This document compiles the major changes that occurred in the pension systems in the November 2023-January 2024 period, with emphasis on the development of the individually funded systems. This edition includes information on changes and regulatory proposals until January 25, 2024.

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.
### New pension programs and social security reforms (approved)

- **Brazil**: A new law promulgated in January 2024, allows participants in supplementary pension plans to opt for the tax regime when obtaining the benefit, or when making the first withdrawal (they previously had to decide when enrolling in the plan). Experts say that the new standard is a milestone and encourages pension savings.

- **Canada**: As of January 2024, the government introduced a second taxable cap on the Canada Pension Plan (CPP, public PAYGO system), on which workers and employers will pay an additional contribution rate, to increase profits.

- **Georgia**: As of September 2023, members have 3 multi-fund investment options, differentiated by risk, in their individually funded accounts system (there was previously only one low-risk fund).

- **Peru**: The AFPs reduced the disability, survival, and burial expenses insurance premium (resulting from its seventh public bidding process), from 1.84% to 1.70%, as of January 2024.

- **Romania**: In November 2023, the government enacted a law reforming the PAYGO system, which among other things gradually raises the official retirement age for women (from 62 years and 1 month to 65, equal to that of men) by January 2035.

- **Russia**: On January 1, 2024, the Russian government launched a new voluntary individually funded accounts program to encourage additional retirement savings.

### Crises in public PAYGO systems

- **Costa Rica**: New and more restrictive retirement rules came into effect in the PAYGO system on January 12, 2024, to ensure its sustainability for at least three decades. Among the approved changes is the elimination of early retirement for men as of 62 years of age, setting the official retirement age at 65, and raising the early retirement age for women from 60 to 63; as well as the modification of the retirement age for women (from 60 to 63); as well as the modification of the pension calculation formula, making it less generous (this change implies a reduction of between 8% to 10% in pension amounts).

- **Cuba**: The collapse of Cuban State finances and the accelerated aging of the population led the government to reduce the highest pensions by modifying the method for calculating them (the rule came into effect on January 4, 2024).

- **United Arab Emirates**: In November 2023, the government announced a new law reforming its PAYGO social insurance program, which, among other things, increases contributions (from 5% to 11% for public sector workers and from 12.5% to 15% for private sector employers), the official minimum retirement age (from 50 to 55), and the minimum number of years of contributions to qualify for a pension, from 20 to 30.

### Relevant reports

- In light of population aging, a World Economic Forum study proposes several principles for ensuring the financial resilience of all generations, including financial resilience in key life events; universal access to financial education, prioritizing healthy aging as a foundation for the longevity economy; and adapting jobs and developing skills for a multigenerational workforce.

- The OECD published a study on the vicious circle of informal employment and low-paying work. It recommends non-contributory social protection schemes and subsidies for participation in contributory schemes for low-income and low-skill informal workers, among other measures. Policies that encourage the formalization of high-income informal workers are required.

- It was announced that State automatic enrolment programs in IRA plans in the United States (known as Auto IRAs) had $1.1 billion in assets under management as of November 30, 2023, with more than 800,000 accounts and nearly 200,000 employers.

- The OECD published its 2023 International Survey on Adult Financial Education, which shows that, on average, only 34% of adults in all participating countries achieved the minimum target score in financial education (defined as at least 70 out of 100 points).

- According to the latest OECD report “Pensions at a Glance 2023,” the net average replacement rate for men and women in OECD countries is 61%.

- Observatorio Perspectivas published a report that comprehensively analyzes the Swedish pension system, compiling lessons on the demise of the PAYGO option in mixed systems. Some of the conclusions are that: (i) the share of notional PAYGO accounts in the total pension is expected to decrease from 67% to 37% in Sweden in another 40 years, with the consequent increase in the other components (savings); (ii) in Chile, reorganizing this PAYGO pillar once the entire cost of the transition has been financed, seems illogical (efforts should be made to achieve a flexible and modern investment regime, among other aspects).

- David Bravo’s study concludes that the net replacement rates associated with individually funded pensions in Chile are close to international standards (they are more than 80% for male pensioners prior to pension fund withdrawals and are close to 60% for female pensioners).
Relevant reports and presentations

The World Economic Forum (WEF) The World Economic Forum (WEF) published a report on the principles of longevity economics for a financially robust future. Produced by a consortium of leaders from finance, health, academia, and government sectors, this report offers a strategic approach to the challenges and opportunities of an aging global population. It proposes principles aimed at ensuring the financial resilience of all generations amid diverse national systems and objectives such as financial security and healthy living. By 2050, the global population over the age of 60 is expected to double from 1 billion in 2020 to 2.1 billion, underscoring the urgent need for strategic approaches to address aging. The report addresses sensitive issues such as age discrimination, gender gaps in pensions, and socioeconomic disparities in retirement savings. The report also advocates a holistic approach that balances health, financial stability, and social considerations, and underscores the importance of collaborative multi-stakeholder engagement focused on individual needs. The goal is to build sustainable and resilient solutions for the world’s rapidly aging demographics. The authors propose six principles for the longevity economy, which seek to ensure the financial resilience of all generations:

- Ensure financial resilience to key life events.
- Universal access to financial education
- Prioritize healthy aging as a foundation for the longevity economy.
- Adapt jobs and develop skills for a multigenerational workforce.
- Design systems and environments for social connection.
- Address longevity inequalities.

These principles offer an ambitious perspective for an equitable and sustainable longevity economy. Its implementation will require a concerted effort by governments, businesses, and civil society. Nonetheless, these principles have considerable potential for improving the lives of people of all ages. (Source: https://www.weforum.org/; Date: 15.01.2024).

The OECD published a study on the vicious cycle of informal employment and low-paying work. The paper adds two perspectives on informality. First, it explains the mechanics of the harmful association between informal employment, low-paying work, and low qualifications/skills. According to the study:

- Most workers in developing and emerging economies bear a double burden of informal employment and low-paying work. Informal workers make up nearly 60% of the global workforce, and 90% in low-income countries. Despite widespread heterogeneity, informality often has a two-tiered structure. The bottom tier comprises workers with incomes below 50% of their country’s median income: they are the majority of the global informal workforce, 54% on average, and up to 80% in some countries. A relatively small number of workers at the top enjoy relatively higher incomes; they are also more skilled and more productive. Compared to both formal and informal workers at the upper level, those at the lower level, as well as members of their households, are more likely to fall into poverty and face greater difficulties related to health and old age. They carry a double burden of underpaid work and informality.
- Transitions between formal and informal employment remain limited, and the benefits of formalization may be disappointing for some lower-level workers. The combination of informality and low-paying work is particularly persistent, as evidenced by the extremely rare transitions to formal employment. Even when they do occur, such transitions will not necessarily result in better income for the
poorest workers. Conversely, workers at the upper level of informality find it easier to access formal jobs and improve their incomes, largely because of their higher educational levels.

According to the report, the two-tier feature of informal employment calls for differentiated policy actions to facilitate transitions between these levels and formal jobs:

- **For lower-level workers and their children: alleviate the double burden of informality and low-paying work and invest in human capital.** Lower-level informal workers would particularly benefit from specific solutions to break the inter- and intra-generational circles of informality and low-paying work. Skill development policies are one such solution. It is critical to create more targeted opportunities for employer-sponsored training and public skills development programs tailored to the needs of informal workers. It is also necessary to recognize the skills they acquire through informal work. To improve the skills of children, the future workers, governments must continue to invest in accessible, equitable and quality education; prevent early school drop-out and facilitate the transition from school to work. Another parallel solution is social protection. Countries should consider including lower-level informal workers in non-contributory social protection schemes and subsidizing their participation in contributory schemes, which should be seen as an investment in the reduction of poverty. Policymakers should also acknowledge that certain workers will never be able to leave informal, low-paying jobs. When such jobs help sustain livelihoods and can therefore be considered essential and socially desirable, the priority should be to alleviate the double burden of informal employment and low-paying work through remuneration policies that address inequality; effective minimum wages, and measures to improve the bargaining power of low-paying informal workers.

- **Formalization of higher-level workers should be encouraged.** Additional measures should be considered for higher-level workers, who are more likely to respond positively to standard formalization policies, such as ensuring adequate coverage of labor laws, social security, and tax regulations, as well as the enforcement of these regulations by workers and employers. (*Source: https://www.oecd-ilibrary.org; Date: 15.01.2024).*

A Universidad de los Andes study proposes three modifications to the Colombian government's pension reform bill of law, to make it more fiscally reasonable and reduce the effects on the capital market. Although Universidad de los Andes - Colombia considers the amendment of the country's pension system a necessity, describing it as "exclusionary, regressive and inefficient", in this study it put forward changes in the reform under discussion.

1. Lowering the minimum wage threshold for contributing to the PAYGO system managed by Colpensiones (1.5 minimum wages, instead of the 3 proposed by the government). A lower threshold would enable: (i) the State to guarantee basic income levels for pensioners, leaving it up to individual savings - not subsidies - to supplement the income of the PAYGO pillar for higher income individuals; and (ii) soften the intergenerational fiscal cost.
2. Increase the minimum retirement age by three years for men and women (rising from 62 to 65 for men, and from 57 to 60 for women). This is
because the number of years in which a pension can be enjoyed, increase with life expectancy. Systems will only be financially sustainable if they balance the number of years of contributions with those of pension enjoyment.

3. Maintain the number of weeks of contribution by women at 1300. The bill establishes a bonus in terms of weeks of contribution for the mothers of children born live. By adding this bonus, they propose keeping the number of weeks of women's contributions at 1300, at the same level as men. The system would grant women a lower retirement age relative to men, plus the bonus of the number of weeks of contribution for each child born live.

Those three changes would contribute to major improvements in fiscal sustainability, making the system more equitable across generations. Compared to a non-reform scenario, the combination of the proposed measures generates an additional fiscal benefit of 12% of GDP, i.e., 45% of GDP less than the reform being discussed. (Source: https://economia.uniandes.edu.co/; Date: December 2023).

It was announced that federal automatic enrolment programs in IRA plans in the United States, (known as Auto IRAs) had $1.1 billion in assets under management as of November 30, 2023, with more than 800,000 accounts and nearly 200,000 employers. Hence, the country clearly understands that the appropriate response to address demographic trends in pensions is to increase individual savings, using the tools of behavioral economics. Hence, nearly twenty states have enacted new pension programs for private and/or public sector workers to date, most of which are Auto IRAs. In these plans, 3% is automatically deducted from the worker's salary in Connecticut, and 5% in California, Illinois, and Oregon. Workers can opt out of the plan if they wish to do so. In Oregon and Illinois, contributions increase by 1 percentage point of salary per year to 10%, and in California to 8%. (Source: https://www.massenaassociates.com/; Date: 14.12.2023).

The OECD published the 2023 International Survey on Adult Financial Education. This report presents the results of an international survey on financial literacy levels among adults. A total of 39 countries and economies, including 20 OECD member countries, participated in this third coordinated measurement exercise using the internationally recognized OECD/INFE 2022 toolkit to measure literacy and financial inclusion among their adult populations.

Some results:
- The average financial literacy score in all participating countries and economies was 60 out of 100 points (63 out of 100 in participating OECD countries). On average, only 34% of adults in all participating countries and economies achieved the minimum target score in financial literacy, defined as at least 70 out of 100 points (39% in OECD participating countries). Adults with higher levels of formal education, with higher incomes, as well as employed adults, have higher levels of financial literacy in many participating countries and economies.

- In terms of financial literacy, about 84% of adults understand the definition of inflation, but only 63%, on average, can apply the concept of time value of money to their own savings, in participating countries and economies. The percentage of adults who understand the time value of money has increased in all countries with comparable data since the previous assessment in 2019, possibly due to high inflation in many participating countries at the time the survey was conducted. The findings also show that about 77% of adults understand the risk and return relationship, but only 42% of them, on average, can correctly answer a
question about compound interest, in participating countries and economies. Only 46% of adults who own savings products in participating countries and economies understand compound interest.

In terms of financial behavior, 70% of adults in participating countries and economies, on average, say that they carefully consider whether they can afford something before buying it. However, only 26% of adults compare financial products between providers and only 24% of them seek advice from independent sources when purchasing financial products and services. (Source: https://www.oecd.org/; Date: 14.12.2023).

According to the latest OECD report “Pensions at a Glance 2023”, promoting the employment of older workers will help ensure the sustainability of pension systems and address labor market deficiencies. With the proportion of the population aged 65 and over in the OECD expected to reach 27% by 2050, promoting the employment and employability of older workers will be key to ensuring the sustainability of pension systems and addressing labor market shortages. The OECD report shows that OECD countries have combined actions to raise official retirement ages, curb early retirement, and provide incentives to work longer and improve skills to foster the employability, mobility, and labor supply of older workers.

The official retirement age will increase in 23 of the 38 OECD countries, to an average of 66.3 years for men and 65.8 years for women starting their career today. In Denmark, Estonia, Italy, the Netherlands, and Sweden, the official retirement age will increase to 70 or more, if life expectancy increases as expected and measures related thereto are applied.

The share of senior workers in the workforce has risen dramatically across the OECD, with the employment rate for people aged 55-64 in the OECD reaching a record 64% in the second quarter of 2023, almost 8 percentage points higher than a decade ago. Nonetheless, many senior workers still struggle to keep their skills up to date, have limited access to good quality jobs, and are at risk of receiving an inadequate pension in old age due to short and unstable careers.

The report notes that the net replacement rate in OECD countries for the average worker, is 61.4% for men and 60.6% for women, on average.

This edition of the OECD report assesses the impact of special pension policies in OECD countries for workers with hazardous, heavy-duty jobs, including those that grant access to early retirement through specific occupational plans or special rules within a general pension plan. Preventing health problems and retraining workers to get them out of physically demanding jobs before their health deteriorates significantly is key. Support for people with work-related health problems should be provided primarily through accident, sickness, and disability insurance at work, rather than special old-age pension schemes for hazardous or heavy-duty work. It would also be useful to improve working time and safety regulations in the workplace and strengthen the role of labor inspection bodies and occupational health services. (Source: OECD; Date: December 2023).

Observatorio Perspectivas published a report that comprehensively analyzes the Swedish pension system, compiling lessons on the demise of the PAYGO option in mixed systems. Although Sweden is recognized for its mixed pension system, the relative weight of its PAYGO pillar has been decreasing. The Nordic model ranks 9th in the top ten of the ranking prepared by the Mercer consultancy, above Chile, which ranks 14th. It provides replacement rates of 65.3%, even above the average of OECD countries (61%), although it has certain structural advantages in the labor market that favor savings levels, and the political
system has reached consensus to permanently update contribution parameters. Sweden, one of the cradles of the welfare state worldwide, and a point of reference in terms of social rights, has had a defined benefits system - notional accounts since 1960, but population aging and lower economic growth led it to incorporate a mixed government-managed defined contribution occupational pension system and voluntary savings, in addition to a non-contributory pillar, in 1994.

The Perspectives Observatory report highlights that:

- With the regulatory changes the authorities have introduced to make the system sustainable, the share of notional PAYGO accounts in the total pension as expected to decrease from 67% to 37% in another 40 years, with the consequent increase in the other components.

- Although the Swedish political system has reached sufficient consensus to define parameters that maintain the functioning of the system, there are also structural elements that determine the final result of the system:
  a) **Contribution rate:** A crucial factor is the higher pension contribution rate, which is 22.3% of salary, well above Chile (12.7%) and also above the OECD average (18.2%). In its 'multipillar' system, 16% of the contribution goes to the notional defined contribution accounts (NCD), a common fund that is used to pay existing pensions. 2.5% goes to the defined contribution financial accounts (CDF), similar to the Chilean individually funded accounts, with the difference that the State manages them and invests them in the capital market to obtain the highest returns. Another 4.5% goes to occupational pensions, which represent agreements established between the employer and workers.
  b) **Informality:** Another factor that determines the success of the Swedish mixed system is the low labor informality of only 4.3%, well below Chile’s 27%, which affects contribution densities.
  c) **Size of the Non-Contributory Pillar:** The cost of the non-contributory pillar, similar to the Chilean Universal Guaranteed Pension (PGU), is high, amounting to 7% of GDP. Nonetheless, this benefit is means-tested and the requirements to obtain it are becoming more demanding.

So, in Sweden the replacement rate is about 20 percentage points higher than in Chile, but the Swedish state spends 2.5 times more than what is spent in Chile, as a percentage of GDP, and workers contribute almost 10 percentage points more.

Although most workers’ contributions go to notional accounts, since the contribution to the defined contribution system was incorporated into the mixed system in 1994, the relevance of the defined contribution system has been increasing, given that notional accounts grow on average by 1.6% per year, while the largest pension fund (which covers 90% of workers) has real income of 6.4% per year.

39% of the pension a person receives (average salary) now comes from components financed with savings, although the monthly contribution is only 31% of the total. With this trend in returns and regulatory changes balancing notional accounts, the relative weight of individual savings in pension construction is expected to increase from 11.1% to 38.5% over the next 40 years, while occupational pensions are projected to grow by 16.6%, to 21%.
Thus, one of the conclusions of the report points out that it would appear to be illogical to re-incorporate this PAYGO pillar with lower results in Chile, once the entire cost of the transition has been financed. Efforts should focus on keeping returns high and risks contained through a flexible and modern investment regime. Sweden did the opposite of what is now being pursued in Chile, since it switched from having a 100% PAYGO systems to incorporating an individual savings pillar, identical to the Chilean one. Meanwhile, the Chilean authorities are swimming against the current, seeking to incorporate a PAYGO pillar into a savings system. (Source: https://observatorioperspectivas.cl/; Date: 11.01.2024).

A study by David Bravo concludes that the replacement rates of current pensioners in Chile are similar to those of the OECD. During the seminar "Pensions, a necessary re-diagnosis," organized by the Association of AFPs, the economist David Bravo, director of the UC Center for Surveys and Longitudinal Studies, presented an unprecedented study of Chile's pension system, in which he weighed the impact on pensions of the Universal Guaranteed Pension (PGU), the labor market, the pension fund mortality and returns tables, and pensions, among other variables, and also made future projections regarding current contributors.

Bravo conducted his study including pensioners and non-pensioners, with all their contribution history from May 1981 (or from the date of their enrolment), to December 2022. The additional value of this base of more than 1 million contributors, also lies in the fact that it was possible to analyze a cohort of contributors that began to contribute to the system from day 1 (year 1981), and that by 2022 already had, potentially, 40 years of working life behind them.

The main conclusion of the study is that the net replacement rates associated with individually funded pensions in Chile exceed 80% for male pensioners prior to pension fund withdrawals; and are close to 60% for female pensioners. The net or liquid replacement rates associated with the highest contribution densities are close to 60%.

According to David Bravo, this seems to indicate that, in all cases, regardless of the educational level of contributors, the pensions they receive for their saved individual contributions is proportionally high, and close to international standards. However, the economist emphasizes that final pensions are still low or insufficient, while emphasizing the role of the labor market in the level of pension amounts.

On the other hand, when considering the effects of the PGU, replacement rates are close to 100% for men in the sectors with the highest contributions, being much higher than 100% in the groups with the highest pension gaps. Replacement rates for pensioners between 2012 and 2019 are close to 80% in the higher contribution sectors.

In any case, the data also specifically show the positive impact of the introduction of the solidarity component and the PGU on future pensions. "The current levels of the PGU have already improved future pensions. If we want to increase it, in my opinion, the PGU should be anchored to a specific parameter, such as the amount of income associated with poverty, and not linked to the minimum wage, because if it is too high, it encourages informalism, "Bravo concluded.

Other conclusions show that the replacement rate would be 40% higher in women if they retired at age 65; that with the PGU, replacement rates in men are 100% and close to that number in women; that one point of higher returns increases the replacement rate by 12 points in men and 8 points in women; and that the impact on the
replacement rates of the three withdrawals made, are around 10 to 20 percentage points.

The study also concludes that the net replacement rates associated with total pensions projected for 2023-2042 are significantly lower than those recorded for current pensioners (2012 to 2022), in the order of 20-25 percentage points lower for men and women. This corroborates the fact that future pensioners will have a more complex situation than current pensioners. Among the factors that explain this future drop are higher life expectancies, lower-than-historical expected returns, and the impact of pension fund withdrawals.

According to Bravo, these data set a clear goal regarding what the pension reform currently being discussed should aim at. (Source: https://www.aafp.cl; Date: 28.11.2023).

Relevant news of the period

Latin America, the Caribbean and North America

Brazil

A new law modifies the tax regime for supplementary pensions. On January 11, 2024, Law No. 14.803/2024, was published in the Official Gazette of the Union, allowing participants and beneficiaries of complementary pension plans to opt for the tax regime at the time of obtaining the benefit, or the first withdrawal of accumulated amounts. The Law is a milestone for the Closed Supplementary Pensions System since enrolment in the tax regime was mandatory until it was promulgated. Choosing the type of taxation in advance was considered risky, since at that time it was difficult to predict which option would be more advantageous in the future. It should be noted that the tax regime option is valid only for Variable Contribution (VC) and Defined Contribution (DC) plans and does not cover the Defined Benefit (DB) plans. Approved by the President of the Republic, Luiz Inácio Lula da Silva, the Law determines that the option "may be exercised until the benefit is obtained or the first withdrawal is requested, referring to the amounts accumulated in benefit plans operated by a supplementary pension agency, an insurance company or Fapi, and will be irreversible." Furthermore, if the participants have not opted for the new tax regime option, the beneficiaries or legal representatives may do so "provided that they meet the necessary requirements for obtaining the benefit or withdrawal."

This step in the right direction is the result of strong action by the National Congress, based on discussions initiated by Senator Paulo Paim (PT-RS), author of Bill 5503/2019, with the support of Abrapp, who called for this change to promote the sector.

According to Abrapp’s CEO, Jarbas Antonio de Biagi, the law is the result of a long debate and is therefore an achievement for the sector. “We have been debating in parliament for more than a decade to correct this distortion,” he told the Abrapp em Foco Blog. “It is a regulatory framework for the sector. And in the end, it is very important for participants.”

Biagi stressed that the law is good advertising for the sector. “Having this very timely adjustment for development, is critical.” He also stressed that society, participants, and the sector benefit, which is another incentive for the accumulation of resources.

"This is a measure to improve tax legislation," said the president of Abrapp’s Deliberative Council, Luis Ricardo Marcondes Martins. “This is a day to celebrate. We have been calling for this measure for a long time, through bills that Abrapp
submitted to Congress. It is an evolutionary process, and although it took a long time, it arrived and it is a positive measure for the industry, "he said.

He also said that the law is part of a series of other measures that should contribute to the growth of the system, such as zero tax rates and automatic enrolment, among other projects. "Abrapp continues to exercise its leadership and representative role in the system, to further improve supplementary pensions."

The representative of closed entities in the National Council of Complementary Pensions (CNPC) and director/superintendent of Valia, Edécio Brasil, pointed out that the legislation is advantageous for people with a supplementary pension plan. "Defining the tax regime in the future, when requesting the benefit or requesting a withdrawal, allows for a more appropriate choice at that time in the participant's life, where they can choose the table with the lowest tax impact on their pension or account balance," said Edécio.

Canada

As of January 2024, the government will start collecting additional contributions from workers and employers in the country's public PAYGO systems (Canada Pension Plan, CPP). As of January 1, 2024, the Canadian government will start collecting additional contributions from employees, employers, and the self-employed covered by the Canada Pension Plan (CPP, public PAYGO system)\(^1\). These additional contributions, called secondary contributions to the CPP, will be paid on income that exceeds the CPP's taxable base income (now called the first income limit) and up to a new second income limit.

The secondary CPP contributions were set out in a January 2019 law as part of a government effort to improve CPP's old-age, disability, and survivor benefits (Similar improvements have been made to the Quebec Pension Plan [QPP], which covers workers in Quebec in lieu of CPP). According to the government, secondary contributions to the CPP and other improvement measures will increase the maximum annual benefit of the CPP by about 50% (from C$15,679 [US$11,308] to C$23,832 [US$17,188]) once fully implemented in 2064.

Under the secondary contribution provision of the CPP, employees and employers will each contribute 4% of covered income above the first income limit (C$68,500 [US$49,403] in 2024) and up to the second income limit (C$73,200 [US$52,793] in 2024). (The self-employed will pay the combined rate of 8%). The second income ceiling will be around 7% higher than the first income ceiling in 2024 but will increase to around 14% as of 2025. The provision does not affect basic contributions to the CPP, which are 5.95% of covered income up to the first income limit, for both employees and employers. (The self-employed contribute 11.9% of covered income.) (Source: SSA International Update Nov.2023; Date: November 2023).

40 years of residence.) If OAS pensioners have annual net income exceeding a certain amount (currently C$ 81,761 [US$ 58,968]), their annual pensions in the OAS are reduced by 15% of income above this threshold. OAS retirees may qualify for a monthly GIS benefit if their annual household income is below certain limits. To be eligible for a CPP old-age pension, a person must have reached the official retirement age and have at least one valid annual contribution. The CPP old-age pension can be accessed from the age of 60 and can be deferred until the age of 70.

\(^1\) Canada's public old-age pension system comprises the Universal Old-Age Security (OAS) pension program, the means-tested Guaranteed Income Supplement (GIS) program, and the CPP contributory PAYGO program. (The province of Quebec chose not to participate in the CPP, but its OPP is similar.) To qualify for a full OAS pension, individuals must have reached the official retirement age of 65 and have been legally resident in Canada for at least 40 years from the age of 18. (A proportionally reduced OAS pension is paid to those who have at least 10, but less than
Chile

The Chamber of Deputies approved the idea of legislating on pensions but rejected both the heart of the government project (3% to individual accounts and 3% to intergenerational PAYG social security component) and the regulations that implied a nationalization of the pension industry. The project must be discussed in March, in the Senate, where the government does not have a majority. On January 24, 2024, the government approved the idea of legislating pension reform, but the proposed distribution of the 6 additional points of contribution - called the core of the reform - collapsed and had successive defeats in the bill’s articles, which ended up making it impossible to nationalize the pension industry through the Integrated Pension Fund, the Pension Administrator or the Pension Investor. The outlook in the Senate is very complicated for Ministers Jara and Marcel, given that even with the Christian Democrats and independent parliamentarians, the executive does not have even half of the votes.

The Government obtained the general approval of the pension reform by 84 votes in favor, 64 against and 3 abstentions. This was the result of arduous negotiations by Ministers Mario Marcel and Jeannete Jara, which included last-minute concessions to the independent deputies of the PDP and the Democrats to ensure their support, under a political design that included marginalizing Chile Vamos and the Republicans from the negotiations - to sit down to talk with them in the Senate - and go in search of the "hinge" parties, such as the Christian Democrats, the PDG and the Democrats themselves. The specific vote on the bill, however, was a blow to Jara, Marcel and Boric, as key aspects of the project were rejected, mainly that 3 of the additional six points of contribution would go to individual accounts and 3 to a solidarity fund. The rule, known as the heart of the reform, was rejected by 76 votes in favor and 75 against (78 votes in favor were required to pass).

The rejection of the additional 6% of contribution was expected by the Government. What the official calculations had not counted on were its successive defeats when voting on the articles of the bill of law, which ended up making it impossible to nationalize the pension industry and, in the long run, control the capital market in Chile.

According to the vote, the State would have no participation in the management and investment of pensions. Everything points to this scenario being very difficult to reverse in the Senate, since the articles referring to the above had the votes of the opposition and Democrats block, which could jointly block the initiative. "The Chamber of Deputies gave a clear signal by rejecting structural aspects of the pension reform," said Paulina Yazigi, Chairwoman of the Association of AFPs.

Below are the 3 articles that were rejected in the Chamber that made it impossible for the State to control the industry.

1. Integrated Pension Fund (FIP): The Chamber approved the creation of a Social Security Pension, which according to the same bill of law, "would be financed with the employers’ contribution indicated in the following article which would be paid into the Integrated Pension Fund." Finally, only the name of the fund comprising the additional 3% of contributions was approved. All subsequent articles relating to the Integrated Pension Fund were rejected, hence the bill only mentions them.

2. Pension Manager: The government was counting on the AFP industry separating its management and fund investment roles. The fund managers always wanted a single role, subject to government bidding. "The account and benefits
management service will be awarded via public bidding. The bidding and awarding of the service will be subject to the rules stipulated in this law and the respective Bidding Terms and Conditions that the Ministries of Finance and Labor and Social Security approve by Executive Decree for each particular contract," states the bill of law. This fund manager would be in charge of customer service, contribution collection, issuing of statements, pension payments and collection. However, the motion was rejected.

3. Pension Investor: The existence of private investors and a state fund, called State Pension Investor (IPE), was particularly important for the government. The idea was for people to be able to choose between private and public managers, although the State IPEs would most likely take control of investment management and the country's capital and credit market over the years, in the opinion of several stakeholders and lawmakers involved in the matter. It was proposed that the IPE would have a board of directors comprising 5 people: a director appointed by the President of the Republic, who would be the Chairman of the Board, and four directors "appointed by the President of the Republic, based on a three- or four-fold proposal for each position by the Senior Public Management Council, with the favorable vote of four-fifths of its members." This initiative was also rejected.

The deputies approved a self-loan of a maximum of 30 UF ($1,100,000), in addition to increasing the Universal Guaranteed Pension (PGU) to $250,000, and its financing. Article 82 of Chapter III of decree 3,500 was also approved, in which the name of "Pension Fund Administrators" (AFP) is changed to "Pension Administrator", among other things. The discussion will now take place in the Senate Working Committee, which will be led by Iván Moreira (UDI) as of March.

“We expect it to be more practical, substantive, and convergent. The first challenge we will face on initiating the discussion in the Senate will be to resolve all inconsistencies, " Marcel said. The Government can reinstate rejected items, but the truth is that it is facing an uphill scenario.

The fact that the fate of the 6 points of contribution and the articles that opened the door to the nationalization of the industry had been rejected, a criticism levelled against the FA-PC from the campaign, means that Jara and Marcel will enter negotiations in the Senate from a very weak position. The polls, moreover, continue to be favorable to those who rejected the reform's articles: various opinion surveys - such as the Criteria survey last week - show that 78% prefer the additional 6 points to go to their individual accounts, while 10% are in favor of giving up 3 points of their contributions, with distrust being the predominant emotion. (Source: https://www.ex-ante.cl; Date: 25.01.2024).

In the Public Account of the Association of AFPS, its Chairwoman Paulina Yazigi highlighted the efficiency of the AFPS in paying pensions, bonuses, benefits and performing more than 150 million customer service interactions, while highlighting the proposal to improve pensions and the agenda for addressing labor informality, among other issues. As an exercise in transparency and commitment to citizens, the Association of AFPS delivered the 2023 Public Account (see presentation here), reporting on the Trade Association’s activities and those of its associated AFPS, Capital, Cuprum, Habitat, Modelo, PlanVital and ProVida, for the benefit of almost 12 million members and pensioners. The Public Account was presented by the Chairwoman of the AAFP, Paulina Yazigi, and the General Manager, Constanza Bollmann, who highlighted and expressed their gratitude for the work of the fund managers, with more than 7,000 employees. In her first message, the Chairwoman emphasized that "as a country we must continue to look for
ways to raise our pensions, which will require significant improvements to the pension system, mainly to the contributory or mandatory pillar, without forgetting to also strengthen our labor market." But these advances, she said, "must be made in the right way, identifying causes and looking for real solutions with short-term effects that are sustainable in the long term. Any changes made today will affect our children and future generations.” *(Source: www.aofp.cl; Date: 19.01.2024).*

**Costa Rica**

The Costa Rican Social Security Fund (CCSS) closed applications for pension advances under the Disability, Old Age and Death (IVM, PAYGO) system until January 11 (new, more restrictive retirement rules and regulations came into effect on January 12). The reform to the IVM retirement rules and regulations (approved by the CCSS Board of Directors in August 2021) was published in the Official Gazette on January 11, 2022. The measure seeks to ensure the sustainability of the system for at least three decades. Among the approved changes are: (i) the elimination of early pensions for men from 62 years of age, establishing the official retirement age at 65 (the early retirement age for women was raised from 60 to 63, with a specific number of years of contribution); (ii) the modification of the pension calculation formula, based on the best 300 salaries reported over 25 years of work, known as the average reference salary (SPR) (this change implies an 8% to 10% reduction in the amount of the benefit); the deferral benefit also changes, granting an additional 1% for each year of contributions after 25 years in the system, instead of the current 20 years. *(Source: https://www.mundiario.com; Date: January 2024).*

**Cuba**

The Government will lower the highest pensions to cut its expenses. The collapse of Cuban State finances, the accelerated aging of the population, increased life expectancy, and the loss of tax revenue due to the mass emigration of workers have led the Council of Ministers to modify the method for calculating retirement and total disability pensions. The Legislation seeks to reduce public spending with new regressive scales, which will penalize employees who receive above-average net income. The decree, adopted by the Government on November 29, came into effect with its publication on January 4, 2024, in the Official Gazette, and will be applicable to those who apply for a pension from now on. The calculation of the old-age and total disability pension will be based on the average monthly salary resulting from the highest wages earned by the worker over five years, in the last fifteen calendar years prior to the application for the pension. The novelty is that net income "considered part of the base income for the calculation of long-term benefits," will be subject to a regressive calculation: "100% of net income up to CUP 9,510 (approx. US$ 380), is considered as the basis for calculating the pension, whereas 20% will be applicable to the excess of CUP 28,530 (approx. US$ 1,141).” The justification for the change highlights the fact that when considering the payment of pensions, the inclusion of net income has generated “high salaries." The solution is to change the basis of pension calculation “in order to mitigate social security budget expenditures." "The aging of the Cuban population increases expenditure in the budget of the social security system," the official text emphasizes. The decree points out that, on the one hand, the number of people who reach retirement age and the time during which they receive a pension increases and, on the other hand, the number of taxpayers decreases as the work force, i.e., the actively employed population, is not replaced. The legislation points out that the change is part of the new socio-economic reality on the Island. Pension payment was modified in 2020 when the minimum pension was set at CUP
1,520 (approx. US$ 61), however, the gradual devaluation of the Cuban peso means that many elderly people are facing poverty due to the high prices derived from inflation. The previous decree abolished limits on the amount of monthly wages to be distributed per worker and added the payment of net income to the base for calculating social security benefits, a formula that resulted in higher pensions, overburdening the state budget in many cases. Moreover, the new Decree 99 maintains those special conditions of exceptional payments for activities such as "prompt dispatch and mooring applicable in port activities, or other legally acknowledged payments that do not constitute salary, and that are part of the calculation base for long-term benefits." Likewise, the regulations stipulate that those who initiated the retirement process before the publication of the current decree will be subject to the provisions of the previous legislation. (Source: https://www.14ymedio.com; Date: January 2024).

Mexico

President Andrés Manuel López Obrador wants to reform the pension system so that workers can retire with 100% of their last salary. As reported, the President will present a package of reforms, including pensions, on February 5. We currently only have a rough idea of what may be included in the chief executive’s statement, which seeks to have workers retire with 100% of their salary. Faced with the 2020 reform, which gradually increased employer contributions to 15% by 2030, the President said that the government will assume part of the contributions. The Chairman of Amafore said that the President confirmed the continuation of the fund managers and their savings, which is very important because it assures workers that their individual accounts, and consequently their savings, will not be affected (contrary to the rumors that some people have been spreading). Not even the most advanced countries have a replacement rate of 100%, i.e., when workers retire, they receive a pension equivalent to the last salary they received, so experts in the field find it difficult to achieve this. In this regard, experts have pointed out that a government contribution could tighten and reduce fiscal leeway even more, so tax reform or greater austerity measures would be necessary. (Source: www.eleconomista.com.mx; Date: January 2024).

Peru

The AFPs reduce the disability, survivor, and burial expenses insurance premium from 1.84% to 1.70%, as of January 2024. Members of the Private Pension System (SPP) will pay 1.70% for the pension insurance premium as of 2024. This was announced by the Association of AFPs after the seventh collective disability, survival, and burial insurance bidding process (Sisco VII). “The current premium of 1.84% will drop to 1.70%. This lower premium reaffirms our commitment to work for the benefit of members,” said Giovanna Prialé, Chairwoman of the Association of AFPs. The six insurance companies participating in the bidding process submitted their bids to obtain at least one of the seven fractions representing SPP members. Four insurers were awarded the seven fractions. Finally, a 1.70% premium was established as a result of Sisco VII, which will be applicable from January 1 to December 31, 2024. The pension insurance premium is collected by the AFPs on a monthly basis and transferred directly to the insurers. In the SPP, the disability, survival and burial expenses insurance protects members and their beneficiaries against the risk of disability (reduced ability to work due to illness or accident) or death. (Source: https://larepublica.pe; Date: 29.09.2023).

Association of AFP’s: "The withdrawals being discussed in Congress are an anti-reform." In an interview, the Chairwoman of the Association of AFP’s, Giovanna Prialé, addressed the Executive’s reform proposal, proposing innovative measures to ensure universal access and a minimum pension. She also said that the withdrawals being
discussed in Congress undermine the possibility of building pensions in our country, and it is crucial to work in an orderly and responsible manner. *(Source: https://peru21.pe; Date: 06.12.2023).*

**Asia and the Pacific**

**United Arab Emirates**

The country reformed its PAYGO social security program, which, among other things, increases contributions and the official retirement age. On November 17, 2023, the General Pension and Social Security Authority (GPSSA) of the United Arab Emirates (UAE) announced a new law reforming the country's federal social insurance pension program covering the majority of Emirati employees (the GPSSA program covers Emirati public and private sector employees in the seven emirates that make up the UAE, except Abu Dhabi and Sharjah [only local public sector employees are excluded]). The new law applies only to Emiratis entering the workforce for the first time as of October 31, 2023, whereas employees entering the workforce prior to that date are still subject to the former rules and regulations. With the new law, the government seeks to improve the sustainability of the social insurance program and reduce benefit gaps for Emiratis employed in the public and private sectors. Although GPSSA still needs to work out many details of the changes to the social security program, key provisions of the new law include:

(i) **Increased contribution rates:** The contribution rate for employees in the public and private sectors increased from 5% to 11% of covered monthly income. While the contribution rate of public sector employers remains at 15%, the rate for private sector employers increased from 12.5% to 15% of the covered monthly payroll. To encourage greater employment of Emiratis in the private sector, the government will cover a 2.5 percentage point share of employer contributions for Emirati private sector employees with covered monthly incomes of less than Dh20,000 (approx. US$ 5,446).

(ii) **Change in covered income:** The minimum monthly covered income for Emirati private sector employees has increased from Dh1,000 (USD 272) to Dh3,000 (USD 817). There is still no minimum covered income for Emirati public sector employees. At the same time, the maximum monthly covered income increased from Dh50,000 (USD 13,615) to Dh70,000 (USD 19,061) for Emirati private sector employees and decreased from Dh300,000 (USD 81,688) to Dh100,000 (USD 27,229) for Emirati public sector employees.

(iii) **Allow contributions during unpaid leave:** Insured Emiratis who take unpaid leave from their jobs to pursue postgraduate studies or care for their children as mothers, can now choose to pay contributions while on leave.

(iv) **Modification of Service Purchase Rules:** Under the above rules, male policyholders may purchase up to 5 years, and female policyholders up to 10 years of additional service for their contribution records if they have at least 20 years of actual contributions. Under the new rules, policyholders (both men and women) can acquire up to 5 years of additional service if they have at least 25 years of contributions or have turned 60 with at least 15 years of contributions.

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2 The UAE's old-age pension system consists of the social insurance program (PAYGO) managed by GPSSA, and a means-tested social pension (Abu Dhabi manages separate social insurance programs for all local employees, and Sharjah for local public sector employees). To be eligible for a social security old-age pension, an Emirati must have reached the official retirement age of 60 and have at least 15 years of contributions. Although the social insurance program does not cover non-Emirati employees, who make up the bulk of the country's private sector workforce, these employees may qualify to receive end-of-service bonus benefits from their employers after 1 year of service. Non-Emirati employees are generally required to retire at age 65.
(v) **Increase in the minimum retirement age and number of years of contribution:** The minimum age for accessing an old-age pension has been increased from 50 to 55, and the minimum number of years of contributions for qualifying for a pension has been increased from 20 to 30.

(vi) **Inclusion of preferential retirement conditions for mothers:** The minimum retirement age and number of years of contribution may be reduced for married, divorced, or widowed insured women with at least five children.

(vii) **Harmonization of Pension Reference Income:** Old-age pensions for public and private sector employers are now calculated on the basis of the average covered income of an insured person over the last 6 years (or the entire period if less than 6 years). Under the above rules, the reference income was based on the insured's covered income in the last 3 years (for public sector employees) or 5 years (for private sector employees).

(viii) **Expand Pensioners' Employment Eligibility:** The former rules did not allow people receiving old-age pensions to continue working unless they had at least 25 years of employment in the public sector when claiming their pensions. Under the new law, all retirees, regardless of where they were previously employed, can continue in paid employment if they have at least 30 years of contributions. *(Source: International Update Social Security Diciembre 2023; Date: December 2023).*

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3 The FPS complements Georgia’s universal state pension program, which pays Georgian citizens and certain non-citizens who have turned 60 (women), or 65 (men), a monthly pension of 295 lari ($109, if under 70) or 365 lari ($135, if 70 or older; pension amounts are higher for pensioners residing in highland communities). Participation in the SPF is mandatory for all public and private sector employees in Georgia who were under the age of 40 on August 6, 2018. Voluntary coverage is available for employees aged 40 and older as of August 6, 2018, and self-employed. To fund the individual FPS accounts, employees, and employers each contribute 2% of monthly gross income/payroll, and the government contributes 2% of annual gross income up to 24,000 lari (USD 8,896) plus 1% of annual gross income over 24,000 lari and up to 60,000 lari (USD 22,240). (Self-employed individuals must pay employee and employer contributions.) When participants turn 55 (female) or 60 (male), they can withdraw balances from their accounts as lump sums or scheduled withdrawals or convert account balances into annuities.
for the low-risk portfolio, 40% for the medium-risk portfolio, and 60% for the high-risk portfolio. In contrast, the limits for the allocation of cash and cash equivalents are 75% for the low-risk portfolio, 50% for the medium-risk portfolio and 25% for the high-risk portfolio. There are also different allocation limits between the three portfolios for fixed income securities, equities, and other types of assets. (Source: SSA International Update Nov.2023; Date: November 2023).

Europe

Spain

Inverco and Unespa call for more incentives to "provide oxygen" to pension plans. The pension system is at a decisive moment due to the retirement of the baby boomer generation and the demographic challenges it poses, putting its sustainability and solvency at risk. The new reform of the private pension system has made a significant effort to include in retirement savings groups that had previously been excluded, such as small and medium-sized enterprises, which represent 99.8% of Spanish businesses, and self-employed workers. Nonetheless, the financial industry believes that there is still a long way to go. In particular, it has called for more tax and non-tax incentives for companies to be encouraged to promote collective pension plans for their staff and demand an extension on the limit on contributions to individual pension plans, reversing the reductions that have been applied in recent years. In short, "provide oxygen" to individual plans, clearly in decline, while collective plans are growing.

In the debate on the pension system held on the occasion of the ninth anniversary of the Pensions Day organized by CincoDías and Ibercaja, Ángel Martínez-Aldama, the Chairman of Inverco, explained in his speech that the legislation governing pensions, specifically the new public promotion employment pension funds, can be improved. Martínez-Aldama believes that the legislation should include some additional elements that were discussed during the negotiations, but that were not finally included in the regulations. First, he calls for new incentives, some with no tax cost, such as a communication campaign for workers and companies. "It is not possible that seven out of ten companies are not aware of the new rules and regulations, or that workers do not know that they exist," he said. He also defended the importance of providing workers with the tools to calculate the public pension they will receive when they retire.

Both Martínez-Aldama and Mirenchu del Valle, the Chairwoman of the Employers' Association of Insurers (Unespa), stressed the need to annul the veto on contributions to the pension plans of public fund managers and companies. In the debate, one of the most criticized aspects of the reform was the contribution limit of 1,500 euros imposed on individual pension plans. "We have to raise the contribution limit and let citizens establish the amount of contribution for the supplementary pension they consider appropriate," Del Valle said. For the expert, it is essential to be able to save more than the 1,500 euros established by the regulations, which is insufficient. Thus, he called for a guarantee that those workers who do not have a collective agreement with a simplified pension plan can contribute more than the maximum of 1,500 euros to an individual pension plan. Furthermore, Martínez-Aldama considered it necessary for the reform to also include the possibility of total deduction of the contributions that companies make to pension plans. (Source: https://cincodias.elpais.com; Date: 21.11.2023).

Pension expert warns about new risks after the reform of the public PAYGO pension system. In an article published in the newspaper Expansión, Rafael Doménech, head of economic analysis at BBVA Research, points out that the OECD recently
warned that Spain’s latest pension reform is unlikely to be sufficient to fully balance the pension system. Pending the publication of the European Commission’s data in this regard, Rafael Doménech mentions in his article that FEDEA projections point to a growth in net pension expenditure of 1.5 points of GDP on average, between 2022 and 2050, which would exceed 3.5 percentage points by 2050. These additional funding requirements occur in a pension system that is no longer self-sufficient. According to the expert, by the end of 2022, the difference between income and contributory expenses of the public PAYGO pension system accounted for a deficit of 2% of GDP (also expected for 2023), to which another 2 additional points must be added for passive, non-contributory and minimum supplementary pensions. R. Doménech states in his article que las proyecciones de FEDEA apuntan a un crecimiento del gasto neto en pensiones de 1,5 puntos del PIB en promedio entre 2022 y 2050, por lo que ese gasto en pensiones excedería los 3,5 puntos porcentuales en 2050. Estas necesidades adicionales de financiación se producen en un sistema de pensiones que actualmente ya no es autosuficiente. Según el experto, al cierre de 2022, la diferencia entre ingresos y gastos contributivos del sistema de pensiones público de reparto supuso un déficit del 2% del PIB (el mismo que el previsto para 2023), al que hay que añadir otros 2 puntos adicionales por las pensiones de clases pasivas, las no contributivas y los complementos a mínimos. R. Doménech afirma en su artículo que en el futuro la pensión media sobre el salario medio será mayor, pero ambos serán menores que en un escenario alternativo de un sistema de pensiones más contributivo, equitativo y autosuficiente, en una economía más productiva. Comparando la situación actual de España con respecto a otras economías avanzadas, “no sólo no convergemos, sino que hemos divergido en productividad y renta por persona en edad de trabajar en los últimos 15”.

(Fuente: https://www.jubilaciondefuturo.es; Date: 15.01.2024).

United Kingdom

The Government opened consultations for consolidating defined contribution funds. On November 22, 2023, the government opened a consultation to consolidate the 27 thousand defined contribution schemes in a handful of suppliers, with a central clearing house for distributing contributions (similar to the Chilean AFP system). The consultation closed on January 24, 2024. The idea is to strengthen bonds with workers, overcoming the existing workplace pensions logic. This is a step beyond automatic enrolment, increasing defaulting and decreasing the need to make decisions.

(Source: https://www.gov.uk; Romania

The country enacted a social security reform law (PAYGO system). On November 29, 2023, the government enacted a social security reform law (PAYGO system)⁴ which raises the normal retirement age for women, changes retirement age reductions for mothers, slows women’s contribution increases for obtaining a full pension, changes eligibility requirements for early retirement, modifies the old-age pension benefit formula, and implements cost-of-living available for those born between July 1, 1961, and July 1, 1971). To fund the social security program, employees contribute 21.25% of covered income. Employers do not pay contributions in most cases but may be required to contribute up to 8% of gross payroll for employees working in certain demanding or difficult occupations. The individual account program is funded by employee contributions of 3.75% of covered income.

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⁴ Romania’s old-age pension system comprises a social insurance program (PAYGO) and a mandatory individual accounts program. The social insurance program covers employees with individual employment contracts, civil servants, recipients of unemployment benefits, certain self-employed workers, and others. The mandatory individual accounts program covers employed and self-employed workers born after July 1, 1971 (voluntary coverage is
adjustments to pensions. The reforms are aimed at improving the adequacy and sustainability of the country's social insurance program and are a condition for receiving additional financial assistance from the European Union's pandemic recovery fund. According to the National House of Public Pensions, which manages the social insurance program, there were 4.6 million pensioners receiving an average monthly pension of 2,009 lei (USD 439) in November. Key reforms made by the new law (all effective January 1, 2024, unless otherwise noted) include:

(i) **Raising the Official Retirement Age for Women**: The official retirement age for women will gradually increase from 62 years and 1 month to 65 (the same official retirement age for men) by January 2035. Under existing rules, the official retirement age for women would gradually increase to 63 by January 2030.

(ii) **Modification of the reductions in the retirement age for mothers**: Under the new law, women with full contributions (currently 32 years and 4 months of contributions) can receive a 6-month reduction in their official retirement age for each child they raise up to the age of 16, with a maximum reduction of 3 years and 6 months. Women who have completed the minimum 15 years of contributions, can receive a reduction of 6 years for raising three children up to the age of 16, plus a reduction of 1 year for each additional child raised.

(iii) **Slower increases in the number of years of contribution required for women**: The number of years of contribution required for women to receive a full old-age pension will gradually increase from 32 years and 4 months to 35 years (the same number of years of contribution required for men) by January 2035, instead of January 2030. The minimum number of years of contribution required for accessing a partial old-age pension will remain at 15 years, for both men and women.

(iv) **Change in Early Retirement Eligibility**: Insured individuals may claim full old-age pensions up to 5 years prior to the official retirement age, if their number of years of contributions exceed the number required for a full pension by at least 5 years instead of 8. Insured individuals will still be able to claim partial old age pensions up to 5 years prior to the official retirement age, if they have completed the number of years of contribution required.

(v) **Modification of the old-age pension benefit formula**: A new benefit formula will be introduced in September 2024 to ensure that workers holding the same jobs for the same number of years receive equal old-age pensions. The pensions of existing pensioners will be recalculated using this new formula, which will continue to be based on a points system. Under the new system, the monthly old-age pension is calculated by multiplying the insured's total pension points by the value of the pension points. In contrast, in the existing system, the monthly pension is calculated by multiplying the average lifetime cumulative score of the insured (which is based on pension points) by the value of the pension points. In both systems, pension points are calculated based on the insured's income history and number of years of contributions. The government estimates that approximately 3 million pensioners will see their benefits increase by an average of 22% due to the new calculation.

(vi) **Implementation of cost-of-living adjustments**: Pensions will increase by 13.8% in January 2024 by adjusting the
value of pension points from 1,785 lei (USD 390) to 2,032 lei (USD 445). As of 2025, the value of pension points will be adjusted each January, based on 100% of International Update Social Security December 2023; Date: December 2023

Russia

The country launched a new voluntary individual accounts program in 2024. The Russian government launched a new voluntary individual accounts program on January 1, 2024, the Long-Term Savings Program (LTSP), to encourage additional retirement savings. Enacted by the government on July 10, 2023, the program will be open to all Russian citizens and will be managed by Non-State Pension Funds (NSPF) under the supervision of the country's central bank. (There are currently 37 NSPFs licensed to operate individually funded pensions in Russia.) In addition to boosting individual retirement savings, the LTSP aims to help Russia raise capital after economic sanctions imposed by the United States and other countries limited its access to foreign investment and loans. According to the central bank, at the end of November 2023 about 6.2 million Russians (or about 4 percent of the population) were enrolled in voluntary pension schemes.

The key features include:

(i) Enrolment: Any Russian citizen can enrol in the program by opening an account at a participating NSPF. A participant may have multiple active accounts and change the

(ii) Contributions to accounts: Participants can contribute up to 400,000 rubles (USD 4,431) per year to their accounts on a tax-deductible basis. Employers and others may also make contributions to accounts on behalf of participants. In addition, funds held in Russia's mandatory frozen individual accounts program can be transferred to LTSP accounts (Russia launched the mandatory individual accounts program in 2002, but it was effectively frozen in 2014, when the government began diverting all contributions from individual accounts to the country's PAYGO social security program).

(iii) Matching contributions: To encourage savings, the government will provide participants who contribute at least 2,000 rubles ($22) per year up to 36,000 rubles ($399) in annual matching contributions during their first 3 years of participation. The rate at which the government will match participants' contributions will vary depending on their average monthly income: 100% for participants with average monthly income up to 80,000 rubles (USD 886); 50% for those with average monthly income above 80,000 rubles and up to 150,000 rubles (USD 1,661), or 25% for those with average monthly income above 150,000 rubles.

(iv) Investment Strategy: NSPFs will decide how to invest participants' savings but may not invest more than 10% of participants' savings in instruments classified as high-risk by the

generally have reached the official retirement age of 57 (for women, which will gradually increase to 60 by 2028) or 62 (for men, which will gradually increase to 65 by 2028), have at least 14 years of coverage (increasing to 15 years in 2024), and have at least 25.2 pension points (increasing 2.4 pension points per year to 30 pension points in 2025).

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5 Russia's old-age pension system comprises a social insurance PAYGO program that covers employed and self-employed workers, the mandatory frozen individual accounts program that covers certain individuals who worked between 2002 and 2014, and a social assistance program that covers residents in need. To be eligible for a social security old-age pension, an insured person must

NSPF that manages any of them once every 5 years.
central bank. NSPF investment options include government securities, corporate bonds, mutual funds, stocks, real estate, and other assets.

(v) Pension payments: Participants can receive pensions from their accounts 15 years after opening the accounts, or when they turn 55 (women) or 60 (men). Account balances can be paid in monthly recurring payments for 10 years, or for life. However, if lifetime monthly benefits are less than 10% of the legal minimum subsistence level for a pensioner (13,290 rubles [USD 147] in 2024), account balances can be paid as lump sums (lump sum).

(vi) Early withdrawals: Participants can withdraw all balances from their accounts before qualifying for a pension if they experience certain difficulties, such as expensive medical expenses or losing a breadwinner. Participants can also withdraw their contributions, minus tax deductions, from their accounts at any time (in this case, returns on investment, government matching contributions, and funds transferred from other pension accounts cannot be withdrawn).

(vii) Death Benefit: If participants die before receiving their pensions, their entire account balances will be paid to their designated beneficiaries or legal heirs. If participants die while receiving monthly fixed-term benefits, the remaining monthly benefits will be paid to their designated beneficiaries or legal heirs. Death benefits will not be paid to participants who die while receiving lifetime monthly benefits.

(viii) Account insurance: The government will guarantee up to 2.8 million rubles (USD 31,014) of a participant’s assets held in an NSPF, if the NSPF becomes insolvent or loses its license. (Source: International Update Social Security Decembre 2023; Date: December 2023)

Switzerland

Swiss citizens vote on retirement at 66. The retirement age is once again the subject of a federal referendum. Just over a year after agreeing to raise the retirement age for women from 64 to 65, the Swiss will go to the polls on March 3, 2024, to decide whether to raise it to 66 for everyone. The initiative, entitled “For a safe and sustainable old-age pension scheme,” launched by the Radical Young Liberals (JPLR/Right) in July 2021, proposes to gradually raise the retirement age for men and women to 66 by 2033. In a second phase, it would be linked to life expectancy, i.e., it would automatically increase if life expectancy increases. Specifically, the plan is to increase the retirement age by 80% of the increase in life expectancy. This means that if life expectancy increases by one month, the retirement age will increase by 0.8 months. The idea of the promoters of the initiative is to allow people to spend around 20% of their life in retirement. Under this formula, people could retire at age 67 in 2043 and at age 69 in 2070.

Pension funding is not guaranteed in the midterm, as the PAYGO pension system (AVS) is facing a structural problem. On the one hand, the number of people receiving pensions is increasing faster than the number of people in gainful employment. On the other hand, as life expectancy increases, pensions must be paid for longer periods of time. According to the projections of the Federal Social Security Office (OFSS), the AVS will be in deficit by 2031. Raising the retirement age to 66, as called for in the initiative, would save about 2 billion francs by 2030, according to the OFSS. This would ensure the financing of pensions until at least 2033. For the JPLR, it is urgent to provide the first distribution pillar with a sustainable basis to avoid
the bankruptcy of the old-age pension system. This political group presents its text as the solution to guarantee the long-term financing of the AVS, without reducing pensions or adding taxes. The promoters of the initiative also consider that linking the retirement age to life expectancy would depoliticize the issue by introducing an automatic mechanism for adjusting the reference age. (Source: https://www.swissinfo.ch/; Date: 01/18/2023).