International Federation of Pension Fund Administrators

Progress of the Pension Systems
April - May 2019
No. 3

This document compiles the major changes that occurred in the pension systems in the April-May 2019 period, with emphasis on the development of the individually funded systems.

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

Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

- ***Slovakia:*** As of July 1, the government will set the retirement age at 64, allowing women with 1 child to retire 6 months earlier, women with 2 children 12 months earlier and women with 3 or more children 18 months earlier, receiving a full pension.
- ***Isle of Man:*** On April 6 the government implemented a new PAYGO pension system denominated "Pension Manx," which replaces the former PAYGO system. The new system toughens retirement access conditions, reduces full pension amounts and gradually eliminates certain subsidies, among other aspects.
- ***Peru:***
  - Congress finally approved the Special Early Retirement Regime (REJA) and modified Regular Early Retirement (JAO), limiting access in both cases (to avoid abuse under the 95.5% Law).
  - The regulator approved a reduction in the deadline for effective transfer from one fund to another, from a maximum of 49 to 27 business days.

Investment Options

- ***Mexico:*** The Investment Regime has been modified to transition from a Multifunds to a Target Date Funds (TDF) system, with Mexico being the first Latin American country to do so.
- ***Uruguay:*** The Central Bank authorized 3 AFAPs to invest in forestry trust certificates (of forestry plantations owned by Harvard University). This is the fourth trust of this nature that the AFAPs have participated in.

Reforms proposed or to be discussed

- ***Brazil:*** Congress will vote on the government's pension reform in July.
- ***Chile:*** Chamber of Deputies approves the idea of legislating the pension reform proposed by the government.
- ***Colombia:*** The Minister of Labor fixed four immutable points in the pension reform to be submitted to congress in December. 2019: (i) the retirement age will not be increased; (ii) acquired rights will be respected; (iii)substitute pensions will be respected; and (iv) the subsidies currently applied to the highest pensions must be applied to the lowest pensions.
- ***Costa Rica:*** More than 20 deputies from different political fronts have proposed a bill of law allowing the one-off withdrawal of the funds accumulated in the Mandatory Pension System (ROP). Edgar Robles, the former superintendent, has declared that this project would condemn people to forego their pensions and live in poverty.
- ***Spain:*** Bank of Spain calls for the implementation of the pension reform before the "average voter" ages more, arguing that the 2011 and 2013 reforms curbed public pension expenditure increases, but that the implementation of the "sustainability factor" has been delayed and if nothing is done, public pension expenditure could increase by as much as 7% of GDP. The Bank also proposes studying innovative solutions for increasing pensions, such as reverse mortgage.
- ***Japan:*** Regulator requests financial institutions to offer products that focus on longevity risk coverage.
- ***Uruguay:*** In a seminar organized by the National Association of AFAPs (ANAFAP), renowned economists raised the need to: (i) reduce the replacement rate to encourage the postponement of the retirement age; (ii) increase contributions in the AFAP pillar; and (iii) seek to unify the system in the long term.

Crisis in public PAYGO systems

- ***Argentina:*** The IMF insists on increasing the retirement age and reducing the replacement rate.
- ***Colombia:*** The IDB's representative in the country said that the public social security system will only be viable until 2050.
- ***Costa Rica:*** The Government will resort to issuing debt bonds to pay the 61,360 pensions charged to the National Budget this year. 21% of retirement expenditure this year will be financed with securities, as set out in the 2019 Budget Law.
- ***Ecuador:*** The public pension system has low coverage for retirees (only 15% of those who meet the basic requirements for retirement receive a public pension), and represents a high state subsidy expense (according to the IDB, 70% of pensions received by retirees come from the State subsidy).
- ***El Salvador:*** The State will continue borrowing to pay public pensions, according to a study by the Financial System Commission (SSF), which is explained by the constant growth of its pension obligations (the assessment considers the amendments to the law after the 2017 reform).
- ***Greece:*** The governor of the Bank of Greece sounded the alarm regarding the cost of social security and warned that the margins are "extremely narrow" for pensions to continue to be paid out of the state budget.
- ***Paraguay:*** OECD urges reforms to the system, such as: (i) incorporating self-employed workers to improve coverage; (ii) rethinking the parameters of the PAYGO systems to make it financially sustainable.

Relevant reports or presentations

World Bank publishes book "[Challenges and Opportunities of Ageing in Chile.](#)" According to the publication, progress in the Chilean development process in recent decades is reflected in several dimensions, including drops in mortality and fertility - which reflect the growing capacity of Chileans to decide on the size of their families. These changes affect the age structure of the population: Chile is going through a population aging process, which will continue in coming years. These demographic trends are good news: Chilean population aging is a powerful indicator of development, but it cannot be denied that a change of this magnitude poses important challenges in several dimensions: in the long term - with a horizon to 2100 - the proportion of active population will drop (with senior citizens representing 33%), giving rise to several impacts on the labor market and public accounts. The book explores these potential effects of demographic change on social security, the demands on health and education services, the functioning of the labor market and macroeconomic dynamics, considering the institutional and legal changes that will be necessary to respond to this new reality. Some of the initiatives proposed in the report are: (i) Promote flexible work forms and modernize labor regulations; (ii) Increase labor participation by women; and (iii) Promote immigration as an engine of the demographic bonus, providing society with sustained economic growth over time. See the presentation of the book by the authors of this study here. ***(Source: http://www.clapesuc.cl; http://www.bancomundial.org/; Date: 28.05.2019).***

IMF publishes study that explores how demographic changes have affected and will affect the savings of the public and private sectors, highlighting the interaction between pension systems, labor markets and demographic variables. The main findings of the study are the following: (i) The cost of public pensions will increase by slightly more than 2% of GDP by 2050 (global average), and the increase will be particularly pronounced in emerging markets and low-income countries; (ii) Relatively young populations in emerging markets and low-income developing countries will generate greater private savings, and this will more than compensate for the projected decrease in public saving; (iii) The differences in private savings rates between countries are large, and this is due to the characteristics of the pension systems. The study concludes, among other matters, that: (i) It is necessary to raise awareness that countries first think about having more effective pension systems and social safety nets, and then implement the necessary reforms; (ii) There are countries whose generous public pension systems could put a strain on public finances in the future, and they should therefore consider measures such as reducing early retirement rates, to reduce long-term fiscal vulnerabilities; (iii) Some countries may have leeway for providing more generous pension benefits, which would reduce the need for households to maintain high levels of savings as a precautionary measure against poverty in old age, and also reduce inequality. ***(Source: www.imf.org; Date: 16.01.2019).***

International AIOS-BID Seminar addressed innovation for the pension debt decumulation stage and how emerging technologies can help us build better pensions. The topics discussed were: (i) The emerging revolution in investments and technology, applied to pensions; (ii) Non-standard employment and pensions in Latin America and the Caribbean; (iii) Challenges in the decumulation stage in Latin America; (iv) Innovations in the decumulation stage; and (v) Retirement SeLFIES (Standard of Living indexed, Forward-starting, Income-only Securities. You can review all the presentations at this link. ***(Source: www.aiosfp.org; Date: 17.04.2019).***

OECD publishes its report ("Pension Funds in Figures"), showing that pension fund assets dropped in value in 2018. Preliminary data for 2018 show that pension fund assets amounted to USD 27.6 billion in the OECD area, about 4% less than in 2017. Calculated in national legal tender, pension fund assets decreased in 12 of the 34 reporting OECD countries, including some of the largest pension markets: Japan (-1.1%), The Netherlands (-1.2%), Switzerland (-0.7%), the United Kingdom (-0.3%) and the United States (-5.0%). Poland experienced the most significant decrease of -12.3%. The decrease in the value of assets reflects the negative real return on investments in 2018. Pension funds suffered financial losses in real terms in 20 of the 25 OECD countries that submitted reports. The lowest investment return rates were observed in Hong Kong (China) (-11.6%), Poland (-11.6%) and Turkey (-11.3%). ***(Source: www.oecd.org; Date: 31.05.2019).***

Objectives and challenges in the implementation of a universal pension system in France. This is the study recently published by the OECD, assessing the implementation of a points-based universal pension system for this country (the aim of the French High Commission for Pension Reform). The document explains why the implementation of a universal points system would increase transparency, reduce inequality and generate efficiency gains for the entire economy. It documents the experience of OECD countries that have opted for a points or Defined Notional Contribution (NDC) system, and provides a technical framework for comparing defined benefit, point and NDC pension systems. The document states that, in the new points system, the indexation rules should be designed to maximize, as far as possible, the pension contribution return rates within a

PAYGO system, while ensuring financial sustainability and recording changes in life expectancy. This implies that the value of the "point" would vary individually, depending on the cohort and the effective retirement age, based on actuarial principles. No country with a points system currently uses age-cohort point values, and France could be the first one to introduce such an innovation. ***(Source: www.oecd.org; Date: 24.05.2019)***.

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

The IMF insists on increasing the retirement age and reducing the replacement rate. The IMF is targeting this country in pension matters, concentrating on these objectives. One of the agency's technical documents published in January ("the future of savings: the role of pension system design in an aging world"), presented with much acclaim by David Lipton, Deputy Managing Director of the IMF, refers to this, stating that it is necessary to "reduce the "ratio of benefits," which entails reducing the ratio between the pension and the base income used for calculating the initial retirement. This "recommendation" is not new, since in the agreement with the IMF last year, the Government undertook to jointly evaluate with the IMF staff and domestic stakeholders in 2019, a reform of the retirement and pension system which it considers "very necessary" and "socially equitable" to "strengthen the fiscal position," promote "economic growth" and create "employment in the mid-term." ***(Source: https://www.eldiarionuevodia.com.ar; Date: 23.04.2019).***

Brazil

Congress will vote on Bolsonaro's pension reform proposal in July. The reform envisages raising the minimum retirement age to 65 for men and 62 for women, making pension rules and regulations stricter and reducing government spending on benefit payments. Since it is a constitutional amendment, the pension reform must be approved by a qualified majority in both the House and the Senate, forcing the government to orchestrate a broad base of support, which it has not yet achieved. Carlos Vegh, the World Bank economist in charge of Latin America and the Caribbean, is optimistic about the economic measures that the Government seeks to implement and argues that implementing the pension reform "is the key" for the regional giant to recover from the severe economic crisis in which it has been immersed in recent years. ***(Source: www.americaeconomia.com; Date: May 2019).***

Chile

Chamber of Deputies approves the idea of legislating the Pension Reform[1]. With 84 votes in favor, the Chamber finally approved, in general, the idea of advancing in the first constitutional process of the initiative, submitted by the Executive in November 2018. The Minister of Finance, Felipe Larraín, specified the aspects in which the Government is committed to deepening the proposals of the reform proposal: (i) Presentation of indications for a sole, new public agency to manage the additional 4%; and (ii) The reduction of the term of implementation of benefits to 90 days, from the current 6 to 7 months contemplated in the bill of law. The Minister of Labor and Social Security, Nicolás Monckeberg, on the other hand, reaffirmed the government's commitment to improving the proposal, stating that it is open to increasing the additional 4% of mandatory contribution contemplated in the bill of law. ***(Source: www.previsionsocial.gob.cl; Date: 05.16.2019).***

Chilean pensions could be up to 397% higher with Norwegian parameters. A study by CIEDESS - an agency linked to the Chilean Construction Chamber - describes what Chilean pensions would be like if they were subject to the pension parameters (contribution rate and retirement age) of some OECD countries: they would increase considerably, especially those of women. If the parameters of the Irish pension system were used, the pensions of Chilean women would be 97% higher than what they currently receive, and if the factors used in Norway were implemented, pensions could rise by more than 397%. ***(Source: www.ciedess.cl; www.df.cl; Date: 30.05.2019).***

Colombia

Colombia's public Social Security system will only be viable until 2050, according to the General Manager of the Country Department Andean Group and representative of the Inter-American Development Bank (IDB) in

[1] The Pension Reform was submitted to Congress in November 2018, initiating its first procedure in the Chamber's Labor Committee. The proposal includes about 50 measures, 14 of which were salvaged from the previous government's bill of law. It contains 5 Key issues, four of which focus on the improvement of the pensions of current and future pensioners, the older beneficiaries of the Solidarity Pillar, the pensions of women, the middle class and the elderly in a state of severe functional dependency. It also contemplates a gradual increase in the mandatory pension contribution of 4%, at the expense of the employer, the admission of nonprofit AFPs and new stakeholders in pension savings management, under a new type of agency: Complementary Pension Savings Managers, along with adjustments aimed at strengthening the oversight of the Pensions Commission, the role of members in the management of the funds, and raising the transparency levels of the system.

Colombia, Rafael De la Cruz, when participating in the forum "Let's Talk about Social Security in Colombia." He also added that if one were to increase coverage without changing the foundations of the system itself, there would be "much deeper" problems. ***(Source: www.valoraanalitik.com; Date: 29.05.2019).***

The Government fixed four immutable points for the proposed pension reform. According to Alicia Arango, Minister of Labor, these four immutable points are: (i) the retirement age will not be increased; (ii) acquired rights will be respected; (iii) ancillary pensions will be respected; and (iv) the subsidies currently applied to the highest pensions must be applied to the lowest pensions. The bill of law is expected to be ready for submittal to Congress in December 2019. In order to inform citizens of the reform, the government also launched a Reform Commission website in which Colombians from all walks of life will be able to discuss and contribute ideas. ***(Source:: https://caracol.com.co; https://www.larepublica.co; Date: May 2019).***

Costa Rica

Withdrawing all complementary pensions defeats the purpose of social security. In the opinion of Edgar Robles, the country's former Superintendent of Pensions, the bill of law that would allow one-off withdraws from the Mandatory Pension System (ROP) violates the most elementary rights of Costa Ricans, such as social security and Human Rights. This idea has already been tried in several countries and the experience has always been negative.[2]: the poorest were the ones who proportionally spent their funds most rapidly, and are still indebted to this day, but without the possibility of a pension, which condemns people to work to exhaustion and live in poverty thereafter, which is contrary to the provisions of Article 25 of the Universal Declaration of Human Rights.

The proponents of the bill of law (more than 20 deputies from different political parties) and a large majority of the people who support this initiative, argue that, since workers own their savings, they should be free to use the money as they please. This assessment is wrong, however, since pension contributions have a specific purpose, namely to obtain a pension from the Costa Rican Social Security Fund, and not a labor settlement paid out on retirement. There is a sole pension in Costa Rica, comprising an amount paid by the CCSS (PAYGO) and another amount paid by the Complementary Pension Operators (OPC). Since the CCSS pension will decrease over time due to the unsustainability of its benefits, that reduction will be compensated by the ROP pension, which will increase until it reaches maturity. Eliminating the portion of the pension paid by the ROP will lead to a reduction in the pensions workers receive and impoverish most of the population over 65, a situation already shamefully excessive in Costa Rica. Another issue defended by the proponents of this bill is that the ROP has failed because the pension amounts paid are very low. However, one cannot have such a short-term prospective and demand results from a pension fund that is only 18 years old and requires at least 35 years to mature. On the contrary, it is amazing that the ROP is already paying more than 10% of the part of the pension paid by the CCSS, in such a short time. If the compound interest rate is used correctly, by the time the ROP is mature in approximately 2036, it will easily pay more than 30% of the portion of the pension paid by the CCSS. ***(Source: www.larepublica.net; Date: 10.04.2019).***

Bill of law will improve work opportunities for people over 45. 40% of the unemployed in this country are over 45, and the percentage is on the rise. Unemployment in this population is mainly due to the lack of inclusive public policies, the lack of training in the management of technological platforms and the limited command of a second language, which also becomes a limitation when seeking employment. Aware of this situation, the Costa Rican Gerontological Association (AGECO), together with BNVital of the National Bank of Costa Rica; the Banking for Development System (SBD); the company Proximity; and the legislative support of Deputy Welmer Ramos González, launched the Sigo Vigente Project, which seeks to facilitate opportunities for employment and the development of productive ideas for people over 45. ***(Source: https://amprensa.com; Date: 10.05.2019).***

Government borrows to pay pensions under the Budget. The Government will resort to issuing debt bonds to pay the 61,360 pensions charged to the National Budget this year. 21% of the ¢ 1.06 billion projected for retirement spending this year will be financed with securities, as set out in the 2019 Budget Law. This percentage amounts to ¢ 225,830 million, equivalent to US$ 380 million, almost four times more than the cost of building the National Stadium donated by China. The remaining 79% of the funds required for paying pensions, i.e. ¢ 834,607 million, will come from the taxes paid in by taxpayers. This is the first time in 16 years that the Ministry of Finance has had to borrow such a large amount to pay the pensions charged

[2] For example, a law was passed in Peru in 2015 to allow the withdrawal of 95.5% of the accumulated balance in individual accounts on retirement. The result was that 95% of people opted to forego their pensions in exchange for cash. According to a survey conducted by the Inter-American Development Bank, only 9% of those who opted out of their pensions saved their funds, and the rest spent them. More than half of those who saved their funds did not know the interest rate they were receiving on their savings.

to the National Budget. ***(Source:** www.nacion.com**; Date: 28.05.2019).***

Ecuador

The public pension system represents a high state subsidy expense and low coverage for retirees. According to data from several multilateral organizations such as the Inter-American Development Bank (IDB) and the World Bank (WB), only 15% of people at retirement age, or who meet the basic requirements for retirement, receive a pension from the IESS (Ecuadorian Institute of Social Security). The average coverage of the retired population in the region is 34%; i.e. 19% higher than in Ecuador. According to the IDB, 70% of the pensions received by more than 450,000 retirees come from the state subsidy, and only 30% from the contributions of active members. This creates a reality in which the State incurs in extremely inefficient expenditure, because only 1 in every 7 retirees receive a pension at the end of their active economic lives. Ecuador, with a minimum pension of USD 187.5, ranks seventh in the region (the countries with the highest minimum pensions are Argentina and Uruguay with 442 and 355 dollars per month, respectively). If one considers the basic subsistence basket cost of USD 498, a couple of pensioners, each earning the minimum pension, could not cover their basic needs. One must also bear in mind that the percentage of people over 65 will rise to 15% by 2025, and to 25% by 2050. "Hence, state subsidy spending will increase significantly, especially if there are no changes in issues such as contribution percentages and the retirement age," experts say. ***(Source:** https://lahora.com.ec**; Date: 13.05.2019).***

El Salvador

State will carry on borrowing to pay public pensions. A study by the Financial System Commission (SSF) states that the State will carry on borrowing to pay public pensions, due to the constant growth of its pension obligations. This assessment includes the amendments to the SAP law, after the 2017 reform. After these amendments, the State must now pay the benefits granted by the Public Pension System (SPP), comprising the Salvadoran Social Security Institute (ISSS) and the National Institute of Public Employees' Pensions (INPEP).[3]. All these obligations will entail a State deficit of some USD 8,615 million over the next 83 years, according to the SSF study. ***(Source:** https://elmundo.sv**; Date: 03.04.2019).***

Mexico

The Investment Regime has been modified to transition from a Multifunds to a Target Date Funds system, being the first Latin American country to do so. Several amendments to the Investment Regime of the Specialized Pension Fund Investment Companies (SIEFORE) were published on May 31. The purpose of the amendments to the investment regime is, among others, to encourage the design of a long-term investment strategy by the Fund Managers that adapts to the evolution of the risk-return profile of workers during their working lives. The most relevant changes to the Investment Regime (see new amended regime here) consist in:

a) **Migrate to a Target Date Funds system. The SIEFOREs (multi-funds) will be transformed into Target Date Funds.[4].** Under this system, workers' funds are assigned to the SIEFORE associated with their date of birth, where they remain throughout their working lives. Likewise, the SIEFOREs apply an increasingly conservative Investment Regime as their members approach retirement age. Thus, workers' funds are no longer transferred from one SIEFORE to another when they reach a certain age.[5], but rather the Fund's Investment Regime changes over time. This transition (which should be ready by December 2019) will consist in managing the funds of 10 Generational SIEFORS, as shown in the following table:

GENERATIONAL SIEFORES										
SIEFORE	Initial Basic	Basic 90-94	Basic 85-89	Basic 80-84	Basic 75-79	Basic 70-74	Basic 65-69	Basic 60-64	Basic 55-59	Basic of Pensions
Worker´s age	<25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	>=65
Current SIEFORE	New	New	New	New	New	Basic 4	Basic 3	Basic 2	Basic 1	Basic of Pensions

a) **Extend the investment in individual shares to the markets determined by the Risk Analysis Committee subject to:** (i) Limit of 4% with respect to the general equity limit for each share ; (ii) Limit of 30% with respect to the general equity limit for the aggregate investment in individual shares (National and Foreign Issuers); (iii) The

[3] The State must also pay compensation to all contributors to the Pension Fund Managers (AFP) for the contributions they make during their working lives to the Solidary Guarantee Account (CGS), a fund that coexists with the one managed by the AFPs, fed by the contributions of SAP workers, and part of the State retirees. The state must also pay the Transfer Certificates (TC), created for those who attributed to the SPP, but who migrated to the AFPs after the 1988 reform. The TCs allow them to receive the benefits they would have received if they had stayed in the public system.

[4] It is worth mentioning that five countries (United States, United Kingdom, Hong Kong, Australia and New Zealand) have already adopted this pension savings management model. Mexico is the first Latin American country to do so. The system also considers the proposal of Nobel Prize laureate Robert Merton to maximize the pension amounts that workers can aspire to, so that Mexico will be the first country in the world to adopt this approach, placing it at the forefront.

[5] When workers turned 37, for example, their funds were transferred from the Basic 4 SIEFORE to the Basic 3 SIEFORE.

Basic Pensions SIEFORE may receive individual shares, but acquisition will not be allowed.

b) **Permissible investments for the Basic Pension SIEFORE.** Under the Target Date Funds system, the SIEFORE that will manage the funds of workers closest to retirement will be the Basic Pensions SIEFORE, which is why the amendments require that at least 51% of its assets must be instruments with inflationary protection (this limit was previously applied to the Basic 1 SIEFORE).

Likewise, in order to protect the funds of the workers closest to retirement, the investments of the Basic Pensions SIEFORE in Debt Instruments and Foreign Debt Securities must comply with the following: (i) Instruments denominated in national legal tender and Investment Units must have a minimum local A- rating (ii) Instruments denominated in foreign currency must have a minimum local BBB + rating; (iii) Foreign Debt Securities must have a minimum local A- rating. ***(Source: https://www.gob.mx; Date: 04.06.2019).***

Paraguay

The OECD urges reforms to the pension system. As of today, the financial health of most of the pension funds in this country require urgent reforms, said Juan R. de Laiglesia, economist at the Organization for Economic Cooperation and Development (OECD). The Retirement and Pension Fund of the Ministry of Finance, or Caja Fiscal, alone accumulated a 27% deficit, amounting to approximately USD 22.8 million, in the first two months of the year. The expert recommended some action to be taken, such as: (i) Increase the coverage of the pension system with decisive action to reduce informality, and improvements in the systems for incorporating self-employed workers (social coverage is very low; only around 22% of the population is contributing to some kind of pension fund); and (ii) Rethink the parameters of the pension systems, since there is much diversity and it is necessary to rethink them from the financial sustainability standpoint and the equity of the entire system. ***(Source: http://www.abc.com.py; Date: 02.04.2019).***

Peru

Workers who enroll in the Private Pension System (SPP) will pay a lower commission as of June. Last Thursday the Association of AFPs (AAFP) announced that workers enrolling in the SPP for the first time will pay a lower commission in the mixed commission system as of June. It is worth mentioning that 7 out of 10 SPP members pay the mixed commission, which includes two components: the commission on the salary (monthly discount for the management of the fund), and the commission on the balance (which discounts a percentage of the accumulated fund). The Trade Association pointed out that since 2012, the bidding system has allowed the winning AFPs to offer lower commissions on the salary in each bidding process. For members paying the mixed commission, the commission on the salary was reduced in each bidding process until it was finally eliminated in the last one; whereas the commission on the balance (effective as of June) has decreased significantly to 0.82%, being the lowest in Latin America (in Mexico it is 0.98%), according to the AAFP. ***(Source: http://radioondaazul.com; Date: 31.05.2019).***

On April 3, Congress finally approved the Special Early Retirement Regime (REJA) and modified Regular Early Retirement (JAO), limiting access in both cases. The original purpose of early retirement was to allow people to access a pension, either due to unemployment or because they had saved enough to receive a minimum pension equivalent to 40% of income in the last 10 years. Law 95.5 distorted that purpose and people now seek to withdraw their funds as soon as possible, which encourages early retirement abuse, either by changing the employment relationship from dependent to independent with the employer, or making huge voluntary contributions to qualify for the JAO, in all cases for the purpose of withdrawing their funds from the AFP. The new law introduces preventive measures to avert false early retirement. Now only men over 55 and women over 50 can access it. There are rules requiring proof of unemployment; voluntary contributions for accessing the JAO are limited to 20% of the member's fund, and a minimum period of permanence of these savings in the fund has been established. These changes are positive since they prevent the perversion of the purpose of early retirement and curb very harmful collateral consequences, such as accelerating the payment of recognition bonds by the Pension Normalization Office (ONP), increasing the burden on Social Security Health coverage (Essalud) and exposing members and their families due to loss of disability and survival insurance coverage. To this end, the SBS already published the operating procedure of the REJA Law on May 21. ***(Source: https://peru21.pe; Date: 04.19.2019).***

The deadline for switching funds is reduced by half. In order to offer more efficient services in the Private Pension System, the Pensions Commission passed a resolution that reduces the term afforded to members to switch their retirement savings from one fund to another, under their responsibility. This process currently takes between 27 and 49 working days for effective transfer. With this rule, this process will take between 6 and a maximum of 27 business days. The resolution also eliminates the private security code required for members to transfer funds online, although maintaining the security protocols established by the AFPs to guarantee members´ identities. ***(Source: http://www.sbs.gob.pe; Date: 09.05.2019)***.

Dominican Republic

National Social Security Council (CNSS) approves procedure to avoid evasion and avoidance in Social Security. The CEO of the CNSS, Rafael Pérez Modesto, said that many companies have people on their payrolls with salaries below the taxable minimum wage, for the purpose of paying health insurance contributions below what they are legally required to pay, which defeats the purpose of strengthening social security. This form of evasion by employers led the CNSS to establish a mechanism for recording part-time workers, which allows the Social Security Treasury (TSS) to detect or prove cases of evasion or avoidance. The TSS will have a maximum of 120 days to build a software module and make the necessary technical adjustments to the Sole Information and Collection System (SUIR), for the Application of Voluntary and Mandatory Contributions to the SDSS adjusted to the Taxable Minimum Wage. ***(Source: https://www.cdn.com.do; Date: 28.05.2019).***

Uruguay

Possible changes to the social security system have been mentioned. The deficit of the social security system is growing, not only in the BPS (Social Security Bank, in charge of the PAYGO system), giving rise to the need for changes. There have already been some comments at a political level, and different stakeholders and economists specializing in macroeconomic issues have outlined some positions. The social security deficit is the main factor explaining the State's overall fiscal deficit. In an event organized by the National Association of AFAPs (Anafap), the economists Gabriel Oddone (CPA Ferrere), Pablo Rosselli (Deloitte) and Mercedes Comas (PwC), proposed the following -: (i) Reduce the replacement rate, as an incentive for postponing the retirement age; (ii) Increase contributions to the individual savings pillar (AFAP); and (iii) Move towards unifying the system in the long term. The representatives of business in the BPS have also made some recommendations, such as returning to 35 years of contributions for accessing the right to a pension. To review the discussion on the subject, click here. ***(Source: www.elobservador.com.uy/; www.subrayado.com.uy; Date: 23.04.2019).***.

Minister Astori said that the AFAPs play an "essential" role. The Minister of Economy and Finance, Danilo Astori, said that the role played by the Pension Savings Fund Managers (AFAPs) is "essential", so they will have to continue being part of the system. He stressed that he does not agree with the report of the International Labor Organization (ILO) that talks of the "failure" of the mandatory private pension systems. ***(Source: http://www.lr21.com.uy ; Date: 22.04.2019).***

CBU authorized three AFAPs to invest in forestry plantations owned by Harvard University. On April 9, the Central Bank (CBU) authorized the AFAPs Republica, Unión Capital and Sura to sign the integration commitments for investing the funds of the accumulation subfund that they manage in certificates of participation that will be issued by the forestry financial trust "Bosques del Uruguay IV." The operation will include forestry assets comprising 60,094 hectares (ha). The package includes 55,478 ha (34,742 pine and eucalyptus Grandis saplings), currently owned by the prestigious Harvard University of America. The buyer will be Agroempresa Forestal (AF), the firm that has already issued three forestry financial trusts called Bosques del Uruguay I, II and III, for US $ 50 million, US $ 70 million and US $ 190 million, respectively, covering a surface area of 60 thousand hectares (almost entirely forested to date). In order to take over Harvard's Plantations, AF will issue its IV Financial Trust for US$ 330 million on the Electronic Stock Exchange (Bevsa), which alone exceeds the previous three jointly (US $ 310 million). This placement is aimed essentially at institutional investors such as the AFAPs, which already participated in the previous three. ***(Source: https://www.iciforestal.com.uy; Date: 10.04.2019).***

Asia

Japan

Regulator requests financial products that focus on the longevity risk. The Financial Services Agency (FSA) published a draft report making this request. The document includes plans for the agency to urge financial institutions to expand their ranges of financial products and services aimed at an aging society. He also pointed out the need for services that preserve assets until the time that the cognitive functions of people deteriorate. The report divides the formation of assets and other matters into three stages: working period; the immediate pre-and post-retirement periods; and end of life. He stressed that financial institutions should try to refrain from offering people complicated and high-risk products for the final stages of life, and also stressed the need to create an environment that helps people manage their assets, even after having lost or suffered a reduction in their cognitive abilities or judgment. ***(Source: https://www.japantimes.co.jp; Date: 05.23.2019).***

Europe

Slovakia

Government introduces a cap on the retirement age. On April 10, the president approved a constitutional amendment that caps the retirement age at 64, allowing women with 1 child to retire 6 months earlier, women with 2 children 12 months earlier and women with 3 or more children 18 months earlier, while receiving a full pension. The changes will take effect on July 1. Since 2017, the official retirement age (62 years and 6 months for people born in 1957) has gradually increased due to increases in life expectancy; it is expected to reach 64 in 2030. (Previously, there was no cap on future increases in the retirement age and different qualification conditions applied to women with children). Critics of the constitutional amendment argue that it will put pressure on future budgets as the population ages. Eurostat, the statistical office of the European Union, projects that Slovakia's old-age dependency ratio (population of 65 and over as a percentage of the working-age population between 15 and 64) will increase from 19.7% in 2015 to 32.6% in 2030, and to 50.9% by 2050.[6]. ***(Source: International Update, Social Security Administration, Mayo 2019; Date: May 2019).***

Spain

The Bank of Spain has requested be implementation of the pension reform before the average voter ages more. In its annual report, the bank devotes an entire chapter to this phenomenon, and warns that as the "median voter" (currently 43 years old) gets older, it will be more difficult to change the system. It agrees that there should be equity between generations and that young people should be taken into account, otherwise they will have to bear "an excessive burden." According to the Bank, the reforms approved in 2011 and 2013 included some adjustments that enabled significantly offsetting the effect of aging on public pensions expenditure. However, it points out that the latest measures approved have delayed the application of the "sustainability factor" (which indexes the benefit to life expectancy) and have reintroduced the revaluation of pensions against the CPI. If nothing is done, according to the Bank's projections, pension expenditure could go up by 7% GDP. It also explains that tax revenues would be impacted by demography: fewer contributions would be collected, because there are fewer workers; fewer taxes would be collected on income, when retirement income falls, and fewer indirect taxes would be collected, since senior citizens would be consuming more products with reduced rates. The result: a deterioration of public accounts, high indebtedness and reduced pensions. Due to all the above, it considers that reforms must be made as soon as possible, seeking additional income to complement the reduction in pensions. For example, the agency has proposed the search for innovative financial formulas for extracting income from real estate, in a clear reference to reverse mortgage. ***(Source: https://elpais.com; Date: 28.05.2019).***

Greece

Central Bank emphasizes the high cost of public pensions. The governor of the Bank of Greece, Yannis Stournaras, sounded the alarm regarding the cost of social security and warned that the margins are "extremely narrow" for pensions to continue to be paid out of the state budget. Speaking at a conference on private health insurance, he warned about the challenges of an aging population and said that "the poor implementation or the rollback of reforms have increased the demands for public pension funds and have resulted in an increase in pension costs." He also expressed concern regarding a series of rulings by the State Council that determined that certain categories of pension cuts imposed in previous years (as part of the austerity measures imposed by creditors) were in violation of the Constitution, saying that this could "increase pension expenditure even more, possibly with retroactive effect." "The Bank of Greece estimates that the combination of these factors represents the most serious mid-term fiscal risk and will have an adverse effect on the analysis of debt sustainability," the governor warned. ***(Source: https://pensionpolicyinternational.com; Date: 05.30.2019).***

Isle of Man

Government implemented a new state pension program. On April 6, this Island (an autonomous dependency of the British Crown in the Irish Sea), introduced the sole "Manx Pension" for covered workers who reach the official retirement age (SPA). The new basic pension program replaces the previous two-tier system, consisting in the basic state retirement pension and the second income-based state pension (S2P). The purpose of

---

[6] The Slovakian pension system comprises a PAYGO Social Security system, privately managed individual accounts that are voluntary for workers newly enrolled in the labor force, and voluntary private pensions. (People must decide whether or not to contribute to an individual account before the age of 35, after which the decision cannot be reversed). The Social Security and individual account programs cover dependent and self-employed individuals with annual incomes exceeding 12 times the minimum monthly taxable income (€ 456 [US $ 512] in 2018). To be eligible for a full old-age pension under each program, individuals must have reached the official retirement age and have at least 15 years of contributions; an early pension can be paid out up to two years prior to the retirement age, in certain circumstances. Furthermore, a guaranteed minimum pension is paid to people with 30 years of contributions at the official retirement age.

the reform is to guarantee the sustainability of long-term pensions and simplify retirement planning. The changes do not affect current beneficiaries or people who enrolled in the SPA prior to their implementation (those born before January 6, 1954). Without these reforms, the government predicts that the social security trust fund would be exhausted by 2053. Key features of the new Manx Pension include:

(i) Contribution rates: As in the previous system, workers contribute 11% of weekly wages between £ 118 and £ 784 (between USD 153 and USD 1,020) plus 1% of the salary for wages above £ 784, and employers contribute 12.8% on workers' weekly wages above £ 125 (USD 163). Self-employed workers contribute a fixed fee of £ 5.40 (USD 7) per week plus 8% of annual income between £ 6,500 and £ 40,768 (between US $ 8,454 and US $ 53,026) and 1% on their annual salaries above £ 40,768. (Contributions fund most of the old age, disability and survival benefits, illness, maternity, paternity, adoption, work injury and unemployment benefits). The new system also eliminates the reduced contribution rates for participants who had previously withdrawn from the former system.

(ii) Qualification conditions: In order to receive a full pension, individuals must reach the official retirement age: 65 for those born before December 6, 1953, which will gradually increase to 68 for individuals born on April 6, 1979 or later, and have at least 35 years of paid or credited contributions. Partial pensions are paid to those with at least 10, but less than 35 years of contributions. (Contributions can be credited for periods in which the insured received certain benefits, such as disability and child benefits [for a child under 12], caregiver and job seeker subsidies. Contributions under the previous system are also taken into account). In the former system, full pensions were paid with at least 30 years of paid or credited contributions, and partial pensions were paid with at least 1, but less than 30 years of contributions.

(iii) Retirement benefits: The full state pension is £ 184.15 (USD 240) per week, reduced proportionally for people with less than 35 years of paid or accredited contributions. The benefits are adjusted annually based on changes in the national average income.

(iv) Elimination of the pension supplement: the reform gradually eliminates the pension supplement (paid to retirees who normally reside on the Island and have at least 10 years of paid or accredited contributions) over a period of 20 years, as of April 2019. Individuals who received the supplement prior to the implementation of the reform are not affected. The supplement is currently paid to around 80% of pensioners and increases the basic pension benefit by up to 44%. The total scheduled rate of the weekly supplement paid in 2019 is £ 53.75 (USD 69.9) at an annual cost of £ 36 million (USD 47 million). ***(Source: International Update, Social Security Administration, May 2019; Date: May 2019).***