International Federation of Pension Fund Administrators

Progress of the Pension Systems
August - October 2021
No. 5

This document compiles the major changes that occurred in the pension systems in the August-October 2021 period, with emphasis on the development of the individually funded systems.

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Executive summary by area of interest

New individually funded programs or extension of their coverage

•***India***: *The coverage of the individual accounts program is extended to older workers. Indian citizens up to 70 years of age will now be able to enroll in the voluntary program.*

•***Greece:*** *A new mandatory individual accounts program is approved for those entering the workforce for the first time as of January 2022. Individual accounts will progressively replace the notional defined contribution program currently in place. Workers under 35 as of January 2022 may voluntarily transfer to this new program.*

Crisis in public PAYGO systems

•***Costa Rica:***

- The Costa Rican Social Security Fund (CCSS) proposes reducing the amounts of the lowest pensions in the PAYGO system, due to financial sustainability issues.

- The Pensions Commission estimates that the PAYGO system will collapse by 2044, even with the current reform.

•***Ecuador:*** *According to the CAF report, population aging, life expectancy increases, the decrease in fertility and migration are seriously affecting the Ecuadorian PAYGO system.*

•***United States:*** *Given that the Social Security Administration (SSA) will run out of funds by 2034, Congress is drafting a law to increase tax collection.*

• ***Spain:***

- The State will be forced to support Social Security with a record transfer of EUR 36.3 billion in 2022.

-The Government proposes raising contributions by half a percentage point for ten years, to financially support the PAYGO system.

Relevant studies

- *Banco de la República de Colombia publishes study on the effects of population aging on the Colombian pension system and different macroeconomic variables.*
- *Mercer CFA institute publishes the Global Pension Index 2021, a global ranking and analysis of the strengths and weaknesses of pension systems. In this version, Chile ranks 16th, Uruguay 20th, Spain 24th, Colombia 25th, Peru 29th, Brazil 30th, Mexico 37th and Argentina 42nd.*

Reforms proposed or to be discussed

•***Chile*** *: Minister of Labor reports that in order to recover the money withdrawn from the AFPs (fully funded pension system) in a total of four possible withdrawals, workers would have to contribute for an additional 6.8 years, on average.*

•***Colombia:*** *Congress eliminates article that allowed the transfer of members from the individually funded to the PAYGO system.*

•***El Salvador:*** *According to the rector of the Central American University José Simeón Cañas (UCA), people don't trust the government to manage a pension fund. He said this referring to the reform bill of law to be submitted by the executive, assuming it will entail public administration.*

• ***Dominican Republic:*** *Workers reject the reintroduction of a bill of law that seeks to withdraw 30% of pension funds.*

•***Italy***: *Government reaches an agreement to reform pensions, whereby early retirement will be possible as of 2022, if the sum of the number of years worked and the retiree's age is at least 102, (previously it had to be at least 100).*

Social security reforms approved

• ***Peru:*** *Reforms to the PAYGO pension system are enacted; they broaden access to early old-age pensions and introduce a special old-age pension.*

•***Sweden:*** *Monthly pension supplement of up to 600 kronor (USD 69.54) is now being paid to people aged 65 or more, who receive a contributory old-age pension and meet certain income and coverage requirements.*

• ***United Kingdom:*** *The benefit adjustment formula for the "State pension" will be temporarily modified, as it does not consider the average annual growth of earnings in the benefit adjustment calculation.*

Relevant reports or presentations

Banco de la República de Colombia publishes a study on the effects of population aging on the Colombian pension system and different macroeconomic variables. The draft also considers the impact of gradually implementing some reforms (increasing the retirement age, reducing the replacement rate and increasing the proportion of working life considered for calculating the PAYGO pension). A decrease in the population growth rate would considerably affect the real returns of the PAYGO system, hence a significant increase in tax collection would be required to maintain the system's existing retirement conditions. Conversely, with the implementation of the reforms analyzed, the subsidies granted in the PAYGO system would gradually be reduced. The consequent reduction in taxes and increased savings in the economy, and therefore capital amounts, would increase labor productivity and increase real wages while reducing the real interest rate.

(Source: https://repositorio.banrep.gov.co/ Date: 23.09.2021)

Mercer CFA institute publishes the Global Pension Index 2021, a global ranking and analysis of the strengths and weaknesses of pension systems. The report compares 43 pension systems from around the world and analyzes each system in terms of adequacy, sustainability and integrity. In other words:

• What benefits are future retirees likely to receive?

• Can existing systems continue to function, notwithstanding demographic characteristics and economic pressures?

• Are systems well governed to build long-term community trust?

Four new systems have been added to the Index this year, namely: those of Iceland, Taiwan, the United Arab Emirates and Uruguay. In its first appearance in the Index, Iceland surpasses the Netherlands to receive the highest score. What are the characteristics of the Icelandic system that these results are based on?

• A relatively generous state pension.

• A private pension system that covers all employees with a high contribution rate, leading to significant assets that are set aside for the future.

• A well-governed and regulated private pension system with good design features.

In this version, Chile ranks 16th, Uruguay 20th, Spain 24th, Colombia 25th, Peru 29th, Brazil 30th, Mexico 37th and Argentina 42nd. The main recommendations to the aforementioned countries are related to:

- Increase the level of support for the elderly poor.
- Increase the participation of people in occupational schemes, through automatic enrollment mechanisms or similar.
- Increase the contribution rate to savings schemes, in order to increase assets and improve pensions.

(Source: https://www.mercer.com/ Date: October 2021)

University of Leiden conducts a study that analyzes the causes of gender gaps in second-pillar pensions in the Netherlands, as well as possible measures to reduce such gaps.

The main findings of the study are:

- The gap exists mainly because women work fewer hours than men and in sectors where occupational pension plans are less generous.

- Younger generations of women work longer hours and receive higher wages than older generations. The accumulation of pension assets for a 60-year-old woman in 2014 is 2.5 times higher than for a 60-year-old woman in 2005.

- There are no simple legal solutions for closing the gender gap.

- An unequal pension accumulation system that compensates women for their lower participation does not seem sustainable.
- Increased savings during periods of parental leave and informal care could help reduce the gender gap in pensions.

(Source https://www.netspar.nl/ Date: September 2021)

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

Pension credits for mothers are introduced. On August 2, pension credits were introduced for mothers who have reached the official retirement age of 60, but who do not meet the minimum contribution requirement (30 years) for a contributory social security old-age pension. Under the new measure, qualifying mothers will be able to request 1 year of credited contributions per child; 2 years per adopted child or child with disabilities; and 3 years per child if the mother had previously received a Universal Child Allowance (AUH), a social assistance benefit paid to informal workers with monthly incomes below the legal monthly minimum wage, to the unemployed who do not receive unemployment benefits and other low-income individuals. Mothers will also be credited for periods of maternity leave. According to the government, the measure seeks to recognize the value of women's care work. It is expected that this measure will enable some 155,000 women to immediately qualify for an old-age pension.

(Source: International Update SSA. Date: August 2021)

Bermuda

Special withdrawals from mandatory occupational pension plans are allowed. On July 1, the Bermuda government implemented two amendments to the National Pension System (Occupational Pensions) Act of 1998 that allows members of qualifying private defined contribution (CD) occupational pension plans to make special lump sum withdrawals from their accounts. Under these amendments, non-retired members below the official retirement age of 65 can withdraw up to B$ 6,000 (USD 6,000) from their accounts from July 1, 2021 to June 30, 2022, while members aged 65 and older can withdraw up to 25 percent of the balances in their accounts, if they are still not receiving annuities. (There is currently no withdrawal request deadline for members 65 and older). The measures are intended to help Bermuda residents facing financial difficulties during the COVID-19 pandemic. By the end of 2020, Bermuda's GDP had declined 4 percent compared to the previous year, and its unemployment rate was hovering around 7.9 percent.

These latest special withdrawal measures follow similar measures implemented in June 2020. According to the above measures, non-retired members under 65 could withdraw up to B$ 12,000 (USD 12,000) from their accounts from July 1, 2020, to June 30, 2021, whereas members aged 65 or more can withdraw up to 25 percent of their account balances. Withdrawals under these measures averaged between B$ 7,000 (USD 7,000) and B$ 9,000 (USD 9,000),depending on the plan provider, and totaled approximately B$ 127 million (USD 127 million).

(Source: International Update SSA. Date: August 2021)

Bolivia

A special option for the withdrawal of funds from individual accounts is introduced. On September 8, Bolivia's president passed a law that allows certain participants in the country's mandatory individual accounts program to make special one-off withdrawals from their accounts. Specifically, as of October 5, qualified members can withdraw up to 15 percent of their balances if they have balances of 100,000 Bolivianos (USD 14,482.01) or less, up to 15,000 Bolivianos (USD 2,172.30) if they have balances of more than 100,000 Bolivianos, or the entire balance in their accounts if they are 50 years old or older and have balances of 10,000 Bolivianos (US $ 1,448.20) or less. This special retirement option is intended to provide financial relief to members who have been unemployed for most of the COVID-19 pandemic. According to government figures, Bolivia's urban unemployment rate was 11.6 percent in July 2020, following a severe economic recession caused by the pandemic, but since then the rate fell to 6.4% in July 2021. The government estimates that up to 1.4 million individual account holders could benefit from the special withdrawal option. (At the end of July, there were about 2.5 million individual account holders.)

Other key details of the special withdrawal option include:

- Qualifying conditions: To be eligible, participants must (1) not have received, or be entitled to receive, a long-term social security benefit (such as an old-age pension) as of August 31, 2021; (2) have less than 10 years of contributions if they are 58 or older; (3) have less than 8 months of contributions from March 2020 to July 2021; and (4) have no earnings recorded for July 2021.

- Claim process: Participants can request the special withdrawal by contacting the pension fund managers that manage their accounts. The special withdrawal can be made up to 90 calendar days after October 5 and is paid out in a lump sum.

- Savings Replacement: Participants making withdrawals can replenish withdrawn savings plus lost investment returns at any time prior to retirement. If they do not replace lost savings, they will not be eligible for a solidarity pension. (Participants usually receive a solidarity pension during retirement if they are entitled to an old-age pension below a legally defined minimum).

(Source: International Update SSA. Date: October 2021)

The Center for Labor and Agrarian Development Studies (Cedla) warned that today's relief with the partial or total withdrawal of contributions from the AFPs will be "tomorrow's misfortune." It is estimated that the 210 thousand people who withdraw their entire contributions of less than 10,000 Bolivianos, will be left without any Social Security protection.

"This Law governing the Partial or Total Reimbursement of Contributions to the AFPs is an infringement, a violation of the right to retirement, the right to social security and social protection of contributors," said Bruno Rojas, a researcher at the agency.

The specialist pointed out that the situation gets much more complicated because retirement income is currently very low, ranging between 30% and 35% of what workers perceive in active working life, and if this income is further reduced, the amounts will be ludicrous. "Withdrawal of contributions is today's relief, but tomorrow's poverty and misfortune. We are talking about large numbers. 1,465,000 people would potentially be able to withdraw all or part of their contributions, or 15% thereof. We are talking about 210,000 people withdrawing all their contributions of less than 10,000 Bolivianos (USD 1,451) who would be separated from the pension system and left without social protection," warned the specialist.

(Source: https://eju.tv/. Date: 30.09.2021)

Chile

The Minister of Labor, Patricio Melero, points out that to recover the money withdrawn in the four withdrawals from the AFPs, workers would have to contribute for another 6.8 years, on average. As stated by the authority, with the three previous withdrawals, about 3.9 million people, representing 35% of those enrolled in the AFP system, have already exhausted their pension fund balances, a figure that would increase to 5.6 million if the fourth retirement is approved. Recovering such amounts would entail delaying the retirement age by almost 6.8 years.

One of the government's arguments for opposing the fourth withdrawal was the impact on the returns of fixed income funds, since "funds D and E have had negative returns, falling by 7.20% and 10.07 %, respectively, since January 2021, "impacting" mainly pensioners in programmed retirement and those about to retire."

Another aspect that the Government pointed out was the people who would be harmed by a possible fourth withdrawal of AFP funds, being, in the opinion of Patricio Melero:

- Those who need access to credit, due to the rise in interest rates.
- Mortgage loan debtors, with the rise in the value of the UF.
- Pensioners in the programmed withdrawal modality and members with their pension funds in Funds D and E.
- The almost 700 thousand pensioners in the life annuities modality, who, according to the Financial Stability Council, could see the payment of their pensions at risk.

The Government also stated that "Chile's social support is the most robust in South America" and is "a better alternative to the fourth withdrawal", exemplifying by the Universal IFE, which has benefited "about 8 million households and more than 16.3 million people "as of August 2021, benefiting 96.4% of the households registered in the Social Household Registry and 99.1% in the most vulnerable sector.

(Source: https://www.meganoticias.cl/. Date: 06.10.2021)

According to a Cadem survey, those who believe that it would be more expensive to request a mortgage loan if the AFPs were terminated, increased from 32% to 44 %. Local banking, which has characteristically provided the lowest rates and longest-term loans in Latin America, has recently been raising rates and reducing loan terms. Although prices are still below regional prices, many of the banks that previously gave mortgage loans at 25 or 30 years, have recently been reducing those terms to a maximum of 20 years.

This is directly linked to the AFP withdrawals in the last year and two months, as the same economists had warned. In this context, a Cadem survey, commissioned by the Association of AFPs, asked people about the effects they thought there would be in the local market if the AFPs were terminated.

The survey shows that those who believe that it would be more expensive to request a mortgage loan have risen, although less than half of them agree. In July, 32% of interviewees said that this would happen. Their numbers had risen to 44% by October, an increase of 12 percentage points. There was also an increase in the number of people who believed that businessmen would invest less if the AFPs were to end, from 29% in July to 40% in October, i.e., 11 percentage points.

Likewise, 42% believe that inflation will rise, while 58% do not. 65% believe that Chilean corporate shares will not drop significantly if the AFPs are terminated, while 35% say that this will definitely happen. 65% do not believe that there would be slower economic growth in Chile if the industry were to be terminated, while 35% say there would be. The latter figure also increased, since in July 30% said that the country would grow less if the industry were to be terminated.

Within the framework of the voting on the fourth pension withdrawal in the Senate, the date of which will be defined next Tuesday, Cadem also asked what the best measures for facing the economic crisis would be.

Those who believe that it would be better for the State to help finance the drop in income through bonds and contributions are on the rise; while those who say that it would be better to continue approving withdrawals of 10% of pension funds have decreased.

73% opted for state assistance in October, compared to 66% in July, 57% in May and 61% in April. At the same time, in October 18% said that a new withdrawal from pension funds would be better, versus 30% in July, 38% in May, and 33% in April.

(Source: https://www.ciedess.cl/. Date: 02.11.2021)

Costa Rica

The Actuarial Oversight Committee of the Costa Rican Social Security Fund (CCSS) proposes reducing the lowest pension amounts in the PAYGO system due to financial sustainability issues. The entity proposed that the minimum pension, currently 136,865 colons (USD 214.5), should be 45% of the minimum wage, instead of 50%.

The CCSS resumed the discussion to reduce the amount of the lowest pensions granted by the Disability, Old Age and Death regime (or IVM, PAYGO system). The institution debated this issue between 2017 and 2018, but never made a decision.

The Actuarial Oversight Committee's study, submitted to the Board of Directors of the Fund, argued that: "Given the impact on income due to the pandemic, this increase in spending is totally inconvenient because it exerts greater pressure on cash flow in the short term and affects financial sustainability in the long term."

(Source: https://www.eleconomista.net/. Date: 19.10.2021)

The Pensions Commission estimates that the PAYGO system will collapse by 2044, even with the current reform. According to Superintendent Rocío Aguilar, the Fund's projections, which promised that the proposed reform would extend the validity of the regime from 2037 to 2053, do not contemplate the impact of the pandemic on the institution's finances, unemployment and, of course, the IVM.

Aguilar urged the institution to approve the reform under discussion "as soon as possible" and immediately "start dreaming about the system that the country will need in the future."

The CCSS' intends to eliminate the possibility of an early pension for both men and women, making the minimum retirement age equal for both sexes at age 65. Among other items, it also proposed that this pension should be calculated on the salaries of the last 25 years and not 20, as is currently the case.

The Superintendent called for the elimination of the early pension 18 months after the approval of the reform, instead of gradually eliminating it by 2035, and that the taxpayer's entire working life should be used for calculating the pension.

(Source: https://www.teletica.com/. Date: 20.10.2021)

Colombia

Congress eliminates article that allowed members to transfer from the individually funded system to the PAYGO system. The Association of Pension and Unemployment Fund Managers (Asofondos) supported the decision.

After the Congress of the Republic eliminated article 104 of the General Budget of the Nation for 2022, which made it possible to transfer between pension regimes, Santiago Montenegro, Chairman of Asofondos, said that: "This decision exemplifies the sense of responsibility and seriousness of Congress and the Government, since after analyzing the impact of Article 104, they considered it to be inconvenient because its approval would have deepened inequalities in the country by benefiting a few, with higher incomes, leaving Colombians with a costly bill, which, according to calculations by the Ministry of the Treasury, would be in the order of about $ 4 billion."

This article proposed that members should be allowed to transfer from the Individual Savings Scheme (RAIS), managed by the AFPs, to the Average Premium Scheme (RPM) throughout 2022. One of the conditions required is that this possibility will only be available to men over 52 or women over 47.

It was decided that only members who have contributed for at least 750 weeks in the RPM before joining an AFP will be able to make this transfer. In other words, this bill of law would focus on the return of some contributors.

The transfer would have had a net fiscal cost of $ 3.8 trillion (USD 991 million) and was expected to benefit 19,000 members, of the 41,000 citizens who meet the conditions required in the article.

(Source: https://www.larepublica.co/. Date: 20.10.2021)

Ecuador

According to a CAF report, population aging, life expectancy increases, the decrease in fertility and

migration are seriously affecting the Ecuadorian PAYGO system. The combination of these four elements puts at risk the sustainability of the Ecuadorian Social Security Institute's retirement fund (or IESS, PAYGO system) which, in itself, has recorded a cash deficit since 2014.

This means that members' contributions are not enough to cover pension payments to retirees. A decade ago, eight contributors financed the pension of a retiree in Ecuador, easily covering pensions. But today, the ratio has dropped and is only five to one. It is estimated that it will be only three to one in future, which is insufficient. Furthermore, the proportion of adults over 65 will practically double, from 7.6% in 2018 to 16.2% in 2050.

The CAF report foresees that public spending on the pension and health systems in Ecuador will become more expensive, as a consequence of aging.

It is already a heavy burden for the Government. The Treasury budgeted USD 1,474 million for this item in 2021 alone. By 2065, health and pensions expenditure will amount to 12.5% of Gross Domestic Product (GDP), according to CAF.

(Source: https://www.elcomercio.com. Date: 18.10.2021)

El Salvador

According to the rector of the Central American University, José Simeón Cañas (UCA), the Salvadoran government does not inspire confidence for managing a pension fund. He made this remark in reference to a reform bill of law that will be submitted by the Executive in the coming days, supposedly related to public administration.

As he pointed out, the Government's track record regarding the management of public funds, such as the Social Security Institute's funds (ISSS) for the construction of the El Salvador Hospital, as well as the creation of the company Chivo SA de CV with government funds, are some indicators of squandering.

"Unfortunately, the Government does not inspire confidence for managing a pension fund, because we see how it squanders public money. For example, it took $ 25 million from Social Security to invest in the El Salvador Hospital and then denied owing the money. We know that they took money from the CEL and other power companies to create a company called Chivo. This kind of conduct does not inspire confidence in the proper management of this fund," said the rector.

He added that there is evidence from the pension system implemented in the past that "they partied with public funds, using them as if they were the government's petty cash."

(Source: https://diario.elmundo.sv/. Date: 29.10.2021)

United States

Given that the Social Security Administration (SSA) will run out of funds in 2034, Congress is drafting a law to increase tax collection. The funds for the Social Security system decreased due to the pandemic, because unemployment had an impact on its financing via income tax that was not collected. Congress is already working to avoid cuts in the coming years. If tax adjustments allowing for higher collection are not made, Social Security will be forced to cut benefits.

Congress is working to avoid the cuts being proposed, and even possible financial collapse, through a bill of law denominated "Social Security 2100: A Sacred Trust", the first objective of which is to move forward the date on which the SSA will have to cut benefits to 2038. It would provide all beneficiaries with an estimated average increase of 2%, but would increase payroll taxes subject to Social Security.

Thus, an increase in the current maximum taxable threshold has been proposed. So, instead of $ 142,800, the amount would be $ 400,000.

The bill would combine current Social Security trust funds, which include the Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds, into a single fund to ensure that all benefits are paid.

(Source: https://laopinion.com/. Date: 03.11.2021)

Mexico

According to specialists, a reduction in commissions would not be so favorable, as it could benefit only some workers, and inhibit competition between fund managers. The analyst Gerardo Sánchez Herrera pointed out that pursuant to a decree published in the Official Gazette of the Federation, the 10 Afores in the market must reduce their commissions to an annual maximum of 0.59%, is the first month of next year.

They charge a commission for managing workers 'accounts, so in theory, reducing the commission will increase workers' ability to save for retirement, but will affect the finances of the fund managers and could inhibit competition in this market.

The specialist anticipated that some Afores could have subsistence issues, due to which they could merge in future. There would therefore be less of them in the market, with less competition, offering poor service, and even the returns in workers' accounts could fall. Sánchez also explained that although in theory the measure would benefit millions of workers, in practice a high percentage would barely be able to access a guaranteed minimum pension, so this movement would only have a positive effect on higher-income employees.

Finally, the analyst acknowledged that one of the motivations for this measure is that other countries with similar pension schemes, such as Chile and the United States, charge lower commissions, whereas only Pensionissste is at that level of commissions in Mexico. However, one must bear in mind that other countries manage larger funds, because their systems have been in place longer, providing them with greater profit margins.

(Source: https://www.elsoldelcentro.com.mx/. Date: 29.10.2021)

Peru

Reforms to PAYGO system pensions are enacted. On July 22, the Peruvian government enacted reforms to the social security pension program (Sistema Nacional de Pensiones, or SNP) that facilitate access to the SNP's early old-age pension and introduce a special partial old-age pension. The reforms are aimed at improving retirement security for senior citizens who have had difficulty in qualifying for an old-age pension, especially during the COVID-19 pandemic. These reforms follow similar recent measures that have given people greater access to pensions and savings, before and at the official retirement age of 65. The Pension Standardization Office, which manages the SNP program, estimates that the reforms will benefit more than 1.36 million SNP members with early pensions, and 700,000 with partial pensions.

Key provisions of the reforms affecting old-age pensions include:

- **Easier access to the early old-age pension:** SNP members can now access an old-age pension from the age of 50, if they have at least 25 years of contributions. (Previously, only women could receive an old-age pension at age 50, with at least 25 years of contributions; men had to wait until age 55 and needed at least 30 years of contributions to take out early retirement). The reference income used for calculating pensions is the monthly income of an insured person in the 60 months prior to their last month of contribution. (Previously, the reference income formula varied depending on the member's date of birth and years of contributions.) As before, the early pension is calculated by reducing the insured's reference income by 4 percent for each year the pension is received before the official retirement age, and the final amount cannot be less than the monthly minimum pension of 500 soles (USD 127.54) or higher than the maximum monthly pension of 893 soles (USD 227.78).

- **Introduction of a partial old-age pension:** Previously, a member of the SNP had to have had at least 20 years of contributions to be entitled to an old-age pension. Under the new measure, members aged 65 or older at the time the measure came into effect, will be entitled to a monthly old-age pension of up to 250 soles (USD 63.77) with 10 to 14 years of contributions, or up to 350 soles (USD 89.28) with 15 to 19 years of contributions.

- **Work Restrictions on Retirees Removed:** SNP retirees are no longer subject to income limits when they continue or resume employment. Previously, SNP pensioners could only work if their monthly income did not exceed half a Tax Unit, or UIT; 1 UIT is currently equivalent to 4,400 soles (USD 1,122.32).

(Source: International Update SSA. Date: August 2021)

Dominican Republic

Workers reject the reintroduction of a bill that seeks the withdrawal of 30% of pension funds.

The Chairman of the National Confederation of Dominican Workers (CNTD), Jacobo Ramos, specified that at this moment in time the government should be financing social programs to solve the crisis affecting thousands of workers.

For Ramos, the measure constitutes an absurdity, is detrimental to the working class and has negative repercussions when workers retire. "We call on Congressman Pedro Botello not to play with the pensions of these workers," he said.

He also specified that workers are not obligated to finance the crisis generated by the Covid-19 pandemic.

(Source: https://www.elcaribe.com.do/. Date: 28.10.2021)

Uruguay

Committee of Social Security Experts proposes that new income should be paid into the mixed system. It also proposed reviewing the retirement age of police and military personnel.

New income from all retirement funds must go to a mixed system, according to the draft of the social security experts under analysis, to later prepare a reform document that will be submitted to the Executive and to Congress.

Rodolfo Saldain, Chairman of the Committee of Experts on Social Security, explained this Monday in Arriba Gente that the measure will be applicable to police, military, banking personnel, notaries public, professionals, among others. "Most of them do not like this, but we have to reduce the burden on future generations," said the specialist.

(Source: https://www.subrayado.com.uy/. Date: 18.10.2021)

Asia and the Pacific

India

The coverage of the individual accounts program is extended to older workers. On August 26, India's Pension Fund Development and Regulatory Authority announced that it will extend the coverage of the country's National Pension System (SNP), a voluntary individual accounts program, to new enrolled members up to age 70. Previously, only people up to the age of 65 could join the program. The new reform aims to increase retirement savings among older workers. According to the National Pension System Trust, there were approximately 15 million members of the SNP as of August 31, with assets under management of around 6.3 trillion rupees (USD 86.2 billion) (These figures do not include members enrolled in the defined benefit program “Atal Pension Yojana,” which focuses on low-income people between the ages of 18 and 40 in the informal sector).

The key provisions of the extension of coverage include:

- **Eligibility requirements:** All Indian citizens (including citizens living abroad) up to age 70 can join the SNP. (The minimum access age of 18 remains the same). Former SNP members who closed their accounts can open new accounts, as long as they meet the above age requirement.

- **Withdrawals:** People who join the SNP after age 65 and remain for at least 3 years, must use at least 40 percent of the balance in their accounts to buy an annuity and withdraw the rest as a lump sum. (If the account balance is Rs 500,000 [USD 6,843] or less, members can withdraw the full amount as a lump sum). For those enrolled for less than 3 years, at least 80 percent of the account balance must be used to purchase an annuity and the remainder will be paid as a lump sum. (If the account balance is Rs 250,000 [USD 3,421] or less, the participant can withdraw the entire balance as a lump sum).

- **Investment Options:** Under the SNP, participants have two options for investing assets: (1) an Active Choice option, which allows members to choose how to distribute their savings among stocks, fixed income instruments and alternative investment instruments; and (2) an automatic choice option, which allows members to choose between three lifecycle funds with different risk levels (aggressive, moderate, or conservative) and the investments automatically adjust as participants age. For workers who join the SNP after age 65, up to 50 percent (Active Choice) or 15 percent (Automatic Choice) of their assets can be invested in stocks.

(Source: International Update SSA. Date: September 2021)

Europe

Spain

The government will support Social Security with a record transfer of EUR 36.3 billion in 2022. Next year's budget will increase the government's transfers to Social Security, which began in 2021 to cover the payment of pensions and other benefits. In 2022, the transfer will be more than 4,400 million euros higher, as the Minister of Finance announced last week, with a total of 36,276 million euros. Expenses such as pensions in favor of family members and "certain contributory benefits, or their amounts that are subject to income restraints or the attainment of income from work" will be covered, such as "the increase in the widow(er)'s pension, the orphan's pension for the elderly and of the complement of the total permanent disability pension," are included in the Budgets.

(Source: https://www.eldiario.es/. Date: 13.10.2021)

The Government proposes raising contributions by half a percentage point for ten years, to financially support the PAYGO system. The Government's idea is to first raise social contributions by half a percentage point for ten years, from 2023 to 2032. The purpose of this plan, which will replace the sustainability factor approved in the 2013 reform and now repealed, is to guarantee pensions for the baby boomers' decade, those born between the late 1950s and the mid-1970s.

It is estimated that there were years between those dates in which some 600,000 births were registered in Spain. There were 360,000 births per year in 2019 and in 2020, the year marked by the pandemic - 338,000 births were registered.

(Source: https://www.eleconomista.es/. Date: 02.11.2021)

Greece

A new mandatory individual accounts program is approved. On September 2, Greece's parliament passed a law creating the Hellenic Auxiliary Pensions Defined Contribution Fund (TEKA), a new individual accounts program, mandatory for those joining the workforce for the first time as of January 1, 2022. TEKA will replace the existing complementary pension program - the Unified Auxiliary Fund for Social Security and Lump Sum Benefits (ETEAEP) - a mandatory notional defined contribution program. Workers under the age of 35 on January 1, 2022, currently covered by ETEAEP, can opt to transfer to TEKA between January 1, 2022 and December 31, 2022; those aged 35 or more on January 1, 2022, must remain in ETEAEP. According to the government, the reform has four main objectives: (1) to make the pension system more sustainable in the face of the rapid population aging caused by low fertility rates and increased life expectancy; (2) increase retirement savings, which will be invested in the Greek economy and thus boost the country's economic growth; (3) improve future pensions for younger workers; and (4) restore public confidence in the pension system. The Greek National Actuarial Authority projects that the transition costs for transferring from ETEAEP (notional account sharing system) to TEKA will be around € 50 billion (USD 58 billion) to € 70 billion (USD 81 billion) over a 50-year period, which the government says will be largely offset by the financial gains from the new program.

The key provisions of TEKA include:

- **Contribution rate:** Contribution rates are the same as those of ETEAEP. Employees and employers each contribute 3.25 percent (to drop to 3 percent in June 2022) of monthly/payroll earnings up to € 6,500 (US$ 7,540; this will increase to € 6,630 [US$ 7,690] on January 1, 2022).

- **Qualifying conditions:**

    1. **Old-age pension:** To receive an old-age pension, members must generally reach the official retirement age of 67, with at least 15 years of contributions. A lump sum is paid out to members with less than 15 years of contributions. Members with 12-14 years of contributions can purchase years of missing contributions to qualify for a pension.

    2. **Disability pension:** Members must meet the qualifying conditions for the social security disability pension, including an assessed degree of disability of at least 67 percent, and meet contribution requirements that vary according to age and the onset of disability.

    3. **Survival pension** - A pension is paid to eligible survivors, including certain widow(er)s, divorced spouses and dependent children and stepchildren.

- **Payment of benefits**

    1. **Old-age pension:** A life annuity is paid to members with at least 15 years of contributions, based on their account balances at retirement. A lump sum corresponding to the total employee and employer contributions (adjusted for inflation and not including investment returns) is paid to members with less than 15 years of contributions.

    2. **Disability pension:** The disability pension is based on the member's account balance. If the account balance is less than the amount that would have been accumulated by a member with 15 years of contributions, earning the legal minimum wage, the government covers the difference from general taxes.

    3. **Survival pension**: The survival pension is based on the balance of the deceased's account, or the old-age or disability pension that the deceased received if he was a pensioner at the time of death. As with the disability pension, the government will top up the account balance (provided the deceased was still insured and working at the time of death) if it is less than the amount that a member would have accumulated with 15 years of contributions, earning the legal minimum wage.

- **Minimum guarantee:** The government guarantees a minimum benefit equal to the total of member's employer and employee contributions (adjusted for inflation).

- **Investment options:** Members can choose to invest in one of three investment profiles with different degrees of risk: conservative, balanced and aggressive. Members can change their investment profiles once every 3 years.

(Source: [International Update SSA](). Date: October 2021)

Italy

Government reaches an agreement to reform pensions, whereby early retirement will be possible as of 2022 if the sum of the number of years worked and the member's age is at least 102 (previously the total sum had to be at least 100). The executive aimed at enacting a law that regulates retirement at a later age, enabling higher tax collection that guarantees solvency for future pensions.

(Source: [https://www.niusdiario.es/.]() Date: 28.102021)

Moldova

Public pensions are increased. As of October 1, Moldova amended the country's social security law to substantially increase social security and solidarity pensions. These increases are intended to provide additional financial support to many of Moldova's most needy residents, especially during the COVID-19 pandemic. Although Moldova has experienced significant economic growth in the past two decades, the World Bank estimates that the country's economy contracted 7 percent in 2020 and that 13.7 percent of its population lived in absolute poverty (defined as living on less than US$ 5.50 a day, adjusted for purchasing power parity) that year. The government expects pension increases to benefit some 428,000 pensioners at a cost of approximately 521 million leu (USD 29.7 million) for the remainder of 2021 and 2.1 billion leu (USD 119.5 million) in 2022.

Provisions of the amendments that increase old-age pensions include:

- **Increase in the minimum old-age pension:** The minimum monthly old-age pension for people with at least 34 years (men) or 32 years and 6 months (women) of contributions (the minimum for a full pension) increased from 1,188.05 leu (USD 67.63) to 2,000 leu (USD 113.86). For individuals not entitled to a full pension, but with at least 15 years of contributions (the minimum for a partial pension), the minimum monthly pension is proportionally reduced for each year of contributions less than the amount required for a full pension, but it cannot be less than 1,000 leu (USD 56.93 or 50 percent of the total amount). According to the government, approximately 183,000 pensioners with full pensions will receive an average increase of 366 leu (USD 20.84) in their pensions, while approximately 125,000 pensioners receiving partial pensions will see an average increase of 398 leu (USD 22.66) (The average monthly old-age pension in early 2021 was 2,104 leu [US $ 119.78]).

- **Increase in the solidarity old-age pension**: the monthly solidarity old-age pension paid to retirees who do not qualify for the social security old-age pension increased from 594.03 leu (USD 33.82) to 1000 leu (or 50 per cent of the total old-age pension under the social security program).

- **Benefit Indexing**: All social security benefits increased by 3.86% on October 1, under a new indexing method adopted in March. Under this new method, benefits are adjusted on April 1 and October 1 of each year, based on the average adjustment for inflation in the previous 3 calendar years (for the April adjustment) or the first 6 months of the year in course (for the October adjustment). Previously, social security benefits were adjusted on April 1 and October 1 of each year, based on adjustments for inflation in the last 6 months of the previous calendar year (for the April adjustment) or the first 6 months of the year in course (for the October adjustment).

(Source: [International Update SSA](). Date: October 2021)

Sweden

The pension supplement starts being paid. As of September 1, the Swedish Pension Commission started paying a monthly pension supplement of up to 600 kronor (USD 69.54) to people aged 65 and over who receive an income-related old-age pension and meet certain income and contribution requirements. (Sweden's income-related pensions include a notional accounts pension and a PAYGO and defined-benefit pension, which is being phased out.) The supplement was approved by parliament in December 2020 and aims to improve the economic security of retirees with long careers in low-paying jobs. The government estimates that approximately 55% of Swedes over 65 will benefit from the supplement, and 62% of these beneficiaries will be women.

Key details of the new pension supplement include:

- **Qualifying conditions:** To receive the supplement, a person must have turned 65, receive a monthly income-related pension between 9,000 kronor (USD 1,043.08) and 17,000 kronor (USD 1,970.25) and have at least 1 year of pensionable income by age 65. (Pensionable earnings in 2021 are annual earnings of at least 20,135 kronor [USD 2,333.59]). To qualify for a full supplement, a person must have at least 35 years of pensionable income (if born between 1938 and 1944) or 40 years of pensionable income (if born after 1944). (Pensioners born before 1938 may also qualify for a full supplement under certain conditions.)

- **Amount of the supplement:** The amount of the supplement varies according to the monthly pension related to the income that a person receives, or is entitled to receive, at age 65. In 2021, the highest supplement of 600 kronor per month is paid to people with monthly pensions of between 11,000 kronor (USD 1,274.87) and 14,000 kronor (USD 1,622.56). For people with monthly pensions of SEK 9,000 to SEK 10,999 (USD 1,274.75) or SEK 14,001 (USD 1,622.68) to SEK 17,000, the supplement varies between SEK 25 (USD 2.90) and SEK 575 (USD 66.64) per month. The amount is reduced for individuals with less than 35 or 40 years of pensionable income (depending on the year of birth), or if they receive a pension related to income from another country of the European Union or the European Economic Area, from Switzerland, or from a country that has a social security agreement with Sweden. (The supplement is paid to qualified pensioners residing in these countries).

- **Collection process:** A person's eligibility for the supplement is automatically determined when applying for a public old-age pension. If a person claims an income-related pension before age 65, the supplement is not paid until age 65. If a person waits to claim an income-related pension until after age 65, the amount of the supplement is calculated based on their years of pensionable income up to age 65.

(Source: International Update SSA. Date: September 2021)

United Kingdom

The profit adjustment formula is temporarily modified. On September 7, the UK government announced that it would temporarily modify the benefit adjustment formula for "state pensions."[1] (the so-called triple lock formula), by not considering the average annual growth of earnings for the calculation of the next earnings adjustment. (The next adjustment will be announced in November and will take effect on April 6, 2022, at the beginning of the 2022-2023 fiscal year). Thus, state pensions will be adjusted based on the other components of the triple lock formula: the annual increase in consumer prices or 2.5 percent, whichever is greater.

The government argued that the average earnings growth of 8.3 percent, based on July 2021 employment figures, was artificially inflated due to the pandemic. For example, under the coronavirus job retention

[1] Refers to the "State Pension," a PAYGO pension that provides a full flat rate benefit, at the official retirement age of 66, with at least 35 years of paid or proven contributions. A partial benefit is paid with at least 10 years, but less than 35 years of contributions.

scheme, the government subsidized 80 percent of the wages of millions of unlicensed workers in 2020, but many of these workers were back on full pay in 2021. According to the UK Office for National Statistics, average annual earnings growth would be between 3.5 and 4.9 percent without the distortions caused by the pandemic.

(Source: [International Update SSA](). Date: September 2021)