Table 2.1

Contribution Rates in the New Pension Systems (December 2022)

Country	Type of System	Contribution Rate New System (% of taxable income) (*)									Tax Ceiling (***) (USD)
			Individually-Funded Program					Public (PAYGO) Program			
		Total	Contribution to individual account	Management Commission	Disability and Survival Insurance (**)	Others Items	Total Individually-Funded Program	Contribution	Disability and Survival Insurance	Total Public Program	
Latin America and the Caribbean											
Bolivia	Fully-funded (a)	12,71	10,00	0,50	1,71 (1)	0,50 (2)	12,71	-	-	-	19.679 (3)
Chile (3)	Fully-funded	12,70	10,00	1,16	1,54 (5)	-	12,70	-	-	-	3.333
Colombia (3)	Fully-funded	16,00	11,50	0,65	2,35	1,50 (6)	16,00	-	-	-	5.197 (7)
Costa Rica (3)	Fully-funded+ PAYGO System	14,91	4,25	(8)	-	-	4,25	10,66	(9)	10,66	No ceiling
El Salvador (3)	Fully-funded	15,00	8,10 (10)	0,88	1,02	5,00	15,00	-	-	-	7.045
Mexico (3)	Fully-funded+ PAYGO System	10,57 (11)	8,07 (11a)	(12)	-	-	8,07	-	2,50 (13)	2,50	3.706 (14)
Peru (4) (15)	Fully-funded	13,34 11,87	10,00	1,60 (A) 0,13 (B)	1,74	-	13,34 11,87	-	-	-	No ceiling (16)
Dominican Republic (3)	Fully-funded	9,97	8,40		0,95	0,62 (17)	9,97	-	-	-	5.652 (18)
Uruguay (3)	Fully-funded + PAYGO System	22,50 (19a)	11,69 (19a)	0,83	2,22	-	15,00	22,50 (19b)	(20)	22,50	5.370
Asia											
Kazakhstan (3) (21)	Fully-funded + PAYGO System	up to 15 (22)	up to 15 (22)	(23)	NA	NA	up to 15 (22)	NA	12,5% (24)	12,5% (24)	6.484 (25)

Source: FIAP.

Includes information of FIAP member countries updated to Dec. 2022

See notes (1) to (25) in the Appendix.

(*) Weighted averages by the number of contributors. In addition to the contributory programs, several countries also have non-contributory pension programs.

(**) The disability and survival insurance premiums shown here do not consider the coverage of professional risks, i.e. risks directly related to the work performed.

(***) Data and exchange rate used to 31 December 2022 (unless otherwise stated):

- Bolivia: 1 USD = BOB 6.86
- Colombia: 1 USD = COP 4,810.2
- Costa Rica: 1 USD = CRC 601.99
- Chile: 1 USD = CLP 859.51
- México: 1 USD = MXN 19.4715 (FIX exchange rate)
- Peru: 1 USD = PEN 3.812
- Dominican Republic: 1 USD = DOP 56.4142
- Uruguay: 1 USD = UYU 40.071
- Kazakhstan: 1 USD = KZT 412.95

(a) Bolivia: Although in December 2010 was established the creation of the Public Management Body, in charge of the administration of the Integrated Pension System, up to December 2022 this institution was not operating and the pension funds remained under the administration of private AFPs.

Table 2.1

(1) Bolivia: This is the common risk insurance premium (fully financed by the worker). The common risk insurance is the collective and joint and several insurance covering the members of Mandatory Social Security [dependent and self-employed workers] against accidents and diseases of common origin outside the workplace, which could cause disability or death.

(2) Bolivia: This is the Worker's Solidarity Contribution, which is 0.5% of taxable income. This contribution was established by Law No. 065 of 2010 for all workers earning more than BOB 13,000 (USD 1,895 to December 31,2022).

(3) Bolivia: The rules and regulations impose a tax ceiling of 60 minimum wages. The minimum wage was BOB 2,250 to December 2022.

(4) The former pension systems are still functioning in these countries, but new members entering the labor market can only enroll in such systems in some of them (Colombia, Peru). The contribution rates to the public pension systems are shown in Table 2.3.

(5) Chile: The Disability and Survival Insurance commission (SIS) of 1.85% is applicable to all self-employed and voluntary workers; the cost of the SIS for self-employed workers is to the expense of the employer. Pursuant to the Pension Reform Law No. 20.255, the changes to the SIS affecting income accrued as of July, 2009, and which therefore affected the contributions paid in August, 2009, came into effect on July 1, 2009. The financing of the SIS initially continued to be to the expense of workers in companies with less than 100 employees, whereas government agencies and companies with more than 100 contributing employees had to finance the SIS contribution of all their employees, with the exception of young workers receiving pension subsidies. The situation changed as of July 1, 2011: employers became liable for the payment of the SIS for all dependent workers. The first public bidding of the SIS in July 2009 established that the cost of the SIS for the AFPs would be 1.87% of the gross income of workers, whereas in the second bidding process in May, 2010, a premium of 1.49% of the taxable income of workers was established. The third bidding process in April 2012 established a premium of 1.26% of the taxable income of workers; in the fourth bidding process (held in May 2014), the premium was reduced to 1.15%; in the fifth bidding process (held in May 2016), the premium increased to 1,41%; in the sixth (May 2018), the premium increased to 1.53%. Tenders are held every two years.

(6) Colombia: This percentage goes to the Minimum Pension Guarantee Fund of the individually funded system (RAIS). Furthermore, members receiving a monthly income equal to or greater than four minimum monthly wages must contribute an additional minimum amount of 1% of their contribution base income, which will be destined to the Pension Solidarity Fund. The applicable percentages are as follows:

>=4 y <16	1%
>=16 y <18	1,2%
>=17 y <18	1,4%
>=18 y <19	1,6%
>=19 y <20	1,8%
>=20	2,0%

(7) Colombia: The rules and regulations stipulate a tax ceiling of twenty-five minimum wages (SMLV). The minimum wage was 1 SMLV= 1,000,000 COP to December, 2022.

(8) Costa Rica: As of January, 2011, changes in the rules and regulations established a new system of commissions on the balance (% of the managed funds), with a cap of 1.10% of the fund, which is gradually decreasing to 0.35% from the year 2020. In practice, as of December 2022, all Complementary Pension Operators (OPC) charge the commission cap on balance (0.35%).

(9) Costa Rica: The amount of total contributions in 2022, of 10.66%, includes the following percentages of contribution: 4.00% contributed by the worker, 5.25% contributed by the employer and 1.41% contributed by the State. The public system is responsible for the coverage of the disability and survival insurance. Part of the contribution destined to this program is used for such coverage. Nonetheless, the country's legislation does not differentiate the percentage of contributions paid for the different benefits granted by the public program. This is why there is no available information on the percentage of income destined to the payment of the disability and survival insurance.

(10) El Salvador: At the end of September, 2017, a reform of the pension system was approved. Among other measures, the reform established that the total contribution to the system of individul accounts is 15% of the worker's salary, with 7.25% charged to the worker and 7.75% to the employer. The worker's contribution goes entirely to the so-called Individual Pensions Savings Account (CIAP) of the worker. Part of the 7.75% contributed by the employer is used for paying the AFPs commission and the disability and survival insurance premium (the sum of both of them is a maximum of 1.9% of salary); another part (5%) goes to the so-called Solidarity Guarantee Account (CGS), and another part (0.85%) to the worker's CIAP. In this way, a total of 8.1% goes to the CIAP (0.85% financed by the employer and 7.25% by the worker). Between 2017 and 2027, 5% of the contribution will go to the CGS; between 2028 and 2037 it will drop to 4.5%, and between 2038 and 2043 it will be 4% (it will drop to 3% between 2044 and 2049 and will only be 2% as of 2050). The CIAP will always receive the worker's 7.25% contribution. What will vary, as well as the amounts earmarked for the CGS, are the employer's contributions. From 2017 to 2018, employers will deposit 0.75% in the CIAP, and 0.8% in 2019 (the contribution will increase to 0.85% between 2020 and 2027, and to 1.35% between 2028 and 2037; from 2038 to 2043, the employer's contribution to the CIAP will be 1.85% of the worker's salary, 2.85% between 2044 and 2049, increasing to 3.85% as of 2050).

(11) Mexico: The pension system in Mexico for the private sector is individually funded. However, the public system (for state workers) is also individually funded. Both systems are independent. The percentage shown corresponds to the contribution percentage with respect to the Worker's Contribution Base Salary (CBS).

(11a) Mexico: Although a reform was carried out in 2020 that modifies the contributions, the increases are gradual and begin in 2023. For 2022, the 8.07% rate is divided by 6.50% that the worker contributes as a whole (1.125%), the employer (5.15%) and the State (0.225%), and the Social Fee (the so called "Cuota Social", additionally contributed by the State), which progressively decreases from approximately 4.03% for 1 minimum wage to 0.40% for the maximum of 15 Measurement and Update Units ("Unidades de Medida y Actualización", UMAs), for each work day and updated according to the table of article 168 section IV of the Social Security Law reformed in 2009. Table 2.1 takes as an example a member that earns an average of 4.0232 times the UMA, so that this Social Fee is 1.57% of salary (as of December 2022). The contributions established in the reform to the Social Security Law of 2020, will enter into force as of January 1, 2023.

(12) Mexico: The Afores only charge commissions on the managed balance as of March, 2008. The average commission on the annual balance as of December, 2022, was 0.57%.

(13) Mexico: The Disability and Survival insurance is managed by the Mexican Institute of Social Security (IMSS). The financing of this insurance includes tripartite quotas, in such a way that the employer contributes 1.75%, the worker 0.625% and the state 0.125% of the employee's Contribution Base Salary (CBS), in accordance with articles 146, 147 and 148 of the Social Security Law. The IMSS constitutes the operational reserve of the Disability and Survival insurance with the total of worker-employer quotas and federal contributions (Art. 281 LSS). The amount of the pension is equivalent to a basic amount of 35% of the average base salary for the last 500 contribution weeks, updated in accordance with the INPC, and may not be less than the Minimum Guaranteed Pension of one minimum salary and sixty years of age (Art. 141 LSS). However, these contributions are not part of the contributions to the individual account.

(14) Mexico: The legislation establishes a taxable income of 25 Units of Measure and Update (UMAs). The UMA is updated every year; in 2022 the UMA has a daily value of MXN 96.22 (USD 4.9415).

(15) Peru: The Private Pension System (SPP) Reform Law No. 29.903 introduced a new " Commission on the Balance" system denominated "Mixed Commission" in 2013, for a transitory period of 10 years. Members of the SPP had the option of remaining in the "Commission on Income (Flow)" system or automatically switching to the "Commission on the Balance" system (which includes a transitory period denominated "Mixed Commission"), between January 2 and May 31, 2013. Individuals who still had doubts, and therefore decided to remain in the " Commission on Income" system, had between June 1 and November 30 of 2013 to acquire further information, revoke their decision, and switch to the new "Commission on the Balance" system. Members who did not exercise this option were automatically switched to the "Commission on the Balance" system. It must be pointed out that during the transition from the "Commission on the Balance" system, the "Mixed Commission" will have two components over a period of 10 years: (a) a commission on the new fund, starting on April 1, 2003, and at the same time (b) a commission on income (flow), which will gradually diminish and reach zero (0) within 10 years, so that all members who opted for the "Commission on the Balance" will pay commissions only on the accumulated balance in their AFP by 2023. Table 2.1 shows the following commissions for the income accrued in the month of December, 2022:

(A) The Commission on Management of Mandatory Contributions, Insurance Premium and Mandatory Contribution Rate of those members who remain in the "Commission on Income" system (the weighted average is calculated on the basis of the number of members in the Commission on Income system).
(B) The Commission on Management of Mandatory Contributions, Insurance Premium and Mandatory Contribution Rate of those members who switched to the "Mixed Commission" system. Table 2.1 only shows the weighted average of the portion of the "Commission on Income"; to December 2022, the weighted average of the portion of the "Commission on the Balance" (annual %) was 1.04% of the balance (the weighted average of both the commission on income and the commission on the balance is calculated on the basis of the number of members in the mixed commission system).
(16) Peru: There is only a taxable income ceiling for the payment of the disability and survival insurance premium (PEN 11,284, aprox. USD 2,960 in December 2022).
(17) Dominican Republic: Of this percentage, 0.40% is destined to the Social Solidarity Fund; and 0.07% is destined to financing the operation of the Superintendency of Pensions, 0.1% to finance the operations of the Social Security Treasury (TSS) and 0.05% to finance the operations of the Directorate of Information and Defense of Members (DIDA).
(18) Dominican Republic: The law stipulates a tax ceiling of 20 national minimum wages. For contribution, tax exemption and sanctions purposes the minimum national wage is the simple average of two legal private sector minimum wages established by the National Salary Committee of the Ministry of Labor.
(19a) Uruguay: The contribution rates shown in Table 2.1 are percentages of the contributions corresponding to the individually funded and PAYGO programs (unlike the rest of the rates shown for other countries which show a percentage of the taxable income or nominal salary of the worker). The employer's pension contribution (7.5% of contributions) is only applicable to the PAYGO program. The pension contribution rate for workers is 15% of total contributions. The amount of the contributions that the worker pays into each system (Public or Individually Funded) depends on his income or nominal salary bracket and the option chosen. The contribution paid to the individually funded system includes the commission on management, as well as the disability and survival insurance premium. Table 2.1 shows the average values of commissions and premiums in the system to December 2022. There are different levels of taxable income for calculating the contributions destined to each program, as detailed below:
1. **<u>Level 1</u>:** Comprises workers whose nominal salary is up to USD 1,790 per month (Level 1 ceiling). There are two options at this level:
a. If workers did not opt for the provisions of article 8 of Law 16.713, all contributions must be paid into the PAYGO system (contribution to the individually funded system = 0). In this case, the level 1 ceiling (USD 1,790) is the ceiling for contributions to the PAYGO system applicable to the contributions of the worker and the employer. Supposing that the worker has a salary equal to the Level 1 ceiling (USD 1,790); in this case he contributes: 15% * USD 1,790 = USD 268. Whereas the employer contributes: 7.5% * 1,790 = USD 134.
b. If the workers have voluntarily opted for Art. 8, 50% of their personal contributions will be made to the individual capitalization regime, and the other 50% to the public pay-as-you-go regime. In such a case, the computable allocation to the capitalization regime and the pay-as-you-go regime is 50% of their nominal salary (up to the top of Level 1), which will be used to calculate the worker's contribution. The computable allowance used to calculate the employer contribution is equal to the amount of your salary (up to the top of Level 1). Assuming that the worker's nominal salary is equal to the top of level 1 (USD 1,790), the calculation of the contributions to each scheme is as follows: worker's contribution to capitalization = 15% * USD 895 = USD 134; worker contribution to PAYGO = 15% * USD 895 = USD 134; total contribution of the worker = USD 268 = 15% of the total computable allocation to capitalization and distribution (USD 1,790). Meanwhile, the employer contributes (only on a pay-as-you-go basis): 7.5% * USD 1,790 = USD 134.
2. **<u>Level</u> <u>2:</u>** Includes workers whose nominal salary is between the Level 1 ceiling (USD 1,790) and the Level 2 ceiling (USD 2,685). There are two options at this level: a. If the workers did not opt for Art. 8, the contribution to the pay-as-you-go regime will be that corresponding to level 1 (USD 1,790) and to the capitalization regime it will be what corresponds to the salary that exceeds level 1, that is, the nominal salary of the worker minus the cap of level 1. Assuming that the worker has a salary equal to the cap of level 2 (USD 2,685), the computable allocation to the pay-as-you-go regime is: USD 1,790 and the worker will contribute: 15% * USD 1,790 = $268; the computable allocation to the capitalization regime is: USD 2,685 - USD 1,790 = USD 895 and the contribution will be: 15% * USD 895 = USD 134. Meanwhile, the employer contributes (only to distribution): 7.5% * ceiling level 2 ($2,685) = $201.

b. If the workers have voluntarily opted for Art. 8, the contribution to the individual capitalization system is that corresponding to 50% of level 1 and the rest is to the pay-as-you-go system. The computable allocation to the capitalization regime is 50% of the level 1 ceiling and the computable allocation to the pay-as-you-go regime is the amount that exceeds 50% of Level 1, that is, the nominal salary minus 50% of the level 1 ceiling (USD 895). Assuming that the worker's nominal salary is equal to the top of level 2 (USD 2,685), the computable allocation to the capitalization regime is: 50%* USD 1,790= USD 895 and the contribution is: 15%* USD 895= USD 134. The computable allocation to the pay-as-you-go regime is: USD 2,685 - USD 895 = USD 1,790 and the worker's contribution is: 15% * USD 1,790 = USD 268. Meanwhile, the employer contributes (only pay-as-you-go): 7.5% * USD 2,685 = USD 201.

3. **Level 3**: Corresponds to workers who are in the bracket whose nominal salary exceeds USD 2,685 per month and up to a maximum of USD 5,370 (maximum taxable ceiling). In this case, the workers must contribute 15% of level 1 (USD 1,790) to the pay-as-you-go regime and for the remaining income they contribute to the capitalization regime (regardless of whether or not the workers opted for Art. 8 of Law 16,713). Above the maximum taxable limit (USD 5,370), workers are not required to make contributions (neither to the capitalization regime nor to the pay-as-you-go regime). In this case, for example, if the worker earns a nominal salary equal to the level 3 cap (USD 5,370), then he will contribute to the pay-as-you-go scheme: 15% * level 1 cap = 15% * USD 1,790 = USD 268 and to the scheme capitalization: 15% * (USD 5,370 - level 1 cap) = 15% * USD 3,580 = USD 537. The worker's total contribution will be: USD 805 = 15% of the total computable allowance (USD 5,370). Meanwhile, the employer contributes (only to PAYGO): 7.5% * cap of level 3 (USD 5,370) = USD 403.

(19b) Uruguay: The situation of workers whose salary is less than USD 1,790 per month and who have not opted for Art. 8 of Law 16.713 is described. This means that these workers are not enrolled with a Pension Savings Fund Manager (AFAP), and therefore their entire contribution is paid into the PAYGO system (22.5%: 15% by the worker and 7.5% by the employer). It must be pointed out that the total contribution rate to the pension system is not the sum of the total contribution to the individually funded system and the total contribution to the PAYGO system (these are exclusive situations since the worker can opt for the aforementioned Art. 8 of Law 16.713).

(20) Uruguay: Coverage for disability and death is received from both systems complementarily. Contributions to the PAYGO program cover the disability and survival benefits, without there being any explicit calculation of the percentage of the contribution to the PAYGO program that is earmarked for the payment of such benefits. It must be pointed out that the PAYGO system generates its own benefits in cases of disability, and death that are complementary to those generated by the individually funded system, which are generated considering the salaries on which the contributions to the individually funded system are calculated. The disability and death benefits of the PAYGO system are not financed with the insurance premium charged by the AFAPs.

(21) Kazakhstan:

The Kazakhstan pension system is multi-pillar and consists of the following components in accordance with the World Bank's conceptual framework:

- the "zero pillar" is represented by basic pension benefits (a demogrant payable to all retirees) financed from the state budget;
- the mandatory "first pillar" is represented by phasing out PAYG 'solidarity' component with pension benefits paid from the state budget. Beneficiaries are the retirees with service records prior to 1998 when the new fully-funded DC component was launched to replace the PAYG pension system;
- the mandatory "second pillar" is represented by the fully-funded DC (FFDC) component sourced by 10% employees' mandatory pension contributions and 5% mandatory occupational pension contributions sponsored by employers in favor of employees working in hazardous conditions;
- the voluntary "third-pillar" is another fully-funded DC component which is flexible and discretionary at members' choice.

UAPF is a 100% state-owned organization. "Unified Accumulative Pension Fund" JSC (UAPF) is the only administrator of the second and third pillars of the Kazakhstan pension system. Both basic and 'solidarity' pension benefits are administrated by the Ministry of Labor and Social Protection of the Population of the Republic of Kazakhstan and are paid from the State Budget.

The Government also considers at the future date the increase of the mandatory contribution rate to the UAPF from 10% to 15% (the increase will be funded by the employer);

(22) Kazakhstan: The mandatory contribution rate is 10% of the worker's income. Employers in industries with hazardous working conditions only must contribute an additional 5% of the worker's income to the respective individual accounts of workers.
(23) Kazakhstan: In accordance with the Law of the Republic of Kazakhstan on pension provision, UAPF charges a commission on pension assets. As of 2021, the commission for return on investment was excluded from the commissions collected by the UAPF. The UAPF commission structure for pension assets is equal to 0.01% (monthly). Likewise, since 2021, affiliates to the capitalization system have the right to transfer part of the pension savings to a private investment portfolio manager. The amount of the investment portfolio manager's commission is approved annually by the management body of this organization, and its maximum size cannot exceed 7.5% of the investment return.
(24) Kazakhstan: State Social Insurance Fund (SSIF) is responsible for disability and survival insurance. The employer pays social tax 9,5% for disability and survival insurance (comprising of 6% social tax and 3,5% social contribution to the SSIF), plus 3% mandatory medical insurance contributions (comprising of 2% paid by employer and 1% paid by employee).
(25) Kazakhstan: According to the legislation, the maximum tax base for mandatory pension contributions is 50 minimum wages. In 2022 the minimum wage was KZT 60,000.