This document compiles the major changes that occurred in the pension systems in the June-July 2021 period, with emphasis on the development of the individually funded systems. Due to the impact of the latest events, this edition includes information on changes and regulatory proposals to the first week of August, 2021.

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# Executive Summary by area of interest

## New pension programs and social security reforms (approved)

- **Australia**: On July 1, the government made changes to the mandatory occupational pension program ("Superannuation"), including an increase in the employers' minimum contribution rate (from 9.5% to 10%), the introduction of annual pension fund performance reviews, the creation of a mechanism for avoiding duplicate accounts, and the launching of a new fund comparison tool.

- **Chile**: Regulators jointly published regulations setting out guidelines for all pension financial advisory activities.

- **China**: On June 1, China introduced a one-year individual voluntary pension savings account (third pillar) pilot program, managed by six insurance companies and initially covering residents in two of the country's jurisdictions.

- **Malaysia**: As of July 12, new regulations allow members of the Employees Provident Fund (EPF) to make early withdrawals of up to USD 1,202 (due to the Covid 19 pandemic).

- **Peru**: Congress promulgated a law setting the early retirement age of the Private Pension System (SPF) at 50 for men and women. The early retirement age was previously 50 for women, and 55 for men.

## Crisis in public PAYGO systems

- **Argentina**: Six out of ten new retirees had to resort to moratoriums or non-contributory pensions (a measure for those who wish to retire but have not completed 30 years of contributions).

- **Costa Rica**: Birth rate reductions have made it necessary to propose reforms to the public PAYGO system (whose reserves will be exhausted by 2037 if there are no reforms), including the gradual elimination of early pensions by 2029 and modifying the reference average salary used for calculating pensions (based on the best 25 years of wages instead of the best 20 years).

- **Ecuador**: The pension funds of the Ecuadorian Social Security Institute (IESS) will be exhausted by 2022. The cash deficit began in 2014, and is estimated to be USD 2,800 million by 2025.

- **Spain**: The Social Security deficit continues to break all records, amounting to USD 100,373 million in May 2021, an increase of 42% compared to May 2020, increasing the risk of future pension reductions.

- **Greece**: The IMF published a report highlighting the need for ongoing deep reforms in the public PAYGO system, to improve its sustainability.

- **Dominican Republic**: Diego Valero, President of Novaster, warned that switching from the individually funded pension system to a PAYGO system would involve raising the contribution rate from 8.4% to 27.4%, in order to cover the deficit for the next 40 years.

## Reforms proposed or to be discussed

- **Chile**: The Programmed Withdrawal Board proposes creating a Universal Basic Pension for extreme old age (86 and above), equivalent to the poverty line (USD 235 per month) and financed with public funds.

- **Spain**: The government has approved a preliminary pension reform agreement which would come into effect on January 1, 2022. Among other things, the agreement stipulates that: (i) pensions will be adjusted to inflation; (ii) an attempt will be made to enforce the legal retirement age, discouraging early retirement and favoring delayed retirement; and (iii) a new, less generous intergenerational equity factor for updating pensions will be introduced as of 2027.

## Investments of the pension funds

- **Mexico**: As of 2022, the AFOREs must have procedures and policies in place with regard to investments with Environmental, Social and Corporate Governance (ESG) criteria. Thus, the AFOREs must: (i) Publicly disclose whether they integrate ESG factors in their investment processes, and how they do so; (ii) Use their influence to promote ESG integration in the entities they invest in.

- **Peru**: The pension regulator issued provisions governing investments, highlighting new eligible investment alternatives such as private debt strategies and joint ventures, within the alternative asset class, and the use of ETFs to achieve greater investment in local equity instruments. It also provides that the AFPs may incorporate ESG factors in their investment policies.

## Relevant studies

- **World**: The latest OECD report shows that pension funds had more than USD 35 trillion in assets under management worldwide at the end of 2020.

- **Chile**: The Chilean Association of AFPs published a study warning that the approval of a fourth withdrawal of 10% of the pension funds will deepen inequality and significantly impact women and youth, leaving more than 4.5 million workers without funds in their accounts.
Relevant reports or presentations

The Chilean Association of AFPs published a study warning that the approval of a fourth withdrawal of 10% of the pension funds would deepen inequality and significantly impact women and youth. According to the report, after the three successive withdrawals of 10% of the pension savings funds, it is estimated that 20% of members have no pension savings left in their individual accounts and would be unable to participate in a fourth funds withdrawal process. This percentage is equivalent to 2,132,056 people (796,622 men and 1,335,434 women). A new 10% withdrawal would mean that another 2,420,766 members would withdraw their total pension savings amounts, leaving 4,552,822 members without savings for their future pensions. Of this total, 44% are men and 56% are women. Thus, women continue to be the most affected by early pension savings withdrawals, which will have a significant impact on their future pensions. Due to the three prior 10% withdrawals, it is estimated that women’s pension amounts would drop by 33.3% on average, whereas men’s pensions would drop by 24.3%. The reason for the above is the design of each one of the withdrawal processes, with a minimum of UF 35 (approx. USD 1,341) and a maximum of UF 150 (approx. USD 5,748). The members most affected are those with low taxable income and few years of contributions, as in the case of women. Serious future damage is also projected in the pension savings of young people, since the savings in the first years of contributions are the ones that receive the highest return on the investments made by the fund managers. By withdrawing their savings, young members will see their future pensions reduced. Moreover, early withdrawals of funds force the liquidation of local investments, leading to higher interest rates on domestic fixed income instruments, thus translating into a drop in the valuation of more conservative Funds, mainly D and E, impacting workers' pension savings. (Source: www.aafp.cl; Date: August 2021).

The IMF published a report highlighting the need for ongoing deep reforms in the public PAYGO system, to improve its sustainability. The Greek pension system has been costly, complex and distorted, contributing to the country’s fiscal woes and discouraging participation in the workforce. Several attempts to reform the system failed due to lack of implementation, vested interests, and court rulings that resulted in reversals of the approved reforms. A series of reforms introduced between 2015 and 2017 basically unified the rules governing contributions and benefits among different groups of workers, thus reducing the existing fragmentation in the system. If fully implemented in the long term, these reforms can go a long way toward improving the sustainability of the pension system (pension expenditure would drop from just over 17.7% of GDP in 2015 to 11.5% of GDP by 2060). However, the reforms ran into problems and failed to create stronger incentives for building robust contribution histories, generate sustainable growth by improving the fiscal policy mix, and ensure equity and a fair distribution of the tax burden across generations. Political priorities should aim to fully implement the 2015-17 reforms and complement them with additional reforms (such as further strengthening the link between contributions and benefits received and creating more incentives to work and contribute). (Source: www.imf.org; Date: 16.07.2021).

Environmentally friendly and socially responsible investment in occupational pension funds in the US and the European Union (UE). In their capacity as large institutional investors, pension funds worldwide are under increasing pressure to consider social and environmental factors in their investment decision-making processes. The concept of Socially Responsible Investment (SRI) and Environmental Social Governance (ESG) criteria have been incorporated by the present-day investment and pension community. This article aims to provide an idea of the conceptual relationship between SRI and ESG, and their legal implications for the investment behavior of private occupational pension funds in the USA. and the EU. The first part of the article provides some background on the different SRI and ESG concepts. This leads to the finding that SRI goes one step further than ESG by prioritizing moral or ethical considerations that may not be material to the financial performance of an investment, whereas ESG functions as a set of guidelines for improving financial performance. The second part analyzes the legal possibilities and limitations for responsible investment in American occupational pensions and the third part...
does the same for European pensions. The article concludes with a summary and a comparative description of the lessons for America and Europe. (Source: https://journals.sagepub.com/doi/10.1177/13882627211026930; Date: 15.07.2021).

**Latest OECD report** shows that pension funds had more than USD 35 trillion in assets under management worldwide at the end of 2020. This level of funds exceeds 2019 levels (growth of 8.7% per year), despite the negative effect of the COVID-19 pandemic. Outside the OECD area, pension fund assets in a group of 31 jurisdictions amounted to USD 777,291 million at the end of 2020, 1.2% more than those existing at the end of 2019. Pension funds had overall positive investment returns in most reporting jurisdictions in 2020, despite the sharp decline in equity prices in major financial markets in the first quarter of 2020, rising unemployment, and the contraction of GDP. Pension funds in Hong Kong, China and Mexico had the highest annual real returns on investments in 2020, at 12.4% and 9.3% respectively. Pension funds also posted a real investment return rate of more than 5% in 17 other jurisdictions, including Denmark (7.5%), the Netherlands (6.5%) and the United States (5.9%). The performance of pension fund investments was lower, but still positive, in 23 other jurisdictions. Pension fund levels dropped in only 5 countries, namely Australia (-1.2% between June 2019 and June 2020), Chile (-5.2%), Peru (-5.7%), Poland (-3, 7%) and Jamaica (-5.7%), of which only Chile and Peru had allowed significant amounts of fund withdrawals. (Source: www.oecd.org; Date: 06.08.2021).

**Moshe Milevsky publishes a new book describing the benefits of life annuities.** In his publication "**In Defense of Annuities: From Accumulation to Decumulation,**" Milevsky lays out the economic and financial "case" for using annuities while accumulating wealth before retirement, as well as for those who spend their savings during retirement. He discusses the different categories of annuities, explains why they constitute an important component of a well-balanced portfolio, and addresses some of the historical concerns or objections to them.

**Relevant news of the period**

**Latin America, the Caribbean and North America**

**Argentina**

Six out of ten new retirees had to resort to moratoriums or non-contributory pensions. The pension moratorium is a measure for those who wish to retire but have no contributions, or cannot prove the 30 years of contributions required (this is an option for completing this number of years). Thus, more and more people are retiring without 30 years of contributions in this country. According to the authorities, ANSES granted 249,841 retirements and pensions in the first 6 months of this year, and of that total, 39% were benefits without moratoriums, 25% were benefits with moratoriums, and 36% were non-contributory pensions and Universal Pensions for the Elderly (PUAM), which can be accessed at age 65 and over, regardless of the contributions paid in. 44% of the total number of 283,614 new retirements and pensions in 2020 were without moratoriums. Retirement is a benefit that many aspire to access after years of contributions. However, some requirements must be met to access a pension, such as being of the required age (60 for women and 65 for men) and having completed 30 years of contributions. Workers in the informal economy have had difficulties in accessing retirement, since few have been able to meet these requirements because they do not have the necessary number of years of contributions. More details [here](https://www.iprofesional.com; Date: 07.12.2021).

**Chile**

The Pensions and Financial Market (CMF) Commissions published **joint regulations** governing pension financial advisory activities. These regulations were drawn up within the framework of Law No. 21,314, published on April 13, 2021, stipulating that as of July 1 this year, the Pensions Commission and the CMF must jointly supervise any kind of pension financial advisory activities to members, beneficiaries or pensioners of the system, or to specific groups of them. Among the main matters regulated by the new rules are:

b) Legal definition of all matters related to new pension financial advisers and pension financial advisory agencies.

c) Definition, creation, regulation and supervision of a pension financial advisory contract, which will be subject to minimum conditions.

d) Establish the provisions governing the insurance policies or mandatory bank guarantee slips that the pension financial advisor or the pension financial advisory agency must provide for exercising their activities.

e) Set out the provisions governing the promotion, advertising and provision of pension financial advisory services, ensuring that the information provided does not lead to inaccurate interpretations or harm the member. (Source: www.spensiones.cl; Date: 07.30.2021).

The Programmed Withdrawal Board proposes a Universal Basic Extreme Old Age Pension. In May this year, the Chairman of the Association of AFPs, Alejandra Cox, convened a programmed withdrawal technical panel comprising six specialists entrusted with proposing improvements to this type of pension. The technical panel announced its findings at the end of July. The members of the panel examined the deceased members’ balances data, which revealed that more than half of them (58%) had used up all of their savings at the time of death, and that the average balance was only 25%, consisting of inheritances. In other words, it was found that there were no funds available to pay early programmed retirement pensions, and that any possible improvements would require additional funds that would have to be provided by the State. According to the panel, one option to prevent the reduction of programmed retirement pensions is for individuals to receive the money they saved throughout their lives, up to a certain age, and then for the State to pay the pension if they live beyond that point, with a kind of longevity insurance. The report considers this idea for all types of pensions, and not just for programmed withdrawal. To do this, they considered creating a Universal Basic Extreme Old Age Pension (PBU), financed with public funds. The panel determined that this PBU should be established in accordance with the life expectancy of a 65-year-old man, calculated with the mortality tables. In the year 2021, this would imply granting the extreme old age PBU from the age of 86. As the mortality tables are adjusted every year to reflect the increases in the life expectancy of the population, due to the improvement factors, this would entail updating the starting age every year. Although the panel did not propose a specific amount for the Extreme Old Age PBU, it estimated the order of magnitude of the fiscal costs that a benefit of 6 UF would entail (approx. USD 235), on the poverty threshold, estimating that it would entail an approximate total cost of between US $ 748 million in 2022, with almost 250 thousand beneficiaries, and US $ 1,995 million in 2050, with some 650 thousand beneficiaries. (Source: www.latercera.com; Date: 07.29.2021).

Costa Rica

Birth rate reductions drive reforms to the PAYGO system (IVM). According to National Statistics and Census Institute (INEC) data, the country has already had five consecutive years of birth reductions. Last year the figure fell below 60,000 for the first time in the last decade and, although it coincided with the Covid-19 pandemic, demographers believe that the reduction is more related to economic factors. According to Gilbert Brenes, director of the Central American Population Center (CCP) of the University of Costa Rica, the fertility rate has been declining since 2001, which coincides with the implementation of the responsible parenthood law. That year the rate was 2.1, which is considered the healthy replacement level, but it dropped to 1.4 in 2020, when it was expected to be 1.73. This situation, repeated in many other countries, has long-term economic and social implications, leading the authorities to propose measures for a country with an older population and fewer workers and taxpayers. Thus, the sustainability of pension systems is one of the main concerns for the future. The latest projections of the Pensions Commission (SUPEN), dated 2018 - which do not consider the effect of the pandemic - estimate that the ratio between workers and pensioners will be 1.5 at the end of the century, in the Disability, Old Age and Death regime (IVM, PAYGO system). This ratio, known as the support ratio, was 4.61 for February 2021, lower than the one estimated three years ago, since the number of active members has dropped due to the health and economic crisis. The 2020 calculations of the Organization for Economic Cooperation and Development (OECD) foresee that the IVM regime will face an operational deficit by 2030 and the depletion of the reserve fund in 2037. Given the actuarial situation
of the PAYGO systems, the CCS has proposed the following reform measures:

(i) Gradually eliminate the early pension by 2029, so that the minimum retirement age would be 65. At present, women are allowed to take early retirement at a minimum age of 59 years and 11 months, and men at 61 years and 11 months. The process of eliminating early pensions will begin in 2025 and the early retirement age will be reduced year by year until the benefit is completely eliminated by 2029.

(ii) Modify the calculation of the additional amount, applicable when an individual does not retire and continues working for longer than the corresponding number of years, increasing the amount to be received on retirement. Today, after having worked for 20 years, or having paid in 240 contributions, 1% is added to the reference salary for each additional year of work, thus increasing the calculated pension. Therefore, 300 contributions, instead of 240, have been proposed for starting the calculation of the additional amount (this would be the threshold for starting to add the additional 1% per year to calculate the pension amount).

(iii) Amendment to the calculation of the average reference salary used for calculating the pension at present, the last 20 years of contributions to the IVM are taken into account, and that average is used to determine the reference salary. However, the proposal calls for considering the 300 highest contributions that individuals have paid in during their working lives (25 years), rather than 20 years or 250 contributions.

SUPEN, in turn, has also proposed: (i) eliminating the IVM’s health insurance subsidy; (ii) redistributing contribution amounts so that the IVM’s income increases to the contribution levels of OECD countries; (iii) building a reserve for accessing a universal pension in the future; and (iv) strengthening the voluntary pillar through two initiatives: automatic enrolment with voluntary opting out and the “consumption pension,” whereby members would receive “pension points” based on their consumption, which would be traded in in old age. (Source: www.nacion.com; www.crroy.com; Date: June 2021).

Ecuador

Warning of a possible lack of funds for paying pensions as of 2022. The Ecuadorian Social Security Institute (IESS) is running out of funds to pay pensions and insurance and provide health coverage to its members. The crisis became noticeable in 2015, during the government of Rafael Correa. The state currently owes social security more than USD 16 billion. However, there is no defined payment agreement. Furthermore, one of the problems of the IESS is that its expenditure exceeds the contributions of its members by more than 50%, which means that it has a constant cash deficit - i.e., it spends more than what enters its coffers. This results in the IESS having to go to its bank (BIESS) and use the funds, which have to be capitalized, to pay recurring expenses such as pensions. Cash deficits began in 2014 and members’ contributions did not suffice to pay retirees and other beneficiaries. In 2020, the IESS received USD 2,400 million in contributions, but expenditure was USD 4,300 million, i.e., there was a deficit of USD 1,900 million. This deficit is expected to double by 2025 and reach USD 2,800 million. In this scenario, the ILO and the World Bank have pointed out that, if the necessary measures are not taken, there will be serious complications for continuing to pay the pensions of retirees as of 2022. The reserve could be exhausted, and the IESS would no longer have the funds to be able to finance pensions. This would not only affect current pensioners, but also young workers now contributing to social security. Adverse scenarios include future generations not being guaranteed the right to social security. (Source: www.infobae.com; Date: 06.13.2021).

Mexico

As of 2022, the AFORES must have procedures and policies in place with regard to investments with Environmental, Social and Corporate Governance (ESG) criteria. The regulations governing the integration of ESG factors into the AFORES (which was approved in 2021 and will come into effect in 2022), obligates them to: (i) Publicly disclose whether they include ESG factors in their investment processes, and how they do so; (ii) Use their influence to promote ESG integration in the entities they invest in. The Risk Committee of each AFORE shall: (i) Consider the ESG factors and additional ESG integration methodologies (independent of the
rating agencies); (ii) Have a risk exposure and management policy in place that covers ESG factors. The Investment Committee of each AFORE must also: (i) Define an investment policy that considers ESG factors; and (ii) Measure the ESG performance of the vehicles in which they invest (through valuations, rankings, and different indices). *(Source: AMAFORE; Date: July 2021).*

**Peru**

Congress promulgated a law setting the early retirement age of the Private Pension System (SPP) at 50 for men and women. Early retirement in the SPP has been differentiated by gender to date: at age 50 for women and 55 for men. It is now 50 for both genders. For such purposes, the following requirements must be met: (i) Individuals must have turned 50 at the time they request the benefit; (ii) Members aged 50 or more, when required, must receive a pension equal to or greater than 40% of the average wages and income declared in the last 120 months, duly updated by deducting bonuses (voluntary contributions exceeding 20% of the mandatory individually funded account, paid in less than nine months previously, are not considered for calculating the pension). *(Source: https://andina.pe; Date: 06.08.2021).*

**Law No. 31301** sets out the requirements for the members of the National Pension System (SNP, public PAYGO system) to be able to access a proportional pension. The law stipulates that members of the SNP may access a proportional pension of up to PEN 250 (approx. USD 62) after turning 65, with 10 years of contributions. The pension amount for members with 15 or more years of contributions will be PEN 350 (approx. USD 87). It is worth mentioning that 20 years of contributions are required for accessing a pension in the SNP. However, with this law, members will be able to access the aforementioned proportional pension with fewer years of contributions. The law also makes the requirements for accessing early retirement more flexible. Now, men and women will be able to request it after turning 50, with 25 years of contributions. Among other benefits, it would allow retirees to receive a pension and continue working, if they wish to do so. According to ONP calculations, implementing these measures will have an estimated cost of PEN 228 million (approx. USD 56 million) in the first year, and a total cost of PEN 8,474 million (approx. USD 2,097 million) in the long term. It will benefit approximately 96,000 members in the first year and will allow 1,355,000 SNP members to receive a long-term financial benefit. *(Source: https://laley.pe; Date: 22.07.2021).*

The Association of AFP’s has expressed its concern regarding a new congressional bill of law that establishes free opting out of the Private Pension System (SPP) and the transfer of pension funds to the financial system. According to the Association, the Congressional Bill of Law, without the backing of Parliamentary Committees or the opinions of technical agencies, and contrary to the ruling of the Constitutional Court (TC) on legislative debates, will affect the savings of millions of members, by forcing the massive liquidation of assets and failing to respect the non-assailability or non-attachability of the pension funds. In this regard, the Association of AFP’s urged the Congress of the Republic to respect the recommendations of the Constitutional Court and legislate in favor of the citizens it represents. The Banking, Insurance and AFPs Commission (SBS) said that if the transfer of AFP funds to financial agencies is allowed: (i) The liquidity in these institutions would increase significantly, which would not only put downward pressure on the interest rates paid on deposits, but if these funds are not adequately placed via loans, in order to make the greatest excess liquidity profitable, the risk of the financial agency recording losses would increase, thus affecting its solvency; (ii) It would mean that the transferred fund could be used as a means to obtain preferential conditions in the granting of a financial product, such as a loan, affecting the cost-benefit valuations associated with long-term mandatory savings systems; (iii) It could generate distortions in the organizational structure, risk management, returns and solvency of said agency, affecting the risk and returns of members. The returns of pension accounts would tend to decline, considering the interest rate ceiling applied in the financial system and the high levels of liquidity (otherwise, the solvency of financial agencies could be affected). The SBS warns that, by not having separate equities, members run the risk of their funds being affected by the financial situation of the agency. *(Source: https://www.altavoz.pe; https://rpp.pe; Date: 09.07.2021).*

The Banking, Insurance and AFPs Commission (SBS), issued provisions governing new investment alternatives, risk management, and corporate governance in the Private Pension System (SPP). The
Purpose of these improvements is to benefit members with better management of the pension fund and, consequently, with higher returns and pensions. The law:

(i) Includes private debt strategies and co-investments as new alternative investment options for pension funds within the alternative asset class, and enables greater investment in equity instruments in the domestic market, through Exchange Traded Funds (ETFs).

(ii) Updates the eligibility requirements of certain investment instruments, especially domestic and foreign alternative funds, in line with the best international practices.

(iii) It enacts provisions aimed at strengthening the Latin American Integrated Market (LAIM), allowing the AFPs to determine the minimum eligibility requirements for the share certificates traded in the LAIM and to make investments under market development schemes. Thus, the law will contribute to diversification as an important characteristic of pension funds for addressing the different risks they are exposed to, as well as improving the liquidity of the investment portfolio of pension funds and the domestic capital market.

(iv) It stipulates that in order to strengthen risk management, the AFPs may incorporate Environmental, Social and Corporate Governance (ESG) factors in the investment policies of the pension funds they manage.

(v) It provides that, in order to improve the corporate governance of the investment process, the regulations governing the responsibilities and requirements of the Board of Directors, the Investment Committee, and the Investment Unit, must be strengthened. It also stipulates provisions related to the management of conflicts of interest that may arise in the investment process, including guidelines for the negotiation of investment instruments or transactions. (Source: www.sbs.gob.pe; Date: 06.04.2021).

Dominican Republic

Warning that switching from the individually-funded pension system to a PAYGO system would involve raising the contribution rate from 8.4% to 27.4%, in order to cover the deficit for the next 40 years. This was explained by Diego Valero, the Chairman of Novaster, in the virtual seminar "Financing pensions in PAYGO systems. Is it viable in the Dominican Republic?" According to the expert, a PAYGO model with a current contribution of 8.4% of salary, would be born with an initial deficit of DOP 8,563 million (approx. USD 149 million), which would grow exponentially due to the demographic component that affects this system today, since pensioners are living longer and birth rates are dropping, with fewer people working to pay for old age pensions. If the contribution rate is not increased, in order to avoid adding more direct burdens to the creation of jobs and to the contributors themselves, it would be necessary to raise the income tax from the current 27% to 48% to cover the deficit until 2033. The expert argued that there is a high degree of political dependence in the international PAYGO systems, they do not generate savings and can affect the budget balance, since their sustainability is created on the basis of the balance between payment flows and income, and this in turn, on the generational balance. According to the analysis, under equal conditions and with a contribution rate of 8.4% (at present), the existing individually funded system would provide pensions 2.3 times higher than a PAYGO system. (Source: https://elnuevodiario.com.do/; Date: 06.29.2021).

Uruguay

The deadline for the Social Security Experts Committee (CESS) to deliver its report with recommendations for a pension reform has been postponed until September 20. While the CESS takes its time, there are think tanks such as the Center for the Study of Economic and Social Reality (CERES) that have put forward proposals for improving the system. According to CERES, in the reform being analyzed, the government’s basic options are: (i) increase the mandatory contribution rates - already too high in Uruguay -; (ii) increase the minimum retirement age - to match higher life expectancy; or (iii) reduce pensions. All of these measures are unpopular and difficult to implement. In fact, the CESS is studying gradually raising the minimum retirement age from 60 to 65, but the other two options have been practically ruled out. As only increasing the minimum age is not enough, CERES suggested that private savings have a determining role in the reform. To this end, the AFP market must first be strengthened so that the AFPs can offer a better service while promoting voluntary pension savings, through measures such as: (i)
increasing their liquidity, for example, by allowing the withdrawal of voluntary contributions before retirement, in exceptional cases, such as the purchase of a dwelling; or that individuals can access their accumulated voluntary savings in a lump sum on retirement (not in the form of a life annuity, as is currently the case); (ii) improve their tax incentives (that voluntary pension savings should be exempt from income tax, instead of being deductible, and that the tax should be levied on them when the worker withdraws them, leaving a percentage exempt from this tax).

(Source: www.elpais.com.uy; Date: 08.05.2021)

Asia and the Pacific

Australia

On July 1, the government introduced changes to the mandatory occupational pension program ("Superannuation"). These changes include increasing the minimum employer contribution rate, introducing annual reviews of pension fund performance, creating a mechanism to avoid duplicate accounts, and launching a new fund comparison tool. The contribution rate increase was originally approved in 2012 and should have gone into effect on July 1, 2015, but it was postponed for 6 years. The other changes were approved in June 2021 as part of the government reform package "Your Future, Your Super." The main changes implemented as of July 1 are:

(i) Increased Minimum Employers’ Contribution Rate: The Minimum Employers’ Contribution Rate (also known as the Super Guarantee) has increased from 9.5% to 10% of the worker’s monthly salary. This contribution rate is projected to increase by another 0.5 percentage points in July 2022, and every July thereafter, until it reaches 12% in July 2025 (workers are not required to make contributions, but the government offers tax incentives and matching funds to encourage voluntary contributions).

(ii) Submission of annual performance reviews of pension funds: All MySuper default retirement funds are now subject to an annual performance review conducted by the Australian Prudential Regulation Authority (since 2014, workers have been automatically enrolled, by default, in MySuper funds, unless they choose to enroll in other types of funds). Funds will be classified as low yield if their annual net investment returns are 0.5 percentage points or more below the benchmark rates of return established for a period of 8 years. Low-yield funds are required to inform their members of the performance review findings by the following October 1, at the latest, and will be barred from accepting new members if they fail two consecutive performance reviews. The annual performance reviews will be extended to other types of retirement funds beginning in July 2022.

(iii) Creation of a mechanism for avoiding duplicate accounts: As of November 1, 2021, MySuper accounts will migrate with workers when they change employers, a procedure known locally as stapling. Under this measure, employers must contribute to their new workers' existing MySuper accounts and the funds selected by them, unless they choose to make changes. For new workers who do not have existing MySuper accounts and do not take any steps to select a MySuper fund, employers will continue to pay contributions to the MySuper funds of their choice (workers can still change MySuper funds at any time after their initial enrolment). The Australian Tax Office will facilitate this stapling mechanism by tracking MySuper accounts and sharing this information with employers.

(iv) Launching of a new fund comparison tool: There is a new online tool called “Your Super,” which allows members to compare management commissions, returns on investments and other characteristics of MySuper funds. The tool also provides participants with information on their existing accounts and

1 Australia’s pension system consists of the mandatory “Superannuation” occupational retirement program, the “Age Pension” and voluntary personal retirement savings. In order to receive a pension from the Superannuation program, a participant must be 58 years old (gradually increasing to 60 by July 2024) and permanently retired (or participating in the Transition to Retirement program). Individuals aged 66 and 6 months or older (gradually increasing to 67 by July 2023) who meet certain asset, income, and residency requirements may also qualify for the old-age pension, which is funded and administered by the Australian government.
The country introduced an individual voluntary pension savings accounts (third pillar) pilot program. The program, introduced on June 1, 2021, will last for one year, will be managed by six insurance companies and will initially cover residents in two jurisdictions in China: the eastern province of Zhejiang and the southwest municipality of Chongqing. According to the China Banking and Insurance Regulatory Commission (CBIRC), the main purpose of the program is to boost retirement savings (especially among informal sector workers) and encourage capital market development. It is part of the government’s larger efforts to develop a multi-pillar pension system² in the country and follows another third pillar pilot program launched in 2018. The 2018 pilot program has had limited success in increasing retirement savings to date, attracting about US$ 63 million, compare to the country’s total pension assets of $ 1.2 billion. Under the new pilot program, participants can choose the amount and frequency of their contributions, which are invested on their behalf by the managing insurance companies. Employers in newer business sectors can contribute voluntarily. When participants turn 60, they can start withdrawing money from their accounts by accepting payments for at least 10 years. To encourage broad participation in the program, the CBIRC has directed the six managing insurance companies to develop pension products that offer easy enrollment, flexible payment schedules, and stable investment returns. Insurance companies are required to submit quarterly reports to the CBIRC summarizing their progress in meeting these goals and meeting regulatory requirements. (Source: International Update SSA July 2021; Date: June 2021).

Malaysia

New regulations allow members of the Workers Provider Fund, EPF, to make early withdrawal of funds (EPF³). The new law (i-Citra), in effect since July 12, was passed to provide financial relief to members who have been negatively affected by the COVID-19 pandemic, allowing them to withdraw up to 5,000 ringgits (approx. USD 1,202) from their EPF accounts. According to estimates, the regulation will benefit about 12.6 million members under 55 years of age. This regulatory change is the continuation of the introduction of two other early withdrawal options for fund members under the age of 55: (1) a policy (i-Lestari), introduced in April 2020, which allowed fund members to withdraw between 50 ringgits ($ 12) and 500 ringgits (USD 120) per month from their Account 2 balances (from April 2020 to March 2021); and (2) a policy (i-Sinar) introduced in November 2020 that allowed fund members to withdraw up to 60,000 ringgits (USD 14,426) from their Account 1 balances. (The EPF provides two types of individual accounts for members under the age of 55: Account 1, corresponding to retirement funds; and the Account, which can be accessed prior to retirement for educational purposes, critical illness, home purchase and other approved expenses. Initially, the i-Sinar policy was only open to EPF members who had lost their jobs or experienced a significant reduction in income due to the pandemic, but eligibility was extended to all fund members under the age of 55 in March 2021). Other key details of the i-Citra policy include:

(i) Qualification conditions: Fund members must have combined account balances (Account 1 and 2) of at least RM 20,000. (RM 20,000 is approximately $ 5,121). Fund members should have been an active member of the EPF for at least 5 years. If they meet these criteria, they can withdraw up to 50% of their combined account balances, with a maximum withdrawal of $ 1,202.

² In addition to third pillar pensions, China’s pension system consists of: (1) separate first pillar programs for urban employees and rural and urban non-salaried residents, which are managed at the provincial and local levels; and (2) second-pillar occupational pensions that mainly cover employees of large state-owned companies. First pillar programs for urban employees generally include a social security pension funded by an employer contribution of up to 20% of wages and a mandatory individual account funded by an employee’s contribution of 8% of covered gross earnings. First pillar programs for rural and urban non-salaried residents generally include a non-contributory pension financed by the central and local governments, and an individual account financed by personal contributions. The second pillar consists of voluntary employer-sponsored occupational pensions. Although the government has promoted the development of the second pillar, the widespread informality in the labor force has limited the growth of these pensions. In 2020, up to 200 million workers (or approximately 22% of the working-age population aged 15-59) lacked second-pillar pension coverage.

³ The EPF is the main source of funding for pensions and disability and survivor benefits in Malaysia. Coverage is mandatory for all private and public sector employees not covered by the independent public sector pension system, and voluntary for some other workers. In addition to the EPF, the Malaysian pension system includes a social insurance program for those who are mandatorily covered by the EPF (voluntary coverage under the social insurance program is not possible) and a social assistance program for needy older people. The social security program only provides disability and survivor pensions.
least 150 ringgits (USD 36) to be eligible for early withdrawal (fund members who made early withdrawals through i-Lestari or i-Sinar can also request i-Citra).

(ii) Application Deadlines: The application period opened on July 12 and will close on September 30.

(iii) Payment schedule: Fund members who choose to withdraw the maximum amount of RM 5,000 will receive RM 1,000 (USD 240) per month for a period of 5 months. Payments will first be drawn from members' Account 2 balances; if there is less than RM 5,000 in Account 2, the remainder will be drawn from Account 1 (fund members must maintain a balance of at least RM 100 [USD 24] in Account 1 for ongoing membership of the EPF).

(Source: International Update SSA July 2021; Date: July 2021).

Europe

Norway

The government plans to expand the coverage of the mandatory occupational pension system. On June 18, the government proposed legislation to expand coverage of mandatory occupational pensions to more private sector workers by lowering or eliminating certain income, age and labor thresholds. The legislation is expected to receive parliamentary approval in late 2021 and take effect on January 1, 2023. The proposed changes are intended to boost retirement savings, particularly among younger people, part-time employees, and low-wage workers. Although many occupational pension plans have already voluntarily implemented some of the new measures, the government estimates that the final changes will benefit around 1 million of the country's 1.5 million private sector workers (Norway has a separate occupational pension program for public sector employees). Key changes to mandatory occupational pension coverage include:

(i) Elimination of the minimum income threshold: under current law, private sector employers with defined contribution occupational pension plans must contribute at least 2% of each worker's annual income from 1G to 12G (G, or grunnbeløpet, is a base social security amount that changes annually and is currently 106.4 kronas [approx. USD 12,384]). The proposed legislation would eliminate the 1G minimum, effectively extending mandatory coverage to all workers regardless of their income (workers are not required to contribute to occupational pensions).

(ii) Reduction of the minimum age for participation in the occupational pension system: The proposed legislation would reduce the minimum age for mandatory coverage, from 20 to 13, equaling the minimum age for public pension coverage. The government estimates that this provision would expand coverage to around 51,500 young workers.

(iii) Elimination of the minimum working hours' requirement: Currently, employers are only required to pay occupational pension contributions for workers who work at least 20% of full-time working hours. The proposed legislation would remove this requirement and therefore expand mandatory coverage to all part-time workers, regardless of the number of hours they work.

(Source: International Update SSA July 2021; Date: July 2021).

Spain

The Government has approved a preliminary pension reform agreement which would come into effect on January 1, 2022. This preliminary bill of law seeks to maintain the purchasing power of retirees and make the public pension system sustainable. The agreement stipulates that, among other things:

i) Pensions will be pegged to inflation, but without the need for compensatory measures for income or expenses that ensure the financial balance of the system, as required by the Pension Revaluation Index. Thus, the pensions of retirees will be

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4 In addition to mandatory occupational pensions, the Norwegian old-age pension system consists of a two-tier public pension program and voluntary pension savings vehicles. The public old-age pension consists of a guaranteed pension program that covers all Norwegian residents and a defined contribution notional pension (CDN) program that covers dependent and self-employed workers. To receive the guaranteed pension, a person must have turned 67 and have resided in Norway for at least 3 years (between the ages of 16 and 66). The normal retirement age for the CDN pension is flexible, ranging from 67 to 75, and there is no minimum contribution requirement (one can receive the CDN pension from the age of 62, under certain conditions).
increased on January 1 of each year based on average annual inflation (if the CPI is negative in any year, the pensions will not undergo any change).

ii) An attempt will be made to bring the official retirement age (currently 66) closer to the real retirement age (around 64.5, for which a disincentive to early retirement is established (reducing coefficients of the early pension will be monthly instead of quarterly) and the delayed retirement is favored (delayed retirement will be exempted from contributing for common contingencies, except for temporary disability; and incentives will be reinforced by applying an additional percentage of 4% to reward long contribution careers).

iii) The Sustainability Factor, which proportionally reduced the initial pension based on the increase in life expectancy (except for delayed retirement), is replaced by a future “Intergenerational Equity Factor”. Its details are not known, but it will come into effect from 2027 and is expected to be less generous if it is to fulfil its purpose.

iv) A contribution system based on real income is established for the self-employed, in order to balance the contribution and the number of tranches. (Source: https://as.com; www.bbvaresearch.com; Date: August 2021).

The Social Security deficit continues to break all records due to the impact of Covid-19 on public coffers. By May 2021, the total debt of the ministry responsible for paying pensions had increased to EUR 85,354 million (approx. USD 100,373 million), an increase of 42.2% compared to the same month last year, due to the loans that the State has had to grant to finance its large budget deficit. This will most likely lead to a reduction in future pensions, predicts Enrique Devesa, member of the Research Group on Pensions and Social Protection at the University of Valencia, doctor in Economics and actuary. More details here. (Source: www.65ymas.com; Date: 02.08.2021).

The government is planning to introduce an automatic enrolment law seeks to have the entire working population contribute part of their salary to this pension plan, and contributions by companies will also be mandatory. The new public pension fund will be sponsored by the government, but will be privately managed and administered and outsourced to a limited number of authorized trust managers, each one of them possibly responsible for a different risk profile. It is not yet known whether there will be a default option. More details here. (Source: www.ipe.com; Date: 07/14/2021).

Greece

Bill of law establishes mandatory individually funded pension funds for the youngest workers. The country has decided to introduce mandatory complementary pensions for all those starting their working lives, in order to address population aging which threatens to make this country the "oldest" in the European Union (EU) within a few years. The draft bill of law plans to convert the existing PAYGO second pension pillar, into an individually funded pillar. The ratio of workers to retirees is now 1.7 to 1, whereas the ratio was 4 to 1 when the system was put in place several decades ago. This is a problem throughout Europe, but even more so in Greece. The new system will be mandatory for young people who start working now and voluntary for those who are already active, but under 35 years of age. Workers will have individual accounts into which all their complementary contributions will be paid. They may invest that money if they wish to do so and will be able to access it at the end of their working lives. (Source: https://www.swissinfo.ch; Date: 24.06.2021).