

Table 2.2

Structure of Contribution Rates in the New Pension Systems (December 2022, % of taxable income)

Country	Individually-Funded Program (1)				Public Program (PAYGO)				Total	Total	Total	Total Pension
	Worker	Employer	State	Total	Worker	Employer	State	Total	Worker	Employer	State	System
Latin America and the Caribbean												
Bolivia	12,71	-	-	12,71	-	-	-	-	12,71	-	-	12,71
Chile	11,16	1,54 (2)	-	12,70	-	-	-	-	11,16	1,54	-	12,70
Colombia (3)	4,00	12,00	-	16,00	4,00	12,00	-	16,00	4,00	12,00	-	16,00
Costa Rica	1,00	3,25	-	4,25	4,00	5,25	1,41	10,66 (4)	5,00	8,50	1,41	14,91
El Salvador	7,25	7,75	-	15,00	-	-	-	-	7,25	6,75	-	15,00
Mexico	1,125	5,15	1,7914 (5)	8,07	0,625	1,75	0,125	2,5 (6)	1,75	6,90	1,92	10,57
Peru (7)	13,34 (A)	-	-	13,34	-	-	-	-	13,34	-	-	13,34
	11,88 (B)	-	-	11,88	-	-	-	-	11,88	-	-	11,88
Dominican Republic (8)	2,87	7,10	-	9,97	-	-	-	-	2,87	7,10	-	9,97
Uruguay (9)	15,00	-	-	15,00	15,00	7,50	-	22,50	15,00	7,50	-	22,50
Asia												
Kazakhstan	10,00	5 (10)	-	up to 15	(11)	(11)	(11)	(11)	10,00	5 (10)	-	up to 15

Source: FIAP.

See notes (1) to (11) in the Appendix.

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(1) When pertinent, the percentages paid into the individual accounts are added to the percentages paid in commissions to the pension fund managers, the cost of the disability and survivors insurance, and other admissible items.
(2) Chile: As of July 2011, all employers, by law, finance the cost of disability and survival insurance for workers. In the bidding processes, men and women have different rates. When the rate for women is lower than that for men (because they have lower accident rates), employers pay the same rate for both and the difference in favor of women is deposited in their individual capitalization account.
(3) Colombia: The total contribution to the individually funded program includes the percentage destined to the Minimum Pension Guarantee Fund (1.5% of the taxable income of the worker, 75% of which is financed by the employer and 25% of the worker).
(4) Costa Rica: The public system is responsible for the coverage of the disability, oldage and survival insurance. Part of the total contribution destined to this program (10,66%) includes the premium for this insurance. It is important to note that the country's legislation does not differentiate the percentage of contributions paid for the different benefits granted by the public program, and this is why there is no available information on the percentage of income destined to the payment of the disability and survival insurance.
(5) Mexico: In the Mexican case, there is a Social Quota, additionally contributed by the State, which progressively decreases from 4.03% for 1 minimum wage to 0.40% for the maximum of 15 Units of Measure and Update (Unidades de Medida y Actualización, UMAS), for each day of work and updated according to the table of article 168 section IV of the Social Security Law reformed in 2009. Table 2.2 takes into account an average member who earns 4,232 times the UMA, so that this Social Quota is 1.5664% of salary as of December 2022. That is why, considering the above assumption, the total contribution by the State to the individually-funded program as of December 2022 amounts to: 0.225% + Social Quota (1.5664%) = 1.7914%. The quotas established in the reform to the Social Security Law of 2020, will enter into force as of January 1, 2023.
(6) Mexico: The Disability and Survival Insurance is administered 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 (SBC), 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 of the SBC of the last 500 weeks of contributions, updated according to the National Consumer Price Index (INPC), and may not be less than the Minimum Guaranteed Pension of a minimum wage and sixty years of age (Art. 141 LSS). However, these quotas are not part of the contributions to the individual account.
(7) 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. Table 2.2 shows the following for the income accrued in the month of December, 2022: (A) The structure of contribution rates, considering the Commission for the Management of Mandatory Contributions, the Insurance Premium and the Mandatory Contribution Rate of those members remaining in the "Commission on Income" system. (B) The structure of contribution rates, considering the Commission for the Management of Mandatory Contributions, the Insurance Premium and the Mandatory Contribution Rate of those members who switched to the "Mixed Commission" system.
(8) Dominican Republic: The total contribution to the individually funded program (9.97% of the taxable income of the worker) includes the percentage destined to the Social Solidarity Fund (0.4% of the taxable income of the worker) and the percentage destined to financing the operations of the Superintendency of Pensions (0.07% of the taxable income of the worker). These two previously mentioned items, amounting to 0.47% of the taxable income of the worker, are fully financed by the employer.
(9) Uruguay: The column dealing with the individually funded system shows the situation of workers in that system (Law 16.713). The contribution rate for workers is 15% of taxable income (for both the individually funded and PAYGO systems). The amount of contributions destined by the worker to the system (public PAYGO or individually funded) depends on his wage bracket and the option chosen [see details in the note (18a) table 2.1]. The column dealing with the public PAYGO system shows the situation of workers whose taxable income is less than US\$ 1,790 per month and who have not opted for Art. 8 of Law 16.713, which 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) [see details in Note 18b of Table 2.1]. It must be pointed out that the total contribution rate of workers to the system is not the simple sum of the contribution rate to the individually funded system and the contribution rate to the PAYGO system (the direct sum would be 30%); in fact, the total contribution rate of workers to the system is 15%, and in each regime this percentage is distributed differently, depending on income levels and the option taken (whether or not they opted for Art. 8 Law 16,713). Furthermore, 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; in fact, the total contribution rate to the system is 22.5%.
(10) Kazakhstan: Employers in industries with hazardous working conditions must contribute an additional 5% of the worker's income to the respective individual accounts of workers. So, in industries with hazardous working conditions, the total contribution rate is 15%; and in industries with normal working conditions, the total contribution rate is 10%.
(11) Kazakhstan: Pension payments under the PAYGO system are financed from the state budget; there is no specific contribution rate for worker/employer.