International Federation of Pension Fund Administrators

Progress of the Pension Systems
October - November 2019
No. 6

This document compiles the major changes that occurred in the pension systems in the October-November 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

Reforms proposed or to be discussed

- ***Chile:***
  Government incorporates measures in the 2020 budget bill of law for raising the Basic Solidarity Pension (PBS) and the Maximum Pension with Solidarity Pension Contribution (PMAS) by 50%, by age groups, in 3 years, as of December 2019. It also decided to include a greater increase in the mandatory contribution in the pension reform bill of law. It was originally raised to 4%, and will now increase to 5%. Between 3pp and 4pp of this 5% will go to the individual account and between 1 pp and 2 pp to social insurance (dependency insurance + additional insurance to generate greater solidarity).
- ***Spain:*** *Banco de España recommended increasing the retirement age in proportion to longer life expectancy, while INVERCO proposed moving towards a British type model, in which it is mandatory for companies to establish a pension plan that workers can opt out of.*
- ***Mexico:*** *The Senate agreed to amend aspects of the SAR law, such as the Afores' investment regime, the commissions they charge and voluntary savings. Investment in new financial instruments that help to improve returns will also be allowed. The bill of law was submitted to the Chamber of Deputies, in accordance with the Constitution.*
- ***Peru:*** *The Ministry of Economy and Finance announced that it will submit a proposal for reforming the pension system in December 2019, while the Central Reserve Bank (BCR) and the Association of AFPs agreed that there should be a minimum pension for the private AFPs and the public PAYGO systems (ONP).*
- ***Poland:*** *Government submitted a bill of law that eliminates the individually funded second pillar accounts. If passed into law, the balances of the individual accounts of members will be transferred to the first notional defined contribution pillar (NDC) or to the third voluntary individual accounts pillar (IKE), which is the default option.*
- ***Uruguay:*** *In its government program, the new government of President Luis Alberto Lacalle Pou, of the National Party, proposes maintaining and strengthening the mixed pension system, promoting voluntary savings and expanding investment options for the AFAPs (including the creation of a new sub-fund for young people with international equities).*

New pension programs and social security reforms (approved)

- ***Germany:*** *Government agreed to increase the basic pension of low-income retirees, ensuring that they receive enough money to cover more than just basic living costs, as of January 2021.*
- ***Saudi Arabia:*** *In August the government increased the official retirement age for women in the public PAYGO system from 55 to 60, equal to the retirement age of men.*
- ***Brazil:*** *Congress enacted a pension system reform law which established minimum retirement ages of 62 for women and 65 for men (there was previously no minimum retirement age).*
- ***France:*** *Government introduced three new defined contribution complementary savings plans (PER), with a maximum contribution of up to 10% of taxable salary.*
- ***Ireland:*** *A new pension program was approved, with automatic enrollment and an initial maximum contribution rate of 1.5% of salary for 3 years, increasing by 1.5 pp every three years, to a maximum of 6% in year 10.*
- ***Peru:*** *The Banking, Insurance and AFPs Commission (SBS) established the reverse mortgage operating and accounting system, which will benefit retirees by supplementing their pensions.*
- ***Singapore:*** *As of July 1, 2022, the minimum retirement age will increase from 62 to 63 (and gradually to 65 by 2030), for workers covered by the Central Pension Fund.*

Crisis in public PAYGO systems

- ***Argentina:*** *Banco Nación and ANSES will PROVIDE USD 546 million for the government to pay public debt maturities, including Treasury Bills in pesos, which will be subscribed by the Sustainability Guarantee Fund (FGS).*
- ***Spain:*** *The balance of the Social Security Reserve Fund will be reduced to EUR 1,500 million after the withdrawal of EUR 3,598 million to guarantee the payment of pensions in December.*

Relevant studies

- *The Group of 30 Report (G30) proposes raising the retirement age in 21 countries with leading economies by a minimum of 4 and a maximum of 6 years by 2050, in order to address the deficit in the financing of the pension systems due to population aging.*
- *The OECD Study, "Pensions at a Glance 2019," , emphasizes the fact that governments should reform their pension systems to ensure that workers in non-standard jobs (independent, temporary or part-time) contribute enough to receive adequate pensions..*
- *Mercer published the latest edition of its Global pension Index, which shows that the Netherlands, Denmark and Australia offer the best retirement systems. . In Latin America, Chile ranks among the 10 best countries worldwide, with 68.7 points out of a possible 100.*

Voluntary Savings Stimuli

- ***Mexico:*** *Consar launched a voluntary savings campaign denominated GanAhorro, contained in the AforeMóvil application, which enables saving in AFORE accounts through the consumption of products and services, without having to "sacrifice" resources that could be used for present consumption.*

Relevant reports or presentations

According to the OECD report "Pensions at a Glance 2019," countries must strengthen their pension systems to adapt to the changing labor environment. Governments must urgently reform their pension systems to ensure that the growing proportion of workers in temporary or part-time jobs can contribute enough during their working lives to receive an adequate income in retirement, according to the new OECD report. According to this report, non-standard forms of employment (such as independent, temporary or part-time work), now account for more than a third of total employment in the OECD countries. Workers in non-standard employment generally earn less, often contribute less to income-related pensions and cannot contribute to occupational schemes. Even assuming that an independent worker has contributed throughout his working life, he would end up with about 80% of the pension benefit that dependent employees with similar incomes would receive from mandatory plans, on average, throughout the OECD. The report also warns of the increasing risks that countries will not mitigate with the recently adopted reforms, despite the acceleration of population aging in OECD countries. In the past two years, according to the study, most pension reforms have focused on reducing the age requirements for receiving a pension, increasing pension benefits, or expanding pension coverage. This has added to the growing long-term pressure on the financial sustainability of many pension systems. Abandoning reforms that address long-term requirements may make pension systems less resilient to future economic crises and Leave them unprepared to face population aging, according to the report. Among the other key findings of the report are: (i) People over 65 are currently receiving less than 70% of the average disposable income of the entire economy in Estonia and Korea, but slightly more than 100% in Israel, France and Luxembourg On average in the OECD, people over 65 receive 87% of the total population's income; (ii) The relative poverty rate for those over 65 is slightly higher than for the general population (13.5% versus 11.8%) for the OECD, on average. The poverty rate in old age is below 4% in Denmark, France, Iceland and the Netherlands, whereas in Australia, Estonia, Korea, Latvia, Lithuania, Mexico and the United States it is above 20%; (iii) the official retirement age for men in Turkey was 51 in 2018, whereas in Iceland, Italy and Norway it was 67 for both men and women. Given existing legislation, the future official retirement age will vary from 62 in Greece, Luxembourg, Slovenia and Turkey to 71 or more in Denmark, Estonia, Italy and the Netherlands; (iv) The proportion of adult life spent in retirement continues to increase in the vast majority of OECD countries. The cohort entering the labor market today is expected to spend 33.6% of adult life in retirement compared to 32%, on average, of the cohort that is retiring today. ***(Source: http://www.oecd.org; Date: 27.11.2019).***

A report **headed by the former president of the United Kingdom's Financial Services Authority, Adair Turner, proposes raising the G30 retirement age.** The United States, China and other leading world economies face a massive funding deficit of USD 15.8 billion to guarantee lifelong economic support to their aging populations. The G30 attributes the cause of this shocking economic deficit, estimated at USD 1.2 billion in 2018, to outdated pension and retirement systems. The expected lower returns on savings, in an era of depressed interest rates, aggravate the problem. The report covers 21 countries, including Japan, Germany, India and Mexico, representing 90% of global GDP. The analysis maintains that the future crisis is not related merely to pensions. Lifetime financial security also depends on the availability of public health, housing and transportation services, as well as the informal support of the community and family. The G30 advocated a combination of policies to address the problem: (i) Increase the official retirement age by a minimum of four to six years by 2050 and let people work longer. A quarter of the funding deficit could be eliminated if retirees worked on average 20% of the time of workers of active working age; (ii) Promote greater individual savings and increase taxes to support public pensions. Such measures could include mandatory savings programs; (iii) Accept that expected income in retirement could be lower. For middle and high-income retirees, that could mean living with 60% of the average pre-retirement income, rather than 75%. ***(Source: https://group30.org; www.eluniversal.com.mx; November 2019).***

The publication "Toward Responsible Investment in Chile," was presented. It is based on the Principles of Responsible Investment of the United Nations (PRI), among others. This publication provides an overall assessment of Responsible Investment in the Chilean context and the expected trends for the coming years. In the first chapter, a synthesis of the definitions and concepts related to Responsible Investment is presented. These are fundamental to understand for addressing the potential of sustainable finance in Chile. They include the Responsible Investment business case that highlights the tangible and intangible benefits of betting on this new paradigm. In the second chapter, an overview of Responsible Investment in Chile is presented, highlighting public and private promotion and the challenges that investors must overcome to close the gap. The third chapter provides an opportunity to give a voice to the protagonists of this path to Responsible Investment. Six Chilean funds (including 2 Pension Fund Managers, AFPs) present their ambitions and expectations for promoting good practices in the Chilean and Latin American scenario. Finally, the fourth chapter addresses trends for the coming years, driven by regulatory advances in Europe and a race for competitiveness in Latin America. ***(Source: www.comunicarseweb.com; Date: 19.11.2019).***

An academic study **proposes best practices for investment in the AFAP market in Uruguay** . The study, which was conducted by the researchers Daniel Ferrés and Eduardo Walker and presented at an event organized by the National Association of AFAPs (ANAFAP), proposes certain maximum limits for the alternative investments of the AFAPs, by sector, trustee, operator, issue and type of instrument. The authors propose a maximum structural limit of 25% for alternative assets and a maximum limit of concentration per activity sector in the range of 8%. It is also recommended incorporating an 8% limit per operator. The study also: (i) recommends strengthening corporate governance systems of investment vehicles for investments in the real sector, incorporating prudential regulatory limits, strengthening the role of trustees and avoiding concentrating risk in the same fund manager; (ii) it recommends establishing a new sub-fund that would enable setting a higher limit of about 30% for investments in alternative assets for a group of contributors with greater risk tolerance (younger members). ***(Source: www.anafap.com.uy; Date: November 2019).***

The International Organization of Pension Supervisors (IOPS) published its guidelines for the integration of Environmental, Social and Corporate Governance (ASG) factors in pension fund investment and risk management. The guidelines propose, among other things, that pension oversight authorities should clarify to a governing body of pension funds or asset managers that the explicit integration of ASG factors into the investment and risk management processes of the pension funds is in line with their trustee obligations; and also require asset managers involved in the development and implementation of the pension fund investment policy to integrate ASG factors, along with all substantial financial factors, into their investment strategies. IOPS encourages supervisory authorities to voluntarily adopt and implement these guidelines. The guidelines are not binding and are intended to provide guidance and serve as a reference point for overseers. ***(Source: www.iopsweb.org; Date: 22.10.2019).***

Mercer published the latest edition of its Global Pension Index. The index reveals the countries with pension systems that are most and least prepared to face a future with an aging population, through three sub-indices: **Adequacy, Sustainability and Integrity**, with more than 40 indicators, comparing 37 retirement systems worldwide. The index shows that the Netherlands, Denmark and Australia, with scores of 81, 80.3 and 75.3 respectively, offer the best retirement systems, with sustainable benefits and with a high level of integrity, which clearly demonstrates their preparedness for population aging. In Latin America, Chile ranks among the 10 best countries worldwide, with 68.7 points out of a possible 100; Peru ranks 19th with 58.5 points; Colombia 20th with 58.4 points; Brazil 23rd with 55.9 points; Mexico 33rd with 45.3 points and Argentina ranks second-last (36th), with only 39.5 points. ***(Source: https://info.mercer.com; Date: 21.10.2019).***

OECD's economic study on Colombia reveals that reforms to the pension system will be necessary to reduce poverty among the elderly and ensure sustainability. The proposals include: (i) increase the low retirement age, especially in the case of women, linking it to the increase in life expectancy, which would foster sustainability; (ii) increase the coverage and level of the benefits of the Colombia Mayor program, the non-contributory component of the system; (iii) increase the number of years of income considered when calculating pensions, which would contribute to financing measures to support income in old age. ***(Source: www.oecd.org; Date: 24.10.2019).***

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

Banco Nación and ANSES will provide USD 546 million for the government to pay public debt maturities. It was announced that the Banco de la Nación Argentina (BNA) will finance the National Treasury with $ 30,000 million (about USD 511 million). The government explained that the loan was requested as part of the Financial Program for the 2019 financial year and the money will be used for paying the public debt "amortization services" due this year. Another resolution provided for the issuing of $ 2,000 million (about USD 34 million) in Treasury Bills in pesos to be subscribed by the Sustainability Guarantee Fund (FGS). Thus, Banco Nación and ANSES will finance the Government, which has to pay debt maturities that were not renegotiated, with a total of $ 32,000 million (about USD 546 million). (***Source:* *http://www.fmimpacto107.com.ar*; *Date: 24.10.2019).***

Brazil

Congress enacted a pension system reform law. The law was promulgated last November 12 after a six-month long debate. The reform is expected to affect 72 million citizens. The legislation reduces all benefits prior to the minimum retirement age, which did not even exist before. It has now been set at 62 for women and 65 for men. According to the Government, this law would save more than USD 217.5 billion in 10 years. It faced strong resistance from the opposition. The benefits for those who retire will be based on the average salary of workers, compared to the 80% that currently serves as a reference. Men will have to contribute for 20 years and women for 15 to receive 20%. Those who work for 40 years will receive 100%. According to different analysts, the reform of the pension system is "important" for correcting Brazil's course, but "insufficient" for reversing a nominal public deficit of 444.7 billion reals (approx. USD 100 billion) in the last twelve months to August). (***Source:* *https://actualidad.rt.com*; *www.efe.com*; *https://aristeguinoticias.com*; *Date: November 2019*).**

Chile

Government includes measures in the 2020 budget bill of law to gradually increase the benefits of the Solidarity Pillar as of December 2019. The Basic Solidarity Pension (PBS) and Maximum Pension with Solidarity Pension Contribution (PMAS) will increase by up to 50% by age groups over 3 years. In December 2019, the pensions received by individuals over 80 will increase by 50%; for people between 75 and 79, both pensions will increase by 30% in December 2019, with an overall increase of 50% by January 2021; pensioners under 75 will receive a 25% increase in December 2019, 40% in January 2021, with a total increase of 50% in January 2022. By January 2022, the PBS and the PMAS will have accumulated a 50% increase for all pensioners. ***(Source: www.cooperativa.cl; Date: 27.11.2019*).**

The government decided that the pension reform bill of law will include a greater increase in the mandatory contribution than what was initially proposed. An alternative is that the increase, charged to the employer and the self-employed, will be up to 5% (4% was originally proposed). Of this 5%, 4 percentage points (PP) would go to the individual account and 1 pp to social insurance (0.2 pp to dependency insurance and 0.8 pp to additional insurance to generate greater solidarity). 3 pp of the 5 pp will go to the individual accounts, and 2 pp to different distribution mechanisms (solidarity). The government plans to have this project approved before March or April 2020, according to the Minister of Labor, María José Zaldívar. ***(Source: La Tercerca-Pulso; Date: 26.11.2019).***

Colombia

The OECD proposed measures for improving the pension system. The organization's recommendations in its fourth Economic Survey of Colombia, address the urgency of a pension reform which will enable reducing poverty in the elderly and guaranteeing the sustainability of the system. In particular, the OECD notes: (i) the need to progressively increase and unify the retirement ages of women and men, linking them to the increases in life expectancy; (ii) the need to increase the number of years of contributions consider for calculating pensions, to finance measures to support income in old age; (iii) the need to gradually eliminate the pension subsidies of the richest and streamline the substitution rates of contributory regimes; (iv) the need to increase expenditure in the "Colombia Mayor" non-contributory pension program from 0.2% to 1% of GDP, which would also enable increasing the amounts of benefits; (v) the need to establish a comprehensive strategy to reduce the cost of formalization, which includes the reduction of non-salary costs, and the revision of the minimum wage to achieve a more favorable level of employment (for example, a minimum wage by age or region, or not per hour, that does not penalize part-time work). The minimum wage is twice the poverty line and 86% of the median salary (the highest in the OECD countries). This, then, is a factor of informality. ***(Source: https://www.eltiempo.com; Date: 25.10.2019).***

Asofondos warns of negative effects on pensions if there is no prompt pension reform. According to calculations by the Colombian Association of Pension and Unemployment Fund Managers (Asofondos), if the pension reform is not carried out in the short term, the country will have a "gigantic" fiscal deficit, the number of poor will increase (amounting to nearly 8 million senior citizens by 2050) and high inequality in the public system will continue, granting "very high subsidies" to very few people. If the existing pension system continues, people who fail to meet the requirements for obtaining a pension in the public system will receive a 'miserable amount' in their old age. The pension reform will only be debated in Congress in 2020, because the agenda is fully occupied by the tax reform this year. According to the Trade Association, the sector's proposal is based on five points:

(1) Consolidate an individually funded savings system that can be managed by the private sector, as currently occurs, and also by the public sector.
(2) Strengthen the minimum pension reserve fund for people who reach retirement age with 1150 weeks of contributions, but who do not have sufficient capital.
(3) Improve Colombia Mayor with public contributions.
(4) Strengthen the Periodic Economic Benefits Plan.
(5) Boost voluntary savings.

(Source: https://www.bluradio.com www.elpais.com.co; Date: November 2019).

Costa Rica

Taxpayers will be able to quickly withdraw their complementary pensions, regardless of whether or not the bill of law for the complete withdrawal of funds from the Mandatory Pension System (ROP) is approved. This was announced after the Constitutional Court declared a Writ of Protection in favor of a citizen, allowing her to withdraw the ROP in greater amounts, so that the total amount will be exhausted once she reaches her life expectancy limit. In this particular case, this means that instead of the fund being held until the taxpayer dies, it will be exhausted when she is approximately 82 to 84 years old, which is the life expectancy of Costa Rican women. As the Superintendent of Pensions, Álvaro Ramos, explained, the appellant intended withdrawing the entire fund, but as on other occasions, the court, ruled against that possibility. Even so, the ruling surprised the Superintendency, which, parallel to the discussion of the project in the Legislative Assembly, is working on a reform of the regulations to anticipate any of those two scenarios. Ramos warned that this case, like the proposal for full and early retirement, creates a huge risk for citizens, because if taxpayers exceed their life expectancy, they will no longer have that complement in their pension funds. "If people take advantage of this accelerated withdrawal, we calculate that payments would be around 20% higher. So when taxpayers retire, they will receive 20% more of their pension per month, but they will be left with nothing when their life expectancy is fulfilled and from there on they could be exposed to the risk of total lack of protection," he explained. ***(Source: https://teletica.com; Date: 10.10.2019).***

Deputies of the Tax Commission presented an alternative text for the bill of law governing withdrawals from the Mandatory Pension System (ROP). Among other points, the deputies agreed that people who acquire the right to a pension before February 18, 2023, may withdraw all of the funds accumulated in their individual ROP accounts (instead of in 2035, as was previously the case). This possibility would also apply to current pensioners. The text also includes other changes, such as reducing the period that pension operators will have to pay benefits to ROP members who are entitled to receive them, from 90 to 45 days. It also includes the possibility that those people suffering from a terminal illness at the time they meet retirement requirements, can opt for full withdrawal.

The other important point refers to the new conditions for the designation of beneficiaries of the ROP once the pensioner dies: (i) first, the beneficiaries designated by the member before the pension operator will prevail; (ii) secondly, if no beneficiaries were designated before the pension operator, those established in the Disability, Old Age and Death Regime or the substitute public regime thereof, shall prevail; (iii) in the absence of beneficiaries designated by the member or established by the basic regime, withdrawals of the balance from individual accounts will be subject to Article 85 of the Labor Code. ***(Source: http://www.laprensalibre.cr; Date: 09.10.2019).***

Dominican Republic

The Chairman of the Committee that is studying the bills of law for reforming the Law that created the Dominican Social Security System, José Rafael Vargas, explained that there is a meaningful debate regarding the profits of the Pension Fund Managers (AFP) and the commissions they charge to manage workers' contributions. There is a proposal that has been discussed among legislators to begin reducing the commissions the AFPs receive from 0.95% on the managed balance, charged annually, to 0.85% in 2026, although it is not clear whether commissions will be adjusted thereafter. This would modify the bill of law submitted by the Government (currently under discussion) in which it proposes reducing the commission from 1.4% to 0.85% by 2029 and then adjusting it in accordance with the projection of the managed funds. ***(Source: https://eljaya.com; Date: 01.11.2019).***

The Dominican Association of Pension Fund Administrators (ADAFP) attributed the rejection of more than half of the survivor's pension applications to the fact that only 46% of members contributed to social security on a regular basis. The Chairman of the ADAFP, Kirsis Jáquez, pointed out that the 2 million of the more than 3.8 million members of the AFPs do not contribute regularly, so that in the event of a death, their family members do not have survival coverage because they did not pay the insurance premium. Nonetheless, Jáquez pointed out that in these cases, families are guaranteed to receive the total amount of accumulated funds as an inheritance, for which they must comply with the legal provisions established in the Civil Code and by the Dominican Internal Revenue Service (DGII) regarding the Law of Inheritance and Donations. ***(Source: https://listindiario.com; Date: 21.10.2019).***

El Salvador

The Ad Hoc Commission of the Legislative Assembly started discussing at least eight bills of law for reforming the Pension Savings System (SAP) Law. The proposals of different political parties (FMLN, GANA and PCN) will be analyzed. The most important are: (i) return to the public PAYGO system, eliminating the individually funded system; (ii) lower the percentage allocated to AFP management fees and payment of the disability and survival insurance premium, from the current 1.9% to 1.4% or 1%; (iii) refund of the accumulated balance in the AFP (100%, if the pension is less than the minimum wage; totally or partially, if the worker is unemployed, has an economic emergency or has a terminal illness). ***(Source: https://elmundo.sv; Date: 25.11.2019).***

Mexico

The Pension Regulator (CONSAR) suggests reconsidering the minimum number of weeks of contributions required for retirement and adding the universal non-contributory pension for the elderly to the benefits of the system. According to a study published by CONSAR, this is because 76% of members of the AFORE generation will not be entitled to a pension on reaching retirement age, since they will not meet the requirement of 1,250 weeks of contribution (due to their low contribution densities, among other aspects, the conditions of the Mexican labor market, informality, and switching between formality and informality). CONSAR also stated that the existence of a Minimum Guaranteed Pension (PMG) translates into high replacement rates for lower-income workers, well above those obtained by those with higher salaries, and that this could entail a distortion of the system, encouraging workers to contribute the minimum amount possible. He therefore suggests replacing the PMG with a system that provides ongoing incentives to formality. According to CONSAR's calculations, workers of the Afore generation who meet the requirements to qualify for a pension, would have saved an amount of MXN 650,326 (approx. USD 33,772) on average by the time they reach retirement age (65). The average pension obtained would be MXN 3,843 (approx. USD 198). The replacement rate would be 49% of the last salary. If the PMG did not exist, pensions would be reduced: the pension would drop to MXN 2,844 pesos (approx. USD 146) and the replacement rate would drop to 27% of the last salary. In Mexico, on the other hand, there is a non-contributory pension called "Pension for the Welfare of the Elderly (PBAM)," which is universal (only provided at the age of 68), which should be considered for correctly assessing workers' incomes after retirement. Moreover, it should be emphasized that this type of pillar is universal; i.e., it is given to all senior citizens who meet the age requirement (currently 68), regardless of whether they were formally or informally employed during their working lives. The PBAM amounted to MXN 1,275 pesos per month in 2019 (approx. USD 66), so the replacement rate of the generation of Afore workers who could access the pension would increase from 49% to 67% of the last salary, and the average pension to MXN 5,118 (approx. USD 263). Thus, CONSAR suggests adding the so-called PBAM to the benefits of the retirement savings system (SAR). ***(Source: www.gob.mx/consar; Date:11.11.2019).***

Proposed reforms to the SAR law were submitted to the Chamber of Deputies in accordance with the Constitution. On October 1, 2019, the Senate agreed to include and repeal several provisions of the SAR Law, which amends the Afores' investment regime, the commissions they charge, and voluntary savings. Investment in new financial instruments that help to improve returns will also be allowed. After being approved in general and specific aspects, the bill of law was submitted to the Chamber of Deputies, in accordance with the Constitution. The keys aspects of the proposed reforms are the following:

1. Commissions:
    a. An article governing the reduction of the commissions charged by the Afores was eliminated, because CONSAR has already approved several agreements in which these charges are expected to decrease to international levels by 2024 (up to a 0.7% of assets managed annually).
    b. The commission collection system was modified. It will consist of two elements, a commission on the managed balance and another one on the performance of investments.

2. Investments:
    a. The Afores will invest in foreign securities and provide information regarding the percentage of these securities in each Investment Fund's portfolio, the countries and currencies in which the acquired securities have been issued, as well as a detailed report on the returns that these funds will yield.
    b. Generational Funds: The Specialized Investment Companies for Retirement (Siefores) are replaced by Specialized Investment Funds for Retirement (Fiefores), which reduces the Afores' investment management costs.
3. Voluntary savings: The provisions requiring voluntary savings to remain deposited for a certain period of time have been eliminated; thus, workers can withdraw their voluntary savings at any time. It also states that voluntary savings may not be used to finance workers' pensions, without their express consent. ***(Source: AMAFORE; Date: November: 2019).***

Consar launches voluntary savings through consumption campaign. The campaign denominated GanAhorro, contained in the AforeMóvil application, enables saving in AFORE accounts through the consumption of products and services, without having to "sacrifice" resources that could be used for present consumption. When purchasing products and services through GanAhorro, digital transactions enable a percentage of the usual cost to be transferred directly to the Voluntary Savings sub-account of the AFORE Account. More than 20 brands are currently participating in this program. To access the benefits, one must be registered in any AFORE, enter the AforeMóvil application in the "Services" section and select the option "Save with benefits" to reach GanAhorro. There one must choose the desired product or service, which presents its price and the amount of voluntary savings that will go to the AFORE Account. This campaign will be valid between November and December 2019, with guidelines in different mass media. ***(Source: www.bigbangmexico.com; Date: 20.11.2019).***

Peru

The Banking, Insurance and AFPs Commission (SBS) establishes the reverse mortgage operating and accounting system. This system was created by law in March 2018 and was regulated in September of the same year, but only became operational in October 2019 through Resolution 4838-2019. This measure will benefit retirees by complementing their pensions. Reverse mortgage is a type of loan whereby people over 65 receive a pension using their home as collateral. The property is appraised by the bank, which pays out a monthly amount based on the price of the house and the life expectancy of the owners. After the death of the owners of the property, the financial or insurance entity must summon the heirs so that they can decide whether to pay the debt and keep the house. Otherwise, the entity may keep the house and sell it, but if the sale amount is greater than what was paid out to the original owners, the balance must be paid to the heirs. The rules approved by the SBS state that this initiative is considered a mortgage loan for companies in the financial system and for insurance companies, so the procedures are similar. Furthermore, other provisions with respect to registration, devaluation of the property, classification of homeowners, among others, where it is stated that the property must be insured against all types of damage, are taken into account. ***(Source: https://rpp.pe; Date: 21.10.2019).***

The Minister of Economy and Finance (MEF), María Antonieta Alva, announced that the Ministry will submit a proposal for the reform of the Pension System in December. One of the proposals being considered is that the Pension Standardization Office (ONP) should function as a state AFP. In March this year, the Banking, Insurance and AFPs Commission (SBS) raised that possibility and pointed out that by converting the ONP into a public AFP, all members would have an individually funded account (their own pension fund) and the change would introduce greater competition into the Private Pension System (SPP). ***(Source: https://rpp.pe; Date: 18.11.2019).***

AFPs evaluate investing in National Infrastructure Plan projects. The Association of AFPs (AAFP) said that it is evaluating investments in prioritized projects in the National Infrastructure Plan for Competitiveness, through the trust created for that purpose. It is worth mentioning that in 2015 the AFPs created the second infrastructure trust for USD 1 billion for investment in infrastructure. An initial investment trust of USD 350 million was previously created in 2009. Through both instruments, the AFPs have invested in the Taboada water treatment plant, the Huascacocha Water Transfer, the Yellow Line Project (Ex Rímac Park Roadway) and Line 2 of the Lima Metro. The AFPs have invested USD 4,082 million in infrastructure. ***(Source: https://andina.pe; Date: 23.10.2019).***

The Chairman of the Central Reserve Bank (BCR), Julio Velarde, said that there should be a minimum retirement pension for the private pension system of the AFPs, and the public system of the Pension Standardization Office (ONP), a point on which the AFP Association also agrees. However, the Chairman of the Trade Association, Giovanna Prialé, proposed, that the minimum pension should not be a fixed amount, as in the ONP, but that a percentage, denominated the replacement rate, should be established based on the level of income of members. Julio Velarde also considered it important: (i) to implement individual funding in the ONP (according to him, this does not necessarily entail a fiscal cost, because they can be on account, notional or virtual accounts, which must be discussed in Congress); (ii) that the AFPs should inform all members of their pension amounts, to avoid surprises when they retire. ***(Source: https://andina.pe; https://eltiempo.pe; Date: November).***

Uruguay

Luis Alberto Lacalle Pou, of the National Party, was elected president of the Republic of Uruguay after the final vote count on Sunday, November 24 evidenced an irreconcilable difference with Daniel Martínez, of the Frente Amplio. As part of its reform of the pension system, the National Party's government program has proposed a sustainable solidarity system for the PAYGO Pillar, calling for a multi-party commission of experts (technical-political) and improving the management and collection capabilities of the Social Security Bank (BPS). For the individual savings regime, in turn, it has proposed: (i) the creation of a third investment fund in equities for young people, aimed at obtaining greater passivity; (ii) the creation of mechanisms to promote competition in the decumulation period in which the State Insurance Bank (BSE) is the only actor; (iii) facilitate greater synergies between the pension savings funds and the productive investment projects required by the country; and (iv) encourage and promote the voluntary savings system. ***(Source: https://www.partidonacional.org.uy; www.infobae.com; Date: November 2019).***

Asia and the Pacific

Saudi Arabia

Government increases the retirement age. On August 2, the government implemented a royal decree that increased the official retirement age for women under the country's public PAYGO pension program, from 55 to 60, to match the retirement age of men. ***(Source: [International Update Social Security Administration](); Date: October 2019).***

Singapore

On August 18, the Prime Minister of Singapore announced gradual increases in minimum retirement ages, reemployment ages and contribution rates for certain older workers covered by the Central Pension Fund (CPF). In Singapore, the retirement age is the minimum age at which employers can require workers to retire. Once workers reach this age, their employers must offer them one-year reemployment contracts, provided that they meet certain conditions, until they reach the reemployment age. Employers can also transfer the reemployment obligation to another employer or provide a special lump sum payment. These age limits are not conditions for receiving old age benefits under the CPF. Key details of the changes include the following:

(1) Retirement age: The official retirement age will increase from 62 to 63 on July 1, 2022 and gradually to 65 by 2030 (the government has not yet announced the schedule for increases at age 65).
(2) Reemployment age: the reemployment age will increase from 67 to 68 on July 1, 2022, and gradually to 70 by 2030.
(3) CPF contribution rates: contribution rates are based on the age of a worker and gradually begin to decrease after age 55. As of January 1, 2021, contribution rates for workers 55 years of age or older will increase gradually over the next 10 years, so that the total rate of 37% (currently for workers up to 55 years of age) is extended to those up to 60 years of age, before gradually decreasing thereafter. The rate of change to reach the target percentage will depend on economic conditions, starting in 2021. ***(Source: [International Update Social Security Administration](); Date: November 2019).***

Europe

Estonia

The Central Bank published a report on the negative impact of transforming the mandatory second pillar individually funded system into a voluntary system. The coalition government intends to make this change as of 2020. The bank's governor, Madis Müller, has pointed out that more than 700,000 people are saving for their pensions through the second pillar, and in the future it is assumed that the pillar will provide a third of each person's pension. Pillars 1 (PAYGO) and 2 (individual accounts) do not compete with each other, but rather complement one another. He also noted that the size of the pension that the government plans to guarantee people in future, and the way it will be financed, have not been explained. In his opinion, a matter of such importance must be widely accepted in society before changes are made to the existing foundations of the pension system. According to the Central Bank, making the second pillar voluntary could reduce future pensions and generate pressure to increase taxes in the future. Although releasing funds from the second pillar would give the economy a short-term boost, this would be replaced by slower growth or even a recession in the future in the future, with higher labor costs and reduced competitiveness in exports. Three of the bank's main concerns are: (i) the rapid sale of assets that a large number of people would need to leave the system, without leaving any winners; (ii) existing pension funds in the second pillar would be reluctant to buy additional high-yield assets, given the insecurity derived from rapid asset sales; (iii) pension funds have invested in Estonian companies and the economy, providing an important source of financing, which would later be lacking. The Bank of Estonia's position largely reflects the thinking of the International Monetary Fund (IMF). After a two-week work trip to Estonia, the IMF mission's delegate, Sheik Anta Gueye, warned of the brief economic boost that the reform could provide, weighing the negative effects, such as having to maintain an aging population in the future. ***(Source: https://news.err.ee; Date: 05.11.2019).***

France

Government implements changes in defined contribution pension plans. The reforms replaced four types of defined contribution (DC) plans with three new plans collectively known as Retirement Savings Plans (PER). The government estimates that the specific reform of the DC plans will increase retirement savings from the current € 220 billion (US$ 240 billion) to € 300 billion (US$ 327 billion) in 2020. The three PER variants include a group plan (open to all categories of employees), a corporate plan (open to certain categories of employees, including executives and managers) and an individual plan (open to all people). Each PER has the same basic characteristics, which include:

(1) Tax and contribution rules: For employees, voluntary contributions of up to 10% of the taxable salary are deductible from income tax. For employers, the social pass (a contribution paid by the employer on behalf of the worker not enrolled in social security) can be reduced or eliminated by payments towards profit sharing plans, depending on the size of the program.

(2) Early withdrawals: participants can withdraw voluntary savings from PER before retirement to purchase a primary residence. Early withdrawals due to disability, unemployment and death are also possible under certain conditions.

(3) Payment options: upon retirement, participants may choose to receive a lump sum payment, life annuity payments or a combination of these two options. The lump sum payment is only available for voluntary savings.

(4) Investment options: PER providers can offer participants a wide range of investment options to encourage diversified portfolios. If participants do not choose an investment option, a life cycle fund is the default investment for their savings.

(5) Savings transfers: participants can transfer their accumulated savings between individual and group PERs and from DC plans prior to PER (previously, participants could only transfer savings within the same plan category).

(Source: International Update Social Security Administration; Date: October 2019).

Germany

The government reaches an agreement on increasing the basic pension. After hours of negotiations, the government reached a compromise with the various political parties to increase the pensions of low-income retirees. Thus, people who receive small pensions, despite having paid into the system for decades, should expect to receive more money in future. Pensioners must undergo a review of their situation, or means testing, to qualify for additional payments. The plan has an additional cost of EUR 1.5 billion (USD 1.65 billion). The basic pension constitutes an additional payment that would add to the pension payments of retirees, ensuring that they receive enough money to cover more than just the basic costs of living. The plan will take effect in January 2021, and between 1.4 and 1.5 million people will be eligible for benefits. Women in particular will benefit from the agreement, since it is estimated that four out of five recipients will be women. ***(Source: www.dw.com; Date: 10.11.2019).***

Spain

The Bank of Spain recommends delaying the retirement age to save the pension system. "Does it make sense to work longer when we are living somewhat longer? Possibly, yes." The Executive Director of Economy and Statistics of the Bank of Spain, Oscar Arce, stated his opinion bluntly and clearly, since the Spanish public pension system was designed when the average life expectancy after retirement was one decade. It is now two decades, and will increase. The extension of the retirement age must be consistent with longer life expectancy, as has occurred in other countries. Several governments have failed to address this issue in Spain. "One can discuss the expenses that

Social Security should or should not assume, but it is clear that contributory pensions account for most of expenditure, due to which more resources will have to be given to the system to close the gap between income and expenses if we want the system to survive," said Arce. ***(Source: www.larazon.es; Date: 19.11.2019).***

Unespa and Inverco call for better oversight of pension plans and the approval of a "reliable model" for the pension system. The Chairman of the Spanish Association of Insurers, Unespa, Pilar González de Frutos, stressed the importance of complementing the public PAYGO life annuity pension system with a "pseudo-mandatory complementary pension" model, in conjunction with "differentiated tax treatment", understanding that in order to guarantee the survival of the PAYGO system and complement pensions, the efforts of all participants, i.e., employers, workers and the State, are "essential." Ángel Martínez-Aldama, Chairman of Inverco, the Association of Collective Investment Agencies and Pension Funds, was more critical, saying that it was not the pension plans that had failed, but rather the reforms of the system. His immediate recommendations were to improve financial knowledge to increase tolerance of volatility, encourage periodic contributions to complementary plans from an early age, and reinvest tax savings annually through the Personal Income Tax, to achieve greater sustainability of the pension system. He also proposed moving towards a British type model, in which it is mandatory for companies to establish a pension plan that workers can opt out of. ***(Source: www.larazon.es; www.expansion.com; Date: November 2019).***

The balance of the Social Security Reserve Fund dropped to EUR 1.5 billion. The Council of Ministers approved a Royal Decree-Law of measures related to the execution of the Social Security budget, which entails withdrawing up to EUR 3,598 million from the Social Security Reserve Fund to guarantee the payment of pensions in December, including the Christmas bonus. The main problem is that the balance of the Reserve Fund will be reduced to only EUR 1,500 million (approx. USD 1,660 million). It is worth mentioning that in the last month of the year, Social Security pays out more than 9.5 million regular pensions and bonuses, entailing a total expenditure of more than EUR 19,000 million (approx. USD 21,025 million). The Social Security Treasury will finance the payment with an extension of credit for the additional payments and the provision of the approved Reserve Fund. ***(Source: http://www.legaltoday.com; Date: 18.11.2019).***

Ireland

New pension program with automatic enrollment approved. On October 30, the government approved a large part of the design of a new "Retirement Savings System with Automatic Enrollment." This system will complement the state pension, which remains the basis of the Irish pension system, as well as the existing complementary pension system. The purpose of this reform is to improve the coverage and adequacy of the complementary pension among those who do not have a complementary pension and who are likely to experience an unwanted reduction in their living standards when they reach retirement. The Government has decided to start with a minimum initial contribution rate (for employees and employers) of 1.5% over three years, which will increase by 1.5 percentage points every 3 years thereafter, up to a maximum of 6% at the beginning of the 10th year. Further details here. ***(Source: http://www.welfare.ie; Date: 30.10.2019).***

Poland

Government approves a bill of law that eliminates the individual accounts of the second pillar. The bill of law would eliminate the second privately managed individually funded accounts pillar and transfer the balances of the accounts of the participating workers, currently in the hands of open pension funds (called OFEs, their Polish acronym), to the first notional defined contribution pillar (NDC) or the third voluntary individual accounts pillar (IKE). The bill still requires the approval of parliament and the signature of the president, but it is expected to come into effect in January 2020 (the balances of the OFE accounts are expected to be transferred in July 2020). There are currently around 15.8 million participants in the second pillar pension program (of which 2 million are active contributors), with assets under management of approximately PLB 162.3 billion (USD 42.5 billion). The key provisions of the bill include:

(1) **Default option**: By default, all balances of OFE accounts will be transferred to the IKEs. Workers who prefer to transfer the balances of their OFE accounts to the NDC program must apply between January 1 and February 28, 2020. The government expects around 80% of workers to take the default option.

(2) **Taxes and commissions**: Workers who transfer the balances of their OFE accounts to the IKE will pay the government a conversion commission of 15% of their account balances, over a period of 2 years. As at present, withdrawals from the IKE at retirement will be tax exempt. In contrast, workers who transfer the balances of their OFE accounts to the NDC program will not be subject to the conversion commission, but their pensions will be subject to personal income taxes (currently, the personal income tax rate is 18% of annual income up to PLN 85,528 [USD 22,397.94] plus 32% of annual income above this amount). The government expects the revenue from the conversion commission to amount to around PLN 12.5 billion (USD 3.27 billion) in 2020 and PLN 4.7 billion (USD 1.23 billion) in 2021.

(3) **Benefits**: Like current IKE participants, workers who transfer their balances from OFE accounts to the IKE may withdraw their IKE balances as lump sums or periodic payments. Workers who transfer balances from their OFE accounts to the NDC program will receive higher NDC old-age pensions.

(4) **Inheritance**: assets transferred to IKE will be private and inheritable, while those transferred to the NDC program will not. ***(Source: International Update Social Security Administration; Date: November 2019).***