

FIAP Communiqué

July 23, 2020

Mexican government announces reform of the pension system that will provide better pensions for workers

On July 22, the Mexican government announced that it will submit a bill of law to reform the Social Security Law, aimed at improving the pensions of workers. The bill of law also aims to increase the number of workers who can access the minimum guaranteed pension, thus contributing to their well-being.

First of all, the initiative proposes gradually increasing the overall contribution rate to the individually funded program from 6.5% to 15% of salary, over a period of eight years, as follows:

- The workers' contribution will remain at 1.125% of salary (unchanged).
- The state's contribution (0.225% of salary plus a social contribution) is modified to benefit only lower income workers, without increasing the total amount.
- The employer's contribution will absorb the total increase (from the current 5.15% to 13.875%).

Secondly, it proposes reducing the requirement for first generation pensioners to obtain a minimum guaranteed pension, from 1,250 weeks to 750 weeks, and then gradually increasing to 1,000 weeks over a period of 10 years. This will significantly increase the percentage of workers who can access this benefit.

Thirdly, it also proposes increasing the minimum guaranteed pension amount from an average of 3,289 pesos (approx. USD 148) to an average of 4,345 pesos (approx. USD 195). This new minimum pension will be based on age, the number of weeks of contributions and the taxable base salary.

The proposed measures are expected to increase the replacement rate by 40% on average (by 103% for workers earning one minimum wage and 54% for workers earning five minimum wages).

FIAP believes that this reform is a step in the right direction, since it directly increases the amount of savings workers can accumulate in their individual accounts, allowing them to finance a better pension in future. At the same time, the State will concentrate its efforts on improving the situation of those workers who have not been able to save a sufficient

amount to obtain an adequate pension, for whatever reasons (reduction of the period required for accessing an increased minimum pension).

Further details regarding this proposal can be found in the presentation by the Minister of Finance and Public Credit of Mexico (download [here](#)) and the press release by the same agency (download [here](#)).