Progress of the Pension Systems

SEPTEMBER - OCTOBER 2022
No.5

This document compiles the major changes that occurred in the pension systems in the September-October 2022 period, with emphasis on the development of the individually funded systems. Due to the importance of events, this edition includes information on changes and regulatory proposals until the first week of November 2022.

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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)

- **Cambodia:** On October 1, the country began collecting social insurance contributions to finance the old-age, disability, and survivors' pensions (PAYGO system) launched in 2021 and managed by the National Social Security Fund (NSSF).
- **Costa Rica:** Mandatory Complementary Pensions management will switch to a Target Date Funds (TDFs) model as of 2024.
- **Spain:**
  - The regulations governing the Public Promotion Employment Pension Funds (FPEPP) came into effect.
  - According to a 2013 law, the official retirement age for accessing 100% of the PAYGO pension will increase by 2 months, from 66.2 to 66.4 years of age, to ensure the sustainability of the pension system (as of 2027, the official retirement age will be 67 for those who have contributed for less than 38 years and 6 months).
- **Mexico:**
  - Congress approved a reform to make social security for domestic workers mandatory, so they will now be able to save for a pension and access disability and day-care benefits, among others.
  - The Pension Regulator is preparing an early warning system to alert workers who are close to achieving sufficient savings to allow them to take out a life annuity.
- **Peru:** The Pension Regulator streamlined the process for accessing a disability pension, to make it easier for members.
- **Switzerland:** In a referendum on September 25, the following measures, among others, were approved for the PAYGO system: (i) gradually raise the retirement age for women from 64 to 65, to equal that of men; (ii) allow workers to continue to pay contributions for higher pensions beyond the official retirement age; and (iii) increase VAT from 7.7% to 8.1% to help fund pensions.

Relevant studies

- **Studies in the United Kingdom show the challenges and progress of the pension system with automatic enrolment**. One of them shows that 5 out of 10 employers like the idea of an automatic contribution rate scaling approach. The other one shows that the opt-out rate remained low (at 8%) in the last year, despite the financial turbulence.
- **A report compiling the returns of the private pension savings in Europe was published** (17 EU countries, with a second occupational pillar and a third voluntary savings pillar).
- **Article by David Tuesta analyzes the barriers to the development of micropensions,** to increase coverage in informal sectors.
- **Observatorio Perspectivas published a report explaining that it is not a good idea for Chile to imitate the Swedish pension model,** because it has already paid for the costly transition from its PAYGO system, and this model is unsustainable in the face of population aging.

Crisis in public PAYGO systems and/or state-managed systems

- **Germany**: The Chairman of the Confederation of German Employers' Associations, pointed out the urgent need to reform the public PAYGO system, in the light of population aging, suggesting that the retirement age should be linked to life expectancy.
- **Argentina**: Once again, the PAYGO pension system ranked second last in the Mercer and CFA Institute's Global Pension Index, largely explained by its lack of sustainability.
- **Bolivia:** The Public Pension Manager is generating great distrust in the population because the manager, regulator and main debtor of workers' contributions is the State itself.
- **USA:** According to Transamerica's 22nd Annual Retirement Survey, 71% of workers are worried as to whether social security (PAYGO system) will be able to help them retire.
- **Spain**: The latest data published by Social Security confirm that inflation has been eating away at the purchasing power of pensions in October, since pensions rose 5.4% in the last 12 months, while annual inflation in the same period is now 8.9%.
- **Ireland**: On September 20 the cabinet approved a reform package (which is still pending parliamentary approval and would come into effect in 2024) to improve the long-term sustainability of the public PAYGO system, which, among other measures, gradually increases contribution rates, with actuarial review every 5 years, and introduces incentives to raise the retirement age.
- **Panama:** The Social Security Fund (SSC) will ask the ILO for suggestions to address the crisis of the PAYGO pension system.

Reforms proposed or to be discussed

- **Colombia:** Asofondos has proposed creating a sovereign wealth fund to strengthen the solidarity pillar (Colombia Mayor program), through the sale of the nation's assets and even part of Ecopetrol's dividends. It also mentions eliminating subsidies for high pensions, strengthening the individual savings pillar and voluntary savings.
- **Chile:** The government delivered general guidelines for the pension reform, which proposes, among other measures, a new gradually implemented 6% contribution charged to employers, which will go to a collective fund. The Association of AFPs said that this proposal is a setback to citizens' expectations.
- **Mexico:** The Pension Regulator is confident that the Afores will channel resources into two mutual funds to support small and medium-sized enterprises, before the end of this year.
- **Dominican Republic:** ADAFP announced that the time has come to carry out a reform process that will enable granting more and better pensions and continue generating economic and social returns for members and the country. The reform seeks to make the system universal and supportive, including self-employed and informal workers, allowing Dominicans residing abroad to withdraw their funds; reduce the number of years of contribution required to access minimum contributory pensions from 25 to 15; guarantee that minimum solidarity pensions will avoid the risk of extreme poverty in old age; make disability pensions payable for life; and balance replacement rates between men and women.
- **Uruguay:** The government submitted the final draft of the pension reform, which, among other aspects, raises the minimum retirement age (currently at 60) for different sectors, ranging from 63 to 65; establishes a voluntary consumption-based savings plan; creates a riskier fund for the youngest; and establishes the reverse mortgage mechanism to supplement sources of retirement income. The bill is now being discussed in Parliament.

Studies in the United Kingdom show the challenges and progress of the pension system with automatic enrolment. *Nest Insight* (a public benefit research and innovation center) published its latest report "Employer pension contributions in the UK: the current situation and potential for innovation." Research results show that many employers offer above-minimum contributions, which often fail to target the most needy: 4 out of 10 employees work for organizations that offer more than 3% minimum employer contribution to all their employees. The report also shows that while automatic enrollment has significantly leveled access to occupational pension savings and employer contributions by raising the floor for all workers, access to above-minimum contributions is not evenly distributed. Approximately half of large employers offer more than the minimum, compared to a quarter of small businesses. On the other hand, employers are more likely to offer above-minimum contributions if they have predominantly wage earning, high-income, highly qualified and long-serving employees.

The report also reveals that employers see very limited opportunities for voluntarily increasing their contribution rates, but show interest in innovations such as:

- **Wage sacrifice**: 2 of 3 employers thought that a wage sacrifice approach, in which tax savings could potentially be added to pension contributions to increase employees' retirement savings, was attractive.
- **Automatic scaling** – 5 out of 10 employers liked the idea of an automatic scaling approach in which employees can commit to automatically increasing their future pension contributions, when they get a raise or after one year, for example.
- **Hybrid approaches** – Approximately 4 out of 10 employers thought that combining pension savings and other forms of savings, such as for example, a hybrid "sidecar savings" model in which employees accumulate a liquid emergency savings fund along with their retirement savings, was attractive.
- **Higher default amounts with opt-out** – About 1 in 3 employers found this approach appealing. In this model, employees could opt for minimum contributions starting at higher default values, rather than having to choose to make higher contributions.

Nest Insight also published its report "Retirement Savings in the UK 2022," one of the largest annual retirement savings studies in the country. The report shares insights into the saving behavior of a sample of more than 11 million Nest members between April 2021 and March 2022, including approximately one third of the UK's workforce. The analysis reveals that thisautomatic enrollment system has continued to work well, despite the financial turbulence. In the 12 months ending March 31, 2022:

- Contribution levels paid by employers and members remained largely stable, despite the end of government interventions that helped soften the economic effect of closures and restrictions due to the Covid-19 pandemic.
- Approximately 1 million companies are now registered in the scheme, an approximately 10% increase from 2020/21.
- The number of registrations increased by 17%, compared to 2020/21.
- There was a steady increase in pension balances (11% increase) and contribution amounts (10% increase) compared to 2020/21 levels.
- The number of members who made their own additional contributions to their retirement funds increased by 36% in the previous 12

months, and the total level of additional contributions by plan members increased by just over 50% compared to the previous year.

Opt-out levels from the automatic enrollment system remained low, at about 8%. ***(Source: http://www.nestinsight.org.uk/; Date: October 2022).***

Mercer and the CFA Institute published the Fourteenth Annual Edition of the Mercer CFA Institute Global Pension Index (MCGPI). The MCGPI is a comprehensive study of global pension systems, covering 65% of the world's population. It compares pension systems around the world, highlighting some of their shortcomings and suggesting possible areas of reform that would allow for more adequate and sustainable retirement benefits.

Overall, Iceland had the highest overall value of the index (84.7), closely followed by the Netherlands (84.6) and Denmark (82.0). Thailand ranked last (41.7). The index uses the weighted average of the adequacy, sustainability, and integrity sub-indices. For each sub-index, Iceland achieved the highest value in adequacy (85.8) and sustainability (83.8), while Finland topped the list in integrity (93.3). The systems with the lowest sub-index values were India in adequacy (37.6), Austria in sustainability (22.7) and the Philippines in integrity (30.0).

Within Latin America, Uruguay and Chile achieved the highest scores, with 71.5 and 68.3 overall, respectively. Both systems scored well in integrity (79.8 for Uruguay, 78.9 for Chile), and while Uruguay led in adequacy (84.5 vs. 60.0), Chile had a higher sustainability score (70.3 vs. 50.6). Mexico was the country with the most notable improvement compared to 2021 thanks to its pension reform that gradually increased contribution rates, improving outcomes for people. ***(Source: https://www.latam.mercer.com; Date: 11.10.2022).***

BETTER FINANCE published the 10th edition of its report "Real Social Security Returns and Long-Term Savings | 2022 Edition. The report is published by the European Federation of Investors and Users of Financial Services, and compiles the returns on long-term private savings and pensions (2nd occupational pillar and 3rd voluntary savings pillar), providing an overview of how these products behave, comparing them and specifying their real performance in 17 EU countries (Germany, Austria, Belgium, Croatia, Denmark, Estonia, France, Italy, Latvia, Lithuania, Netherlands, Poland, Romania, Slovakia, Spain, Sweden and the United Kingdom). The study also includes an online platform where one can access real returns in detail. Further details on the report's key findings can be reviewed here. ***(Source: https://betterfinance.eu; Fecha: 10.10.2022).***

Article analyzes the barriers to the development of micro pensions. The report, by David Tuesta, shows that traditional pension schemes have experienced relevant expansion throughout the last century, under assumptions of labor market functioning. However, they reveal their limitations when faced with informal labor markets that are quite widespread in emerging countries. There have been attempts over the past few decades to build systems based on micro pensions to address these issues, i.e., low-value savings systems that generate very basic pension levels. The article outlines the basic elements of these systems, their mechanics, advanced initiatives, and potential perspectives.

One of the conclusions is that although there is savings potential in the informal low-income sector, short-term liquidity is usually required, so pension objectives obviously have to be compatible with immediate liquidity requirements under certain conditions, while incorporating insurance schemes. Most experiences in implementing micro pension schemes have shown that they can be successful, although still on a small scale. The introduction of digital platforms (such as PinBox Solutions) provides interesting expectations for reducing transaction costs that make financial products attractive to both supply and demand, but the level of acceptance that can consolidate it as a larger scale mechanism remains to be seen. ***(Source: https://cenie.eu; Date: 28.09.2022).***

Observatorio Perspectivas published a [report](#) explaining why it is not a good idea for Chile to imitate the Swedish pension model. It estimates the pension of a man in Chile who worked from 1988 to 2019, for a taxable salary of 17.85 UF ($ 500,000 at 2019 exchange rates; approx. USD 671). If 16.5% of his salary had been deposited into his Individually Funded account, he would have received a pension of $540,453 (approx. USD 726). If he had deposited 10.5% of his salary in an Individually Funded account and 6% in a Notional Account, he would have had a pension of $ 458,577 (approx. USD 616). That is a difference of about $1 million pesos (approx. USD 1,343) per year. I.e. under the Swedish model, there would be reduced capacity to transform savings into a pension.

If Notional Accounts are less efficient than Individually Funded accounts, why do they exist in Sweden? Before 1994, Sweden had a Defined Benefit PAYGO system, in which pensions were determined by the number of years of contributions and the best 15 salaries. Population aging made it financially unsustainable. In 1994 the country carried out a profound reform to switch from a Defined Benefit PAYGO system to an individual accounts system. But this transition is very costly: the state is still responsible for meeting its pension promises to current retirees, without receiving contributions from workers, as they begin to save in their own accounts. Thus, Notional Accounts were introduced in Sweden to ease the burden on the State during the transition. Workers' contributions accumulate in their fictitious personal accounts, while their real contributions are used to finance existing pensions. Chile already paid for this costly transition from the Defined Benefit PAYGO systems to the individual accounts system in the 1981 reform; the Chilean state had to spend 3.5% of GDP on average between 1981 and 1996 to pay the pensions of the former system. It would therefore not be advisable to go in the opposite direction to Sweden and install Notional Accounts that are less efficient in transforming savings into pensions, to return to PAYGO schemes that countries are trying to abandon due to population aging. ***(Source: https://observatorioperspectivas.cl; Date: 17.10.2022).***

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

Global ranking assigns a bad grade to the pension system. Once again, Argentina's pension system came second last in the index published by Mercer and the CFA Institute, while Iceland again topped the list, with the Netherlands and Denmark in second and third place, respectively. Argentina ranked 42nd among 44 countries (with 43.3 points overall), in the World Pension Index. The specialists point out that the country has an outstanding debt related to contributions (how many contribute, and how much), access to benefits (who can access them, and how) and coverage (what benefits can be accessed), as well as all the different pension regimes, which gives rise to and highlights the need to analyze initiatives that make the Argentine pension system sustainable. ***(Source: https://www.cronista.com; Date: 12.10.2022).***

Bolivia

According to the Millennium Foundation, the government has two options: continue with the State Fund Manager, or back down. The

Foundation points out that distrust of the State Fund Manager is due to the fact that the State, the main pension fund debtor, will now become the pension fund manager, thus generating a conflict of interest. The possibilities of conflict are further aggravated by the fact that the Supervision and Control of Pensions and Insurance Authority (APS), entrusted with overseeing, supervising, controlling and regulating the Public Manager, is also an operational arm of the Ministry of Economy. This creates an anomalous situation in which the fund manager, regulator and main debtor of the workers' contributions is the same body, i.e., the State. A system with such anomalies can only generate doubts and distrust, so everything indicates that workers who oppose the transfer of their contributions to the Public Pension Manager have understood this conflict-of-interest risk and are aware of the hazards involved in the management of their pension savings. ***(Source: https://www.paginasiete.bo; Date: 21.10.2022).***

Most people prefer a private AFP to the Public Pension Manager. A survey conducted by the company Diagnosis, Social Research, Opinion and Market determined that a majority of 52% of respondents prefer their pension contributions to be managed by a private company and not by the Public Pension Manager, a currently operative state agency rejected by some labor sectors. 26% said they prefer the Public Pension Manager, and 22% do not know or did not respond. From this result, the pollster concluded that "the discourse of the Plurinational State on the virtues of public versus private management," was unable to modify common sense in Bolivian society. The Public Pension Manager already operates in the country, gradually replacing the Pension Fund Managers (AFPs). This procedure is rejected by retirees, urban and rural teachers, doctors, factory workers and miners, who distrust the management of their social security contributions and demand to be part of the Board. ***(Source: https://eju.tv; Date: 19.10.2022).***

Colombia

Asofondos proposes a sovereign wealth fund to improve the pension system. The head of Asofondos, Santiago Montenegro, said that he agrees with President Gustavo Petro's proposal to expand the coverage of senior citizens who currently receive a subsidy of COP 80,000 (approx. USD 16) per month. Petro Is considering a pension reform to be submitted in 2023, in which the subsidy to senior citizens would be COP 500,000 (approx. USD 101) paid by the State, based on contributions paid into the private pension funds. However, Montenegro criticized Petro's proposal to switch the contributions of higher-income workers to private pension funds and leave low-income workers in the public regime. Petro has called this a pillar system. The Colombian president's proposal is merely a tax on labor, Montenegro warned. Furthermore, the proposed pension system would entail the elimination of the savings of the entire economy, with the long-term effects it entails, such as a drop in investments and GDP.

Santiago Montenegro then put forward several proposals to improve Colombia's pension system, such as:

1. Create a sovereign fund to strengthen the so-called solidarity pillar (through the Colombia Mayor program). Some of the possible sources of financing for this sovereign fund would be to sell the Nation's assets, or even to use part of the returns of the state oil company, Ecopetrol.
2. Eliminate subsidies for high pensions, because they generate high expenses and distort the system.
3. Maintain and strengthen the individual savings pillar system. Two pension managers could coexist (one public and one private), but with clear rules and without competing with one another.

4. Further strengthen the voluntary savings pillar. ***(Source: www.valoraanalitik.com Date: 22.10.2022).***

Costa Rica

Mandatory Complementary Pensions management will switch to a Target Date Funds (TDFs) model as of 2024. This was confirmed by the Superintendent of Pensions, Rocío Aguilar. The investment portfolio will be based on the taxpayer's age and will not be the same for those who are just starting to pay contributions and those who are about to retire, or are already retired, as is currently the case. If SUPEN's schedule is implemented, next year will be dedicated to working on the preparation of operators, supervisors, and technological issues, so that the country can migrate from a single fund to generational funds. Aguilar said that SUPEN is already designing this process, being advised by other Pension Commissions, such as the Mexican Commission. Part of preparing to migrate to the new model is to define the investment mix to achieve a better balance between it and the taxpayer's age. ***(Source: www.ameliarueda.com; Date: 18.10.2022).***

Association of Pension Operators opposes handing over 30% of the Mandatory Pension System (ROP) and claims that the system has worked and has been successful. Roger Porras, Chairman of the aforementioned association, appeared before the Legislative Assembly, currently discussing bill of law 23,082 which will allow the return of 30% of the ROP, to reduce the indebtedness of Costa Ricans. Porras argued that the funds accumulated in the ROP currently amount to the equivalent to 24% of GDP and considered that funds should not be withdrawn because when people retire, 70% of their pensions come from returns, and only 30% from contributions. The ROP guarantees an improvement in the standard of living in old age, which, considering the accelerated population aging in the country, must be taken into account. The withdrawal of 30% would affect not only the pensions of future contributors, but also the country's fiscal situation, since many resources are placed in the Treasury. Finally, the measure would not be effective for people to free themselves from debt, because as the regime is in a "process of maturity," its resources are not yet so high and a 30% withdrawal would be on average 1 million colons (approx. USD 1,581). ***(Source: https://semanariouniversidad.com; Date: 18.10.2022).***

Chile

Government announces a pension reform, which among other things, proposes a gradual increase in the contribution rate, charged to the employer in a collective fund. After several months of delay, the government announced its pension reform proposal on the night of November 2. Its emphasis is placed on a mixed system, increased solidarity, a greater State role, and the transformation of the AFPs into Private Pension Investors (PPI). The initiative will now enter the Chamber of Deputies, where a long process is expected, given the differences between the plans of the Executive and the opposition.

On behalf of the industry, Alejandra Cox, Chair of the Association of AFPs, said that the pension reform proposed by the government is a setback with respect to what citizens expect. People have been clear in pointing out that they want to maintain freedom of choice and individual funding for the new contribution, because they understand that that 6% belongs to them, that it is the product of their labor and that, as such, it will allow them to increase their future savings.

These are the 11 points that summarize the most structural issues of the initiative:

1. **New Integrated Pension Fund with an additional 6% of employers' contributions.** This is the core idea of the pension proposal,

constituting the creation of a new pillar in the system, comprising mandatory contributions, which will gradually accumulate over 6 years (1% per year). In addition to functioning as 'Social Security', by compensating for any deficiencies of workers during their work history (gaps, gender gaps, care work, among others), the proposal suggests that 70% of the contribution (4.2 points of the additional contribution) will go to the individual savings registry in the collective fund, and 30% (1.8 points) to equitable distribution of benefits to existing pensioners. The reform also considers parametric adjustment systems and actuarial analyses every 3 years, which could affect promises of future benefits.

2. **Benefits, gender compensation and 'Unisex' life expectancy.** The proposal contemplates a compensatory bonus equalizing the pension amounts of men and women, regardless of their different life expectancies, for pensions of up to UF 15 (CLP 518 thousand, approx. USD 552); a new bonus for biological or adoptive mothers for each child born alive, which is added to the existing child bonus, and a supplement for the care of third parties with severe or moderate functional dependence. A supplement for pension gaps due to unemployment is also created, establishing the right to a Social Security pension, depending on the balance in the individual registry on retirement and the member's life expectancy, considering a unisex mortality table. This is in addition to the survivor's pension.
3. **New public and private structure: APA- IPPA and IPP.** Under the slogan of 'The AFPs are over,' the reform creates a system that removes the fund managers from the Management of members' accounts and forces them to become IPPs, joint stock companies with the exclusive purpose of managing the investments of the savings of the individually funded accounts. The AFPs that accept this role will have 24 months to become IPPs. The initiative also creates a Public and Autonomous Pension Investor (IPPA), whose exclusive mandate will be to invest to maximize the returns of the pension funds with which the AFPs will compete, with a corporate governance headed by a seven-member board, with exclusive dedication, autonomous, with its own assets and independent. Meanwhile, the current support or account management activities of the AFPs will be assumed by an Autonomous Pension Manager (APA), as part of the Social Security Institute (IPS).
4. **The people's choice.** The initiative leaves open only the option of the existing 10% mandatory contribution, also known as the 'flow.' The savings of people who do not choose a fund manager will be allocated to the public manager.
5. **New commission collection system.** Commissions charged on salary will be replaced by a commission on the managed balance, in order to improve the alignment of interests between investors and members. According to government estimates, the average commission is currently 1.14% of workers' taxable income, with an average total contribution (contribution plus commission) of 11.14% of taxable income. Since the commission will be charged on the managed balance, the total contribution of each worker will drop from 11.14% to 10%. To take advantage of this saving and contribute to generating better pensions, an increase in the mandatory contribution to the individual account from 10% to 10.5% is proposed.
6. **New generational funds**. After 20 years, the multi-funds will be replaced by the new generational funds, a modality recommended

by the OECD, in which members will be assigned to a fund according to their age, following a long-term investment regime that becomes more conservative as members approach retirement age, thereby enhancing individual returns. Members will not be able to switch funds, as in the current system, avoiding distortions that affect returns.

7. **Strengthening of the Universal Guaranteed Pension (PGU).** The PGU will gradually increase from CLP 193.917 (approx. USD 207) to CLP 250 thousand (approx. USD 267)[1], which will mean an increase of 28.9%, prioritizing the beneficiaries of lower pensions in this increase. Coverage will also be gradually expanded from the existing 90%, to make it totally universal, which will be conditional on the fulfillment of tax collection goals. This will depend on the approval of the tax reform.
8. **IPS strengthened.** The Social Security Institute (IPS) will assume the management of the pension system, and for such purposes the reform grants it broad powers to outsource and tender the contracting of various processes to private companies, the granting of appropriate financial resources for acquiring top notch computer systems and funds for honing the skills of the personnel required for assuming these new functions. Its functions will include enrollment in the pension system, collection of the 10.5% contribution of workers and the 6% contribution of employers and collection of social security contributions; management of individual and social security accounts, pensions management, administration of medical commissions, and customer service. In the first two years after the approval of the reform, the IPS will fully outsource all functions, unless authorized by the Superintendence of Pensions on a case-by-case basis. If the reform is approved, the IPS will still registering individual accounts of only 6%, 4 months after the reform has come into effect. It will start absorbing AFP members' accounts after 24 months. The Government believes that the benefits of transferring support functions and their centralization to the IPS are cost savings for the system as a whole, and thus for members, through the economies of scale resulting from the centralization of functions in a single agency. It is also proposed that the cost should be charged to taxes. The government also stipulates that this change eliminates an important barrier to the entry of new agencies with experience in investment management.
9. **Life annuity tendering.** The proposal considers the replacement of programmed withdrawal, offered by the AFPs, by a life annuity, a type of insurance company pension that guarantees a stable monthly pension in real terms, protecting people from the risks of longevity, returns and inflation. Members will be able to choose between two options: life annuity with inheritance, which will enable inheritance, but with a lower pension, or a simple life annuity without inheritance, which will provide a higher pension. As at present, the right to inheritance will exist as long as there are no beneficiaries of the survivor's pension.
10. **Improvement in pensions.** The Executive points to significant increases in pensions for current and future pensioners from the increase in the PGU, the guarantee for years of contributions and the mortality table compensation for women. With regard to future pensioners, the government foresees

[1] At the observed exchange rate on November 3 of 1 USD = CLP 937.79.

that the improvement in the average pension for all pensioners over the next 40 years will be 47%. Finally, people who contribute to the new system throughout their entire lives, and retire 40 years from now, would have a 55% higher pension, on average.

11. **Transition.** A 24-month implementation period is estimated for the start of the following activities: termination of the functions of the AFPs and operational start-up of public and private investment managers; switch from multi-funds to generational funds; initiation of bidding processes by the Social Security Institute for switching from the programmed retirement modality to life annuities for new pensioners. Part of the transition involves changes in the methodology for collecting commissions on taxable income to commissions on the balance; pension procedures at the Social Security Institute; collection of contributions for individual accounts (10.5%) and maintenance of these accounts by the IPS; generation of consolidated payment settlement by the IPS; collection efforts, regularizations, and refunds by the IPS; and issuance of certificates by the IPS. ***(Source: www.df.cl; https://www.latercera.com/; ; Date: 03.11.2022).***

El Salvador

Political cost makes nationalization of pensions unlikely, Bank of America notes. It's been one year since President Nayib Bukele said, in his September 15, 2021 speech, that he would introduce a pension reform that would grant benefits to Salvadorans. But no plan has been submitted by the government to date, and although the trade unions have called for the elimination of the AFPs and the nationalization of the pension system, the proposals on how to improve pensions are still shelved. In a financial report by Bank of America (BofA), after executives of the agency traveled to the country to meet with local authorities, the conclusion on this issue is clear: a nationalization of pensions "is unlikely" due to the political cost that it would entail for the government. Furthermore, the bank has pointed out several disadvantages for each possible scenario to reform the system, that do not compensate for the country's current high fiscal deficit, due to which it is engaged in all kinds of fiscal maneuvers, including the repurchase of bonds and the issuance of Bitcoin bonds. According to BofA, if the reform were to be implemented, the government could have momentary relief, but not enough for all its commitments. Further details here. ***(Source: https://www.elsalvador.com; Date: 29.09.2022).***

USA

According to the Transamerica Institute, many workers are concerned about the future of the PAYGO pension system. According to Transamerica's 22nd Annual Retirement Survey, workers most often cite self-funded savings (49%) as their expected primary source of retirement income, including the 36% of workers who expect to rely on 401(k)s, 403(b) and IRAs (*Individual Retirement Accounts*), and 13% who expect to rely on other savings and investments. Baby Boomers (40%) are significantly more likely to expect Social Security (PAYGO) to be their primary source of income in retirement, compared to Generation X (25%), Millennials (17%) and Generation Z (16%). In contrast, Millennials (52%), Gen Z (52%), and Gen X workers (50%) are more likely than Baby Boomers (37%) to cite self-funded savings, such as 401k(s), 403(b), IRAs, and/or other savings and investments. 14% of all workers expect their primary source of retirement income to come from work, a finding most often cited among Millennials (17%) and Generation Z (16%), compared to Generation X (11%) and Baby

Boomers (10%)[2]. On the other hand, the report shows that 71% of workers agree with the statement, "I worry that when I'm ready to retire, Social Security won't be there for me," including 33% who "strongly agree" and 38% who say they "somewhat agree." Gen X (39%) and Millennial (35%) workers are more likely to "strongly agree," compared to Gen Z (29%) and Baby Boomers (23%). ***(Source: https://transamericainstitute.org; Date: 27.10.2022).***

Mexico

Congress approves reform to make social security mandatory for domestic workers. The lower house approved reforms to the Social Security Law (LSS) which makes it mandatory for employers to register, register and pay employer contributions to their domestic workers in the Mexican Institute of Social Security (IMSS), with a base contribution salary comprising the days worked, and indicating that the insurance ends when the employment relationship that gave rise to it ends. In this regard, the domestic worker was defined as one who provides care, cleaning, assistance, or any other activity inherent to the home, for a wage within the framework of an employment relationship that does not provide the employer with direct economic benefit, whether or not he/she resides in the home where the activities are performed. It is estimated that this reform will benefit some 2.3 million people dedicated to this occupation (92% women and 8% men), who will now have pension savings, disability benefits and daycare, among others. At the end of the legislative process, the reform has now passed to the Executive for promulgation. ***(Source: https://www.eleconomista.com.mx; Date: 27.10.2022).***

Pension regulator prepares alerts to inform workers who are close to accessing a pension. The National Commission of the Retirement Savings System (CONSAR) wants to implement an early warning system for individual workers' accounts. The purpose of this tool is to verify if the balance of an individual's account approaches an amount that will allow pensioners to take out a life annuity. These calculations will be based on tables that will be published periodically by the National Insurance and Bonding Commission (CNSF). To calculate the early warning balance, 1.3 times the guaranteed pension established by the ISSSTE and Social Security Law will be considered as the monthly amount. Once these metrics are published, Pension Fund Managers (AFORES) must make the pertinent revisions of their accounts and take the necessary actions. ***(Source: https://www.eleconomista.com.mx; Date: 03.10.2022).***

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[2] 401(k) plans weren't available until the 1990s, a time when Baby Boomers were well into their careers, and therefore haven't had as much time to save in them.

The Pension Fund Managers (Afores) will start investing in small and medium-sized enterprises (SMEs) through mutual funds. This was announced by the Chairman of the National Commission of the Retirement Savings System (CONSAR), Iván Pliego. Pliego said that before the end of this year CONSAR is expected to fund two mutual funds in which resources from the Afores will be channeled to support this type of companies. In this case, the mutual fund in which the AFORES will invest will be made up of several SMEs that will receive these resources to use them in their different projects, or for their particular needs. The federal official commented that, with the initiative to reform the Securities Market Law, which among other points is promoting stock market financing for SMEs, he will attend to this request that has been on the table for some years. ***(Source: https://www.eleconomista.com.mx; Date: 12.10.2022).***

CONSAR launches its campaign "We all make up the SAR" version of Who will maintain you in the future? CONSAR launched its new 2022 communications campaign as part of the social communication and pension education strategy implemented by the recent administration, whose purpose will be to raise awareness among workers of the responsibility they have in building their future and motivate them to get involved with their Afore account. The campaign aims to confront workers with their own image so they see themselves in the future from "today"; i.e., that not so distant future, but above all that identifies their Afore account as part of their assets and as a retirement savings tool that will help them reach a more financially stable old age. The campaign is built under the testimonial format in which the question "Who is going to maintain you in the future?" is asked, which creates the expectation embodied in the collective imagination of "treasures," "riches," "miraculous events," or leaves the responsibility to a "third party" to facilitate old age, and when looking into a mirror they notice that they are themselves responsible for a good retirement. The campaign has been broadcast since October, with advertising in the following media: television and radio (through Official Times), Metro, Suburban Train, urban furniture and digital media, among others. ***(Source: https://www.gob.mx/consar; Date: 17.10.2022).***

Panama

The Social Security Fund (SSC) will ask the ILO for suggestions to address the crisis in the PAYGO pension system. In his accountability report, the director of the Social Security Fund (CSS), Enrique Lau, said that the fund will ask the ILO to come to Panama to support their actuarial study and suggest alternatives for deciding on the future of the PAYGO pension system. The ILO actuarial report on the pension system in Panama confirms the worrying situation of the Exclusive Defined Benefit Subsystem (SEBD), whose pension reserves will be exhausted by 2024. The progressive reduction of active contributors, and, therefore, of income, the complete exhaustion of the SEBD's reserve in 2024, and the expected accelerated increase in the number of new pensions, will bring strong pressure to bear on the financing of the growing expenditure of the Subsystem. The annual operating deficit will reach an annual ceiling of almost USD 7.5 billion by 2050. Given this situation, the State must identify new sources of financing to cover the growing deficit. As a reference, the additional annual value that the State will have to finance will be 2.4% of GDP in 2030, 3.2% in 2040, 2.7% in 2050, 1.3% in 2060, 0.4% in 2070, and will tend to zero from 2080 onwards. ***(Source: https://www.critica.com.pa; Date: 19.10.2022).***

Pension regulator incorporates improvements to the process of accessing a disability pension. In order to streamline the procedure for granting disability pensions to members of the Private Pension System (SPP), the Superintendency of Banking, Insurance and AFPs (SBS) has approved amendments to the process through which the degree and nature of disability is determined, which will also have a bearing on the application of the Manual of the Disability Assessment System (SEI), which is the tool to determine access to a disability pension. The standard establishes the guidelines for the implementation of a model of training and development of competencies that will provide medical representatives/consultants hired by the Medical Committee of the AFP (Comafp) and/or the Association of AFPs (AAFP) with a minimum standard knowledge of the technical-medical, administrative and legal criteria linked to the regulations of the SPP, and general administrative regulations for the SPP’s assessment and qualification of disability procedure.

The modifications of the regulatory framework aim to make the SPP’s procedure for evaluating and rating disability, followed by potentially disabled members, more efficient. In this regard, "alternate doctors" have been established in the SPP’s medical committees to guarantee the continuity of the processes, as well as the opportunity of service to members. The performance measurement reports of medical consultants are incorporated as a tool to support the supervision/monitoring of the service they provide to SPP members, and the possibility of carrying out evaluation/qualification procedures with technological tools is included, recognizing the digitalization of processes in the SEI, to the extent that this favors the client and the quality of the service. ***(Source: https://www.sbs.gob.pe/; Date: 24.10.2022).***

Dominican Republic

AFP investments strengthen the productive sectors of the economy. Pension fund investments have a high impact on the economy, the strengthening of the productive sectors and the improvement of the standard of living of communities, in addition to fulfilling their main purpose, which is to increase the savings of workers for a better retirement. These statements were made by speakers and panelists of the 19th FIAP International Seminar 2022 "Challenges and solutions for current and future pensions." In this regard, Yamil Isaías, CEO of Pioneer Investment Funds, stressed that in 2018 this company placed the first pension fund investment in tourism, in the Hotel Club Med in Miches, with which they managed to get the Government to invest in infrastructure to improve accessibility to the area, and that due to this investment said community and the hotel sector are receiving a new aqueduct, safety, environmental management and a waste disposal area. "Today Miches is a new tourist destination in the Dominican Republic and is on the government's priority agenda," Isaias said. Raúl Hoyo, CEO of Altio, specifically mentioned the development of the electricity sector since the beginning of the pension system. While in 2003 the installed capacity was 3,300 megawatts and there were no renewable energy projects other than hydroelectric power plants, the installed capacity is now 5,200 megawatts and 26% of energy is renewable "thanks to pension fund investments through investment funds," in wind and solar farms.

On the other hand, Andrés van der Horst, manager of Fiduciaria Reservas, valued the impact of pension fund investments in the improvement of infrastructure or the development of tourism and considered that proof of this is that the RD Vial Trust is currently financed with pension funds. He also said that the Pedernales tourism development project represents an opportunity to continue making social and economic impacts with pension funds. ***(Source: https://eldia.com.do; Date: 10.10.2022).***

Executive President of ADAFP mentioned the need for a reform to grant more and better pensions. At the FIAP 2022 seminar, the Executive President of ADAFP, Kirsis Jáquez, said that the time has come to carry out a reform process that will enable granting more and better pensions, and continue generating economic and social returns for members and the country through the investment of funds. Jáquez presented the ADAFP's reform proposals, which seek to make the system universal and supportive with the inclusion of self-employed and informal workers, allowing Dominicans residing abroad to withdraw their funds; to reduce the number of years of contribution required for accessing minimum contributory pensions from 25 to 15; to provide guaranteed minimum solidarity pensions to avoid the risk of extreme poverty in old age; to make disability pensions payable for life, and to equalize replacement rates between men and women. ***(Source: https://adafp.org.do; Date: 09.10.2022).***

Uruguay

The government introduced the pension reform. On October 20, the government presented the final draft of the reform of the pension system, which, among other aspects, raises the minimum retirement age (currently at 60) for different sectors, ranging from 63 to 65 years, depending on the date of birth and the number of years of contributions to date. The bill of law is now being discussed in Parliament.

With this reform, the first Uruguayan will retire at age 65 only in 2040. Thus, the increase in the retirement age would begin for those born in 1973, retiring at 63 in 2036, followed by those born in 1974, retiring at 64 in 2038, and then for those born in 1975, who would be the first generation to retire at 65 in 2040.

The reform includes two exceptions regarding the increase in the retirement age. The first is generated by an extensive work career. There are two ways to access it: those who have contributed for 30 years at the effective date of the law, whatever their age today, and people born in 1973 who have worked for 40 years, retiring at 60; those born in 1974, retiring at the age of 61; those born in 1975, at 62, and those born in 1976 and older at 63.

The second exception involves maintaining the retirement age at 60 for particularly demanding jobs. In this case, workers in the construction and rural sectors with jobs that involve a high degree of physical effort may claim grounds for retirement when they are 60 years old and can demonstrate a minimum of 30 years of service. Of the 30 years of service required, 20 must have been completed in the job that evidences the grounds for retirement, and eight of these years of service must have been provided in the last 10 years.

The reform generates new rights and benefits. On the one hand, the bill expressly provides that older individuals have the right to proper, decent work, and to equal opportunities and treatment by other workers. It also stipulates that 100% of Uruguayans over 70 years of age will gradually have access to a guaranteed minimum income. Those who retire in the new system will have higher minimum pensions than existing pensions, through the solidarity supplement, a formula that will be applicable to all pensions of up to 42 thousand pesos. The way this formula works that the lower the retirement, the greater the supplement that the pensioner receives, which improves the income of those who do not have sufficient savings, despite having contributed to a pension fund. This supplement will be paid to half of the retirees in the new scheme.

In the 2nd pillar, the reform provides for several modifications, including, for example:

- New ways to benefit from personal savings accounts, such as:

   a. Access a partial retirement from the age of 60, for those who have worked for 30 years or are unemployed.
   b. A special scheme of benefits for members with particularly serious illnesses.
- As an incentive to defer retirement, those who delay retirement for at least three years will be able to collect 9% of the accumulated balance in a lump sum payment.
- A third fund (growth sub-fund) is created for younger people, with a risk/return balance adjusted to the age profile, which will improve the returns on pension savings.
- Competitive downward bidding procedures are foreseen for the contracting of group disability and death insurance while active, aimed at lowering the cost of this coverage.
- Members must receive estimates of retirement rights while saving to that end, as well as options for improving them.
- Three voluntary and complementary savings procedures with specific tax treatment are foreseen: personal savings; joint pension contributions via collective bargaining; and the Consumption Savings Plan.
- The reverse mortgage instrument is created to allow elderly homeowners to access a fund flow or guaranteed capital with their property, the returns of which become due at death, so that the heirs can assume them, if they wish to do so, or the lending institution will execute the mortgage. ***(Source: https://www.subrayado.com.uy; https://medios.presidencia.gub.uy/; Date: 20.10.2022).***

Asia and the Pacific

Cambodia

The country began to collect social security contributions. On October 1, Cambodia began collecting contributions to finance the social security old-age, disability, and survivors' pensions (PAYGO system) launched in 2021 and managed by the National Social Security Fund (NSSF).[3]. Over the next 5 years, workers and employers will each contribute 2% of the monthly salary to the NSSF [the minimum and maximum monthly income used to calculate contributions will be 400,000 riels (USD 98) and 1,200,000 riels (USD 293), respectively]. The total contribution rate (4%) will gradually increase to 8% over the next 5 years and increase by 2.75 percentage points every decade thereafter (the total rate will continue to be divided equally between workers and employers). As of June 2022, more than 2 million workers from some 10,000 companies had registered with the NSSF as part of the implementation of the pension program.

Other key details of the new social security pension program include:

- **<u>Covered workers</u>**: All workers who are employed in private sector companies must participate in the program. Voluntary coverage is available to people under the age of 60 who do not have mandatory coverage (such as the self-employed).
- **<u>Voluntary contributions</u>**: Workers can continue to contribute to the NSSF after they turn 60 (the age limit for mandatory contributions) to obtain higher benefits. Insured individuals under 60 years of age who are unemployed or have an income above the

[3] In addition to old-age, disability and survivors' pensions, Cambodia's social security system provides work, sickness, maternity and medical benefits, and Social Security cash benefits for vulnerable families with pregnant women and children under 2 years of age. Civil servants and military personnel receive social security benefits through special systems.

monthly income limit for mandatory contributions, may also make voluntary contributions.

- **Old age pension**: A bimonthly old-age pension is paid to insured individuals who have turned 60 and have at least 12 months of contributions (including those who work for more than one employer). The pension is calculated on the insured individual's average monthly income, with a replacement rate of 1.75% for each of the first 15 years of contribution and 1.25% for each subsequent year of contributions. If insured individuals do not qualify for an old-age pension on retirement, their cumulative contributions, adjusted for inflation, are paid as a lump-sum benefit.
- **Disability pension**: A bimonthly disability pension is paid to insured individuals who have at least 5 years of contributions and can no longer work due to disability. The disability pension is calculated in the same way as the old-age pension, with a minimum disability pension of 45 per cent of the average monthly income covered by the insured individual.
- **Survival pension**: A survival pension is paid bimonthly to eligible dependents of a deceased insured individual who was receiving an old-age or disability pension or had at least 5 years of contributions. The amount of the benefit is 45 per cent of the old-age or disability pension that the deceased received or was entitled to receive. If there is more than one eligible dependent, 50% of the survivor's pension is paid to the descendant's spouse, and 50% to their children.
- **Funeral benefit**: A lump sum benefit is paid for the funeral expenses of a deceased insured individual who received an old-age or disability pension,or had at least 5 years of contributions. ***(Source: SSA International Update September 2022; Date: September 2022).***

Europe

Germany

The pension system will collapse without reform, says an influential lobbyist. Germany's pension system will not be financially viable five years from now without reform, according to Rainer Dulger, Chairman of the Confederation of German Employers' Associations. This influential lobby represents approximately 20 million employees in the German workforce. Dulger said the German economy is weakening and the social security system is "on the verge of collapse."

In 2019, contributions to Germany's public pension plans accounted for around 10.1% of the nation's GDP but are expected to rise to 12.2% by 2070 under the current system, according to the "2021 Aging Report" published by the European Commission. That 2-percentage point increase is one of the highest expected in the European Economic Area, second only to Ireland and Norway, where the contribution to public pension systems is expected to be 2.6 percentage points higher by 2070, and the Netherlands, where the share of GDP going to pensions will be 2.2 points higher within five decades.

Labor shortages and an aging population are contributing to the challenges facing the German pension system. Dulger suggested that the retirement age should be linked to life expectancy. However, German Chancellor Olaf Scholz rejected calls to raise the official retirement age from 67 to 68 in June 2021, when he was finance minister. Scholz also said there is "no real need" to raise the retirement age, despite a panel of government economic advisers suggesting the threshold should be raised to 68 by 2024.

The scale of the required reform has not been seen since German reunification in the 1990s, according to Dulger, when East and West Germany were reunited after 45 years of separation after World War II. West Germany's pension system was extended to include East Germany, leading to years of financial turmoil.

Dulger also said that the country's pension system should be taken as seriously as climate change and suggested it should be included in social policy forecasts to highlight the urgency of the situation. "Reforming the social security system is as challenging as the energy transition and undoubtedly as important for intergenerational justice," Dulger told Bild. ***(Source: https://www.cnbc.com; Date: 31.10.2022).***

Spain

The regulations governing the Public Promotion Employment Pension Funds come into effect. These regulations, which came into effect on October 20, set out the institutional architecture of the Public Promotion Employment Pension Funds (FPEPP) approved last June within the framework of the Regulations Law for the promotion of occupational pension plans, the purpose of which is to facilitate access of SME workers, public servants and self-employed workers to collective plans. Among the most notable novelties introduced by these regulations are the development of the organization and the operation of the Promotion and Monitoring Committee of the Open Public Promotion Employment Pension Funds, the Special Control Commission, as well as the establishment of the maximum limits of commissions that can be received by managing entities and depositories of these public promotion funds, which stand at 0.3% and 0.1% respectively, with exceptions in specific cases that allow management fees to be increased to an additional 0.55%. They also include the possibility of passing on the implementation costs incurred for the interconnection with the common digital platform of these pension funds. ***(Source: https://www.jubilaciondefuturo.es; Date:19.10.2022).***

In 2023 the official retirement age for accessing a full pension will increase by 2 months, from 66.2 to 66.4 years of age. In the 2013 pension reform, the Government approved a measure increasing the official retirement age from 65 to 67, over a 15-year period. I.e., a gradual increase culminating in 2027. The gradual increase in the retirement age aims to ensure the sustainability of the pension system. The official retirement age is now 66 years and 2 months, if retirees have contributed for less than 37 years and 6 months (if they have contributed to the Social Security system for longer, they may retire at 65, which was the age stipulated by law until recently). Nonetheless, all aspiring retirees in 2023 should know that the official retirement age required by Social Security to obtain a full pension is 66 years and 4 months, with contributions for less than 37 years and 9 months (as in 2022, if they have contributed for more than that number of years, they can retire at 65). The years of contributions necessary for accessing a full pension will gradually increase. As of 2027, the official retirement age will be set at 67, provided that retirees have contributed for less than 38 years and 6 months (if they have contributed for more than 38 years and 6 months, they can retire at 65). ***(Source: https://www.65ymas.com/; Date: 26.10.2022).***

Inflation 'eats' the pension: pensions increase by 'only' 5.4%, compared to 9% of CPI. Skyrocketing inflation in Spain for more than a year is affecting the finances of all pensioners, despite the revaluation of their pensions at the beginning of 2022 (4.1% in total). The latest data published by Social Security confirm that the average pension in October was 1,257.9 euros per month, almost 5.4% higher than in the same month of 2021. Nonetheless, the pensioners who are receiving 5.4% more than a year ago cannot maintain their purchasing power, since the Consumer Price Index (CPI) has increased by almost 9% in the last year. (8.9% annual increase based on data from September). ***(Source: https://www.65ymas.com; Date: 26.10.2022).***

Mercer and Esade highlight the fact that employment pension plans are the most profitable of the last decade. Mercer and Esade have highlighted professional advice, investment diversification and lower commissions as a "differential element" of pension employment plans, which are the most profitable in the last decade, according to the study '10 years of collective savings in Spain.' Occupational pension funds obtain the best ratio of the decade between returns, at 2.7%, and risk, at 5.4%, as stated in the study. This type of fund also shows a relationship between equity size and returns. Esade and Mercer point out that, of the 65 existing funds with more than 500 million euros, representing 53% of the assets of all collective savings, 78% of pension funds obtain results higher than the median returns of their respective risk quartiles. ***(Source: https://www.europapress.es; Date: 24.10.2022).***

Ireland

A package of reforms to the public PAYGO system has been approved[4]. On September 20, the cabinet approved a reform package designed to improve the long-term sustainability of the state's PAYGO pension program, rewarding deferred retirement, increasing contribution rates and adopting a full contribution approach for accessing a pension. The reform package still requires parliamentary approval but is expected to be finalized and implemented by 2024. According to the government, the reform package is necessary to ease the growing financial pressure on the state's PAYGO pension program, caused by population aging. Although Ireland has a relatively young demographic profile compared to other European Union countries, its old-age support index [the ratio of people of working age (18 to 65) to the number of people of retirement age, [66 and over] is expected to fall sharply over the next 3 decades, from about 4.5 in 2020 to 3.5 in 2031 and 2.3 in 2051.

Key provisions of the reform package (expected to come into effect in January 2024, unless otherwise stated) include:

1. **Deferred retirement reward**: The PAYGO state pension program will switch to a flexible retirement model that provides greater benefits to people who expect to claim their pensions after the official retirement age of 66 (the program does not currently offer incentives for deferred retirement). Under the new model, people can defer the state pension until the age of 70 and receive an increase of €253 (USD 246.62) in the amount of the standard weekly pension. People who defer retirement will receive €266 (US€259.30) for retiring at age 67, €281 (US€273.92) at age 68, €297 (US€289.52) at age 69 or €315 (US€307.06) at age 70 or older (these benefit amounts are based on current payment amounts and are likely to change by 2024).
2. **Increase in contribution rates**: The contribution rates of workers, employers and the self-employed will gradually increase and

[4] The state PAYGO pension system is the main source of retirement income in Ireland, providing contributory and non-contributory old-age pensions. To qualify for the contributory pension, an Irish resident must have reached the official retirement age and have an annual average of at least 10 weeks of contributions paid or credited since entering the labor market (or since 1979), whichever is later (contributions may be credited for periods when the insured received certain social security benefits). A non-contributory pension is paid on the basis of a means test, at the official retirement age, to those who do not meet the contribution requirements for a contributory pension, or who receive a reduced contributory pension. In early 2022, the government published details of an automatic enrolment pension program that is expected to be operational by 2024 and aims to provide benefits that complement those paid for by the state PAYGO program.

will be reviewed every 5 years based on the results of an actuarial review.

3. **Adopt a total contribution approach**: The PATGO state pension program will gradually shift over a 10-year period to an entitlement model based on the total number of years an insured person works and pays contributions. Currently, access to a state pension is based on an annual average of contributions, and one can qualify for a full contributory state pension with as little as 10 years of contributions.
4. **Offering early retirement to workers with a long career**– The government will explore the redesigning of the pension payment program for 65-year-olds to provide early retirement pensions to people in their 60s who have worked for at least 40 years and cannot continue working (the *Benefit Payment for 65 Years Olds* program was introduced in 2021 to provide early retirement benefits to 65-year-old residents who have stopped working and meet certain contribution requirements).
5. **Supporting long-term caregivers** – People who leave the workforce to provide long-term care for a relative will receive a state pension credit for the time they spend as caregivers. (The exact details of this provision have yet to be worked out.)
6. **Submission of annual returns**: Individuals will receive annual declarations informing them of their social security contributions and entitlements. ***(Source: [SSA International Update October 2022](); Date: October 2022).***

Switzerland

A gradual increase in the retirement age for women, from 64 to 65, has been approved. In a national referendum held on September 25, Swiss voters approved an amendment to the old-age pensions and social insurance survivors law.[5], which will gradually raise the official retirement age for women from 64 to 65, bringing it in line with the official retirement age for men. According to the amendment, the retirement age of women will increase by 3 months per year as of 2025, until it reaches 65 in 2028. Furthermore, to reduce the effects of the increase on women approaching retirement, the amendment will allow women born between 1961 and 1969 to retire early under more favorable conditions, or receive a monthly pension supplement if they retire at, or later than, the official retirement age. Switzerland's government approved the amendment earlier this year to ensure that the social security fund for old-age and survivors' pensions remains financially balanced until at least 2030. The shift also follows a broader movement among rich countries toward eliminating gender-differentiated retirement ages. 9 of the 38 OECD countries currently have different retirement ages for men and women, and 4 of these (including Switzerland) have passed legislation to close the gender gap.

Other key details of the approved amendment (which is expected to come into effect in 2024) include:

1. **Special rules for early retirement**: Women born between 1961 and 1969 will be able to claim their old-age pensions from the age of 62 when the normal increase in the retirement

[5] Switzerland's old-age pension system comprises the PAYGO social insurance pension scheme that covers all residents regardless of their employment status, a mandatory occupational pension scheme covering workers, and voluntary individual savings arrangements. To be entitled to a full PAYGO social insurance old-age pension, a person must have reached the official retirement age and have contributed every year from the age of 20, to the official retirement age. A partial old-age pension is paid if a person does not meet the contribution requirements for a full pension, but has at least 1 year of contributions.

age is implemented and will be subject to lesser penalties for early retirement. Depending on their average annual income, these women will see their pension reduced by up to 3.5% for retiring at 64, up to 6.5% for retiring at 63, or up to 10.5% for retiring at 62. Normally, early retirement is only possible up to 2 years before the normal retirement age, and the pension reduction rate is 6.8% for each year of early retirement.

2. **Compensatory pension supplement**: If women born between 1961 and 1969 choose to claim their old-age pensions at or later than the official retirement age, they will receive a monthly pension supplement which varies according to income and year of birth. The basic monthly supplement will be 160 francs (USD 163) for women with average annual earnings of up to 57,360 francs (USD 58,482), 100 francs (USD 102) for women with average annual incomes exceeding 57,360 francs but not exceeding 71,700 francs (USD 73,102), and 50 francs (USD 51) for women with average annual incomes exceeding 71,700 francs. These basic amounts are further adjusted according to the woman's year of birth, with full amounts paid to women born in 1964 and 1965 and partial amounts (ranging from 25% to 81% of total amounts) paid to women born in other qualifying years. This pension supplement will not count towards pension maximums, nor will it affect eligibility for other fringe benefits.
3. **Amendment of the contribution rules for older workers**: Currently, people who continue to work after reaching normal retirement age stop contributing [if their gross monthly earnings are up to 1,400 francs (USD 1,427) or continue to pay contributions without increasing their pension rights (if the gross monthly income exceeds 1,400 francs)]. To make it financially attractive to work at more advanced ages, the amendment will allow all people (men and women) working beyond the official retirement age to continue to pay contributions for higher pensions.
4. **Increase in value-added tax**: The value-added tax (VAT) that partially finances old-age and survivors' pensions will increase from 7.7% to 8.1% (in addition to VAT, a tax on casino income and social security contributions will be used to finance old-age and survivors' pensions). ***(Source: SSA International Update October; Date: October 2022).***