Progress of the Pension Systems

MAY – JUNE 2023
No.3

This document compiles the major changes that occurred in the pension systems in the May-June 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 second week of July 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.

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Executive Summary by area of interest

Reforms proposed or to be discussed

- **Bolivia:** Six social organisations in Santa Cruz asked the government to diversify the investments of the pension funds and let them decide whether to contribute to the Public Fund Manager or the AFPs. They also asked the president to postpone the assignment of pension fund management to the Public Fund Manager while the proposed options are being considered.
- **Chile:** A survey by Universidad San Sebastián shows that 80% of people want to be able to choose their fund manager. Also, the Cadem Public Survey shows that 51% believe that the additional 6% contribution should be fully assigned to workers' individual accounts.
- **Colombia:** The Bogota Council has stated that the government's pension reform is an unsustainable "timebomb." The Colombian Association of Pension and Unemployment Fund Managers (Asofondos), on the other hand, estimates that if the reforms are approved, 80% of members will not be able to retire.
- **United Kingdom:** The government announced a broad range of pension reforms designed to improve the systems results, especially allowing the automatic enrolment of workers in pension plans after the age of 18 and receiving contributions for any salary amount (£6,240 is the current minimum amount).

Relevant studies

- **Pinbox published the book Pensions for all: proposals for inclusive pension in Latin America.** Some of the issues the book addresses are: (i) Pensions for all: innovating pensions in Latin America, and (ii) How to design a pension system to address the informal labour issue, among others.
- **The United Kingdom's Department for Work & Pensions published statistics** revealing the gap between the median private pension amounts of men and women.
- **The OECD published the document Joining forces for gender equality: What is stopping us?**, which analyses the advances and policies in favor of gender equality, such as the incorporation of the gender perspective and the drawing up of budgets and reforms for increasing participation in parental leave and childcare, among others.

Crisis in public PAYGO and/or state managed systems

- **Costa Rica:** The government owes the Costa Rican Social Security Fund (CCSS) ¢102.808 million (USD 189 million) for invoices corresponding to the payment of government contribution to the pensions of the Disability, Old Age and Death (IVM) system not fully covered by the Ministry of Finance.
- **United States:** A survey conducted for *Newsweek* shows that 60% of people are "very worried" that Social Security pension amounts (PAYGO) may be reduced before they retire.
- **Paraguay:** The Social Security Institute (IPS) supports the reform of the pension system to contain the multimillion-dollar deficit of the PAYGO system.
- **Ecuador:** The Commission entrusted with reforming the pension system of the Ecuadorian Social Security Institute (IESS) will present key proposals for reducing the system's current deficit, namely: (i) gradually increase the number of years of contributions for accessing a pension (ii) adjust the minimum age and the number of years of contributions required for retirement, and (iii) modify the pension calculation table.

New pension programs and social security reforms (approved)

- **Kenya:** The government introduced new rules governing contributions in the National Social Security Fund (NSSF), the country's individual accounts program, after an appeal court deemed them to be legal. The new rules specifically increase employer and employee contributions, increase the maximum covered income and introduce new contribution levels.
- **Netherlands:** The Senate passed the Future of Pensions Law, which requires the Defined Benefit (DB) plans in the country's quasi-mandatory occupational pension system to switch to Defined Contribution (DC) plans by January 1, 2028.
- **Poland:** As of March 1, Polish employees who had previously opted not to participate in the Individually Funded Plans for Employees (PPK) and had not submitted new requests for exclusion, must be re-enrolled in these plans by their employers, in accordance with current policy.

Relevant reports and presentations

Pinbox published the book [Pensions for all: proposals for inclusive pension in Latin America]()

One of the pending tasks in the region is the development of a sufficient, broadly accessible pension system that is financially sustainable over time. Despite the different degrees of progress in different countries, they all face similar internal and global challenges, particularly the high informality of their institutions and labor markets, which make progress even more difficult.

Some of the topics covered by the book are:

1. **Pensions for all: Innovating Pensions in Latin America.**
2. **How to design a pension system that addresses the labor informality challenge?**
3. **Informality and senior citizens: an approach from a home perspective.**
4. **Savings and pensions in the informal sector: evidence in Latin America.**
5. **Can the pension coverage of Latin American self-employed workers be improved?**

(Source: www.pinboxsolutions.com; Date: 20.06.2023).

The United Kingdom's Department for Work and Pensions published the statistical study "The Gender Pensions Gap in Private Pensions".

The study reveals the gap between the median private pension wealth of men and women, denominated the "Pensions Gender Gap." It spans a five-year age range including the normal minimum pension age (NMPA). Only uncrystallised private pension wealth is included, namely funds not yet accessed (such as lump sums or income). The study includes:

- The percentage difference in median non-zero uncrystallised private pension wealth for men and women around NMPA.
- The percentage difference in median non-zero uncrystallised private pension wealth for men and women around NMPA, for those eligible to be automatically enrolled in a workplace pension scheme.
- The percentage difference in median non-zero uncrystallised private pension wealth for men and women who hold wealth in Defined Benefit schemes only, Defined Contribution schemes only, and Defined Benefit and Defined Contribution schemes.
- The gender pension gap metric over time, since 2006.

Additional statistics for exploring the gender gap in pensions are also included.

(Source: www.gov.uk; Date: 05.06.2023).

The OECD published the document "Joining forces for gender equality: What is holding us back?", which addresses gender equality progress and policies, such as gender mainstreaming and budgeting, reforms for increasing the participation of parents in parental leave and childcare, wage transparency initiatives to address gender pay gaps, and systems for addressing gender-based violence.

According to the document, policies should focus on promoting the right mindset for gender equality. An integrated approach to gender equality is the way forward to contribute to sustainable progress: countries must move forward in their efforts to incorporate gender equality considerations into policymaking, recognizing interconnection and strengthening the link between gender equality and all policy areas, including new ones.

(Source: www.oecd-ilibrary.org; Date: 09.05.2023).

Relevant news of the period

Africa

Kenya

New rules governing contributions to individually funded programs are implemented after a court ruling.

On February 3, the Kenyan government implemented new rules governing contributions to the country's individually funded accounts program, the National Social Security Fund (NSSF), after an appeals court ruled they were legal. The new rules specifically increase employee and employer contribution rates, raise the cap on covered income, and introduce two contribution levels. Parliament and Kenya's president passed the new rules in 2013 as part of a pension reform law, but their implementation (originally scheduled for January 10, 2014) was suspended after a group of employee and employer organizations challenged their constitutionality. Now that the legal challenge has been turned down, the new rules are expected to increase contributions to the NSSF and improve future pensions provided by the program. According to Kenya's Retirement Benefit Authority (RBA), 73% of Kenya's current retirees lacked adequate savings on reaching retirement age, and only about 20 percent of the country's workers participate in the NSSF. Key provisions of the new contribution rules (effective as of February's contributions paid in March) include:

- **Increased Employee and Employer Contribution Rates:** The minimum contribution rate that employees and employers must pay to the NSSF has increased from 5 to 6 percent of covered monthly earnings/payroll. Self-employed individuals who choose to participate in the NSSF must contribute at least 200 shillings (USD 1.47) per month and at least 4,800 shillings (USD 35.23) per year. (Participation in the NSSF is mandatory for public and private sector employees and voluntary for the self-employed).

- **Covered Earnings Ceiling Increase:** The maximum monthly income/payroll used to calculate NSSF contributions per employee (also known as upper income limit) has increased from 4000 shillings (USD 29.36) to 18 000 shillings (USD 132.11), or 50% of the national average monthly salary. As a result, the maximum monthly contribution for employees and employers increased from 200 shillings to 1,080 shillings (USD 7.93). The upper income limit will continue to increase gradually over the next 4 years until it reaches four times the national average monthly wage.

- **Introduction of two contribution levels:** Under the new rules, contributions paid on monthly income/payroll up to a lower income limit (currently 6,000 shillings [USD 44.04], but gradually increasing over the next 4 years to reach the average basic monthly minimum wage) are considered Tier I contributions, and contributions paid on monthly income/payroll above the lower income limit and up to the upper income limit are considered Tier II contributions. Employers must remit Tier I contributions to the NSSF but may choose to redirect Tier II contributions from the NSSF to private pension plans registered and approved by the RBA.

(Source: SSA International Update Mayo 2023; Date: May 2023).

Zambia

One-time withdrawal of social security contributions allowed.

On April 17, Zambia's president signed a bill of law allowing members of the country's social insurance program, the National Pension Plan Authority (NAPSA), to make lump sum pre-retirement withdrawals of up to 20 percent of their accumulated indexed contributions with accumulated interest. This pre-retirement withdrawal benefit is paid as a lump sum, thus reducing the future social security benefits of beneficiaries. To qualify for a pension, members must have at least 60 months of contributions and be 45 years of age or older. The government expects that the injection of the funds withdrawn from the NAPSA into the economy will generate additional job growth and economic development. According to the government, a total of 3.9 billion kwacha ($219 million) in pre-retirement lump sum benefits were paid to nearly 128,000 NAPSA members (out of an estimated 600,000 eligible members) as of May 15.

(Source: SSA International Update Mayo 2023; Date: May 2023).

Latin America, the Caribbean and North America

Bolivia

Social organizations call for the diversification of fund investments and freedom of choice. They point out that there's no trust in the government's management of pension funds.

In an open letter, six social organizations in Santa Cruz called on the government to diversify the investments of the pension funds and generate a model in which contributors can decide whether to contribute to the Public Manager or to the Pension Fund Managers (AFPs). They also called on President Luis Arce to postpone the transfer of pension fund management to the Public Manager while considering the proposed options.

The letter, signed by the Association of Contributors to the Comprehensive Pension System (Asodasip), the National Social Security Emergency Movement (MEN), the Federation of University Professors (FUP), the Federation of Trade UAssociations of Public Health Medical Branches (Fesirmes), the National Association of Non-Commissioned Officers, Sergeants, Corporals and Police Officers (Anssclapol) and the Association of Retired Officers of the Country's Armed Forces, states that there are currently two problems with pension funds: poor returns and lack of confidence in the Public Manager. "The current problem of the Comprehensive Pension System in Bolivia lies primarily in two elements that must be addressed urgently and patriotically, prioritizing the interests of the contributing workers who own the social security savings and those of the State, from a technical standpoint and devoid of any political, partisan and/or trade union bias that affects their impartial consideration." says the letter.

(Source: www.paginasiete.bo; Date: 04.05.2023)

Chile

A San Sebastian University (USS) survey shows that almost 80% of people want to be able to choose who manages their pension funds.

Amid the pension reform discussion, a USS survey revealed that a vast majority of people want to be able to choose who manages their pension funds. Furthermore, more than half want all of their additional contributions to go entirely to individual accounts, while more than 60% think that the government must finance the lowest pensions to improve them.

The results published by the Public Policy Center of the Faculty of Economics and Government of San Sebastian University, showed that 78.3% want to be able to choose between a state or private fund manager. 14.2% want only government management, and 5.6% want only management by private entities.

“This survey tells us that the social security and government fund manager proposed in the government’s reform have minimal support. 3 out of 5 people want the entire additional contribution amount to go to their individual account and 4 out of 5 want to choose who manages their funds. In short, focusing on raising the PGU, ensuring that the additional contribution goes to individual accounts and expanding the options for choosing pension fund managers, is the way forward for the Pension Reform,” said Bernardo Fontaine, an academic at the USS Faculty of Economics and Government.

(Source: www.msn.com; Date: 22.06.2023)

The Cadem Public Survey **revealed that 51% believe that the additional 6% contribution should go entirely to workers’ personal accounts.** 36% (-2pts) agree with the government’s pension reform and 49% (+6pts) disagree.

Regarding the priorities that the pension reform should consider, 40% opt for ensuring a government financed universal basic pension of 250 thousand pesos, and 28% opt for increasing workers’ contributions by 6%, paid by employers. Finally, only 27% believe that a government public service should replace the AFPs in managing and paying pensions.

(Source: www.cadem.cl; Date: 22.06.2023)

Colombia

The Council of Bogota declared that the government’s pension reform is “an unsustainable time bomb.”

According to Councilman Marco Acosta, “fiscal pressure will be enormous in future, making it impossible to respond to future pensioners.”

According to Acosta, the reform “converts part of the savings of workers in the Individual Savings System into public money controlled by an entity defendant on the president, losing technical rigor and handing its management over to politicians.” The Councilor also explained that "the number of weeks of contributions for workers enrolled in the Individual Savings Regime increased from 1,150 to 1,300 weeks."

He also said that “The pension time bomb will be unsustainable in the long term because we will be eating up the savings of current workers and the fiscal pressure will be enormous in the future. We will not be able to respond to future pensioners because this reform superficially addresses an existing problem, while leaving a more serious problem for the future”. Likewise, the Colombia Justa Libres Councilor said that "in practice it would be like returning to a public model like social security, which ate up the savings of workers at the time, resulting in us having to pay pensions from the national budget today. The best example of this is France, which is currently experiencing a serious social upheaval with a government unable to resolve pension issues."

(Source: www.semana.com; Date: 14.06.2023)

The Colombian Association of Pension and Unemployment Fund Managers (Asofondos) estimates that 80% of members will not be able to retire if the reform is approved.

One of the Trade Association's main observations is that the model will not be sustainable over time, because there are ever fewer young people to sustain a PAYGO system like Colpensiones. In fact, DANE published the Vital Statistics Survey figures last week, showing a 7.9% annual drop in the number of births in the first quarter of the year, with a total of 127,676. Some analysts have even warned that the number of births may equal the number of deaths at some point.

Asofondos also warned of the loss of benefits with this bill, such as the ownership of savings, freedom of choice, pension inheritance, the possibility of retiring before the official retirement age, in addition to the effect on savings. Regarding the first point, Asofondos pointed out that by dividing the contributory pillar in two and mandatorily assigning the contributions of the first three minimum wages to Colpensiones, "the portion of the contribution corresponding to those wages ceases to be the property of the individual," so that "90% of workers will immediately lose the ownership of their savings flow." He also pointed out that freedom of choice will be lost, since article 18 requires that all members contribute on up to three minimum wages to Colpensiones, and they will only be free to choose above that amount.

"Freedom of choice is highly valued by Colombians, because everyone is currently allowed to choose the agency that manages our savings and offers the best returns," said the Trade Association leader, based on the survey conducted by the National Consulting Center (CNC), which says that "78% of respondents prefer freedom of choice," according to Asofondos.

Another benefit that will be lost, according to the Trade Association, is the right to inheritance, because "people will not be able to choose the pension mode in which the balance of their account remains as an inheritance for their adult children or other relatives to the fifth degree of consanguinity."

The same applies to the possibility of retiring before the official retirement age, since "the existing possibility of workers being able to retire before the official retirement age, if they have sufficient capital, is eliminated. This option, which is currently a right, is ever more appreciated by the new generations," according to the Trade Association.

(Source: www.larepublica.co; Date: 26.06.2023)

Costa Rica

The government owes the Costa Rican Social Security Fund (CCSS) ¢102,808 million (USD 189 million) for invoices not fully covered by the Ministry of Finance, corresponding to the payment of State contributions to the Disability, Old Age and Death (IVM) pension regime.

While the Fund invoiced a total of ¢256,070 million to the State during that period, the Government only paid ¢153,262 million, barely 60% of the bill.

The state is legally obligated to contribute to the pensions of salaried and self-employed workers, as well as voluntarily insured individuals covered by special agreements, such as domestic workers. Nonetheless, the government had left a million-dollar balance unpaid the previous year, further widening the State's historic debt to Social Security.

The National Pensions Commission (DNP), a government agency, informed the Comptroller General of the Republic (CGR) that the non-payment of these bills is due to "a budget deficit." According to the Fund, the debt amounted to more than ¢2.8 trillion as of last October. This is equivalent to 23% of the entire 2023 National Budget.

(Source: www.nacion.com; Date: 30.04.2023)

Ecuador

The Commission entrusted with reforming the pension system of the Ecuadorian Institute of Social Security (IESS) will present three key proposals aimed at reducing the system's current deficit. One of the proposed changes is the gradual increase in the number of years of contribution required for accessing a pension. An average of 20 to 25 years has been proposed, instead of the five best years of income, as is currently the case. This would be done gradually, increasing by one year each year, De la Torre explained. The second proposal provides for a gradual adjustment in the minimum retirement age and the number of years of contribution for accessing a pension. People can currently retire at age 60 with 30 years of contributions, but it has been proposed to increase this requirement to 35 years of contributions. Likewise, 15 years of contributions would be required of people aged 70, instead of the current 10 years.

The latter proposal seeks to reform the pension calculation table, the retirement age and the time during which the pension will be received. In addition to the above, changes will be proposed to encourage voluntary enrolment in the pension system, in order to strengthen its long-term sustainability.

(Source: www.ecuavisa.com/; Date: 25.06.2023)

United States

A survey shows that 60% of people are "very concerned" that social security pension amounts will be reduced before they retire. According to the same survey, conducted for *Newsweek*, 88% declare that these payments are "extremely" or "reasonably" important to them.

Americans are right to be worried, analysts say. The fragile financial status of social programs was laid bare in the Social Security and Medicare trustees' annual report released in March. The report predicted that the Social Security trust fund will be exhausted within a decade and is projected to cover only 77% of pensions as of 2033.

(Source: www.newsweek.com; Date: 29.06.2023)

Mexico

The Mexican Association of Afores (Amafore) has proposed an ESG questionnaire to standardize information on investments in environmental, social and governance matters.

The ESG Homologated Questionnaire aims to collect and unify, under the same criteria, the information related to the environmental, social and governance advances of the issuers in which the fund managers invest, or could invest.

The document was prepared by Amafore's Sub-Committee on Responsible Investments, based on the compilation and unification of the questions and indicators of several Afore questionnaires, as well as the most important international sustainability standards.

Following the presentation of this questionnaire to the National Commission of the Retirement Savings System and other relevant stakeholders in sustainable finance in Mexico, it was agreed that stock exchanges would facilitate the completion of the questionnaires by the issuers, through their respective platforms. This is intended to generate better practices in the Mexican market.

(Source: https://www.amafore.org/; Date: 26.06.2023)

A Plenary Session of the Senate of the Republic approved an initiative to reform, repeal and add several provisions of the Securities Market (LMV) and Investment Funds Law (LFI). mainly aimed at providing greater depth and increasing the competitiveness and resilience of the Mexican stock market for both issuers and investors.

The Reform proposes, among other things:

- The introduction of a simplified securities registration system in the National Securities Registry ("**RNV**") with the primary purpose of providing access to the securities market to small and mid-sized companies, thus expanding their capitalization capacities and sources of financing.

- The legal strengthening of the recognition of the principle of autonomy of the will of the partners, in general, and the adoption of corporate decisions, specifically through modifications relating to the issuance, transmission and scope of securities, as well as the elimination of certain restrictions and, notably, current minority rights.

- New rules and requirements for obtaining the investment advisor's license and the expansion of their regulatory regime.

- Expand collective investment mechanisms by introducing a new type of legal investment fund, better known in the North American market as *Hedge Funds*.

(Source: www.mayerbrown.com; Date: 02.05.2023)

Paraguay

IPS backs pension reform to address the multimillion-dollar deficit in the PAYGO system.

Cecilia Rodríguez, the Economic Benefits Manager of the Social Security Institute (IPS), explained part of the pension fund's complex financial situation in relation to the Retirement Fund.

"Our current deficit from 2020 to date, is US$56 million. Furthermore, we have a US$46 million pension adjustment expenditure with no source of financing," Rodríguez said.

"It is also important to mention that we are still paying the additional annual benefit that has no source of financing, corresponding to USD 108 million from 2020 to date," he said.

In view of this complex financial situation, the official pointed out that the pension fund supports the reform of the pension system, proposing the modification of the pension calculation formula, currently based on the salaries of the last three years, basing the calculation on the last 10 years of contributions.

"We have to continue proposing numerous changes and reforms, and an extremely important reform would be to change the pension calculation, which is the regulatory basis," Rodriguez said.

"You have to consider at least the last 10 years, or the best 10 years, instead of the last 3 years as we do now. We are going to insist on that," he said. "Another thing we have to do is adjust the minimum pension amount downwards again," added the official.

(Source: www.abc.com.py; Date: 12.06.2023)

Peru

According to a Datum poll, 62% of Peruvians are against contributing to a solidarity fund.

The pension reform bill of law is still pending discussion in the Plenary of Congress. The government's submittal of its proposal to the legislature is also still pending.

Another aspect consulted in the recent Datum survey is the spending mood of Peruvians. It found that only 15% of the population will purchases assets or make major investments in the next 12 months. 79% of all respondents will not do any of that, while 6% do not know what they will do in the future. Among those who will buy property or make major investments, 33% plan to acquire real estate, either a house, an apartment or a plot of land. 15% plan to invest in their business, while 11% will study for a master's or postgraduate degree. Likewise, 10% will improve their homes or use the money to build a house.

(Source: www.peru-retail.com; Date: 12.06.2023)

Dominican Republic

The Pension Commission signed an agreement with the Institute of Finance of Santo Domingo (IFISD) to promote and improve pension training in the financial sector and related industries.

The IFISD provides specialized technical training in finance, and now, due to the development of the Dominican Social Security System in the last 20 years, it must further strengthen high-level education in this sector.

The representatives of both entities agreed to join forces and resources, within the scope of their respective competences and in accordance with the regulations governing these matters, for implementing academic activities that contribute to the promotion and development of cooperative relations.

"We will also be supporting academic activities such as chats, panels, talks, seminars, workshops and courses, aimed at transmitting knowledge, good practices and experiences regarding current academic and educational issues of mutual interest," said the IFISD representative.

Both parties agreed to support one another in the improvement of their institutional plans and engage in a joint action plan for the development of new projects within the framework of this agreement.

(Source: www.sipen.gob.do; Date: 22.05.2023)

The Employers' Confederation of the Dominican Republic rejects the establishment of a PAYGO modality in the pension system.

The Chairwoman of Copardom, Laura Peña Izquierdo, expressed her rejection of the reinstatement of the PAYGO modality in the pension system, considering that it has proved not to work in practice, and represents a setback for people. She explained that the institutions she chairs is concerned about the report submitted by the Bicameral Commission in charge of studying the bill of law for reforming Social Security Law 87-01, which proposes a return to the PAYGO system, and with which all the system's stakeholders have disagreed. She recalled that the PAYGO system existed in the country prior to 2001, when the Dominican Social Security System was established, and proved to be unworkable, as in other countries. Peña Izquierdo, on the other hand, stressed that the individually funded system encourages savings through individual accounts destined to workers' pension savings, managed by the AFPs. She also commented that this system has encouraged national savings and economic activities in the 22 years it has been in operation, as part of the Dominican Social Security System. "What happens is that the individually funded system assigns those funds to pension fund managers, who invest those resources throughout the country's financial and productive system," she emphasized.

(Source: www.eldia.com.do; Date: 08.06.2023)

Europe

Netherlands

The transition to defined contribution pension plans was approved.

On May 30, the Dutch Senate passed the Pensions' Future Act, which requires defined benefit (DB) pension plans in the country's quasi-mandatory occupational pension system to transition to defined contribution (CD) pension plans by January 1, 2028. The new law, which came into effect on July 1, was passed by the lower house of Parliament in January. Population aging and a sustained period of low interest rates have financially tested the DB pension plans that currently cover about 80 percent of workers participating in the occupational pension system. This law aims to improve the sustainability of the system by combining the accumulation of individual pension wealth from DC plans with some participation in investment risk among plan participants and a lifetime income guarantee during retirement. In addition to requiring the transition from DB to DC pension plans, other key changes in the new law include:

- **Termination of age-based contribution rates:** contribution rates can no longer vary based on the age of participants. Instead, all participants must pay the same contribution amounts to their plans. However, DC plans with age-based contribution rates in effect prior to July 1, 2023, are exempt from this change if they are closed to new enrolments before January 1, 2028.

- **Establishment of a maximum contribution rate:** tax limits will apply to contributions rather than pension accrual, and the maximum contribution rate for old-age and survivor's pensions will be 30 per cent of covered income.

- **Lowering the minimum age for admission:** On January 1, 2024, the minimum age for admission to occupational pension plans will be reduced from 21 to 18.

- **Standardization of survivor's pensions:** plans must standardize qualifying conditions for survivor's pensions and express pension amounts as percentages of covered income or participants' old-age benefits. The maximum survivor's pension for a spouse or partner will be 50 percent of a participant's covered income (in case of death prior to retirement), or 70 percent of the participant's old-age pension (in case of death after retirement).

- **Introduction of solidarity mechanisms:** DC plans will have solidarity mechanisms to smooth the effects of investment losses on pension benefits and ensure pensioners receive pension income while they live.

The new law will allow three types of DC plans with different levels of shared risk and participation of members in investment decisions:

- **Solidarity defined contribution plans:** These plans will follow a collective investment policy. The returns on investment will be distributed among the participants in accordance with the allocation rules for each age group. A solidarity reserve will distribute the risks among the different generations of participants.

- **Flexible Defined Contribution Plans:** These plans will follow an individual investment policy with assorted investments that vary by age cohort. Individual accounts may experience financial gains and losses, but part of the risk will be shared through a collective reserve. Each mandatory pension fund in the industry will be obligated to maintain such reserve.

- **Defined Contribution Capital Plans:** This variant is limited to existing plans that combine some features of DB and DC plans. Pension assets accumulated in these plans as of 15 years prior to the retirement date, can be used to provide partial DB pensions. Investment and pension longevity risk must be assumed by an insurance company or other risk-sharing institution.

(Source: SSA International Update Junio 2023; Date: June 2023).

Poland

Re-enrolment in occupational pension plans is made mandatory.

As of March 1, Polish employees who previously opted out of Employee Capital Plans (PPKs) and did not submit new exclusion requests, must be re-enrolled in the plans by their employers under the current policy (PPKs are employer-sponsored defined-contribution occupational pension plans offered to public and private sector employees up to age 70). Under the 2018 law that introduced PPKs in 2019, employers must re-enrol employees who chose not to participate every 4 years if employees fail to reaffirm their decisions after receiving a notice (the next wave of auto-enrolment renewal is scheduled for 2027). When the PPK program was first implemented, participation was expected to reach 75 percent of eligible employees, but the actual rate has been lower. According to the government, there were 3.3 million active PPK participants (or about 43.7% of eligible employees) in March, with 14.9 billion zlotys ($3.51 billion) in total assets managed by 18 pension providers.

(Source: SSA International Update Junio 2023; Date: June 2023).

United Kingdom

The Chancellor and the Minister of Pensions announced a wide range of pension reforms designed to improve the results of the system and support the country's economy. Some of these reforms are:

- **2017 Automatic Enrolment (EA) Review Measures:** The legislation which will allow employees to be automatically enrolled from the age of 18 (currently 22) and receive contributions for any salary amount (currently must be greater than £6,240) is being reviewed in parliament.

- **Tackling small pension funds:** a maximum fund limit and the creation of a central counterparty chamber is proposed to support the implementation of a consolidated approach.

- **Design and implementation of a value-for-money (VPD) framework:** the government proposes implementing a VPD framework to assess performance across investment returns, services, and costs, with the aim of helping schemes shift their cost focus to a more holistic value-for-money assessment.

- **Decumulation in the Fiduciary Market** - Assigning new responsibilities to trustees to provide decumulation services, or partnering with other providers to do so, is being evaluated.

(Source: UK Department of Work and Pensions; Date: July 2023).