

International Federation of Pension Fund Administrators



Progress of the Pension Systems February - March 2020 No. 2

This document reports on progress in pension matters, being factually accurate while maintaining maximum simplicity and brevity. It compiles the major changes that occurred in the pension systems in the February - March 2020 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.

() On this occasion, some relevant events that occurred in the first days of April have been incorporated.*

Executive Summary by area of interest

Reforms proposed or to be discussed

- **Germany:** New "basic pension" proposed. If approved, the benefit would come into effect as of January, 2021.
- **Argentina:** The government is considering a pension reform that would standardize several systems. It plans to gradually increase the minimum retirement age (from 60 to 65), and increase contributions from 12% to 18% in the Justice and Foreign Service regime.
- **Brazil:** Private pension agencies want a law that will enable automatic enrollment in employer pension plans.
- **Chile:** The Pension Commission deems it reasonable to create a new Multifund to provide full protection to workers very close to retirement.
- **Colombia:** The government points out that there is still no pension reform bill of law, but when there is, it will focus on subsidies to high pensions and competitiveness between the private and PAYGO pension systems.
- **Spain:** Minister of Social Security, José Luis Escrivá, proposes a pension reform this year to put an end to uncertainty among retirees and reduce the system's deficit.
- **France:** Pension reform is deferred due to Covid-19 crisis.
- **Mexico:** The regulator proposes creating a sort of standardized life annuity that insurers can offer at an economic price, which will be accessible to all generations of the SAR when they reach 65.
- **Sweden:** The Swedish Pension Agency sees the need for a new individually funded private pension savings system.

New pension programs and social security reforms (approved)

- **Bermuda:** Amendments to the mandatory occupational pension system approved. Among other measures, they extend the coverage of foreign workers, include all bonuses paid to the worker in the income subject to contribution, and introduce a lump sum payment of up to 25% of the funds on retirement.
- **Chile:** Remote or "Telework" law passed, to inspire the creation of new jobs, also regulating this way of working in the midst of the Covid-19 crisis.
- **Dominican Republic:** The subsidized Dominican Social Security System becomes operational after the granting of 932 solidarity pensions by decree. The monthly solidarity pension is equivalent to 60% of the minimum public sector salary (approx. USD 111).
- **Egypt:** Changes to the public pension system approved, including: the gradual increase in the total contribution rate (from 21% to 26% by 2055); the gradual increase in the retirement age from 60 to 65 by 2040; the increase in the number of months of contribution required to access an old-age pension (from 120 to 180 months in 2025) and the change in the benefit formula (now the average income over an entire working life is used, instead of the last 2 years of wages)

Relevant Studies

- The PWC report commissioned by ALFI (Luxembourg) highlights the fact that UCITS funds make up 75% of the foreign investment portfolios of Chilean pension funds. The report concludes that Latin America has great potential for this type of funds.
- In its new edition of the Demographic Observatory, CELADE notes that the Latin American and Caribbean region will reach its maximum population level in 2058, with 768 million people, and that the 60-and-older population will surpass the under-15 population by 2040.

Response to the Covid-19 crisis

- **Australia:** Two staggered partial withdrawals from private pension funds (Superannuation) for up to AUD 20,000 (USD 12,280) have been approved.
- **Chile:**
 - The new "Employment Protection Law" approves the use of the Unemployment Insurance to pay salaries and avoid the termination of the employment relationship.
 - The Association of AFPs (AAFP) proposed creating a new instrument for the pension funds to invest in small and medium-sized enterprises (SMEs), providing them with liquidity, protecting employment, and helping to improve returns on funds.
 - A group of legislators has proposed that members should be able to withdraw a certain percentage of pension funds (some say 5%, others 10%). In response, the government and experts have pointed out that this is not a good idea, since it is detrimental to future pensions.
 - The UDI Political Party proposed that people should stop paying the 10% pension contribution to the AFPs for 3 or 4 months, and that that amount should go directly to the salary, subject to agreement with the employer.
- **Colombia:** Government issued a decree allowing withdrawal from unemployment funds for up to 4 months, to mitigate financial gaps in case of emergencies, without the AFPs charging any commissions.
- **Costa Rica:** The first debate of the bill of law allowing withdrawals from the Labor Capitalization Fund (FCL) by people who have been economically affected, was approved.
- **El Salvador:** Group of legislators proposed partial withdrawal of 50% of AFP funds.
- **Spain:** Government will allow people affected by Covid-19 to withdraw complementary private pension plans in the next six months.
- **Hong Kong:** Partial withdrawal of private pension funds (MPF) proposed. Government says it does not agree with the proposal.
- **Mexico:** Retirement due to unemployment of workers contributing to the IMSS must be paid out in a lump sum.
- **Peru:**
 - Suspension of contributions and AFP management commissions in April (possibly extended to May) was approved.
 - AFP members who have been unemployed in the last 6 months will be able to withdraw up to PEN 2,000 (USD 585) from their pension funds.
 - Congress approved a bill of law that enables withdrawal of 25% of funds accumulated in AFPs, for all members, with a ceiling of 3 Tax Units (ITU) (approx. USD 3,712). The Association of AFPs said that this measure is harmful, will aggravate the recession, destabilize the pension system, and entail smaller pensions in the future. Now the law must be enacted or reviewed by the President of the Republic.
- **Dominican Republic:** Group of legislators proposes using a portion of the pension funds for paying three months of salary. The ADAFP considered this proposal non-viable, due to the losses in the sale of securities under current conditions.

Crisis in public PAYGO systems

- **Argentina:** Due to the Covid-19 crises, government once again finances itself with ANSES resources comprising treasury bills for more than USD 260 million.
- **Spain:** Spending on contributory pensions has set a new record of EUR 9,878 million in March.
- **Uruguay:** A projection by the Social Security Bank (BPS) revealed that state assistance to the Bank will increase from 1.18% of GDP in 2035 to 2.8% of GDP in 2075, for it to be able to pay medium and long-term pensions.

Reports or relevant presentations

According to the PWC report "[Beyond their borders - Evolution of the foreign investments of the pension funds](#)," commissioned by ALFI (Association of the Luxembourg Fund Industry), Latin America is a very interesting region for the growth of UCIT funds. The report highlights the fact that further easing of the foreign investment limits of the pension funds, their tax attractions, the increased appetite of local investors, as well as the legal guarantees offered by UCITS structures, will lead to increased demand for such funds. Although Latin America is home to some of the most regulated pension markets, some countries are "opening up to the foreign sector." Pension funds in the region invest 27% of their portfolios in foreign assets (14% in cross-border funds or ETFs). The use of UCITS funds in the region is also increasing. For example, 75% of the foreign investment portfolios of Chilean pension funds comprise these types of funds. The report concludes that Latin America appears to have potential for UCITS funds. Cross-border pension fund allocations on the continent are expected to more than double 2017 levels by 2022, as the Latin American pension market is expected to grow by 9% in the coming years. (Source: www.fundssociety.com; www.pwc.lu; Date: February 2020).

CELADE- The Population Division of ECLAC published the 2019 edition of the [Demographic Observatory of Latin America and the Caribbean: Population Projections](#). This edition includes selected indicators of population estimates and projections at the national level of the 38 Latin American and Caribbean countries. The report's findings indicate that the dwindling growth of the population in Latin America and the Caribbean, mainly due to declining fertility, will take the region to its peak population levels by 2058, with a total of 767.5 million people. Another finding is that the region's demographic transition process highlights two relevant phenomena: population aging and the end of the demographic bonus. In terms of aging, the region as a whole is at a relatively accelerated stage and it is projected that by 2040, the 60-and-over population will surpass the under-15 population. Meanwhile, regarding the "demographic bonus", while the drop in the dependency ratio will contribute to a demographic slack in the mid-term (demographic bonus), the increase in

the population aging ratio thereafter gives rise to enormous challenges for societies: it is estimated that the region's dependency ratio began to decline between 1965 and 1970, marking the beginning of the demographic bonus, and it is projected that between 2020 and 2025 the dependent population (under-15 and 65-and-older) will grow more than the working-age population (15 to 64), leading to an increase in the dependency ratio and the end of the demographic bonus in the region (which lasted for about 55 years). To review the details of the population estimates and projections in spreadsheet format, click [here](#). (Source: www.cepal.org; Date: February 2020).

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

The government once again finances itself with funds from the National Security Administration (ANSES), to address increased expenditure triggered by the crisis. The Ministry of Economy ordered the issuing of Treasury Bills for more than ARS 13 billion and USD 59 million, which will be directly subscribed by ANSES. These securities will be non-transferable and will not be quoted on local and international stock markets, as they will be placed directly with the Sustainability Guarantee Fund administered by ANSES. (Source: <https://www.airedesantafe.com>; Date: 30.03.2020).

Government is considering a reform plan, with a call for "homogenizing" the different regimes. Debt negotiation and the reform of the pension system have become priorities for the Government, which claims that the purpose is to provide the planned system with greater "equity," strengthen the "redistributive and solidarity" characteristics of assets, correct "imbalances" and avoid "privileges." In the Justice and Foreign Affairs regime, the plan is to introduce a gradual increase in the minimum retirement age (from 60 to 65), increase contributions from 12% to 18% and require more years of service for accessing a pension and keeping the mobile 82%, but on the average income of the last 10 years, instead of the last salary. The Government says that no other changes are envisaged for the time being, but the opposition suspects an assault on all special regimes, especially those linked to workers. This

suspicion is based on the text that modifies the Magistrates and Diplomats regime, which basically states that it "is part of a series of initiatives put forward by the Executive Branch to reduce existing inequities in the pension system, largely caused by special regimes whose rules of access and determination of benefits have consolidated truly privileged sectors within the public PAYGO system." (Source: www.iprofesional.com; Date: 09.03.2020).

Brazil

Private pension agencies want a law that will enable automatic enrollment in employer pension plans. According to Abrapp, the Association of Closed Complementary Private Funds, 500 thousand more people would have private pensions if this proposal is approved. The proposal is part of the Parallel PEC (Constitutional Amendment Proposal), which sets out the retirement rules and regulations for states and municipalities and is currently being processed in the House after being approved in the Senate. (Source: <https://jovempan.com.br>; Date: 07.02.2020).

Bermuda

Amendments to the mandatory occupational pension program approved. On December 30, 2019, the government approved amendments to the National Pension System (Occupational Pensions) Act.1 of 1998 which (among other changes) will extend mandatory occupational pension coverage to foreign workers, change the definition of taxable income, allow lump sum payments on retirement and reduce vesting periods for employer contributions. The amendments will come into effect on different dates in 2020. According to the government, the exclusion of foreign workers from the occupational pension program created an incentive for employers to hire foreigners rather than local workers. The key amendments and their implementation dates are as follows:

- **Extension of mandatory coverage to foreign workers:** as of March 2, all private sector workers, with the exception of foreign workers with short-term work

permits (no more than 12 months) and citizens of the United States of America with a qualified 401-k plan, who are 23 years of age or older and have worked at least 720 hours for their current employers in any calendar year, will be covered by the program (spouses of covered workers can also enroll). Workers' and employers' contribution rates for newly enrolled foreign workers will gradually increase from 1% of gross wages each by 2020, to 5% each by 2024, equaling the rates of Bermudan workers.

- **Change in the definition of income subject to contribution:** As of January 2, income subject to contributions (up to USD 200,000 per year) now includes all bonuses paid to a worker. Previously, only bonus amounts greater than 10% of a worker's base salary were considered when calculating contributions.
- **Introduction of a lump-sum option at the time of retirement:** At the age of 65, participants may receive an upfront payment of up to 25% of their account balance (for defined contribution plans) or up to 25 percent of the value of their benefits (for defined benefit plans). The government has not yet set a date for implementing this provision.
- **Reduction in the vesting period to access employer contributions:** as of March 2, the maximum vesting period is reduced from 2 years to 1 year. (Source: Social Security Administration; Date: February 2020).

Chile

The use of the Unemployment Insurance to pay salaries and avoid termination of employment due to the Covid-19 crisis, has been approved. The new Employment Protection Law, passed on March 31, enables access to unemployment insurance benefits, under exceptional circumstances, to protect and secure household income during the global coronavirus pandemic. The law allows the suspension of the employment relationship for up to 6 months, but prevents the employer from terminating it on grounds of force majeure. The law provides that salaries will be charged to individual Unemployment Insurance accounts in such cases. If

¹ In addition to the mandatory occupational pension program, Bermuda's pension system consists of: (1) a social insurance program for employed and self-employed individuals aged 18 or more, working more than 4 hours a week, and temporary residents working for a salary for more than 26 consecutive weeks; and (2) a social assistance program that includes an old-

age social pension (for Bermudan workers) and a disability social pension (for all Bermuda residents). The social insurance program is financed by fixed contributions from workers and employers (USD 35.92 per week each); and the social assistance program is funded through general taxes.

work is fully suspended, the law states that workers will receive 70% of their salaries in the first month, charged to their individual Unemployment Insurance accounts. If the State of Catastrophe lasts for more than 30 days, workers will receive 55% and 45% of their salaries in the following months. The initiative also allows for the reduction of working hours by up to 50%, with the corresponding salary reduction. In this case, workers will be able to access a supplement of up to 25% of their salary from the Unemployment Insurance. (Fuente: <https://www.chvnoticias.c>; Date: 01.04.2020).

The Association of AFPs (AAFP) proposed creating a new instrument for the pension funds to invest in small and medium-sized enterprises (SMEs), during the crisis caused by the propagation of the Covid-19 virus, according to Fernando Larraín, CEO of the AAFP, who explained that this would be a fund created exclusively to provide liquidity to the SMEs, helping them to get through this difficult time, providing them with the economic resilience to face what is coming and help to protect employment. This fund should be able to obtain better returns than national debt (which is giving very low returns), thus complying with the fiduciary obligations of the AFPs. The investment fund should be able to count on more than US\$1 billion. The Pensions Commission could create this instrument proposed by the AFPs by statutory means, should it deem it appropriate. (Source: www.df.cl; Date: 30.12.2019).

Government and experts reject the possibility of withdrawing a part of pension savings due to the Covid-19 contingency. A group of Deputies proposed a bill of law that would allow the withdrawal of up to 5% of accumulated pension funds in order to deal with the difficult economic situation that the Covid-19 crisis will cause. AFP UNO proposed the same idea. Another group of Senators² asked the Government to co-sponsor a bill of law that would allow members to make a one-off withdrawal of up to 10% of their funds in emergencies or catastrophic situations. The Minister of Labor, María José Zaldívar, denied any possibility of partial withdrawal of funds, since it defeats the purpose of improving future pensions, which is something the country is working hard to achieve. The Minister of Finance, Ignacio Briones, in turn, called for extreme caution when proposing to use pension funds to address

economic contingencies arising from the pandemic, adding that there are cases of countries that have moved in that direction, in which pension savings eventually end up being exhausted, entailing poor pensions in the future. In the meantime, the Association of AFPs (AAFP) also announced that it disagreed with the proposal, since workers' savings should not be used to cover the consequences of this crisis, and the proposal goes against the urgent need to increase pensions. (Source: www.latercera.com; www.df.cl; www.eldesconcierto.cl; Date: March 2020).

Freezing the 10% contribution to the AFPs for 3 or 4 months has been proposed. The UDI political party proposed that the 10% pension contribution should be suspended and paid as part of the salary for 3 or 4 months, subject to agreement with the employer. Party president Jacqueline van Rysselberghe said that the party is busy drawing up a bill of law to submit to the Executive. The Under-Secretary of Social Security said that this was a better alternative than withdrawing funds, but that the effects of the proposal need to be assessed. (Source: www.latercera.com; Date: 01.04.2020).

The Pensions Superintendence issued a warning regarding recommendations for switching funds on social media, indicating that it would be justifiable to have a "fund that does not vary" for people close to retirement. According to the Pensions Superintendence, it is important for citizens to bear in mind that accumulating pension savings to finance a pension is a long-term undertaking, and people should therefore remember not to base their pension savings decisions on returns measured over very short periods of time. He added that it was reasonable for the legislation to include full protection of individuals very close to retirement, or whose pensions are being processed, without making things more complicated. Full protection through a fund that does not vary is justified in these cases, so that people will know for sure what their pension amount will be. (Source: www.fundsociety.com; www.pauta.cl; Date: March 2020).

The Remote, or Telework Law, was passed. The law, passed on March 23, comes into effect on April 1. The initiative will encourage the creation of new jobs, and will also formalize this way of working, since thousands

² R.Quinteros-PS, X.Rincón-DC, A.Muñoz-PPD, C.Bianchi-Ind. and J.Pizarro-DC.

of people are working from home for the first time in the midst of the Covid-19 pandemic. The main measures include: (i) Telework will be regulated by the Labor Code, so the employer will be obligated to enter into an employment contract, or an extension thereof, with those providing services outside the company; (ii) The worker will have the same rights as any other worker (collective and individual); (iii) The equipment, materials and tools that the worker needs to perform his duties will be provided by the employer; (iv) The worker may not be forced to use his or her own tools. The employer will also be liable for operating or maintenance costs; (v) The worker may divide his time in or outside the company's premises; (vi) The worker may agree to freely distribute his working day, provided that his duties will allow it; (vii) Salaries will not be affected, since this is an agreement between the employer and the worker that does not allow the infringement of his employment rights. (Source: www.adnradio.cl; Date: 24.04.2020).

Colombia

Government issued a decree allowing the withdrawal of unemployment funds to mitigate financial issues due to the Covid-19 pandemic. The measure is for workers with suspended contracts or imposed unpaid leave. Withdrawn funds will be proportional to the worker's savings, also considering the time the emergency will be in force, i.e. four months. This measure applies only to withdrawals from funds managed by Private Pension and Unemployment Fund managers. Under this new withdrawal mode, due to the Covid-19 contingency, members of private unemployment funds will not pay commissions on these withdrawals. (Source: www.asofondos.org.co; www.colombia.com; Date: 27.03.2020).

Minister of Labor, Angel Custodio Cabrera, assured the public that there is no Pension Reform bill of law. He said all there is are drafts of what the pension reform initiative would be like. But any Pension or Labor Reform bill of law will be agreed between employers, workers and the government. He added that the President of the Republic, Ivan Duque, had given clear instructions to protect workers' rights (weeks of contribution, age, and percentage of contribution). What will be discussed are subsidies to high pensions and the degree of competitiveness between the private pension systems and the PAYGO system, which will not be shut down, but

rather strengthened. (Source: <https://caracol.com.co>; Date: 02.03.2020).

Costa Rica

The Legislative Assembly approved the first debate on the bill allowing withdrawals from the Labor Capitalization Fund (FCL) by individuals who have been economically affected by the Covid-19 virus. Complementary pension operators (OPCs) that have liquidity problems for financing a massive FCL withdrawal, will be able to enter a Central Bank mechanism called the Integrated Liquidity Market, where they will be able to sell their bonds at a good price and thus meet the demands of their savers. (Source: www.elmundo.cr; www.larepublica.net; Date: April 2020).

The Disability, Old Age and Death Regime of the Fund (IVM) will be unsustainable by 2030. It is estimated that "Contributions plus interests of the reserve" will be insufficient by that year, and that the reserve will be totally exhausted by 2037. This means that there will not be enough people of working age to support the Fund's Disability Old Age and Death regime. In this scenario, according to experts, financial education and voluntary savings will be critical for averting social disaster in the future. (Source: www.larepublica.net; Date: 04.03.2020).

El Salvador

A proposal for partial withdrawal of 50% of AFP funds was made. The FMLN party proposed that people contributing to the AFPs should be able to withdraw up to 50% of their individual account savings, if affected by the state of exception and emergency due to the Covid-19 pandemic. This would be a transitional decree and the contributor could only apply for the funds within three months of the effective date of the decree. Arena, a party that currently has the majority of deputies in the Legislative Assembly, did not reject the proposal and was open to discussing it. (Source: <https://diario.elmundo.sv>; Date: 27.03.2020).

Mexico

CONSAR states that, due to the Covid-19 emergency, unemployment insurance withdrawals by workers contributing to the Mexican Institute of Social Security

(IMSS) must be paid in a lump sum. This is to prevent workers from having to go to branches, modules or specialized units on multiple occasions. The purpose is to avoid physical concentration, traffic or displacement of people and to safeguard health. (Source: www.consar.gob.mx; Date: 27.03.2020).

Authorities predict that the pension system will improve in the next six years. The country's President, Andrés Manuel López Obrador, undertook to resolve the pensions issue before the Tenth Regular National Congress of the Autonomous Confederation of Workers and Employees of Mexico (Catem), so that everyone will have a decent pension. Bernardo González Rosas, Chairman of Amafore, explained that pensions will be insufficient, since current parameters are insufficient and do not correspond to the country's labor reality. He said that reforms could not be delayed until 2021, since nearly 41,000 workers would retire that year, and 30 per cent of them would receive a pension of 30% of their last salary. 70% of them would be left with only their savings. As part of the improvements, González Rosas included gradually increasing the mandatory contribution from 6.5% to at least 15%, and allowing workers to buy weeks of contribution with their voluntary savings, as already occurs in the Mexican Social Security Institute (IMSS). (Source: <https://eldemocrata.com>; Date: 28.02.2020).

Regulator will propose more accessible life annuities. One of the biggest challenges facing the Retirement Savings System (SAR) is the low availability of life annuities for retiring workers from insurers, since they are inaccessible and expensive, experts agreed. Abraham Vela Dib, Chairman of the National Commission for the Retirement Savings System (Consar), said that he has approached the authorities of the Ministry of Finance to create a kind of standardized annuity that insurers can offer at an economic price, which will be accessible to all generations of the SAR when they turn 65. In a report on the pension system, the OECD states that the lack of interest of insurers in the life annuities market is because they are subject to a more restrictive investment regime, and there are also insufficient financial instruments to cover the longevity risk. Further details [here](#). (Source: www.eleconomista.com.mx; Date: 09.02.2020).

Peru

Government issued an emergency decree approving the suspension of AFP contributions in April, due to the Covid-19 contingency. Thus, neither the contribution to the pension fund (10% of salary) nor the fund management commission (1.60% of salary if the worker has opted for the commission on the flow, or 0.18% if he has opted for the joint commission) will be deducted in April. The disability, survival and burial insurance premium, amounting to 1.35% of salary, will be charged. According to an announcement by President Vizcarra, the measure could possibly be extended to May. (Source: <https://andina.pe/>; Date: 28.03.2020).

Proposals have been put forward for using part of the pension funds to alleviate the financial situation of families due to Covid-19. One of these is a multi-party proposal to allow the withdrawal of 25% of the funds accumulated in the AFPs, for all members, with a ceiling of 3 Tax Units (ITU) (PEN 12,900, approx. USD 3,712) with a minimum withdrawal amount of one ITU (PEN 4,300, approx. USD 1,237). The funds will be paid out in two parts: 50 % within 10 calendar days of submittal of the application and the other 50% within 30 calendar days of the first payment. This bill of law has already been passed by Congress and sent to President Vizcarra for enactment or review. Meanwhile, the Minister of Economy and Finance, Marie Antoinette Alva, announced that the Executive will present her proposal for the partial withdrawal of funds from the AFPs, only in favor of those contributors who need liquidity and cannot wait for the recovery of lost value. She said that the initiative presented in Congress to release 25% of the AFPs' funds to their members is a massive measure that will only cause real losses to contributors, in the current context of the international crisis caused by the Covid-19 pandemic. Giovanna Prialé, Chair of the Association of AFPs, in turn, said that releasing 25% of the pension fund at this time is equivalent to liquidating PEN 40 billion, which is "harmful" to the system, bearing in mind that there is an excessive offer of assets due to the situation, which would force the AFPs to auction off their bonds and shares, destabilizing the Private Pension System, aggravating the economic recession in the short term, and affecting the returns of the pension funds and the pensions of future retirees in the long term. (Source: (Fuente: <https://andina.pe/>; Date: March/April 2020).

A proposal has been put forward to grant low interest loans with the pension funds of individuals as guarantees, due to the Covid-19 crisis. Former Economics and Finance Minister Alfredo Thorne proposed that contributors to the AFPs should be able to access loans with very low interest rates, using their retirement funds as collateral, to provide them with liquidity to overcome the health emergency, without putting their future pensions at risk. This alternative, he points out, would be the middle ground between the concern for providing greater liquidity to workers contributing to an AFP and maintaining the value of their retirement funds. (Source: <https://andina.pe/>; Date: 29.03.2020).

AFP members that have not been on any company payroll in the last 6 months, may withdraw up to PEN 2,000 (USD 585) from their pension funds. This was announced by the President of the Republic and approved by the Council of Ministers, due to the Covid-19 contingency. The withdrawal will be in two installments of PEN 1,000 soles each, for two consecutive months, so as not to affect the system. (Source: <https://andina.pe/>; Date: 01.04.2020).

Dominican Republic

The Dominican Association of Pension Fund Administrators (ADAFP) considered it non-viable to use a portion of the pension funds for paying three months of salaries to counteract the effects of Covid-19. To access this amount of money, ADAFP explained that large investments in the secondary market would have to be sold off, making it unviable in the current circumstances and generating undesired effects for the country, such as inflation, unemployment, interest rate increases and pressure on the exchange rate. In an emergency situation, such as Covid-19, the solution should not involve destroying within three months the equity built up with good management, over more than 16 years, for the workers enrolled in the AFPs in the country. (Source: <https://hoy.com.do>; Date: 28.03.2020).

President Danilo Medina Sánchez granted old-age and disability Solidarity Pensions to 932 people. The provision of the Executive Branch is contained in [Decree 88-20](#). These Solidarity Pensions are part of the Subsidized Regime of the Dominican Social Security System, which was operationally lagging for years (even though it is contemplated in Article 63 of Law 87-01 that

creates the Dominican Social Security System). According to the Decree, these 932 people will benefit from a monthly pension of DOP 6,000 (approx. USD 111) equivalent to 60% of the minimum public sector wage, in addition to a thirteenth pension in December. Further details [here](#). (Sources: <https://elsoldelaflorida.com>; <https://acento.com.do>; Date: March 2020).

Uruguay

A projection by the Social Security Bank (BPS) revealed that state assistance to the Bank for paying mid and long-term pensions will grow from 1.18% of GDP in 2035, to 2.8% of GDP in 2075. This leads to the assertion that the reformed system is not expected to achieve financial balance within the horizon projected by the study. There are two "causes that could explain" the deficit: the existence of minimum pensions by law and by decree (which have increased the coverage and sufficiency of the system, but have an impact on financing); or an actuarial imbalance due to the effects of longevity. (Source: <https://negocios.elpais.com.uy>; Date: 10.03.2020).

Africa

Egypt

The country introduces important changes to the social security system. On January 1, 2020, the government implemented a new law that makes major changes to the country's social security pension system, including coverage, financing, qualifying conditions, benefit formulas, and benefit adjustments. The new law (Law No. 148 of 2019) replaces many existing social security laws and regulations, and consolidates several different social insurance programs into one. Key provisions of the new law affecting old-age pensions (effective as of January 1) include:

- **Covered workers:** The unified program covers 26 categories of workers, including public and private sector employees, public officials and self-employed workers. Ten of the 26 categories previously lacked social security coverage; these 10 categories include mainly irregular and seasonal workers (e.g. fishermen, overland transportation employees and domestic workers) and small employers (e.g. owners of environmental, rural and family industries).

- **Contribution rates:** Worker and employer contribution rates are 9% and 12% of monthly gross salary, respectively (previously, workers' and employer contribution rates were 10% and 15%, respectively). Workers' and employers' contribution rates will each increase by 0.5 percentage points every 7 years until the combined rate reaches 26% by 2055.
- **Qualifying conditions:** While the official retirement age remains unchanged at 60 for the time being, it is scheduled to increase to 61 on July 1, 2032, and by an additional year every 2 years thereafter, until it reaches 65 in 2040. The minimum number of months of contribution required to qualify for an old-age pension at the official retirement age will also increase from 120 months to 180 months by 2025.
- **Early retirement:** As of 2025, an insured person may claim a reduced old-age pension at any age prior to the official retirement age, if he or she has at least 300 months of contributions (currently 240 months) and is entitled to a monthly pension that is at least equal to the minimum monthly pension, or 50 percent of his or her last monthly income, whichever is greater.
- **Benefit formula:** The old-age pension replacement rate is still 2.22% of the insured's average annual income for each year of contributions, but average annual income is now calculated based on the insured's lifetime income (adjusted for inflation) rather than their last 2 years of pre-retirement income. The new formula only applies to periods of employment from the date of implementation of the new law. (The above formula still applies to periods of employment prior to the implementation date).
- **Minimum and maximum pensions:** The minimum monthly pension is 65% of the minimum monthly income used for calculating contributions. The maximum monthly pension is 80% of the insured's average monthly covered income, or 80% of the maximum monthly income used for calculating contributions, whichever is less.
- **End-of-service benefit:** The new law replaces the Social Security End of Service Benefit with one based on individual accounts. To finance the benefit of the individual account, workers and employers each contribute 1% of the total monthly income covered, or 1% of the payroll. When an insured person retires,

he or she receives the balance from his or her account (total contributions plus accrued interest) as a lump sum. The new benefit only applies to periods of employment from the date of the implementation of the new law. (The above benefit still applies to service periods prior to the implementation date).

- **Benefit adjustment:** The pension amount is automatically adjusted in July of each year, based on changes in the national consumer price index, with a maximum annual increase of 15%. (Previously, adjustments were made at the discretion of the authorities).

(Source: [Social Security Administration](#); Date: February 2020).

Asia and the Pacific

Australia

Partial withdrawal from private pension funds (Superannuation) approved due to the Covid-19 crisis.

The Government adopted legislation allowing individuals infected with Covid-19 to make two staggered withdrawals of up to AUD 20,000 (USD 12,280): eligible individuals will be able to apply online for the withdrawal of up to AUD 10,000 from their retirement funds by July 1, 2020; and up to an additional AUD 10,000 between July 1 and September 24, 2020. To apply for retirement, one or more of the following requirements must be met: (i) Be unemployed; (ii) Be eligible for a job applicant payment, youth allowance for job applicants, parental care allowance, special benefit or farming household allowance; (iii) As of January 1, 2020: Having been dismissed; working hours reduced by 20% or more, and in one-man operations, the business was suspended or there was a 20% or more reduction in its turnover.³ (Source: <https://business.gov.au>; www.thestar.com.my; Date: 30.03.2020).

Hong Kong

A proposal has been put forward for the partial withdrawal of private pension funds (MPF), due to the Covid-19 crisis. Legislators and pension experts urged the government to allow 2.9 million workers to use

³ Malaysia, the Philippines and Thailand have implemented similar measures, easing the burden on workers by allowing early retirement and deferring or

reducing contributions, among others. Source: <https://www.asiaasset.com/post/23223-hk-mpf-0330>

some of their accumulated funds in the MPF (Mandatory Provident Funds) to deal with the Covid-19 crisis. The government and some experts disagree, as such a measure would require an amendment to the law and could exhaust the pension fund. (Source: www.scmp.com; Date: 26.03.2020).

Europe

Germany

A bill of law for reforming the pension system by introducing a "basic pension" (Grundrente) was approved. Payment of this new supplement is expected to begin on January 1, 2021, although it must still be approved by the Bundestag (Lower Chamber of the German Parliament) and the Bundesrat (Upper Chamber and representative body of the federated states). 1.3 million people are expected to benefit from it, 70% of them women. It is expected to cost a total of EUR 1.3 billion, rising to EUR 1.61 billion by 2025. Basic characteristics of the pension:

- **Definition:** The idea behind the basic pension is as follows: if you have worked in Germany for a long time and have consistently contributed to social security, you must obtain a pension that is higher than the basic subsistence pension (unemployment pension II). However, this is not always the case in the existing regulations. Under the current German pension system, a person accumulates so-called "pension points" throughout his working life; the more you work and the more you earn, the more points you accumulate. Over time, this could mean that those who earn low wages or work part-time get very few pension points and therefore receive insufficient pensions. The project therefore provides for "completing" smaller pensions to meet a minimum requirement, which should help those currently receiving a small pension and reduce the risk of poverty in old age.
- **Qualifying for the pension:** (i) The full pension is only paid to those who have contributed for 35 years (this includes not only periods spent working, but also time spent on parenting and childcare); (ii) Beneficiaries must have earned at least 30% of the average salary to qualify; (iii) Pensioners must

demonstrate that they do not have other substantial income, such as company pensions or a partner's pension. Long-term health care and care insurance expenses will be deducted. The allowance for singles is a taxable income of EUR 1,250, and EUR 1,950 for couples. Those who earn more than this will have their basic pension reduced.

- **Basic pension amount:** The accumulated pension points of those who qualify for the basic pension will be updated by a complex calculation, up to a maximum value of 80% of the average pension. If your pension is significantly below this average value, your benefits may even double, while those who receive sums closer to the average will only receive a small supplement.

(Source: www.iamexpat.de; Date: 20.02.2020).

Spain

The government will allow withdrawals from the pension plans of individuals affected by Covid-19 as of March 14, 2020, the date on which emergency status was declared. A new Royal Decree-Law will make it possible, exceptionally, for those employees who have been laid off and are now unemployed, as well as entrepreneurs and freelancers who have ceased their activity, to be able to access the consolidated rights in their plans. The decree stipulates three causes: (i) being legally unemployed as a result of a layoff (ERTE) arising from the health crisis caused by Covid-19; (ii) being an employer who owns establishments now closed to the public due to the state of emergency; (iii) self-employed workers previously enrolled in a Social Security plan, who have ceased their activity as a result of the health crisis. The document, the final version of which has not yet been published, sets out maximum available amounts: (i) wages not received while being laid-off; (ii) estimated net income not received while the prohibition to open to the public is in force for entrepreneurs; and (iii) the estimated net income not collected by self-employed or independent workers while the health crisis caused by Covid-19 endures. (Source: <https://es.fundspeople.com>; Date: 31.03.2020).

Expenditure on contributory pensions set a new record in March, amounting to EUR 9,878 million. The amount exceeds last year's figure by 3.15%, according to data from the Ministry of Labor, Migration and Social

Security. Faced with this scenario of historical monthly maximums, and taking into account the strong economic impact that Covid-19 will have, the Government should listen to the recommendation recently but forward by the Foundation for Applied Economics Studies (Fedea): less generous pensions. 71.5% of these EUR 9,878 million correspond to retirement pensions, a 3.59% increase in the last year. The average pension in the System was EUR 1,008 per month. (Source: www.hispanidad.com; Date: 27.03.2020).

The Minister of Social Security, José Luis Escrivá, has proposed a pension reform this year to put an end to uncertainty among retirees and reduce the system's deficit. The minister expects this reform to be approved by Congress in the second half of this year. It will include an annual reassessment of pensions to ensure that the purchasing power of pensioners will be maintained. In order to reduce the system's deficit, the Minister has also proposed: (i) Rid social security of expenses that should be paid from taxes (such as discounts on social contributions to encourage employment and hiring, which incur about EUR 1.7 billion per year); (ii) bring the real retirement age (64 years and 5 months) closer to the official retirement age (which is gradually increasing, and will be 65 by 2027, for those who have contributed for 38.5 years or more, and 67 for those who have contributed for a lesser amount of time), through "positive incentives". (Source: <https://elpais.com>; Date: 27.02.2020).

France

President Macron declares a state of emergency and defers pension reform due to the Coronavirus pandemic. The country's president, Emmanuel Macron, declared a countrywide state of emergency on Monday, December 16, in an attempt to slow the advance of the Coronavirus pandemic. In a speech, he announced new restrictions to achieve this: limits on transit, deferring the second round of municipal elections, or the ongoing statutory reforms - including the pension reform - and suspending water, gas, electricity and rent bills for small businesses. (Source: www.eldiario.es; Date: 16.03.2020).

Sweden

Sweden's Pension Agency sees the need for a new pension saving scheme. The Swedish Pension Agency (Pensionsmyndigheten), which manages state pensions and pension-related benefits, says it sees the need for a new type of private pension saving scheme, as some sections of the population should be saving more for retirement. In the proposal, he said that the earliest retirement age in any new scheme should be linked to the current state pension; that the new system should consider a minimum period for withdrawing 10-year funds and a default (lifetime) payout period, and should also be subject to taxes at the same level as occupational pensions. The authority pointed out that one of the factors contributing to the lack of pension savings by some people was the fact that they had variable income that rarely reached the level at which they had to pay contributions, and that one drawback of the private pension saving schemes currently available was that they lacked the option of life annuity payments. (Source: www.ipe.com; Date: 12.03.2020).