Progress of the Pension Systems

MARCH – APRIL 2023
No.2

This document compiles the major changes that occurred in the pension systems in the March-April 2023 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 up to the first week of May 2023.

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

Federación Internacional de Administradoras de Fondos de Pensiones

Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

- **Argentina:** In March the government approved a new pension moratorium whereby people at the minimum retirement age who do not have the 30 years of contribution required to access an old-age pension, can purchase the missing contributions to access it.
- **Bangladesh:** In January the country passed a law establishing a state-run contributory old-age pension program with individual accounts, initially voluntary, that will cover most workers not covered by the Public Servants' Pension Program.
- **Spain:** In March the government approved a pension reform for calculating old-age pensions that enables opting for the best years of contribution in the last 25 years, or the last 29 years, discarding the 2 worst years (only the first option was available until now); increasing the supplementary gender gap allowance; extending the period of application of the intergenerational equity mechanism from 2032 to 2050, increasing its percentage from 0.6% to 1.2%; and establishing a contribution surcharge for people with higher salaries, ranging from 1% in 2025 to 6% in 2045.
- **France:** In April the government approved a pension reform that will take effect in September, which gradually increases the minimum retirement age from 62 to 64 years of age by 2030, and the number of years of contributions required for accessing a full pension from 42 to 43 by 2027.
- **Malawi:** On April 1, the government implemented a reform of the national occupational pension system, which extends mandatory coverage to all private sector workers (only those working in companies with more than 5 workers were previously covered) and creates new voluntary savings mechanisms.
- **Türkiye**: In March the government enacted a law that allows people enrolled in social security prior to September 8, 1999, to obtain an old-age pension before reaching the official retirement age (60 for men and 58 for women) if they can prove at least 25/20 years of coverage for men/women, respectively.
- **Uruguay**: In April, Congress approved a pension reform that gradually increases the minimum retirement age from 63 to 65 years of age; modifies the contributions to the pension system (the contribution to the PAYGO system increases from 7.5% to 10%; and the contribution to the individually funded system diminishes from 7.5% to 5%), while considering the average of the best 20 years of contributions for the calculation of old-age pensions (instead of the previous formula: the most favorable between the average of the 20 best years and the average of the last 10 years).

Relevant studies

- A Government study shows that pension fund managers in several LATAM countries are actively advancing the implementation of ESG factors in their investment processes. In addition, a study by the Uruguayan National Association of AFAPs reviews some positive international experiences on this topic (Mexico, Chile, Colombia, United Kingdom, Australia and the USA).
- A study shows that the UK Emergency Savings Pilot program has successfully improved the financial well-being of participating workers and accumulated pension savings for short-term use.

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

- **Bolivia:** Several sectors have protested against the nationalization of individual pension accounts management, fearing arbitrary use of workers' savings by the government through the Public Social Security Manager.
- **Costa Rica:** The Costa Rican Social Security Fund (CCSS) has stated that the PAYGO system will face liquidity problems by 2026 if no adjustments are made.
- **China:** The government has indicated that it will seek to gradually raise the minimum retirement age (currently 60 for men and 55 for women) in response to the demographic crisis facing its public PAYGO system.
- **El Salvador:** The government cut US$234 million from the fund for the payment of the public pension debt in 2023 and used it to finance expenses prior to the 2024 elections, transfers to Municipalities and other expenses, according to official Ministry of Finance data.
- **USA:** According to a NORC survey, only 2 out of 10 people believe that the benefits of the PAYGO social security program will be available to them when they need them.
- **Panama:** The public PAYGO system, whose current deficit is close to US$1.2 billion, could exhaust its funds by October this year, according to a Social Security Fund (CSS) report.

Reforms proposed or being discussed

- **Colombia:** The government sent a Pension Reform Bill of Law to Congress, which guarantees a solidarity basic income of US$49 financed with general taxes; establishes a semi-contributory pillar for those who do not meet all the requirements of the contributory pillar; and a contributory pillar that considers people who earn up to 3 minimum wages in the PAYGO system, and income above that threshold, up to 25 minimum wages, in the individual savings system. Asofondos has pointed out that this proposal does not promote the sustainability of the system or correct the problem of aging with greater savings.
- **Costa Rica:** The Pensions Commission has called for progress on a universal basic pension project to eradicate extreme poverty in old age, which would be financed with 1% of GDP.
- **Mexico:** According to AMAFORE's new Chairman, Guillermo Zamarripa, the reform of the Afores must go hand in hand with the growth of the stock market, expanding the offer of investment instruments.
- **Peru:** The Association of AFPs proposed a reform to the pension system that guarantees a minimum pension with at least 20 years of contributions, and a staggered minimum pension for between 10 and 20 years of contributions; establishes shared contributions by the State for informal or self-employed workers to be able to access a minimum pension; and establishes a government-funded seed capital for each new-born child, thus creating an individually funded base fund until the person is 65 years of age.
- **Dominican Republic:** The Commission reviewing the Social Security Law is about to deliver its final report, while the AFPs have proposed creating a technical roundtable to agree on the reforms. Among the reforms proposed by the Association of AFPs (ADAFP) are a gradual increase in the contribution rate to individual accounts and the strengthening of the voluntary pension savings pillar.

Relevant reports and presentations

The "*Sidecar Savings*" voluntary savings program and its experience with the implementation of the pilot version of "*Jars*" could address two of the biggest financial challenges facing UK households, according to the latest Nest Insight report. JARS combines an emergency savings account, with no withdrawal restrictions, and a traditional pension savings account that does not allow withdrawals, an innovation that aims to improve people's well-being by promoting the accumulation of savings, enabling them to better address their short and long-term needs. According to pilot tests conducted between July 2019 and August 2022, analyzing more than 60,000 bits of data and 72,000 survey responses, it was found that this program not only helps people generate accessible short-term savings, improving their financial resilience, but also helps them protect their future retirement savings. In particular, it was found that:

1. Sidecar-type savings are very attractive to employees who need encouragement to save.
2. Savings as a percentage of salary enable employees to save persistently.
3. Savers value the control and flexibility that Jars provides.
4. Saving as a percentage of salary helps people build a safety net, boosting their financial well-being and resilience.
5. Transferring funds between the emergency and pension accounts allows people to save more for retirement once they have accumulated some short-term savings.

Membership in the sidecar savings program is persistently low (although 46% of eligible employees think the Jars program would help them, only about 1% sign up to save in that program). People therefore need additional encouragement to fulfil their desire and intention to save. Early data suggests that a voluntary exclusion approach to emergency saving is likely to be more effective and inclusive than an offer that requires employees to participate (the default option is to enroll in the JARS program, and one must make an active choice to opt out, as in the UK's self-enrolment program introduced in 2012). ***(Source: https://www.nestinsight.org.uk/; Date: 26.04.2013).***

Governart published the 2023 version of its annual study of responsible investment The study aims to assess the extent to which institutional investors take environmental, social and governance (ESG) factors into account in their investment analyses and decisions, analyze the completeness of their information and public reports on these matters, as well as the level of public disclosure of the fundamental principles of their responsible investment strategy. 68 Latin American institutional investors from six countries were invited. 22 of these investors from Brazil, Chile, Colombia, Spain, Mexico, and Peru, actively participated in the evaluation process. Among the investors are Chilean, Colombian, Mexican and Peruvian pension fund managers (AFPs). Some of the conclusions reached:

i. 11 of the 20 assessed investors state that their organization incorporates ESG factors into its strategic asset allocation.
ii. 17 of the 19 investors evaluated in the Corporate Governance Category declare that their Organization has Corporate Governance processes in place to ensure that policies and activities are aligned with their position on sustainable finance and their commitment to the 6 PRI principles.

All of the investors evaluated in the Sustainability Research Category state that they have identified internal resources (e.g., engagement team, investment team, ESG team or staff) as the most important resource for achieving engagement targets in their Organization. ***(Source: https://governart.com/; Date: 10.04.2023).***

The Uruguayan National Association of AFAPs (ANAFAP) published a document on sustainable investment in pension funds. The report provides a perspective of sustainable investment as a way of striking a balance between returns and ensuring future sustainability. The volume of assets managed by pension funds gives them great potential to lead the incorporation of ESG

(Environmental, Social and Governance) criteria in their investment analyses, an element that is key to leveraging the development of the local capital market. The document outlines some international experiences on this subject, as in Mexico, Chile, Colombia, the United Kingdom, Australia and the United States. ***(Source: Date: 27.03.2023).***

The Colombian Securities Market Self-Regulator (AMV) published a report analyzing the impacts of the pension reform on the capital market. The report points out that on conducting an in-depth analysis of the creation of the Tax Pillar Savings Fund, with its income and expenditure data, its estimates show that by 2036 about 18 percent of GDP in pension savings could be lost with the implementation of the pension reform. Given the importance of this fund, the following proposals were presented for its proper functioning: i) that the funds be managed by agencies specialzing in long-term asset management, through an outsourcing process; ii) that an optimal incentive scheme be created to ensure that investments are really long-term; iii) ensure that the portfolio is at least as diversified as the one currently managed by the AFPs; iv) create a robust, corporate, governance scheme, with well-defined committees, always seeking to maximize returns with optimal exposure to the different financial, environmental, social and governance risks; v) that all transfers from the Individual Solidarity Savings System (RAIS), including account transfers, are always saved in the fund; and vi) fund use accountability, as well as complete, detailed and updated information on all investments made therewith. ***(Source: https://www.amvcolombia.org.co/; Date: 27.03.2023).***

Report of the Center for Public Studies (CEP) proposes a new way of distributing the additional 6% of contributions in the Chilean pension reform. The study proposes that 3.5 to 4 percentage points should go to individual accounts, maintaining the intragenerational solidarity factor established by the government, with 30% of them being distributed equally among all contributors, and that the the remaining amount of the contribution, i.e., between 2 and 2.5 points, should be used to pay the same intra and inter-generational benefits considered by the Executive. According to the CEP, this arrangement would provide replacement rates practically equal to those provided by the government's proposal (6 points to a common fund, 0 to individual accounts), and also has the advantage of penalizing the formalization of employment to a lesser extent, decreasing the sustainability risks of the system, and substantially simplifying its design, facilitating the policy's accountability. ***(Source: https://www.cepchile.cl/; Date: 01.04.2023).***

An Espacio Público Think Tank report questions the self-loan proposed in Chile's pension reform, mainly because members would not reimburse the requested funds. The Chilean Government's pension reform Bill proposes the possibility of active participants in the contributory pillar of the pension system making withdrawals from the pension funds as repayable loans. This option would be available to people who are five years or more from retirement age. They would be able to request up to 5% of the accumulated individually funded mandatory contribution balance, with a ceiling of approx. US$1,333. According to Espacio Público, the proposal allows withdrawals of limited amounts in the form of reimbursable loans in the mandatory pillar, but without requirements regarding specific and repeated withdrawals over time, which is generally not in line with comparative experience (for example, in Mexico, the law allows partial withdrawals from the balance of the mandatory individual account only for marriage and unemployment). It is also highly probable that these self-loans will not be reimbursed and will eventually become fund withdrawals. Some of the factors that would influence this are: (i) operational difficulties for collection by the Autonomous Pension Manager (APA); (ii) establishment of the obligation to pay by employers without associating specific penalties for non-payment; (iii) difficulty for collection in the case of workers who are not dependent or self-employed workers who are forced to contribute; (iv) the possible perception of individuals that they are accessing their own resources, which makes it even more difficult to collect the savings due; (v) the high incentive for requesting the self-loan five years or more before the official retirement age. Finally, the proposal states that the loan does not accrue interest, returning the resources adjusted in UF, which entails expected losses in returns. In summary, the proposal weakens the accumulation of pension savings that constitute the basis of the future pension, particularly in scenarios such as the Chilean one, with low contribution rates and low contribution density, defeating the purpose of the bill to increase pension savings. ***(Source: https://espaciopublico.cl/; Date: 10.04.2023).***

Libertad y Desarrollo (LyD) that 50% of all members would be left without funds in their accounts in the event of a new pension fund withdrawal. Pension fund withdrawals contradict the essential logic of saving funds: to finance pensions. If allowed, the new withdrawal would leave about 5.8 million people with zero balance in their accounts (50% of all members) and would imply a withdrawal of US$15,643 million (thus totaling about US$66,315 million with the 3 previous withdrawals, 37% of the total funds of the system), mainly among the highest income individuals, because they are the ones with the most savings. A new withdrawal would give rise to new inflationary pressures and increases in interest rates, especially long-term rates (mortgage loans), and higher exchange rate volatility. All this weakens investment, the recovery of economic activity and the creation of jobs, in a context where no growth is projected for this year and the labor market continues to deteriorate. This especially affects the most vulnerable, who will have to face higher levels of inflation, lower future pensions and greater financial constraints. Thus, according to LyD, it is imperative that a bill of this nature should not be passed, regardless of its design. ***(Source: https://lyd.org/; Date: 13.04.2023).***

Relevant news of the period

Latin America, the Caribbean and North America

Argentina

The country implemented a new moratorium to expedite access to old-age pensions[1]. On March 14, the country enacted a law that temporarily allows individuals who have reached the official retirement age of 60 (women), or 65 (men), but lack the 30 years of contributions required to access a contributory old-age pension, to purchase the missing contributions and access the pension. The law also allows women aged 50-59 and men aged 55-64 who do not have at least 30 years of contributions on reaching the official retirement age, to prepay missing contributions. The government passed this law, known locally as a "pension moratorium," in February, after a similar law expired in December 2022. The National Social Security Administration (ANSES)

[1] Argentina's old-age pension system comprises a contributory pension program (social insurance) and a non-contributory pension program (Universal Senior Pension). The contributory pension has three components: a basic lump-sum pension, a supplementary pension based on the number of years of contribution prior to July 1, 1994, and a complementary pension based on the number of years of contribution since July 1, 1994. To qualify for a full contributory pension, one must have reached the official retirement age and have at least 30 years of contributions. Individuals with less than 30 years of contributions may qualify for a "senior" partial pension (equivalent to 70 percent of the basic pension, plus compensatory and supplementary pensions) if they have turned 70 and have at least 10 years of contributions, including 5 years in the 8 years prior to retirement. Resident Argentine citizens (and certain naturalized and foreign resident citizens) aged 65 or older who do not qualify for any other pension, may receive the non-contributory pension, which pays 80 percent of the minimum monthly old-age pension in the contributory program.

estimates that the latest pension moratorium could help around 800,000 people of retirement age and nearly 900,000 people of working age to qualify for a contributory old-age pension. According to ANSES, only 1 in 10 women and 3 in 10 men reach retirement age with at least 30 years of contributions. As a result, nearly half of the current 7.2 million retirees have qualified for old-age pensions with the help of the moratoriums.

Under the latest pension moratorium, eligible individuals have 2 years (with a possible 2-year extension) to arrange for the payment of missing contributions through the Pension Debt Payment Plan. Individuals who have already reached retirement age may purchase the missing contributions for periods up to and including December 2008, and those who have not yet reached retirement age may purchase the missing contributions for periods up to and including March 2012. The cost of purchasing a monthly contribution is one Pension Debt Payment Unit, equivalent to ARS 5,730 (approx. USD 27 Missing contributions can be paid in up to 120 monthly installments. The monthly fee amount may not exceed 30% of the minimum monthly old-age pension of ARS 58,665 (US$280) or ARS 17,600 (USD 84). People of retirement age can claim their old-age pensions before missing contributions are fully paid and contribution payments are deducted from their monthly pensions. ***(Source: International Update SSA April 2023; Date: April 2023).***

Bolivia

Government under pressure for reforms that include the nationalization of pension funds. With a growing economic deficit and the exhaustion of reserve funds, several sectors have come out to protest against the nationalization of pension funds in Bolivia, fearing their arbitrary use by the government of President Luis Arce. One of the most worrying aspects is pensions. Pensioners' associations reject the transfer of their contributions (so far managed by private pension funds) to the government agency Gestora Pública de la Seguridad Social (Public Social Security Administration). These groups argue that there is a risk that the government will freely use the resources of the funds and cause damage to the contributors, due to which they request their funds to be managed by professionals not associated with the ruling party, Movimiento al Socialismo (Movement to Socialism - MAS). As of May, the government agency will manage the funds that thousands of Bolivians contributed to the Pension Fund Managers (AFPs), estimated at US$24 billion, at a time when Bolivia is experiencing a delicate economic situation: the reserves of the Central Bank, which in 2015 were more than 15 billion, are currently estimated at just 3 billion, in addition to the scarcity of dollars and growing inflation. ***(Source: El Mercurio; Date: 19.04.2023).***

Colombia

Government sends the Pension Reform Bill to Congress. On March 22, the President of the Republic, Gustavo Petro and the Minister of Labor, Gloria Inés Ramírez Ríos, sent the Pension reform Bill "Cambio por la Vejez," containing 89 articles, to Congress. Among other things, the proposal provides for:

1. **Solidarity Pillar**: for Colombian nationals over 65 years of age, in conditions of extreme poverty and vulnerability. Guarantees a Solidarity Basic Income (SBI) of COP 223,800 (approx. $49), financed from the nation's general budget. Individuals enrolled in the non-contributory Colombia Mayor program who do not meet the requirement of this pillar, will continue to receive the current COP 80,000 benefit (approx. USD 18).
2. **Semi-contributory Pillar**: For individuals between 65 and 70 years of age, enrolled in the system, who do not meet all the pension requirements in the contributory pillar.

Depending on the exclusions, they will be able to access an RBS pension, or the so-called "Periodic Economic Benefits" (BEPS). Colpensiones will be responsible for the coordination, organization, and procedures of this pillar.

3. **Contribution Pillar**: Aimed at all dependent and self-employed workers, public servants and people able to contribute. It will allow them to access an old age, disability, or survival pension,,together with other benefits. This pillar comprises:
   - **Average Premium Component** (PAYGO, managed by Colpensiones): people earning between 1 and 3 legal monthly minimum wages in force (SMLMV). The pensions are financed with Common Old Age Fund (defined benefit) and Contributing Pillar Savings Fund resources.
   - **Individual Savings Complementary Component**: Individuals enrolled in the system with incomes above 3 SMLMV, up to a maximum of 25 SMLMV. This component may be managed by the AFPs, trusts, life insurance companies, and brokers.
4. **Voluntary Savings Pillar**: For people with savings capacity who can voluntarily save for a better pension through existing mechanisms in the financial system.

The initiative also proposes:

- Establishing special conditions for women, granting a reduction in the minimum number of weeks required for accessing the pension of 50 weeks per child, up to a maximum of 3 children.
- That disability and survivors' pensions remain the same, with the same requirements, but will now be recognized by Colpensiones.
- Acquired rights will be respected, i.e., pensioners continue under the same conditions. ***(Source: https://www.mintrabajo.gov.co/; http://leyes.senado.gov.co/; Date: 22.03.2023).***

Costa Rica

The Costa Rican Social Security Fund (CCSS), the agency that manages the PAYGO system, will start having liquidity problems by 2026 if no adjustments are made, says the Executive Chairman. Marta Esquivel, Executive Chairwoman of the CCSS, said that the institution will start having liquidity problems between 2026 and 2027 if no adjustments are made, and that they are working on it. While there is an issue regarding the reliability of financial data, she said it is clear that if the fund continues with its current level of expenditure and investment, it will exhaust its reserves in three years. "What is keeping us alive right now is what we are not doing," Esquivel said. The institution has a reserve of CRC 1.4 trillion (approx. $2.6 million), which is earmarked for investments, she explained. Esquivel added that there is a financial disorder in the institution and that she has faced difficulties in obtaining information on the state of finances. Due to this difficulty, she has been entrusted with investigating the state of the institution's finances. ***(Source: https://www.nacion.com/; Date: 01.03.2023).***

SUPEN has called for progress on the Universal Basic Pension bill of law to eradicate extreme poverty among senior citizens. The Pension Commission (SUPEN) urged deputies to advance in the approval of the bill of law, submitted by the President of Congress, Rodrigo Arias, which seeks to implement the Universal Basic Pension in Costa Rica. The initiative establishes the granting of a pension to 'all Costa Ricans who reach the retirement age established by the Costa Rican Social Security Fund (CCSS), and who can prove 40 years of residence in the country'. Of course, they cannot receive any other type of pension to obtain this benefit. According to Rocío Aguilar, the

Chairwoman of SUPEN, this initiative would eradicate extreme poverty in the elderly population in the country. Aguilar said that this plan is transcendental due to the projected increase in the elderly population in Costa Rica. According to SUPEN, the plan would contribute to the solvency of the Disability, Old Age and Death Regime and adapt the National Pension System to new demographic and technological trends. The bill stipulates that this pension will be financed with 1% of the Gross Domestic Product (GDP). ***(Source: https://www.monumental.co.cr/; Date: 20.04.2023).***

The Complementary Operators Regime ensures that enrolled members have no losses. Representatives of the Costa Rican Association of Pension Operators (ACOP) assured the deputies of the Standing Social Affairs Committee that, if viewed in the long term, members enrolled in the Complementary Pension Operators (OPC) will have no losses and, on the contrary, they must bear in mind that only 30% of the funds in the ROP correspond to members' contributions, while the remaining 70 percent correspond to profits or returns from those contributions. Roger Porras, Hermes Alvarado, Mauricio Rojas and Danilo Ugalde, representatives of ACOP, explained to the legislators what they consider the negative points that they disagree with, namely the approval of Bill 23.202 "Reform of the Workers' Protection Law" and Bill 23.353 "Suspension of the Collection of the Administration Fee of the Mandatory Complementary Pension Fund from Workers when Income is Negative." The first Bill proposes amending the last paragraph of Article 49 of Law No. 7983 of February 2000, the Workers' Protection Law, to establish the obligation of the OPCs to pay 100% of the net profits to each of their members per year, according to their contributions, and not only 50%, as they do today. Deputy Gilberth Jiménez Siles, proponent of the bill of law, believes that this change strengthens the complementary pension system, so that pensioners will have greater and better contributions and guarantees by the day. The National Bank of Costa Rica, the Bank of Costa Rica, Banco Popular and the Pension Operator of the Costa Rican Social Security Fund are currently the government agencies that manage the ROP, while Vida Plena and Pensiones BAC are the private operators that provide this service and are committed to providing their members with more and better conditions for their complementary pensions.

The ACOP representatives insisted that the fund has made a profit in 90 percent of the past 264 months - 22 years since the ROP was created. The visitors also pointed out that there is already a difference between the three public operators and the three private operators, since the former are obligated to distribute fifty percent of net profits, which would make this gap much greater if they were obligated to distribute one hundred percent. ***(Source: http://www.asamblea.go.cr/; Date: 12.04.2023).***

El Salvador

Government cuts US$233 million to the pension funds to finance itself. The government cut US$233.6 million to the fund for paying off the pension debt in 2023 and used it to finance expenditure prior to the 2024 elections, transfers to municipalities and other expenses, according to official data from the Ministry of Finance. The budgetary statistics of the Treasury's Fiscal Transparency Portal reflect a cut of US$233.6 million in the budget item denominated "Financing the Comprehensive Pension System," for which US$570.5 million was scheduled throughout the year. I.e., 40.9% of the funds available to pay the pensions of the public PAYGO system of the ISSS and the Salvadoran Pension Institute (ISP) were reduced. Economists and specialists consulted consider that the reduction is a symptom of a possible default on pension debt, which will affect the returns of the pension funds and the savings of workers.

The representative of the Round Table for a Decent Pension, Patricio Pineda, explained that the cut is proof that with the new reform, the Government has changed the conditions of its debt with contributors. Prior to the pension reform, the Government used the Pension Obligations Trust (FOP), approved in 2006, to withdraw money from the private accounts of contributors to the Pension Fund Managers (AFP), and thereby pay the retirees of the public system with debt instruments denominated Pension Investment Certificates (CIP). The new law eliminated the FOP, but the debt was maintained through an exchange: the CIPs are now known as Transitional Financing Certificates (CFT), whose terms of reference remain unknown, Pineda warned. The cut in pension funding, however, leads him to believe that it will be on favorable terms for public finances. Economist and former legislative adviser Tatiana Marroquín explained that one of the "most serious" amendments in the pension reform was the discretion granted to the Government to establish the conditions of payment of the debt with contributors. ***(Source: https://www.laprensagrafica.com/; Date: 24.04.2023).***

United States

Only 2 out of 10 people believe that social security benefits will be available when they need them. More than half of U.S. adults oppose proposals to cut Medicare or Social Security benefits. Most are in favor of raising taxes on the nation's highest incomes to keep Medicare running, according to a new poll conducted in March by the Associated Press-NORC Center for Public Affairs Research. Few Americans would agree with some of the measures proposed by politicians to bolster the programs: 79% oppose reducing Social Security benefits and 67% oppose increasing monthly Medicare premiums. About 65 million elderly and disabled people have access to government-sponsored health insurance through Medicare and depend on monthly Social Security payments. Fifty-eight percent support raising taxes on households earning more than $400,000 a year to pay for Medicare, a plan proposed by President Joe Biden last month. That is the only change in welfare programs that most Americans say they would support. The survey reveals that many Americans doubt the stability of both programs: Only 2 in 10 really believe that the benefits of either program will be available to them when they need them, whereas about half of them have doubts or believe nothing at all. Three-quarters of respondents oppose raising the age for accessing Social Security benefits from 67 to 70, and 7 out of 10 oppose raising the age for accessing Medicare benefits from 65 to 67. While most support raising taxes on families earning more than $400,000 a year to pay for Medicare, the poll shows a political divide in this regard: 75% of Democrats support the tax, but Republicans are sharply divided, with 42% in favor, 37% against and 20% not supporting any of these initiatives. The annual report by the Social Security and Medicare trustees released on Friday warned that Medicare will only have enough money to cover 89% of payments for hospital visits and nursing home stays by 2031. Only two years later, Social Security will only be able to pay 77% of benefits to retirees. Republican and Democratic leaders have publicly pledged not to cut Social Security or Medicare benefits. Some Republicans, however, have floated the idea of raising the age for accessing Social Security and Medicare to keep programs afloat. ***(Source: https://eltiempolatino.com/; Date: 07.04.2023).***

Mexico

Consar blocked 23 thousand switches between Afores at the beginning of 2023. In the first quarter of the year, about 23,000 workers applied to switch their Pension Fund Manager (Afore), but their applications remain on hold due to a ban by the regulator. This limitation was announced by the National Commission for the Retirement Savings System (Consar) in January this year, with the aim of protecting workers' resources against global financial volatility. "Due to adverse market conditions, Consar took measures to suspend switches for a period of three months, in order to safeguard the savings of workers," the regulator warned in a statement. According to official data, between January and March 2023 the majority of workers waiting to switch Afores are enrolled in Afore Coppel, which concentrates just over 7,500 cases. It is followed by Afore Azteca, with 5,155 savers, as well as Citibanamex, which received 3,237 transfer requests in the first quarter of the year. The Mexican Association of Afores (Amafore) argued that the prohibition of switching Afores only stops the switching of individual accounts, but not the decision to switch Afores. “The transfers are taking place. If a worker requests a transfer, the procedure will be carried out. What is not happening is the effective switching from one Afore to another until such time as the authority decides to allow it,”said María Nieves Lanzagorta, Vice President of linking at Amafore. The announcement added that for the time being the Fund Managers are waiting for Consar to authorize the fund transfers in the next two or three months, after which the transfers requested by workers would be fully effective. ***(Source: https://www.elsoldemexico.com.mx/; Date: 18.04.2023).***

The reform of the Afores must go hand in hand with the growth of the stock market, according to the new Chairman of Amafore. The Stock Market needs to develop for the reform of the pension system to benefit Mexican savers who have their funds deposited in the Pension Fund Managers (Afores). Over the next decade, the funds managed by the Afores will double thanks to the yearly increase of employer contributions, according to estimates by the National Commission for the Retirement Savings System (Consar). Money is going to grow at very high rates in the coming years, and more funds have to be invested. To that end, the stock market must grow to accommodate those savings, said Guillermo Zamarripa, the new Chairman of the Mexican Association of Afores (Amafore). In an interview, he explained that the Afores have acquired relevance due to their contribution to the country’s Gross Domestic Product (GDP), although the offer of investment instruments must be expanded proportionally. As of December 2022, the funds managed by the Afores reached an all-time high of US$268.57 billion, even with the series of setbacks experienced by the system since 2022. At the end of 2022, the mandatory funds managed by the Afores, i.e., the savings of more than 70 million Mexican workers, accounted for about 18% of GDP. The next 10 years will be crucial for the Afores industry, since the results of the reform of the pension system will be evident in this period. For the new Chairman of AMAFORE, the 2020 reform of the pension system, which was implemented on January 1, 2021, with a gradual increase in the percentage of employer’s contributions to workers’ retirement accounts, from 6.5% to 15% of the taxable base income by 2030, has given rise to many expectations that will have to come true to benefit as many Mexicans as possible. With this challenge, the development and management of the Afores will have an impact on the economy, job creation, and many other productive activities. Zamarripa said that the fund managers, as the largest institutional investors in the country, will have a more active participation in discussions on the legal framework of the stock market. The local market is experiencing a drought of new IPOs, that has lasted for several years. At the same time, more and more companies are cancelling their IPOs, thus reducing the supply of securities. Hence, the stock market trade association has been working on an initiative to reform the Securities Market Act that could be sent to Congress this month, according to industry representatives. The proposal seeks to attract more debt placements from small and medium-sized enterprises (SMEs), as well as new Initial Public Offerings (IPOs) from domestic companies. ***(Source: https://mx.investing.com/; https://revistafortuna.com.mx/; Date: April 2023).***

Panama

IVM funds (PAYGO system) could end in October this year. The Social Security Fund (CSS) is running out of funds to pay for the pensions of the Disability, Old Age and Death (IVM) program, as it is not currently collecting sufficient revenue. In its latest report, the Technical Actuarial Board warned that if nothing is done, the IVM’s funds will not make it to 2024, i.e., they will be exhausted by October this year. The Chairman of the Board of Directors of the CSS, Camilo Valdés, revealed that the only program in deficit to date is the IVM, which is using its reserves. According to Valdés, pension expenditure is approximately US$2.2 billion per year. However, workers and employers pay in about US$1 billion in contributions per year. I.e., the missing amounts must be covered with other funds. "Ever since we were appointed to the CSS Board of Directors, we have proposed that Corporate Governance standards be installed in the CSS to achieve a culture of transparency, accountability and greater effectiveness and efficiency in the institution, but we have not been able to do that," Valdés said. It is also possible that the risk rating agencies will remove Panama's risk rating, which could affect the operation of local banks, which hold significant sums of money belonging to the Social Security Fund, used for the different services that it provides to its clients. What concerns the employers' representative is the passivity in addressing the situation, further indebting the country to pay this year's deficit, which would be irresponsible. The lack of consensus in negotiations would have a strong impact on Panamanians. Panama received the ILO's report (International Labor Organization) on September 15, and although all relevant actors in the Social Security Fund are aware of its contents, there has been no further progress. ***(Source: https://www.ecotvpanama.com/; Date: 01.03.2023).***

Peru

The Association of AFPs submitted a proposal for reforming the pension system. The Association of AFPs (AAFP) submitted a proposal for reforming the pension system that guarantees a minimum pension for all Peruvians, highlighting the importance of the private sector in fund management and advice to members. The Trade Association proposed including independent and self-employed workers and improving pensions, since currently only 3 out of 10 workers will have access to a pension. This approach, which rewards savings efforts, a fundamental basis for building an old age pension, seeks to guarantee a minimum monthly pension to people with at least 20 years of contributions and a staggered pension to those who have contributed for between 10 and 20 years. The proposal also incorporates a seed capital, which entails a government contribution to each newborn child, thus financing Pension 65 (a non-contributory program) for all Peruvians and making more efficient use of government resources. "It is time to focus on real long-term reform and think about those Peruvians who will have nothing to live on when they reach retirement age. The idea is to guarantee a minimum pension for everyone in this new system. It would be a mistake for the government to take control of pensions, since it could be subject to the fluctuations of Peruvian politics, as pointed out by some sectors," commented Giovanna Prialé, Chairwoman of the AAFP.

The sector's proposal is based on the following:

i. A minimum pension for all. Implement a minimum pension system that acknowledges and rewards individual effort through solidarity mechanisms.
ii. Proportional contribution. It proposes that the government should contribute an equivalent amount for each peso contributed by participants, until a minimum pension is reached. This contribution aims to incorporate informal and self-employed workers who do not have a steady savings capacity.
iii. 1% VAT refund[2]. It proposes that each citizen be refunded 1% of the VAT paid per year, thus increasing pensions and returns, encouraging savings and incentivizing formalization.
iv. Seed capital. This implies the establishment of a government fund for each newborn Peruvian child, as an individually funded base fund until the person reaches 65 years of age.
v. Increase the number of Fund Managers. Members will have more options to choose from, opening up the pension system to new stakeholders with the same rules: separate assets and intangible funds to protect savings.
vi. Create a performance commission, with a returns-related component, to create a new alternative for members.

[2] General Sales Tax.

With this proposal, the Association of AFPs seeks to encourage debate and work towards a comprehensive reform that grants decent pensions to all the country's citizens. ***(Source: AAFP; Date: 17.02.2023).***

SBS approves complementary rules to access the target minimum pension in the Private Pension System (SPP). In compliance with the provisions of Executive Decree No.065-2023-EF (regulatory provision that creates minimum pensions and promotes alternative voluntary contributions for pension purposes - Law No. 31670), the Banking, Insurance and AFPs Commission (SBS) approved the complementary rules for the implementation of the Target Minimum Pension (PMO) in the SPP. Members of the SPP can voluntarily enroll for the PMO at any time. The PMO will be paid when they reach the official retirement age, as specified in the regulations issued by the Ministry of Economy and Finance (MEF). In accordance with the regulations, the AFPs must provide their members with active customer service desks, face-to-face or remote, in order to be able to inform themselves and, if deemed appropriate, access a PMO.

The AFPs will inform their members of the following: (i) the characteristics of the PMO; (ii) how the amount of the Minimum Pension Balance (SMJ) required to finance their PMOs is calculated; (iii) what the benefits would be for Membership; (iv) the grounds for terminating access to the PMO; and (v) how the SMJ (Minimum Pension Balance) surplus is calculated, the conditions for accessing it and its availability after retirement at the official retirement age.

The customer service desks must be fitted with the cybersecurity and information protection mechanisms that mitigate the risks of theft of members' identities, as stipulated in the applicable regulations. In order for members to be able to access a PMO at the official retirement age, the AFPs can promote the adoption of voluntary contribution plans by members in their active phase. Further details here. ***(Source: https://www.sbs.gob.pe/; Date: 25.04.2023).***

Dominican Republic

The Commission reviewing the Social Security Law is close to delivering a report, and the AFPs propose the creation of a technical round table to agree on reforms. The Bicameral Commission entrusted without the comprehensive review of Law 87-01 that created the Dominican Social Security System, is giving the final touches to the report it will present to the plenary of both Chambers. This was reported by the Chairman of the Commission, Deputy Agustín Burgos, after a meeting with representatives of the Dominican Association of Pension Fund Managers (ADAFP), in the lower house. After the Commission's technical team submitted a proposal for increasing the contributions to the Contributory Regime's Old Age, Disability and Survival Insurance (SVDS), the ADAFP representatives asked the Commission for a "reasonable amount of time" to respond. Burgos reported that the review is in its final phase, so the report will soon be signed and submitted to Congress. ADAFP recently proposed that the Commission should create a Technical Committee to agree on possible amendments that would impact the pension system, taking Mexico's reform, in which businessmen and the government agreed to increase contributions to improve the pensions of citizens, as a reference. Among the amendments proposed by the ADAFP are: (i) lowering the current requirements for accessing minimum contributory pensions from 25 to 15 years; (ii) establishing a gradual increase in contribution rates to pension accounts, which will depend on the country's possibilities and conditions; (iii) allowing workers who emigrate from the country and change residence to have the option of receiving their accumulated fund and taking it to the country of destination; (iv) incorporating a gradual contribution for workers of informal companies, as well as independent and self-employed workers; (v) establishing the Lifetime Disability Pension; (vi) strengthening voluntary individual savings and the collective pension savings system, through supplementary accounts, which would be tax exempt, with retirement options for valid reasons; (vii) balancing the life expectancy tables (male-female); and (viii) cover pension gaps with the Solidarity Fund to improve the pensions of women. ***(Source: https://elnuevodiario.com.do/; https://elprofeshow.com/; Date: April 2023).***

The Dominican Republic and Ecuador sign agreement to guarantee workers' pensions. The governments of the Dominican Republic and Ecuador signed an administrative agreement for the application of the Bilateral Social Security Agreement, which will allow workers from both countries to apply for old-age, disability, and survival pensions based on their accumulated contributions while working abroad. The agreement aims to implement and regulate the Social Security Agreement signed by both countries in 2013, but which has not been implemented to date, ensuring adequate pension coverage and improving the working conditions of workers in each of these nations. The implementation of this agreement will ensure that at the end of their working lives, workers in both countries will be entitled to access a pension as a result of the contributions made in their formal jobs. The agreement will come into effect 6 months after the date of its formalization, provided that all the regulatory aspects have been met, and it will be for an indefinite term. This is part of the Ministry of Labor's international work plan, which seeks to launch the different international labor and social security agreements that have not been implemented to date, while strengthening cooperative efforts for the benefit of Dominican workers. ***(Source: https://www.sipen.gob.do/; Date: 24.03.2023).***

Uruguay

A reform of the pension system that raises the official retirement age from 60 to 65, was approved. On April 27, Congress broadly approved the pension reform bill of law, which among other things increases the minimum retirement age from 60 to 65, in order to contain public pension expenditure.

The key elements of the reform are as follows:

1. **Increase in the minimum retirement age of workers on several scales ranging from 63 to 65 years of age**, depending on the date of birth and the number of years of contribution to date: those born in 1973 will retire at 63 in 2036, those born in 1974 will retire at 64 in 2038 and those born in 1975 will retire at 65 in 2040 (the current retirement age in Uruguay is 60). However, the reform includes two exceptions for not retiring at 65 years of age.
   - Due to an "extensive working career," which affects those who have contributed for 30 years when the law comes into effect, and those who complete 40 years of work.
   - Due to working in a "particularly demanding" position, as in the case of construction and farm workers whose jobs involve a high degree of physical exertion. In these cases, they will be able to retire at age 60 with 30 years of contributions.

2. **Changes to the mixed pension system**. Of 15% of the salary that workers contribute to the pension system, 7.5% currently goes to the BPS (Social Security Bank) and 7.5% to the AFAPs (Pension Fund Savings Managers). With this change, 10% will go to the BPS and the remaining 5% to the AFAPs.

3. **Change in the calculation of the basic salary on which old-age pensions are calculated**. As of the reform, the 20 best years will be considered for the equation (instead of the previous formula which considered the best option between the average of the 20 best

years and the average of the last 10 years.[3]). That figure was reached after lengthy negotiations, as the government's initial proposal was to consider 25 years.

4. **Inclusion of a mechanism to reduce the Social Security Assistance Tax** (IASS).

Endorsed by a Commission of Experts on Social Security, the reform was described as "necessary" and "supportive" by Lacalle Pou, who highlighted its approval as one of the main priorities of his mandate. ***(Source: https://www.infobae.com/; Date: 28.04.2023).***

Asia and the Pacific

Bangladesh

The country introduced a government-managed contributory old-age pension program with individual accounts. On January 24, 2023, the country's parliament passed a law establishing a contributory old-age pension program for most citizens who are not covered by the state pension program for public servants. Participation in the new program, known as the Universal Pension Plan (UPS)[4] it will initially be voluntary, but the government can make it mandatory later on. The UPS will begin accepting enrollments after the new managing agency, the National Pension Authority (NPA), finishes setting up its operations and determines the final rules of the program. The creation of the UPS aims to boost retirement savings among workers as the country begins to experience rapid population aging. According to the United Nations Population Division, Bangladesh's old-age dependency rate (the population aged 65 and over divided by the population aged 15-64) is projected to increase from 9.2 per cent in 2023 to 23.1 per cent by 2050. Although many details of the UPS (including its launching date) are not yet known, key features of the program stipulated in the law include:

- **Program Management**: On February 13, the government formed the NPA, with a five-member executive team, to manage the UPS. A 16-member Board of Directors, comprising high-level representatives of government, business and workers, will oversee the NPA.
- **Eligible Individuals**: Bangladeshi citizens aged 18-50, including those working abroad, will be able to participate in the UPS (citizens aged 50 + will also be able to join the program under certain conditions). Although public sector employees will initially be excluded from the program, the government may extend coverage to this group in the future.
- **Individual Account Structure**: Each participant will have an individual account in the UPS. Participants will have access to the same accounts throughout their working career, even if they change jobs.
- **Account Contributions**: Participants may contribute to their UPS accounts on a monthly or quarterly basis and may pay their contributions in advance or in installments. The NPA will determine the minimum amount of participants' contributions. Employers and other institutions may also contribute to UPS on behalf of participants, and the government may contribute for low-income participants.

[3] In the previous formula, if the last 10 years were more convenient, that value was used with a limit corresponding to the average of the 20 best years plus 5%.

[4] In addition to the UPS, Bangladesh's old-age pension system comprises the old-age allowance (OAA), which is a non-contributory social pension program. To qualify for the OAA, a person must be 65 (male) or 62 (female), must not be receiving any other pensions or allowances, and not have an annual income greater than BDT 3,000 (approx. $29). Furthermore, disabled, homeless, widowed, divorced or homeless individuals have priority in the program. The monthly amount of the OAA pension is BTD 500 (approx. USD 4.8).

- **Pension Fund**: Participants' savings will be held in a public pension fund managed by the NPA.
- **Old-age pension**: To receive an old-age pension from the UPS, members must be at least 60 years old and have at least 10 years of contributions. The old-age pension shall be based on the participant's total contributions and accrued interest and shall be paid monthly and for life.
- **Early Withdrawal**: Participants may withdraw up to 50% of their account balance as a loan before reaching the official retirement age. The amount withdrawn must be reimbursed over time through higher contributions.
- **Survival Pension**: If an old-age retiree dies before age 75, a designated beneficiary will receive the monthly pension for the remaining time until the retiree would have turned 75. The beneficiary will receive the participant's total contributions and accrued interest as a lump sum payment.
- **Tax Treatment**: UPS contributions and pensions will be exempt from income tax. ***(Source:*** *International Update SSA March 2023****; Date: March 2023).***

China

The government seeks to raise the minimum retirement age in response to the demographic crisis affecting its PAYGO system. The country plans to gradually raise the minimum retirement age to cope with the country's aging population, reported Global Times, aligned with the Chinese Communist Party. The decision came two months after China's National Bureau of Statistics showed that, in 2022, the country's population declined for the first time in 62 years, meaning that the number of deaths (10.41 million) was higher than the number of births (9.56 million). According to Jin Weigang, Chairman of the Chinese Academy of Work and Social Security Sciences, China, is on a progressive and flexible path to raise the retirement age, and young people need to work a few more years, but will have a long period of adaptation and transition. China has yet to formally announce the change in the retirement age, which is among the lowest in the world: 60 for men, 55 for women in general, and 50 for those working in factories. Li Qiang, the country's new prime minister, said the regime will promote studies to implement the policy. Last year marked the first time the Chinese population declined since 1961, when the country faced the worst famine in its modern history, stemming from Mao Tse-tung's policy known as the Great Leap Forward. Concerned about the increase in population, in 1979 the country adopted the one-child policy, in force until 2015. But now, as the population shrinks and ages, the pressure on Social Security is mounting. Each retiree is supported by the contribution of five workers, a proportion that is half of what it was a decade ago, and trending to be two to one by 2050. According to China's National Health Commission, the trend is for the number of people aged 60 and over in the country to increase from 280 million to more than 400 million by 2035, equal to to the combined population of the United Kingdom and the United States. In addition, life expectancy has risen from around 44 in 1960 to 78 in 2021, and the trend, higher than in the US, is expected to be more than 80 by 2050. Demographers and economists say the current pension system, which relies on a dwindling workforce to pay pensions, is unsustainable and must be reformed. 11 of China's 31 jurisdictions have deficits in their pension budgets, and the Chinese Academy of Sciences predicts that the pension system will exhaust its funds by 2035. ***(Source:*** ***https://noticiasrtv.com/; Date: 15.03.2023).***

Africa

Malawi

The country implemented reforms to its pension system. On April 1, the Malawi government implemented reforms to the National Pension Scheme (NPS).[5] This includes expanding mandatory coverage, shortening the waiting period for unemployment-related early retirements, introducing an early retirement option, allowing for larger single-payment retirement benefits, adding new voluntary retirement savings vehicles, and strengthening oversight (the NPS consists of a mandatory occupational pension program and a voluntary savings program). Most plans under the occupational pension program are defined contribution plans, but fully capitalized defined benefit plans and hybrid plans are also allowed.) The reforms were enacted by the President on February 8, and are primarily intended to boost participation and savings in the NPS. When it was introduced in 2011, the NPS was Malawi's first public pension program, covering private sector workers (Malawi already had a special pension program for public sector employees).

Key changes made to the NPS by the reforms (all effective April 1) include:

- **<u>Extended Mandatory Coverage</u>**: All private sector employees, regardless of where they are employed, are now required to participate in the occupational pension program (previously, only those who worked for employers with more than five employees were mandatorily covered). As before, public sector employees who were born in 1982 or later, or who started working in the public sector on or after July 1, 2017, must also participate in the program. (Public sector employees who were born before 1982 and started working in the public sector before July 1, 2017, are covered by a special pension program.) Participation in the program remains voluntary for the self-employed.
- **<u>Reduced waiting period for unemployment-related early retirements</u>**: Participants who lose their jobs can now withdraw up to 100% of their occupational pension account balances after 3 months of unemployment, instead of 6 months.
- **<u>Introduction of an early retirement option</u>**: To help ease the transition to retirement, the reforms allow participants to withdraw up to 50% of balances from their occupational pension accounts when they are 5 years from the official retirement age (50). However, in most cases, these early withdrawals will limit the amounts participants can withdraw in a lump sum on retirement.
- **<u>Allow larger lump sum retirement benefits</u>**: The share of the occupational pension account balances that participants can withdraw in a lump sum on retirement has increased from 40% to 50%. As before, the remaining portion must be used to purchase a life annuity, make programmed withdrawals, or a combination of these two modalities (under certain conditions, participants with small account balances may withdraw their entire account balances in a lump sum on retirement).

[5] The NPS Occupational Pension Program consists of a publicly managed National Pension Fund (NPF) and privately managed pension funds licensed by the government. To meet the mandatory coverage requirement, employees and their employers may contribute to the NPF or to each of the registered private funds. The minimum monthly contribution is 5% of gross salary for employees and 10% for employers (participating self-employed individuals must contribute at least 15%). Participants qualify for an occupational pension if they have reached the official retirement age, have at least 20 years of contributions, are assessed with a total and permanent loss of work capacity, or leave Malawi permanently. However, the occupational pension may be deferred until the age of 70.

- **Adding Voluntary Savings Options**: To encourage additional retirement savings, the reforms introduce personal pension funds and supplementary employer-sponsored retirement plans, known as provident funds. Anyone can join and contribute to a personal pension fund, which will allocate 40% of contributions to personal savings and 60% to pension benefits. Participants can access the personal savings portion when they have at least 5 years of contributions, or all of their account balances when they have at least 10 years of contributions. In contrast, pension funds are only open to employees if their employers offer them, and early withdrawals from these funds are not possible. On retirement, both personal pension funds and other pension funds provide lump sum benefits.
- **Strengthening financial auditing**: To ensure that employers pay contributions in full and on time, the reforms give regulators the authority to take legal action against delinquent taxpayers (previously, enforcement measures were limited to administrative actions that focused on financial institutions rather than employers). Penalties for non-payment of contributions can now include fines of up to 150 million kwacha (approx. USD 147,820) and the temporary or permanent closure of the business. ***(Source: International Update SSA April 2023; Date: April 2023).***

Europe

Denmark

The country eliminated state pension compensation for certain income thresholds. Effective January 1, 2023, pensions paid under the universal state pension program (folkepension[6]) are no longer compensated when pensioners or their common law spouses or partners have earned income above certain levels. These changes stem from an inter-party economic reform agreement announced in January 2022. Parliament approved the annulment of compensation for a spouse/common law partner's work income in June 2022, and is expected to approve the annulment of compensation for a pensioner's own income by the end of this year, with a retroactive effective date to 1 January 2023 (the removal of spouse/common law partner compensation also applies to early retirement and old-age pension programs). By eliminating these compensation payments from labor income, the government seeks to encourage more old-age retirees to remain in the labor force.

Under the previous rules, both the basic and supplementary components of the state pension were offset by higher levels of labor income. Specifically, the core component was reduced by 30 per cent of a pensioner's annual earned income in excess of DKK 359,200 (approx. USD 51,560), while the supplementary component was reduced by up to 32% (depending on the pensioner's marital status) of the pensioner's accrued and unearned annual income (including that of the spouse or common law partner)

[6] The main programs of the Danish old-age pension system are the non-contributory state pension program and the contributory pension program (ATP). To receive a full state pension [currently DKK 14,439 [USD 2,073, if single] or DKK 10,657 [USD 1,530, if married or in a relationship] per month, a person must have reached the official retirement age of 67 (gradually increasing to 69 by 2035), have resided in Denmark for at least 40 years from the age of 15 and have non-work income below certain limits. Individuals qualify for a full ATP pension if they have reached the official retirement age and have worked continuously since age 16, or since 1964, whichever is later. Partial pensions are paid under both programs to individuals who have resided or worked in Denmark but do not qualify for full pensions. While early retirement on a state pension is impossible, certain individuals with extended working careers or reduced working abilities may receive old-age pensions before the official retirement age under the early retirement or senior pension programs, respectively.

exceeding DKK 91,300 (approx. USD 13,105, if single) or DKK 182,900 (approx. $26,254, if married or in a common law relationship). Under the new rules, compensation from the core component was eliminated, and compensation from the supplementary component only applies to income not derived from the work of a pensioner (including that of a spouse or common law partner), such as other pensions and investment income.

Spain

Pension reform introduces numerous amendments. On March 16, the Council of Ministers approved the second block of pension reform measures. The reform includes the following measures:

1. **Measures that increase pension expenditure:**
    - For calculating the old-age pension, the possibility of opting for the last 25 years prior to retirement (as currently occurs), or 29 years of contributions, discarding the 2 worst years. Hence, the calculation period would still be 25 years if it were not more beneficial to consider a total of 27 years (29 years minus the two worst years). The new option of considering 29 years, excluding the worst 2 years, would be progressively implemented over 12 years (from 2027 to 2038), at the rate of 4 additional months per year. The dual system will be maintained until 2040, being able to choose between the previous option (29 years, discarding the two worst years) and the last 25 years option. A transitional period would begin from 2040 to 2044: the last 25.5 years will be considered in 2041; the last 26 in 2042, and the last 26.5 in 2043 (provided that this calculation is more favorable than the last 29 years, discarding the 2 worst years). As of 2044, it will only be calculated with the last 29 years of contribution, of which the 2 worst years can be discarded.
    - Annulment of the maximum old-age pension ceiling.
    - Improvement of the minimum contributory pensions, up to 60% of the average income. Estimates indicate that minimum pensions will rise from the current EUR 13,500 per annum to EUR 16,500 per annum by 2027.
    - Improvement of non-contributory pensions, until converging in 2027 with 75% of the poverty line calculated for a single-person household (rising from EUR 6,785 per year to almost EUR 8,500 per year by 2027).
    - Increase in the minimum widower's pension.
    - Increase in the amount of the gender gap supplement (10% in 2024 and another 10% in 2025).
    - An improvement in the treatment of contribution gaps for women.

2. **Measures that increase the revenue of the pension system**
    - The extension of the period of application of the Intergenerational Equity Mechanism (IEM) to 2050, as well as the increase in its percentage to 1.2% in 2029 (doubling the current 0.6%). Of that 1.2%, the company assumes 1% and the worker 0.2%. Likewise, the additional contribution that the MEI entails is extended until 2050, instead of 2032 as foreseen before the new law.
    - The application of a solidarity contribution surcharge for people with higher salaries, which would start with 1% on the excess of the maximum taxable

income in 2025, increasing to 6% by 2045[7] (in that year that percentage would be as follows: 1% worker; 5% company).

- The non-symmetrical annulment of the maximum taxable income (i.e. the taxable Income would increase more than the maximum pension). The maximum taxable income will increase by 38% between 2024 and 2050 (cumulative increase, considering the additional percentage applied over and above the revaluation of the CPI), whereas the maximum pension will increase by approximately 3% by 2050.

The Ministry of Inclusion, Social Security and Migration (MISMM) has calculated that pension expenditure, which is currently around 12% of GDP, will increase to 15% between 2045 and 2050. To finance these three points of increased expenditure, the Government estimates that the new measures that involve an increase in income (annulment of the maximum taxable income, reinforcement of the MEI contribution and the solidarity contribution for high incomes) will cost 1.2 percentage points. The rest, according to the MISMM, will be covered by the overall pension reform. For more details, please check this link. ***(Source: https://www.jubilaciondefuturo.es/; Date: 24.03.2023).***

France

The pension reform will raise the retirement age to 64. The Pension Reform Law has been approved by the government through a procedure included in the Constitution (Article 49.3) that enabled its approval without having to go through parliament (published in the Official Gazette on April 15). The law will come into effect on September 1. The two main measures of the reform are:

(i) A gradual increase in the retirement age to 64 by 2030 (from the current 62). The retirement age will gradually increase by three months per year, until it affects those born in 1968, which will be the first generation to which the official retirement age of 64 will be applicable.[8]

(ii) The increase in the number of years of contribution required (from 42 at present to 43 by 2027), to be entitled to access a full pension.[9]

The so-called Macron Law (named after its main promoter, Emmanuel Macron, president of the French Republic) introduces other measures, including:

(i) It maintains a compensation system designed for people with long careers: those who began to contribute four or five quarters before the age of 21 or more (its regulatory details are still pending).
(ii) Measures to compensate for contribution gaps of mothers between 62 and 64 years of age. Among them, an additional contribution of 5% is incorporated.
(iii) An old-age insurance will be created for people dedicated to the care of third parties.
(iv) The inclusion of maternity benefits in the calculation of the 25 best years.
(v) The main special pension programs will gradually disappear, abolishing certain privileges enjoyed by, for example, certain workers in public companies, energy and transportation companies. These special regimes will:

- The Electricity and Gas industries regime. The retirement of workers between 55 and 57 years of age is currently allowed in the industry, in the case of active staff or staff in poor health. Retirement between 60 and

[7] This percentage applies to wages from 10.1% to 50% over the maximum taxable income.

[8] The first affected workers will be those born after September 1, 1961, who, before the reform, would have been able to access their retirement on September 1, 2023. With the new law, these workers will not be able to retire until January 1, 2024, three months later than foreseen prior to the implementation of the reform.

[9] This required contribution period would be increased by an additional quarter per year.

62 years of age is allowed for other workers in these industries.

- The RATP (Paris transport network) rolling personnel, which until now had the option of retiring after the age of 52. Employees in maintenance jobs could retire at 57. The rest of the RATP workers could retire at the age of 62.
- Employees of the Bank of France, who have an individually funded system, which allowed retirement between 60 and 62 years of age.
- Notarial employees, who can now retire between the ages of 60 and 62. ***(Source: https://www.jubilaciondefuturo.es/; Date: 24.04.2023).***

Türkiye

The country eliminated the minimum retirement age for certain people. On March 3, the government enacted a law allowing people who enrolled in the country's social security program for the first time on[10] or before September 8,1999, to access an old-age pension at any age if they have at least 25 years of coverage (men) or 20 years of coverage (women), and at least 5,000 to 5,975 days of contributions (depending on the date of enrolment). Previously, these people could not access an old-age pension before the age of 60 (men) or 58 (women). The government passed the new law in response to longstanding public dissatisfaction with a 1999 pension reform law that imposed increases in the retirement age without a gradual implementation process. According to the government, approximately 5 million people will benefit from the relaxed qualification conditions, and 2.25 million of them will be eligible for retirement by 2023.

To reduce the effects of these retirements on the labor market, the law allows people to return to work after claiming their old-age pensions (under current rules, people must stop working to claim their old-age pensions). The government will also cover a portion of the employer's social security contributions (reducing the employer's contribution rate from 11% to 6% of the covered gross monthly payroll) for individuals who are rehired at their last jobs within 30 days of their retirement, under this law. Finally, employers may receive government loans to apportion the cost of severance pay to new retirees (the labor code requires employers to pay employees who retire 1 month of their gross monthly income for each year of service, up to a total of TRY19,983 [approx. USD 1,042]).

The law does not affect the conditions for qualifying for old-age pensions of individuals who first enrolled in the social insurance program after September 8, 1999. As before, people who enrolled between September 9, 1999 and April 30, 2008, qualify for a social security old-age pension if they have turned 60 (male) or 58 (female) and have at least 7,000 days of contributions or at least 25 years of coverage, with at least 4,500 days of contributions. The official retirement age for individuals born after April 30, 2008, is 60 (for men, increasing gradually to 65 between 2036 and 2044) or 58 (for women, gradually increasing to 65 between 2036 and 2048). However, public servants will have to have 7200 days of contributions and independent and self-employed individuals will have to have 9000 days of contributions. There are special eligibility conditions for certain groups of individuals including those with disabilities, military and police personnel, and miners. ***(Source: International Update SSA April 2023; Date: April 2023).***

[10] In addition to the social insurance program, Türkiye's old-age pension system includes a Private Pension System (Bireysel Emeklilik System, or BES) with automatic enrolment and voluntary components. Under the BES automatic enrolment program, employees under the age of 45 are automatically enrolled in employer-sponsored defined-contribution pension plans, with the possibility of opting out within 2 months of enrolment (voluntary enrolment is possible for employees over the age of 45). The voluntary BES program allows all individuals over the age of 18, regardless of employment status, to open individual retirement accounts with private pension providers.