# Progress of the Pension Systems

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*This document compiles the major changes that occurred in the pension systems in the May-June 2022 period, with emphasis on the development of the individually funded systems. Due to the importance of events, this edition includes information on changes in regulatory proposals up to the first week of July 2022.*

*Document prepared by FIAP, based on press information. We thank FIAP member associations for the information and comments submitted. The content of this document may be fully or partially reproduced citing the source.*

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Federación Internacional de Administradoras de Fondos de Pensiones

# Executive Summary by area of Interest

## New Pension Programs and Social Security Reforms (approved)

- **Spain:** Social Security (PAYGO system) set a new upside contribution ceiling. Thus, the maximum contribution has increased by 30% as of 2010.
- **Philippines:** The House of Representatives passed a bill of law reforming the country's social pension program for destitute senior citizens. If enacted, it will double the social pension and create a mechanism for adjusting pension amounts to inflation.
- **Jamaica:** Measures that will affect the social pension program were announced. They include greater dissemination efforts to increase enrollment, and tighter control of whether beneficiaries are still alive.
- **Qatar:** Qatar's Emir ratified a law reforming the PAYGO system, which extends the coverage of private sector workers, increases contribution rates, adjusts covered income, makes the conditions for qualifying for an old-age pension stricter, establishes a minimum old-age pension, and introduces new incentives for working longer.
- **Sweden:** A new independent agency, the Fund Selection Agency (Fondtorgsnämnden), was established to select and monitor the pension funds that will be available to participants of the PPM program (Individually Funded System) as of the second half of 2022.

## Relevant studies

- **Chile**:
  - A Central Bank study shows that pension fund withdrawals to date would reduce the future savings rate by 1.7%.
  - The Association of AFPs published a document which states that for a PAYGO system to be sustainable in the country to 2050, the contribution rate would have to be quadrupled.
- **Colombia:** Universidad de los Andes presented Macroeconomic Note No. 35. Among other things, it proposes incorporating the social security programs into a semi-contributory pillar, and the coexistence of the AFPs and Colpensiones in a contributory pillar.
- **Spain:** The Spanish Institute of Actuaries reported on the reform of the Spanish pension system (PAYGO system) designed by the Minister of Social Security. It concludes that financial sustainability will be even further strained, which in the midterm (about 20 years) would jeopardize the adequacy of pensions.

## Crisis in PAYGO systems

- **Argentina:** There are currently more retirees and pensioners admitted due to moratoriums than full contributions. 53% of pensioners recorded last year accessed the system due to moratoriums, which casts doubts on the sustainability of the system. Furthermore, the 2021 deficit was 3% of GDP.

## Reforms proposed or to be discussed

- **Chile:**
  - The former Superintendent of Pensions, Alejandro Ferreiro, entered the pension reform debate, saying that he sees no reason for excluding the AFPs from new contribution flows.
  - The Criteria survey revealed that only 10% of people would prefer additional contributions to go to a common fund.
- **Costa Rica:** According to the Pensions Commission, the advance payout of 30% of the Mandatory Supplementary Pension Scheme (ROPC) is equivalent to ceasing pension contributions for 7 years. The Costa Rican Association of Pension Operators (ACOP) agreed that using the ROPC to pay debts would cause poverty in old age.
- **El Salvador:** The Chairman of the Legislative Assembly said that the pension reform "is practically ready." In this regard, there is concern about the possible nationalization of the funds to finance the fiscal deficit.
- **France:** The President announced the implementation of the reform of the PAYGO pension system in 2023 (which includes increasing the retirement age from 62 to 65, among other items). Thus, during the June 12 and 19 legislative election campaign, the head of state announced one of his most unpopular measures, against which thousands of people demonstrated in 2020.
- **Dominican Republic**
  - Trade union leaders consider it a priority to preserve pension funds and reform social security. This in relation to the demands of some legislators for the withdrawal of 30% of the pension funds.
  - The executive Vice President of the Regional Center for Sustainable Economic Strategies (CREES) said that it does not make sense to establish a PAYGO system that will not work, in the country. According to the executive, international experience shows that PAYGO systems are unsustainable by nature, because there are ever more retirees and fewer active workers who can contribute to their pensions.

## Relevant studies

**The Chilean Central Bank published a study on the impact on future savings rates of the pension fund withdrawals in Chile during the pandemic.**

Chile implemented much broader pension fund withdrawals during the pandemic than other OECD countries. Estimating a life cycle model with survey data, it was found that households consume a significant fraction of their non-contributory pension wealth, implying a trade-off between improving public pensions and increasing savings. Counterfactual simulations show that the pension withdrawals made could reduce the future savings rate by 1.7%. Furthermore, policy reforms could reduce the aggregate savings rate by 0.2% for each percentage point of the solidarity tax of current workers. Solidarity taxes substantially increase the pension income of poor retirees, but their effects diminish over time.

***(Source: https://www.sciencedirect.com/; Date: June 2022).***

**Colombia's Universidad de los Andes presented Macroeconomic Note No. 35, which studies the shortcomings of Colombia's pension system and proposes changes for its improvement.**

According to the note, the Colombian pension system does not meet the required basic objectives: it covers very few, at a high cost, and disproportionately benefits people with relatively high incomes.

It proposes that the old age economic protection system should gradually transition to one in which: (i) social assistance systems are integrated into a semi-contributory pillar, where non-pensioners receive a subsidy supplemented by refunds of contributions for those who contributed but failed to retire (with interest); (ii) The public administrator (Colpensiones) and the pension fund managers coexist in a contributory pillar in which all pensions, except minimum pensions, are calculated on the basis of the accumulated contributions of individuals (with interest), so that such contributions finance the pension during retirement (including a mechanism for the progressive adjustment of the minimum retirement age, to take population aging into account); (iii) pension fund investment strategies maximize the savings of individuals at retirement age; (iv) financial instruments exist to guarantee better pensions in the individual savings system.

***(Source: https://repositorio.uniandes.edu.co/; Date: March 2022).***

**A study by the Chilean Association of AFP's shows that reinstalling a PAYGO pension system in Chile would require quadrupling the contribution rate, in order to be sustainable by 2050.** The conclusions of the study are:

- In a PAYGO system, the social security contribution would have to increase to 38% of the taxable income of workers by the year 2050, clearly detrimental to young workers and future generations. By the year 2100, the contribution would have to be 58% of taxable income.
- To finance PAYGO pensions of 70% of current income, the contribution rate would have to increase from 10% to 19%. With this contribution rate, PAYGO pensions would drop to 35% of income by 2050, and to 23% by 2100.
- This imbalance occurs due to accelerated population aging and the reduction in fertility.
- In 2020 there were 4 people of working age for every pensioner, i.e., in a PAYGO system,

a maximum of four workers would have to pay a retiree's pension.

- By 2050, there would be half the working age population for every pensioner, so only 2 workers would maintain a retiree's pension.
- In PAYGO systems, workers do not accumulate funds, but contribute with the promise that they will be paid in the future when it is their turn to retire.

***(Source: https://www.aafp.cl/; Date: May 2022).***

**The Spanish Institute of Actuaries (IAE) reported on the reform of the Spanish pension system (PAYGO) designed by the Minister of Social Security.**

The study analyzes the four main measures that make up the government reform: the revaluation of pensions, delayed retirement, early retirement and the Intergenerational Equity Mechanism (MEI). It states that these four measures will result in increased pension expenditure, especially due to the revaluation of pensions based on the CPI, but also "due to the repeal of the sustainability factor (FS) and its replacement by the MEI."

This implies that the sustainability and equity of the system will be threatened, which in the midterm (about 20 years) would jeopardize the adequacy of pensions.
All the shortcomings of the pension reform "will strain the financial sustainability of the public pension system even more than the previous reform," the report concludes.

***(Source: https://www.finanzas.com/; Date:06.07.2022)***

## Relevant news of the period

### Latin America, the Caribbean and North America

### Argentina

**There are currently more pensioners admitted due to moratoriums than full contributions.** 53% of pensioners recorded last year accessed the system due to moratoriums, which casts doubts on the sustainability of the system. Furthermore, the 2021 deficit was 3% of GDP.

The sustainability of the Argentine pension system has generated an imbalance in recent years that not only jeopardizes the correct evolution of pensions, but also fully impacts fiscal accounts: pensions accounted for 7.2% of GDP.

An essential factor in generating the gap between contributors and pensioners is the number of pensioners who entered the system by default. Of a total of 6,819,512 pensions paid last October, 3,603,299 were paid to pensioners who entered with special plans and 3,216,213 to pensioners with full contributions." The first default was in 2007 and included 1.4 million people. Up to that point, the system paid pensions to 3.5 million people."

Between 2007 and 2015 the number of pensioners in the system doubled. In 2021, a total of 6.8 million pensioners were registered, but 53% joined the system by default, exacerbating the financing issue, said a report by the consulting firm Quantum, of the economist, Daniel Marx.

***(Source: https://www.infobae.com/; Date: 11.07.2022).***

### Chile

**The former Superintendent of Pensions said that: "There are good reasons to be wary of the**

**alleged benefits of government management of funds"**

The former Superintendent of Pensions, Alejandro Ferreiro, entered the pension reform debate by criticizing the signals the government has given to date. The lawyer says that he sees no reason to exclude the AFPs from the new contribution flows, "except for a symbolic policy, which basically reflects the mirror image of a slogan"

Ferreiro also pointed out that "the fact that the entire flow is managed by a weak government agency, with political interference, as occurred with the 10% fund withdrawals, constitutes a risk."

***(Source: https://www.ciedess.cl/; Date: 22.06.2022).***

**The Criteria survey revealed that only 10% of people would prefer additional contributions to go to a common fund.**

On consulting on the destination of the additional contribution, only 10% would prefer everything going to a common fund to finance pensions, which is a 6 points drop compared to the same month last year; 26% prefer one half go to the individual account and the other half to a collective fund, with a drop of 3 points over one year, and 64% are in favor of the additional contribution going to the individual account, which is a 9 points increase in one year.

Hence, in the 18-29, 30-44 and 55-64 age brackets, preference for a collective fund fluctuates between 10% and 12%, whereas only 6% prefer that option in the 45 to 54 age bracket. Nonetheless, the query regarding management preferences shows uprising results. 75% prefer the funds to go to the AFP itself, with no additional manage costs; 5% to another private fund manager, with a management cost, and 20% to a government institution, with management costs.

***(Source:https://www.ciedess.cl/; Date: 20.06.2022).***

**The Superintendency of Pensions (SP) and the Financial Market Commission (CMF) published a joint resolution that establishes the maximum commissions that pension funds can pay for investments in mutual fund, investment fund and other financial instrument shares.**

The above will be applicable from July 1, 2022, to June 30, 2023.

Pursuant to the provisions of Article 45 bis of D.L. No. 3,500 of 1980, the resolution also establishes the procedure for determining the commissions actually paid to domestic and foreign mutual and investment funds, index stocks and other securities defined in the Pension Fund Investment Regime.

It also stipulates the manner and frequency with which the pension fund managers (AFPs) must return the commissions paid in excess to the pension funds.

The maximum commissions set by the resolution published today do not vary significantly compared to last year. On average, compared to last year, there is a 2-basis points reduction in the maximum commission for domestic and foreign mutual funds and domestic investment funds; an increase of 1 basis point for index stock; and an average increase of 7 basis points for alternative assets.

***(Source: https://www.cmfchile.cl/; Date: 03.06.2022)***

## Colombia

**New Finance Minister says that: "Pension reform is not a short-term priority"**

José Antonio Ocampo, Finance Minister of the Petro government, said that a pension reform is on the agenda, but that "it is not a short-term priority; but rather, as far as possible, we will see how we can expand the Colombia Mayor program; but a pension reform is not yet required to do so."

***(Source:*** https://www-bloomberglinea-com.cdn.ampproject.org/***; Date: 20.06.2022).***

## Costa Rica

**According to the Costa Rican Pensions Commission, the advance payment of 30% of the Mandatory Supplementary Pension System (ROPC) is equivalent to ceasing pension contributions for 7 years.**

The Chairman of the Central Bank of Costa Rica, Rodrigo Cubero, said that the bill of law would leave the population unprotected in old age. The Costa Rican Association of Pension Operators (ACOP), in turn, agreed that using the Mandatory Complementary Pension Regime (ROP) to pay debts would cause poverty in old age. Likewise, the Pension Operators called for strengthening the complementary regimes due to the situation faced by the Costa Rican Social Security Fund (CCSS) in the pension system, and not to weaken them.

***(Source: https://www.monumental.co.cr/; Date: 06.05.2022).*** .

## El Salvador

**The Chairman of the Legislative Assembly said that the pension reform "is practically ready." In this regard, there is concern about the possible nationalization of the funds to finance the fiscal deficit.**

The Chairman of the Legislative Assembly, Ernesto Castro, said in a television interview today that they could receive instructions to reform the Pension System, promoted by the Government of Nayib Bukele, in the next few days.

A recent report by the British News Agency EMFI, which diagnosed Salvadoran finances and the difficulties in obtaining financing, pointed out that "searching the domestic pockets" of the country “the Salvadoran government can finally obtain funds from the Pension Fund Managers (AFPs), which are obligated to buy national issues of Pension Investment Certificates (CIP)."

In the opinion of the experts of the financial analysis company, the Bukele administration could even "confiscate" part of the AFPs’ funds, within the framework of the pension reform which in September 2021, he announced he would submit to the Legislative Assembly, dominated by the ruling party.

***(Source:*** https://elsalvadorgram.com/ **and** https://www.elsalvador.com/***; Date: 05.07.2022).***

## Jamaica

**Jamaica: Measures that will affect the social pension program were announced.**

In April, the Jamaican government announced new measures that will affect the country's recently launched social pension program, including greater dissemination efforts to increase enrollment, and tighter control of whether beneficiaries are still alive (by requiring them to sign a government-issued life certificate twice a year to continue receiving benefits). Dissemination will occur in the fiscal year that began on April 1 and will include press releases, partnerships with churches and direct dissemination by social workers in local communities. Approximately 7,800 pensioners currently receive a social pension, and the government aims to increase that figure to 20,000 by the end of the fiscal year.

***(Source: International Update SSA Mayo 2022; Date: May 2022).***

**Trade union leaders consider it a priority to preserve pension funds and reform social security.**

The Chairmen of Confederación Autónoma Sindical Clasistas (CASC), Gabriel del Río Doñé, and Jacob Ramos, of the National Confederation of Dominican Workers (CNTD), argued that the preservation of pension funds and the comprehensive reform of the Social Security System are fundamental and inalienable issues for the working class.

Regarding the demands of some legislators for the withdrawal of 30 percent of the pension funds, both union leaders reiterated their opposition on the grounds that it would be harmful to workers. Del Río Doñé said that the agency he presides over is focused on its objective, which is to achieve a reform of Law 87-01, which created the Dominican Social Security System, while also maintaining its refusal to touch the resources destined to the pension system through the individual savings of workers. "The pension funds should not be used for withdrawals under certain circumstances, because in accordance with the Law, they are intended exclusively for workers' pensions at the end of their working lives," stressed the Chairman of the CASC. He considered that the demand that part of these resources be withdrawn in advance, is part of the show that some people have been putting on to gain sympathy; "it is mere populism among workers who could be confused," he said.

The Chairman of the CNTD, in turn, pointed out that: "We are currently involved in reforms that are fundamental for the lives of workers; the first is society's latent need for a comprehensive Social Security reform, the preservation of savings managed by the AFPs, and the reform of the Labor Code".

***(Source : https://aguajero.com/; Date: 05.05.2022).***

**The Executive Vice President of the Regional Center for Sustainable Economic Strategies (CREES) said that it does not make sense to establish a PAYGO system in the country that will not work.**

According to the executive, international experience shows that PAYGO systems are unsustainable by nature, because there are ever more retirees and fewer active workers who can contribute to their pensions. Current efforts should be aimed at improving the provisions of Law 87-01 and carrying out structural reforms to eliminate distortions that impede the development of pensions in the country. He believes that decision-makers in Congress and the Executive Branch have the opportunity, from a public policies standpoint, to guarantee better pensions through a deepening of the 2001 reform, as well as other structural reforms that improve the country's investment climate, productivity and competitivity. He states that if a bill of law proposes to change the individually funded system to a PAYGO systems, the mandatory question is how will it be financed each year.

***(Source: https://hoy.com.do/; Date: 17.05.2022).***

## Asia and the Pacific

### Philippines

**Social pensions reform approved**

On May 31, the Philippine House of Representatives passed a bill of law reforming the country's Social Pension Program for Indigent Senior Citizens. The bill first passed the Senate on May 30 and now awaits the president's signature.

If enacted: (1) It will double the monthly social pension from 500 pesos (US$9.53) to 1,000 pesos (US$19.07); (2) Create a mechanism to adjust the pension amount every 2 years, based on changes in the national consumer price index; (3) Expand the number of no-cost payment options to include cash, wire transfers, and direct payments through reputable service providers; and (4) Transfer the program's payment management from the Department of Welfare and Social Development (DSWD) to the National Commission for the Elderly, within 3 years of the implementation of the law. According to lawmakers, the bill aims to help the program's estimated 3.8 million pensioners better meet their daily medical and subsistence needs. This is the first pension increase since the social pension program was introduced in 2010.

***(Source: International Update SSA Junio 2022; Date: June 2022).***

## Japan

On April 1, the provisions of the 2020 Pension System Reform Law, that make changes to the National Pension program (NP, PAYGO fixed amount) and the employee pension insurance program (EPI, PAYGO, pegged to income), were implemented. These reforms are intended to address the growing fiscal pressures and labor shortages in Japan stemming from the rapid aging of the country's population. According to the Organization for Economic Co-operation and Development (OECD), Japan's old-age dependency ratio (the population aged 65 and over divided by the working-age population aged 15 to 64) is the highest in the world, at about 50 per cent, and is projected to exceed 80 per cent by 2050.
Key provisions implemented in April include:

- **Increasing the maximum pension deferral age in the NP program:** The maximum age for deferring an NP old-age pension after the official retirement age of 65, has increased from 70 to 75. As before, the old-age pension increases by 0.7 percent for each month it is deferred, with a new maximum of 84 percent (compared to 42 percent previously).

- **A reduction of the early retirement penalty in the NP program**: The monthly reduction rate for NP old-age pensions claimed before the official retirement age has decreased from 0.5 percent to 0.4 percent. As a result, the maximum reduction (for claiming an NP pension at age 60) has decreased from 30 percent to 24 percent.

- **A change in the EPI program's means testing**: The maximum total monthly earnings (from income and pensions) that a working retiree aged 60 to 64 can receive without causing a reduction or suspension of the pension has increased from 280,000 yen (US$2162.79) to 470,000 yen (US$3630.40). The income threshold for working retirees aged 65 and over is still 470,000 yen.

- **A change to the spousal supplement rule in the EPI** program: The EPI spousal supplement is now only paid for dependent spouses under the official retirement age with less than 20 years of PPE contributions. Previously, the spousal supplement was paid to any dependent spouse under the official retirement age who did not receive an old-age pension.

- **Simplification of the pension monitoring system**: Pension manuals will no longer be given to new members of the NP and EPI programs. These manuals were previously used as proof of pension coverage and to track pension contributions, but the Japanese Pension Service began using a new Id. number system to link people to their pensions in October 2019.

***(Source: [International Update SSA Junio 2022](); Date: June 2022).***

## Qatar

**The social security pension reform law is ratified**

On April 19, Qatar's Emir ratified a law reforming the social security PAYGO system, which extends the coverage of private sector workers, increases contribution rates, adjusts covered income, makes the conditions for qualifying for an old-age pension stricter, establishes a minimum old-age pension, and introduces new incentives for working longer. These reforms stem from a national development strategy for 2018-2022 that seeks to maintain social protections for Qatar's citizens, support vulnerable groups and promote family cohesion. Although Qatar has quickly become one of the richest countries in the world in per capita terms (its per capita gross domestic product in 2020 was $50,124), its social insurance program has faced growing sustainability issues since its inception 20 years ago. According to the government, about 64 percent of the program's retirees retired early, and less than 53 percent of Qatari citizens aged 15 to 64 are in the workforce.

Key provisions of the reform law (in force 6 months after the publication of the law, unless otherwise stated) include:

- **Expand coverage for private sector workers:** The social insurance program currently covers Qatari citizens working in the public sector, certain private sector companies, or other Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates). Under the new law, coverage will be extended to all Qatari citizens over the age of 18 employed in the private sector, with employment contracts of at least 1 year. Furthermore, voluntary coverage will also be possible for certain Self-Employed Qatari citizens.

- **Increase Contribution Rates**: Contribution rates for employees and employers will gradually increase from 5 to 7 percent of gross monthly income, and 10 to 14 percent of gross monthly payroll, respectively. (Details on the dates of the gradual introduction of these rate increases are not yet known).

- **Include housing allowances in covered income**: Contributions are currently paid on the base salary and social allowances of employees. Under the new law, housing subsidies will also be considered covered income. (It is common for Qatari employees to receive housing allowances as part of their compensation.)

- **Introduce a cap on covered income:** The maximum monthly income used to calculate contributions and pensions will be 100,000 rials (US$27,472.53). There are currently no maximum gains in these calculations.

- **Increase the early retirement age, the minimum contribution period and the penalties for early retirement**: The earliest possible age to claim an old-age pension will gradually increase from 40 to 50 years, over a period of 5 years, and the minimum number of years of contribution will gradually increase from 15 to 25 years. (Policyholders will still be able to purchase up to 5 years of contributions to qualify for a pension or higher benefit.) The fines for each year in which the old-age pension is claimed before the normal retirement age of 60 (men) or 55 (women) will also increase from 2 per cent to 2.5 per cent (if case of voluntary resignation) and from 2.5% to 3% (in case of dismissal on disciplinary grounds).

- **Change the income calculation for the pensions of private sector workers**: The old-age pension of private sector workers will be calculated on their average gross monthly income in the last 3 years of employment, instead of the last 5 years. Old-age pensions for public sector workers will continue to be calculated on their last gross monthly earnings.

- **Establish a minimum old-age pension**: Effective immediately; the minimum monthly old-age pension is 15,000 rials (USD 4,120.88). Previously, there was no explicit minimum old-age pension, although the lowest possible old-age pension was 75 percent of an insured person's previous income.

- **Offer a long-term pension bonus**: A monthly pension bonus will be paid to insured individuals with more than 30 years of contributions on reaching the official retirement age.

- **Introduce a housing supplement**: Effective immediately; retirees with monthly pensions not exceeding 100,000 rials will receive a monthly supplement of up to 4,000 rials (USD 1,098.90) to help cover their housing expenses.

- **Eliminate penalties for old-age pensioners who continue to work**: Old-age pensioners may work in the private sector, without it affecting their pensions. (Pensioners will not be subject to social security contributions while employed). The old-age pension is currently reduced or suspended if pensioners get a job, depending on their income.

- **Establish an early retirement option for women caring for children with disabilities**: Women who stop working to care for children with disabilities will be entitled to a full old-age pension without early retirement penalties if they have at least 20 years of contributions.

***(Source: International Update SSA Mayo 2022; Date: May 2022).***

## Europe

### Spain

**Social Security (PAYGO system) set a new upside contribution ceiling.** Thus, the maximum contribution has increased by 30% as of 2010.

After contributions were frozen during the pandemic, from 2019 to 2021, Social Security set a higher contribution ceiling: 4,139.40 euros (USD 4,172) per month for workers enrolled in the public system, as it announced last March. For practical purposes, this is a 29.4% increase.

This implies that the 0.6% increase in contributions announced by the Government to feed the pension reserve fund, as of 2023, will be enhanced with the injection of funds from the highest contributors.

This is a second measure that will entail an increase of 5,600 million euros in Social Security income. However, this income would only cover 16% of the transfers that the Executive must make to Social Security this year.

***(Source: https://www.noticiastrabajo.es/; Date: 04.05.2022).***

## France

**The President announces the implementation of the pension reform to the PAYGO system in 2023.** In the midst of the June 12 and 19 legislative election campaign, the head of state announced one of his most unpopular measures, against which thousands of people demonstrated in 2020.

The extension of the retirement age from 62 to 65 was one of the tensest announcements in Macron's new mandate, after he was re-elected in April, defeating Marine Le Pen.

His second attempt to pass this unpopular reform is accompanied by the promise of a minimum pension of 1,100 euros per month and different criteria for the hardest jobs.

The unions, which already managed to paralyze France's transportation system in 2020 with their calls to strike, have already expressed their opposition to the reform, together with the left-wing opposition.

The Leftist Front, led by veteran Jean-Luc Mélenchon, turned the legislative elections into a third round to prevent Macron from implementing his program.

***(Source: [https://www.lanacion.com.ar/](https://www.lanacion.com.ar/); Date: 03.06.2022).***

## Sweden

**A new agency is established to manage the investment options of the "premium pension" (PPM, individual savings system).**

On June 20, A new independent agency, the Fund Selection Agency (Fondtorgsnämnden), was established to select and monitor the pension funds that will be available to participants of the PPM program (Individually Funded System) as of the second half of 2022. The PPM is a mandatory individual accounts program that complements the notional defined contribution program [NDCs], covering the employed and self-employed). In its fund selection process, the new agency must ensure that participants have access to a manageable amount of high-quality pension funds with different risk profiles (from lower-risk bond funds to higher-risk equity funds). This shift to a government-organized pension fund market aims to improve the PPM program by making the number of investment options more reasonable (there are currently around 475 pension funds to choose from) and placing a greater emphasis on the quality of the funds in terms of higher returns, lower rates and enhanced sustainability. According to the Swedish Pension Agency, the PPM program currently has around 6.2 million participants with 2.1 trillion kroner (USD 211 billion) in assets.

***(Source: International Update SSA Junio 2022; Date: June 2022).***