Progress of the Pension Systems

JUNE 2024 – JULY 2024
No.3

This document compiles the major changes that occurred in the pension systems in the ***June 2024-July 2024*** *period, with emphasis on the development of the individually funded systems. This edition includes information on changes and bills of law to August 13, 2024.*

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Executive Summary by area of interest

New Pension Programs and Social Security Reforms (approved)

- **Colombia:** The pension reform was signed on July 16 and will come into effect in July 2025. In the contributory pillar, all members with monthly incomes of up to 2.3 minimum wages (around US$628) must mandatorily contribute to Colpensiones (PAYGO system), whereas the AFPs will receive the contributions that exceed that amount. Both benefits will be combined or supplemented to comprise a single pension.
- **Guernsey**: In July 2024, the island launched a New automatic enrolment pension program to supplement the old-age pensions provided by the government pension program.
- **Irlanda**: The Automatic Enrollment (AE) bill of law was enacted in July 2024.
- **Malaysia**: In May 2024, the Employees Provident Fund (EPF) restructured its members' accounts to include three accounts instead of two: each individual account will comprise a retirement savings account (1), an assorted life-cycle necessities account (2), and a new short-term financial necessities account (3).
- **Saint Vincent and the Grenadines**: In June 2024, the government increased contribution rates from 4.5% to 5.5% for workers, and from 5.5% to 6.5% for employers, as part of a social security reform package implemented in early 2024.

Crises in public PAYGO and/or government-managed systems

- **Saudi Arabia**: In July 2024, the country announced a pension reform that addresses critical issues of its PAYGO system, such as a gradual increase in the retirement age, from 58 to 65, the required number of years of contributions for accessing a partial pension, from 25 to 30 years, and contribution rates, from 9% to 11%), also introducing maternity leave (funded via social security rather than individual employers).
- **Ecuador**: The IESS pension reform process is in a critical phase, having already established increases in pension amounts and proposals for changes that seek to improve the sustainability of the system (which must be submitted by the end of 2024), but which have also been resolutely opposed by retirees.
- **Spain**: The government and social stakeholders have agreed on more incentives for delaying retirement and facilitating partial retirement, in order to address the huge gap between the PAYGO pension system's revenue and expenditure. The incentive for postponing retirement will be increased by 2% of the total pension amount, or by a fixed amount, every six months, while maintaining the possibility of the mixed collection of such incentives: on the one hand, the increased pension, and on the other hand, the payment of a fixed amount, which is added to the existing incentive of 4% of the retirement pension for each year of postponement.

Reforms proposed or being discussed

- **Argentina**: The Government is working on a draft pension reform that proposes standardizing the retirement age for men and women at 65, while considering the possibility of privatizing the contribution fund.
- **Chile**: The government and the opposition signed a memorandum of understanding regarding the joint processing of the pension reform bill of law in the Senate, by no later than January 2025. Instituto Libertad y Desarrollo (LyD), is concerned that the memorandum of understanding will validate the creation of a "social security," which in practice merely entails reintroducing PAYGO components to the pension system, whereas they can be financed with general taxes, implementing measures that would enable greater collection, without affecting investment and growth.
- **China**: The country is pushing for an increase in the retirement age (currently between 50 and 60 years of age) to mitigate the "structural unemployment" of an aging country, based on the principles of free will and flexibility.
- **Costa Rica**: The Association of Pension Operators (ACOP) has called for more time to implement the generational funds (agreed for March 2025). According to Danilo Ugalde, the Chairman of ACOP, international experience has shown that the implementation of generational funds usually takes more than three years, first separating pensioners and then other groups. It would also be necessary to conduct studies and analyses, while working with the Pension Commission to eventually amend the regulations.
- **Peru**: The regulator proposed modifying the investment policy (measures linked to interest rate, exchange rate and credit quality risks) to avert volatility in Fund 0, to which members at retirement age are assigned, in order to preserve the value of accumulated resources.
- **United Kingdom**: In July 2024 the government began a review of its pension system, with the announcement of a new Pension Plans Bill of Law to encourage the consolidation of smaller pension plans and expand investment strategies. According to some experts, among the challenges that should be explored in the review of the pension system are the improvement and extension of automatic enrollment.

Executive Summary by area of interest

Advances in responsible investment, labor formality, pension education and payment of contributions

- Responsible Investment: The United Nations Environment Program's Finance Initiative (UNEP FI), the Climate Bonds Initiative (CBI), and the Principles for Responsible Investment (PRI) Committees have announced that they will work together to address global interoperability and the implementation of sustainable finance taxonomies and other frameworks for building consensus on taxonomy definitions and concepts among Standards Bodies, policymakers, and taxonomy users, supporting the development of taxonomies, and providing tools for their implementation. Furthermore, the IDB published a practical guide of sustainable financial instruments for public credit and treasury offices, which is a learning tool for disseminating experiences and best practices in the issuing of sustainable financial instruments (thematic bonds, bonds linked to sustainability, among others). Finally, an HPL article points out that the development and implementation of harmonized taxonomies is the cornerstone of sustainable finance.

- Labor Formality: The ILO presented its FORLAC 2.0 Strategy to address the challenge of informality in the Latin America and Caribbean region. FORLAC 2.0's short-term goals are to contribute to improving policies and institutions that impact the transition to a formal economy, hoping to contribute to progress in the mid and long term by increasing productivity and social protection coverage, among other aspects.

- Pension education: In July 2024, Mexico's Amafore and Communication Council launched the: "It's your money, it's your future" campaign, which seeks to promote knowledge of individualized savings accounts and Afores among workers, while highlighting the significant contribution of companies in this long-term savings process.
- Contribution payment audit: On June 2024, the Office of the Comptroller General of the Republic and the Peruvian Association of AFPs (AAFP) signed collaboration agreement that will allow the controlling body to audit State entities that retain workers' contributions without depositing them in their Individual Accounts.

Relevant reports

- **The ILO published its podcast "The Silver Tsunami: Are older workers the wave of the future?"** in which, among other matters, it argues that it is necessary to create jobs that are attractive to older people, and that such jobs may seem very different from jobs that are attractive to younger people.

- **A CLAPES UC Study shows that in the last 43 years, the individually funded pension system in Chile has accounted for one third of the growth in local investment**, 7% of the real cumulative variation in GDP, and 2.6% of growth in the employed population.

- **CLAPES UC presented a study analyzing the long-term impact of the possible 6% increase in the contribution rate on employment, wages, GDP, consumption and savings**. According to the study, the higher contribution rate will substantially improve pensions in the long term, although its distribution between Social Security (SS) and the Individually Funded System (IFS) does matter: if it goes to the IFS, the improvement in pensions will double that obtained if it goes to the SS.

- **The Public Policy Center of the Catholic University of Chile conducted a study that calls for the ongoing strengthening of social policies that encourage greater formality in employment,** the mitigation of disincentives in programs with a protective logic and the costs of the transition to formality, and, above all, that access to such policies must be gradually implemented and the emphasis on certain means-testing thresholds (currently 60% according to the Social Household Registry) must be reduced.

- **The European Commission's Pension Adequacy Report says that pension replacement rates will decline over the next four decades**, even with regulatory increases in the retirement age, and calls for more robust policies to promote longer professional careers, healthy aging policies, inclusive labor markets and greater flexibility in retirement mechanisms. It also emphasizes that several member states have improved the individually funded component of pensions.

- A **report by the New Financial think tank, supported by Vanguard, put forward recommendations to encourage greater retirement savings in the EU, including alternatives such as partially funding state PAYGO pensions**, establishing automatic enrollment in occupational pension plans, or generating more incentives for voluntary savings.

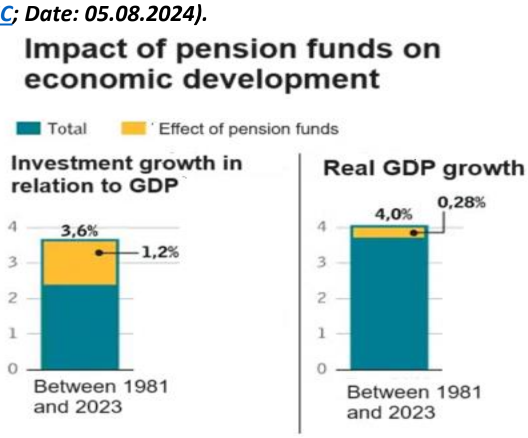
- **The OECD published a report calling for the establishment of a core set of social protection benefits available to all formal or informal sector workers**, which would require additional tax revenues and the strengthening of formal job creation incentives by financing social protection with general tax revenues (rather than social security contributions, which tend to increase the cost of formal job creation).

- **ECLAC published a book that emphasizes the need to collectively streamline the design of non-contributory systems to avoid distortions or disincentives in contributory systems,** while expanding contributory coverage, which is fundamental for guaranteeing the sustainability of the pension system by complementing, and not replacing, contributory pension systems.

- **According to the OECD report "Pension Markets in Focus - Preliminary 2023 Data," pension assets grew by more than 8% in the OECD** and by more than 14% in a group of 33 non-OECD countries in 2023, partially offsetting losses in value in 2022.

Relevant reports and presentations

A CLAPES UC econometric analysis **shows that in the last 43 years, the individually funded pension system in Chile has accounted for one third of the growth in local investment, 7% of the real cumulative variation in GDP, and 2.6% of growth in the employed population.** The conclusions suggest that the most significant effect has been on the growth of domestic investment, where pension funds explain 1.2 points of this indicator's 3.6% accumulated expansion, i.e., one third of the total. These savings also represent 7% of the cumulative growth of GDP (0.28 points of the 4% growth in GDP observed between 1981 and 2023) and 2.6% of the growth in the employed population. The authors of the report point out that these results are consistent with previous research conducted by authors such as Vittorio Corbo and Klaus Schmidt-Hebbel. ***(Source: CLAPES UC; Date: 05.08.2024).***



Source: CLAPES UC.

According to the OECD's "Pension Markets in Focus - Preliminary 2023 Data" report, pension assets grew by more than 8% in the OECD and by more than 14% in a group of 33 non-OECD countries in 2023, partially offsetting losses in value in 2022. However, total pension assets in the OECD remain lower than at the end of 2021, as investment gains in 2023 were insufficient to fully offset losses incurred in 2022 in some of the larger pension markets. ***(Source: OCDE; Date: 25.06.2024).***

Clapes UC presented its study "Pension reform and its effect on the Chilean labor market". The report analyses the long-term impact of the possible 6% increase in the contribution rate on employment, wages, GDP, consumption and savings. According to the study, the higher contribution rate will substantially improve pensions in the long term, although its distribution between Social Security (SS) and the Individually Funded System (IFS) does matter: if it goes to the IFS, the improvement in pensions will double that obtained if it goes to the SS. I.e., increasing contribution rates will enable a significant increase in pensions, ranging from 20% if the 6% is allocated to the SS, to 50% if it goes to the Individually Funded System (IFS). This is not without costs, because this essentially translates into lower wages: -5.5% if everything goes to SS, compared to -4.5% if everything goes to the IFS, and formal employment drops by -3.4% with everything to SS, and by -0.3% with everything to the IFS. Formal employment suffers, and real wages are lower, which is accentuated when allocating a greater proportion of the additional contribution to social security. Furthermore, wages do not adjust rapidly in the short term, causing a greater-than-estimated increase in unemployment and informality. The study also includes a macroeconomic analysis, showing that GDP drops by 3.2% if the entire additional contribution goes to social security, and rises by 0.7% if everything goes to the IFS. On the other hand, consumption drops in all cases in which a part is allocated to SS, and only increases when allocated to the ISF. Thus, although contribution rates should increase the savings of families, the higher cost of labor reduces corporate savings, so the net effect is negative, except in cases where most of the contribution rate increase is destined to the individually funded system. ***(Source: CLAPES UC; Date: 13.08.2024).***

The Public Policy Center of the Catholic University of Chile conducted a study on social policy incentives in the labor market and social security. The purpose of the study is to update the results of a previous study on the matter carried out in 2012 "**Social security and social programs:**

main incentives and disincentives to the Social Security behavior of its beneficiaries." On this occasion, 25 programs or policies in force in the country were analyzed, selected according to their relationship with different labor and social security facets, and their budget and coverage levels. These programs were related to education, income, employment, social security, health and housing. The findings show that: (i) The negative impacts of social policy design on formality and contributions would possibly be greater ; (ii) There is a group of policies that would theoretically incentivize formality; (iii) There are designs, at the programmatic or sectoral level, which combine social protection and the mitigation of disincentives to formality; (iv) The socioeconomic rating of 60% is very relevant in the design of social policies; (v) Means-testing is transversal in the Social Household Registry (SHP), so increases in the socioeconomic rating may have a high added impact.

The report recommends: (i) Ongoing strengthening of incentives in policies that promote formality; (ii) Mitigating disincentives in a group of policies, where feasible, and minimally impacting the original objectives of these programs; (iii) Continuing to advance to gradual, minimum-floor designs, with incentives to formal employment; (iv) Decreasing the importance of the HSR's 60% threshold.; (v) Develop a plan to mitigate the costs of transition to formality. ***(Source: seminariosubsidios-informalidad.cl; Date: 30.07.2024).***

The European Commission's Pension Adequacy Report highlights the importance of resilient European pension systems in the face of global challenges. The report points out that while European pension systems have protected retirees' standard of living in the face of global challenges, pensions are projected to diminish, calling for more robust policies to promote longer careers, healthy aging policies, inclusive labor markets and greater flexibility in retirement mechanisms**.** According to the results, women in the EU receive, on average, 26.1% less pension income than men, and 5.3% of women do not receive any pension. These differences are due to gender pay gaps, shorter or interrupted careers, and a greater number of part-time jobs. The pensions of formerly self-employed workers are expected to be one third lower than those of full-time employees, with a similar career duration. Part-time or fixed-term workers also face low income and fewer opportunities to accrue pension rights. The costs of long-term care can exceed the pension income of people requiring intensive care, highlighting the need for comprehensive social protection support. ***(Source: EC; Date: June 2024).***

ECLAC published a book that addresses the need to strengthen non-contributory pension systems in Latin America and the Caribbean, while pointing out that they do not generate distortions or disincentives in contributory systems. The publication emphasizes that the expansion of non-contributory pension systems in the region constitutes one of the main milestones in the construction of social protection architectures in a context marked by high labor informality, accelerated aging, and wide gaps and inequalities, including gender. The book points out that it is crucial for non-contributory pension systems to be created in countries where they do not yet exist, and for them to be strengthened and expanded in countries where their coverage or levels of sufficiency are still limited, addressing factors such as their target population, the elements comprising their institutional frameworks and design, and their financial sustainability. The report also emphasizes the need to collectively streamline the design of non-contributory systems to avert distortions or disincentives in contributory systems, while expanding mandatory coverage, which is fundamental for guaranteeing the sustainability of the pension system. Non-contributory pension systems are designed to guarantee the rights of the elderly, but must do so by complementing, rather than replacing, contributory pension systems. ***(Source: ECLAC; Date: June 2024).***

An ISSA Report examines the growing use of artificial intelligence (AI) in social security, and

the factors that can help social security institutions to use it to advantage. The report sheds light on the transformative potential of AI in social security. AI has shown that it can increase capacity, improve service delivery and help institutions automate tasks to significantly increase administrative efficiency in social security institutions, within the framework of a data-driven institutional strategy. By using different types of data, AI can help organizations create new operational processes that deliver value-added services to reach more people and provide better services with the appropriate support. Since AI requires data to grow, its integration into services and operations depends on high-quality information. It is therefore crucial to ensure the availability and quality of data to effectively train AI systems. The report points out that the application of AI also poses challenges, and that it should be incorporated into the technology portfolio. A number of examples are listed, such as natural language processing chatbots, which are widespread. These examples show how AI can become a value-added alternative by overcoming the limitations of traditional computing solutions. ***(Source: AISS; Date: 18.06.2024).***

A **report by the New Financial think tank, supported by Vanguard, put forward recommendations to encourage greater retirement savings in the EU, including alternatives such as partially funding state PAYGO pensions, establishing automatic enrollment in occupational pension plans, or generating more incentives for voluntary savings.** Among other issues, the report points out that:

- Large long-term capital funds, such as pension and insurance assets and retail investment, are the starting point for creating deep and efficient capital markets, although capital funds in the EU (accounting for 184% of GDP) are smaller than in the US, UK, Japan or Australia. There is too much money in unproductive investments in the EU, with negative consequences for households and the European economy.
- The level of pension assets in the EU is particularly low, with almost two-thirds of assets concentrated in just three Member States. A (partially) funded pension system that encourages people to accumulate retirement savings is a key element in securing the financial future of EU citizens and providing the economy with a large potential supply of capital.
- Households across the EU have 34% of their financial savings in cash, on average. This figure increases to more than 40% in countries such as Austria and Germany, and to more than 50% in Poland, Malta and Greece. Reducing fees and providing easier access to EU retail investment markets would be a good start to help people get their money out of bank accounts.
- There is a danger that EU policymakers will miss the big picture by only addressing retirement savings and retail investment. Neither pensions nor increased retail investment can resolve this issue on their own. Measures to scale up retail investment have to be combined with more structural reforms of pensions and retirement savings to really change the situation in the EU, and there is evidence in Denmark and Sweden that, at best, they can mutually nurture one another.
- It may be politically complicated for the EU to draw inspiration from the UK or the US, but there are some examples of EU member countries that have large long-term capital reserves. Denmark's partially funded state pension, Ireland's introduction of workplace retirement savings with automatic enrollment, or Sweden's tax treatment of savings, can serve as the basis for gradual or more radical reforms in other member states.

It is estimated that the transition of EU pension systems to individually funded models (at least in part) and the shifting of savings from bank accounts to capital markets, could release some €11 billion. Even investing one third of this money in European assets (in line with the average asset allocation of UCITS equity funds), would give the European economy a significant boost. ***(Source: New Financial; Date: June 2024).***

The OECD published a report on how to improve social protection for more workers in Latin America. According to the report, informality is a long-standing structural challenge of Latin American labor markets, as nearly one half of the region's population live in households that depend exclusively on informal employment. Informal workers are often insufficiently covered by social protection policies, which require formal sector employment for them to be eligible. The need to reform social protection systems in Latin America, to make them more effective and fiscally sustainable, has become more evident after the COVID-19 pandemic. This report argues that a core set of social protection benefits available to all workers in the formal or informal sectors can and should be established, although it would require the collection of additional tax revenue. Furthermore, incentives for formal job creation would be strengthened if their main source of funding for that basic social protection was general tax revenue, rather than social security contributions, which tend to increase the cost of formal job creation. The report stresses that reforming social protection systems will not be easy, although they can provide the basis for stronger and more inclusive growth in Latin America. ***(Source: OCDE; Date: 30.05.2024).***

The IDB published a practical guide to sustainable financial instruments for public credit and treasury offices. The global need to steer the economy on a sustainable and decarbonized path requires an effort by both the public and private sectors to direct capital flows towards sustainable investments. This practical guide is a learning tool for disseminating experiences and best practices in the issuing of sustainable financial instruments (thematic bonds, bonds linked to sustainability, among others). Its purpose is to facilitate and encourage the participation of new issuers in the growing market for sustainable financing and contribute to the transition towards a more resilient and sustainable economy in Latin America and the Caribbean. To this end, pioneering cases of sovereign thematic issues in the region were analyzed, highlighting the different instruments that address the environmental and social challenges of countries, as well as the regulatory framework, processes and lessons learned for each one of them. Furthermore, relevant experiences of innovative financial instruments developed in the region, such as catastrophic bonds, gender bonds and debt-for-nature swaps, were examined. Finally, it concludes with a summary of best market practices, perspectives, benefits and challenges for addressing sustainable financing and investment requirements. ***(Source: IDB; Date: July 2024).***

An HPL Report shows that harmonized taxonomies are the cornerstone of sustainable finance. The article points out that the development and implementation of taxonomies in sustainable finance is essential for orienting investment towards activities that align with environmental, social and sustainability objectives. These classification systems help clarify what constitutes a “green” or “sustainable” investment, and help investors, financial institutions, and businesses make informed decisions that support border sustainability goals. Latin America's proactive stance, with countries such as Mexico, Panama, Colombia and the Dominican Republic leading the way, demonstrates a regional commitment to integrating sustainability into financial practices. This progress is crucial to global sustainability efforts. Nonetheless, significant challenges remain, due to the lack of global agreement on sustainability standards and thresholds. This fragmentation leads to market confusion and regulatory loopholes and interferes with efficient cross-border capital flows. Creating custom national taxonomies should address local contexts, but this sometimes complicates the global outlook. Addressing these issues requires greater international coordination and alignment to ensure that taxonomies effectively support the global climate agenda and facilitate a coherent approach to sustainable finance. To maximize the benefits of taxonomies, they must be flexible, adaptable, and continually updated to reflect new scientific evidence and stakeholder feedback.

Well-designed taxonomies enhance market clarity and integrity by providing robust criteria that avoid greenwashing and ensure genuine sustainability. As the financial world increasingly embraces sustainable practices, minimizing fragmentation and improving global coherence in taxonomy development will be essential for scaling up the financing of the transition. ***(Source: HPL; Date: 03.07.2024).***

ESE Business School's CEF Macrofinancial Report looked at how men have lagged in the post-pandemic Chilean labor market. According to the report, the employment rate for both men and women was lower in May 2024 than at the end of 2019. However, the difference is 3.25% for men, more than triple the 0.7% rate observed in women, A simple exercise reveals that in order to resume the pre-pandemic rate, assuming the current working-age population, almost 200,000 additional jobs will be required for men, and around 60,000 for women. This sex-differentiated is due to the fact that employment among men has grown more slowly than among women, after the sharp drop observed during the pandemic, especially in the last two years. Between the beginning of 2022 and May 2024, the number of employed women has grown by almost 4% per year, on average, while the number of employed men in that same period has grown by only 2% per year, on average. This trend highlights the fact that men are the ones who have fallen further behind in terms of post-pandemic employment. The complex scenario of the construction sector in recent years has been the main factor behind the weak growth of male employment, since this sector has traditionally represented 13% of total employment for men, on average, with the second largest rate of employment after the trade sector (18%). ***(Source: ESE.cl; Date: July 2024).***

The Occupational Pensions Stakeholder Group (OPSG) of the European Insurance and Occupational Pensions Authority (EIOPA) drew up a document for initiating a discussion on the possible development of a Pan-European Occupational Pension (PEOP) product. This proposed pension solution aims to address the changing needs of workers and employers in EU member states. The PEOP aims to create a European standard for second pillar pensions, enabling insurers, asset managers and pension funds to offer this product across Europe. The product is designed to address the low coverage of second pillar pensions in Europe, in particular in Southern and Eastern Europe, aiming to facilitate cross-border portability of pensions and increasing the investment capital available to the European economy. The proposal suggests that countries could implement automatic or mandatory enrollment in the PEOP, although this is not applicable across Europe. There are still differences in social and tax legislation between European countries, but the PEOP seeks to create national second-pillar markets with the necessary regulations. PEOP is considered potentially easier to implement than IORP 2[1] because it allows insurers and asset managers to get started without setting up a pension fund first. The new European Commission could consider this proposal, as there is growing interest in a European pension product. ***(Source: Eiopa.europa.eu; Date: 16.05.2024).***

According to an INVERCO report, Spanish households' financial savings stood at EUR 2.88 trillion at the end of March 2024, according to the Spanish economy financial accounts data released by the Bank of Spain. Financial market returns accounted for 88% OF the increase in the volume of financial assets of Spanish households (47,823 million euros). By components, the Collective Investment Institutions increased to 16% of the total financial savings of Spanish families. The term deposits of families increased,

[1] IORP II is the Directive governing the Institutions for Occupational Retirement Provision of the European Union, which was adopted to improve the regulation and supervision of occupational pension funds in Member States. This Directive is an update of the previous IORP I and its principal purpose is to strengthen the protection of the rights of pension beneficiaries and ensure the sustainability of pension funds.

for the fifth consecutive quarter, with its weighting in total savings representing 5.7% of the total (still far from the 2012 maximums). ***(Source: INVERCO; Date: July 2024).***

The ILO published its podcast "The Silver Tsunami: Are older workers the wave of the future?". The podcast explores several issues, one of which is whether future jobs can support an aging workforce. In this context, it is argued that jobs that are attractive to the elderly must be created. Besides, an attractive job for an elderly person may seem very different from an attractive job for a younger person. By way of example, there is a perception that older workers are much more expensive than younger workers. In fact, though, wages and income do not matter that much for seniors. What matters much more to them is flexible working hours, and recognition. There may be other incentives for them to return to work and work longer hours. Furthermore, workers can go green, digital, and innovative if they have not done so already. It is only a matter of empowering them and giving them the opportunity. Almost all perceptions of older people are wrong, so we really need to find a way to overcome them and better integrate older people into labor markets. ***(Source ILO; Date: 17.06.2024).***

An International Social Security Association (ISSA) document discusses gender-sensitive practices in Europe aimed at protecting families and supporting women. Key points include:

1. Gender inequality in social security: The study highlights the persistent gender disparities in social security systems across Europe, which are often disadvantageous to women, particularly in terms of pensions and benefits.

2. Importance of gender-responsive policies: Emphasizes the need for social security systems to adopt gender-responsive practices that address the particular challenges women face, such as caregiving responsibilities and employment gaps.

3. Policy recommendations: The report outlines several recommendations for policymakers, including:
   - ✓ Improve access to social security for women, especially those in informal employment.
   - ✓ Implement flexible working arrangements and parental leave policies that encourage shared caregiving responsibilities.
   - ✓ Promote financial literacy and empowerment programs for women to improve their economic independence.

4. Case studies: The paper provides examples of successful gender-responsive practices that have been implemented in several European countries, showing innovative approaches to support women and families.

ISSA calls for collaboration between governments, social security institutions and civil society to create inclusive social security systems that promote gender equality and effectively support families. This analysis underlines the critical need for reforms in social security systems to address gender disparities and improve the well-being of women and families in Europe. ***(Source: AISS; Date: 02.07.2024).***

A Report by the American Academy of Actuaries focuses on the potential disadvantages faced by racial and ethnic minority groups, women, and the low-income population, exploring the potential adverse outcomes of retirement and the policies needed to address them. The report acknowledges that many of the possible ways to reduce pension inequalities go beyond retirement policies and are linked to increasing labor participation of historically underrepresented groups. Policymakers and legislators should continue to renew existing programs to address the ongoing and growing retirement deficiencies we have witnessed in the 21st century, including: (i) Retirement Saver's Credit improvements; (ii) Establishing a national version of the automatic enrollment plans that have been approved by nearly twenty countries; (iii) Expanding the matching contributions mechanism to other priorities (such as child education, homeownership, or health); (iv) Improving the characteristics of automatic enrollment (e.g., re-enrollment of participants every three years, with an opt-out option for workers); (v) Improving the de-accumulation mechanisms of pension plans; and (vi) Improvements in spousal protection. ***(Source: Actuary.org; Date: June 2024).***

Relevant news of the period

World

UNEP FI, PRI, and the Climate Bonds Initiative (CBI) join forces to support taxonomy efforts worldwide. The United Nations Environment Program's Finance Initiative (UNEP FI), the Climate Bonds Initiative (CBI), and the Principles for Responsible Investment (PRI) Committees have announced that they will work together to address global interoperability and the implementation of sustainable finance taxonomies and other frameworks. This collaboration aims to build consensus on taxonomy definitions and concepts among Standards Bodies, policymakers, and taxonomy users, supporting the development of taxonomies, and providing tools for their implementation. ***(Source: UNEPFI.org; Date: 27.06.2024).***

Latin America, the Caribbean and North America

Regional

The ILO presented its FORLAC 2.0 Strategy to address the challenge of informality in the region. The ILO presented its Formalization Strategy for Latin America and the Caribbean (FORLAC 2.0), to be implemented between 2024 and 2030. FORLAC 2.0's short-term goals are to contribute to improving policies and institutions that impact the transition to a formal economy, by including the voice of business and trade union organizations that are not adequately represented in the design of policies and improve the institutional environment to stimulate labor and business formalization. In the mid and long term, FORLAC 2.0 hopes to contribute to progress in increasing productivity, transforming and diversifying production, increasing social protection coverage, reducing social and economic gaps in territories - especially in rural areas - generating greater opportunities for vulnerable groups and women, as well as contributing to the promotion of a just transition in climate and technological changes. Labor informality affects one of every two workers in the region. Despite progress in transitioning to the formal economy in the early 21st century, informality remains a persistent challenge. The majority of labor informality consists of workers in the informal sector, especially the self-employed, which is related to low productivity and is reflected in labor poverty and limited access to social protection. Likewise, the region faces great business heterogeneity, in terms of size and productivity levels. Digital transformation, climate change and illicit activity present both challenges and opportunities. FORLAC 2.0's approach proposes productivity with decent work as the central strategy to combat informality. In this regard, FORLAC 2.0 is based on six premises that guide policy formulation and implementation:

- Without a sustained increase in productivity, there will be no sustained reduction in informality.
- There is no formal employment without compliance with labor rights.
- Informality is not a monolithic and homogeneous block.
- There are no instant solutions or sole routes to formality.
- Formalization must contribute to fair transition in the context of climate and technological change.
- Formalization requires inclusion, dialog and execution. ***(Source: ILO; Date: 18.07.2024).***

Argentina

The Government is working on a draft pension reform that proposes standardizing the retirement age for men and women at 65, while considering the possibility of privatizing the contribution fund. There are still no concrete deadlines for its implementation, and it may only be submitted in 2025. Given that the Argentine government currently recurs to general taxes and the resources of the National Treasury to finance pensions, which were 9% of GDP in 2023 , the reform would also propose: (i) the elimination of the more than 200 special pension schemes that exist in parallel to the general system [2]; (ii) a review of the non-contributory pension system, which includes pensions granted for disability and the elderly, who do not have the necessary number of years of contributions or other economic support (PUAM). ***(Source: 0221.com.ar; Date: 28.07.2024).***

Chile

The government and the opposition signed a memorandum of understanding regarding the joint processing of the pension reform bill of law in the Senate, by no later than January 2025. The memorandum of understanding contemplates simultaneous detailed and overall discussion, i.e., the Labor and Social Security Committee will discuss the project simultaneously, which means that the government must begin to submit its opinions regarding the bill of law and begin the discussion of specific issues until reaching agreement, which will finally be ratified. Voting will also be ad-referendum, so that the rules will be voted on at the end of the process. The bill must be dispatched from the Senate no later than January 2025. A group of Senate and Executive representatives will seek the broadest possible agreements. The protocol considers 9 central issues to be addressed:

1. Increase Pension Savings: this involves adjusting the contribution rate, reducing pension informality and encouraging the prolongation of active life.
2. Establish Objective Parameters for the Universal Guaranteed Pension (PGU): This seeks to manage the fiscal implications of the project.
3. Modify the Pension Fund Market Framework: The aim is to increase competition in prices and returns, without negatively affecting the returns of the funds.
4. Improve Fund Management: Increase fund returns.
5. Increase pension amounts: Through social security, especially for women and people with a high contribution density.
6. Create a Social Security Payment Fund: Its investment will be tendered to private parties.
7. Ongoing Equal Pension Mechanism: For men and women with equal retirement status.
8. Recognition of Contributions: By contributors or their employers.
9. Strengthening of the Pension institutional framework: To ensure the sustainability of pensions.

Instituto Libertad y Desarrollo (LyD), is concerned that the memorandum of understanding will validate the creation of a "social security," which in practice merely entails reintroducing PAYGO components to the pension system, whereas they can be financed with general taxes, implementing measures that would enable greater collection, without affecting investment and growth. According to LyD, a loan of an additional 2% of contributions is not a good idea, since the returns on the fund's would be lower than that of the market, There is no information regarding inheritance; ownership of the funds is weakened and there is no certainty as to whether the loan will be repaid. ***(Source: Exante, LyD; Date: August 2024).***

[2] These schemes offer benefits such as the possibility of early retirement or higher pensions. They cover all workers, from miners, who can retire with ten years less service, to foreign service and judicial system personnel, who receive significantly higher-than-average pensions.

Colombia

President Gustavo Petro signed the pension reform, which will come into effect in July 2025. On July 16, 2024, the President of the country, Gustavo Petro, together with social organizations and senior citizens, signed the pension reform that will come into effect in July 2025 (the bill of law had already been approved by Congress on June 14). The law maintains the retirement ages of 57 for women and 62 for men but modifies fund distribution. This new regime is based on a 4-pillar scheme: solidarity, semi-contribution, contribution and complementary voluntary savings. Each one of them is directed to a specific group, In which all must mandatorily contribute to the government's Colpensiones fund, up to a certain amount of salary.

- **Solidarity pillar**: The State will subsidize women over 60, men over 65, men over 55 and women over 50 with diminished working capacity, living in poverty and vulnerable conditions.
- **Semi-contributory pillar**: A life annuity will be granted based on the life savings of people who could not retire because they did not meet the requirements for accessing a pension, despite having contributed. Thus, the requirement for accessing this income is for men to be over 65 years and have contributed for a minimum of 300 weeks; or for women to be over 60 and have contributed for a maximum of 999 weeks.
- **Contribution pillar**: Comprises workers who contribute to the pension system, through which they can access a comprehensive old-age, disability or survivors' pension. All members with monthly incomes of up to 2.3 minimum wages (around US$628) must mandatorily contribute to Colpensiones The AFPs will receive the contributions that exceed that amount. Both benefits will be combined or supplemented to comprise a single pension.
- **Voluntary pillar:** All members with additional economic capacity who want to save in this pillar for a better pension will contribute. None of the pension reform amendments apply here.

On this website you will find the details of what the reform implies for workers, in each pillar described. ***(Source: DF; Date: 16.07.2024).***

Costa Rica

The Association of Pension Operators has asked for more time to implement the generational funds. Danilo Ugalde, Executive Director of the Costa Rican Association of Pension Operators (ACOP), criticized the speed at which the Mandatory Supplementary Pension Regime (ROP) is transitioning towards the generational funds model. It was agreed to implement generational funds in March 2025. However, according to Danilo Ugalde, international experience has shown that the implementation of generational funds usually takes more than three years, first separating pensioners, and then other groups. It would also be necessary to carry out studies and analyses, to be shared with the Pension Commission, which will provide feedback on some matters, eventually amending the regulations, in some cases. ***(Source: Elfinancierocr.com; Date: 05.08.2024).***

Ecuador

The pension reform process of the Ecuadorian Social Security Institute (IESS), that manages the PAYGO system, has been marked by discussions on significant changes in the pension system, and has generated both favorable and unfavorable reactions. First, IESS pensions are expected to increase in 2024, with the minimum pension rising from USD 225 to USD 230 and the maximum pension from USD 2,475 to USD 2,530, an adjustment based on the increase in the unified basic salary and inflation of the previous year, even though the IESS faces a liquidity crisis that complicates the financing of these increases. Second, the IESS is working on a legal reform that will include incentives for members to retire later, allowing them to receive higher pensions. Members must currently be 60 years old, with 360 contributions, to retire. The reform seeks to offer options for those who continue working beyond the age of 60 to be able to receive up to 100% of their previous income, instead of 80%. The reform proposal has given rise to discontent among pensioners' organizations, who have announced protests in rejection of the proposed changes, arguing that they could negatively affect pensioners. Reforms to the Social Security Law are expected to be submitted to the National Assembly by the end of 2024, with the aim of addressing the sustainability of the pension system and ensuring adequate payment to retirees in the future. In summary, the IESS pension reform process in Ecuador is in a critical phase, with increases in pensions already established and proposals for changes that seek to improve the sustainability of the system, but which have also generated strong opposition among retirees. ***(Source: Primicias.ec; Primicias.ec; Radiopichincha.com; Eluniverso.com; Date: June 2024).***

United States

Rhode Island approved a retirement savings program with automatic enrollment. The Rhode Island legislature passed a bill to launch a new automatic retirement account (IRA) program, the "Rhode Island Secure Choice Retirement Savings Program," which will be the nation's seventeenth automatic retirement account program and the twentieth retirement program for private sector employers. Rhode Island private sector employers with five or more employees would be required to offer a retirement plan to their employees, which can be satisfied by offering any type of retirement plan, such as a 401(k). The program's treasurer will be in charge of collecting contributions to any automatic IRA through payroll deductions and investing those funds in accordance with best practices for retirement savings vehicles. The law takes effect for all eligible employers within 36 months of opening enrollment in the program, following a phased implementation period. According to Georgetown University's Center for Retirement Initiatives (CRI), about 189,000 private sector employees in Rhode Island lack access to a retirement savings plan at work. Considering the 412,000 private sector employees in the State, this indicates an access gap of 46%. According to the CRI, facilitating access would grow workers' savings, estimating that an automatic IRA program that does not exclude employers with fewer than 10 employees would provide access to 109,000 additional savers, with average contributions of $2,710, totaling about $300 million in contributions by 2040. As of May 31, state programs across the United States had accumulated more than $1.5 billion in assets under management in more than 879,000 accounts, and 214,000 registered employers. According to Angela Antonelli, executive director of the CRI, as of June 11, ten state programs are open to all eligible employers and workers in their states. Two additional automatic IRA programs, in Delaware and New Jersey, are currently in pilot phases and will be open to all eligible employees on July 1 in Delaware, and June 30 in New Jersey. ***(Source: Plansponsor; Date: 12.06.2024).***

The time is right for a national retirement savings plan, for example via a national version of the "auto-IRA" plans that have been approved by 17 states, or a national 401(k) plan, to improve private pension coverage and reduce reliance on the PAYGO system (social security). Pension savings experts have many different ideas for making 401(k) plans work better. But most agree on the top priority: making them available to more people. Only about half of America's private sector workers are covered by an employer-sponsored retirement savings plan at any given time, and that figure has not varied much over the years. Missed opportunities for saving in the workplace result in too many people retiring with negligible savings, or none at all, leaving them dependent only on Social Security (PAYGO) in retirement. But what if we could make retirement savings accounts as universal as Social Security, which covers nearly every worker in America? That could be achieved with a federally sponsored retirement plan that would automatically enroll all workers who do not have access to a workplace savings plan. Legislators and policymakers have attempted to promote such a plan, which includes:

a) The equivalent of a national 401(k) plan, which would include a matching government contribution.
b) A national version of the "auto-IRA" plans that have been approved by almost twenty states, which would be similar to the 401(k) idea, but would not include a matching government contribution.

In both cases, most employers that do not offer their own plans would be required to enroll workers in the government option and make payroll deductions. This year (2024) marks the 50th anniversary of the Employee Retirement Income Security Act, the law that played a key role in shifting from traditional defined benefit pensions to defined contribution benefits and laid the foundation for the modern private sector pension system. ***(Source: [Morningstar](); Date: 31.07.2024).***

The ERISA Advisory Board [3] explores default life annuity options in defined contribution plans. Experts attending an ERISA Advisory Board hearing recommended that life annuities should be part of the default investments of a defined contribution plan, as a hedge against longevity risk. The council is a 15-member body that advises the Department of Labor when needed. The Board explored the possibility of making lifetime income options, such as Qualified Default Investment Alternatives (QDIA) more frequent.[4]). In May, the Board decided to host a meeting to further investigate QDIAs in defined contribution plans and health insurance appeal processes. Olivia Mitchell, a professor of insurance risk management and executive director of the Wharton School of the University of Pennsylvania's Pension Research Council, testified in favor of a specific default annuity structure in defined contribution plans. She recommended that participants enroll by default in a product where approximately 10% of their plan balance at age 65 would be used to purchase a deferred life annuity that they do not have to start paying until they are around 80 or 85 years old. Mitchell argued that a “default life annuity, not for the entirety of your savings, but only for 10% of your money,” balances several concerns. Since participants would not start paying until they are older, it is more geared toward addressing longevity risk, the risk of surviving all savings. It would also address the fact that “financial decision-making and financial literacy often decline later in life,” because participants would have to do less to manage the de-accumulation of their plan's assets as they age. She acknowledged to the Council that this is a one-size-fits-all approach but said that the default options should be simpler and would often take that form. A more personalized approach would be more costly and complicated, and “employers might not have the time and money to do as much analysis,” but “if people want more features, they can be offered as well.” The federal Lifetime Income for Employees Act, pending since June 2023, would make it easier to use life annuities as

[3] ERISA is the Employee Retirement Income Security Act, a United States federal law enacted in 1974, that sets minimum standards for the management of retirement plans and health benefits offered by private employers. Its principal purpose is to protect the interests of the employees and beneficiaries of these plans.

[4] QDIAs (*Qualified Default Investment Alternatives*) are default investment options in U.S. defined contribution plans that meet certain ERISA requirements. When participants do not specifically choose how their contributions should be invested, they are automatically invested in a QDIA.

a default option, as long as no more than 50% of participants' contributions are invested in them. Annuities are not prohibited, per se, as a default option, but regulations require QDIAs to be available for withdrawal every three months, a requirement that most annuities cannot satisfy. The bill would remove this requirement for annuities, as long as they meet the 50% limit. ***(Source: [Plansponsor](); Date: 08.07.2024).***

Mexico

A publicity campaign for improving pension culture has been submitted. Last July 24, Mexico's Amafore and Communication Council launched the "It's your money, it's your future" campaign, which seeks to promote knowledge of individual savings accounts and Afores among workers, while highlighting the significant contribution of companies in this long-term savings process. "It's your money, it's your future" and "Companies contribute more to your retirement" are the slogans of the campaign that will be disseminated through radio, television, the press and external media, as well as events on social networks and within companies, for 5 months. Guillermo Zamarripa, Chairman of Amafore, stated that the purpose of the campaign is for workers to learn more about their Afore, use it to their advantage, and manage it in the best possible way. ***(Source: Amafore; Date: 07.08.2024).***

In a press release , the regulator highlighted the fact that 27 years after its launching, the country has a solid protection and welfare regime that offers decent pensions for workers. He stressed that reforms have been carried out in President Andrés Manuel López Obrador's government to address the deficiencies of the Retirement Savings System (SAR) and pointed out that the creation of the Welfare Pension Fund is in addition to all the above. He mentioned that the SAR currently has 74.8 million accounts with total savings representing 19.1% of GDP. ***(Source:: Eleconomista.com.mx; ; Date: 01.07.2024).***

Peru

The Comptroller's Office and the Association of AFPs will audit public agencies that do not deposit members' contributions. The Office of the Comptroller General of the Republic and the Association of AFPs (AAFP) signed a collaboration agreement that will allow the controlling body to audit government agencies that retain workers' contributions without depositing them in their individually funded accounts in the Private Pension System (SPP). The purpose of this agreement is to avoid the creation of new pension debt and ensure that the agencies that have agreed to the three payment rescheduling regimes (REPRO AFP[5]) comply with their contribution payments. As of May 2024, a total of 2808 national, regional and local government agencies withheld the contributions of 432,996 workers enrolled in the AFPs and did not deposit them in their Individually Funded Accounts (CIC). As of May 2024, this pension debt is about PEN 14,657 million (approx. USD 3,839 million), if the adjustment procedures regarding interests, arrears and finds established by the Superintendence of Banking, Insurance and AFPs (SBS) are included. By implementing the REPRO AFP, the due and payable debt would be reduced to PEN 1,870 million (approx. USD 490 million), since it would only include the members' withheld contributions and the returns that would have

[5] The REPRO AFP is a debt rescheduling regime of public institutions that aims to return the contributions withheld and not paid into the CIC of the workers enrolled in the SPP, in monthly instalments. REPRO makes it possible to recover the worker's contributions plus the returns that would have been generated if they had been deposited in a timely manner. REPRO I and II, approved in 2016 and 2019, include 818 public agencies. 415 of them have already paid off all their debt, and 280 are up to date in their payments, while 123 are in arrears in their payments. Thus, PEN 870 million has been recovered for SPP members; PEN 619 million remains to be recovered (PEN 115 million of the latter, corresponds to overdue instalments). In 2024, REPRO III has included 727 public agencies, which will start paying the first instalment in January 2025. These agencies have committed to repay PEN 997 million, an amount that includes the returns that members would have received for the timely deposit of their contributions and the interest on the fractioning of the debt.

been generated if they been deposited in their CICs, in order to protect the workers. To avoid the generation of new pension debt, the AAFP will provide the Comptroller's Office with updated information on government agencies with unpaid contributions, so that the controlling body can quickly identify the agencies engaging in bad practices and take appropriate actions to safeguard the contributions of SPP members. On the other hand, to facilitate the timely payment of REPRO contributions by the participating agencies, the statement of compliance with the return of the social security contributions withheld from the salaries of members and not deposited in their individually funded accounts, will be sent periodically. Thus, the controlling body will be able to supervise compliance with the payment of contributions by these agencies. Giovanna Prialé, the Chair of the Association of AFPs, made it clear that the Comptroller's Office will have real-time information to monitor debtors and avoid the creation of new pension debts that affect the retirement savings of public sector workers. ***(Source: Asociacionafp.pe; Date: 26.06.2024).***

The Banking, Insurance and AFP Commission (SBS) proposed modifying the investment policy of Fund 0, to which members at retirement age are assigned, in order to preserve the value of accumulated resources. Basically, measures are being taken related to interest rates, exchange rates and credit risks, to avoid volatility in Fund 0, in which members between 60 and 64 years of age can voluntarily enroll, and to which members aged 65 or more are mandatorily assigned. The draft regulation will be published for public comment by August 16. Thereafter it will be published with the changes that the regulator deems pertinent. ***(Source: Gestion.pe; Date: 30.07.2024).***

Saint Vincent and the Grenadines

The island nation has implemented social security reforms for the new public pension fund. On June 1, 2024, the government increased contribution rates from 4.5% to 5.5% for workers, and from 5.5% to 6.5% for employers, as part of a social security reform package implemented in early 2024.[6]. Other changes made by the reform package to the National Insurance Service (NIS), include expanding coverage for the self-employed, increasing the cap on covered income, restricting eligibility for early retirement, further reducing early retirement, modifying the baseline income period, increasing the minimum pension, and establishing a permanent unemployment benefit. The government presented the reform package in its 2024 budget, which was approved by Parliament on January 10. While the reforms introduce some improvements in the adequacy of pensions and program coverage, their primary goal is to improve the sustainability of the NIS by generating additional income and discouraging early retirement. According to an actuarial analysis, the latest changes will extend the year in which the NIS trust fund is expected to be exhausted from 2035 to 2060. Some key changes introduced by the NIS reform package (all effective March 1, unless otherwise noted) include:

- Increase in contribution rates: On June 1, the NIS contribution rate increased from 4.5% to 5.5% of covered weekly or monthly income for

[6] The main components of the old-age pension system in Saint Vincent and the Grenadines are the NIS, which cover employed and self-employed individuals, and the means-tested Elder Assistance Benefit for certain residents in need (voluntary NIS coverage is available for citizens who are no longer in covered employment or living abroad). To qualify for an old-age pension under the NIS, individuals must have reached the official retirement age and have at least 500 weeks of paid or proven contributions. A full old-age pension is paid to eligible individuals with at least 650 weeks of contributions (increasing to 700 weeks in 2025 and 750 weeks in 2028). If insured individuals reach the official retirement age with at least 50 weeks but less than 500 weeks of paid or proven contributions, they may receive an old-age allowance in the form of a lump sum. The Senior Assistance Benefit is paid to individuals who were 45 years of age or older on January 5, 1987; were regularly engaged in seasonal or informal work for a significant period of time prior to this date (no specific period has been defined); are not currently in gainful employment and meet certain residency requirements and income limits.

employees, from 5.5% to 6.5% of covered weekly or monthly payroll for employers, from 9.5% to 11.5% of covered weekly or monthly income for the self-employed, and from 8.84% to 10.84% of monthly or quarterly reported income for the voluntarily insured (the reported income of the voluntarily insured is selected from five income categories). Effective January 1, 2025, employee and employer contribution rates will increase by 0.5 percentage points per year to reach 7% and 8%, respectively, by 2027, and self-employed and volunteer contribution rates will increase by 1 percentage point per year to reach 14.5% and 13.84%, respectively, by 2027.

- Increase in covered income limit: Effective June 1, income used to calculate contributions increased from EC 1,000 (US$370) per week (EC 4,333 [US$1,605] per month) to EC 1,200 (US$444) per week (EC 5,200 [US$1,926] per month).
- Limitation of Eligibility for Early Pension: To claim an old-age pension before the official retirement age of 63 (which will gradually increase to 65 by 2028), insured individuals must have stopped working, or have income below 50% of the covered income limit (as before, insured individuals may qualify for a reduced old-age pension starting at age 60 if they have at least 650 weeks of paid or proven contributions [increasing to 700 weeks in 2025 and 750 weeks in 2028]). There were previously no employment or income restrictions to early retirement.
- Higher Early Pension Reduction: The permanent reduction applied to an insured person's old-age pension for each month that it is applied for in advance, has increased from 0.5 percent to 0.67 percent.
- Modification of Reference Income Period: The reference income used to calculate old-age pensions is now based on an insured person's best 7 years of covered income, rather than the best 5 years.
- Minimum Pension Increase: The weekly minimum pension has increased from EC 70 ($26) to EC 80 ($30).
- Introduction of a Permanent Unemployment Benefit: A permanent unemployment benefit will be introduced in January, 2025, to provide additional social protection for workers, including those close to retirement. ***(Source: International Update Social Security; Date: July 2024).***

Asia and the Pacific

Saudi Arabia

The country passed a pension reform that addresses critical issues such as retirement age, maternity leave, and social insurance coverage. Saudi Arabia took a big step forward in transforming its pension system with the recent announcement (in July 2024) of comprehensive reforms, designed with the support of the World Bank, aimed at improving income protection in old age, but also at promoting gender equality. The reform sets a new benchmark for the Middle East and North Africa (MENA) region, addressing critical issues such as retirement age, maternity leave, and social insurance coverage.

1. **Raising and Equalizing the Retirement Age**: One of the fundamental changes in Saudi Arabia's new pension reform is the gradual increase in the official retirement age from 58 to 65. This adjustment aims to ensure the sustainability of the pension system and reflect the higher life expectancy in the country, which increased from 52 in 1969 (when the Social Security Law was enacted by a Royal Decree) to 78 in 2022. This increase in life expectancy is an achievement in itself, and an example of the success of the country’s human development policies. The reform also equalizes the retirement age between men and women, promoting gender equality in the labor market and improving the adequacy of pensions for retired women. This parity is essential for creating a fair and inclusive system in which both sexes can contribute to and benefit from social security equally.
2. **Number of years of contribution required for accessing a pension**: The reform also increases the number of years of contribution required

for early retirement from 25 to 30 years. This change aims to encourage greater participation in the workforce, thereby reducing financial pressure on the pension system, while providing an early retirement option under more sustainable conditions. As populations age, a social protection system and pension program that support active aging are vital for ensuring that everyone benefits.

3. **Maternity Leave Reform**: The new law also introduced a reform whereby maternity leave will now be funded through social security rather than by individual employers. This change ensures that both men and women contribute to the funding of maternity leave, alleviating the financial burden on employers. The reform not only promotes gender equality in the workplace, but also encourages greater female participation in the workforce. This is in line with evidence that maternity leave funded by a common fund, such as social security, rather than by the individual employer, has a stronger positive impact on female employment, as it reduces the financial burden on employers, encouraging them to hire more women. The new law also entitles non-Saudi women to benefits, making the Saudi labor market more attractive to global talent.
4. **A Role Model for Pension Reform**: Pension reforms are among the most difficult reforms due to their broad impact and political economy challenges. Saudi Arabia adopted several measures in implementing the reform. First, most reform measures only apply to newly employed people in the public and private sectors who have not previously made contributions to social security systems. Current participants are still subject to existing rules. The only exception is that for those with less than 20 years of contribution and less than 50 hijri (lunar) years, there will be some changes in the retirement age and the vesting period. Second, contribution rates increase only gradually over five years, from 9 to 11 percent. This gradual approach allows both employees and employers to gradually adjust to the new rates, ensuring a smooth transition. Finally, the reforms are being accompanied by a targeted communication campaign, with a dedicated platform and an option for workers to enter their national identity document number to receive personalized details on how they are affected by the reform, including their new early retirement eligibility date and their official retirement date.

Saudi Arabia's pension reform is a breakthrough for the MENA region, but more reforms are needed. Achieving a truly robust pension system requires more reforms across the region, beyond parametric reforms such as retirement age and contribution periods. To ensure sustainability and sufficiency, it is essential to diversify pension funds, design adjustment mechanisms and improve private savings options. These measures can offer greater flexibility and security, satisfying the population’s different needs. Countries can improve their situation by taking a holistic approach that balances fiscal sustainability with social equity. ***(Source: World Bank Blog; Date: 15.07.2024).***

China

The country intends to raise the retirement age to mitigate the "structural unemployment" of an aging country. Based on the principles of "free will" and "flexibility," China has adopted a resolution that aims to increase the retirement age, which currently ranges from 50 to 60 years. The decision aims to mitigate the "structural unemployment" of an increasingly aging country. This is because it is estimated that there will be more than 400 million people over the age of 60 in China by 2035, representing more than 30% of its population. In this context, the CCP for the "first time" included "free will" and "flexibility" as basic principles for raising the retirement age, which will allow it to "actively address" population aging while promoting the development of the pension and elderly care industries, according to experts consulted by the Global Times. Thus, the reform would open the door for those who wish to continue working after reaching the official retirement age. Yang Yansui, a professor of social security at Tsinghua University, found that a gradual and flexible retirement system "helps the working population move from positions in the digital economy to caregiving roles." Some older professionals, who still want to work, could relocate to senior care jobs, for example. "This has multiple benefits for the transformation of the labor market and for tackling structural unemployment," Yang said, referring to the Asian country's unemployment rate of 5% of its labor force. China's official retirement age is relatively low: women retire between 50 and 55 and men retire at 60, which has generated extensive social debate in recent years, due to the increase in life expectancy (currently 78.2 years) and the consequent population aging. Hence, in its third plenary session, the CCP's Central Committee - the body that defines the party's policies, and by extension, those of the country - stressed that it would improve the mechanisms for developing elderly care programs and industries, in order to actively respond to these challenges. ***(Source: Emol.com; Date: 23.07.2024).***

Malaysia

The country restructures the accounts of the Employees Provident Fund (EPF). On May 11, 2024, the EPF restructured most of its members' accounts to include three sub-accounts instead of two, The EPF is the main source of old-age, disability and survivor's pensions in Malaysia[7]). Under the new agreement, each member's account will be comprised of Akaun Persaraan (formerly known as Account 1) for retirement savings, Akaun Sejahtera (formerly known as Account 2) for covering assorted life-cycle necessities, and Akaun Fleksibel (the new third account) for covering short-term financial necessities. According to the EPF, the main objectives of this restructuring are to help its members better balance their short- and long-term financial necessities, and better respond to changes in the labor market. This reform comes after the government allowed EPF members to make a series of special account withdrawals to address economic hardship during the COVID-19 pandemic. Due to these measures, EPF members withdrew more than 144.5 billion ringgits (approx. USD 30.7 billion) and the average balance of member accounts dropped from 16,600 ringgits (USD 3,522) in 2019 to 8,100 ringgits (USD 1,719) in 2022. ***(Source: International Update SSA; Date: July 2024).***

Europe

Spain

The government and social stakeholders have agreed on more incentives for postponing retirement and facilitating partial retirement, in order to address the huge gap between the PAYGO pension system's revenue and expenditure. Despite the efforts of different governments over the years, the pension system accounts do not add up, since the system loses about EUR 55,000 million per year, which the government must inject into the system, because contributions do not suffice. The deficit is due to more and more people receiving higher pensions (the average pension is currently around EUR 1,450 euros, when just three years ago it was EUR 1,200; the number of pensioners has also

[7] Participation in the EPF is mandatory for all private and public sector employees not covered by special pension programs, and voluntary for the self-employed, domestic workers, foreign workers, and some others. EPF contribution rates vary, based on the individual's legal status, age, and monthly salary. The standard employee contribution rate to the EPF is 11% of monthly income; however, employees may choose to contribute at a higher rate. The standard contribution rate for employers is 12% of monthly payroll for employees earning more than 5,000 ringgits (USD 1,061) per month, or 13% for employees earning up to 5,000 ringgits per month. In addition to the EPF, Malaysia's pension system includes a social insurance program for people with mandatory EPF coverage (voluntary social insurance coverage is not possible) and a social assistance program for the elderly in need. The social insurance program only offers disability and survivor's pensions.

exceeded 10 million, compared to less than 7.5 million 10 years ago). Hence, the government and social stakeholders have now submitted a package of measures in three blocks: (i) strengthening the role of [8] mutual societies to assist people with traumatic conditions in testing and rehabilitation, alleviate the saturation of health services, and contribute to reducing the levels of absenteeism due to illness; (ii) promoting the employment of pensioners through different formulas; (iii) establishing a procedure for applying reduction coefficients that allow workers in some sectors that are especially painful, dangerous or toxic to access early retirement. Regarding point (ii), the incentive for postponing retirement will be increased by 2% of the total amount, or by a fixed amount, every six months, while maintaining the possibility of the mixed collection of such incentives: on the one hand, the increased pension, and on the other hand, the payment of a fixed amount, which is in addition to the existing incentive of 4% of the retirement pension for each year of postponement. The agreement with social stakeholders also eliminates the requirement of full contribution throughout a working career, and pension percentages based on the number of years of work are improved, including self-employment. The pension percentages that will be received while working are as follows: one year of postponement, 45%; two years of postponement 55%; three years of postponement, 65%; four years of p, 80%; and five years of postponement, 100%. ***(Source: Rtve.es; Noticias.yahoo.com; Date: Julu/August 2024).***

Guernsey

The island launched a pension program with automatic enrollment. On July 1, 2024, Guernsey launched a new automatic enrollment pension program, known as Secondary Pensions (SP) [9], to supplement the old-age benefits provided by the island's government pension program. The SP program will initially apply only to private sector employers with 26 or more employees and will then be gradually extended to all private sector employers over the next 15 months. The Guernsey government approved the creation of the SP program in 2022, but delayed its implementation to give employers and pension providers time to establish pension plans and procedures that meet the program's requirements. The SP program aims to improve retirement security for future pensioners and reduce financial pressures on public old-age benefit programs by significantly increasing participation in occupational pensions. According to government estimates, about 65 percent of Guernsey's working-age people do not currently contribute to an occupational or personal pension scheme.

Key features of the new SP program include:

- **<u>Covered Employers</u>**: All private sector employers will be required to provide their employees with approved occupational plans (the government already operates special

[8] A mutual society is a non-profit association of employers that collaborates with the Social Security system in the management of important benefits of the Social Security system, such as professional contingencies, temporary disability, or the cessation of activity of self-employed workers. Their history dates back to 1900, when they were created to deal with occupational accidents. Since then, the mutual Social Security partners have evolved and increased their skills.

[9] In addition to the SP program, Guernsey's Old Age Pension Scheme comprises the State Social Insurance Pension Scheme (contributory PAYGO) and the Means-Tested Income Support Scheme (non-contributory PAYGO). Insured individuals are entitled to a state pension if they have reached the official retirement age and have at least 156 weeks of paid contributions and an annual average of at least 10 weeks of paid or proven contributions over a 45-year period (contributions may be credited for periods when insured individuals receive other social security benefits). The Full State Pension is paid to eligible insured individuals with an annual average of at least 50 weeks of paid or proven contributions over 45 years. If Guernsey residents of retirement age have income and assets below certain limits, they may qualify for benefits under the government-funded income support program.

occupational pension plans for civil servants and teachers).

- **Employee Enrollment**: Covered employers must automatically enroll their employees in approved occupational pension plans if the employees are Guernsey residents, aged 16 and up to the official retirement age (currently 65 and 10 months, but gradually increasing to 70 by 2049), who are not full-time students and have estimated that their future annual income will meet the minimum for social security contributions (£9,100 [USD 11,568] in 2024). After enrolling, employees may opt out of pension plans at any time by notifying their employers. If employees opt out within 6 weeks of enrollment, they may request a refund of their employee and employer contributions. Covered employers must re-register excluded employees within 3 months of the third anniversary of their opt-out dates.
- **Approved Pension Plans**: Employers can provide their employees with occupational pension coverage by sponsoring their own approved pension plans, or by participating in the government-sponsored but privately managed Your Island Pension (YIP) plan. Most pension plans are expected to operate on a defined contribution basis, but defined benefit pension plans are also permitted if they meet certain conditions. If employers sponsor their own pension plans and do not make employee participation mandatory, they must allow their employees to participate in the YIP plan if they wish to do so and provide information comparing their plans to the YIP plan.
- **Program Funding:** To fund defined contribution occupational pension plans, employees must contribute at least 1% (gradually increasing to 6.5% by 2032) of covered income, and employers must contribute at least 1% of payroll (gradually increasing to 3.5% by 2032). Employers may choose to cover some or all of the employees' contributions. Income/payroll used to calculate contributions will be the same as for social security contributions, with a lower income limit of £175 (USD 222) per week and an upper income limit of £3,459 (USD 4,397) per week.
- **Old Age Benefits**: Participating employees can claim old age benefits under the SP program starting at the official retirement age, unless their employment contracts specify different retirement ages. Although payment options vary by pension plan, participants can generally withdraw up to 30% of their account balances as lump sums upon retirement and receive the remaining funds as periodic payments. ***(Source: International Update Social Security; Date: June 2024).***

Ireland

The Automatic Enrollment (EA) project for pension plans became law. The Law was passed by both Houses of the Oireachtas on July 3, 2024, and signed into law by President Higgins on July 9, 2024 ("the Act"). A government press release stated that the first registrations are scheduled for 2025 (instead of January 2025 as originally stated). A total of 88 amendments to the Law were made prior to its final approval by the Oireachtas. All the amendments concerned technical issues. The appointment of Tata Consultancy Services (TCS) as an EA system management service provider was also confirmed. TCS's experience in managing the UK National Employment Savings Fund (NEST) was cited as a key factor in its appointment.

Key features of the law include:

(i) Eligibility: Employees between the ages of 23 and 60 who earn more than EUR 20,000 in all jobs will be automatically enrolled, unless they are already enrolled in an occupational pension plan, or other pension arrangement. Those under the age of 23 or over the age of 60, or those earning less than EUR 20,000, can register voluntarily.

(ii) Contribution rate structure and gradual implementation: The system includes a matching contribution mechanism in which employees contribute EUR 3, employers contribute EUR 3, and the government adds EUR 1. This results in a total contribution of EUR 7 for every EUR 3 contributed by the employee. Contribution rates will gradually increase over the first ten years: both employees and employers will contribute 6% by year 10 (2034), and the government will contribute 2%, thus totaling a rate of 14%. The following chart shows the contribution rate of employees, employers and the State, related to the number of years that the measure has been in force:

	Worker	Employer	Government	Total
(Year 1 -3)	1.5%	1.5%	0.5%	3.5%
(Year 4-6)	3%	3%	1%	7%
Year 7-9	4.5%	4.5%	1.5%	10.5%
Year 10	6%	6%	2%	14%

(iii) Employer Engagement and Sanctions: Employers must comply with EA obligations, including paying contributions into their employees' pension funds. Failure to do so may result in penalties and possible prosecution.
(iv) Portability and flexibility: The EA scheme is designed with portability in mind. If an employee changes jobs after being enrolled, their pension plan, managed by the National Automatic Retirement Savings Authority (NAERSA), moves with them. Employees can choose to opt out after six months, with a refund of their contributions, or suspend contributions at any time without a refund.
(v) Contribution limits: Employer and government contributions are capped at a gross annual salary of EUR 80,000.
(vi) Management: This plan will be managed by the newly created NAERSA, under the supervision of the Pension Authority.
(vii) Legislation: The Automatic Enrollment Retirement Savings System Bill of 2024 is the legislative basis for this plan. The bill is currently being discussed, with an effective date set for January 1, 2025. ***(Source:* *Eversheds-Sutherland*; *WTW*; *Eurodev*; *IAPF*; *Arthurcox*; *Zellis*; *Date: July 2024*).**

United Kingdom

The country launched a review of the pension system. The new government is already reviewing the pension system to look for ways to shift more investment into productive assets, with the aim of boosting economic growth and improving retirement income. On July 20, the government announced a new Pension Plans Bill of Law to encourage the consolidation of smaller pension plans and expand investment strategies. Defined contribution plans are expected to manage around GBP 800 billion in assets by the end of the decade. Increasing their investment in productive assets would help grow the economy and build infrastructure, the Treasury said. The government said its review would look at how to increase the investment potential of the £360bn Local Government Pension Scheme (LGPS), which manages the savings of those who work for local authorities across the UK.

The first phase of the review will focus on the investment measures to be stipulated in the new pension bill of law, and a report will be submitted "in the coming months." The next stage is scheduled to start at the end of 2024, and will consider other measures to improve pension outcomes, including assessing the adequacy of pensions and increasing investment in UK markets.

The pension industry has generally welcomed the rapid announcement of the review and the fact that it appears to be an early priority for the new government. There is the potential for faster implementation of measures to promote the "productive" use of pension plan funds, which is likely to lead to significant legislative changes in pensions in the near future. However, a delicate balance must be struck. Investing in productive assets in the UK could offer attractive returns for savers, but forcing plans to invest in assets that might not be optimal would not contribute to generating positive outcomes for savers. Fund Managers will also need to be properly trained in the skills needed to manage plans in complex investment contexts.

According to some experts , among the challenges that should be explored in the review of the pension system, is using the success of automatic enrollment (AE) to advantage:

a. **Improve and Expand AE**: An average earner with a minimum AE contributionof 8% has only a 1 in 3 chance of achieving a moderate standard of living. One could consider an increase in contributions to gradually raise the AE minimum from 8% to 12% as of 2026 ,through an automatic scaling of 0.5 pp per year.
b. **Extend AE to the self-employed**. Only 1 in 7 of the self-employed engages in pension savings. Means must be found to automatically enroll the self-employed in pensions. ***(Source: Actuarialpost.co.uk; Nortonrosefullbright; Gov.uk; El Economista; Date: July 2024).***

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