Progress of the Pension Systems

NOVEMBER – DECEMBER 2022
No.6

This document compiles the major changes that occurred in the pension systems in the November-December 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 January 2023.

Document prepared by FIAP, based on press information. We thank FIAP member associations for the information and comments submitted.

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Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

- **Brazil:** In Dec.2022 the Government issued the first bond in the world specially designed for retirement, which enables financing a supplementary pension for 20 years after retirement.
- **Dominican Republic:** In Dec. 2022 a pilot plan for the regulation of domestic work was launched, allowing domestic workers to fix their working hours, with coverage including different social security benefits.
- **El Salvador:** On December 20, 2022, a new pension reform law was approved, which among other things makes it mandatory for pension funds to invest in Pension Commitment Certificates (COP) without limits (the previous limit was 45%).
- **Mexico:** In Dec. 2022: (i) an agreement was signed enabling Mexicans living abroad to join social security, allowing them to access different benefits; and (ii) an increase of 25% in the non-contributory old age pension in 2023, from USD 200 to USD 250, was approved.
- **Peru:** (i) At the beginning of Jan. 2023, Congress approved a recognition bonus for those who migrated from the PAYGO system to an AFP from 2002 onwards; (ii) In Dec. 2022 AFP Integra won the sixth tender for new SPP members, with a commission of 0.78% per annum on the balance.
- **Portugal:** As of January 1, 2023, the country lowered the official retirement age from 66 years and 7 months to 66 years and 4 months, following the reduction in the country's average life expectancy during the COVID-19 pandemic.
- **Spain:** Several changes to the public PAYGO system have been made since January 1, 2023, such as: (i) The official retirement age rose by two months, from 66 years and 2 months to 66 years and 4 months (for individuals under 37 years of age with 9 months of contributions); (ii) the minimum number of years required to be entitled to 100% of the pension rose from 36 years to 36 years and 6 months; (iii) a new contribution system was established for self-employed or independent workers, based on their actual net income; and (iv) a new mechanism was established that increases contributions by 0.6% (0.5% by the employer and 0.1% by the worker).
- **Sweden:** The country's non-contributory pension will no longer be paid to those living abroad, as of January 1, 2023.
- **USA:** At the end of Dec.2022, a new law ("Secure 2.0 Act") was signed that will increase retirement savings opportunities by incentivizing voluntary retirement savings through different behavioral economy mechanisms, such as automatic enrolment and matching contributions.

Relevant studies

- **Pensions Europe** published a report analyzing recent developments in occupational pension systems (occupational individual funding) across Europe.
- **CONSAR** published a report that analyzes the gender gap in Mexican pensions, according to which a woman's pension can be up to 42% less than that of a man.
- **Libertad y Desarrollo** published a report analyzing the blow to the capital market entailed in the pension reform proposed by the Chilean government.
- **The Center for Financial Studies of ESE Business School** warned in a report that establishing intragenerational transfers based on taxable income (as proposed in the current reform proposal with notional accounts in Chile), given the existing labor informality, will not have the expected results because it will lead to the minimum possible contributions to maximize the amount of the benefit to be received.
- **The OECD** published a new edition of "Pensions Outlook" showing that systems based on individually funded savings have been growing over the past two decades, to make pension systems more resilient to challenges such as population aging.
- **Morningstar** published a study evaluating pension systems in 8 countries (Australia, Canada, Hong Kong, New Zealand, Singapore, Sweden, USA)., and the UK), explaining how they are using tools such as automatic enrollment, default investment options and *matching contribution* programs.

Crisis in public PAYGO and/or government-managed systems

- **Bolivia:** Contributors have demanded that the management of the Integrated Pension System (SIP) be put out to tender to other AFPs, since one of the virtues of the individually funded system has been the transparent management of the records of all members, and they fear that the State Manager would not meet those standards.
- **Panama:** The Executive hopes that viable options will emerge from the Social Security Fund Roundtable to strengthen the PAYGO program, which is in crisis due to the imminent lack of funds, and that these proposals will not put the country's economy at risk.
- **Spain:** The European Union has warned the Minister of Inclusion, Social Security and Migration, José Luis Escrivá, that there must be a reform of the public PAYGO system that guarantees its sustainability, otherwise there will be no EU aid for the country.

Reforms proposed or being discussed

- **Colombia:** The second meeting of the Pension Reform Commission was held on December 20, 2022, concentrating on the demographic transition. Given the impracticability of the PAYGO system, ASOFONDOS called for individual savings to be nurtured and strengthened, to improve pensions.
- **Costa Rica:** The Pensions Commission pointed out the need for the following reforms to ensure the sustainability of the public PAYGO system: (i) improve its solvency through automatic pension revaluation and/or official retirement age adjustments; (ii) establish a non-contributory universal basic pension; and (iii) establish the Mandatory Pension System (ROP) through Generational Funds.
- **Dominican Republic:** The ADAFP has proposed: (i) strengthening financial education in the country; (ii) improving pensions through the implementation of the non-contributory pension for vulnerable people and the gradual incorporation into the system of informal companies (with a contribution of 5% initially) and self-employed workers (based on a minimum wage still to be defined), providing full lifetime disability pensions, and linking the retirement age to life expectancy.
- **France:** The country's president has declared that he wants to carry out a reform to raise the retirement age from 62 to 64 or 65, contrary to the trade unions and public opinion.
- **Germany:** The government has stated that it seeks to implement a comprehensive reform of the three pillars of the pension system, strengthening its individually funded components.
- **Jamaica:** The Pension Industry Association (PIAJ) is negotiating with the Government to adopt an individually funded pension program with automatic enrolment, to address the imminent crisis of the public PAYGO system.
- **Mexico:** Senate approved a reform that seeks to guarantee social security to same-sex marriages. The bill of law has now been sent to the Executive.
- **Spain:** The following regulatory changes are currently being negotiated in the public PAYGO system: (i) increase the number of years considered for calculating old-age pensions (from 25 years at present, up to 30 years, with the possibility of choosing the best 28); and (ii) remove the cap on the maximum taxable base income, linking it to the revaluation of pensions based on the CPI, plus an additional annual increase of 1,154 points.
- **Uruguay:** Senators approved the social security reform, which must now be passed to the Chamber of Deputies. Among other things, the reform: (i) incorporates individual funding in two the PAYGO systems of the police and military para-state retirement services (this would be done by dividing the 15% contribution of workers into two parts: 10% would go to the current system and the remaining 5% would be allocated to an individual account managed by an AFAP); (ii) allows AFAPs to incorporate financial assets that were prohibited until now, for the purpose of acquiring a greater capacity to generate returns, while maintaining an adequate risk profile; create a new, riskier, Multi-Fund for younger workers, and (iii) improve the conditions for complementing retirement with voluntary savings.

Relevant reports and presentations

The 2022 Pensions Europe Report "Trends and developments in individually funded pension systems" analyzes recent developments in occupational pension systems across Europe. The report is mainly based on the European Central Bank's (ECB) quarterly data on the evolution of the assets and liabilities of the EU pension funds. The analysis reveals that the assets of EU pension funds continued to grow more their liabilities until the end of 2021, increasing their aggregate funding ratio. A global rise in inflation began in early 2021 and has remained very high to this day. With the rapid increase in interest rates, pension fund liabilities have fallen more than their assets, which has again improved the funding ratio of pension funds. During the first quarter of 2008 and the second quarter of 2022, mutual fund shareholding by pension funds increased from 23% of all their assets to 45.9%, and direct investment in shares decreased from 21% to 9% of all assets. ***(Source: https://www.pensionseurope.eu; Date: 22.12.2022).***

CONSAR published its new working document "Gender equity in pensions: the case of Mexico." The report addresses the main causes of the gender gap in the Social Security contributory pension system, also suggesting measures to reduce inequality in the pensions of men and women. Some of the report's key findings are:

- 25.5 million of the 72 million existing accounts belong to women, and their average savings balance is approx. US$ 3,512.
- Women's pension savings account for 34% of the system's total funds.
- Women's lower salaries, contribution densities and longer life expectancy could entail a pension 41.6% lower than what a man could achieve, without considering the Guaranteed Pension.
- The reform of the Social Security Act in 2020 and the Seniors' Welfare Pension (PBPAM), have greatly benefited women.
- The reduction in the number of weeks of contribution required (750 weeks in 2021), benefited 97% of women who accessed a pension in 2021.
- With the increase in Guaranteed Pensions, they managed to obtain average replacement rates of 80%, higher than those achieved by men (71%). ***(Source: CONSAR; Date: Dec.*** 2022).

Perspectives on the Private Pension System in the United States and Australia Savings in the U.S. and Australian Defined Contribution Occupational Pension Systems are unique in the world. Workers accumulate real investment assets, not pension rights. Both approach 200% of GDP in defined contribution assets (DC), something only seen in the collective defined contribution system in Denmark. But their differences are important. In the USA the system is voluntary, with assets largely allocated to U.S. stocks and bonds through life cycle funds (TDFs) with predefined glidepaths. The system was created through improvisations of the tax code and is governed by multiple congressional committees and regulators.

The Australian system, on the other hand, is mandatory. Assets are invested in local and global stocks and bonds, as well as infrastructure, private market assets and other alternatives. The system was created through a radical reform of the pension system. Most Super funds (as they are referred to in that country) are made up of a unitary balanced fund, rather than TDFs. Further details in this adaptation of a conversation held at the Defined Contribution Institutional Investment Association (DCIIA) Global Committee at its Academic Forum (New York, November 2022). ***(Source: JM3Projects; Date: December 2022).***

A **Libertad y Desarrollo report analyzes the blow to the capital market entailed in the pension reform proposed by the Chilean government.** According to the agency, the pension reform proposed by the Chilean Government contains serious defects that could damage the functioning of the capital market. First, the proposed regulations for the government investor body (IPPA) could lead to convergence towards a government monopoly in this area. The IPPA will compete advantageously with the private sector, damaging competition and reinforcing its dominant position. Second, the reform institutionalizes retirement savings withdrawals (through so-called "self-loans"), which are counterproductive for improving pensions, and weaken the capital market. Third, amendments are made to the investment portfolio, eliminating the calculation of the percentages for acquiring each type of instrument, leaving it in the hands of the administrative authority, dependent on the government of the day. The report concludes that putting a central element of the economic development model (the financial market) at risk to eventually achieve an increase in pensions is a risky move, even more so when there are alternative measures - such as allocating the increase in the contribution to individual accounts and increasing competition in the industry - that could increase savings without compromising efficiency in the allocation of resources for investment. ***(Source: https://lyd.org/; Date: 22.12.2022).***

The Center for Financial Studies (CEF) of the ESE Business School in Chile warns of the consequences of establishing solidarity based on taxable income. In its December 2022 report, the CEF concludes that the idea of establishing intragenerational transfers based on taxable income in the pension system (as proposed in the Chilean government's current reform proposal, for the additional 6% contribution to notional accounts) is legitimate and could be an effective mechanism for reducing income inequality among seniors. However, it points out that if the growing problem of informality is not corrected, the results will not be as expected because it will lead to people making the minimum possible contributions in order to maximize the amount of the benefit to be received. Attacking informality is a challenge that goes beyond pension reform, but one that should be jointly tackled, since it is arguably the most important cause of low pensions. As long as a significant percentage of those employed are not effectively contributing to the system, rights are being created, but without the corresponding duties. ***(Source: https://ese.cl; Date: 19.12.2022).***

The OECD published a new edition of "Pensions Outlook". The 2022 report shows, among other things, that asset-backed pension plans (systems based on the individually funded savings, either mandatory and/or voluntary) have been growing in OECD member countries for the past two decades. The report says that countries that introduce asset-backed pension schemes as a complement to public PAYGO pension systems can diversify their sources of retirement funding and make pension systems more resilient to challenges like population aging (see more details here). ***(Source: www.oecd.org; Date: 01.12.2022).***

A Morningstar study assesses pension systems in 8 countries (Australia, Canada, Hong Kong, New Zealand, Singapore, Sweden, the USA and **the UK,** The study, "Going Global: An Evaluation of Retirement Systems Around the World", examines the way in which countries are using retirement planning tools, including automatic enrollment, default investment options, matching contribution programs, and others, and finds that more countries are using automatic enrollment when switching to Defined Contribution (CD) plans, rather than Defined Benefits (DB) and/or PAYGO social security systems. In its analysis, the study found that maximizing savings through matching employer contributions and tax breaks, and tailoring investment options to employees, are two key factors in optimizing the accrual of retirement savings. Singapore and the United States. ooo ranked prominently in the mix of appropriate investment options for their employees, thanks to regulatory approaches. However, the UK government-sponsored NEST trust scheme takes a much more guided approach, with a range of target retirement date funds (TDFs) complemented by a set of other strategies. ***(Source: https://www.morningstar.com; Date:01.11.2022).***

Relevant news of the period

Latin America, the Caribbean and North America

Bolivia

Contributors have demanded that the management of the Integrated Pension System (SIP) be put out to tender to other AFPs, In a decisive vote, the Association of AFP Contributors, Senasir (Asoaf), and the National Emergency Movement for the Reimbursement of AFP Contributions (MEN) have demanded that the Government put the management of the pension funds out to tender to new Pension Fund Managers (AFPs) and that the Public Manager be dedicated exclusively to the management of Renta Dignidad. "The Bolivian State has ample grounds to rescind the contract with the current AFPs, to then call for tender and contract the management of workers' savings with other pension fund managers," the document states in its preamble. According to the contributor associations, one of the virtues of the individually funded system managed by the AFPs has been the transparent management of the records of each member, especially with regard to the contributions made. However, they fear that management by the State Manager would constitute an Executive Board appointed under political precepts. "This situation reminds us of the disastrous management of long-term social security in the times of the Basic Pension Fund (Fopeba), in which pensions were granted on a discretionary basis and outside the norm," the document states. ***(Source: https://www.paginasiete.bo; Date: 19.11.2022).***

Brazil

State issues public bond backed by the treasury that enables financing a complementary pension. On December 27, 2022, the Ministry of Social Security and the National Treasury jointly launched the "Treasury RendA+," a new public bond, guaranteed by the National Treasury, with social security characteristics. Investors will be able to plan a retirement date, guaranteeing the receipt of an extra income for a period of 20 years. There are investment possibilities of up to 40 years of accumulation, always with another 20 years of monthly income flow in the future. Among the main objectives are to democratize access to complementary income planning during retirement and to promote financial and pension education.

The Undersecretary of the Complementary Welfare System of the Ministry of Labor and Social Welfare, Narlon Nogueira, highlighted the pioneering spirit of Brazil as the first country in the world to have Social Security with these characteristics, and emphasized that the new modality does not replace public social security, but rather complements it.

This bond will be traded through the "Direct Treasury" platform as of January 30, 2023. Investors will need to answer only two questions: what is the desired complementary income and what is the planned retirement date? With this information they will be able to carry out their pension planning, combining the accumulation and decumulation phases into a single product.

The amounts invested in the bond will be adjusted in accordance with the IPCA (Extended National Consumer Price Index) and the interest rate contracted on the date of purchase. With monthly contributions starting at R$30 (approx. USD 5.7), the investor will guarantee a monthly income, as of the chosen conversion date, for a period of 20 years. Income will be taxed in the same way as other federal government securities, i.e., without the tax incentive of other private pension products. The main beneficiaries will be self-employed workers with monthly income between two and six minimum wages (about three million citizens).

For the Secretary of the National Treasury of the Ministry of Economy, Paulo Valle, the Direct Treasury is now the instrument for the realization of another dream of Brazilians: to obtain an extra income in retirement. "The main innovation is simplicity. It is a risk-free bond, guaranteed by the National Treasury, low-cost, profitable, and safe against inflation, as it is adjusted in accordance with the IPCA and a real interest rate," he said.

Tesoro RendA+ is the trade name given to public bond NTN-B1, created by Decree No.11.301, of December 21, 2022. The bill of law that resulted in the launching of this new public bond was jointly developed by the Social Security and National Treasury Departments and was inspired by the academic work of the American professors Robert C. Merton (1997 Nobel Prize in Economics) and Arun Muralidhar, presented at the 2nd International Complementary Pensions Seminar, in November 2019. For further information, go to the Direct Treasury website or the App in the app stores. Link: https://www.tesourodireto.com.br/rendamais/ ***(Source: https://www.gov.br; Date: 27.12.2022).***

Colombia

Population aging makes pure PAYGO regimes unviable. The second meeting of the Pension Reform Commission was held in the facilities of the Ministry of Labor on December 20, in a healthy and intense environment. The central theme of the meeting was the demographic transition experienced by all countries worldwide, and of course, Colombia. It was attended by representatives of the workers' unions, trade associations and the National Government, academics from the National University and some representatives of retirees. The first presentation, by the director of the National Administrative Department of Statistics (DANE), Piedad Urdinola, showed a preliminary update of demographic projections, which was necessary since the pandemic affected the birth and mortality rates of Colombians. Dr. Urdinola said that population aging "will be upon us faster than we thought before the pandemic."

In this regard, the Chairman of Asofondos, Santiago Montenegro, referred to the implications of population aging on pension systems. He explained that "this drastic demographic transition reduces financing resources and increases costs for a growing number of pensioners, due to which pure PAYGO systems (such as the one currently managed by Colpensiones) have been forced to reduce benefits." This will involve raising the retirement age, reducing the maximum pension and increasing contributions, or their amounts, as has occurred in other countries. With irrefutable figures, Montenegro showed that by 1950 there were more than 11 active workers for every adult over 65; today there are only four; by the middle of the century there will be only two and by the end of the 21st century there will be only 1. The most serious aspect is that, because of informality, today there are only two formal workers for every senior citizen. And what makes the PAYGO systems even more unsustainable is that this figure will continue to be reduced by the processes of robotization and digitalization of society.

Montenegro pointed out that while savings systems are also affected by aging, money grows over time in these systems "enabling a significantly smaller reduction in profits." Finally, he concluded that "the only way is to nurture and grow savings so that more and better pensions can be paid," as is happening in many countries around the world, including the Netherlands and China.

Asofondos thanked the organizers for the opportunity to speak at the Pension Conciliation Commission, highlighting the healthy exchange of ideas between the participants and the fact that the DANE data, which all parties used to support their positions, had been accepted. The next session was scheduled for January 18, when the unions will present their proposal. ***(Source: https://asofondos.org.co/; Date: 21.12.2022).***

Costa Rica

Pension Commission points out the need for reforms to ensure the sustainability of the public PAYGO system. Reforms in the pension sector must go hand in hand with the social progress of the population. Costa Rica is privileged to have a higher life expectancy than developed countries, that bears little relation to the socioeconomic characteristics of the population, known as a low or non-existent socioeconomic gradient. However, this poses the challenge of funding basic pensions for increasing life spans, although not all the population is in a position to make sufficient contributions to the National Pension System (SNP). This generates a huge actuarial gap for the Disability, Old Age and Death regime (IVM; PAYGO regime) of the Costa Rican Social Security Fund (CCSS), since 43% of all the pensions it grants are minimal. This gap can also not be bridged by the non-contributory scheme (RNC), which has a waiting list to grant pensions to the neediest people in the country. This already entails an existing challenge to address relative poverty in old age, and will become even more dramatic by 2050, when the elderly population will triple.

Thus, there are mainly three reforms that SUPEN deems necessary to promote:

1. **Reforms to the IVM that would enable establishing a solvency objective and mechanisms to achieve it automatically, either by adjusting the revaluation of pensions and/or the official retirement age**. The reform of the IVM that will come into effect on January 11, 2024, raises the early retirement age for women to 63 and eliminates it for men, together with the provision that additional amounts be recognized as of 300 contributions, and not 240, as is currently the case. These adjustments are necessary, but far from what the IVM requires, given that ongoing pensions, as well as future pensions, have insufficient funding to make them sustainable. The solvency ratio of such a regime is expected to be close to 100%. According to the calculations of the CCSS, the reform would raise this ratio to 60% in the best of cases, which means that only 3 of every 5 $ paid in pensions, are guaranteed with future contributions or reserves, which is a low level. That is why it is very important to legally establish the regime's obligation to define a solvency objective and mechanisms to achieve it automatically, either by adjusting the revaluation of pensions and/or the official retirement age.
2. **Establish a Universal Basic Pension (PBU).** The self-balancing mechanisms mentioned in 1. are good for maintaining solvency levels once they are achieved in other ways. Hence, to raise the solvency levels of the IVM, it is also essential to create a UBP (Universal Basic Pension), which transfers the payment of minimum pensions from this regime to a fund financed with fiscal resources, The State contribution may have to be partially financed from its own contribution in order to be viable, given the situation of public finances, as well as other fiscal resources. By removing the minimum pension provision from the IVM, the PAYGO system will be able to incentivize contribution by eliminating the 180 minimum contribution requirements, which leave many people without a pension today, despite having contributed. If, for example, only $10,000 was contributed, the IVM must grant the pension corresponding to these contributions. iven the importance that this fund will have, both to alleviate extreme poverty and as a catalyst for pending adjustments to the IVM, it is important to determine its Manager, which could be the CCSS itself or another pension fund, to ensure technical, efficient, and risk-based management. In order not to discourage formality or economic growth, it is necessary to eliminate from the payroll all charges that are not related to the payment of taxes, sickness, and maternity insurance, and IVM, and whose social purpose suggests that it must be financed through the budget.
3. **Establish the Mandatory Pension System (ROP) through Generational Funds. F**inally, an indispensable element to guarantee the solvency and sustainability of the IVM is to confirm and, hopefully, extend the ROP, as well as the Voluntary Complementary Pension Scheme (RVCP), as pillars of the SNP, through reforms such as, for example, migrating the

management of complementary pensions to a **Generational Funds model** (life cycle funds, so that pension investments are defined throughout the working stage of taxpayers), which will allow the SNP to reduce the difference between people's salaries and the pensions they will receive. ***Source: https://www.supen.fi.cr/; Date: 03.11.2022).***

Chile

5% of people disapprove of the government's pension reform and 80% want to choose who manages their funds. The government's pension reform proposal, which proposes terminating the AFPs, that the 6% of additional contributions go to a state social security agency, and that 10% of current contributions can be managed by new private investment managers, or the same public Social Security agency, has failed to convince citizens. his is reflected in the latest Plaza Pública Cadem poll, in which 45% of those consulted disagree with the reform presented by President Boric, while 40% say they approve it. his marks a turning point from previous surveys, on November 18 and 25, when both options tied with 44% of the responses.

Cadem's Public Relations manager, Roberto Izikson, points out that there are two factors that are influencing this trend change: (i) The low approval rating of President Boric; (ii) That although the government highlighted elements much appreciated by public opinion, such as freedom of choice, ownership of funds and their inheritance, the Association of AFPs and others have made the effort of going out to explain that this is not so, that the 6% does not go to their individual accounts, and that there is no freedom of choice regarding that 6%, which is also not inheritable (people have realized what is going on and that has begun to make a difference).

Izikson points out that this is going to be a long process and that the bill of law will not be approved this year, because it will run into major problems in its discussion. n the same vein, 88% of respondents say that the 6% additional contribution that the employer will pay for their pension should be inheritable by couples and their children, like the existing AFP fund. 1% of respondents indicated that, if a common solidarity fund to improve the pensions of pensioners with fewer resources were to be established, it should be financed with more state contributions from the taxes paid by all Chileans. (***Source: El Mercurio; Date: 02.01.2023)***

El Salvador

New pension reform is already in force. Last December 20, the Legislative Assembly approved the new Comprehensive Law of the Pension System, in a 67-4 vote, with 12 abstentions and one absence in the single-chamber Congress. The new legislation is part of a package announced in September 2021 and presented by the Government of Nayib Bukele. The aforementioned law came into effect eight days after its publication in the Official Gazette, on December 29, repealing the existing Pension Savings System Law promulgated in 1996. he reform includes 3 decrees:

- Salvadoran Pension Institute Creation Act (download here).
- Special Law for the Issuing of Pension Obligation Certificates and Dissolution of the Pension Obligation Trust (download here).
- Pension System Act (download here).

The reform mainly provides for the following:

- The Salvadoran Pension Institute (ISP), with full and unrestricted powers of oversight and control, absorbing all the functions of the National Institute of Public Servant Pensions (INPEP), will also manage the non-contributory pillar (ex-combatants, disabled veterans and the elderly living in poverty), among other functions.
- The creation of the Social Security Obligations Certificates (COP), which will be managed by the new ISP. OP emissions have a characteristics 50-year term (linear amortization) and a rate of 7%. The pension funds will be obligated to invest in COPs, without limit (previously, the law established a maximum limit of 45% for

investment in the so-called Social Security Investment Certificates, CIP). The CIP stock will be replaced by the so-called "Transition Financing Certificates" (CFT), whose characteristics will be defined by the ISP.

- 0% increase in all old-age pensions (in process, future and minimum). his entails an increase in the minimum old-age pension, which will reach $400.
- Increase of 1 percentage point in employers' contributions, from 7.75% to 8.75%. his increase, charged to the employer, goes directly to the Solidarity Guarantee Account (CGS[1], rising from 5% to 6%. Thus, the total contribution rate rises from 15% to 16% [total contribution to individual account: 9% (worker 7.25% + employer 1.75%); contribution to CGS (employer): 6%; AFP commission (employer): 1%].
- Now all pensioners must contribute to the CGS, but only for pensions greater than 6 times the minimum old-age pension.
- Individual savings accounts, the retirement age and current statutory benefits are maintained: Old Age, Disability, Survival, Balance Returns, Temporary Economic Benefit (BET) and Permanent Economic Benefit (BEP).
- The Advance on the Balance benefit and the obligation of reimbursement (for those who have already received the advance on the balance) is eliminated.
- Elimination of the contribution salary cap (currently $7,047)
- Regarding investments: (i) Preference for local investments over foreign investments is mandatory for the development of the Salvadoran stock market; (ii) The possibility of custody abroad is eliminated; (iii) The possibility of investment in securities (including shares) of the government of El Salvador is eliminated, with the exception of POPs (mandatory investment); (iv) Restructures the CIPs by the CFT; (v) Maintains the legal limits defined by the Risk Committee for the rest of the instruments; (vi) Eliminates Multifunds and a single Fund is created [merge the Special Retirement Fund (ERF) and the Conservative Fund within a maximum of 60 days].
- The creation of a single social security contributions form (AFPs, UPISSS, ISP and Health Regime of the Salvadoran Social Security Institute), which is expected to generate a potential increase of 103 thousand contributors to the pension system. (***Source: Ley Integral del Sistema de Pensiones; Date: December 2022).***

United States

New legislation already promulgated ("Secure Law 2.0") will expand retirement savings opportunities by incentivizing voluntary pension savings through different behavioral economy mechanisms, such as automatic enrollment. In December 29, the President of the United States signed the draft budget for the year 2023, which included the Secure 2.0 Bill of Law, thus making it law. Secure 2.0 is the aggregated and reconciled product of three bills, two of which originated in the Senate and one in the House of Representatives. he details of all approved provisions can be reviewed here and here.

Although the law contains dozens of provisions, the highlights include amendments aimed at requiring companies adopting new plans to automatically enroll eligible workers, starting with a contribution rate of at least 3%; helping younger people continue to save while paying off their student debts; facilitating the transfer of individual accounts from one employer to another; and allowing individuals to save for emergencies within individual retirement accounts.

Other changes are intended to increase the age at which retirees must begin withdrawing a portion of their balances (*Required Minimum Distributions, RMDs*) from their IRAS (*Individual*

[1] The CGS is responsible for paying old-age, disability and survival pensions for life, after the exhaustion of pensioner's individual accounts.

Retirement Accounts) and 401 (k) accounts, along with changes in the amounts of contributions for older workers with occupational plans.

There are some key aspects that the Secure 2.0 Act changes:

For people who are years away from retirement:

1. **Automatic enrollment and automatic plan portability**. The legislation requires companies adopting new 401(k) and 403(b) plans to automatically enroll eligible workers, starting with a contribution rate of at least 3%, as of 2025. It also allows pension plan service providers to offer automatic portability to plan sponsors, transferring workers' low-balance retirement accounts to a new plan when they change jobs. The change could be especially useful for savers with lower balances who typically withdraw their balances early from pension plans when they leave their jobs, rather than continuing to save in another eligible retirement plan.
2. **Emergency Savings**. As of 2023, defined contribution retirement plans could add an emergency savings account, i.e., a Roth account, that accepts participant contributions for workers who are not high earners (those who own less than 5% of a company or earn less than $150,000 a year in 2023). Contributions would be limited to $2,500 annually (or less, as determined by the employer) and the first 4 withdrawals in a year would be tax and penalty free. Depending on the rules of the plan, contributions may be eligible for *matching* by the employer. In addition to giving participants access to funds without penalties, an emergency savings fund could encourage plan participants to save for unexpected, short-term expenses.
3. **Student loan debt**. As of 2024, employers will be able to match student loan payments by their employees, contributing the corresponding payment to a retirement account, which will provide workers with an additional incentive to save while paying off student loans.

For people in or near retirement:

1. **Changes in Minimum Required Distributions (RMDs).** The age at which owners of retirement accounts must begin taking RMDs will increase to 73 as of January 1, 2023 (the current age to start taking RMDs is 72). Those who turned 72 in 2022 or earlier, will have to continue taking RMDs as scheduled. Those who turn 72 in 2023, and have already scheduled their retirement, may consider updating their retirement plan. Furthermore, as of 2023, the fine for not taking an RMD will be reduced from 50% to 25% of the amount of RMD not taken.
2. **Increased recovery contributions**. As of January 1, 2025, individuals between 60 and 63 years of age will be able to make recovery contributions to an occupational pension plan of up to $10,000 annually, and that amount will be indexed to inflation (the recovery amount for individuals aged 50 and older in 2023 is currently $7,500). IRAs currently have a recovery contribution limit of $1,000 for people aged 50 and older, and as of 2024, that limit will be indexed to inflation, meaning it could increase each year, based on cost-of-living increases determined by the federal government.
3. ***Matching* in Roth IRA accounts[2]**. Employers will be able to give employees the option of receiving matching contributions with vested rights to Roth IRAs (although plan providers may be slow to offer this and update payroll systems). Matching in employer-sponsored plans was previously done before taxes. Contributions to a Roth IRA retirement plan are made after tax, after which earnings can

[2] Roth Individual Retirement Savings Plan (IRA) is an account or annuity with tax benefits established in the United States, solely for your and your beneficiaries' benefit.

grow tax-free. ***Source: https://www.fidelity.com; Date: 03.01.2023).***

Jamaica

The Pension Industry Association (PIAJ) urges the Government to adopt an automatic enrollment pension program to address the impending pension crisis Sanya Goffe, Chairman of the PIAJ, explains that after 40 years of work, the most vulnerable can become dependent on social protection programs or the kindness of friends and family. Jamaica's changing demographic structure, low pension coverage and rising old-age dependency rate put an increasing proportion of the population at risk of poverty in old age and expose the government to a future fiscal crisis," Goffe said. PIAJ believes that one of the tools for addressing this problem is to automatically enroll all employed people who are not currently participating in a pension plan, in any of the 13 approved retirement plans. According to Goffe, given that private sector pension coverage in Jamaica is currently between 9% and 11%, automatic enrollment could entail a big change for the country. With low pension coverage and an aging population, PIAJ believes now is the time for the government to act. Therefore, the PIAJ embarked on an intense public participation program to present its automatic enrollment proposal during the course of this year and met with a broad sample of stakeholders. The next step is to meet with the Ministry of Finance to further explore the proposal.

The concept paper presented by PIAJ aims to provide all working Jamaicans with easier access to pension coverage through automatic enrollment and a reliable source of income after retirement. "PIAJ is excited about the impact this proposal could have on improving retirement security for more Jamaicans and is ready to work with the government to take this initiative forward," said Goffe. ***(Source: https://www.jamaicaobserver.com; Date:30.10.2022)***

Mexico

Reforms are underway to guarantee access to social security for artists and cultural workers. Just before the closure of the regular session of the legislative assembly a couple of weeks ago, the Senate approved and referred to the Chamber of Deputies a series of reform initiatives to the General Law of Culture and Cultural Rights, mainly to guarantee access to social security for artists and cultural workers. Basically, it seeks that people providing cultural services, of any discipline or activity, may be entitled to a simplified system of incorporation into the Mexican Institute of Social Security (IMSS). The initiative was sent to the Chamber of Deputies at the end of the session, so the Committee on Culture and Cinematography of the lower house will have to review it and, if necessary, present amendments. This year will have to be the definitive one so that the Federal Culture commitment to the implementation of social security for artists, creators and cultural workers can materialize. ***(Source: www.eleconomista.com.mx; Date: 03.01.2023).***

Senate approves bill of law that seeks to guarantee social security to LGBT couples. On December 6, the Mexican Senate unanimously approved a bill that seeks to guarantee social protection, services, and benefits to same sex couples. The bill has now been referred to the federal government. This is specifically aimed at spouses and common-law partners who are insured by the Mexican Social Security Institute (IMSS) and the Social Security and Social Services for Civil Servants Institute (ISSSTE). The draft ordinance seeks to reform several aspects of the IMSS and ISSSTE laws. The draft also adds the definition of civil union, to guarantee rights, services, and benefits to spouses, especially those of the same sex and those who establish a common home, seeking permanence and mutual assistance. The Chairman of the Legislative Studies Commission, Manuel Añorve, stressed that "same-sex spouses are currently excluded as beneficiaries, but the rights of Mexicans should not be subject to any type of prejudice or discrimination." ***(Source: https://eltiempolatino.com; Date: 08.12.2022).***

CONSAR determined the maximum management fees that the AFORES may charge in 2023. Pursuant to the Retirement Savings Systems Law (LSAR), at its Fourth Extraordinary Session on November 28, 2022, the Governing Board of CONSAR evaluated the commissions that the Afores will charge in 2023, with the following results: (i) a maximum commission of 0.57% on the managed balances was authorized for eight private Afores, while 0.53% was authorized for the Public Afore. Thus, the average commission of the system remains at 0.566%. Further details here. ***(Source: CONSAR; Date: 26.12.2022).***

Reforms are being developed to guarantee access to social security for artists and cultural workers. At the close of the ordinary period a couple of weeks ago in the legislature, the Senate approved and sent to the Chamber of Deputies a series of initiatives to reform the General Law on Culture and Cultural Rights, mainly to guarantee access to security for artists and cultural workers. Basically, it is intended that cultural service providers of any discipline or activity may be entitled to a simplified scheme of incorporation into the Mexican Institute of Social Security (IMSS). The initiative was sent to the Chamber of Deputies at the close of the session, so the Committee on Culture and Cinematography of the lower house must review it and, if necessary, present modifications. The year that begins will have to be the definitive one so that the commitment of federal Culture on the implementation of social security for artists, creators and cultural workers can materialize. ***(Source: www.eleconomista.com.mx; Date: 01.03.2023).***

Mexicans abroad may join the social security of their country. On December 6, 2022, the Ministry of Foreign Affairs (SRE) and the IMSS signed a specific collaboration agreement for the management and advice of procedures and services in the field of social security, the objective of which is for consular offices to assist through of the documentation windows to Mexicans who reside and work abroad, so that they can join the IMSS Mandatory Social Security Regime for Independent Workers free of charge and voluntarily as independent workers. This service will be available as of January at the Mexican consular offices in the United States and Canada, and in the rest of the world, as of March 2023. Upon joining the social security scheme, workers and their beneficiaries (spouse or common-law spouse, sons, daughters, fathers and/or mothers) will be able to receive in Mexico the five insurances contemplated by the mandatory regime, which includes: medical, hospital, pharmaceutical and obstetric care services; disabilities; disability and life pension; retirement fund; and social benefits such as nurseries (in Mexico). ***(Source: https://enlacelatinonc.org; Date: 05.01.2023).***

Non-contributory pension for older adults grows 25% in 2023, from USD 200 to USD 250. President Andrés Manuel López Obrador indicated that the increase in the Welfare Pension for Older Adults (PBPAM; non-contributory pension) will be 25% by 2023 (from MXN 3,850 to MXN 4,800 every two months; that is, from approximately USD 200 to USD 250). ***(Source: https://proyectopuente.com.mx; Date: 12.26.2022).***

Senate approves bill that seeks to guarantee social security to LGBT couples. On December 6, the Mexican Senate unanimously approved a bill that seeks to guarantee social protection, services and benefits for people of the same sex. Now the project was sent to the federal Executive. This goes specifically to those who are spouses and concubines and are insured by the Mexican Institute of Social Security (IMSS), as well as the Institute of Security and Social Services for State Workers (ISSSTE). The draft decree seeks to reform various fragments of the IMSS and ISSSTE laws. In addition, the project adds the definition of civil union, to guarantee the rights, services, benefits to the spouses, especially those of the same sex, to those who establish a common home, with the will to permanence and mutual aid. The president of the Legislative Studies Commission, Manuel Añorve, stressed that currently "same-sex spouses are excluded as beneficiaries, but the rights of Mexicans should not be subject to any type of prejudice or discrimination." ***(Source: https://eltiempolatino.com; Date: 08.12.2022).***

CONSAR determined the maximum administration commissions that AFORES can charge in 2023. Pursuant to the Retirement Savings Systems Law (LSAR), in its Fourth Extraordinary Session on November 28, 2022, the Governing Board of CONSAR evaluated the commissions that the Afores will charge for the year 2023, with the following results: (i) for eight private Afores a maximum commission of 0.57% was authorized on the managed balances, while for the Public Afore 0.53 was authorized %. In this way, the average commissions of the system remain at 0.566%. More details here. ***(Source: CONSAR; Date: 12.26.2022).***

Panama

Government seeks a solution to the crisis of the public PAYGO system that does put the economy at risk. The country's president, Laurentino Cortizo, said that he hopes that the solution to the crisis of one of the two pension subsystems, which is about to run out of funds, will not put the economic recovery that the country is experiencing after the 2020 debacle, due to the pandemic, at risk. During the presentation of the traditional half-year management report to Congress, the president pointed out that this Social Security Fund (CSS) matter "is of vital importance" and "all" must be involved in its resolution. He said that the Executive hopes "that viable options that strengthen the Disability, Old Age and Death Program will emerge from the Social Security Fund Roundtable" (PAYGO program), which is in crisis due to the imminent exhaustion of funds.

This Commission, constituted at the end of 2021, requested a report from the International Labor Organization (ILO), submitted last September, warning that "the total reserve of the exclusive defined benefit subsystem (SEBD) will be exhausted by 2024." Cortizo said that he hopes that "the proposals put forward in the dialog do not put the current progress of the economic recover of Panama at risk." Panama's economy shrank by 17.9% in 2020 due to the paralysis caused by the pandemic. It recovered by 15.3% in 2021 and is expected to recover by at least 9% this year, the President said. Local analysts and international organizations have warned that although the solution to the pension crisis involves measures that can be unpopular, such as raising the retirement age or the worker-employer contribution, continuing to evade the issue, as successive governments have done, could turn out to be as expensive as losing the investment flow. ***(Source: https://www.swissinfo.ch/; Date: 02.01.2023).***

Peru

Congress approves recognition bond for those who migrated from the ONP to the AFPs from 2002 onwards. The Plenary of the Congress approved a recognition bonus for those members and ex-members of the National Pension System (SNP; PAYGO system managed by the ONP) who migrated to the AFPs from 2002 onward or hope to do so now. This will update the recognition bond to benefit 115,189 citizens (potential population), who lost their contributions when migrating to the AFPs. Members of the ONP with at least 48 months of contributions will receive this bonus. The approved text must be sent to the Executive. If promulgated, within 12 months at most, the Executive Branch must issue the recognition bond through a supreme decree endorsed by the Ministry of Economy and Finance (MEF), establishing the requirements and conditions for people to be able to access their money. In the meantime, the SBS will have to establish the necessary procedures with the AFPs for members to be informed of their right to the bonus. ***(Source: https://larepublica.pe; Date: 06.01.2023).***

Companies that owe AFP contributions to their workers will be eligible for rescheduling of up to 5 years. The plenary session of Congress promulgated Bill of Law No. 1178/ 2021-CR, which proposes the rescheduling of the payment of contributions to the private pension system (REPRO AFP-PRIVADO) accrued until December 31, 2021, that were not paid in a timely manner by private sector companies. The proposal will allow AFP members whose companies owe their contributions (approx. 1 million people), to recover their pension savings amounting to a total of PEN 16,000 million (approx. USD 4,217 million. These workers will also be protected from any eventuality that affects their health and survival insurance. The proposal was approved by the Central Reserve Bank of Peru and the SBS. The rule states that private sector entities may request the rescheduling of their debt by submitting their application for acceptance to the AFPs. It also points out that the debt, subject to rescheduling, is updated by applying the nominal return obtained in the Private Pension System, determined by the Banking, Insurance and AFPs Commission (SBS), instead of the fines and interests normally applied. Likewise, it specifies that the entities covered by the PRIVATE REPRO-AFP that fail to comply with the full and timely payment of three consecutive installments will lose the benefits obtained and, if there is a judicial collection procedure in force, this will be suspended for the total amount of the debt incurred, when the debtor accepts the aforementioned rescheduling. The duly updated debt, subject to acceptance, can be divided by a maximum of five years, and entities can also pay the installments of the acknowledged debt in advance, thus reducing the corresponding interest. ***(Source: https://larepublica.pe; Date: 05.01.2023).***

Government sets out the guidelines for the retirement of civil construction workers. The Ministry of Economy and Finance (MEF) published the regulatory provisions for the implementation of Law No. 31550, which sets out the rules and regulations for the retirement of civil construction workers enrolled in the National Pension System (SNP) or the Private Pension System (SPP). Pursuant to this law, civil construction worker enrolled in the SPP, in accordance with legal provisions, will receive all the benefits granted by the SPP, and can access a retirement pension, provided that they meet the requirements, or can choose to access of up to 95.5% of the resources of their CIC. The Pension Fund Managers (AFPs) must assess and qualify the requirements established in the law, in accordance with the SBS' pertinent operating procedures. Civil construction workers can also opt for the payment of the retirement pension in accordance with existing SPP provisions. The law also states that survival pensions are governed by the existing rules established for the SPP.

The old age pension is subject to a 4% contribution to EsSalud to access health benefits, unless the member opts for withdrawing up to 95.5%, in which case, the contribution to EsSalud is 4.5%. ***(Source: http://www.elperuano.pe/; Date: 25.12.2022).***

AFP Integra won the sixth bidding for new SPP members. In compliance with the Private Pension System Reform Act (Law No. 29903) and in a public announcement, the Banking, Insurance and AFPs Commission (SBS) held the sixth tender for new members entering the Private Pension System (SPP). The winner was AFP Integra, which proposed a commission on the balance of 0.78% per year (there will be no commission on salaries in the AFP's as of 2023). AFP Integra will enroll the workers who join the SPP as of June 1, 2023, who must remain in this fund manager for two years. This reduction in the value of the commission to 0.78% per annum will also be extended to current members of this AFP.

A reduction in commissions has been achieved in the first five tenders, resulting in savings of PEN 4,464 million (approx. $1,176 million) for members. It is worth mentioning that 79% of SPP members are subject to a mixed commission for the management of their pension funds. As you may recall, Law No. 29903 established a commission reduction schedule, starting in February 2013 and ending in January 2023, when the mixed commission, which had two components - a commission on salary and a commission on the balance - will become a commission only on the balance. However, this schedule was fulfilled early in 2019, when the AFP that won the fourth tender, held in December 2018, offered a monthly commission of 0% on salary and 0.82% annually on the balance. This scenario of greater competition in the SPP market will also benefit the members of the remaining three AFPs, considering that, from February 2023, the commission on salary will disappear, with only the commission on the balance remaining. ***(Source: SBS; Date: 16.12.2022).***

The Executive Branch passed a bill of law that creates a commission that would make access to pensions more flexible. The Executive Branch passed the bill of law submitted by the Multisectoral Commission entrusted with establishing pension management compensation mechanisms and alternatives for contributors and former contributors of the National Pension System, or ONP. Among the duties of this multisectoral commission will be to establish the compensation mechanisms for those contributors and former contributors who cannot meet the minimum 10 years of contribution required for accessing a proportional pension.

It will also examine the possibility of incorporating contributors and former contributors of the Private Pension System (AFP) into the ONP and assess the feasibility of allowing a cumulative pension between spouses and common-law partners, among others. "The proposal for establishing the compensation mechanisms stipulated in the Bill of Law is not technically or financially viable, because we are dealing with a PAYGO regime, in which contributions are not accumulated in any fund, but are rather allocated in their entirety – month by month – to the payment of pensions; and although contributions are collected, their existence is temporary, since they are used to finance payments to existing pensioners," said the Executive. ***(Source: https://gestion.pe/; 16.11.2022).***

Congressional Commission filed a proposal that allows free opting out of the AFPs. The Commission for the Defense of the Consumer and Public Services Regulatory Bodies (Codeco) agreed to file the preliminary consensual opinion that proposed establishing the regulatory framework for free opting out of the Pension Fund Managers (AFPs) of the Private Pension System (SPP). The proposal was for the accumulated funds in the individually funded accounts to be transferred to "pension funds created for pension purposes in the financial system." It also proposed that these should be established by the SBS, maintaining their unassailability and free disposal when completing the necessary number of years to access a pension in the SPP. Elías Varas Meléndez, the Chairman of Codeco, said that the opinions received by the SBS, the Central Reserve Bank of Peru (BCRP), the Presidency of the Council of Ministers (PCM) and the Ministry of Economy and Finance (MEF) were negative. Furthermore, he pointed out that proposing that pension savings should be transferred to the financial system would not be in line with the basic principles governing social security, which specifies that these accounts must be of a special nature, very different from any other product offered by the sector. ***(Source: https://larepublica.pe; Date: 14.11.2022).***

Dominican Republic

ADAFP deems it necessary to strengthen financial education in the country. The executive Chair of the Dominican Association of Pension Fund Managers (ADAFP), Kirsis Jáquez, considered it necessary to strengthen both financial and pension education, to contribute to people's financial knowledge. In her participation in a panel on Sustainable Finance at the presentation of the 2nd Financial Health Study in the Dominican Republic - prepared by the Caudall firm and presented by Raúl Ovalle, Jáquez highlighted the importance of continuing the structural reforms that have stimulated the Dominican economy in recent years (like the pension reform) thus aligning these financial education initiatives to bring people closer to the formal financial market. She also stressed that the investment of pension funds by the AFPs allows workers to access returns on their money that they could in most cases not obtain individually, and that increase their pension savings. ***(Source: ADAFP; Date: 01.11.2022).***

Ministry of Labor launches pilot plan to regulate domestic work. In a historic event in which the country's domestic workers will obtain significant benefits, the Dominican government, through the Ministry of Labor, launched the pilot plan for the regulation of domestic work on December 19, 2022. It implements International Labor Organization (ILO) Convention 189 of 2011 on decent working conditions for domestic workers. The website http://domesticas.mt.gob.do will be available from the date indicated. Employers of domestic workers will be able to make the appropriate registry on the website. The purpose of this process is to identify the individuals that apply for the benefits contemplated in the law. Once the validations and the adequacy of the technological platforms of all the entities involved in this plan have been completed, the Social Security Treasury will issue the corresponding payment notifications. When this pilot plan is implemented, domestic workers will have set working hours, improved family health insurance coverage, occupational risk coverage, survivor and disability pensions, as well as a plan in the solidarity pension program. ***(Source: https://www.mt.gob.do; Date: 20.12.2022).***

The proposals of the Executive President of the ADAFP to improve pensions. The executive president of the Dominican Association of Pension Fund Managers (ADAFP), Kirsis Jáquez, said that the main challenges of the individually funded pension model in place in the Dominican Republic are high labor informality, unemployment, low wages, and low contribution rates. Thus, ADAFP proposes improving Law 87-01 on Social Security governing pension matters, through the following reforms: (i) implementation of the solidarity pension for people who are in a vulnerable socioeconomic condition; (ii) gradual incorporation into the system of informal companies, which must start with a contribution of 5% that will gradually increase; (iii) gradual incorporation into the system of independent workers, who will result in begin to contribute based on a minimum wage still to be defined; (iv) make full disability pensions valid for life; and (v) link the retirement age to life expectancy. ***(Source: https://www.diariodigital.com.do; Date: 16.12.2022).***

Pension funds may invest in private corporate equity. The Risks and Investment Limits Classification Commission approved the public offer of shares of César Iglesias, S.A., and the Fondo de Inversión Cerrado de Desarrollo Reservas I, both registered in the Securities Market Registry of the Dominican Republic, as investment alternatives for pension funds. The announcement was made by the Stock Market Commission, explaining that the public offer of shares of César Iglesias, S.A. is the first one authorized by the Stock Market Commission under Law 249-17. It will allow greater democratization of the stock market, making it possible for pension funds, as well as any individual, to access this company's share capital. "This new investment alternative will contribute to improving the diversification of the portfolios of the Pension Funds by optimizing their risk-return ratio and deepening the local short and mid-term stock market," he said. With the next placement of the shares of César Iglesias, one of the pending tasks of the Dominican Republic's stock market will be completed: the launching of the so-called "listed companies," a milestone that will provide greater depth to the market, boost the economy, and open the doors for more companies to access financing through the stock market. ***(Source: https://eldia.com.do; 15.12.2022).***

Nearly 2,000 hotel rooms will be built with the support of the pension funds. According to Raúl Hernández Báez, technical director of the Dominican Association of Pension Fund Managers

(ADAFP), pension funds are now invested exclusively in the financial sector and stock market, pursuant to law and complementary regulations. Thus, almost 2,000 rooms for the tourism sector have been built with the support of the pension funds of Dominican employees, in the National District, Bayahibe, Miches, Punta Cana and Samaná, among other places. This also means that about 32,000 families have benefited from the investments of the pension funds via investment funds in the tourism sector. The Adafp documents also explain that more than 8000 direct and indirect jobs have been created due to these investments. **The AFPs** invest the pension funds in securities and financial market instruments, with the aim of increasing them to maximize the net worth that finances workers' pensions. Hernández Báez recently participated in the 5th Investment Forum of the Association of Hotels and Tourism of the Dominican Republic (Asonahores), where he said that the pension funds have contributed on average 22% of the economic growth of the Dominican Republic between 2003 and 2019 (1.13% of 5.14%). He also pointed out that this contribution is enhanced as the system increases its investments in the real sector of the economy, contributing to business productivity and financial development. ***(Source: https://www.diariolibre.com; Date: 05.12.2022).***

Uruguay

Senators approved the social security reform, which must now be sent to the Chamber of Deputies. On December 28, 2022, the Senate preliminarily approved the pension reform bill of law, one of the main initiatives of the government of Luis Lacalle Pou. The initiative will now be sent to the Chamber of Deputies. According to the government's calculations, the reform will not curb the deficit of the pension system but would enable reducing it from 11% to 8% of GDP. Some of the key clauses of the bill of law are the following:

1. Individual funding is extended do the PAYGO systems of the para-state funds or police and military retirement services (the changes will be fully in force by 2043 and, according to the government, will not affect the retirement conditions of those who have already retired, or those born before 1973). This will be done by dividing the worker's contribution (15%) into two parts: 10% would go to the existing system and the remaining 5% would go to an individual account managed by an AFAP. This will apply only to workers entering the labor market after the approval of the reform. Those who are already contributing will continue to contribute as usual. New workers will have three months after enrollment to freely choose an AFAP. Otherwise, they will be assigned by default. In any case, it stipulates a substantial reduction in costs for these workers in the first two years.
2. The minimum retirement age will be 65 for most workers - with 30 years of contributions - except for domestic, rural or construction workers, who will be able to retire sooner. The bill also provides for this calculation to be adjusted to life expectancy in the future, to prevent the distortion of the system due to an imbalance between active and passive citizens.
3. Retirees who have not generated minimum levels of protection will be given a "solidarity supplement." Women will be assigned one year of work for each child, with a five-year cap.
4. The AFAP portfolios will be able to incorporate financial assets that were formerly not allowed, to improve their ability to generate returns for customers while maintaining an adequate risk profile. This is complemented with the creation of a new sub-fund called Growth, in which younger people will be able to have an investment profile more suitable to their age - the funds of people aged 18 to 55 are currently invested identically, and this is clearly inconvenient.
5. There have been changes in the conditions for making voluntary savings as a complement to retirement. Although people can now deposit more money in their individual accounts, if they wish to do so, the truth is that this option has never been attractive and has hardly developed. This bill of law improves the

conditions for doing so, based on the best international experience in these matters, although without any tax incentives - which typically have a great impact on this type of decision-making.***(Source:*** ***https://www.elpais.com.uy/; https://www.lamañana.uy; Date: Dec.*** 2022).

Asia and the Pacific

Thailand

Social security contribution rates are temporarily reduced. On October 1, 2022, the government reduced the contribution rates of employees and employers to the Social Security Fund (SSF; public PAYGO system[3]), from 5% to 3% of the gross salary of the worker for the period from October to December (the contribution rate to the SSF provided by the State remains at 2.75% during this 3-month period). Thus, the maximum monthly SSF contribution amount that an employee or employer may owe has decreased from 750 baht (USD 19.92) to 450 baht (USD 11.95). These temporary contribution rate reductions are similar to those implemented from June to November 2021 and aim to provide Thai workers and businesses with financial relief during the COVID-19 pandemic. The government estimates that the latest rate reductions will reduce employees' total SSF contributions by 9.08 billion baht (US$ 241 million) and employers' total SSF contributions by 7.96 billion baht (US$ 211 million). ***(Source: International Update SSA Nov.2022; Date: Nov.*** **2022).**

Europe

Germany

The government aims at a comprehensive reform of the three pillars of the pension system, strengthening its individually funded components. The German government aims for a comprehensive reform of the three pillars of the pension system during what it considers a turning point in history, with high inflation, possible recession, changes in economic policies and demographic pressures. Speaking at the Handelsblatt occupational pensions forum in Berlin, Florian Toncar, the Parliamentary State Secretary at the Ministry of Finance, said that the government will strengthen the individually funded components in the three pillars of the pension system, and that the first pillar will take priority in the political agenda in the near future. In the first pillar, the cabinet will initiate the Aktienrente (mandatory equity pension) with the state establishing a fund within the first pillar system to invest assets globally. The reform of the first pillar aims to stabilize the level of pensions and contributions as of 2030, due to demographic pressures.

The second pillar occupational pension system will change in terms of opening up opportunities for greater returns. The government has initiated talks with social stakeholders, associations and academics to push for changes that will last until mid-November 2023.

Rolf Schmachtenberg, the Parliamentary State Secretary at the Ministry of Labor and Social Affairs, said during the event that after the conclusion of such discussions, the plan will be to present a reform package by 2023. The government intends to evaluate the possibility of opening the social stakeholder model to companies that are not part of collective agreements, he said.

[3] Thailand's social security pension programs (the SSF for private sector employees and the government pension fund for civil servants, judges and employees of state-owned enterprises) cover more than 14 million workers in the formal sector. (Voluntary SSF coverage is available to certain people with prior mandatory coverage.) To qualify for an old-age pension under the SSF, an insured person must be 55 years old and have at least 180 months of contributions. Around 3 million private sector workers also participate in voluntary pension funds that provide supplementary old age benefits. To encourage retirement savings among Thailand's 24 million informal workers, the government matches contributions (up to certain amounts) made by these workers to the National Savings Fund, a voluntary pension fund program. These workers may also voluntarily participate in an individual account program managed by the SSF. When Thai citizens turn 60 and are not entitled to public servants' pensions, they can receive a standard government-funded old-age subsidy.

According to Toncar, the reform of the third pillar private pension system is politically the most challenging for the government, due to the large number of products and suppliers competing in the market. The governing coalition is also assessing the possibility of creating a public fund with a voluntary exclusion clause within the third pillar.

Toncar warned, however, of the risk of mixing the changes in the first pillar, with the fund constituted within the mandatory pension system, and the third pillar, where there is an "enormous variety of products." He added that the government will soon begin evaluating possible reforms within the third pillar system and will also discuss the possibility of adding other investment products, in addition to the classic Riester-Rente. The Pan-European Personal Pension Product (PEPP) is another third-pillar product. ***(Source: https://www.ipe.com; Date: 15.11.2022).***

Spain

Europe warns the Minister of Inclusion, Social Security and Migration, José Luis Escrivá: either implement a reform that guarantees the "sustainability" of pensions, or there will be no European funds. Pedro Sánchez, President of the country, could run out of European funds due to the unsustainability of pensions. MEP Eva Poptcheva asked the European Commission what measures Brussels will adopt if the Escrivá reform does not meet the Community Executive's intergenerational equity and sustainability requirements. The Commissioner for the Economy, Paolo Gentiloni, has replied in writing to ensure that the reform of the pension system must be fiscally sustainable in order to receive the funds and that "if it is considered that all the milestones and objectives associated with a tranche have not been satisfactorily met, it will partially suspend payment." According to Gentiloni, the risk of a significant budgetary deviation derived from the measures adopted, would have to be addressed and taken into account in the design of other pending reforms. He also said that he would analyze satisfactory compliance with the measures, including the long-term fiscal sustainability of the pension reforms undertaken in 2021 and 2022. Should Brussels determine that Escrivá has not complied with the requirements, payment will be suspended, and the minister will have six months to take the necessary measures to comply, "and if this has not been done within six months, the total amount of the financial contribution and, if pertinent, the loan, will be proportionately reduced." ***(Source: https://www.hispanidad.com; Date: 05.12.2022).***

Pension novelties for the public PAYGO system in 2023: retirement age, number of years to access 100%, CPI revaluation, autonomous contributions, among others.

These are the main changes in pensions in the public PAYGO system, which came into effect on January 1, 2023.

a. **The official retirement age is extended by two months, from 66 years and two months to 66 years and 4 months (for those who have less than 37 years and 9 months of contributions) [a change that was included in Law 27/2011 in 2011].** The official retirement age has been increasing year after year in a transitional period, from 2013 to 2027, due to a one-month extension for each year between 2013 and 2018, and a two-month extension for each year since 2018. In 2022 the official retirement age was 66 years and 2 months if one could prove less than 37 years and 6 months of contributions (on the other hand, if one accumulated 37 years and 6 months or more of contributions, it was possible to retire at 65). In 2023 the official retirement age will be extended by two months, to 66 years and 4 months, for individuals with less than 37 years and 9 months of contribution (individuals who can prove 37 years and 9 months or more of contribution, can retire at 65). As of 2027, the official retirement age will be 67 for people who have contributed for less than 38 years and 6 months, and 65 for people who have contributed for 38 years and 6 months, or more.

b. **The minimum number of years required for accessing 100% of the pension increases by 6 months, from 36 years to 36 years and 6 months [a change that was included in Law 27/2011 in 2011].** In order to be able to access 100% of the old-age pension, the beneficiary must have contributed for a minimum number of years. The number of years required has been evolving in accordance with a progressive calendar from 2013 to 2027. Individuals who accessed an old age pension between 2020 and 2022 (inclusive), were required to have contributed for a minimum of 36 years to be entitled to 100% of the regulatory base pension. Those who will retire between 2023 and 2026 (inclusive), will have to have 36 years and 6 months or more of contributions to be entitled to receive 100% of the regulatory base pension. As of 2027, 37 years of contributions will be required to access 100% of the regulatory base pension.

c. **The revaluation of contributory pensions for 2023 will be 8.5% [a change that was included in Law 21/2021 in 2021].** As of January 1, 2022, contributory pensions will be updated each year based on the average Consumer Price Index (CPI) of the 12 months prior to December of the previous year. This new revaluation method will enhance pensions, guaranteeing the purchasing power of pensions and other measures to strengthen the financial and social sustainability of the public pension system. According to this formula, pensions in 2023 will be revalued by 8.5%, considering that the average December 2021- November 2022 year-on-year inflation was 8.46% (rounded off to 8.5%).

d. **A new contribution system for self-employed or independent workers has been established, based on their actual net income (measure approved in 2022; second reform block)**. The new contribution system for self-employed workers came into effect on January 1, 2023. It will be implemented in a transitional period that will evolve progressively until 2032, when the taxable base income of the self-employed will be equal to their net income. The new contribution system establishes 15 contribution tranches based on 15 net income tranches, covering progressive contribution tranches from 2023 to 2025. In 2025, the net income and contributions tranches will be revised again for the next three years, and again in 2028 until 2032, the year in which the self-employed must be contributing on a taxable base income equal to their net income. At the beginning of each year, or at the time of registering as a self-employed person, self-employed individuals will communicate their expected net income for the year, which may be modified every two months (up to 6 times a year). At the beginning of the following year and depending on the effective annual net income of each self-employed person provided by the Tax Agency, Social Security will proceed to regularize the contributions, if those incomes were higher or lower than the tranche that each person has chosen to contribute on.

e. **A new Intergenerational Equity Mechanism (IEM) is established that increases contributions (measure approved at the end of Dec. 2021; first reform block).** The new mechanism, which came into effect on January 1, 2023, will replace the already repealed Sustainability Factor, and unlike the previous one that adjusted pension amounts based on admissible grounds, this new one is based on contributions. The IEM will be temporary in nature and will comprise two stages. The first one will be the reactivation of the Social Security Reserve Fund, through a contribution to it between 2023 and 2032 (10 years), which will be obtained through an increase of 0.6% in the Social Security contribution for common contingencies, as of January 1, 2023. 0.5% will be paid by the company and 0.1% by the worker. In the case of the self-employed, the full percentage (0.6%) will be borne by the worker. The European Commission has asked the Spanish Government to extend the application of the IEM until 2050 (not only until

2032), a request that the Government has not yet accepted, although it is expected to do so.

Furthermore, the following regulatory changes in the public PAYGO system are currently being negotiated with social stakeholders:

a. **Adaptation to the new professional careers of the period for calculating the old age pension**. The Ministry of Inclusion, Social Security and Migration (MISSM) is negotiating with social stakeholders the possibility of increasing the number of years considered for the calculation of the taxable base income on which the retirement pension is calculated. The MISMM's current proposal is to progressively extend the adjustment of the taxable base income from the 25 years currently considered (as of 2022) to 30 years, with the possibility of choosing the best 28 years of contributions from among those 30 years. There is still no agreement with the social stakeholders, so this could change.
b. **Removing the caps on the maximum taxable base income and the maximum pension**. The MISMM's latest proposal consists in updating the maximum taxable base income between 2025 and 2050, linking it to the revaluation of pensions (based on the CPI), plus an additional annual increase of 1,154 points. The maximum taxable base income in 2022 was 49,672 euros. It will increase by 8.6% in 2023, to 54,000 euros per year, according to the increase stipulated in the General State Budget Law (PGE). The maximum pension in 2022 was 39,468.52 euros per year (2,819.18 euros per month). With a revaluation of 8.5%, the maximum pension in 2023 will be 3,059.23 euros per month (42,829.29 euros per year). ***(Source: https://www.jubilaciondefuturo.es; Date: 01.01.2023).***

Some regulations of the law promoting occupational pension plans (voluntary individually funded system) will come into effect as of January 2023. This new Law 12/2022 came into effect on July 1, 2022, regulating the promotion of occupational pension plans, although some of its regulations already came into effect on January 1, 2023, such as:

a. The deduction in the Corporate Tax of 10% of corporate contributions to social security instruments in favor of workers with gross annual salaries of less than 27,000 euros (or the proportional contribution for those with salaries greater than 27,000 euros).
b. The reduction, up to a certain limit, of corporate contributions to Social Security (PAYGO) for common contingencies, corresponding to their contributions to occupational pension plans and alternative instruments.
c. Development of the part of Law 12/2022 relating to publicly promoted occupational pension funds (see details here).
d. The second Development Regulation, concerning Simplified Occupational Plans (ESP), is still pending approval. A draft is expected by mid-January 2023, and final approval by spring 2023. ***(Source: https://www.jubilaciondefuturo.es; Date: 01.01.2023).***

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France

Macron wants to raise the retirement age from 62 to 64 or 65, contrary to the trade unions and public opinion. French President Emmanuel Macron is launching the most arduous reform since he arrived at the Elysee, whereby he seeks to extend the minimum retirement age (from 62 to 65) to guarantee the balance of the public PAYGO system, contrary to all the trade unions, most public opinion and almost all the opposition. Prime Minister Elisabeth Borne revealed the details of what she described in her first term (2017-2022) as "the mother of all reforms," which had to be suspended when the coronavirus pandemic broke out in 2020. Borne's recent consultations with trade unions and employers have only served to show that the train wreck is inevitable and that pressure on the street will begin this month. Laurent Berger, the leader of the French Confederation of Workers (CFDT), a union known for its negotiating spirit and for having committed to some of the great social reforms of recent years, expressed the lack of total understanding with the prime minister and his willingness to block Macron's plans with joint actions with all the other workers' federations.
Switching from the current retirement age of 62 to 64 or 65, as proposed by Executive, is the main and most controversial point of the reform. Another financial sustainability issue in France is that the percentage of those who continue to work after 60 years of age is among the lowest in the EU, evidenced by the fact that the average age of exit from the labor market was 60.4 for men and 60.9 for women, in 2020. That is considerably less than the OECD average of 63.8 for men and 62.4 for women, and also far less than the European Union average of 62.6 for men and 61.9 for women.

The Pension Guidance Council (COR) predicts that the system's surplus in the last two years will be permanently reversed, specifically anticipating a pension deficit of between 50% and 80% of annual GDP in the next 10 years, and that the red numbers will continue throughout their projections, until 2050.

The Minister of Finance, Gabriel Attal estimates that, without reform, public debt will increase by half a trillion euros in 25 years. He rejects the proposals of some unions and left-wing parties to increase employer contributions, because he estimates that this would make companies less competitive, jeopardizing tens of thousands of jobs and forcing wages down.

In its December 2021 report, the OECD calculated that the relative weight of public pensions in France, at 14.8% of GDP, was already the third highest of the member states in 2018-2020, only trailing Greece and Italy. ***(Source: https://cooperativa.cl; Date: 08.01.2023).***

Portugal

The country reduces the retirement age due to the drop in life expectancy. On January 1, 2023, Portugal's official retirement age was reduced from 66 years and 7 months to 66 years and 4 months, following the country's declining average life expectancy during the COVID-19 pandemic. Since 2015, the normal retirement age in the Portuguese pension system[4] is adjusted

[4] Portugal's old-age pension system comprises a contributory PAYGO system for employed and self-employed persons, and a non-contributory system for residents who are not entitled to contributory benefits. To be entitled to a contributory old-age pension at the official retirement age, a person must have at least 15 years of contributions (a full pension is granted with at least 40 years of contributions). However, the contributory pension can be accessed from the age of 60, with at least 40 years of contributions. In most cases, early pensions are reduced by 0.5% for each month they are applied for prior to the official retirement age, and by an additional percentage based on a sustainability factor (the ratio of average life expectancy at the age of 65 in 2000 and in the year preceding the application for an early pension; the reduction based on this factor was 14.06% in 2022). Portuguese residents who do not qualify for a contributory pension at the official retirement age may

annually based on changes in average life expectancy at age 65. According to Portugal Statistics, the average life expectancy of the country at 65 years of age between 2019 and 2021 decreased by 0.34 years (or approximately 4 months), from 19.69 years to 19.35 years. This was the first reduction since the official retirement age was linked to average life expectancy at age 65.

According to current estimates of average life expectancy between 2020 and 2022, the official retirement age would remain at 66 years and 4 months in 2024. According to Portugal Statistics, the average life expectancy at 65 years of age for this 3-year period dropped by 0.05 years (or less than 1 month) compared to the 2019-2021 period. However, this provisional estimate did not include the full results of Portugal's 2021 census. Statistics Portugal will publish estimates based on the full results of the 2021 census in 2023. ***(Source: International Update SSA Dic.2022; Date: Dec.* 2022).**

Sweden

Reforms to the non-contributory pension system are enacted. In early 2022, the government enacted reforms to the country's guaranteed pension (Garantipension) program that increase monthly benefits, raise the income cap for eligibility, and eliminate eligibility for retirees living abroad (the Guaranteed Pension is a non-contributory pension that is paid to people who will turn 66 in 2023, have resided in Sweden for at least 3 years, and have pensions below a certain amount)[5]. The reforms aim at improving the economic security of elderly pensioners with the lowest incomes, residing in Sweden. According to the Swedish Pension Agency, about 1 million pensioners have benefited from increased pensions, 75% of them women. The agency also estimates that around 58,000 pensioners living abroad will lose their guaranteed pensions as a result of the new residency requirement.

Key changes to guaranteed pensions due to the reforms (effective August unless otherwise stated) include:

1. **Increase in monthly benefits**: The maximum guaranteed monthly pension has increased from 8,779 kroner (USD 803) to 9,781 kroner (USD 895) for single retirees and from 7,853 kroner (USD 718) to 8,855 kroner (USD 810) for married retirees (different amounts apply to retirees born before 1938). These permanent increases are independent of the cost-of-living adjustments made to the guaranteed pension at the beginning of each year, based on inflation.
2. **Increase in the income cap for eligibility**: The maximum monthly guaranteed pension that a pensioner can receive has increased from 12,794 kroner (USD 1,170) to 14,882 kroner (USD 1,361) if single, and from 11,389 kroner (USD 1042) to 13,477 kroner (USD 1,233) if married (different income limits apply to pensioners born before 1938).
3. **Revocation of eligibility for pensioners living abroad**: As of January 1, 2023, the guaranteed pension will no longer be paid to individuals residing abroad. This change was prompted by a 2017 ruling by the European Union's Court of Justice that classified the guaranteed pension as a minimum benefit for people born in 1938 or thereafter. Under European Union regulations, minimum benefits are paid only to residents of the country

receive a non-contributory old-age pension if they have a gross monthly income below a certain limit.

[5] In addition to the guaranteed pension, Sweden's public old-age pension system comprises a notional defined contribution pension (NDC) scheme, a premium pension scheme (financial capitalisation) and social assistance benefits. To fund the NDC and the old age pensions of the premium system, employers contribute 10.21% of the covered monthly payroll and employees contribute 7% of their covered monthly income (in 2022, the minimum and maximum annual income used to calculate contributions was 20,431 kroner [USD 1,869] and 572,600 kroner [USD 52,379], respectively). To qualify for these income-related pensions, a person must be 62 years old (63 in 2023) and have at least 3 years of pensionable earnings (people usually retire at age 68 when legal protections against age-based layoffs end). Retirees aged 65 and older with limited financial resources may qualify for the guaranteed pension and other resource-verified benefits, including a housing subsidy and monetary support in old age.

providing the benefit. ***(Source: International Update SSA Nov.2022; Date: Nov.*** **2022**).