Progress of the Pension Systems

FEBRUARY 2024 – MARCH 2024
No.1

This document compiles the major changes in the pension systems in February and March 2024, with emphasis on the development of the individually funded systems. This edition includes information on changes and regulatory proposals up to the first week of April 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.

Federación Internacional
de Administradoras
de Fondos de Pensiones

Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

- Australia: As of January 2024, work incentives for most retirees were increased, by increasing the level of earnings without affecting access to social benefits subject to monetary verification (including access to non-contributory pensions).
- Brazil: In February 2024, the regulator published the rules and regulations governing the automatic enrolment mechanism in Supplementary Pension benefit plans, considered a historic advance in the sector.
- **United Arab Emirates**: A law was passed in October 2023 establishing a voluntary alternative End-of-Service Benefits (EOSB) Program denominated "Savings Plan," to help private sector companies attract and retain foreign workers by offering them retirement savings vehicles with defined contributions like those available in other countries (employers must contribute at least 5.83% of salary for employees with less than 5 years of service; contributions are voluntary for workers),
- Spain: Rules and regulations governing the new social contribution ("solidarity fee") that the highest salaries will pay to support pensions, were passed in March 2024; they include a new contribution rate in three tranches, starting between 0.92% and 1.17% as of 2025 and gradually rising to between 5.5% and 7% by 2045.
- Iraq: A law was enacted in December 2023 that reforms the country's social insurance for private sector workers, expanding coverage, increasing the contribution rate, changing retirement options and altering the reference income for calculating benefits, among other aspects.
- **Switzerland**: A proposal to increase pensions with a bonus was approved in a referendum **o**n March 3, 2024. Increasing the retirement age from 65 to 66 was rejected in the same referendum.

Reforms proposed or being discussed

- Germany: In March, the government submitted a package of measures to ensure the sustainability of the PAYGO pension system and ensure a future replacement rate of at least 48%, including the creation of a multi-billion sovereign fund (of about EUR 200 billion) to be invested in the capital market, thus avoiding an excessive increase in contributions.
- Australia:
  - The government plans to introduce a law to allow contributions to the private pension system *(Superannuation)* to be paid when people take parental leave.
  - The Senate has prioritized a Bill of Law defining the purpose of the Superannuation.
- Chile:
  - In April, the Senate approved the core objectives of a universal preschool Bill of Law (submitted in January 2022), which extends this benefit to private domestic workers, freelancers, and workers in companies with less than 20 female employees.
  - In March, the Minister of Labor announced a Bill of Law to help Small and Medium Enterprises (SMEs) to pay off their pension debts.
- Colombia: In the pension reform currently being debated in Congress, experts have insisted on reducing the contribution threshold to the PAYGO system (managed by Colpensiones), from 3 minimum wages (proposed by the government) to between 1 and 1.5 minimum wages.
- Ireland: At the end of March, the Cabinet approved the Bill of Law establishing automatic enrolment in pension plans. If the law is enacted, it would gradually be applied as of January 2025 to some 800,000 employees between the ages of 23 and 60 who are not enrolled in an occupational pension plan (the combined worker-employer-state contribution rate would start at 3.5% and rise to 14% from year 10 onwards).
- Mexico: The constitutional reform proposed by the Executive in February aims to guarantee a pension equal to the last salary for workers earning less than the average Social Security contribution wage (approx. USD 998 per month), by creating a fund with an initial seed capital of approx. USD 3,845 million (with financing from various sources). AMAFORE approves the fact that the initiative is built on the existing AFORES model and has called for a study of the total cost of this proposal to the State.

Crises in public PAYGO and government managed systems

- Costa Rica: The Costa Rican Social Security Fund (CCSS) has called for the financing of non-contributory pensions to cover the deficit of approx. US$16 million in the annual demand in this area (20,000 applications for the subsidy have already been received and no new non-contributory pensions will be granted until financing is obtained).
- Spain: The Ministry of Finance reported that the Social Security deficit in 2023 was EUR 8,211 million, 39% higher than in 2022. The sustainability of the pension system has been questioned by the Independent Authority for Fiscal Responsibility (AIReF), which projects that pension spending would rise from the current 13.7% of GDP to 16.3% by 2049.
- Paraguay: The PAYGO pension system has already accumulated a deficit of US$ 46.8 million in the first two months of the year, thus completing 10 consecutive years of deficit.

Relevant reports

- A study by the consulting firm NOVASTER **("What they haven't told you about pension systems in Latin America and the Caribbean"),** analyzes why PAYGO pension systems are not financially sustainable in a context of accelerated aging as currently occurring in the Latin American and Caribbean region.
- **The Chilean private sector published a** report **with 15 measures to address labor informality.** It includes three main proposals: (i) promote labor formality among young people, through improvements to the Youth Employment Subsidy; (ii) address labor informality among self-employed workers or entrepreneurs, conditioning the granting of certain operating permits on compliance with social security contributions; and (iii) link the Universal Guaranteed Pension (PGU) to contribution incentives.
- A World Bank study **emphasizes rethinking social insurance for self-employed, low-income, and/or Gig economy workers.** Some of the main alternatives are to offer automatic, small, and flexible payment options, simplify procedures with digital technology, and use behavioural nudges ("*Nudges*") to encourage participation.
- **According to a new** report by The Lancet, **the global fertility rate will fall below the replacement level (2.1 children per woman) by around 2030** (the United Nations had forecast that this would happen by around 2050). The authors warn that in this scenario, national governments must now plan to respond to the threats that these changes will pose to the economy, food security, health, the environment, and geopolitical security.
- A study **by the U.S. Collaborative Effort found that, after controlling for salary and occupation, significant race and gender disparities persist in 401k pension plan account balances.** These could be reduced by eliminating the pre-retirement withdrawals option+.
- **According to** a study by the Center for Retirement Research at Boston College, **the proposed self-enrolment retirement savings program shows great promise, helping the State and hundreds of thousands of private sector workers**.
- **According to a** report by Observatorio Perspectivas, the Chilean pension system took more than 3.5 years to recover its assets under management prior to the pension fund withdrawals that started in July 202A.
- **A** study by the *Latin America and Caribbean Inequality Review* (LACIR) calculated the redistributive impact of pension systems in Latin America and the Caribbean (LAC) and concluded that in defined benefit PAYGO systems (like the ones in Colombia and Paraguay) between 70% and 95% of all subsidies are concentrated in the three highest deciles of labor income.
- **Brookings Institute published a** report **on the past and future of the U.S. pension system,** including the SECURE 2.0 legislation (passed in December 2022), summarizing its key provisions, and discussing the need for further reforms.

Relevant reports or presentations

The private sector published a report with 15 measures to address labor informality in Chile. Labor informality is one of the most pressing challenges of our society, since it involves approximately one third of those employed in Chile - 2.5 million people - who work without any social protection and, therefore, in a highly vulnerable situation. With this in mind, the Production and Trade Confederation (CPC), the Association of Pension Fund Managers (AAFP) and the Chilean Association of Entrepreneurs (ASECH), formed the Labor Formality Round Table last November. This body, comprising 15 prominent specialists and led by Susana Jiménez, Vice Chair of the CPC, Paulina Yazigi, Chair of the AAFP, and Jorge Welch, Chairman of ASECH, met periodically between September and February. The final report sets out 15 short, medium and long-term measures, aimed at generating or accelerating behavioral changes in the Chilean population, to incentivize social security contributions and labor formality. To this end, it addresses different lines of action related to the pension system, improvements in oversight, review of subsidies, strengthening of technical education, reduction of bureaucracy, immigration issues, among others. The report also highlights three main proposals on which public policies should begin to focus. The first measure seeks promote labor formality among young people, through improvements to the Youth Employment Subsidy. The second measure seeks to address labor informality among the self-employed or entrepreneurs, conditioning the granting of certain operating permits on compliance with social security contributions. The third main proposal aims at studying the redesigning of the Universal Guaranteed Pension (PGU).
All of these measures, which could be implemented in a short period of time, are supported by data confirming their relevance: high informality among young people (36.7%), above the average; the fact that self-employed workers constitute approximately 25% of the workforce and that 90.4% of them do not contribute (i.e., almost 2.2 million workers); and the evidence that shows that the current structure of the PGU does not generate incentives to reduce pension gaps and thereby increase labor formality. For further details, please review the Official Communiqué. ***(Source: CPC; Date: 26.03.2024).***

A World Bank study **places emphasis on rethinking social insurance for the self-employed and Gig economy workers.** Social security schemes, traditionally created for stable jobs with a formal relationship between employers and workers, often do not adjust to the reality of the self-employed or Gig economy workers with fluctuating incomes. These workers may have difficulty making the regular monthly payments required by social security because of their variable income and the high costs of these programs. Participating in formal social insurance is not feasible or affordable for many of this demographic group, due to their variable income and the high contribution rates of many existing schemes. This brief note offers key design ideas for reinventing social security products for self-employed, low-income, and/or gig economy workers inspired by the "sachet revolution." This note provides information on how to repackage these products to expand their reach and relevance to a wider audience, building on successful consumer goods strategies that cater to the preferences and financial capabilities of the target market. The aim is to adapt social security to meet the diverse needs of an expanded and more diverse customer base, ensuring accessibility and practicality. Key design ideas include:

1. Offer automatic, small and flexible payment options.
2. Offer both monetary and non-monetary incentives.
3. Streamline the registration process using existing identification systems.
4. Simplify procedures with digital technology.
5. Establish records of potential self-employed workers through alliances with digital employment platforms.
6. Use behavioral nudges to encourage participation.

By adopting these strategies, social security can become more accessible and relevant to those for whom it had previously been inaccessible. ***(Source: World Bank; Date: March 2024).***

A study by the consulting firm NOVASTER ("What they haven't told you about pension systems in Latin America and the Caribbean"), analyzes why PAYGO pension systems are not financially sustainable in a context of accelerated aging, as is currently occurring in the Latin American and Caribbean region. The report emphasizes four central ideas, among others:

1. "Solidarity" in the PAYGO systems of the region occurs in a direction that is not socially desirable: from the most vulnerable to the richest.
2. Demographic changes subject the PAYGO systems to an "intergenerational lack of solidarity," in which current generations are benefited to the detriment of future generations of pensioners.
3. Individual savings systems present an excellent opportunity for generating good pensions (due to the effect of individually funded contributions and returns on investments), but they must be designed in accordance with their stated purpose (including adequate contribution rates and retirement ages), in addition to policies that promote labor formality to achieve higher contribution densities.

In the absence of parametric reforms in the PAYGO systems, and with the demographics projected for the coming decades, the replacement rates for people now starting to contribute will be on average three times higher in savings systems than in a PAYGO systems. ***(Source: FIAP; Date: January 2024).***

Global fertility rates will plummet in the coming decades, according to a new report by The Lancet. The demographic projection published in this scientific journal, the most prestigious in Europe and one of the most important worldwide, predicts an unprecedented global drop in fertility rates, which will have unprecedented socio-economic repercussions perhaps as early as 2030. The study estimates an unprecedented worldwide decline in fertility since records have been kept, especially in sub-Saharan Africa, where it will fall faster than in all United Nations countries. The study, conducted by the Institute for Health Metrics and Evaluation (IHME) estimates that by 2050 more than three-quarters of the world's countries (155 out of 204) will have fertility rates too low to continue maintaining population sizes. This percentage will rise to 97% by 2100. The Lancet study forecasts that the global fertility rate will fall below the replacement level (2.1 children per woman) by around 2030, while the United Nations forecast is that this will happen by around 2050. One of the most notable points of the study is the demographic contrast between the richest countries (with very low fertility) and the poorest countries (with still high fertility rates).

"Fertility is declining globally below replacement level in more than half of all countries and territories in 2021," the study authors note. Since 2000, trends show that only a small number of countries had a slight uptick in fertility rates after record lows, with none able to reach replacement level. "Furthermore, the distribution of children born worldwide is changing, concentrating on areas with the greatest geopolitical instability," they stress. "Future fertility rates will continue to decline worldwide and remain low even if birth support policies are incentivized, they say, so "these changes will have far-reaching economic and social consequences due to aging populations and shrinking labor forces in higher-income countries, combined with an increasing proportion of live births in already poorer regions of the world." The authors warn that in this scenario, national governments must now plan to respond to the threats that these changes will pose to the economy, food security, health, the environment and geopolitical security. ***(Source: Expansión; Date: 21.03.2024)***

A study by the U.S. Collaborative Effort found that, after controlling for salary and occupation, significant race and gender disparities persist in 401k pension plan account balances. These could be reduced by eliminating the pre-retirement withdrawals option. The ***Collaborative for Equitable Retirement Savings (CFERS),*** a multi-stakeholder collaborative initiative in the US, which aims to make retirement savings more inclusive by addressing and mitigating racial and gender disparities in 401k pension plans, published its first report "***Racial and gender disparities in 401(k) account balances: how big are they and what's causing them?***" The study examined anonymous 2022 data from nine 401k pension plan sponsors for approximately 180,000 active participants, and found that, even after controlling for salary and occupation, significant race and gender disparities persist in such account balances. The report attributes those differences to variations in the behavior of pre-retirement contributions, loans, and withdrawals. Additional findings include:

- Black and Hispanic women contribute lower percentages of their wages than their counterparts after controlling for age, salary, occupation, and plan design variables.
- Black and Hispanic workers withdraw a greater portion of their account balances before retirement and make these pre-retirement withdrawals more frequently than their white counterparts. These differences become more extreme the closer people get to retirement.
- Black participants are more likely to have an outstanding loan than their white counterparts. Black men and women both have a 49% chance of having an outstanding loan between the ages of 55 and 59.
- The results of the report's simulation indicate that eliminating pre-retirement withdrawals would substantially mitigate racial and gender disparities.
  - "It is well known that there are racial and gender disparities in retirement account balances, but these disparities are not fully explained by different economic circumstances such as income or occupation," said Jack VanDerhei, director of studies at the Morningstar Center for Retirement and Policy Studies and lead author of the report. "This paper is the beginning of a multi-phase effort to model the effects of these disparities and test the effectiveness of different measures that employers and policymakers could take. Our initial findings suggest that reducing pre-retirement withdrawals can significantly reduce racial and gender disparities in 401k plans."

  - "Through CFERS, we are working to ensure that retirement plan participants can achieve their broader retirement and financial goals. Examining retirement savings data and underlying behaviors around existing disparities has revealed preliminary insights that will help the retirement savings system evolve toward addressing the racial and gender wealth gap," said Lew Minsky, Chairman and CEO of the *Defined Contribution Institutional Investment Association* (DCIIA).

"Retirement savings are the second-largest source of household wealth in the U.S., which means that our efforts to close racial and gender wealth gaps require a retirement savings system that works for everyone," said Karen Biddle Andres, director of impact strategy and partnerships for the *Aspen Institute Financial Security Program*. "This report notes that minor changes in plans and benefits can likely translate into significant increases in retirement savings balances for Black and Hispanic households in particular. Continuing this level of cross-sector collaboration, testing, and innovation, will help our retirement savings system achieve its promised goals in the financial lives of Americans." ***(Source: FinanceYahoo; Date: 19.03.2024)***

According to a study by the Center for Retirement Research at Boston College, the self-enrolled retirement savings program proposed in Massachusetts shows great promise, helping the state and hundreds of thousands of private sector workers. A proposed retirement program in Massachusetts designed for small business employees without workplace savings plans is promising, according to new research from Boston College's Center for Retirement Research (CRR). The study, funded by The Pew Charitable Trusts, concludes that such a state program would be self-sustaining and gain meaningful participation, while helping to reduce worker savings gaps and state budget deficits. Today, nearly half of all private-sector workers in the United States have no access to employer-provided retirement plans. The inability to save easily and regularly for the future causes about one-third of American households to rely solely on PAYGO Social Security in retirement. In Massachusetts alone, this reality affects about 1.2 million workers, with a disproportionate impact on low-income, non-white, and female workers. If current trends persist, projections show that vulnerable elderly households could face an average income shortfall of US$10,820 per year by 2040, compared to recommended income replacement targets. And that would lead to significant drops in their standard of living. But the implications extend beyond individual households. According to Pew's analysis, those deficits could lead to an estimated $13.9 billion increase in Massachusetts state spending on welfare for senior residents from 2021 to 2040, linked to this lack of retirement savings opportunities.

In 2023, recognizing the importance of addressing this issue, state House and Senate lawmakers introduced the Massachusetts Secure Election Savings Program Act (H. 998 and S. 624). The measures are awaiting the vote by both chambers. This effort, similar to initiatives already taken in 15 states, would create an individual retirement account (IRA) program for certain private sector workers at no cost to their employers. Under this legislation, companies without an occupational pension plan would simply enroll their workers in the program and process payroll deductions. Workers would choose whether to participate, would be able to opt out at any time, and would control their contribution levels. They would always have tax-free and penalty-free access to their savings in the event of a pre-retirement financial crisis.

To assess the potential impact of such a program, CRR, with input from Pew, conducted a study based on the experiences of the three programs launched in California, Illinois, and Oregon (which were implemented earlier and therefore have the highest follow-up records). The findings indicate that the Massachusetts Secure Choice Savings Program would have significant enrollment in a short period of time. Projections suggest that more than 400,000 new retirement accounts would be created within five years, and more than 600,000 within 15 years, levels that would significantly reduce the coverage and savings gap. The report also highlights the fact that that with a typical contribution and commissions structure, a historical return on investment, and participation and withdrawal rates similar to those of existing initiatives, the program would generate positive cash flow for both the State and the external financial partner that manages it, in about five years, with all initial costs recovered shortly thereafter. This financial sustainability would be combined with the indirect benefits of the State's budgetary aim of reducing poverty among residents over the age of 65, and the projected increase in welfare spending. The Massachusetts Secure Choice Savings Program presents a promising opportunity to significantly reduce the number of workers without retirement savings, while ensuring fiscal sustainability for the State and its shareholders. By addressing the pressing need for affordable retirement savings options, this initiative has the potential to improve the financial security and well-being of hundreds of thousands of individuals and families across the state. ***(Source: Pew; Date: 11.03.2024).***

The Spanish Association of Collective Investment Agencies and Pension Funds, INVERCO, published its report on the evolution of Collective Investment Institutions and Pension Funds in 2023, and prospects for 2024. According to the report, the estimated assets of UCITS (Investment Funds and Companies) worldwide would be EUR 62.2 trillion by the end of 2023, and Pension Fund assets at EUR 35.7 trillion, representing an increase of 10.3% and 10.6%, respectively, compared to 2022. This greater increase in collective investment relative to world GDP in the year means that the volume of assets of the Collective Investment Institutions and the Pension Funds amount to 103.5% of Global GDP (94.4% in 2022), similar to 2019 levels. The equity of the IIC§s in Spain, as of December 31, 2023, stood at EUR 630,129 million, a 10.8% increase of EUR 61,446 million compared to 2022, its second best all-time high. The Spanish Pension Funds, in turn, increased their equity by the end of 2023, and closed the year with EUR 122,385 million in assets (7.4% more than in 2022), with all three systems recording increases in equity. The increase in the equity of the Individual Plans in 2023 was due to the revaluation of portfolios, due to market effect, which offset the net profits (-814 million euros). The drastic reduction in the contribution ceiling (from 8,000 euros per year to 2,000 euros in 2021, and down to 1,500 euros since 2022) has resulted in a reduction of EUR 7,124 million in the volume of gross contributions in the individually funded system between 2021 and 2023. These contributions were not paid into the Employment System, whose net contributions have continued to be negative, as in previous years. INVERCO's outlook for 2024 projects that the volume of assets of Spanish UCITS could amount to EUR 670 billion, an increase of 6.3% compared to 2023; and the equity of Spanish pension funds could increase by 2.1% due to the market effect, closing the year at EUR 125 billion. ***(Source: INVERCO; Date: February 2024).***

According to a report by Observatorio Perspectivas, the Chilean pension system took more than 3.5 years to recover its assets under management prior to the pension fund withdrawals that started in July 2020. The three withdrawals during the pandemic totaled about CLP 41.5 billion, equivalent to about USD 44.365 billion. According to Observatorio Perspectivas, if the withdrawals had not been made, the system's savings would have amounted to about CLP 208 billion, instead of the current CLP 168 billion. It also estimates that the damage caused to the returns of the system by the forced liquidation of such a large amount of assets in a short period of time, generated an average real loss of 10% over the three-year horizon. This is in contrast to what happened in the rest of the world, where the benchmark MCSI Global indicator grew by 20% in the same period. Observatorio Perspectivas warns that new threats for maintaining the returns of the Pension Funds have emerged. It provides as an example the case of self-loans, which were approved in first instance in the pension reform in Congress, which if allowed to continue would enable withdrawals of up to 5% of savings, with a cap of 30 UF (approx. USD 1,148) by those who are more than five years from retirement age. These self-loans could reduce the final pension between 1.4% and 2.8%, depending on the contribution density, and this damage would be multiplied with any possible default in the repayment of the loan. One of the changes that could improve the returns of the funds would be to make the investment regime more flexible, in terms of increasing exposure to alternative assets (only increasing the return by one percentage point for 40 years can achieve a 20% higher pension). ***(Source: Exante; Date: 07.03.2024).***

According to the Thinking Ahead Institute's (TAI) latest Global Pension Asset Study, global pension assets grew again in 2023, rising by 11% to $55.7 trillion. This compares with $50.1 billion at the end of 2022, when the same TAI study had previously measured the biggest annual drop since the global fiscal crisis, interrupting a decade of previous uninterrupted growth. The return to growth during 2023 is largely the result of a stronger capital market performance throughout the year, following a much more negative impact from markets in the 2022 adjustment. TAI estimates that the return (measured in USD) of a

benchmark portfolio, consisting of 60% global equities and 40% global bonds, was 16.6% in the twelve months to December 2023.

Actual investment allocations among global pension funds have changed considerably over the 20-year history of the study. Since 2003, share allocations have dropped nine percentage points over two decades, from 51% to 42% in 2023. Meanwhile, the bond allocations by global pension funds remain stable at an average of 36%, the same as in 2003. Compared to 20 years ago, the allocation of pension fund assets to "other" asset classes (from real estate and infrastructure to private equity) has increased significantly. These "alternatives" now account for 20% of global pension investments, up from just 12% in 2003. At the same time, as a reflection of market risk awareness and systemic uncertainty among global pension funds, average allocations to cash instruments have increased slightly from an estimated 1% to 3% over the past two decades. ***(Source: WTW; Date: 26.02.2024).***

The ISSA published a report on progress and developments in social security for the self-employed in Europe. Recently, the lack of social security coverage for the self-employed has attracted considerable attention in Europe. Changes in the working environment, such as the increasing importance of platforms, have led to an increase in the number of self-employed workers with lower incomes. These trends, along with the COVID 19 pandemic, have highlighted the historical inadequacy of protection of the self-employed in the region. This article presents the latest developments in social security for the self-employed in Europe. The article complements previous articles on the social security of platform workers in Europe and elsewhere, It analyzes some approaches aimed at building and maintaining inclusive social security systems that guarantee comprehensive coverage regardless of employment status; reforms or initiatives related to the affordability, adequacy and sustainability of systems in the long term; and the simplification of administrative procedures that facilitate the participation of self-employed workers in contributory schemes. ***(Source: ISSA; Date: 09.02.2024).***

A **study by the Latin America and Caribbean Inequality Review (LACIR) calculated the redistributive impact of pension systems in Latin America and the Caribbean (LAC) and concluded that in defined benefit PAYGO systems (like the ones in Colombia and Paraguay), between 70% and 95% of all subsidies are concentrated in the three highest deciles of labor income.** To this end, the authors first calculated the theoretical benefits of pensions for hypothetical workers in 25 LAC countries. They show that, on average, LAC pension systems are subsidized, as they provide higher pensions than workers would have obtained by investing pension contributions in a safe asset. Similarly, pension systems are designed to be progressive by offering higher replacement rates (pensions relative to income) for low-income workers. The authors show that, on average, the pension systems in five countries provide significant subsidies to those workers who obtain a pension. Nonetheless, given the high levels of informal work, such subsidies are highly concentrated among high-income workers in some countries. There is a large variation between countries: the three highest deciles of labor income concentrate between 70% and 95% of all subsidies in defined benefit PAYGO systems, such as Paraguay and Colombia. In defined contribution systems, subsidies are much more progressive, but even so, between 50% and 60% of subsidies are concentrated in high-income deciles because low-income workers do not qualify for minimum pensions. Countries like Chile, with explicit subsidies targeting the bottom of the income distribution, achieve a more progressive distribution of subsidies. Due to relatively low participation rates, women have a weaker link to the pension system. They are also less likely to benefit from implicit subsidies. Finally, they show that non-contributory pensions, if well targeted, greatly improve the redistributive properties of pension systems in LAC. ***(Source: LCE.AC.UK; Date: Nov.*** 2023). An

An NBER study **looks at long-term care systems worldwide.** The developed world is in the midst of a huge demographic transition, with life expectancy increases and fertility rate decreases, leading to rapid population ageing. This trend has critical implications for long-term care worldwide. This document serves as an introduction to a volume that brings together experts from ten countries to compare long-term care systems. The authors find a number of important similarities: only a minority of assisted older people rely solely on formal care (i.e., care in an institution or through paid home care), while most care is provided informally by family members or other unpaid caregivers. Without public support, the cost of long-term care would be beyond the financial means of a large fraction of older people in all countries, particularly the oldest and most disabled; and the public sector bears most of the costs of formal long-term care in all countries. However, there are significant differences between countries, particularly in the extent to which formal care is provided in institutions or at home, and in the difference between the use of formal and informal care. Given the importance of informal care in all countries studied, the authors conclude that any estimate of the social costs of long-term care must take into account the implicit costs of informal care. In this assessment of informal care, it was found that it accounts for at least a third of all long-term care expenditure in all countries studied, with an average share of almost 50%. ***(Source: NBER; Date: Nov.2023).***

Brookings Institute published a report on the past and future of the U.S. pension system. The SECURE 2.0 Act, passed in December 2022, is the most extensive set of changes to retirement provisions in the last 15 years. This document places SECURE 2.0 in the context of the current evolution of the retirement system, summarizing its key provisions, and discussing the need for further reforms. Since 2024 marks the 50th anniversary of the passage of the Employee Retirement Income Security Act *(ERISA),* evaluating the broad spectrum of retirement policy and behavior is particularly timely. Previous reform efforts, including automatic 401(k) s, automatic IRAS, and the saver's credit, aimed to make saving for retirement easier and more rewarding for grassroots workers. More recently, SECURE and SECURE 2.0 improved and expanded the saver's credit (renamed the saver's counterpart), expanded automatic enrollment, and extended participation in the plan to more part-time employees. They also facilitated multiple employers plans and took steps to improve account portability and disclosure, reduce pre-retirement withdrawals, facilitate emergency savings, and promote better options for converting savings into retirement income. However, important measures are still pending for policies to make the retirement system more equitable and effective. Particularly important are closing the coverage and racial, ethnic, and gender gaps in retirement wealth. Other key goals include helping workers turn savings into reliable lifetime income; encouraging people to work longer; reducing pre-retirement withdrawals; ensuring that retirement savings can accompany workers from job to job; and exempting small savers from required minimum distribution rules. ***(Source: Brookings.Edu; Date: January 2024).***

Relevant news of the period

Latin America, the Caribbean and North America

Brazil

The National Complementary Pensions Council (CNPC) issued rules and regulations governing the automatic registration of supplementary pension plans. CNPC Resolution No. 60/2024 addressing the rules and regulations governing the automatic registration of Supplementary Pension benefit plans, was published in the February 27, 2024, edition of the Official Journal of the Union. The new rules and regulations were approved by the CNPC at a meeting held on February 7. "We are pleased to announce the publication of the new CNPC rules and regulations governing automatic registration. It is important for planning managers to work on the

implementation of operational measures for launching automatic enrollment from now on," said Jarbas Antonio de Biagi, CEO of Abrapp.

The CEO of Abrapp highlighted the commitment of the Ministry of Social Security and Previc in the discussions and progress towards approving the new rules and regulations. “I would like to highlight the commitment of the secretaries Paulo Roberto [dos Santos Pinto] and Narlon Gutierre, directors of Previc, with the support of the Superintendent Director, Ricardo Peña,” said Jarbas de Biagi. “Also bear in mind that automatic enrollment is one of the main pillars advocated by Abrapp and its partners in recent years, following the example of most countries that have implemented the Supplementary Pension segment with broad coverage for the population.” ***(Source: Blog ABRAPP; Date: 27.02.2024).***

Chile

The Senate broadly approves the universal preschool Bill of Law. The Senate approved the core objectives of a universal preschool Bill of Law for workers and freelancers, creating a solidarity fund for such purposes. The Executive and parliamentarians will now have to submit proposals by May 6, which will first be discussed in the Labor and Social Security Committee, and then in the Education Committee. One must bear in mind that the proposal submitted in 2022 sought to resolve labor discrimination against women, pursuant to Article 203 of the Labor Code. This Act restricts access to the right to preschool since it limits it to companies with twenty or more female workers. Thus, the Bill of Law establishes:

(i) The right to access a preschool regardless of the number of female workers working for the same employer.
(ii) Creates a Preschool Fund which will pay an amount to the employers of dependent workers, employers of individuals and self-employed workers.
(iii) Creates a National Registry of Caregivers, aimed at incorporating the updated background of caregivers of children under two years of age in a single platform. ***(Source: BíoBíoChile; Date: 02.04.2024).***

The Minister of Labor announces a Bill of Law to help Small and Medium Enterprises (SMEs) to pay off their pension debts. When asked about the government’s discussions with small and medium-sized enterprises (SMEs) regarding social security, the Minister of Labor, Jeannette Jara, said that they have met continuously with smaller companies to hear their ideas on the issue. Along the same lines, and within the framework of the government’s commitments in the May 2013 negotiations to establish a new subsidy for the minimum wage for SMEs, the Minister confirmed that a Bill of Law related to social security debts in this sector will soon be submitted. "In the next few days we will be talking to the SMEs and submitting a Bill of Law that will enable them to get up to date on the pension contribution arrears they acquired during the pandemic," said Jara, adding that this initiative is in addition to other measures that seek to enhance the development of the sector, such as greater access to training and tax exemption. The agreement signed with the SMEs in May 2023 established that said Bill of Law will enable the signing of agreements for the payment of overdue social security debts, condoning the government’s fines for not having correctly declared the non-payment of contributions, under a design similar to the tax debt relief law. ***(Source: DF; Date: 19.03.2024).***

Colombia

In the pension reform debate, the experts have insisted on lowering the contribution threshold to the public PAYGO system. Amid the ongoing pension reform debates in Congress, experts and academics are calling for decisive action to address the demographic and sustainability challenges facing the country. One of the most significant accords calls for the reduction of the contribution threshold to the public PAYGO system (managed by Colpensiones) to between 1 and 1.5 minimum wages, a measure supported by institutions such as Anif and Fedesarrollo. The government, on the other hand, has proposed

that the contributions of workers earning less than 3 minimum wages should go to Colpensiones, and that contributions on income above that threshold should go to the individually funded private funds, which increases the net cost of the public system, because subsidies would still be paid to those pensioners and now they would all be charged to Colpensiones. Furthermore, according to Marc Hofstteter, Economist and Professor at Universidad de Los Andes, for the pension reform to be financially sustainable, one must consider: (i) increasing the retirement age (currently 62 for men and 57 for women); and (ii) adjusting pensions in the public system to a proportion of the entire individual contribution history, not only the last 10 years. ***(Source: INFOBAE and El Espectador; Date: April 2024).***

Costa Rica

The Costa Rican Social Security Fund (CCSS) has called for financing for non-contributory pensions: 20,000 applicants seek subsidies. Management of the CCSS' Pension Division has called for the financing of the pensions of the Non-Contributory Regime, because about 20,000 applicants seek to qualify for the subsidy. According to that department, the institution must examine different mechanisms for financing the program, since it does not work like other pensions. Jaime Barrantes, Pension Manager of the CCSS, explained this issue and the aid they seek to give sustainability to this regime. Barrantes explained the situation of current pensions and the costs they could entail with the new applications. The department proposed not to allocate new pensions from the Non-Contributory Regime (NCR) until December 2025, due to the existence of a deficit of ₡8 billion to cover the annual demand in that area. ***(Source: Monumental; Date: 31.03.2024).***

Mexico

According to AMAFORE, the pension reform seed fund would suffice for up to 10 years. The MXN 64,619 million (approx. USD 3,845 million) seed fund proposed for financing the constitutional reform of the pension system, submitted last February, would suffice for up to 10 years, said the Chairman of the Mexican Association of Afores (Amafore), Guillermo Zamarripa. The Chairman of the Association, comprising the country's 10 Pension Fund Managers (AFORES), said that the sector deems it positive to guarantee a pension of 100% of the last wage for workers who earn the least. In the constitutional reform initiative, the Executive proposes to guarantee a pension equal to the last wage of all workers earning less than the average Social Security contribution wage, which last year was MXN 16,777 (approx. $998) per month. To supplement those pensions and achieve a 100% replacement rate, the federal government would create a Welfare Pension Fund with an initial seed capital of MXN 64,619 million (approx. USD 3,845 million). The fund would be financed from various sources: 75% of the income of the Institute for Returning Stolen Property to the People; the debts of public agencies that share premises with the SAT, ISSSTE and IMSS, and the resources obtained from the liquidation of the National Development Bank, among others. The 100%-of-the-last-wage pension will only be available to people aged 65 who started contributing after 1997 (i.e., under the Afore system) and who retire after the initiative has been approved. Zamarripa said that the cap of MXN 16,777 per month proposed in the initiative (the average wage of workers enrolled in the IMSS) "makes sense" and "is the norm in some other parts of the world." Nonetheless, he stressed that one must bear in mind the cost of the proposed reform for the government, to determine whether that MXN 16,777 pesos per month cap "is the right number." Likewise, he highlighted as a positive aspect the fact that the reform not only respects but is built on the current operating model of the Afores, without making any fundamental or structural changes to the Retirement Savings System (SAR). He said that the funding should be understood as seed capital, and that one must bear in mind that few pensioners will be able to access the benefit in the first few years, due to which the initial fund would suffice for several years. Guillermo Zamarripa clarified that there

would be a significant increase in the number of pensioners under the Afore scheme until the 2030s and 2040s. It is worth mentioning that the constitutional reform initiative proposes that once the Welfare Pension Fund is constituted, an actuarial evaluation of its sufficiency will be conducted every eight years to determine whether additional sources of financing are necessary. The constitutional reform proposal has yet to be discussed and approved in the Congress of the Union, so Amafore will be following the process in the legislative chambers and has not yet made any definitive statements regarding the proposal. ***(Source: The Economist; Date: 04.03.2024).***

Peru

The Congressional Economic Committee authorized a new withdrawal of AFP funds (the seventh), for all enrolled members, without exception. On Monday, March 25, with 17 votes in favor, the Congressional Economic Committee approved the replacement text authorizing a new withdrawal of AFP funds of up to 4 UIT, equivalent to PEN 20,600 (approx. USD 5,500), for all enrolled members, without exception. Now the bill must be voted in a plenary meeting of Congress. According to the Peruvian Association of AFPs, a new unrestricted withdrawal of 4 ITUs would generate a potential outflow of pension resources of PEN 34 billion (equivalent to 27% of total existing funds), totaling an outflow of PEN 122.1 billion (about 14% of GDP) including previous withdrawals.[1]. Furthermore, the new withdrawal would empty the individually funded accounts of 7 million Peruvians. This new withdrawal mainly favors higher-income members with job security: At least 75% of the withdrawn amount would be for enrolled members with regular contributions who have not experienced meaningful wage interruptions. Furthermore, 50% of any potential new withdrawal would go to enrolled members in the highest labor income quintile. Hence, the measure is regressive and mostly favors higher-income members. It is worth mentioning that the lower income and more vulnerable segments of the population no longer have money in their Individual Unemployment Accounts (CIC) as a result of previous withdrawals. Likewise, 75% of the funds would be withdrawn by members over 40 years of age, leaving them at greater risk of lack of protection due to fewer options of being able to access a pension at retirement age. Other impacts: (i) it generates a greater financial burden on society, which will have to provide the resources (via taxes or other means of collection), and/or immediate family, who will have to finance the protection of family members who withdrew their funds; (ii) it entails the negation of the State´s commitments to guaranteeing social security in international conventions and treaties; (iii) the cost of State indebtedness increases: A new withdrawal would undermine the confidence of the sovereign bond markets (19% of the funds of the private pension system are invested in central government instruments), and would prompt their immediate sale, generating an increase in interest rates, with a direct effect on the cost of government borrowing; (iv) on the private capital market, through an increase in the yield curve (basis for the calculation of issue prices in the market), causing an impact through a lower valuation of fixed income instruments and higher benchmark interest rates (borrowing cost) for new issues that finance business projects; and (v) increases the risk of falling into poverty in old age. ***(Source: Peruvian AAFP; Date: April 2024).).***

Experts[2] criticize the latest (seventh) withdrawal of pension funds promoted by the government. The Economy Commission of Congress will submit a comprehensive proposal for modernizing the

[1] 6 withdrawal authorizations were issued between 2020 and 2022, amounting to a total of PEN 88 billion (51% of the total value of the funds at the beginning of the pandemic). It is worth mentioning that the first 2 of the 6 withdrawals, were authorized by the Executive and were of an exceptional, means-tested and very limited nature (PEN 5 billion altogether), unlike the next 4 authorised by Congress, amounting to PEN 83 billion, with no means-testing. After 6 withdrawals, a total of 2 million members with individual accounts equal to zero (mostly lower income) and more than 7 million members with less than 1 CIC ITU, were recorded, so a new (7th) withdrawal would leave them without funds for a retirement pension.

[2] César Revilla, Chairman of the Economic Committee of Congress; Noelia Bernal, professor and researcher, Universidad del Pacífico; Aldo Ferrini, CEO of AFP Integra; and Diego Macera, director of the Peruvian Institute of Economy.

Private Pension System (SPP), highlighting the granting of a minimum State-financed pension as one of the most important aspects. This measure guarantees a decent standard of living for the country's retirees, ensuring their safety and well-being in retirement. The reform also includes the implementation of a non-contributory, semi-contributory, contributory and voluntary system, covering the labor diversity of Peruvians.

The proposal addresses several crucial aspects that require a broad technical debate, but also the design of a more aggressive and responsible model to guarantee the long-term viability and effectiveness of the pension system. The introduction of notional accounts in the public system ensures that all retirees receive pensions based on their contributions, while the consumption pension seeks the inclusion of informal workers in the system.

As a complementary provision. this reform also considers the withdrawal of 2 to 4 ITU's (between USD 2,737 and USD 5,473), a necessary measure for alleviating the ongoing economic recession in the country. But approving a new withdrawal of funds in the SPP will further reduce the low pensions provided by this system, giving rise to greater fiscal pressures in the future. SPP pensions are currently one third of the last salary, on average, which is extremely low compared to other countries in the region. Furthermore, on analyzing the last 20 years, there is a decreasing trend of pensions as a percentage of salary, which shows that the system is not capable of providing adequate pensions that replace labor income and allow senior citizens to continue consuming in old age.

In this context, early withdrawals of funds have been a bad idea from the outset and will further reduce SPP pensions. The first measure was authorized by the Executive itself as a palliative measure during the COVID-19 pandemic, and then Congress copied this policy in several bills of law. As cash-in-hand is more attractive than having money in a pension fund, more than 6 million members (70% of the total) withdrew almost PEN 88 billion (approx. USD 23,381 million) by December 2022. Consequently, the pension fund was reduced by more than 10 points of GDP and dropped from 32% of GDP in 2019 to 21% of GDP by the end of 2022. This is serious because this money should have been saved for old age and not spent as it was. This will also generate fiscal pressures in the future to provide more minimum, proportional and non-contributory pensions to workers who withdrew all or part of their funds (in fact, this is already evident in the pension reform proposal that the Executive has submitted to Congress).

Despite having been warned by absolutely all the technical entities that have appeared before the different Committees of Congress, a seventh withdrawal is still being called for. Even José Arista, recently appointed Minister of Economy, warned that "we must stop this" when consulted on this issue.

Another withdrawal of 4UIT (approx. USD 5,473) would generate a potential outflow of PEN 30 billion (approx. USD 7,971 million), equivalent to 25% of the total managed amount. The most worrying thing is, undoubtedly, the impact on future pensions: every 1,000 PEN withdrawn by a 30-year-old enrolled member is equivalent to more than PEN 12,000 on retirement. Furthermore, continuing the withdrawals trend significantly reduces the possibility of carrying out a robust reform, as there would be no more pensions to manage.

The current economic situation is far from ideal; however, it is not an extraordinary situation (like the pandemic), and one would assume that the measures to be adopted would have a long-term outlook, prioritizing the future of Peruvians through the promotion of a responsible financial culture. The State must act responsibly for the benefit of citizens, prioritizing the present and future well-being of all, opting for sustainability in the face of any populist and short-term measures.

The initial withdrawals were approved in the context of the 2020 health and economic emergency. Subsequent withdrawals, however,

no longer had that justification, but rather defeated the purpose of any pension system. The central problem is the lack of protection in old age, with more than half of enrolled members with less than 1 ITU (less than USD 1,368) in their AFP accounts. From a macroeconomic standpoint, movements of these dimensions create other distortions. Total withdrawals have been close to 10% of GDP, an enormous figure. Hence, they have caused negative impacts on the composition of the AFP portfolio - which sold more liquid instruments to meet withdrawals -, on the exchange rate - which depreciates due to the lower liquidity of the local capital market-, on Peruvian Government bonds - which become more uncertain for foreign investors- and on the opinion of sovereign debt rating agencies - which have reflected their concern about the withdrawals of AFP funds in various statements-. All the above does not take into account the contingent fiscal liability entailed in having a larger population without the income to support itself. The main negative impact, therefore, is on members themselves, but the macroeconomic considerations of more withdrawals cannot be ignored either. ***(Source: El Comercio; Date: 06.03.2024***

Dominican Republic

Sipen and Adafp present the pension education plan "Conocetufuturo.do." The Pensions Commission (Sipen) and the Association of Pension Fund Managers (Adafp) began their educational plan under the innovative modality of invisible education regarding the Dominican pension system, with the launch of the platform Conocetufuturo.do, an information portal where people can learn about their current situation in relation to retirement savings and the possibilities for improvement. Francisco A. Torres, Superintendent of Pensions, said that the portal will provide relevant information on the benefits of the Dominican Pension System, thus boosting the necessary actions to empower people and inform them of the benefits of the pension system, with a view to improving the population's interaction with the system. ***(Source: RobertoCavada; Date: 07.02.2024).***

Paraguay

The Fiscal Fund will complete ten consecutive years of deficit. In the first two months of this year the Fiscal Fund had already accumulated a deficit of G$341,085 million (US$46.8 million at the current exchange rate), a 40% gap between the income obtained and pension payments made. The agency, managed by the Ministry of Economy and Finance (MEF), comprises six sectors: public employees, magistrates, university professors, the military, police and teachers. The data indicate that the Fund last recorded a surplus in 2014, amounting to G$185,570 million (US$25.4 million at the current exchange rate). As of the following year, 2015, it entered into deficit with a G$70,161 million (US$9.6 million) gap that steadily grew until the end of the 2023 fiscal year, with a negative balance of more than G$1.1 trillion (US$156.1 million). The MEF technicians argue that this negative balance is actually greater if one adds the contribution made by the Public Treasury for vacant positions, which is also financed by taxes, rising to a total of G.$1.8 billion (US$ 246.5 million at the current exchange rate). The military, police and teachers' sectors were in deficit long before 2015, but overall, the revenue from other sectors with surpluses made a positive difference at the end of the year. The university professors' sector was added to the deficit group in 2023, and as of this year, 2024, the magistrates' sector was added, leaving only the public employees' sector with a positive balance.

Economic analysts and international organizations warn that reserves will run out and the financial situation of the Fiscal Fund will worsen, so there will come a time when the Treasury will have to assume all payments with funds from taxes (more than US$900 million transferred in the last eight years). In this context, there have been calls for the reform of the retirement parameters to reduce the gap and seek financial sustainability. ***(Source: ABC; Date: 22.03.2024)***

Asia and the Pacific

Australia

The Senate Committee prioritizes the passage of a Bill of Law that defines the purpose of the country's private pension system. This Bill of Law [Superannuation (Objective) Bill 2023], submitted to the Senate in November 2023, aims to clearly and concisely define the purpose of Australia's private pension system (commonly called "Superannuation"). This purpose is to ensure that the retirement system provides income in retirement to replace or supplement the non-contributory Age Pension. The bill seeks to improve the accountability and transparency of the retirement system, thereby improving retirement outcomes for Australians. It also aims to promote trust in the system by clearly defining its purpose and objectives. In a report published on March 28, the Senate Committee said that more than half of the responses to the consultation on the Bill of Law supported its intention. The subsequent consultation received 28 responses and conducted a public hearing. This is in addition to the more than 40 public responses received by the Treasury when it welcomed public comments on the bill in September 2023.

"The Committee is of the firm conviction that a legislated retirement goal will guide policymakers, the public, and parliament on the importance of the Superannuation system as a tool to preserve, grow, and generate income for retirement," the Committee's report states. It also highlighted the "high level of support" for the definition of retirement system proposed in the bill: "preserving savings to generate income for a decent retirement, with government support in an equitable and sustainable manner."

It agreed that a legislated goal would "serve as an important accountability tool" and "would ensure that parliament would therefore judge and consider short-sighted and harmful policies accordingly." "The Committee believes that the bill, as drafted, will create a clear framework for evaluating future retirement policy initiatives and support a retirement system aimed at improving Australians' pension income," the report notes. ***(Source: SuperReview; Date: 02.04.2024).***

The country increases work incentives for most retirees. On January 1, 2024, the government amended its Work Bonus Policy to encourage recipients of means-tested pensions (non-contributory pensions) to work more. The Work Bonus incentivizes work by increasing the amount pensioners who have reached the official retirement age (currently 67) can earn without affecting their means-tested benefits, including the non-contributory *Age Pension*.[3] that around 58% of Australians aged 65 and over receive. Under this policy, the first AUD 300 (USD 196) of pensioners' biweekly earnings from employment or self-employment are exempt from proof of pension income, and the unused portions of the biweekly exemption are accumulated in a Work Bonus Income Bank *f*or future use. The new amendment raises the maximum amount that can be accumulated in each pensioner's income bank from AUD 7,800 (USD 5,083) to AUD 11,800 (USD 7,690) and introduces an initial balance of AUD 4,000 (USD 2,607) for all eligible new pensioners. As of March 2023, the government estimated that about 3.2% of retirees had a paid job, and more than 80% of them had biweekly incomes in excess of AUD 250 (USD 163).

[3] The main components of Australia's old-age pension system are the Age Pension program and a mandatory occupational pension program (Superannuation). To fund the retirement program, employers must contribute at least 11 percent of employee income (increasing 0.5 percentage points each July, to reach 12 percent by July 2025) to private retirement funds. Employees are not required to contribute to the program, but the government offers tax incentives and matching funds to encourage voluntary contributions, especially from low- and middle-income workers. To claim a retirement benefit, participants must have turned 59 (reaching age 60 in July 2024) and be permanently retired (or participate in the Transition to Retirement program). Age Pension is funded and administered by the Australian government and is paid to individuals aged 67 and over who have resided in Australia for at least 10 years (including at least 5 consecutive years) and pass the program's resource test.

First introduced in 2009, the Labor Bonus increases the standard income exemption provided to all Age Pension recipients, under the program's income test. The proof of income currently exempts up to AUD 204 (USD 133, if single) or AUD 360 (USD 235, if partnered) from the biweekly income of pensioners (combined for couples) from sources other than Age Pension, most other public benefits, or certain other types of income. When pensioners' biweekly incomes exceed their exempt amounts, their benefits are reduced by 50% (if they are single) or 25% (if they have a partner) of the excess income. The Age Pension also has an asset test that reduces benefits for pensioners with assets (combined for couples) greater than AUD 301,750 (USD 196,645, for single homeowners), AUD 543,750 (USD 354,352, for single non-owners), AUD 451,500 (USD 294,234, for homeowners living as a couple), or AUD 693,500 (USD 451,941, for non-homeowners living as a couple). (Primary residences are excluded from the asset test and special rules apply to couples separated due to illness.) ***(Source: SSA International Update; Date: February 2024).***

The contribution to the pension funds (Superannuation) will be incorporated into paid parental leave as of July 2025. Parents accessing the government-funded paid parental leave (PPL) plan will soon be offered the superannuation contribution payment (Super), but the change will not take effect until the middle of next year. Under the current program, a couple with a newborn or newly adopted child can access up to 20 weeks of paid parental leave at the national minimum wage. That number will continue to rise until it reaches 26 weeks in July 2026. There have been ongoing calls for the Super payment to be offered in the government's PPL to ensure women are not left behind in their retirement savings. The suggestion was made more recently by the "working group on women's economic equality," which the government asked to recommend ways to improve women's financial situation.

Finance Minister Katy Gallagher has confirmed that the government plans to introduce legislation to ensure that the Super payment is introduced from July 2025. "The data is clear: when women take time out of the workforce to raise their children, this affects their retirement income, and women retire with about 25 percent less income than men, on average," she said. "Paying the Super when there is government parental leave is an important investment to help close the gender gap in pensions and make decisions about the balance between care and work easier for women." The Coalition said it supported the policy in principle but would "examine the details of the proposal" before making a final decision.

"[This] is not a blank check," shadow ministers Sussan Ley, Angus Taylor and Michael Sukkar said in a statement. "We're going to have to make sure that support is provided to those who need it, not people who already have high balances." The trio asked the government to reveal the budget cost of the policy.

The budget cost is not yet known. But according to a review commissioned by the previous government, if Super were paid on top of PPL payments, it would cost about $200 million a year (that figure was based on 178,000 people accessing 18 weeks of government PPL each year). Considering that 180,000 families access the plan per year every 24-weeks, starting in July 2025, the cost is likely to be around $500 million in 2025-26. ***(Source: ABC.NET.AU; Date: 06.03.2024).***

A new Super Members Council (SMC) model suggests that property prices could increase by almost AUD $75,000 (approx. $50,000) in the nation's capitals by allowing first-time homeowners to tap into their retirement savings. The research joins a number of prolific economists, politicians and agencies who have warned against the use of individually funded funds (Superannuation or Super) for the payment of real estate deposits. When modeling a scheme that would allow a first-time homebuyer to take AUD 50,000 (approx. USD 33,000) of its Super as a deposit, the SMC econometric model found that such a scheme drove demand for housing in

capital cities and led to price increases that quickly exceeded the AUD 50,000 that early homeowners could withdraw from the Super.

The model showed that prices would increase in all capitals, increasing by almost AUD 86,000 in Perth, AUD 80,000 in Sydney, AUD 78,000 in Brisbane and AUD 70,000 in Melbourne. Allowing first-time homebuyers and women over the age of 55 to use their Super to fund a housing deposit was a policy previously proposed by the Coalition. The SMC suggested that investing retirement savings in housing, as proposed, would "inflame an already bloated housing market." "Using retirement savings for real estate deposits would simply trigger a huge price increase," said SMC Executive Director Mischa Schubert. "That would mean higher and longer mortgages for Australians, and it would quickly make capitals even less affordable for new homebuyers struggling to enter the market."

Noting that the purpose of the policy was for Australians to own their own home, Schubert observed that this idea would ultimately fail to achieve that. "It would simply make that goal even harder for first-time homebuyers by making home prices even more expensive," he said.

Existing international studies confirm that such plans to draw on retirement savings to finance real estate deposits do not raise homeownership rates. Previously, a Mercer study on its Global Pension Index found that countries that allow early access to retirement savings for housing did not have higher homeownership rates than Australia. The study also concluded that the common feature of the best global retirement systems was that they "preserved" savings until retirement.

The SMC also highlighted an academic review of New Zealand's Super Kiwisaver scheme, which allows withdrawals for housing, and found that balances were much lower, in part due to the country's first housing deposit withdrawal scheme. Schubert, of the SMC, stressed that allowing people to "raid" their retirement savings would continue to have lasting consequences for the country. "Breaking the Super seal leaves the poorest people in retirement and costs every Australian taxpayer more because of the higher costs of old-age pensions," he said.

Earlier this month, an SMC investigation found that the early release of the COVID-19-era Super scheme could hit Australian taxpayers with a bill of up to AUD $85 billion, mainly due to higher pension costs for those who withdrew their savings. He pointed out that today's 20-year-olds are expected to pay around AUD $3,000 more in taxes to cover the plan's highest pension bill, in which 3 million Australians withdrew AUD $38 billion before retiring.

The SMC model showed that early release plan costs on higher pensions and lower tax revenues are expected to peak at AUD 2.5 billion per year by the mid-2060s. The Council's analysis also revealed that a 30-year-old individual who withdrew AUD 20,000 from the Super could be left with around AUD 93,600 less on retirement, leaving him in a dramatically worse situation. ***(Source: SuperReview; Date: 12.03.2024).***

The country promotes full implementation of the private pension system. China will promote the full implementation of a private pension mechanism that has already been introduced in 36 cities and regions, the Ministry of Human Resources and Social Security announced. At a press conference in Beijing, the Ministry said the system has been running smoothly and "positive progress" has been made since its introduction in 2022, adding that more than 50 million people have opened accounts to participate in the mechanism. The mechanism allows Chinese citizens to contribute up to 12,000 yuan (about $1,700) annually to individual pension accounts. The private pension mechanism will complement the country's current pension system consisting of the basic old-age pension, company lifetime pensions and commercial insurance for the elderly, offering another level of support for ageing people. ***(Source: SpanishXinhuanet; Date: 24.01.2024).***

United Arab Emirates

The country established an alternative end-of-service benefits program. On October 10, 2023, the government of the United Arab Emirates (UAE) issued a decree establishing a voluntary alternative end-of-service benefits (EOSB) program called the Savings Plan[4]. Under this new program, private sector employers and free zone employers can choose to fund future EOSBs by contributing to individual defined contribution accounts on behalf of their employees. In contrast, under the standard EOSB program, employers must pay employees lump-sum benefits based on their base wages and years of service when employment ends for any reason. According to the government, the Savings Plan aims to help UAE private sector companies attract and retain foreign workers by offering them retirement savings vehicles with defined contributions like those found in other countries. As in other Gulf countries, the UAE relies heavily on foreign labor to staff its workforce; in 2021, about 86% of the country's 6.1 million workers were foreign nationals. Key features of the new Savings Plan program include:

- Employer Engagement: The program is available to employers in the private sector and free zones, excluding the Dubai International Financial Center (DIFC) free zone. (The DIFC introduced its own individual accounts program in 2020.) Employers who choose to participate in the program must register with the Ministry of Human Resources and Emiratisation (MoHRE) and select the categories of employees who will participate in the program. Enrolled employes must remain in the program for at least 1 year and preserve their employees' accumulated EOSBs per the standard program.
- Account Contributions: The program requires employers to make monthly contributions to the individual accounts of participating employees at rates that vary based on the employee's length of service. Specifically, employers must contribute at least 5.83% of the monthly base salary for employees with less than 5 years of service, or at least 8.33% of the monthly base salary for employees with 5 years or more of service. (The length of service is calculated based on employees' starting dates with their employers rather than program enrollment dates.) Employee contributions are not required under the new program, but participating employees may choose to contribute up to 25% of their annual base wages to their accounts each year, either in periodic installments or in lump sum payments.
- Investment Options: Participating employees can invest their account savings in professionally managed investment funds with three different profiles: risk-free equity guarantee funds, risk-based funds with varying levels of risk, and Sharia-compliant funds.
- Account Withdrawals: Participating employees may withdraw any portion of their account balances, including total employer and employee contributions, plus accrued investment returns, within 14 days of termination of employment. Employees may also choose to keep their accounts open and continue to participate in the program after their departure. If employees have made voluntary contributions to their accounts, these funds may be accessed at any time prior to the end of employment.
- Program Administration: Individual accounts are managed by investment fund providers authorized by the Securities and Commodities Authority (SCA) and selected by enrolled

[4] In addition to standard and alternative EOSB programs, the UAE's old-age pension system consists of social insurance and social pension programs for Emirati citizens. The social insurance program covers Emirati employees in the public and private sectors in the 7 emirates that make up the UAE, except Abu Dhabi and Sharjah. (Separate social insurance programs exist in Abu Dhabi for all local employees and in Sharjah for local public sector employees.) To be eligible for a social security old-age pension, an Emirati must have reached the normal retirement age of 60 and have contributed for at least 15 years. Although the social security program does not cover non-Emirati employees, these employees may qualify for EOSB after 1 year of continuous service. Non-Emirati employees are generally required to retire at age 65, and the standard EOSB for these employees is equal to 21 days of basic salary for each of the first 5 years of service, plus 30 days of basic salary for each year of service in excess of 5 years.

employers. The SCA is responsible for overseeing mutual funds and account management, while the MoHRE is responsible for overseeing employers' compliance with program rules. ***(Source: International Update Social Security; Date: February 2024).***

Iraq

The country enacts new social security law. On December 1, 2023, the government enacted a new social security law reforming the country's social insurance old-age pension program[5] for private sector workers by expanding program coverage, introducing registration fees for foreign nationals, increasing the combined contribution rate, adjusting covered income, changing retirement options, and altering baseline income for benefit calculations. The new law also expands social protection by introducing paid maternity leave and public unemployment insurance. Parliament passed the new law on 17 May 2023 after years of negotiations between government representatives, employers and workers. The new law was drawn up with technical assistance from the International Labor Organization (ILO) and other UN agencies and aims to expand social insurance coverage and benefits for millions of workers. In March 2023, Iraq became the 64th country to ratify the 1952 Social Security (Minimum Standards) Convention (No. 102), which commits countries to recognize social security as an inherent right and to strengthen their social security system for the benefit of workers and businesses.

Although some details of the reforms, including their implementation dates, are still being worked out, key provisions of the new law include:

- *Expanding Program Coverage*: The new law expands program coverage to additional categories of the private sector, including the self-employed, informal sector workers, and contributing family members. Coverage was previously limited to private sector employees in the formal sector. (A special pension program covers public sector employees.)
- *Introduction of Foreign National Registration Fees*: Employers of foreign nationals must pay the social security program a new one-time registration fee of 750,000 dinars (US $573, for those registered before December 1) or 2 million dinars (US $1,528, for those registered before December 1) for each registered foreign employee.
- *Combined Contribution Rate Increase*: The combined contribution rate for people not employed in the oil and gas sector has increased from 17% to 25% of covered monthly income, with the government covering the additional 8% for Iraqi employees (employers cover it for non-Iraqi employees). Employees continue to contribute 5% of covered monthly income and employers contribute the remaining 12% of the base rate of 17%. For employees in the oil and gas sector, employee and employer contribution rates remain at 5% and 25% of covered monthly income, respectively. All employee contributions and 8 percentage points of employer contributions are used to fund old-age, disability and survivor's pensions. Contribution rates for the self-employed, informal workers and other categories have not been defined.
- *Covered Income Adjustment*: As before, the monthly income used to calculate contributions must be at least the legal monthly minimum wage for the insured's profession or the workforce at large. However, the new law states that covered monthly income may not exceed five times the applicable monthly minimum wage. Covered monthly income includes the insured's base salary and all benefits received.
- *Change of retirement options*: Under the new law, insured people can still claim old-age pensions at age 60 (men) or age 55 (women) if they have at least 20 years of contributions.

[5] The main components of Iraq's old-age pension system are the social insurance program (PAYGO) and a social assistance program. Individuals may be entitled to a government-funded social assistance old-age pension if they are 60 (men) or 55 (women), are ineligible for a social security pension, are unable to work, and belong to households classified as needy by the Ministry of Planning, based on annual poverty and social indicators.

However, the new law also allows old-age pensions to be claimed at 63 (men) or 58 (women) if they have at least 15 years of contributions or at 50 years of age (men and women), if they have at least 30 years (men) or 25 years (women) of contributions. This means that it is no longer possible for people to retire at any age if they have at least 30 years (men) or 20 years (women) of contributions. Individuals can acquire up to five years of the missing contributions necessary to qualify for an old-age pension at a given age.

- *Modification of the reference income for the calculation of benefits*: The new law changes the reference income used to calculate the old-age pension from the average monthly income of an insured person in the last 3 years to the average monthly income of the last 5 years. The amount of the pension continues to be calculated by multiplying 2.5% of the reference income by the number of months of contributions of the insured and dividing this product by 12. The maximum monthly pension amount is 80% of the insured's reference income. ***(Source: SSA International Update; Date: March 2024).***

Lebanon

The country passes legislation to renew the pension program. On December 28, 2023, the government passed legislation that will change the public old-age, disability, and survivor pension program for private sector workers from an end-of-service lump-sum (EOSB) benefit model[6] towards a lifetime pension model. The legislation was drawn up after extensive negotiations between government representatives, employers and workers, and with substantial technical support from the International Labor Organization (ILO). Pension reform has been a major priority in Lebanon in recent years because Lebanon and the Palestinian territories are the only two jurisdictions in the Arab region that lack social security programs that provide old-age, disability, and long-term survival benefits. Without these programs, the ILO estimates that approximately 80 per cent of Lebanese residents aged 65 and over would not have old-age benefits and would instead have to rely on family and social networks for support. These difficulties have been further compounded by a deep economic recession (the country's GDP per capita fell by 36.5 percent between 2019 and 2021) and substantial population aging (more than 10 percent of the country's population is over 65). According to the ILO, the implementation of the new legislation is expected to take around two years, although this will depend on the time needed to finalize the program's rules and regulations and issue implementing decrees. Based on the details that have been published so far, key features of the new pension program include:

- *Program Coverage*: All private sector employees aged 48 and younger must participate in the new program once it is implemented. Individuals aged 49 and older may choose to join the new program or remain in the EOSB program. If employees decide to change, their previous contributions will be transferred to the new program. Voluntary enrollment will be available to self-employed Lebanese nationals, domestic workers, employers, non-permanent agricultural workers, or those working abroad.
- *Contribution Rates*: Program contribution rates will be fixed in future implementation decrees. However, according to the January 2023 ILO projections, employers and employees will have to make combined contributions of 17% to 18% of income to fund the new program, nearly double the 8.5% rate paid by employers under the EOSB program. (Employees do not pay contributions to the EOSB.) Prevailing

[6] The EOSB program that is being phased out covers Lebanese citizens and certain foreign nationals employed in the private sector. (A special pension program covers public sector employees and teachers.) To claim retirement benefits under this program, participants must have at least 20 years of contributions or be 60 years old. The global retirement benefit is equal to the participant's last monthly income payment multiplied by their years of service, plus one-half of their last monthly income multiplied by their years of service in excess of 20 years.

economic conditions and revised actuarial projections are expected to play a key role in the final determination of contribution rates.

- *Income Covered*: Income used to calculate contributions will be capped at four times the average income of all participants.
- *Individual Accounts*: Each participant will be assigned a theoretical or notional individual account to which 12.25% of their covered income will be credited and annual interest will be paid at a rate equal to the increase in the average income of all participants. Upon retirement, the account balance will be converted to a monthly pension based on a variety of factors, including life expectancy, interest rates, cost-of-living adjustments, and potential survivors.
- *Minimum Pension*: When a participant's account balance becomes a lifetime pension, the pension amount cannot be less than the greater of these two guarantees, which vary depending on the participant's career income and years of contribution: (1) 55% of the legal minimum wage with 15 years of contributions, plus 1.75% for each year of contribution over 15 years, up to 80% of the legal minimum wage; or (2) 1.33% of the average adjusted career income multiplied by the total number of years of contribution. (Career income adjustments are based on annual changes in average national salary.)
- *Old-age pensions*: Participants will be entitled to a monthly old-age pension if they have reached the official retirement age of 64 and have at least 15 years of contributions. People can apply for the old age pension after the age of 60, but the pension amount is reduced by 0.5% for each month in which it is applied for in advance. A participant may continue to work while receiving an old-age pension. (Contributions paid after claiming an old-age pension will count towards an additional pension.) If participants have reached the official retirement age and have less than 15 years of contributions, their account balance is paid as a lump sum.
- *Disability Pensions*: Members may receive a monthly disability pension if they have at least 3 years of contributions (1 year of contributions in the case of a disability resulting from a non-occupational accident) and are assessed with a disability resulting in at least a two-thirds reduction in working capacity. The disability pension is calculated in the same way as the old-age pension, with the remaining years from the onset of disability to the official retirement age being considered as years of contribution.
- *Survivor Pensions*: If a participant dies, a monthly survivor's pension will be paid to the surviving spouse and dependent children under the age of 18 (25 years old if a student; no age limit if disabled). (The surviving spouse loses the right to receive the pension if he/she remarries.) The survivor's pension is equivalent to 80% of the old-age or disability pension that the deceased received, or the old-age pension that he/she was entitled to receive. (If the deceased was not a pensioner, the number of years from the time of death to the official retirement age are considered years of contribution in the pension calculations.) If the survivors include both the spouse and children, half of the survivor's pension is paid to the spouse and the other half is divided equally among the children.
- *Program Management*: The new program will be managed by the National Social Security Fund (NSSF), which also manages the EOSB program. To strengthen the oversight of the NSSF, a new Board of Directors will be established, with representatives from government, employers, and workers. NSSF investments will also be overseen by a new independent investment committee, and the fund will be subject to an independent actuarial review every three years. ***(Source: SSA International Update; Date: March 2024).***

Europe

Germany

The country will create a multi-million-dollar sovereign fund that will be invested to ensure the payment of pensions from the public PAYGO system, avoiding excessive increases in contributions. The German Government has put forward a package of measures to ensure the sustainability of the pension system (PAYGO) and ensure a replacement rate of at least 48% in the future. One of the measures includes the creation of a fund, whose endowment is expected to reach EUR 200 billion, which will invest in the markets and contribute to sustaining the financing of German pensions from the middle of the next decade.

The bill of law for the creation of the 'Generational Capital,´ submitted by the Minister of Labor, Hubertus Heil, and the Minister of Finance, Christian Lindner, contemplates the financing of the fund through loans from the federal budget and the transfer of government funds to constitute a share capital, whose income will contribute to stabilizing pension insurance contributions in the future. In this regard, loans amounting to EUR 12 billion are envisaged in 2024, with an annual increase of 3%, and the disposal until 2028 of federal assets worth EUR 15 billion, with a view to achieving a share capital of EUR 200 billion by the middle of the next decade.

The sovereign wealth fund will be professionally managed and globally invested through a newly created independent public foundation, whose board shall decide on the investment of the funds within the framework of federal investment guidelines. The operational structures of the Fund for the Financing of Nuclear Waste Management (KENFO) will be used for its establishment, until the end of 2026, as an already established public asset manager.

"For the pension system to have a future, we created Generationenkapital. We believe this will lead to a true paradigm shift. We should have taken advantage of the opportunities offered by capital markets for mandatory pension insurance a long time ago, "said Lindner.

The Ministry of Finance has emphasized that the new fund represents a capital investment by the federal government to stabilize listing rates. He added that market investments aim to generate income to alleviate the evolution of contribution rates, thus benefiting taxpayers by slowing the increase in pension contributions in the future, which would be the case without the fund's income. In this regard, he explains that the investment vehicle aims to invest the funds made available to it in the market "in a profit-oriented and globally diversified manner," adding that, with regard to federal loans, it will take advantage of the difference in yield between investments in the capital market and lower-interest federal securities. He also said that "only from 2036 will distributions be made to pension insurance" for an average annual expected amount of about EUR 10 billion, to stabilize pension insurance contributions, specifying that in 2029 a review will be carried out to analyze the evolution of the markets and the probability of achieving the profit targets and, if not, propose countermeasures. According to Berlin's calculations, the pension insurance contribution will increase from the current 18.6% to 22.3% by 2035, due to population aging. The government has warned that without the expected contribution of this investment vehicle, the price would be around 23% by 2045. ***(Source: BíoBío Chile; Date: 05.03.2024)***

Spain

Social Security deteriorates in the first year of pension reform: the deficit was EUR 8.2 billion in 2023. Social Security has accumulated deficits since 2010 and the Government's commitment is to balance its accounts by 2026. However, there was a slightly higher-than-expected increase in the deficit between 2022 and 2023. According to the budget execution progress data presented by the Ministry of Finance, the deficit of the Social Security subsector has risen to EUR 8,211 million, which is 0.56% of GDP. This is EUR 2,315 million

more than the previous year (which closed with a deficit of 0.44%) and a deviation from the target of a few hundredths of what was committed to Brussels in the Budget Plan. The deficit has increased because expenditures have grown more than revenues. The former have increased by 9.3% and the latter by 10.1%. In total, Social Security expenses amounted to EUR 236,131 million in 2023, while income only amounted to EUR 227,920. It is paradoxical that the Social Security deficit has increased in the first year of full implementation of the pension reform, since it seeks to make the system more sustainable, but there are several reasons that explain the deterioration. According to the Treasury, the increase in spending is due to "numerous provisions." The most important is the revaluation of 8.5% of contributory pensions, a consequence of the high inflation of the previous year and in compliance with the indexation with the CPI established in» the last pension reform. Added to this is the revaluation of 15% of non-contributory benefits, including the Minimum Living Income (MVI), which was done to "leave no one behind," the ministry recalls. The payment of the social benefits package alone amounted to 15% of GDP in 2023, two tenths more than in 2022.

On the revenue side, there has also been remarkable growth. Social contributions have increased by 9.9% and represent 12.77% of GDP. This is due both to the improvement in employment, with a record number of people working since 2008, and to higher wages, but also to the raising of the maximum contribution bases and the implementation of the Intergenerational Equity Mechanism (MEI), tools contemplated in the pension reform to increase the system's income.

Beyond the income derived from the operation of the Social Security system itself, in 2023 there were transfers from the State to pay pensions, as in previous years, although they have not managed to alleviate the deficit. The State had to contribute EUR 39,398 million in 2023, 17.3% of revenue, to cover expenses.

On the other hand, there has also been a new EUR 10 billion interest-free loan to cover the deficit. This has increased the Social Security debt with the State to EUR 116,170 million, according to the latest data from the Bank of Spain. Considering that the Social Security system is in deficit, Fedea criticized the fact that MEI revenues have been used to replenish the pension fund (Reserve Fund). "There is no real surplus that can be entered into the Reserve Fund. In fact, what we are doing is issuing more debt to finance a fictitious contribution to it," he says in the document "The Expanded Social Security Accounts.“

According to the data provided by Minister Elma Saiz during her appearance in Congress in January 2024, the Reserve Fund already accumulates some EUR 5.5 billion. This system is designed to support Social Security in times of stress and is expected to reach EUR 9 billion by 2024 and EUR 25 billion by the end of the government’s term in office. The fund peaked at EUR 66.815 billion in 2011 and fell to its lowest level in 2020, at EUR 2.138 billion.

The Government's forecast based on the stability path it presented last December is that Social Security will significantly reduce its deficit from 0.2% in 2024 to 0.1% in 2025 and will balance its accounts by 2026. This adjustment will have to be carried out in a context in which income from social contributions is expected to increase less than in the previous two years, although pensions have also been revalued in 2024 by an amount much lower than in 2023, 3.8% contributory and 6.9% non-contributory.

In the end, the report on aging that the European Commission will publish this spring will really determine whether Spain has a worrying deviation in the sustainability of the pension system. Although it is not binding in itself, in 2025 the AIReF will use that data to calculate whether Spain has excess spending on pensions, and if so, activate the adjustment mechanisms provided for in the reform. ***(Source: INFOBAE; Date: 22.03.2024).***

Higher salaries will start paying the solidarity fee to sustain pensions in 2025. The Council of Ministers has approved a Royal Decree incorporating the rules and regulations necessary for applying the new social contribution that the highest salaries will pay to sustain pensions. The so-called 'solidarity fee' is applicable to the salary bracket that exceeds the maximum contribution base. It includes a new type of contribution in three tranches that starts at 1% as of 2025 and will gradually rise to around 6% by 2045, as approved in the last pension reform.

The rate for workers whose salaries exceed the planned maximum contribution base (of 56,600 euros today) we'll start at 0.92% in 2025 and rise to 5.5% by 2045 for salaries up to 10% higher than the base; at 1% and up to 6% for salaries between 10% and 50% higher than the maximum base; and at´ 1.17% and up to 7% for salaries 50% higher than the maximum base. The highest rate would be applicable to a salary of about 90,000 euros today.

There are also changes that affect the self-employed and their new Special Regime for Self-Employed Workers (Reta). The General Social Security Treasury extended to June 30, 2024, the 2023 deadline for the self-employed to submit the necessary documentation on registration of companies and affiliation, registrations, deregistrations and data variations of workers in Social Security; and to communicate certain data on their activity, necessary in the new contribution system for real or net income. ***(Source: The Economist; Date: 26.03.2024)***

Births at increasingly advanced ages put more pressure on the pension system. The birth rate in Spain is still low. Spain is the European Union country with more women who have given birth for the first time at age 40 or older, closely followed by Greece, Italy and Portugal, according to the Eurostat list, with Romania, Lithuania and Slovakia ranking last. The birth rate dropped by 23.1% in the last decade, and by 2% in 2023, according to the latest data from the National Institute of Statistics (INE). This is not a new trend, but its consequences will have to be addressed: the increasingly depleted new generations will have to sustain a pension system under extreme pressure from the retirement of the 'baby boomer´ workers who are now between 45 and 65 years old. This trend is caused by employment conditions. Job uncertainty and limited flexibility discourage women, especially those with university degrees who want to have children, since they would have to leave their jobs to do so. But there are other factors, with experts pointing to "the limited generosity of aid received by families with children, and spending on early childhood education" and also to difficulties in accessing a first dwelling. In Spain, only 16.3% of young people between the ages of 18 and 29 (about 7 million) have been able to overcome these limitations, compared to 31.9% on average in the European Union, according to the latest report by the Youth Council's Emancipation Observatory for the first half of 2023. Skyrocketing rental prices prevent new generations from having a home where they can start thinking about creating a family and postpone the age at which they have their first child. These factors are compounded by "the unequal distribution of the care of minors between fathers and mothers" that could cause a low birth rate "due to a possible desire of Spanish women to be mothers." The combination of the low birth rate plaguing Spain and the increase in life expectancy means that pensioners receive their pensions for more years. The sustainability of the pension system has been questioned by the Independent Authority for Fiscal Responsibility (AIReF). For the agency, the last agreed and approved reform will increase the public deficit by 1.2 percentage points of GDP by 2050, since pension expenditure "would begin to accelerate especially" as of 2035, and would rise to 16.3% of GDP by 2049, compared to 13.7% today. With the retirement of the baby boomers, the generation born between 1946 and 1964, pension fund expenditure increases the pressure on the youngest, who have not been able to effectively replace their elders due to the lower birth rate. Spain would have to exceed 10 births per 1,000 inhabitants to have a sufficient workforce to

support the current pension system, which seems difficult at this moment in time. ***(Source: EPE; Date: 22.02.2024).***

It would take an avalanche of immigrants and further delaying retirement to prevent a collapse of the labor market, according to Allianz. The extensive list of problems affecting Europe's economy in the short term is generating a dense smokescreen that hides the possibly even more serious problems that the old continent will face in the mid and long term. Most prominent among these problems is the shortage of workers that large countries are going to face, except for a 'miracle'. Some effects of this problem are already evident, as a result of what could be called Europe's 'great demographic depression'. Faced with this situation, Allianz economists have made their calculations to propose solutions to the plummeting working-age population. By 2050, the working-age population in the EU-27 will be 20% lower. Moreover, within Europe, Italy, Spain and Germany will be further affected by demographic change. In this context, Allianz economists study what each country might need to cushion the effect of demographic change on labor markets in the four largest countries: Germany, France, Italy, and Spain, analyzing scenarios with different combinations of labor force participation, productivity, and migration. The conclusion is clear: if there is no revolution in productivity, these countries will have to approve very hard reforms, work much longer hours, tolerate the massive influx of migrants or, simply, admit that our standard of living will deteriorate: lower levels of income and a shortage of workers in practically all sectors.

-'Immigration only' scenario. Here it is assumed that all labor market variables remain constant at current levels. In this scenario, the goal is to keep total working hours constant, assuming that a good portion of the population is going to retire. In this scenario, according to Allianz calculations, to keep the total number of working hours constant until 2050, the number of immigrants per year would have to be 338,000 in Spain.

-'Internal resources only' scenario. Here we reduce the net migration balance to zero from 2024 and calculate how labor market variables (labor force participation and employment rates, as well as the proportion of part-time work and the average number of actual weekly hours of work) and retirement age, must change to maintain the total number of working hours at the current level through 2050. In this case, to avoid a collapse of the labor market, Spain would need to experience a real revolution: "It would be necessary to further increase the retirement age to 68, and labor force participation would have to increase from 82.2% to 89.3% for men, and from 73.5% to 82.5% for women. The unemployment rate would have to drop below 6% in the long term (bearing in mind that it is now at 12% after years of very intense job creation)" the report says. In addition, the proportion of men employed part-time would have to drop from 6% to 2.2% and the proportion of women from 20.6% to 16.5%. A marked increase in the average number of hours actually worked per week in part-time jobs would be also be required, i.e. from 20 to 28 hours for men and from 20 to 26 hours for women working part-time, while men working full-time would have to increase their working hours from 40 to 43.3 per week, and women from 37.9 hours to 43.8 hours. This would entail a total of 1,820 working hours per worker, a level close to that currently observed in the US, Allianz analysts explain.

-'Reform' scenario. Here a combination of possible changes of all variables is chosen. “We use Sweden as a benchmark with respect to labor force participation and employment rates, as well as the proportions of part-time employment of the total and foreign population. Switzerland was used as a benchmark for the average number of actual weekly working hours. When current levels in the respective country were more favorable than in Sweden or Switzerland, we took the national value," Allian explains. In this 'reform' scenario in Spain, it is worth mentioning that the retirement age would have to be gradually increased to 68 by 2050, and the labor force participation rate would have to increase from

82.2% to 86.4% for men, and from 73.5% to 80.8% for women.

- 'Perfect match' scenario. Here the same changes are implemented as in the 'reform' scenario, with one exception being that arriving migrants work in virtually everything: "With regard to the integration of foreigners into the labor market, we assume that the labor force participation of male migrants would be close to 100% and that of female migrants close to 93%. In this scenario, the necessary average entry of foreigners per year would decrease to 106,000 in Spain." I.e., Spain could reduce the entry of foreigners by almost 25,000 per year compared to the 'reform' scenario.

- 'Productivity gains only' scenario. Here it is assumed that, due to increased automation and use of artificial intelligence, overall long-term productivity would be 10% higher than it is today. There is no change in retirement age, labor rate, participation and workforce employment rates, as well as the proportion of part-time work and the average number of actual weekly hours of work. In this scenario, the total number of hours worked would be -22% in the case of Spain, and the entry of foreigners would have to be 238,000 per year. ***(Source: The Economist; Date: 26.02.2024).***

Ireland

The automatic-enrollment pension plan finally gets the green light. On March 27, 2024, the Minister of Social Protection, Heather Humphreys, obtained Cabinet approval for the "*Automatic Enrolment Retirement Savings System Bill*". It will apply to nearly 800,000 workers between the ages of 23 and 60 who are employed but not enrolled in an occupational pension plan. The historic plan is aimed at this group to allow them to start saving for their pension earlier and ensure that people do not only rely on the State pension when they retire. Under the plan, employees will contribute to the pension fund, with their contributions matched by their employer, with an additional supplement from the State. Thus, if an employee pays 3 euros to his pension fund, his employer must match his contribution and contribute 3 euros, with the State providing a supplement of 1 euro. Every €3 contributed by employees will result in €7 in their pension fund.

Humphreys hopes to ensure that the new automatic enrollment system is easy to understand and communicate to the public. She previously pointed out that "there has been talk for decades" of an automatic registration system in Ireland. The Minister of Social Protection is expected to inform the Cabinet that the passage of the legislation will pave the way for one of the largest pension system reforms in the history of the country.

All employees between 23 and 60 years of age, earning more than €20,000 in all their jobs, who are not yet enrolled in an occupational pension plan, will automatically be enrolled under the new legislation. Workers may choose not to participate in the scheme or suspend their contributions after six months of mandatory participation.

When workers opt out or suspend their contributions, they will be automatically re-registered after two years, after which they may leave or suspend their contributions again, after another six months of mandatory participation. However, data from other countries shows that once people sign up automatically, very few decide to leave the system.

Upon its approval, the bill will begin its proceedings in the Oireachtas when the Dáil returns after Easter. Humphreys previously said that the auto-enrollment plan was on track to be introduced in early 2024. It is understood that she now wants the bill to be enacted as soon as possible so that the new system can be launched and the first contributions can begin gradually (over 10 years) as of January 1, 2025.

Employer and employee contributions will start at 1.5% of gross salary during years 1 to 3 and increase to 3% in years 3 to 6, to 4.5% in years 6

to 9, and to the maximum contribution rate of 6% from year 10 onwards, as shown below:

	Worker	Employer	State
Years 1-3	1.5%	1.5%	0.5%
(Years 4-6)	3%	3%	1%
Years 7-9	4.5%	4.5%	1.5%
Year 10	6%	6%	2%

Speaking to reporters, Minister Humphreys said that the Department has been "working with companies" and added that she "understands their concerns, because this is an additional cost."

The current state pension system will remain in place. Humphreys rejected the suggestion that the implementation of the automatic enrollment plan is an admission that the State Pension will not be able to meet people's needs in the future. "The state pension is the basis of our pension system and that will continue," she said.

Humphreys said the auto-enrollment plan is an addition to the state pension, adding, "Most people find that when they retire, if they don't have any pension provision, there is an abrupt drop in their income.

"I want to stop that. I want to make sure that when they retire, they have extra money in their pockets. It's good for society, it's good for the economy, it's good for business, because there's more money available to spend."

A Department spokesperson said that automatic enrollment aims to ensure that workers have retirement pension savings in addition to their state pension, so that they do not experience a drop in their standard of living.

A new authority, called the "National Savings Authority for Automatic Enrollment Retirement," will be established to manage the system.

Meanwhile, commercial investment firms will compete through an open tender for the role of "registered supplier" and invest contributions on behalf of Self-Enrollment members.

Participants will have a variety of savings funds to choose from, including a default fund for those who prefer not to choose, as well as an alternative fund option for those who wish to make a more active choice. ***(Source: TheJournal; Date: 27.03.2024).***

The country refused to raise the retirement age. In a referendum on March 3, Switzerland approved a proposal to increase pensions with a bonus, a "historic" measure, according to the promoters of the reform, at a time when the country faces a rebound in the cost of living. The union-driven proposal to pay retirees a bonus was supported by 58% of voters in 16 cantons, according to the final results. The measure was promoted by the Swiss Federation of Trade Unions and center-left parties. On the other hand, another initiative, to increase the retirement age from 65 to 66, which was also voted on, met with a 75% rejection. "This is historic," Pierre-Yves Maillard of the Swiss Federation of Trade Unions told AFP. The Green Party, for its part, praised a "significant victory for many retirees whose situation will improve." For this type of initiative to succeed, it must be endorsed by a majority in the majority of the country's 26 cantons. Ten cantons rejected the proposal. ***(Source: The Economist; Date: 03.03.2024).***