must be streamlined to achieve measures aimed at reforming the pension systems, not only for reducing the risk of poverty in old age, but also for providing adequate pensions. (Source: www.oecd.org; Date: December 2015).

• The Global Aging Institute published the document "Global Aging and Retirement Insurance in Emerging Markets." Last November 18, the Global Aging Institute (GAI) published the document "Global Aging and Retirement Security in Emerging Markets: Reassessing the role of funded Pensions"[2]. The report summarizes existing population aging trends in developing countries, discusses the main advantages of the individually funded model in this demographic context, and reviews several important design considerations for

2 See the official translation of this study into Spanish here.

implementing this model in developing countries. Although it emphasizes the fact that developing countries face major challenges in terms of income security in old age (for example, most of these countries do not have large and mature public pension programs for addressing the rapid aging of the population), the report concludes that these countries have opportunities for designing and implementing new social security programs that address future old-age income. The report argues that these countries should seriously consider implementing an individually funded model, since it could generate a higher replacement rate for future pensioners, reduce long-term pressure on fiscal budgets, and accelerate the development of robust capital markets. The report points out that a “one system or the other” type choice is not necessary, since many countries have the option of constructing pension systems comprising multiple pillars. (Source: Social Security International Update; Date: December 2015).

II. Latin America and North America

Pacific Alliance

• The Pacific Alliance promotes the portability of pensions. The members of the Pacific Alliance (PA) promote free portability of pensions between the countries comprising this block (Chile, Colombia, Mexico and Peru), which will facilitate the flow of human capital between these economies, according to the Chairman of the Association of Private Pension Fund Managers (AAFP) of Peru, Luis Valdivieso. Through this initiative - he explained - an individual who accumulates his contributions in any country of the PA and decides to move to another country of the Alliance, could transfer his funds to an equivalent system. Valdivieso said that hard work must be performed in the streamlining of these systems in order to achieve this goal. (Source: Boletín Diario de Seguros América Latina; Date: 06.10.2015).

Bolivia

• The APS starts controlling investments planned by the AFPs. Decisions on the investment of the capital accumulated in the Pension Fund Managers (AFPs) will be supervised by a representative of the Pension and Insurance Monitoring and Inspection Authority (APS) until the public administration of Long-Term Social Security is 100% operational. The representative will have the right to voice and veto regarding investment decisions. This is stated in the Decree of October 21, 2015, which sets forth the powers of the representative before AFP FUTURO DE BOLIVIA S.A. and BBVA PREVISION S.A. He will have the right to voice, but not vote; he will be entitled to request and analyze documents related to investments, and will ensure compliance with rules and regulations; he will have the right to veto and shall report to the APS after each meeting regarding investments, among other responsibilities. The Public Long-Term Social Security Administration, which will manage workers' contributions, was launched in January, 2015, with an equity of BOB 80 million (approx. US$ 11.3 million[3]), pursuant to Decree 2248 (January 14, 2015), which also provides for auditing the funds of the Comprehensive Pension System managed by the AFPs. (Source: Boletín Diario de Seguros América Latina; Date: 27.10.2015).

Brazil

• Doubts regarding the public system are stimulating private pensions. Contributions made by Brazilian citizens to the private pension system have increased in 2015, a year marked by economic uncertainties, social cutbacks by the government and changes in the legislation governing the National Social Security Institute. Contributions paid into the pension plans will grow by 15 to 18% this year, according to Federação das Empresas de Previdencia Privada (The Federation of Private Pension Funds - FENAPREVI). This will be one of the few investment options that will grow this year, in which the GDP will shrink by 3%. The increase in contributions appears to be linked to the professional growth of workers with these plans. As income increases, the monthly percentage invested also increases. But the crisis has also contributed its share, because when the country is passing through turbulent times and confidence is shaken, people give more thought to the future and pension contributions therefore increase. At the beginning of November, 2015, President Dilma Rousseff signed the pension legislation known as 85/95, which adds the number of years of contribution and the age of the contributor, and will function as an alternative to the pension factor. These changes lead people to think more about retirement, says Fabiano Lima, director of SULAMÉRICA Pensions. On the other hand, according to Richard Jackson, Chairman of the Institute of Global Aging, the public pension model adopted in Brazil is subject to considerable changes in its rules and regulations, especially given the aging of the population. "Brazilians have to understand that depending on Social Security is risky in an aging society. Systems such as the Brazilian system work well when the population is young and growing. As the population ages, the cost increases rapidly," he said. (Source: Boletín Diario de Seguros América Latina; Date: 11.11.2015).

• Changes in the pension funds for encouraging investment in infrastructure. The Brazilian Government has eased the rules governing the investment of the assets of private pension funds and insurance and reinsurance companies, allowing them to increase investments in infrastructure projects. Specifically, the Executive has increased the amount that can be invested in infrastructure by 5%, in addition to a series of measures that allow investment in other assets, adjusting the maximum amount that can be invested so as to facilitate the diversification of investments. In a press

3. At the exchange rate on 31.12.2015 of 1 USD = BOB 6.74.

release, the Ministry of Finance provided as an example that the ceiling for investment in bonds was initially 25%, "but if the amounts can be used to finance infrastructure projects, fund managers can invest up to 30%. With the additional limit, the Government seeks to promote the allocation of resources for infrastructure," he said. According to the Advisor to the Executive Secretary of the Ministry of Finance, Fernando Ligiéro, the measure also aims at differentiating qualification segments, paving the way for greater diversification of higher return investments. (Source: Boletín Diario de Seguros América Latina; Date: 17.11.2015).

Chile

• New General Manager of the Association of AFPs. Fernando Larraín Aninat, an Economist graduated from the Catholic University of Chile, with a Master's degree in Public Affairs from Princeton University, will be the next General Manager of the Association of AFPs. He is currently the Director of Development of the Faculty of Economics of Diego Portales University. Larraín will take office on January 4, replacing Francisco Margozzini, who resigned at the end of November, 2015, after 30 years linked to the Trade Association. The Trade Association was looking for someone with a technical profile and political connections, and Larraín meets these requirements. He was Advisor in public policy matters to La Moneda (the Seat of Government) and the Ministry of Finance during the administration of Ricardo Lagos between 2002 and 2005. According to his résumé, Larraín was involved in the design of the 2002 tax reform and analyzed the economic effects of the Free Trade Treaty with the USA on fiscal revenue. His areas of specialization are public-private alliances, the analysis of public policies and the modernization of the State. He is the Director of the Chilean Society of Public Policies and Chairman of the Foundation 'Trabajo en la Calle'. He has been a consultant to the Inter-American Development Bank (IDB), UNICEF and the Organization of American States (OAS) on issues such as the modernization of the State, corruption, governance and political economy. (Source: El Mostrador; Date: 21.12.2015).

• The Association of AFPs creates a new Pension Education Department. Pension education will be one of the core strategic activities in the work of the Association of AFPs in the coming months. This was one of the messages transmitted by its Chairman when announcing the creation of this new Department. According to him, the 'Pensions for All' Program (www.previsionparatodos.cl), aims to reach out to the community through talks, workshops and online courses, especially focusing on young people and workers. This initiative is the result of an Adimark study based on 2014 data, showing that 90% of people know little or nothing about the AFP system, that almost 60% do not know the percentage of their monthly contribution, and that 45% have no information regarding the amounts they have saved in their pension funds. (Source: Boletín Diario de Seguros América Latina; Date: 02.10.2015).

• The Association of AFPs expresses its opinion regarding the Bravo Commission report. Rodrigo Pérez, Chairman of the Association of AFPs, expressed his opinion regarding the proposals of the Group of Experts in a panel organized by AIPEF (Interamerican Association of Economy and Finance Reporters). The representative of the AFPs valued certain aspects of the diagnosis, such as the recognition of the high returns achieved by the system and the fact that it stipulated that pension amounts depend on the contributions paid in by contributors. But he pointed out that the industry does not agree with the calculations made by the Commission regarding a group of variables that are relevant for members of the system, including the replacement rate. Thus, he highlighted six of the Commission's proposals that would have a positive impact. Among them, he underlined the strengthening of the solidarity pillar, the gradual rise in contribution rates, the maintenance of mandatory contributions by the self-employed (although gradually implemented), and the gradual increase in the retirement age. He also deemed it positive that the Commission completely dismissed a return to the PAYGO system, and said that the only way to provide legitimacy to the current system is through the provision of decent pensions. "There are other measures that we do not share, which we believe will not have a relevant impact on pensions and could involve significant costs," he said. Although Perez expressed his support for the increase of 4% in the contribution rate, he pointed out that he does not agree with the recommendation to destine two percentage points of the increase to a solidarity fund. He also stressed that there is leeway for increasing the pensions of women without affecting those of men. (Source: Boletín Diario de Seguros América Latina; Date: 16.10.2015).

• AFP CAPITAL promotes the program 'Let's Talk about Pensions'. The company belonging to the insurance group SURA, has actively participated in putting forward concrete proposals for improving pensions in Chile. "There is broad consensus: people do not have a clear understanding of how the system works and what they have to do to improve their pensions." Therefore, through this program we simply explain the impact of greater life expectancy on pensions, the gaps between men and women and what is actually happening today: we save for half of our working lives to finance more years of life," explains Eduardo Vildósola, General Manager of AFP Capital. (Source: Boletín Diario de Seguros América Latina; Date: 15.10.2015).

• The Committee of Ministers was formed for the purpose of analyzing the package of measures put forward by the Presidential Advisory Commission for the Pension System. The Committee of Ministers, which is chaired by the Minister of Labor, Ximena Rincón and comprises the Ministers of Finance, the National Service for Women (SERNAM), Economy, Social Development and General Secretariat of the Presidency (Segpres) must, by presidential mandate, draw up short and long-term measures. Minister Rincón said that they were at the analysis and discussion stage and that once they had the proposals, President Bachelet would be the one who made the final decision. The short-term measures should be ready in the first half of 2016, and the long-term measures in the second half of 2017. The Commission will have an Executive Secretary, who will coordinate and organize the work of the Technical Round Table including representatives of the ministries involved and the corresponding regulatory agencies, to provide technical support to the Committee of Ministers. The teams will have their next formal meeting on Friday, January 22, 2016, and must analyze and discuss the information and conclusions reached by the Bravo Commission. (Source: La Tercera; Date: 16.12.2015).

• The Senate specifically and generally approves a Bill of Law which delays mandatory contribution by self-employed workers. On December 22, 2015, a Bill of Law which delays mandatory contribution by self-employed workers was approved. The Bill of Law is pending enactment at the end of December 2015. Specifically, the Bill of Law: (i) Delays the option of self-employed workers of not contributing to the pension system on 100% of their taxable income through 2017, so that it will be mandatory only as of 2018, materializing in the 2019 Income Tax Declaration process; (ii) Defers the obligation of self-employed workers to contribute to the Social Insurance against Risks of Work Accidents and Occupational Diseases until 2018; (iii) Separates the payment of contributions of self-employed workers to the pension system from contributions to the regular and labor health systems; (iv) Establishes a new mechanism for the collection of pension contributions owed by self-employed workers. (Source: Chilean Senate, Newsletter 1024-12; Date: 22.12.2015).

• Only one fund manager participated in the bidding process for the portfolio of enrolled members for the 2016-2018 period. For the first time since the process was implemented, only one AFP (AFP Plan Vital) participated in the bidding that will allocate new contributors to the social security system to the fund manager that offers the lowest commission, from August 2016 to July 2018. Consultations by the parties interested in participating in this process were received between last November 23 and December 14, and the Superintendency of Pensions received the sole bid on December 22. After the opening of the first envelope (background information of the AFP making the bid), the economic and technical details of the proposal will be announced next February 1, 2016, on the same day that the decision on the award will be made public. (Source: www.df.cl; date: 24.12.2015).

Colombia

• FASECOLDA warns that the pension reform must be previously discussed. The Chairman of the Federation of Colombian Insurers (FASECOLDA), Jorge Humberto Botero, emphasizes the need for any eventual reform of the pension system to include all stakeholders, including insurers, before any initiative is submitted for approval. Botero proposes "following Chile's example, a high-level Commission should be immediately appointed for the different stakeholders involved to try to arrive at a basic consensus, based on a proposal put forward by the government. It would be a mistake to submit any initiative to Congress without a prior social dialog between academia, public policymakers, workers, trade unions and businessmen. If the Government is considering a structural reform next year, the first step is not to submit a proposal to Congress; there is a prior process that has to be followed now." For the leading spokesman of Colombian insurers, "the problems of pensions, such as low coverage, regressivity and fiscal unsustainability are serious and well-known. Many of these issues have nothing to do with social security, but rather with the dysfunctionality of the labor market. We have observed a considerable number of transfers from the individually funded savings system to the Average Premium Plan (PAYGO system), but in many cases these decisions have been mistaken, because the financial complexities on which decisions are based are not understood by the ordinary citizen. The Government has proposed measures for improving the level of knowledge of members, and preserving their right to choose between systems, which, in my point of view, should not be included in a structural reform." (Source: Boletín Diario de Seguros América Latina; Date: 20.10.2015).

• Hoping for changes in the pension system. There is a rising clamor for far-reaching changes in the Colombian pension system, aimed at increasing coverage, achieving sustainability and reducing inequality. Such changes, ranging from simple policy adjustments for resolving operational issues in the private system, to a major structural reform in response to demographic changes, are being implemented in three phases. Jaime Cardona, Director of Financial Regulation of Security Social of the Ministry of Finance, said that the decree making it mandatory to provide double advisory services to individuals wishing to switch from one pension system to another, to help them make sound decisions, and providing coverage for the risk of the increase in the minimum wage - key to reviving the issuing of life annuities - is now ready. He added that there are other points that are being addressed, such as the regulations for assigning newly enrolled members to the pension fund most suitable for them, based on their risk profiles (moderate, conservative, riskier), and the creation of a sole system for the gathering of work history. (Source: Boletín Diario de Seguros América Latina; Date: 13.11.2015).

• COLPENSIONES will offer free insurance to savers linked to BEPS. From January 1, 2016, low-income Colombians linked to the Periodic Economic Benefits Program (BEPS) will be covered by life and catastrophic illness insurance, and will also be covered in case of death. The announcement was made by the Chairman of COLPENSIONES, who explained that the purpose of the BEPS micro-insurance is to assist members enrolled in the program in case of calamitous mishaps, while protecting their families in case of their death. He explained that the sole requirement for receiving this protection is to have made savings contributions of any amount during 2015, achieving total savings of COP 129,000 (approx. USD 41[4]). (Source: Boletín Diario de Seguros América Latina; Date 02.12.2015).

Costa Rica

• Pension adjustments will only affect early retirement The Board of Directors of the Costa Rican Social Security Fund (CCSS) recently announced the approval of two reforms affecting the Disability, Old Age and Death Regime (IVM): one of them addresses the gradual elimination of the early retirement with sanctions regime, and the other one the established minimum pension costs. For further details, please click here. (Source: Semanario Universidad; Date: 27.10.2015).

• UCR will undertake a study of the pension system. The University of Costa Rica (UCR) will undertake an actuarial study of the Disability, Old Age and Death System (IVM) in order to define the strategies to be adopted by the Costa Rican Social Security Fund (CCSS) in pension matters. This was agreed in the meeting between the parties, where the team that will carry out the study was defined and commitments were made to future meetings for defining deliverables and timescales. The CCSS expects the new actuarial study to be finished the first half of 2016. The pension reforms are divided into two areas, structural and parametric, related to the percentage of distribution of the parts, benefits and age. (Source: La Prensa Libre; Date: 13.11.2015).

El Salvador

• The AFPs have requested the Government to seek solutions for preserving savings and improving returns and pensions. Spokesmen for the AFPs have requested a meeting with the President of the Republic, Mr. Salvador Sánchez Cerén, to discuss the crucial issue of pensions, particularly in relation to preserving the individual

4. At the exchange rate on 31.12.15 of 1 USD = COP 3,149.47

savings of members, as a means for securing the payment of future pensions of workers and the interest rates they now receive on investments in the Pension Obligations Trust Fund. The AFPs said that if the Pension Obligations Trust Fund is the only mechanism that the Government can currently use to finance the debt of the Salvadoran Social Security Institute (ISSS) and the National Pensions Institute for public employees (INPEP), it is urgent that the emissions of the Trust Fund incur an adequate rate under their terms (25 years) and conditions, as stated by the Constitutional Court in its judgment of December 2014. In this regard, they made it clear that the payment of pensions of the ISSS and INPEP, and the pensioners of the AFPs, are fully guaranteed. However, they pointed out that this is not the best mechanism for addressing the debt of the public system inherited by the State due to contributions to the ISSS and the INPEP, primarily because the low rates paid by these mandatory securities directly and negatively impact the amounts of future pensions of workers. For further details, see ASAFONDOS Press Release. (Source: ASAFONDOS; Date: 21.09.2015).

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• The AFPs insist that the priority of the reform must be to improve pensions. The AFPs said that the debate on the reform of the system should focus on the improvement and sustainability of workers' pensions. The Salvadoran Association of Pension Fund Managers (ASAFONDOS) reacted this way "to the attempt of some officials to ensure that unions reject the AFPs and support the transfer of all savings to a State Fund." The Trade Association also pointed out that improving pensions in the existing system can be achieved by allowing more options for the investment of workers' savings. At the moment, returns on savings are very low because 56 of every USD 100 are invested in government securities (Social Security Investment Certificates, CIPs) that generate a mere 1.3% of returns. The Trade Association also pointed out that all workers can request information regarding how their savings have been managed. It also mentioned that USD 2,500 million of the USD 8,500 million currently saved in the pension funds, were generated by the returns on the investments made by the AFPs. That money is in the individual accounts of workers. (Source: Boletín Diario de Seguros América Latina; Date: 06.10.2015).

• There is a reduction of USD 20 million in the General Budget of the Nation presented by the Government, to pay for the interest rate of the Pension Investment Certificates (CIPs). According to economists, this scenario could complicate the pension deficit and have an impact on the country's fiscal status. The proposed amount for 2016 is US$ 106.8 million, compared to the USD 126.8 million approved for the current period last year, an amount that accounts for only 0.4% of the Gross Domestic Product (GDP), as stated in the document containing the full budget, which was submitted to the Legislature last week. Another important point that emerges from the budget of the Ministry of Finance, is that the percentage of the interest rate paid by the CIP has not been updated. I.e. the payment of 3% to the CIP is maintained in the 2006 budget. Experts warn that if the Government continues to pay 3% interest to carry on issuing pension debt, it will not only be in breach of a court ruling, but is also raising the balance owed, which would affect the country's fiscal deficit. (Source: Boletín Diario de Seguros América Latina; Date: 07.10.2015).

• **The Government earned USD 510 million from the Pension Fund.** Last October 9 the government earned more than USD 100 million from the Pension Fund, to accumulate a total of 510 million this year, according to estimates of the Ministry of Finance (MH). The money goes to paying the pensioners of the National Institute of Pensions for Public Employees (INPEP) and the Salvadorian Social Security Institute (ISSS), which ceased to operate in 1998. Since 2006, the law stipulates that the AFPs would destine a percentage of the Pension Fund to buying government debt every three months. This money is used for paying those who retired under the ISSS and INPEP systems. The tax authorities obtain cash, and as a payment commitment, provide the AFP's with securities denominated Pension Investment Certificates (CIP). Since then, 58.26% of the Pension Fund has been spent on this mandatory acquisition. These securities previously had returns of more than 10%, but the historical data show that after "dollarization" in 2001 and the 2008 international crisis, the returns for the CIPs dropped to about 2%. (Source: Boletín Diario de Seguros América Latina; Date: 13.10.2015).

• **The Government makes it clear that it is not considering nationalizing the pension system.** The Government of El Salvador has clarified that the Executive is not considering the nationalization of the pension system, and that it plans to promote "a debate with all sectors of Salvadorian society" to inform the population about this situation, as reported by the Executive Office of the President. The Secretary of Communications of the Salvadorian Government said that "designing a proposal for addressing the current weaknesses of the country's pension system requires an ample prior debate to inform the public on why this area passed from the public domain to the private system." (Source: Boletín Diario de Seguros América Latina; Date: 14.10.2015).

• **The pension reform would provide returns of 1.2% for savers of the AFPs.** Should the reforms proposed by the government come into effect, the savings of workers remaining in the AFPs could stagnate at a return rate of only 1.2%. As the current system works, a worker earns 7.9% on half of his savings. The other half generates only 1.2% of returns due to the restrictions of the pension law, among them the mandatory investment in government securities. But if the proposed reform is implemented, approximately 400,000 contributors will have to forget about the returns on their savings, because the State will give them a minimum pension of US$ 207.60 regardless of how much they have contributed. The approximately 200,000 individuals who manage to save additional money in the AFPs will also be unable to access a higher pension because of these returns. According to an analysis by ASAFONDOS, only US$ 4,500 million will remain in the individual accounts of workers after the reform. Of that money, US$ 3,000 million have already been invested in government securities that only generate returns of 1.2%. The remaining minority, US$ 1,500 million, generates returns of approximately 7.9%. (Source: Boletín Diario de Seguros América Latina; Date: 15.10.2015).

• **President Sánchez Cerén and other officials meet with directors of the AFPs.** The President of the Republic, Salvador Sánchez Cerén, the Technical Secretary of the Presidency, Roberto Lorenzana, as well as the Minister of Finance, Carlos Cáceres and other government officials, met with top executives of the AFPs last Wednesday, October 14, within the framework of the process of analysis of the pension system initiated by the Government. An official communiqué of the Presidency announced that "during the meeting, held in a cordial atmosphere, key elements of the Salvadorian pension system were discussed, a topic on which the head of State has initiated a process of analysis and dialog that seeks to generate a consensus for achieving a comprehensive, sustainable and solidarity-based model." The only existing document concerning a possible reform, prepared by the Ministry of Finance, speaks of creating a mixed pension system with combined public and private management. However, Roberto Lorenzana insists that there is no specific document concerning the reform. The Government also engaged the advisory services of the Inter-American Development Bank (IDB). (Source: Boletín Diario de Seguros América Latina; Date: 16.10.2015).

• **The Government is studying a plan to reopen the mixed PAYGO system, and raise the retirement age and contribution requirements.** Under the "Caceres Plan," workers whose incomes exceed a certain threshold would contribute to a PAYGO system, as well as to privately managed funds (AFPs). The total contribution rate would increase from

13% to 15%. The legal retirement age would increase by five years, to 65 for men and 60 for women. (Source: AON Global Retirement Update; Date: October 2015).

United States

• Forbes says that the United States will copy the Chilean pension system. Steve Forbes, the chairman of the Forbes Publishing Group and Editor in Chief of the popular financial magazine, has recently been on a tour of Chile, Mexico and Colombia. 'Navigating in the economy for the growth and success of business,' was the central theme of his talks in the three countries, where he also gave his point of view regarding the world economy and the outlook for business. As for Chile, Forbes said that the Andean country "has been a pioneer in the pension system, which we will follow (in United States) in another five or ten years," as well as in opening up to foreign trade, social mobility, and a stable democracy. (Source: Boletín Diario de Seguros América Latina; Date: 17.11.2015).

Honduras

• The AFP of the Private Contributions Regime (RAP) will start operating in March, 2016. The Pension Fund Manager (AFP) in the Private Contributions Regime is expected to start operating on March 4, 2016, with a portfolio of 100 thousand clients. As is known, the Framework Law of the Social Security System came into effect last September 4, 2015[5]. (Source: http://www.tiempo.hn/, http://www.laprensa.hn/; Date: 07.12.15).

Mexico

• The OECD publishes a report on the Mexican pension system. Last October 1, the OECD published the report OECD Review of Pension Systems in Mexico, which evaluates and puts forward suggestions for the Mexican pension system based on the best practices recommended by the OECD. According to the report, the individually funded accounts program has made progress in the 17 years that it has been operating: financial stability has improved, the total amount of assets managed reached 14 per cent of GDP at the end of 2014, and the annual average return rate was 6.2%. The report highlights the following challenges: (i) It states that one of the biggest problems facing the pension system is the rule that allows transition workers - those who contributed to the public pension system in 1997 when individual accounts were introduced - to choose the benefits of any of the two programs on retirement. Since the benefits of the PAYGO system are much greater than those of the individually funded system, most workers choose them. However, allowing workers to remain in the PAYGO program increases the financial burden, since the benefits are financed with general taxes; (ii) The second challenge highlighted by the report, is the low replacement rate obtained by individually funded accounts compared to those provided by the PAYGO system, due - in part - to the fact that the contribution rates are very low (another reason is the low contribution density); (iii) The third challenge relates to the fragmented Mexican pension system (workers in the private sector have individually funded accounts different to the more generous programs of federal public sector workers;) (iv) Finally, the report states that the rules governing the pension fund managers (AFORES) in the accumulation stage, and the insurance companies in the payout stage, need to be modified. (Source: www.oecd.org; www.ssa.gov; Date: October 2015).

• OECD proposals regarding pensions coincide with reforms to be introduced in 2016. According to an OECD proposal (in which neither the fund managers nor the Government are involved), workers who are currently entitled to retire under the former Defined Benefit scheme could be incorporated into a joint scheme in which one part would be financed only with the balance of their Individual Accounts. The OECD study proposes a prorate system, whereby workers who began contributing before the reform to the Mexican Social Security Institute Law (IMSS) in July 1997, would receive a mixed pension with a Defined-Benefit part, with recognition of rights to a fixed agreed date, and another fixed part financed solely with the funds accumulated in their Individual Accounts from that fixed date until the retirement date. (Source: Boletín Diario de Seguros América Latina; Date: 19.10.2015).

5. This law sets out the framework for the introduction of a multipillar individually funded system in the country. The new law creates Basic Social Security (PPS), which is a non-contributory pillar that guarantees access to essential services and social transfers with an emphasis on the poorest and most vulnerable sectors. It also extends the coverage of the contributory public system, and introduces individual accounts for workers who earn at least twice the minimum wage.

• **Principal Financial Group warns of the consequences of current demographic trends and their potential effects on the Mexican pension system.** As is the case in developed countries, emerging countries such as Mexico are facing the challenge of population aging. It is estimated that by the year 2045-2050, there will only be two working age individuals for every retiree in Mexico. That is why, according to Roberto Walker, Chairman of Principal International Latin America, "Mexico today needs to increase its long-term savings base." Walker considers it positive that Mexico is again considering separating voluntary retirement savings from the deduction ceiling, but reiterated that "the demographic bomb has already been activated and is going to explode," so work must be done to increase pension savings in Mexico. According to a study by Global Aging Institute (GIA), "in 2050 people in Mexico will be nearly as old as in the United States," and 20% of the population will be over 65. (Source: www.fundssociety.com; Date: 21.10.15).

• **The Mexican Association of Pension Fund Managers (AMAFORE) believes that it is time to reform the pension system.** The pension fund industry is busy promoting a change in the law so that employers can obtain tax benefits in exchange for facilitating conditions for workers to increase their voluntary contributions to their retirement accounts. This would be part of an effort to raise pension amounts in the coming years, which authorities, experts and fund managers currently admit are insufficient. The proposed mechanism is in addition to the possibility already existing in the law, whereby a worker can make voluntary contributions to his retirement account, said Carlos Noriega. Workers currently contribute 6.5% of their salaries to their retirement accounts. With this percentage of contribution, according to different estimates, pensions would the slightly less than a third of the average salary of the last five years in which contributions were paid - provided that they meet the required number of weeks of contribution - an amount which authorities, the industry and experts admit is insufficient to meet the needs of a person in retirement. (Source: Boletín Diario de Seguros América Latina; Date: 12.11.2015).

• **Savers will decide the risk they will assume in their AFORE.** As of 2016, workers enrolled in an AFORE may decide the risk that they will assume with their retirement savings, in order to obtain higher returns. At the beginning of 2016, the National Commission for the Retirement Savings System (CONSAR) will issue new regulations to enable each saver, regardless of his age, to choose the SIEFORE in which he wants to deposit his savings. In this new SIEFORE selection process "there will be no intervention by Afore promoters", said the Chairman of CONSAR, Carlos Ramírez Fuentes, in an interview. As is known, the Pension Fund Managers (AFORES) have five Investment companies (SIEFORES) through which they invest the savings of workers. The four basic SIEFORES are limited by age: the older a person is, the lower the risk, but returns drop; whereas the younger a person is, the greater the investment in higher-risk instruments, but with greater returns. The existing SIEFOREs are: SIEFORE 1, which holds the assets of individuals of 60 or more, with an annual net return of 5.41% at the end of November; SIEFORE 2, for people aged 46-59, with a return of 6.37%; SIEFORE 3, for workers between 37 and 45, with a return of 8.48%, and SIEFORE 4, for those below 37 years of age, with a return of 9.28% per year. (Source: Boletín Diario de Seguros América Latina; Date: 23.12.2015).

• **A new Basic Pension Siefore (SB0 - Investment Company Specializing in Pension Funds) is created to provide greater security for the savings of workers close to retirement.** A new Siefore of the pension system, the Basic Pension Siefore (SB0), was created to ensure the safety of the savings of workers close to retirement. The new company was established with 682,637 accounts, for the purpose of protecting the savings of workers close to retirement from any possible volatility in national or international financial markets, through an investment system that favors liquidity and risk reduction with an average investment horizon of one year. The workers transferred to the SB0 were those aged 60 or older, who were about to make total pension withdrawals or who were denied pensions. (Source: CONSAR Press Release No. 38/2015; Date: 16.12.2015).

Panama

• **Experts predict a pension crisis.** At a forum held by the Chamber of Commerce, Industry and Agriculture of Panama (CCIAP), attended by Estivenson Giron, director of the Social Security Fund (CSS), spokesmen for the sector acknowledged the difficulties that will be faced by the Disability, Old Age and Death Program (IVM) of the Social Security Fund. Different measures have been considered for addressing this issue, among them raising the retirement age, the employer's contribution per worker, the government's contribution, and improving the returns of the reserves of the IVM program's fund. CSS's IVM will become risky in 2017 and will end in 2024 or 2025. Giron announced that the CSS is in negotiations with four auditing firms in Panama, aimed at disclosing the financial statements of the IVM program. He also announced that the actuarial and accounting teams and the Actuarial Technical Board of the CSS will be involved in this task, also holding conversations with the International Labor Organization (ILO) at that time. (Source: Boletín Diario de Seguros América Latina; Date: 03.11.2015).

Peru

• **The AFP claim there is a lack of opportunities and there is nowhere to invest.** The AFPs in the market have requested that the investments between the countries of the Pacific Alliance be considered local investments. The AFP's receive around USD 3.5 million per year solely from members' contributions, according to José Antonio Roca, the investment manager of PRIMA AFP. We (the AFPs) grow organically by 8%. We have much money to invest, but the local market is not very large and there are limits to foreign investment, so we cannot spend everything we receive," he said. In this context, Roca insisted that the investments made in member countries of the Pacific Alliance (Chile, Colombia and Mexico), should be considered local investments. "We have to find an investment destination for the money entering the pension funds. We still have a deficit of investment opportunities. We are trapped, filling the fund with lots of money," he complained. On the other hand, Diego Marrero, the Investment Manager at AFP HABITAT, said that extending the foreign investment limits would enable the AFPs to have a more diversified portfolio. "You would have more liquid and more efficient equities, with more analysts looking at companies and evaluating opportunities," he said. (Source: Boletín Diario de Seguros América Latina; Date: 07.10.2015).

• **The Superintendency of Banks, Insurance and AFPs (SBS) cancelled the implementation of new mortality tables.** In a press release, the SBS announced that this decision was taken in order to ensure a proper technical discussion within a framework of full transparency "that has always been a hallmark of the institution." "The SBS, as an eminently technical and professional institution, reiterates its commitment to members of the private pension system, the insured and savers in the national financial system," read the document. The decision of the SBS comes after several personalities requested the publication of the technical report underpinning the design of new mortality tables, drawn up with information provided by the local private pension system. A day earlier, the Minister of Economy and Finance (MEF) had already said that the SBS mortality tables could not be enforced until it was fully understood what was being implemented. For further details, see the report here. (Source: www.elcomercio.pe; Date: 12.11.2015).

• **The AFPs are in favor of creating a minimum pension in the private pension system.** The AFPs backed the proposal of the Chairman of the Central Reserve Bank (BCR), Julio Velarde, for establishing a minimum pension in the private pension system (SPP), as in the public system (ONP). In this regard, the Chairman of the Association of AFPs, Luis Valdivieso, said that "it is necessary to have a minimum pension." In the opinion of the Deputy Manager of AFP INTEGRA, Aldo Ferrini, the amount should be similar to the minimum pension in the ONP (PEN 415, approx. USD 122[6]). "If there is a minimum pension in the ONP, then there should also be a minimum pension in the private system, and it should be at the same level," said Ferrini. Both executives agreed that the minimum pension - for individuals who did not have sufficient contributions in the SPP - should be backed up with a State subsidy. "In order to do that, one would have to gauge the condition of the Treasury and whether it can cope with more subsidies, since it already has Pension 65[7] and also supports the ONP" said Valdivieso. (Source: BDS Latin FIDES; Date: 02.12.2015).

6 At the exchange rate on 31.12.2015 of 1 USD = PEN 3.408.
7 Pension 65 is a non-contributory pension program.

• **A project allowing the withdrawal of 95.5% of contributions to the AFP on reaching the age of 65, has been approved.** Last December 6, 2015, the Plenary Session of Congress unanimously approved the Bill of Law that proposes the free disposal of 95.5% of the contributions paid in by citizens to the Pension Fund Managers (AFPs). 66 legislators supported the legislative initiative when the President of the National Congress put it to a vote at the end of the recess requested by the Chairman of the Economics Commission, Modesto Julca, in order to include the contributions of legislators to the text of the law. It was also exempted from the requirement of a second vote. This law allows contributors to the AFPs to request a refund of 95.5% of their pension fund after reaching the age of 65. It also allows pensioners who have taken early retirement due to loss of employment or illness, to withdraw their funds. The remaining 4.5% would remain in the individually funded personal account of each member in order to ensure the Social Security Health coverage (EsSalud) of the future pensioner. (Source: www.andina.com.pe; Date: 03.12.2015).

• **Those already receiving a pension cannot withdraw 95.5% of their AFP fund.** The approval in Congress of the law which authorizes members of the Private Pension System (SPP) to withdraw up to 95.5% of their contributions deposited in a Pension Fund Manager (AFP) has aroused different reactions among experts and politician. Nonetheless, it has not benefited all parties involved. Congressman Jaime Delgado pointed out that his proposal for already-retired members to also be able to withdraw 95.5% of their accumulated fund through the programmed withdrawals system, had not been included, since they still retain ownership of their funds. (Source: BDS America Latina FIDES; Date: 09.12.2015).

III. Europe

Austria

• **Workers should be prepared to observe new measures that promote and protect the employment of workers close to retirement.** As of January 1, 2016, workers who are at least 62 years old will be eligible for "partial retirement," during which they can reduce their working hours by 40% or 60%, but payment will only decrease by half of the reduction in working hours. The Government will subsidize the difference between the payments of the employer. The Government also announced plans to work with industry partners for establishing quotas for workers over 55. (Source: AON Global Retirement Update; Date: November 2015).

Spain

• **INVERCO urged the incoming Government to inform all citizens regarding the estimated State pension.** The information regarding the estimated public pension that the Government had intended to send to every citizen "has not materialized," said Angel Martinez-Aldama, Chairman of the Association of Collective Investment Agencies and Pension Funds (INVERCO); however, the Executive voted into office in the elections on December 20 must "implement it as soon as possible," as in other European countries. In his speech during the inauguration of the '7th National Collective Investment Congress' organized by the Association for the Advancement of Management (APD), Deloitte and INVERCO, the Executive acknowledged that one of the challenges of the industry is to promote pension savings, and it is therefore necessary for citizens to be provided with information on estimates of their public pension, and education to be able to interpret it, due to which Martinez-Aldama considers it essential to strengthen financial education. (Source: Boletín Diario de Seguros América Latina; Date: 15.10.2015).

• **New modification of the regulations governing pension fund plans.** Royal Decree 1060/2015 of November 20, 2015, on management, supervision and solvency of insurance and reinsurance companies (ROSSEAR), which was published on December 2, 2015, in the Official Gazette and effective as of January 1, 2016, in its fourth final provision modifies the Regulations of Pension Fund Plans (RPFP), addressing specific aspects of information and investment in open pension funds and external guarantees of returns of the pension plans. Some of the more salient modifications are: (i) Modification of the terms of benefits, allowing up to a maximum of 30 days for the payment of benefits in the defined-benefit mode; (ii) Introduces a new article (article 10 bis) regarding procedures in mobilizations and partial collections, consolidated rights due to contingencies or exceptional assumptions of liquidity; and (iii) Article 65 governing the Open Pension Funds is amended, in order to eliminate the possibility of the investing Plan/Fund Oversight Committee appointing representatives from among its members to attend, with voice and without vote, the meetings of the Open Fund's Oversight Committee. (Source: BBVA Asset Management, p.12, Date: December 2015).

• **The new liquidity assumption of contributions older than ten years has finally been rejected in the new amendment to the regulations of the pension plans and funds.** After having extended the conditions for the withdrawal of pension plans to situations of serious illness, dependency, unemployment and risk of eviction, the Government decided to also include the possibility of making contributions paid in more than 10 years ago liquid. This new iquidity condition has been recognized in the law governing pension plans and funds, but due to the fact that the regulations required by this law have not been promulgated, the definition of the conditions, terms and limits required for this liquidity to become effective by 2025 are still pending. (Source: Cincodias; Date: 04.12.2015).

Poland

• **Constitutional Court announced its ruling on the pension reform.** Last November 4, 2015, the Constitutional Court announced its ruling on the 2014 Law that reformed the pension system and created a second voluntary individually funded accounts pillar for all new workers entering the labor force; it allowed existing members to opt out of the second pillar of mandatory accounts and transfer all investments in government bonds in the second pillar (OFEs in the Polish acronym) to the first public PAYGO pillar (managed by the

Polish Social Security Institute, ZUS). The Court assessed the constitutionality of several measures contained in this Law and determined that the most significant changes were legal - specifically, the transfer of approximately PLN 153 billion (approx. USD 39.4 billion[8]) of investments in government bonds from the OFEs to the ZUS, and the prohibition of future investment by the OFEs in government bonds. However, the Court ruled against the law prohibiting the OFEs to provide advisory services during the periods in which the members of a fund are considering leaving the second pillar. When the previous Government implemented the second pillar reforms in February 2014, it argued that the changes would ensure that workers would have a stable source of income in retirement, while also reducing the country's public debt. The Government estimated that the transfer of all the assets of the OFEs to the ZUS - calculated at approximately 51.5% of all assets held by the OFEs - would reduce the public debt by about 9.3% of GDP in 2014. By the end of October, 2015, the assets managed by the OFEs totaled PLN 147.5 billion (approx. US$ 38 billion). (Source: Social Security International Update; Date: November 2015).

United Kindom

• The commissions of occupational plan advisors will be prohibited. The Government has published a consultation on the most efficient means of prohibiting the commissions of the advisors of all occupational plans that qualify for automatic enrollment. The new provisions would come into effect in April 2016, while the existing provisions would be deleted at a later, still undefined date. The rules and regulations of the Financial Conduct Authority have already determined that these types of payments will be prohibited in contracts as of April, 2016. The consultation suggests that the trustees or service providers should be the ones with the initial obligation of applying the prohibition; the purpose is to ensure that the regulator is the agency responsible for enforcing the rules and regulations. The new regulations will not prohibit members who wish to do so from engaging the services of an advisor. Nonetheless, the obligation of engaging these types of services to be able to enroll or remain in the pension plan, or else having to pay commissions for advice or services that pension plan providers are obligated to offer by law, will be prohibited. (Source: AON Global Retirement Update; Date: November 2015).

• The Government has announced that the implementation of the defined ambition plans, collective benefits, and automatic transfers have been postponed. The postponement is due to upcoming state pension reforms and the implementation of automatic enrollment for small employers. The Minister of Pensions has confirmed that these proposals have not been abandoned, but it is not clear when they will be implemented. (Source: AON Global Retirement Update; Date: November 2015).

• A new voluntary benefit is introduced. Last October 12, 2015, the Government introduced a temporary program that will help existing retirees and those who are close to retirement, to increase the weekly earnings of the State pension benefit. The program - which will enable a new type of national insurance contribution (NIC) - covers individuals who are not eligible for the generous State pensions that will be introduced in April 2016. Government officials expect that the program will be especially attractive to people who have not regularly contributed during their working lives, and to self-employed workers who are not eligible for a benefit. The Government predicts that nearly 265,000 individuals will participate in this new program. (Source: Social Security International Update; Date: December 2015).

Czech Republic

• The Czech Chamber of Deputies voted to eliminate the second pensions pillar and establish a third savings pillar. If the law is passed, workers will not be able to contribute to the second pillar as of January, 2016. The individual account balances will be gradually returned to members and the pension funds will be liquidated by 2017. The Senate will have to vote on the law and the President must sign it. (Source: AON Global Retirement Update; Date: November 2015).

8 At the exchange rate on 31.12.2015 of 1 USD = PLN 3.88035.

Russia

• **Contributions to the second pillar will continue to be reassigned to the first pillar in 2016.** Last October 7, the authority in charge of pension funds in the Russian Federation announced that contributions to the second individual accounts pillar will be reassigned to the first pillar public system. The purpose of the reassignment is to reduce the fiscal deficit—projected to reach 2.8% of GDP in 2016 - and it is expected to generate tax savings of RUB 344 billion (approx. USD 4.7 billion[9]) and RUB 300 billion (approx. USD 4 billion) respectively, which altogether represent 0.5% of GDP. (Source: Social Security International Update; Date: October 2015).

9 At the exchange rate on 31.12.2015 of 1 USD = RUB 73.16.

IV. Asia and the Pacific

India

• The pension funds regulatory authority published a clarification with respect to deferred lump sum withdrawal of funds from the National Pension System. Under existing regulations, when leaving the National Pension System (NPS), workers can defer withdrawal of the eligible lump sum amount (60%) and keep it invested in the NPS until they are 70 years old. Workers can withdraw the chosen lump sum amount in a maximum of 10 annual installments until the age of 70, or withdraw the total amount with 15 days prior notice. If there is no prior notice, the balance in the individual account will be monetized and credited to the account of the worker when he turns 70. (Source: AON Global Retirement Update; Date: November 2015).

South Korea

• The Government could raise the retirement age from 65 to 70. The retirement age is currently scheduled to increase gradually from 60 to 65. It is not yet known when the new measure will be implemented. (Source: AON Global Retirement Update; Date: November 2015).

New Zealand

• A report that examines aspects of the KiwiSaver is published. On September 16, 2015, the Treasury published the report "Review of the KiwiSaverFund Manager Market Dynamics and Allocation of Assets" which examines the different aspects of the KiwiSaver after seven years of operation. The objectives of the report are:

(i) Monitor the role of the KiwiSaver in the New Zealand economy. To June 2014, the assets managed in this program totaled NZD 22.8 billion (approx. US$ 15.6 billion[10], about 9% of GDP), and it is projected to reach NZD 70 billion by 2020 (approx. USD 48 billion, 23% of GDP).

(ii) Assess the degree of competition among providers. In June 2014, six of the 20 vendors that offer KiwiSaver accounts managed 93% of total assets. A higher level of awareness among consumers would stimulate competition, so consumers need to increase their level of financial literacy.

(iii) Assess the net rates of return of the KiwiSaver. These fees vary in comparison to some government financial institutions. The KiwiSaver has a higher percentage of fixed income investments compared to the New Zealand Superannuation Fund (NZSF) and other government financial institutions, which have a higher percentage invested in equities. The NZSF has surpassed the KiwiSaver program over time, says the report. (Source: Social Security International Update; Date: October 2015).

Thailand

• A new voluntary savings program is introduced. Last August 20, 2015, the Government launched a new voluntary savings program, the National Savings Fund (NSF), for approximately 25 million informal workers who are not covered by the formal pension program. The NSF is designed to encourage pension savings, through complementary contributions by the Government to the accounts of members, according to their age and accumulated savings. Government officials hope that the savings produced by the NFS will help sustain the economic security of workers in old age, while also contributing to the economic growth of the country. Government surveys estimate that 42% of adults over the age of 60 have insufficient funds to maintain their standard of living in retirement, while 31 percent have no savings at all. In the NSF: (i) Members are not required to contribute the same amount each month, but those who stop contributing altogether will lose the government's complementary contribution; (ii) The managers of provisional plans will be responsible for the investment of the funds, and the Government will provide a guaranteed rate of return. More than 300,000 people joined the NFS in the first month following the implementation of the fund - surpassing the expected membership of between 100,000 and 200,000. The Government's goal is to reach 600,000 members by the end of 2015, 1.5 million by the end of 2016, and 3 million by the end of 2018. (Source: Social Security International Update; Date: October 2015).

10 At the exchange rate on 31.12.2015 of 1 USD = NZD 1.45924.

IV. Asia and the Pacific

Taiwan

• **Workers may withdraw their work insurance in a lump sum payment.** A new Bill of Law will allow employees in Taiwan with 15 or more years of service to withdraw their work insurance in a lump sum. The accumulated balances of workers with 15 or more years of service are currently used for paying a monthly benefit and buying a life annuity. Workers with less than 15 years of contributions are entitled to a lump sum payment. (Source: AON Global Retirement Update; Date: November 2015).