Progress of the Pension Systems[1] January 2015 - March 2015
No. 1

This document compiles the main legal changes that occurred in the pension systems from January 2015 - March 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.

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

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I. *Latin **America** and North **America***

Bolivia

- ***The government announced the transfer of individually funded accounts from the AFPs to the public fund manager Gestora in the next 18 months.*** On January 14, 2015, through an Executive Decree, the Government created a new agency (Gestora), which will take over the individually funded accounts currently managed by the private Pension Fund Managers (AFPs). These accounts must be transferred from the AFPs to the public fund manager Gestora within the next 18 months. Although the nationalization of the pension system had been announced in 2010, the implementation of this measure had been postponed until now. According to the Government, the delay in implementation was due to the fact that the AFPs were trying to recover contributions from defaulting employers. Among the main functions of Gestora are: the management of individual accounts, the collection of contributions, the payment of benefits and the administration of the fund's investments. The Executive Decree grants Gestora more ample investment limits than those the AFPs had, since its purpose is to increase the rate of return on investments and guarantee a minimum level of benefits. Gestora must also constitute a reserve fund to cope with any loss. Initially, the Bolivian Government will contribute approximately US$ 11.3 million to Gestora, while the 2015 budget authorizes up to US$ 17 million to finance the agency's startup and operating costs. Members, on the other hand, must continue paying 0.5% of their taxable income as a commission on administrative expenditure. This commission will be reviewed every 3 years. Further details here. (Source: Social Security International Update; Date: March, 2015).

Canada

- The Province of Ontario plans to create the Ontario Retirement Pension Plan (ORPP). At the beginning of the year, the Government of Ontario introduced a Bill of Law (No. 56) for the creation of the ORPP, which is currently being discussed in the provincial parliament. The project proposes that the operating and management rules and regulations, the investment of the Pensions Plan and the creation of the agency entrusted with managing the fund should be defined by January 1, 2017, at the latest. In principle, workers and employers would each contribute 1.9% of the worker's salary (joint contribution of 3.8%), up to an annual ceiling of CAD 90,000 (USD 71.056[2]). Further details here . (Source: Global Retirement Update; Date: January 2015).

[2] At the nominal exchange rate on 31.03.2015, 1 USD = 1.2666 CAD.

Chile

- ***The Superintendency of Securities and Insurance (SVS) issued rules and regulations governing the technical reserves of Life Annuities.*** On January 13, 2015, the SVS issued two standards aimed at improving the pensions provided by the insurance industry through Life Annuities (LA). The first one, NCG No. 374 , introduces changes to the discount rates used for the constitution of the technical reserves associated to Life Annuities. These changes reduce the technical reserves that companies must maintain for the new policies they issue after the application of the standard. This reduction of technical reserves will result in a lower financial cost for companies, which in turn should entail a positive effect on pensions through LA. The application of this standard is mandatory as of June 1, 2015, but insurance companies may apply it on a voluntary basis for policies that come due from March 1, 2015 onwards. The second Standard, NCG No. 373, is related to the so-called "Test of Asset Sufficiency," that replaces the current discount rate, in line with the previous standard. Further details here. (Source: www.svs.cl; Date: 13.01.2015).

- ***The Superintendency of Pensions (SP) and the Superintendency of Securities and Insurance (SVS) have submitted the New Mortality Tables for the calculation of pensions to consultation.*** Last March 27, 2015 the SP and the SVS submitted to public consultation the New Mortality Tables for the calculation of programmed retirement pensions for men and women, the additional contributions for disability and survival pensions, and the technical reserves that insurance companies offering life annuities and participating in the disability and survival insurance must constitute, all of which will become effective as of July 1, 2016. The new tables submitted to consultation show that women enrolled in the pension system who turn 60 in 2016 (the legal retirement age), will live on average to the age of 91.09, i.e. 1 year and 11 months more than in the existing tables. Increased survival gives rise to a drop of 3.42% in the first programmed retirement pension, with respect to existing tables. The life expectancy of men of 65 (the legal retirement age) in 2016 is expected to be 85.6 years on average in 2016, i.e. 11 months more than in the current tables. The effect on the first programmed retirement pension is reflected in a lower income of 3.06%, which, as in the case of women, is prorated to cover the longer survival. The deadline for comments is next June 1. The definitive tables are expected to be published in December, 2015. Further details here. (Source: www.latercera.com; Date: 27.03.2015).

- ***The First Public/Private Meeting on Financial Integration in the Pacific Alliance: Challenges and Opportunities, was held last March 11.*** The purpose of this meeting was to create an instance for dialogue and analysis of financial integration issues within the framework of the Pacific Alliance. The meeting was attended by high-level government authorities, representatives of financial superintendencies and international agencies, chairmen of banks, stock exchanges and pension fund associations, as well as chairmen of international mutual funds, suppliers of the AFP industry, economists and experts from the four countries comprising the Pacific Alliance. Within the framework of this meeting, Mr. Rodrigo Acuña presented SURA Asset Management's international study "How to strengthen the Latin American pension systems: experiences, lessons and proposals." You can download a complete version of the book here. (Source: www.alianzapacifico.net; Date: 09.03.2015).

Colombia

- ***The Transparent Prices Law came into effect for members of the AFPs and Colpensiones in March.*** Although the National Government has not regulated the Law 1748 approved on December 26, 2014, it requires the AFPs and the State-run Colpensiones to provide their members with a quarterly report on the balance of their savings accounts, the yields obtained, the commission for managing these resources and the cost of other legal deductions and the projection of their expected pension. In addition, the AFPs and Colpensiones must guarantee appropriate guidance to their affiliates who want to switch from programs. (Source: www.eltiempo.com ; Date: 26.03.2015).

- ***The Government increased the minimum wage above average productivity in order to stimulate life annuities***. . In Colombia, the life annuity market has dropped considerably, especially due to the current uncertainty regarding minimum wage adjustments. For this reason, the Decree 036 of 2015 establishes the coverage mechanisms that allow insurance companies to eliminate the risk associated with increases in minimum wage so that they can offer life annuities and facilitate the retirement of workers under this pension modality. According to FASECOLDA, in 2013 and 2014 no life annuities were issued. (Source: www.eltiempo.com;) Date: 09.02.2015).

Costa Rica

- ***Proposal of the Ministry of Finance seeks to eliminate tax exemption on income paid into voluntary pension savings***. In mid-March, 2015, the Ministry of Finance proposed eliminating the existing tax exemption on income for employers and workers who contribute amounts of not more than 10% of the worker's salary to voluntary pension funds. In exchange, the Ministry proposes eliminating the tax on both mandatory and voluntary contributions when withdrawing complementary pensions. Further details here. (Source: www.nacion.com; Date: 20.03.2015).
- ***Ministry of Finance seeks to cut back public pensions.*** In mid-March, 2015, it was announced that the Ministry of Finance is drafting to two bills of law to reduce pension amounts paid from the national budget. These pensions originated in different systems and their conditions are more advantageous than the Disability, Old Age and Death pension of the Costa Rican Social Security Fund (CCSS), with the aggravating factor that no fund was ever created for them, so that the State is obligated to finance them. The initiative will propose lowering benefit amounts and putting a cap of 2.5 million colons (approximately US$ 4.740[3]) on them. (Source: www.nacion.com; Date: 16.03.2015).
- ***The Costa Rican Social Security Fund (CCSS) is considering reforming the Disability, Old Age and Death (IVM) pension system, by 2016 at the latest***. At the beginning of March 2015, it was announced that the modifications could include the adjustment of the three main variables of the system: the number of contributions, the retirement age and retirement benefits. The CCSS is the largest pension system in the country, with more than 1.4 million enrolled workers. The Superintendency of Pensions (Supen) deems these adjustments to be necessary, since according to its estimates the financial stability of the IVM will be in jeopardy after 2025. (Source: www.nacion.com; Date: 06.03.2015).
- ***The government seeks to reduce the benefits of special pension regimes.*** At the beginning of March 2015 it was announced that the main reform would be that the pensions of the regimes of former members of the house of representatives and employees of the Ministry of Finance would increase in accordance with the wage increases decreed by the Executive for the public sector, every six months, instead of the special conditions they now enjoy. The pensions of former deputies will increase by 30% per year, by law, whereas pensioners of the pension system of the Ministry of Finance will receive the same percentage increase received by the officials holding the positions they formerly held. The project also aims to reduce the percentage of salary with which some 8,000 officials currently contributing to special regimes will retire, from 100% to 80%. (Source: www.nacion.com; Date: 04.03.2015).

[3] At the exchange rate on 31.03.2015, 1 USD = 527.36.

El Salvador

- ***AFP Confía changed hands.*** At the end of February this year, Citigroup sold 75% of the shares of AFP Confía to the Honduran company Grupo Atlántida. The transaction has already been approved by the Superintendency of the Financial System. (Source: www.elmundo.com.sv; Date: 27.02.2015).
- ***The State and the AFPs will be sued by workers for not abiding by a previous judgment regarding the interest rate to be paid by the State.*** At the end of January 2015, a group of workers announced that they are preparing a lawsuit against the State of El Salvador and the AFPs for violating a ruling of the Supreme Court of Justice of 23 December 2014, which ruled that the deputies should establish a new interest rate that improves the returns and savings of contributors whenever the State borrows money from the Pension Obligations Trust. The complaint arises because US$ 111 million in Pension Investment Certificates (CIP) were placed at the beginning of January, 2015, with an interest rate of 3%. Almost USD 40 million have already been purchased by the AFPs. Although the rate paid previously was about 1.3% (Libor + 0.75%), the plaintiffs claim that a 3% rate is still very low and that the AFPs must refrain from buying CIPs until the deputies determine the new interest rate to be paid by the State. Further details here. (Source: www.elsalvador.com; Date: 09.02.2015).
- ***Workers request that the interest rate the Government pays for using the funds of the Pension Obligations Trust rise from 1.3% to 7.5%.*** The Workers' Committee leaders asked the Constitutional Division to include a new article in its judgment of 23 December 2014 (see above), expressly stating that the pension funds will earn the basic passive interest rate at 180 days published by the Central Reserve Bank (currently 4%) plus 3.5%. They believe that this 7.5% rate would be fair, considering what the government pays to other international investors that lend it money. Further details here. (Source: www.elsalvador.com; Date: 15.01.2015).

Honduras

- ***Honduras discusses bill of law for reforming the pension system.*** A bill of law for reforming the Honduran social security system is currently being discussed in Congress. The project is now subject to the second of three debates for its approval. The project seeks to create an individually funded system that complements the public PAYGO system (mixed system). Further details here. (Source: AFP Atlántida; Date: March 2015).

Mexico

- ***Possible regulatory changes to facilitate investment in Development Capital Certificates (CKDs) by pension fund managers.*** During the tenth Private Capital Summit in Mexico: Venture Capital, Growth, Real Estate and Infrastructure, held between March 25 and 27, 2015, the Chairman of the regulating body of the Afores, Carlos Ramírez Fuentes, announced that both the National Commission for the Retirement Savings System (CONSAR) and the National Banking and Securities Commission (CNBV) are busy drafting regulatory changes to facilitate investment in CKDs by the pension fund managers. He also said that the process will be reviewed to facilitate the decisions Afores must make when deciding whether or not to invest in CKDs. This instrument will also be made more flexible, for example in the requirements for issuance, funding and decision-making within the project. (Source: Boletín Diario de Seguros América Latina; Date: 27.03.2015).

Peru

- ***The Superintendency of Banking, Insurance and AFPs (SBS) creates a new pension mode denominated "Combined Income."*** At the end of March, 2015, the SBS announced a new pension mode denominated "Combined Income," to provide the members of the AFPs with an option that mergers life annuity (LA) and programmed retirement (PR). Members opting for this new mode may receive two payments simultaneously, one corresponding to PR and the other to LA, in order to ensure a minimum pension and reduce the degree of risk they must assume. In addition to the new pension mode, the SBS announced the extension of the temporary income mode into three, four or five year periods, provided that the member who is about to retire chooses the temporary income with the deferred life annuity option. With this new pension mode, retirees will be able to receive their life annuities and also take out a family life annuity with an insurance company, which will come into effect once the temporary income term expires. Further details here . (Source: Boletín Diario de Seguros América Latina; Date: 25.03.2015).

- ***A new SBS resolution seeks to provide more information on existing pension modes to AFP members.*** The SBS has published a resolution that aims to improve the mechanisms for informing on the different existing pension modes. It therefore modified some legal aspects regarding the guidelines and information provided to members. The amendment of Chapter IV of the Compendium of Regulatory Standards of the Private Pension System (SPP) focuses on the Proof of Attention voucher that the AFPs must issue after each consultation by a potential pensioner, the purpose of which is to guarantee that the person has obtained the necessary information regarding the benefits he seeks to access, or will access. This voucher must now contain the evaluation of all the pension alternatives available in the SPP, in terms of the possibility of accessing one or more of their benefits on the basis of the information presented by the AFP. (Source: Boletín Diario de Seguros América Latina; Date: 05.02.2015).
- ***New non-contributory benefit for the poor with severe disabilities.*** Last January 21, 2015, the Ministry of Women and Vulnerable Population Groups announced a new non-contributory benefit for poor individuals diagnosed with a severe, permanent and irreversible disability. This benefit will be introduced gradually, starting with 3 regions of the country. The Government estimates that about 87,000 people qualify for this new benefit. This new benefit does not have any age requirement, and the individual must not be eligible for any other type of social benefit. The benefit amount will be of at least US$ 40 per month (equivalent to Pension 65, the non-contributory pension that benefits individuals over 65 living in extreme poverty). Further details here . (Source: Social Security, International Update; Date: February 2015).

<u>Dominican Republic</u>

- ***The Pension Fund Managers (AFPs) warn of contributions on income below the minimum wage.*** Last March, the AFPs expressed their concern over the negative impact of monthly contributions on income below the minimum wage, made by employers at the expense of workers. A document presented by Kirsis Jáquez, Executive President of the Dominican Association of Pension Fund Managers (ADAFP), states that 35% of contributors in December, 2014, received contributions in their accounts based on salaries below the minimum wage. It must be pointed out that employers are responsible for withholdings and social security payments. (Sources: ADAFP Press Release; Date: 20.03.2015 and www.diariolibre.com; Date: 23.03.2015).

<u>Uruguay</u>

- ***Law 19.162, which introduces changes to the individually funded pension system and seeks to provide more options and benefits for workers, came into effect.*** Last February 1, 2014, Law 19.162,which introduces a series of amendments to the Uruguayan social security system, came into effect. The following are some of the most notable amendments: revocation of the options provided for in Law 16.713, assigned enrollment, transfers between fund managers, re-employment of retired members of the savings system and the incorporation of two sub-funds. (Source: República AFAP; Date: February 2014).

- ***The sub-funds system was launched in Uruguay***. Within the framework of Law 19.162, the Pension Savings Fund Managers (AFAPs) began operating with two sub-funds as of August 1, 2014: the Accumulation Sub-fund and the Retirement Sub-fund. This measure is in line with the trend of second generation social security reforms in the region, oriented towards multifunds systems that allow members to choose the most suitable fund for investing their savings in accordance with their risk profiles. Since there is no equity market in Uruguay and the AFAPs are prohibited from investing in international equities, the creation of funds with different degrees of risk is not viable in Uruguay. Nonetheless, opening up to a two-funds system enables better management of the investment horizon and the price risks associated thereto, as well as allowing more conservative exposure to credit and currency risks. Hence, the purpose of this measure is to mitigate the effects of an abrupt drop in the rate of return for members close to retirement. This system functions by gradually transferring members' funds from the Accumulation to the Retirement Sub-fund (20% per year over a period of five years) after they turn 55. These rules and regulations regulate the limits of the Retirement Sub-fund more restrictively, limiting the credit risk of the Uruguayan government, the Central Bank of Uruguay, local financial intermediation agencies and very highly rated international credit agencies and foreign governments. Similarly, the risk of exposure to foreign currency is reduced by lowering the limit to 15% (35% in the Accumulation Sub-fund). The regulations also reduce the price risk by limiting investments to securities with no more than 5 years to maturity. (Source: República AFAP; Date: September 2014).

II. Europe

Germany

- ***The contribution rate to the public pension system decreases and the tax ceiling increases.*** As of January 1, 2015, the contribution rate to the old-age, disability and survival system of the PAYGO system dropped from 9.45 to 9.35% for both workers and employers, i.e., the overall contribution dropped from 18.90 to 18.70%. At the same time, the tax ceiling increased from €71,400 (USD 86,687) to €72,600 (USD 88,144) in West Germany and from €60,000 (USD 72,846) to €62,400 (USD 75,760) in East Germany. The Minister of Labor expects the new contribution rates to remain in place until 2019, increasing to an overall contribution rate of 20% (the sum of the contributions of workers and employers) in 2020, and to a rate of 22% in 2030. Furthermore, the retirement age increased as planned by one month to 65 years and 4 months (since 2012 the retirement age has been increasing gradually by one month per year, until 2024, after which it will increase by 2 months per year until 2029, thus increasing the retirement age to 67). Further information here. (Source: Social Security, International Update; Date: January 2015).

Belgium

- ***The early retirement age increases from 60 to 62.*** The early retirement age increased from 60 to 62 as of January 1, 2015. The law allows early retirement for certain workers, such as those who have worked night shifts for more than 20 years. (Source: Global Retirement Update, Hewitt Associates; Date: January 2015).

Bulgaria

- ***The Government announced amendments to the changes made to the 2nd pillar of the pension system in December, 2014***[4]. Due to the opposition to the changes made to the 2nd Pillar on that occasion, the Government announced a series of amendments to the initially proposed changes. In particular, contributors to the 2nd Pillar who choose to switch their contributions to the 1st Pillar (public PAYGO) may retract their decision (the decision to switch from the 2nd to the 1st Pillar was originally irreversible, since there are no individual accounts in the 1st Pillar managed by the National Institute of Social Security). The contributions of members who decide to switch from the 1st to the 2nd Pillar will be paid into the Sovereign Stability Fund instead of going directly to the 1st Pillar. This allows contributors to maintain ownership of their accumulated fund and eventually return its management to a private fund manager. Members who are more than 5 years from retirement can change fund managers once a year. Workers entering the labor market for the first time will be given 3 months to choose a private fund manager; should they fail to do so, they will be assigned to a fund manager by default (originally, those who did not exercise their option to enroll in the 2nd Pillar were automatically assigned to the 1st Pillar, with no further possibility of reversing the situation). (Source: FIAP based on information submitted by the Bulgarian Association of Complementary Insurance Companies, BASPSC; Date: March 2015).

Slovakia

- Workers may opt for switching the funds from their individual savings account (2nd Pillar) to the public PAYGO system (1st Pillar). The Government gave workers the option of switching their funds from the 2nd Pillar (individually funded and privately managed) to the 1st Pillar (public PAYGO system) [5]. This change will allow the Government to reduce the deficit of the public PAYGO system, caused in part by the aging of the population. This is the fourth time that the Government has allowed workers the option of abandoning the 2nd Pillar of the pension system since its introduction in 2005. In previous periods, culminating in 2008, 2009 and 2013, a total of 106,000, 66,000 and 90,000 members of the 2nd Pillar, respectively, chose to switch their funds to the public system. Further details [here.](#) (Source: Social Security International Update; Date: March 2015).

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[4] Last December 19, 2014, the Bulgarian government unilaterally approved the 2015 Budget Law, which includes a series of measures that modify the Social Security Code (SSC), to the detriment of the 2nd Pillar. In particular, it establishes the following:
(i) All new participants in the labor market will have to contribute to the 1st Pillar, unless they expressly state that they want their contribution (5%) to be managed by a private fund, for which they have a deadline of one year after employment. If at the end of the year these individuals have not exercised their option to contribute to a private fund, they may no longer choose to participate in the 2nd Pillar in future, and they will have to contribute only to the 1st Pillar.
(ii) Current contributors to the 2nd Pillar (those born after December 31, 1959), will have the one-off option of choosing whether they want to transfer their private pension funds to the solidarity fund of the National Social Security Institute (NSSI). There is no deadline for members to make this decision. This entails the transfer of the accumulated balance in their individual accounts, as well as future contributions (5%) to the public PAYGO system (1st Pillar, managed by the NSSI). This decision would be irreversible, because the NSSI does not maintain personal accounts.

[5] In Slovakia the rules and regulations of the individually funded 2nd Pillar have been subject to the political whims of the incumbent government. In 2005, when the 2nd Pillar was introduced, membership was mandatory for all new workers entering the labor market. Subsequently, between 2006 and 2010, membership was voluntary. Then, between 2011 and 2012 membership was once again mandatory. Finally, from 2012 to date, membership of the individually funded system is once again voluntary, with the possibility of opting out of the system and switching the balance accumulated in the individual account to the public PAYGO system.

Slovenia

- ***A minimum pension for retirees has been proposed.*** In March, 2015, the Government proposed granting a minimum pension equivalent to 136% of the minimum wage (EUR 269.5 in 2015) to workers who had contributed to the social security system for more than 30 years. For each year of contributions over and above 30 years, the minimum pension would increase by one additional percentage point. If the project is approved, the minimum pension would start being paid on July 1, 2015. (Source: Global Retirement Update, Hewitt Associates; Date: March 2015).

The Netherlands

- ***New law introduces changes to the way occupational pensions are calculated.*** A new law introducing a series of changes to the occupational pension plans has been implemented as of January 1, 2015. In particular, this law reduces the maximum benefit, sets a limit on the salary used for calculating the pension, creates a new kind of voluntary retirement system for those with higher incomes, and establishes a voluntary system for some self-employed workers. Another one of the measures included in the Act is the establishment of a tax ceiling of EUR 100,000 (USD 108,248[6]) per year (except for disability pensions). Workers who earn more than the tax ceiling, will be able to contribute to a new voluntary savings plan. A previous law had increased the retirement age for occupational pensions from 65 to 67 as of January, 2014 and introduced a gradual increase in the retirement age from 65 to 67 by 2023. A new legislative initiative aims at accelerating this increase to reach the retirement age of 67 within 2 years. Further details here . (Source: Social Security International Update; Date: December 2014).
- ***Parliament agrees to accelerate the increase in the retirement age.*** The Lower House of Parliament approved a bill to accelerate the increase in the retirement age. Under the new legislation, the retirement age will increase by three months per year in 2016 and 2017, and by four months per year from 2018 to 2020. Thus, the retirement age will be 66 in 2018 and 67 in 2021. From 2022 onwards, the retirement age will be modified according to changes in life expectancy. Previously, the retirement age was increasing by one month per year to reach 67 in 2023. (Source: Global Retirement Update, Hewitt Associates; Date: January 2015).

Hungary

- ***The 2nd Pillar of the pension system will be permanently abolished.*** A law was promulgated in 2010 that automatically transfers the funds of the private individually funded system (2nd Pillar) to the public PAYGO system (1st Pillar), with the exception of those workers who express their desire to keep their funds in the 2nd Pillar. All individuals remaining in the 2nd Pillar will lose all future contributions by the employer to the 1st Pillar (workers are still obligated to contribute to the public PAYGO system). Enrollment in the 2nd Pillar fell dramatically and four private pension fund managers are still operating to date. However, a new law promulgated in January 2015 will allow the complete dissolution of the 2nd Pillar. (Source: Global Retirement Update, Hewitt Associates; Date: January 2015).

United Kingdom

- ***The Government will offer free and impartial advice to workers on their pension options.*** As of April 6, 2015, workers in the United Kingdom who have saved in a defined-contribution system, may access their savings after 55

[6] The exchange rate on 31.03.2015, 1 USD = EUR 0.9238.

years of age (if permitted by their retirement plan). Workers may withdraw a quarter of their savings tax-free; if they withdraw a greater amount, they will have to pay the respective tax. Withdrawals can be once only (lump-sum), or by means of programmed withdrawals. This is why the Government has committed to providing free and impartial advice to workers regarding their options and their impacts. The service is called "Pension Wise: Your Money, Your Choice." Pension fund managers must inform their members in writing of the existence of this service. (Source: Global Retirement Update, Hewitt Associates; Date: January and February 2015).

Russia

- ***In 2016 Russia will freeze second pillar contributions for the fourth consecutive year.*** At the beginning of February, 2015, the Minister of Labor announced that Russia is considering freezing contributions to the private individually funded system in 2016, as a measure for addressing the fiscal requirements of the public PAYGO system. Contributions to private pension funds were also frozen in 2013, 2014 and 2015. (Source: www.uk.reuters.com; Date: 04.02.2015).
- ***The new public pensions law gradually increases the number of contributions necessary for accessing a pension***. A new public pensions law came into effect in Russia on January 1, 2015. This law gradually increases the minimum number of years of contributions required to qualify for a defined benefits pension, from 6 to 15 by the year 2024. The law maintains the structure of the pension system, based on a 1st Pillar (defined benefits and State-run) and a second individually funded pillar (defined contribution and privately managed). Workers must contribute 10% to the first pillar and 6% to the second pillar. The former private pension fund managers must make a series of adjustments in the light of the new law: (i) change from being non-profit to joint stock companies; (ii) obtain a license from the Bank of Russia to operate; (iii) establish a reserve fund and a guarantee fund. Furthermore, the accounts managed by the Vnesheconombank (VEB), the State institution that managed the 2nd Pillar accounts of individuals who did not chose a private fund manager, must gradually be transferred to the private fund managers between 2015 and 2017. This includes the contributions that have been frozen by the Government since 2013. Further details here . (Source: Social Security, International Update; Date: February 2015).

Ukraine

- ***The retirement age will increase gradually for women in hazardous jobs.*** In March 2015, it was announced that the retirement age for women born after 1970, and who work in Category I (especially hazardous activities) will increase from 45 to 50. The retirement age for women born after 1965, and who work in Category II (hazardous activities), will also increase from 50 to 55. The increases will be gradual: 6 months per year over the next 10 years. (Source: Global Retirement Update, Hewitt Associates; Date: March 2015).

III. Asia and the Pacific

Australia

- ***Report warns of the aging trend in Australia and emphasizes the need for change in the existing pension system.*** Last March 5, 2015, the Australian Treasury published the 2015 Intergenerational Report: Australia in 2055, which assesses the impact of population aging on public finances. According to the report, the number of people older than 100 will be 8 times higher than the current figure by 2055, while those older than 85 will be 5 times higher. Furthermore, it is estimated that life expectancy at birth will increase by 3.6 years for men and 3 years for women. At present, non-contributory pensions account for 2.9% of GDP, and the report estimates that this will increase to 3.6% of GDP over the next 40 years if no changes are made. However, the report states that if the changes proposed by this administration are carried out, this cost will drop to 2.7% of GDP. Among the measures proposed by the Government are: (i) increase the retirement age to 70 (it is currently planned to raise the retirement age to 67 by 2023, and the Government intends to continue increasing it by 6 months every two years until age 70 in 2035); (ii) change the indexing method: it is proposed to index pensions only against changes in the consumer price index (CPI) (Variations in the CPI and the cost of living index for pensioners and beneficiaries are currently taken into account). (iii) adjust the mechanisms for non-contributory pension eligibility, so that the number of individuals receiving only non-contributory pensions will be progressively less (it is expected that the proportion of the pension originating in individually funded accounts will progressively increase as time goes by). (Source: Social Security International Update; Date: March 2015).

China

- ***China will require government officials to contribute 8% of their salary to pensions.*** Within the framework of the reform of the social security system, the Chinese Government has decided that government employees should destine 8% of their salaries to paying for their pensions, while Government agencies and public institutions must contribute 20% of their workers' wages. Lat January 14, the State Council approved the reform of the pension system that aims to unify the conditions of workers in the public and private sectors, so that workers in both sectors participate in the same pension system. Although the reform seeks to unify the public and private social security systems, there are still differences with the private sector, where many workers lack health insurance or pension systems. (Source: Boletín Diario de Seguros América Latina; Date: 15.01.2015).

India

- ***The Indian government proposes reducing the contribution rate from 12% to 10% and not requiring low-income workers to contribute to the pension system.*** At the end of February 2015, the Government announced its intention to reduce the contribution rate to the Employees' Provident Fund (EPF) from 12 to 10%. It has also been proposed that workers whose incomes are below a certain level will not be required to contribute to the EFP. Nonetheless, employers must continue contributing to the EPF, even though the worker chooses not to contribute[7]. What that salary level will be has not been specified to date. (Source: http://www.thehindubusinessline.com; Date: 28.02.2015).

Singapore

- The Government announced changes to the Central Provident Fund (CPF) starting in January 2016. As of January 1, 2016, the tax ceiling for the CPF will increase from SGD 5,000 (USD 3.641[8]) to SGD 6,000 (USD 4,370). The tax ceiling for complementary pensions (voluntary) will increase from SGD 29,750 (USD 9,282) to SGD 15,300 (11,139 USD). The contribution rate for individuals aged 50-55 will also increase from 35% to 37%. This increase

[7] Workers currently contribute 12% of their salaries to the Workers' Pension Fund; the same contribution rate applies to employers.

[8] The exchange rate on 31.03.2015, 1USD = SGD 1.37306.

will be divided equally between employers and workers. Employers also have to contribute an extra percentage point for workers between 55 and 60, and one and a half additional percentage points for workers between 60 and 65. The government will also increase the interest rate it pays into CPF accounts by one percentage point. (Source: Global Retirement Update, Hewitt Associates; Date: March 2015).