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# Analysis and evolution of non-contributory old-age pensions in Latin America

Federación Internacional de Administradoras de Fondos de Pensiones

**Executive Summary**

The number of countries with non-contributory pensions in Latin America increased from six in 2000 to fifteen in 2017, with the coverage of these benefits increasing from 3.8% to 22.7% of people aged 65 or more. However, there is still a significant coverage gap, with 41% of the population over 65 not receiving any kind of pension, whether contributory or non-contributory.

The introduction of non-contributory pensions is a way of addressing coverage issues and the low levels of contributory program savings and pensions in the short term and preventing people from falling into poverty in old age. The essential purpose of these programs is to reduce poverty levels in old age, ensuring that all citizens have a minimum level of income when they reach a certain age and are no longer able to work.

Some countries go further and use this non-contributory pillar to improve pensions for a large segment of the elderly. Bolivia and Mexico made the non-contributory pension universal, and Chile created the Universal Guaranteed Pension, which currently covers 70 per cent of the population aged 65 or more, although the incumbent administration has declared its intention to make it truly universal. In the other countries, coverage is limited, ranging from 3.5% to 37.8% of the population aged 65 or more. Although Costa Rica, Chile and Uruguay grant non-contributory pensions close to or greater than 100% of the poverty line (coincidentally, the Latin American countries with the highest labor formality), pensions in the remaining countries do not amount to even half of the estimated income level required for overcoming poverty. Countries must decide on coverage, non-contributory pension levels and program design, based on their reality and availability of resources.

Expanding coverage and increasing the level of pensions provided by such programs is necessary, given Latin American reality, but they can have significant fiscal costs and distort labor markets if pension levels are very high and/or the design contains implicit taxes that discourage contributions to contributory pension programs (increases in contributory pensions imply a reduction in non-contributory benefits). When deciding on the coverage and design of non-contributory programs, it is crucial to ensure the sustainability of pensions over time; safeguard intergenerational equity, avoiding very high pension amounts that imply high costs for current generations through taxes, (that cannot be maintained in the future due to the increases in expenditure entailed by accelerated population); and prevent pension design from discouraging contributions to contributory pension programs.

Two significant effects on the incentives to contribute, as a result of the granting of non-contributory pensions, are identified. First, an income effect caused by higher pensions, entailed in the reception of the non-contributory pension, which can give rise to a reduction in social security contributions if people's pension objectives have not changed. On the other hand, a disincentive to contribution is introduced when the granting of a contributory pension entails not being entitled to receive the non-contributory pension, or that its amount decreases. Studies of these effects are limited, which prevents conclusions with ample empirical support from being drawn from them. Furthermore, the impacts on workers may differ depending on age, income, gender, and other variables, which makes the analysis particularly complex. That said, existing studies show that non-contributory pensions with an implicit tax have reduced labor participation and contributions to contributory programs, especially among women and those closest to retirement. When non-contributory pensions are universalized and the implicit tax is reduced, the

negative impact of the income effect on the incentives to contribute persists, but the disincentives generated by this tax disappear, or diminish.

The review of the design of non-contributory pensions in the countries studied shows that obtaining a contributory pension voids the right to a non-contributory pension only in Peru. However, in Bolivia, El Salvador and Chile, there is an implicit tax, because receiving a contributory pension entails the reduction of non-contributory benefits for all or some groups of pensioners. In the remaining countries there is no direct link between contributory and non-contributory pensions, but obtaining a contributory pension could also affect the right to obtain a non-contributory pension if the eligibility conditions are no longer met (e.g. extreme poverty).

Regarding the age for obtaining non-contributory pensions, in the countries studied there is no explicit link to the minimum retirement age in mandatory contributory pension programs, or to other variables such as life expectancy, except in Colombia. The ages defined for accessing non-contributory pensions are equal to or higher than those established in mandatory contributory pension programs, except in Colombia. On the other hand, non-contributory pensions are currently focused on poor and vulnerable people in most of the countries studied. Nonetheless, as previously noted, Bolivia and Mexico have universalized the benefit and Chile is moving in that direction.

A review of the way in which non-contributory pensions are being financed in the countries studied shows that pensions are usually financed from the public budget, as recommended by international agencies such as the OECD. However, in Colombia, Costa Rica and Uruguay, the funds come, at least in part, from social security contributions.

Estimated public expenditure on non-contributory pensions ranges from 0.1% to 1.8% of GDP. The highest percentage is observed in Chile, which significantly increased the non-contributory pension amount in the last three years and expanded the universe of people entitled to it. At the other extreme are Colombia, El Salvador, and Peru, with expenditure equivalent to between 0.1% and 0.2% of GDP, due to low pension coverage among the elderly population and the low level of pensions granted.

**Introduction**

The number of old age pensioners will increase significantly in Latin America in the coming decades, as a result of accelerated population aging. Informality and low levels of social security savings in the region will mean that many workers will either not be entitled to contributory pensions, or their amounts will be insufficient. The existence of a social or non-contributory pension pillar acquires special relevance in this context, since it ensures people a certain minimum level of income, preventing them from falling into poverty in old age.

The coverage and design of this pillar has very important consequences, not only for pensioners, but also on the labor market, public expenditure, savings incentives, and the social and political context of countries, due to the massive number of beneficiaries.

This is why FIAP has prepared this technical note focused on non-contributory old-age pension programs. The analysis does not include the benefits that are part of the mandatory contribution pension systems, such as the guarantee of a minimum old-age pension depending on the number of years of contribution, or the contributions made by the State to workers who contribute throughout their working lives. Sections I to VI describe and analyze the characteristics of these programs in nine Latin American countries, and a further descriptive detail of these programs is presented in the Appendix.

## I. Definition

For the purposes of this note, non-contributory pensions are defined as transfers of money, in the form of old-age pensions, to individuals who have reached a certain age, without them being required to have made contributions to mandatory or voluntary contributory pension programs to obtain the benefit. Only non-contributory old-age pensions, and not disability pensions, are considered.

## II. Expansion of non-contributory pensions in Latin America

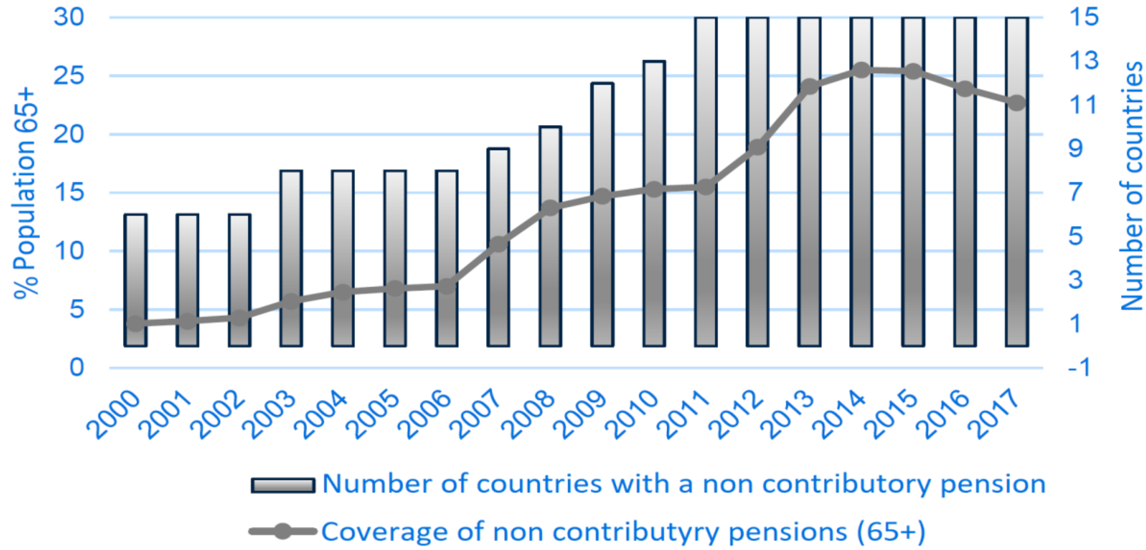
According to the information provided by Reyes (2022), the number of Latin American countries with non-contributory pensions increased from six in 2000 to fifteen in 2017, with the coverage of these pensions increasing from 3.8% to 22.7% of people aged 65 or more, in the same period (Graph 1). This trend has helped to alleviate the situation of the elderly in the region. However, there is still a significant coverage gap, since 41% of the population over 65 does not receive any type of contributory or non-contributory pension (Tapia, 2022).

This lack of pension coverage among the elderly is one of the more meaningful explanations for why there is a relatively high participation of this segment of the population in the labor market, considering the stage of life in which they find themselves. This participation was an average of 36% in Latin America and the Caribbean (LAC) in 2021, compared to 16% in OECD countries (Graph 2).

The main reason for the expansion of non-contributory pensions in the region is the low coverage and contribution density of contributory pension schemes during working life, and the low or zero accumulated savings with which many people reach retirement age, which entitle them to low contributory pension amounts, or none at all. Only four out of ten Latin American workers contribute to some kind of social security system (Tapia, 2022). This situation will become increasingly relevant socially, financially and politically as the region ages, and the number of people in retirement increases.

**Graph 1**

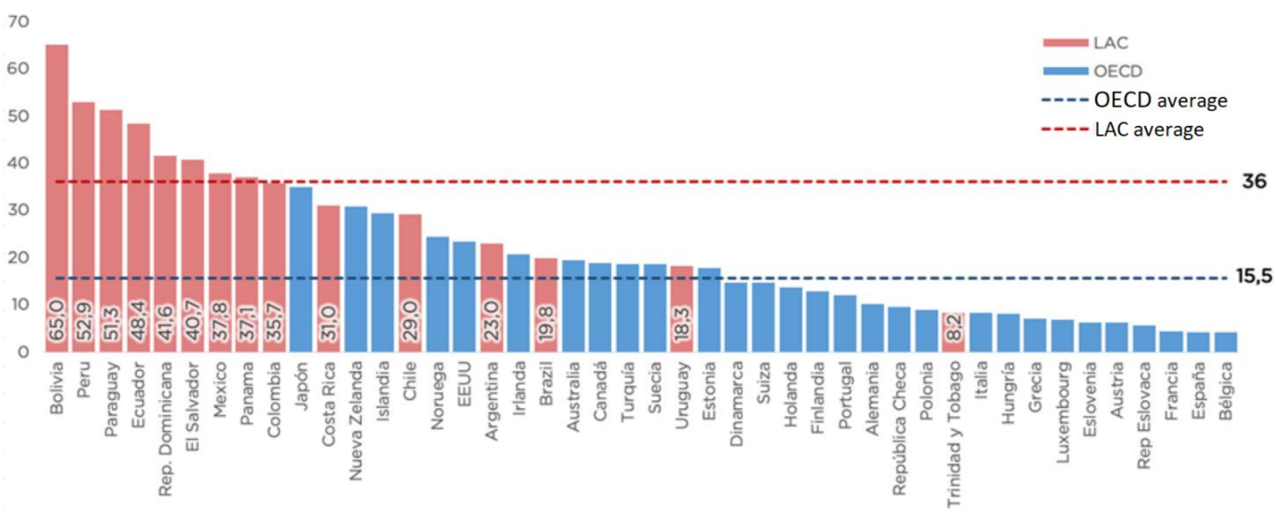
**Evolution of non-contributory pension programs in Latin America**




Source: Reyes (2022).

**Graph 2**

**Participation of men over 65 in the workforce**




Source: Tapia (2022).

Expanding the coverage of contributory programs is a time-consuming process that must be complemented with the implementation of several public policy measures: improving labor markets to stimulate workers' participation in the formal sector; reviewing and improving the relationship and complementarity between the benefits provided by different social security programs and reducing disincentives for workers and employers to declare income and contribute to such programs; stimulating and facilitating social security contributions using the lessons of behavioral economics and technological advances; refining and expanding the type of existing social security programs to structure schemes that allow contributions other than employer discounts, such as contributions via consumption, among others; and adapting pension programs to the reality of groups that have not been integrated into the system, especially among workers in the informal sector. It is known that one of the main issues affecting the coverage of pension systems in Latin America is high informality, and it is also known that informality has a significant positive correlation with the level of development of countries.

The introduction of non-contributory pensions is a way of addressing coverage problems and low savings levels in the short and mid term and preventing people from falling into poverty in old age. Timely action with well-designed public policy measures can not only decompress the social pressures for increasing expenditure aimed at a rapidly growing sector of the population in the coming decades, given population aging, but can also contribute to reducing the political pressures that can push for the implementation of inefficient and costly public policies (for example, policies that allocate contributions to a collective PAYGO fund to increase current pensions, at the expense of the sustainability of the system and the pension amounts granted to future generations).

On the other hand, the introduction and expansion of coverage and the pension level of such schemes may have significant fiscal costs and distort labor markets if pension levels are too high and/or the design disincentivizes contributions to contributory pension schemes.

## III. The purpose of non-contributory pension schemes

The essential purpose of non-contributory pension programs is to reduce poverty levels in old age, ensuring that all citizens have a minimum level of income when they reach a certain age and are no longer able to work.

Barr (2022) points out that non-contributory pensions reinforce the alleviation of poverty, by paying all citizens a pension high enough to achieve this goal. He adds that these pensions have advantages in gender equity because women are the main beneficiaries, since they have a more fragmented contribution history, on average. He also states that non-contributory pensions are tax-funded and paid based on age and length of residence, rather than contributions.

According to Antolín of the OECD (2022), all citizens at the time of retirement must be protected against poverty, with a strong old-age social protection network that covers everyone and is financed from the general State budget.

FIAP (2020), on the other hand, argues that the prevention of poverty in disability and old age requires the design of programs that help people in the poorest and most vulnerable families, who for different reasons are not entitled to a pension, or cannot finance the minimum pensions defined by society as a whole, through contributory programs. The pension amounts granted in these programs, and their coverage, depend on political decisions, subject to the availability of financial resources. Once the amounts and coverage of non-contributory pensions, or social benefits, have been defined, the way in which they will be financed must be established. The best option would be progressive financing, i.e., that collects resources from mostly high-income sectors, and is the least disruptive as possible for the economy in general, and for the labor market in particular. Therefore, this financing should come from taxes applied to both labor and capital income.

Some countries seek not only to reduce poverty in old age, but to go further and use this non-contributory pillar to improve pensions for a broad segment of senior citizens. This is the case in Bolivia, Chile and Mexico. For example, Chile created the Universal Guaranteed Pension (PGU, by its acronym in Spanish language), which excludes only individuals aged 65 or more belonging to a family group in the richest 10% of the population, or those who receive a monthly pension amount equal to or greater than Ch$1,048,200 (USD 1,085)[1].

Coverage, non-contributory pension amounts, and program design involve public policy decisions that each country must make, based on its reality. However, it is crucial that these decisions ensure the sustainability of pensions over time; safeguard intergenerational equity, avoiding very high pension amounts that imply high costs for current generations through taxes, which cannot be maintained in future due to increases in expenditure caused by accelerated population aging; and prevent pension design from discouraging contributions to contributory pension programs.

**Table 1**
**Amount and coverage of non-contributory old-age pensions**
Latest figures available

| Country | Amount | | Coverage (2) |
|---|---|---|---|
| | USD (1) | % Poverty line | |
| Bolivia (Renta Dignidad) | 55 | 44% | 129% |
| Chile (Universal Guaranteed Pension, PGU) | 201 | 96% | 70.5% |
| Colombia (Colombia Mayor) | 18 | 25% | 37.8% |
| Costa Rica (Basic Pensions) | 141 | 104% | 15.0% |
| El Salvador (Universal Basic Pension) | 50 | 45% | 6.5% |
| Mexico (Seniors' Welfare Pension) | 95 | 47% | 101% |
| Peru (Pension 65) | 31 | 38% | 19.0% |
| Dominican Republic (Te Ama and Provee) | 19 | 19% | n.a. |
| Uruguay (Non-contributory old-age pension) | 332 | 213% | 3.5% |

(1) The exchange rates as of 30.09.2022 in each country, reported by the central banks, were used.
(2) Among population 65+.
Source: FIAP based on information from the ECLAC database of non-contributory social protection programs; poverty line reported by ECLAC based on household surveys of the Household Survey Bank (BADEHOG); and background information of the institutions managing non-contributory programs. In the case of Chile, the data of non-contributory pension beneficiaries of the Pension Commission as of August 2022, the poverty line reported by the Ministry of Social Development and Family as of June of the same year, and the 2022 population estimates of the INE were used.

Several Latin American countries have universalized non-contributory pension payments or are moving towards them. As previously noted, this is the case in Bolivia and Mexico, which are

[1] The figures in Chilean pesos were converted into dollars at the exchange rate of Ch$966 to the dollar on 30.09.2022.

covering 100% of the population aged 65 or more, while Chile covers over 70% of this population and the incumbent administration has declared its intention to effectively universalize the PGU. In the remaining countries, coverage is limited, ranging from 3.5% to 37.8% of the population aged 65 and over (Table 1).

Although Costa Rica, Chile and Uruguay grant non-contributory pensions close to or greater than 100% of the poverty line, pensions in the remaining countries do not amount to even half of the estimated income level required for overcoming poverty. Nonetheless, according to statements by different governments in the region, such as Chile, Colombia and Mexico, there is an intention to significantly increase the amounts paid to beneficiaries of this type of program. In fact, Mexico increased the Seniors' Welfare Pension by 47% between 2020[2] and 2022, and the current Chilean government is considering increasing the PGU to $250,000 (USD 259), corresponding to 124% of the current poverty line.

## IV. Design of non-contributory pensions

The most relevant aspects of the design are the age at which non-contributory pensions can be accessed; the requirements for accessing them, in addition to age, which define whether they are means tested or universal; and the ratio of the amounts received to the savings and/or pensions obtained from the contributory programs.

### 1. Age

In the countries studied, there is, in general, no explicit link between the age for accessing non-contributory benefits and the minimum retirement age in mandatory contributory pension schemes, or other variables such as life expectancy. However, in four of the nine countries analyzed, the ages for accessing non-contributory old-age pensions are the same as those for mandatory contributory pensions and, in another case, they are the same only for men. In three of the countries, the age for accessing pensions in the non-contributory pillar is between two and fifteen years higher than the age for accessing contributory pensions, and both ages are linked only in Colombia, since non-contributory pensions are obtained at an age three years lower than that required for retirement due to old age in the contributory program (Table 2).

[2] The last year with information on the poverty line from ECLAC, calculating the percentage of the non-contributory pension compared to the poverty line.

**Table 2**
**Age required for accessing contributory and non-contributory old-age pensions**

| Country | Age (1) | |
|---|---|---|
| | Non-contributory pension | Contributory Pension |
| Bolivia | 60 | 58 |
| Chile | 65 | 60/65 |
| Colombia | 54/59(2) | 57/62 |
| Costa Rica | 65 | 65 |
| El Salvador | 70 | 55/60 |
| Mexico | 65 | 65 |
| Peru | 65 | 65 |
| Dominican Republic | 60 | 60 |
| Uruguay | 70 | 60 |

(1) Ages correspond to women/men when different.
(2) Three years less than the age required to retire for old age in the contributory program.
Source: FIAP based on existing standards in different countries.

## 2. Other conditions required for accessing the old-age pension

The most common requirement is residence. Moreover, in six of the nine countries studied, non-contributory pensions are currently focused on the poor and vulnerable, who lack sufficient income to survive, are excluded from the social protection system, do not receive income, are economically disadvantaged, or are classified as extremely poor (Table 3).

Mexico does not require any conditions other than residence. Bolivia only excludes those who receive a public sector salary and Chile excludes 10% of the richest families in the population aged 65 or more, and those who obtain pensions equal to or greater than Ch$1,048,200 (USD 1,085).

In some countries the financing of non-contributory pensions is not ensured according to established eligibility conditions. For example, since available resources in Colombia are not enough to cover all the elderly who meet the Colombia Mayor requirements, a prioritization methodology was established that seeks to select the poorest elderly people in the country. The subsidy is preferably assigned to adults aged 70 and over registered in the municipal lists of potential beneficiaries of the program, who are automatically admitted when openings are available in the municipality where they are domiciled. There are different prioritization criteria, such as the SISBÉN score[3] or census list, the applicant's dependents, or senior citizens living alone and not financially dependent on anyone. In Costa Rica, the Board of Directors of the Social Security Fund can at any time agree to vary the amounts granted in the program, depending on the availability of resources, government coverage policies, the respective technical studies, and the current budget allocation. In Peru, the criteria and the frequency with which subsidies will be adjusted have not been established.

[3] Identification and Classification System of potential beneficiaries.

**Table 3**
**Conditions for obtaining non-contributory pensions, other than age**

| Country | Conditions |
|---|---|
| Bolivia | Residence in the country; must be registered in the database of Renta Dignidad beneficiaries; do not receive a public sector salary; not subject to any resolution that suspends collection of BOLIVIDA or BONOSOL |
| Chile | Not part of a family group belonging to the richest 10% of the population aged 65 or more; must prove residence for a period of not less than 20 years, counted from the age of 20, and not less than 4 in the last 5 years prior to the application; must have a basic pension lower than the highest pension |
| Colombia | Must be Colombian; must have resided in the country for the last ten years; must lack sufficient income to survive |
| Costa Rica | Individuals resident in the country excluded from the social protection system; must not receive a salary or income as a self-employed individual, or have a favorable financial situation |
| El Salvador | Must be in a situation of extreme poverty and social exclusion |
| Mexico | Official identification, birth certificate, domicile and Sole Population Registry Code |
| Peru | Lack of basic conditions for maintenance; classified in extreme poverty and not receiving a pension |
| Dominican Republic | Must be in a state of extreme poverty |
| Uruguay | Lack of resources for vital needs, taking into account the personal income and that of their obligated relatives |

Fuente: FIAP en base a las normas existentes en los distintos países.

## 3. Correlation with contributory old-age pensions

### i. Incentives to contribute

The analysis of the ratio between the amounts received from non-contributory pensions and the contributory pensions to which members are entitled is important, because it can influence the formality of employment and the incentives to contribute to contributory programs.

Two significant effects on the incentives to contribute, as a result of the granting of non-contributory pensions, are identified. First, an income effect, produced by the increase in the pension (income in the passive stage) caused by the reception of the non-contributory pension. Given certain pension objectives of individuals, this effect can lead to a reduction in contributions to contributory programs, because the tax subsidy contributes to the achievement of this objective. On the other hand, if obtaining a contributory pension means that you are not entitled to receive the non-contributory pension or that the amount of the non-contributory pension decreases, a disincentive to contribution is introduced. Studies of these effects are limited, which prevents conclusions with ample empirical support from being drawn from them. Furthermore, the impacts on workers may differ depending on age, income, gender and other variables, which makes the analysis particularly complex. Below are some references to studies that reviewed these impacts.

Joubert et al. (2011) studied the effects of the 2008 pension reform in Chile that created the Solidarity Pension System, replaced in 2022 by the PGU, concluding that, among other effects, this reform will generate some negative behavioral responses in the form of a lower participation in the workforce at advanced ages and lower labor participation of the sectors covered by the benefits, generating a reduction in contribution densities. They add that as retirement approaches, the incentives to contribute to contributory programs decrease compared to the situation prior to the reform, especially among women, due to higher income expectations in retirement. In any event, these authors warn that the magnitude of the effects must be validated with more up-to-date data that reflect the full impact of the reform.

Attanasio et al. (2011) also studied the 2008 Chilean reform, noting that changes in final pension assets at retirement age have slightly reduced participation in the formal labor market, and that the likelihood of contributing to the pension system has decreased as a result of the reform. According to them, the drop in participation in the formal labor market was close to 4.1% for workers over 40. The results differ by sex and age, as the reform reduces the likelihood of being formerly employed by 3.2 per cent and 2.8 per cent, for women and men between the ages of 56 and 65, respectively.

Pfutze et al. (2015) show that one of the effects of the Colombia Mayor program has been to increase the participation of relatively younger male beneficiaries in the workforce. This increase occurs in occupations that require some investment, since the reception of the non-contributory pension enables addressing liquidity restrictions and staying on the job. However, this effect does not occur among women and older beneficiaries. Another study by Hessel et al. (2018) finds similar results.

A report by the Pension Advisory Council (2021) analyzed the effects of the bill that creates thePGU in Chile (a bill that was subsequently approved). Some of the main conclusions of this analysis are as follows:

- The incentives generated by these measures will not affect all people equally, differing by income, gender, age, degree of vulnerability, awareness of the PGU, and number of years to retirement.

- The possibility of receiving a higher pension will make the recipients of the Basic Solidarity Old Age Pension who work informally less likely to work, because they are guaranteed a higher pension, and will thus also reduce their self-financed pension savings. This income effect will be much lower given that the change in income is not significant (5.1%). The fact that the implicit tax of the PGU is zero (increases in the contributory pension do not imply a reduction in tax benefits), may cause some people in the informal sector in this group, to decide to switch to the formal sector, increasing their pension savings.

- Among recipients of the Solidarity Pension Contribution (SSA), the increase in the State pension could reduce job offers and social security contributions, since to achieve a certain final pension it is no longer necessary to work and save more in the social security system. The effects will not be the same for all people in this group, as one can expect a greater impact on members with more possibilities to work informally, allowing them to evade or avoid social security contributions. On the other hand, given that the implicit tax is reduced to zero with the PGU, some people will be encouraged to leave the informal labor market and switch to the formal market, work more, and increase their pension savings.

- In the group of people who do not receive tax benefits under the Solidarity Pension System (SPS) and who will receive the entire PGU amount, the income effect indicated above will be generated, possibly reducing job offers and social security contributions. Workers who have been formally employed for a long time, and with higher pay, are less likely to change their behavior. An additional opposite effect occurs for SPS members who were close to the threshold where they would lose benefits, and who could have disincentives to contribute and work in the formal market so as not to lose them. They will no longer be in this situation with the PGU, and the disincentive will disappear. Moreover, since each additional peso of contributory pension entails an additional peso of final pension, there would be no effect on the degree of informality of the work of this group of people.

- The group of people who did not receive SPS pensions, and who will obtain tax subsidies with the PGU, being levied with an implicit tax (contributory pension increases imply a reduction in tax benefits), would also be subject to an income effect if their final pension increases. As in the other groups, there could be a reduction in job offers and contributions. On the other hand, the implicit tax implies that there will be a risk of informality in this group. To maximize the pension, some people could switch to the informal sector, reducing their pension savings and contributory pension. Those workers who have had a formal job for a long time, and with higher pay, will also most likely not change their behavior.

### ii. Correlation between contributory and non-contributory pensions in the countries studied

Only in Peru does one lose the right to receive a non-contributory pension on obtaining a contributory pension. In Bolivia, El Salvador and Chile, there is an implicit tax, because receiving a contributory pension implies the reduction of non-contributory pensions for all or some groups of pensioners (Table 4).

In three other countries (Colombia, Costa Rica and the Dominican Republic), obtaining a contributory pension could also affect the right to access a non-contributory pension if the eligibility conditions are no longer met, i.e., the person has sufficient resources to subsist, has a more favorable economic situation, is not vulnerable, or is no longer in extreme poverty, according to the existing tools for assessing these qualifications. In Uruguay, obtaining personal income reduces the non-contributory pension, and ceilings are applied to the personal and family income required to receive the benefit.

Based on the analysis presented above and the relationship between contributory and non-contributory pensions described in this section, it can be concluded that the granting of non-contributory pensions discourages contributions to contributory pension programs in several of the countries studied, since their design generates an implicit tax, i.e., the increase in social security savings and the obtainment of a contributory pension cause the reduction or annulment of non-contributory tax subsidies.

**Table 4**
**Correlation between contributory and non-contributory pensions (1)**

| Country | Correlation |
|---|---|
| Bolivia | The Renta Dignidad amount decreases from Bs. 4,550 (USD 658) to Bs. 3,900 (USD 564) per annum if the beneficiary receives a pension from the Comprehensive Pension System |
| Chile | The monthly amount of the PGU decreases if the contributory pension amount is greater than Ch$660,366 (USD 684) and is no longer paid if said amount is equal to or greater than Ch$1,048,200 (USD 1,085) |
| Costa Rica | The amount of the non-contributory pension, multiplied by 1.5, must not be greater than the value of the minimum pension of the Disability, Old Age and Death Insurance Scheme; the amount of the basic pension for those in extreme poverty must not be less than 50% of said minimum pension. |
| El Salvador | The non-contributory monthly pension is USD 50; a subsidy is given to those who obtain a pension of less than USD 50 per month, to make up a total of USD 50. |
| Peru | To receive this benefit, one cannot receive an old age pension from the public or private sector |
| Uruguay | Total personal income may not exceed the value of the non-contributory pension; if total personal income is less, the benefit is the difference between the amount of the non-contributory pension and the declared income |

(1) Only includes cases where the regulations directly indicate that the non-contributory pension is not paid, or is reduced, when the individual obtains a contributory pension. The amount of the non-contributory pension may the indirectly annulled or reduced if individuals have income, including a contributory pension, which puts them in a category other than that required to obtain it, such as, for example, no longer being in extreme poverty.

Source: FIAP based on existing rules and regulations in the different countries.

Given the increasing importance of the non-contributory pillars, it will be necessary to more extensively study the effects they may have on incentives to work in the formal market and contributing to contributory programs. As previously mentioned, a limited number of studies have been conducted to date.

## V. Financing

The financing of non-contributory pensions should be progressive, raising more resources from high-income sectors for this purpose. Such financing should also be as innocuous as possible for the economy in general, and for the labor market in particular. This is achieved if it derives from taxes levied on both labor and capital income, i.e., from public budget resources, and not from social security contributions, because in the latter case, the incentives to work in the formal labor market and to contribute to contributory programs would be affected.

A review of how non-contributory pensions are being funded in the countries studied (Table 5) shows that they are generally financed from the public budget, as recommended by international agencies such as the OECD. In three of these countries (Colombia, Costa Rica and Uruguay) the funds come, at least in part, from social security contributions. Only Bolivia allocates specific resources from the hydrocarbon tax and the dividends of public companies to the financing of non-contributory pensions.

**Table 5**
**Financing of non-contributory pensions (1)**

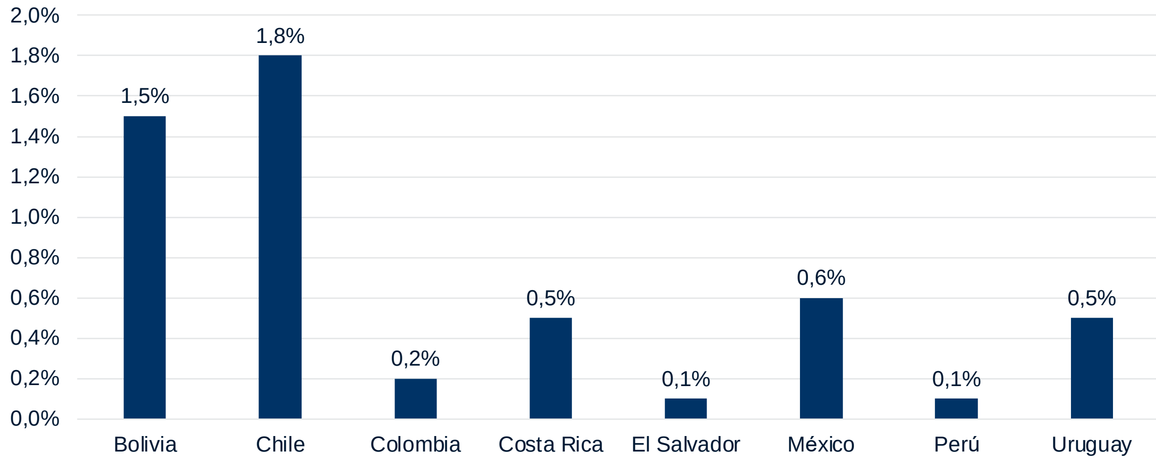
| Country | Correlation |
|---|---|
| Bolivia | Resources from the indirect tax on hydrocarbons and dividends of public companies |
| Chile | Public budget resources |
| Colombia | Pension Solidarity Fund (Additional contribution for higher income workers; public budget; others) |
| Costa Rica | Income from the Social Development and Family Allowances Fund, which in turn is financed by 5 per cent of employers' wages and salaries and by transfers from the public budget; tax on liquor, beer and cigarettes; net returns of the Social Protection Board, Labour Code fines, and transfers from the Ministry of Finance |
| El Salvador | National budget, international loans and non-reimbursable funds from bilateral cooperation |
| Mexico | Government budget |
| Peru | Government budget |
| Dominican Republic | Not available |
| Uruguay | Budget of the Social Security Bank, which in turn is financed by social security contributions from workers and employers, affected taxes and fiscal transfers |

Source: FIAP, based on existing rules and regulations in the different countries and ECLAC's Non-Contributory Social Protection Programs Database.

Estimated public expenditure on non-contributory pensions varies between 0.1% and 1.8% of GDP in the countries studied (Graph 3). The highest percentage is observed in Chile, which significantly increased the non-contributory pension amount in the last three years and expanded the universe of people entitled to it. At the other extreme are Colombia, El Salvador and Peru, due to the low pension coverage among the elderly population and the low level of the pensions granted.

**Graph 3**

**Estimated expenditure on non-contributory pensions as a percentage of GDP (1)**




Source: Preliminary figures based on ECLAC's Non-contributory Social Protection Programs database and the Budget Department of Chile's Ministry of Finance. Latest information available for the years 2020 and 2021. Chilean data are from 2020, but the highest estimated PGU expenditure in 2022 has been added.

The Latin American experience shows that the introduction and strengthening of individually funded pension systems contributes to the financing of non-contributory pensions in the mid and long term (FIAP, 2020). When the AFP system was created in Chile, there was an increase in the fiscal deficit in the first years of the transition, but the public expenditure necessary to finance the deficit of the former PAYGO regime and the recognition bonds subsequently decreased, releasing resources that are contributing to the financing of non-contributory pensions. Conversely, other countries, like Colombia, maintained the PAYGO system, which forces it to continuously allocate public resources to finance its large deficit, being unable to use such resources to finance other public programs, including non-contributory pensions.

## VI. Conclusions

A growing number of Latin American countries are providing non-contributory pensions in response to the low pensions provided by contributory programs, which, in turn, is mainly explained by flaws in the labor market (especially high informality rates), insufficient pension savings amounts and low retirement ages. However, in most countries of the region, non-contributory pension coverage is less than 40 per cent and the amount of non-contributory pensions is below 50 per cent of the poverty line. This explains why spending on non-contributory pensions only varies between 0.1% and 0.6% of GDP, except for Chile and Bolivia, which have universalized the payment of these benefits, or are moving in that direction, and where expenditure exceeds 1.5% of GDP.

The level of non-contributory pensions and their coverage are political decisions, contingent on the availability of financial resources. The design of these benefits should avoid discouraging contributions to contributory pension schemes, either because the amounts paid are well above the poverty line or because there is an implicit tax, which is generated when the reception or increase of contributory pensions results in a reduction in non-contributory pension benefits.

Furthermore, decisions on coverage and the level of non-contributory benefits must be made considering the need to ensure the sustainability of non-contributory pensions over time and to safeguard intergenerational equity, avoiding very high pension amounts that imply high costs for current generations through taxes, that cannot be maintained in the future due to the increases in expenditure entailed by accelerated population aging.

Non-contributory pensions in the region are generally financed from the public budget, except in three countries in which part of the benefits are financed by social security contributions. The latter represents a labor tax that discourages contributions to contributory programs, which is particularly relevant in Latin America due to the high percentages of informality in its labor markets. The best solution would be progressive financing from taxes applied to labor and capital income, i.e., from the public budget.

Latin American experience shows that the introduction and strengthening of individually-funded pension systems to replace PAYGO systems, contributes to the financing of non-contributory pensions in the mid and long term, because resources that were previously intended to cover the deficits of PAYGO systems are released, and can be used to finance other social programs, including non-contributory pensions.

**Appendix: Description of non-contributory pensions**

**Bolivia**

**Renta Dignidad**

Renta Dignidad is a monthly, universal and life-long payment provided by the State to people aged 60 or more, residing in the country, to provide the elderly with a dignified old age, quality and human warmth.

**Requirements and amount of the benefit**

In order to receive the benefit, one must:

a) Be 60 years of age or more.
b) Live in Bolivia.
c) Be registered in the Renta Dignidad Beneficiaries Database (BDRD).
d) Must not receive a public sector salary.
e) Must not be subject to an Administrative Resolution that suspends the collection of BOLIVIDA or BONOSOL.

Senior citizens who do not receive any income or pension, are entitled to an amount of Bs.4,550 per year, paid in twelve monthly payments (eleven of Bs. 350 and one of Bs. 700). Beneficiaries of the Military Social Security Corporation (COSSMIL) and the National PAYGO System Service (SENASIR), and individuals who receive an old age pension from the Comprehensive Pension System (SIP), obtain a benefit of Bs 3,900 per year, paid in twelve monthly payments (eleven of Bs. 300 and one of Bs. 600, which includes the Renta Dignidad bonus).

**Chile**

The Universal Guaranteed Pension (PGU) was created in 2022. As its name implies, it grants a universal benefit, excluding only the richest 10% of the population aged 65 or more in the case of old age, and 20% in the case of disability, Furthermore, provision of 100% of the PGU, currently at $193,917 per month (USD 201), was approved.[4], to all eligible pensioners who receive a pension of up to $660,366 (USD 684), an amount that gradually decreases, or is no longer paid, for pensions equal to or greater than $1,048,200 (USD 1,085). The incumbent government program has committed to increasing the PGU to $250,000 (USD 259). This benefit is explained in greater detail below

**Description of the Universal Guaranteed Pension**

It is a non-contributory pension financed from State resources and managed by the Social Security Institute (IPS). It provides a pension to those who qualify, that depends on the amount of the Base Pension (PB) they obtain, as shown in the table below, with data updated to October 2022.

[4] At an exchange rate of $966 to the USD. In June 2022 it was adjusted to $193,917 (USD 201).

| Basic Pension (PB) | Benefit |
|---|---|
| PB < = Lower Pension (PI) | PGU = $ 193,917 |
| PI < PB < Highest Pension (SP)<br>PI = $ 660,366; PS = $ 1,048,200 | PGU * Determining Factor (FD)<br>FD = (PS – PB) / (PS – PI) |
| PB > = PS | 0 |

The Basic Pension results from adding applicants' self-financed pensions plus the survivor's pensions they receive in the AFP system, the pensions obtained for any reason in the former system managed by the Social Security Institute, and the survivor's pensions received in accordance with the Work Accidents and Occupational Diseases law. For these purposes, the pension financed with voluntary pension savings and unemployment insurance savings, is not considered. The benefit is paid to those who meet the requirements, whether or not they are retired, or whether or not they are enrolled in a social security scheme. For members of the AFP system, the self-financed pension is calculated as a simple life annuity, considering age, family group and accumulated balance at the official retirement age.

With the current values of the PI, PS and PGU, the following non-contributory pensions are obtained for different Basic Pension levels:

| Basic Pension | FD | Benefit | | |
|---|---|---|---|---|
| | | $ | USD(1) | % Poverty Line(2) |
| PB < = $ 660,366 (USD 684) | 1 | $ 193,917 | 201 | 96% |
| $ 700,000 (USD 725) | 0.897807 | $ 174,100 | 180 | 87% |
| $ 800,000 (USD 828) | 0.639965 | $ 124,100 | 129 | 62% |
| $ 900,000 (USD 932) | 0.382122 | $ 74,100 | 77 | 37% |
| $ 1,000,000 (USD 1,035) | 0.124280 | $ 24,100 | 25 | 12% |
| PB > = $ 1,048,200 (USD 1,085) | 0 | $ 0 | 0 | 0% |

(1) At the exchange rate on 09/30/2022: $ 966.
(2) Equivalent poverty line per person: $201,230 (USD 208).
Source: FIAP based on Law No. 21,419 and Monthly Value Report of the Basic Food Basket and Poverty Lines of the Ministry of Social Development and Family.

The amount of the PGU was initially set at the level of the poverty line. Subsequently, the values in pesos of the PGU, PI and PS will be automatically adjusted on February 1 of each year, according to the variation of the CPI of the previous year, provided that said variation is positive. When negative, the following year's adjustment considers the cumulative inflation of both periods, or previous periods, until fully compensated. Notwithstanding the above, their values must be adjusted in advance when the accumulated CPI variation since the last adjustment is equal to or greater than 10%. The law contemplated a first extraordinary adjustment in July 2022, which was brought forward to June, due to the high level of inflation, raising the amount of the PGU to $193,917 (USD 201).

People who meet the following copulative requirements are beneficiaries of the PGU:

a) Must have turned 65.
b) Must not to be part of a family group belonging to the richest 10% of the population aged 65 or more in Chile.

c) Proof of residence in Chile for a period of not less than 20 continuous or discontinuous years counted from the age of 20 and, in all cases, for a period of not less than 4 years in the last 5 years prior to the application.
d) Must have a PB lower than the PS.

Spouses or common-law partners, children under 18, or over 18 but under 24 years of age, if the child is a student in basic, secondary, technical or higher education, are understood to be members of a family group. The inclusion of family members in the evaluated group may be requested when they share the family budget, or excluded when they do not share it.

A regulation issued by the Ministry of Labor and Social Security, also signed by the Ministry of Finance, stipulates the means testing instrument(s) and the procedures that the IPS will use to determine the non-membership of the richest 10% of the population aged 65 or more, considering, at least, the per capita income of the family group and an inflow test. This test will be a measurement instrument, which may include variables indicative of income and assets and must consider criteria that consider the budgetary autonomy of the beneficiary's family group. Means testing instruments most not consider the value of the main dwelling as part of the beneficiary's assets, and they must be the same for the entire population aged 65 or over.

The IPS may review compliance with the requirements at any time and must terminate the benefit when there is cause for termination. It must also conduct a comprehensive annual review of compliance with the requirements for benefits in effect more than three years after they are awarded.

Individuals who were receiving some kind of old age solidarity benefit based on the former Solidarity Pension Systems Law (SPS) at the time that the law creating the PGU came into effect, are entitled to the PGU, or its complement, as of that date, no longer receiving the previous benefit. Pensioners in the Programmed Withdrawal modality, with or without a guarantee of a constant real pension amount in the SPS being replaced, will be automatically assigned the pension of greater value between the Solidarity Pension Contribution and the PGU, i.e., the one that grants greater final pensions to the beneficiary at present value. Nonetheless, the pensioner can opt for the alternative pension within a limited period of time.

**Colombia**

**Social Protection Program for the Elderly**

The Social Protection Program for the Elderly, “Colombia Mayor,” seeks to increase the protection provided to senior citizens by providing an economic subsidy for those who are homeless, who do not have a pension, or who live in extreme poverty.

The National Government unified the value of this Program's monthly grant at COP/ 80,000 (USD 18) for all beneficiaries nationwide.

To be a beneficiary, individuals must meet the following requirements:

a) Be Colombian
b) Must have resided in the country for the last ten years
c) Must be at least three years younger than the official retirement age (currently 54 for women and 59 for men)

d) Most lack sufficient income to survive

For the purposes of the last point, the means testing instrument is SISBEN. This is the System for Identification of Potential Beneficiaries of Social Programs, which enables classifying the population in accordance with their living conditions and income.

The Colombia Mayor program grants are awarded in two ways:

- Direct economic subsidy: paid in cash directly to the elderly beneficiary.
- Indirect economic subsidy: resources are paid monthly to the Center for the Social Protection of the Elderly (CPSAM) or to the Day Center, as the case may be. CPSAM, or the Day Center, uses all resources to finance the basic and complementary social services it provides to beneficiaries. Basic social services include food, shelter and sanitation, medicaments or technical aids, prostheses or braces not included in the Health Benefit Plan (HBS) according to the regime applicable to the beneficiary, and not financed from other sources. It may include medications or technical aids included in the Health Benefits Plan (PBS), when the beneficiary of the program is not affiliated to the General Health Social Security System.

Since the resources available are not sufficient to cover all the elderly who are eligible for the program, a prioritization methodology was established that seeks to select the poorest elderly from all over the country.

The subsidy is preferably assigned to adults aged 70 and over registered in the municipal lists of potential beneficiaries of the program, who are automatically admitted when openings are available in the municipality where they are domiciled. Prioritization criteria are:

- The applicant's age.
- SISBÉN score or census list.
- The physical or mental disability of the applicant.
- People responsible for the applicant.
- Must be a senior citizen who lives alone and does not depend financially on anyone.
- Loss of the pension contribution subsidy when turning 65 and lack of financial capacity to continue making contributions to the system. In this case, the beneficiary must report that he/she will make the pension contribution with this subsidy, in order to meet the requirements. This criterion will be used when the beneficiary is lacking a maximum of 100 weeks of contribution.
- Loss of subsidy due to transfer to another municipality.
- Date of application for registration in the municipal program.

The application of the above prioritization criteria seeks to select only the elderly in the most critical conditions of poverty as beneficiaries of the program.

Colombia Mayor is funded from the Pension Solidarity Fund (FSP). The FSP is a special account of the Nation, without legal standing, attached to the Ministry of Labor. Its purpose is to expand pension coverage, subsidize the contributions of rural and urban workers who do not have sufficient resources, subsidize the elderly who are in a state of vulnerability and extreme poverty, as well as other vulnerable groups. The FSP, in turn, is funded with the following resources:

An additional contribution by members of the General Pension Scheme, whose contribution base is equal to or greater than 4 current legal monthly minimum wages (SMLMV). The additional contributions are as follows:

| Monthly income (IM) in SMLMV | Contribution above IBC(1) to the FSP |
|---|---|
| 4 <= IM < 16 | 1.0% |
| 16 < IM <= 17 | 1.2% |
| 17 < IM <= 18 | 1.4% |
| 18 < IM <= 19 | 1.6% |
| 19 < IM <= 20 | 1.8% |
| IM > 20 | 2.0% |

(1) IBC is the basic contribution income.

i. Contributions from the national budget. These may not be lower than those obtained annually by the additional contributions referred to in the previous point.

ii. The funds contributed by the territorial entities for coverage extension plans in their respective territories, or by unions or federations for their affiliates.

iii. The donations received, the financial returns of their liquidity surpluses, and in general any other revenue they receive, in any capacity.

iv. Fines established in certain articles of the Social Security Law.

**Costa Rica**

**Basic Amount Non-Contributory Pension Scheme**

This is a non-contributory pension that seeks to support those who are excluded from the Costa Rican social protection system, with the aim of reducing poverty among the elderly and/or disabled. The target population is adults over 65; disabled individuals; widows and widowers at least 55 years of age and under 65, living in extreme poverty, and those under 55 with children who meet certain conditions; orphans; and the destitute. The managing agency is the Costa Rican Social Security Fund (CCSS).

The amount of the monthly transfer in 2022 is 82,000 Colons and its last adjustment was in 2019. Furthermore, a thirteenth month is paid in December, as well as the total cost of the insurance, as a pensioner, in the health insurance managed by the CCSS.

The Fund's Board of Directors, in accordance with the respective technical studies and the current budget allocation, may at any time agree on the variation of the amounts granted in the program, in accordance with the availability of resources and the Government's coverage policies. The amount of the regular pension of the Non-Contributory Pension Scheme, multiplied by 1.5, must not be greater than the amount of the minimum pension of the Disability, Old Age and Death Insurance Scheme. On the other hand, the basic pension for those living in extreme poverty must not be less than 50 per cent of the minimum old age pension granted under the Fund's Disability, Old Age and Death Scheme.

The CCSS can at any time verify whether the conditions that led to the granting of the benefit are maintained. The benefit is discontinued when income is received in the form of a salary, or as a self-employed worker, when there is a favorable economic situation, when the condition of disability is overcome, and when the individual moves abroad or dies. The rule that annuls the non-contributory pension if the pensioner receives a non-contributory or contributory pension from any other pension scheme in the country, was declared unconstitutional.

The Non-Contributory Pension Scheme is financed with at least 10.35% of the total income of the Social Development and Family Allowances Fund (FODESAF), the resources from the "Creation of Tax Charges on Liquor, Beer and Cigarettes" Law, the resources from the total net income of the Social Protection Board, transfers from the Ministry of Finance, the collection of certain fines established by the Labor Code and with any other source of financing approved for this purpose. FODESAF funding comes from the public budget and a 5% contribution on wages and salaries paid to workers, charged to employers, excluding those whose monthly payroll amount does not exceed one base salary, and those of agricultural and livestock farming activities with monthly payrolls up to the equivalent of two base salaries.

With the above income, the Fund established a special fund called the "Non-Contributory Pension and Other Benefits Fund," which is responsible for pension payments and other benefits granted in accordance with regulations. Likewise, the reimbursement of the estimated cost incurred by the Fund for managing the System, in accordance with the recommendations of the Actuarial and Economic Planning Department, is financed with the financial resources established in Laws 7972 (taxes levied on liquor, beer and cigarettes) and 7983 (electronic lottery returns and shortfalls from the national budget).

**El Salvador**

**Universal Basic Pension**

The government of El Salvador created the Universal Social Protection System (SPSU) that articulates and complements the different social protection programs, aimed at guaranteeing a basic standard of well-being to the entire population, especially segments with higher levels of poverty, vulnerability and social exclusion. One of the benefits of the SPSU, aimed at the elderly, is the Universal Basic Pension (PBU), which was established in 2009. The PBU is managed by the Social Investment and Local Development Fund (FISDL) and is part of the Our Greatest Rights Program, incorporated in the Urban and Rural Solidarity Communities initiative, promoted and coordinated by the Ministry of Social Inclusion. This program seeks to provide non-contributory social protection to the elderly. Procedures are developed progressively and are initiated when the participating municipality has committed to the provision of the PBU.

The Universal Basic Pension is a USD 50 per month financial aid, paid to people over 70 every two months. Vulnerable and socially excluded senior citizens are entitled to this benefit, and priority is based on their living conditions and level of vulnerability. A subsidy is also given to those who obtain a pension of less than USD 50 per month, making up the difference to reach that amount. The program includes death insurance, comprising two monthly payments (of USD 100) to the relatives of the deceased for financing funeral expenses. The program has a holistic approach, as it is complemented by overall medical care, nutrition, vaccination, dental services, family care training, literacy, improved understanding of aging, and other services. The PBU is financed with government funds from the general budget.

The Basic Solidarity Pension for Disabled and Dependent Individuals was implemented at the end of 2018. It is given to people under 70 years of age who are not beneficiaries of another pension, belong to a household in the 1 to 7 range defined by the Sole Participants' Registry (RUP), and present a Ministry of Health (MINSAL) assessment. They qualify for this pension if assessed with serious or full disability (ILO, 2021).

**Mexico**

**Seniors Welfare Pension**

In 2019, the government created the universal non-contributory pension called "Seniors Welfare Pension." The purpose of this program, of constitutional status, is to contribute to the well-being of the elderly through the provision of a non-contributory pension that helps to improve living conditions and in turn allows access to social protection.

The program caters to all senior citizens over 65, countrywide. The Seniors Welfare Pension consists in financial support every two months. Its 2022 value is $3,850 (USD 190).

Only official identification, birth certificate, domicile, and the Sole Population Registration Code, are required

There are also State programs that seek to ensure a minimum income, initially aimed at the low-income population, but now tending towards universality. There is no information as to whether its beneficiaries can also be enrolled in federal programs.

**Peru**

The Pension 65 National Solidarity Assistance Program was established in October 2011, and is currently in force. The program was not conceived as part of the pension system. This is evident when considering that Pension 65 adopted several of the elements of a pilot program called Gratitude, implemented in 2010, but with changes mainly aimed at achieving greater coverage. The minimum age of the target population was reduced to 65, and coverage was extended to six regions. It subsequently expanded to sixteen regions in 2012, and had already covered all twenty-five regions by 2013.

The program focuses on senior citizens who lack the basic conditions for their maintenance, and falls within the framework of a program that promotes the comprehensive protection of the elderly in extreme poverty and access to health services. To receive the benefit, beneficiaries must be classified as being in conditions of extreme poverty by the SISFOH and not receive retirement pensions from the public and private sectors, including the economic benefits granted through EsSalud.

The Pension 65 program is managed by the Ministry of Development and Social Inclusion (MIDIS), which is responsible for the Government's social programs. The MIDIS coordinates efforts with other institutions, such as local governments, the ONP (administrative agency of the PAYGO regime), the National Civil Registry and the Banking, Insurance and AFP Commission, for the identification, registration, enrolment and notification of users, and with Banco de la Nación for the provision of the economic subsidy.

The amount awarded by Pension 65 is S/. 250 every two months (approximately USD 63). Through this periodic income, it seeks to attend to the basic needs of its users, promote their social reinsertion, and contribute to stimulating small markets and local fairs. Beneficiaries are also allowed to participate in other social programs, such as the National Program of Direct Support to the Poorest, “Juntos,” Literacy Programs, Food Assistance Programs and Reparations Programs, which are also run by MIDIS. The subsidy has been increased in view of the need to provide more resources and reduce the vulnerability of the target population. The criteria and frequency with which grants will be adjusted have not been established so far.

**Dominican Republic**

**“Te Ama” Program**

The program transfers an unconditional economic subsidy of RD$600 per month (USD 11) through a bank account. This program is intended for senior citizens who have no income to cover their basic needs. The program will be transitional until it is included in the solidarity pension, as established by Law 87-01.

Its beneficiaries are senior citizens, aged 60 or older, assessed as being in extreme poverty.

The agency responsible for managing it is the Department of Social Development of the National Council for the Elderly.

The program is implemented countrywide, prioritizing communities where single, retired or unemployed women reside for the care of the elderly in conditions of greater vulnerability and poverty, based on previous diagnosis.

**“Provee” Program**

This Program provides a conditional economic subsidy of RD$400 per month (USD 7.5), through the Supérate Card, to be spent on food supplies in previously established stores, for senior citizens aged 60 or more, assessed to be in conditions of extreme poverty.

The agency responsible for managing it is the Department of Social Development of the National Council for the Elderly.

The program is implemented countrywide, prioritizing communities where single, retired or unemployed women reside for the care of the elderly in conditions of greater vulnerability and poverty, based on previous diagnosis.

**Subsidized Regime Pensions**

Law 87-01, which created the Dominican Social Security System, established a solidarity pension for people over 60 years of age who lack sufficient resources to meet their essential needs, the disabled, unemployed and destitute population, as part of a general policy aimed at reducing poverty levels. These pensions have not yet been implemented.

**Uruguay**

**Non-contributory old-age pension**

This is a non-contributory benefit paid monthly to socio-economically vulnerable people over 70.

Beneficiaries are all the inhabitants of the country who have turned 70 and lack the resources to cover their vital necessities. People covered by the Old Age Assistance Program managed by the Ministry of Social Development before reaching the age of 70, and who still maintain the conditions that enabled them to access this benefit, may be eligible. In these cases, they will automatically access the Old Age Pension benefit when they turn 70.

Inhabitants are entitled to the benefit if they are under-resourced. Means testing considers personal income and the income of family members legally obligated to provide them with food, whether or not they live with them. An assessment of the socio-economic situation of the home is also carried out through an in-person inspection.

- Personal income: direct income, of any kind, may not exceed the amount of the old-age pension. If the individual has a lower income, the benefit to be received will be the difference between the amount of the pension and the declared income.

- Income of obligated family members: if applicants meet the legally established conditions and have obligated family members with whom they they do not live, but who are capable of providing alimony (mother, father and natural or adoptive children), the corresponding government agencies will initiate legal action for alimony, or the steps to conclude an agreement between the parties, once the pension has been granted.

If the obligated family members are married, 50% of the liquid income of their spouses is taken into account for the cap.

When there are family members obligated with the applicant, income ceilings are applied for receiving benefits. These income ceilings are pre-established, based on the classification of obligated family members. These are adjusted at the same time and in the same percentages as the liabilities. As of 1/1/2022 the ceilings are:

**Family income ceilings for accessing the non-contributory (1)**

| **Family members living with the applicant (2)** | |
|---|---|
| Spouse | $ 18,530 (USD 444) |
| Unmarried child or sibling | $ 12,353 (USD 296) |
| Married child or sibling, no children | $ 18,530 (USD 444) |
| Married child or sibling with minor children | $18,530 (USD 444) + $2,471 (USD59) for each disabled minor or older child |
| Lone parents; | $ 18,530 (USD 444) |
| Parents with minor children | $18,530 (USD 444) + $2,471 (USD59) for each disabled minor or older child |
| **Family members not living with the applicant (2)** | |
| Single | $ 49,413 (USD 1,184) |
| Married | $ 61,767 (USD 1,480) |

(1) Conversion to USD at the exchange rate of $U/41.736 on 30/09/2022.
(2) If the applicant is in charge of minors or disabled individuals of any age, $2,471 (USD 59) will be added for each one of them.
Source: Social Security Bank.

The monthly pension amount is $13,838 (USD 332), adjusted yearly. When beneficiaries have income (due to activity, other liabilities, etc.) below this amount, the value of the pension is fixed at the difference between it and the income, unless Law No. 17,266 of 22/9/2000 (disabled individuals) applies.

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