Progress of the Pension Systems

OCTOBER 2024 – DECEMBER 2024
No.5

*This document compiles the main changes that occurred in the period "**October 16, 2024 – December 6, 2024**", in the pension systems, with emphasis on the development of individual savings programs.*

Document prepared by FIAP based on press information. We would like to thank FIAP member associations for the information and comments provided.

Federación Internacional
de Administradoras
de Fondos de Pensiones

Executive Summary by area of interest

Approved reforms to social security

• **Chile**: The Superintendency of Pensions began the process of bidding for a portfolio of new members to the individual savings system for the period 2025-2027.

• **Costa Rica**: The implementation of Target Date Funds is 80% complete (the new model must be implemented as of April 1).

• **Spain**:

- On October 22, 2024, a decree was published that makes a series of modifications to encourage the use and facilitate the operation of public employment promotion funds.

- On November 11, 2024, a decree was approved that allows those affected by the DANA to access their pension funds in advance for an amount of up to EUR 10,800.

• **USA**: Starting in 2025, workers between 60 and 63 years old will be able to make an extraordinary contribution of up to US$11,250, to increase their savings in 401-k plans.

• **Mexico**:

- On October 25, 2024, the regulator published adjustments to the Siefores investment regime, highlighting that the investment limit in structured instruments will increase from 20% to 30% of managed assets.

- On October 30, 2024, Congress approved a constitutional amendment that reduces the age to obtain the non-contributory universal old-age pension (from 68 to 65 years).

- On November 29, 2024, the pension regulator determined that the maximum to which the commissions charged by the Afores will be subject for the year 2025 will be 0.55% of the managed funds.

• **Panama**: On November 6, 2024, the Executive presented a bill that reforms the organic law of the Social Security Fund (CSS; pay-as-you-go system), which among other things increases the retirement age (62 – 65 Men / 57 – 60 Women), increases the employer's contribution rate (from 12.25% to 15.25%) and creates a universal basic pension.

• **Peru**: The pension regulator called for the seventh tender for new affiliates to the individual savings system. The AFP that wins this tender will assume the affiliation of new workers who join between 01.06.2025 and 31.05.2027 (the value of the fee as a % of the AUM of the winning AFP must be less than 0.78% per year).

• **Uruguay**: On October 27, 2024, a proposal to reform the country's pension system (eliminating the AFPs and lowering the retirement age from 65 to 60 years) was rejected in a plebiscite, with 60% of voters against it.

• **Vietnam**: In June 2024, it was approved that, starting in July 2025, the retirement age for men (from 61 to 62) and women (from 56 to 4m to 60) will be gradually increased.

Proposed or discussed reforms

• **Argentina**: The government is considering implementing a new benefit for retirees who have made contributions to the pension system throughout their working lives and who have not resorted to moratoriums[2].

• **Chile**: The pension reform submitted to Congress two years ago is still under discussion in the Senate, with the Executive expecting it to be approved in January 2025. Despite rapprochements between the government and the opposition, there are still differences over the use of the 6% additional contribution (52% of respondents want it to go to individual accounts) and the division of the industry.

• **USA**: The newly elected president of the United States, Donald Trump, proposed during his campaign to reduce federal taxes applied to Social Security benefits, in response to which experts have pointed out some concerns (such as accelerating the depletion of the trust funds of the Social Security program, possibly by 2031).

• **Spain**: In September 2024, an agreement was signed for a new pension reform, which includes, for example, the reform of partial retirement and the improvement of incentives for delayed retirement. In addition, in November 2024, INVERCO has indicated that due to the deficit caused by aging in the public pay-as-you-go system, more fiscal and other incentives for pension savings and financial education should be generated.

• **United Kingdom**: In November 2024, the government has initiated a comprehensive pension review aimed at improving investment in local assets and improving the pension system in general.

• **Switzerland**: The Federal Council proposed a measure that would eliminate the fiscal/tax advantages of the second pillar (mandatory occupational) and third pillar (voluntary private) of the pension system.

Executive Summary by area of interest

Advances in labor formality, pension education and engagement with members

- **Chile**: In November 2024, the AFP Association renewed its collaboration agreements with entrepreneurs' associations to promote formal employment among them. In addition, in October, the Association participated through its "Previsionarios AFP" program in the IV International Seminar on Financial Education to present a new learning tool based on the "Acción Inflación" gamification. Finally, in December, the Association launched the digital application "Mis Beneficios AFP" to support the family economy of members and pensioners (the App allows access to discounts of up to 50% in more than 150 physical and online stores in areas such as health, home, education and panoramas).

- **Mexico**: In November 2024, Amafore participated in the Afores Fair, where pension fund administrators, social security institutions and government agencies met, offering more than 12,000 attendees the opportunity to carry out procedures, clarify doubts about their savings accounts and receive guidance to plan their retirement, promoting the importance of generating financial planning habits oriented towards retirement.

- **USA**: To rethink the way retirement planning is approached, UCLA professor emeritus Shlomo Benartzi is preparing to test a new tool, which invites users to imagine their ideal retirement and then generates a visual representation of it, replacing traditional fear-based financial warnings with personalized positive visions. Benartzi believes that this more human-centered approach can have a real impact on the retirement planning industry.

- **Dominican Republic**: In November 2024, the Superintendency of Pensions (SIPEN) launched the "Here We Know About Pensions" recognition seal aimed at institutions and companies that demonstrate a strong commitment to the pension education of their employees. This distinction is a recognition that certifies that at least 70% of their employees have successfully completed the basic course "What I should know about my pension", a key training to understand the benefits and responsibilities within the Dominican Pension System.

Featured Publications

1. OECD: Published its Pension Market in Focus 2024 and Pensions Outlook 2024 reports, according to which funded pensions (with sound regulation and good design) are contributing to the diversification of retirement financing and the strengthening of multi-pillar pension systems. It also showed in a new study on informality that almost two-thirds of people in Latin America and the Caribbean live in households that depend partially or totally on informal work, which limits their access to social protection.

2. ECLAC: Presented its annual report on the challenges of non-contributory social protection, according to which non-contributory social protection policies are essential to achieving the objectives and functions of social protection systems: income protection, access to social services and labor inclusion. It also published the Demographic Observatory of Latin America and the Caribbean 2024, which presents the main demographic indicators of Latin America and the Caribbean according to the 2024 revision and in comparison with the 2000 revision, with the aim of highlighting the main demographic changes that have occurred in the region since the beginning of the 21st century.

3. ISSA: Indicated in an article that the Arab countries of the Middle East have faced economic and social challenges (such as rising unemployment, labor informality, and demographic pressures) that have driven the need to reform their social security systems, seeking to improve their coverage and sustainability.

4. World Bank: Emphasized in a blog that policymakers face the challenge of ensuring that pension systems are not only adequate but also sustainable; that the successful implementation of pension reforms requires a cross-party consensus, to avoid reversing well-intentioned reforms; and that factors such as population aging, migration and climate change require a re-evaluation of pension systems.

5. Peruvian AFP Association: Released a study that reviews the macroeconomic impact of the individual savings pension system on economic growth: it found that the system accounted for 6.1% of the average annual GDP growth since its creation to the pre-pandemic period (1993-2019), while by 2023 this contribution was reduced to 5.35% as a result of the extraordinary outflow of private pension savings.

6. Chilean Perspectives Observatory: Addressed in a report how risk-based supervision, through a more flexible, efficient and modern approach, would allow for increased returns on pension funds, thus allowing pensions to improve in the long term.

7. Universidad Diego Portales de Chile (edited by Marco Morales, David Tuesta, Diego Valero): Book "Challenges of Longevity in Latin America", in collaboration with the World Bank, IADB and OECD. The volume is a good treatise on the benefits, costs and public policies that Latin American governments must impose in the face of demographic transition.

8. Fide Foundation and Oxford University: In its conclusions report "Driving Change: Exploring Opportunities and Challenges in the Acceleration of Sustainable Finance", it highlighted that institutional investors (such as pension funds) play a key role in the allocation of capital towards sustainable investments, using their influence to drive corporate transformation and progress towards environmental and social goals.

Relevant publications

What is said about pensions, social security, longevity and the labour markets

The OECD has published its [Pension Market in Focus 2024]() and [Pensions Outlook 2024]() reports. According to the first report, funded pension assets in OECD countries grew by 10% in 2023 to over USD 56 trillion, more than three times the level of two decades ago (although the 2023 total is 5% lower than the 2021 level). Growth in 2023 was driven by positive returns in equity markets and net cash inflows as contributions exceeded benefit payments. According to the second report, pension systems are the cornerstone of financial security and economic resilience for an ageing population in many countries, so more inclusive, innovative and sustainable funded pension frameworks that evolve alongside labor markets are essential to improve people's retirement benefits and ensure that pension systems are robust. Other key messages include:

- Significant gaps in pension coverage remain, particularly for the self-employed and employees not covered by collective agreements. Multi-employer pension schemes can address these challenges.
- Financial incentives can also be strengthened to encourage retirement savings. However, complex tax rules and irregular updates can undermine their effectiveness. Simplifying these systems and ensuring that appropriate adjustments are made can ensure that incentives remain effective and equitable, especially for people on lower incomes.
- Equity investing provides better long-term financial returns, but market volatility can increase risks for people approaching retirement. It is therefore necessary to have balanced investment strategies, such as those that consider the different stages of the life cycle, and to avoid overly cautious default strategies, which can limit income in retirement.
- The decumulation phase of pensions needs to be rethought, with flexible solutions that offer guaranteed lifetime income, liquidity for unforeseen expenses and options for discretionary spending.
- Investing in financial education is essential. Digital tools, such as pension dashboards, are important to strengthen the training of savers and raise awareness.
- Products that allow access to the value of one's own home can also be a valuable tool for retirees to strengthen their financial resources. However, the report underlines the need for strong consumer protection safeguards and clear regulation, as well as well-designed regulatory frameworks, to ensure that these products are accessible, transparent and tailored to individual needs. ***(Source: [OECD](); Date: 02.12.2024).***

The OECD/IOPS Global Forum on Private Pensions 2024 agreed on a set of practical recommendations to improve the savings-based pension fund system globally. This international forum, held in Indonesia, was organized by the Indonesian Financial Services Authority (OJK), the OECD and the International Organization of Pension Supervisors (IOPS). Among the points of discussion were the importance of the role of savings-based pension funds in closing the protection gap and increasing financial security; the contribution of pension funds to long-term investments that support the development of capital markets and sustainable economic growth; the integration of environmental, social and governance (ESG) principles into pension fund strategies as a step to address global challenges while maintaining long-term returns; and the use of digitalization to expand financial inclusion and pension fund coverage, especially in the informal sector. The seminar presentations can be downloaded [here](). ***(Source: [CNBCIndonesia](); [Iopsglobalforum2024.org](); Date: 20.11.2024).***

The IMF's latest Final Report on Chile's economy highlights the critical need for pension system reforms to address the challenges posed by population aging and ensure sustainable financing. Key points relating to pension reform are:
(i) Increasing contribution rates: The importance of increasing pension contribution rates and the number of contribution periods is emphasized to ensure adequate pensions that are sustainably funded. This is essential given that the ratio of retirees to the working-age population is projected to double over the next two decades.
(ii) Universal Guaranteed Pension (PGU): The PGU has significantly strengthened the solidarity pillar of the system, improved replacement rates and reduced poverty among the elderly. However, this has generated high fiscal costs. It is suggested that future increases in the PGU should be targeted more at the most vulnerable elderly and limited to inflation adjustments.
(iii) Strengthening the pension scheme based on individual savings: It is recommended to gradually align the retirement age of women with that of men, link the retirement age to life expectancy and adopt measures to cover pension contributions during unemployment. These actions seek to encourage the formalization of the labor market.
The IMF conclusion highlights that without significant reforms to the pension system, Chile could face increasing fiscal pressures as its population ages, which requires a careful balance between ensuring adequate pensions and maintaining fiscal health. ***(Source: IMF; Date: 26.11.2024).***

The Economic Commission for Latin America and the Caribbean (ECLAC) presented its annual report on the challenges of non-contributory social protection. The report includes the latest available data on poverty, income inequality and social spending in the region. According to the document, non-contributory social protection policies are essential to achieving the objectives and functions of social protection systems: income protection, access to social services and labor inclusion. The report highlights that: (i) one in three households in the lowest income quintile lacks access to social protection and the amounts of the programs are often insufficient to overcome poverty; (ii) the region faces persistent gender inequality and a care crisis that will be exacerbated by accelerated ageing; and (iii) to advance in the eradication of poverty, comprehensive policies are needed, as well as progress in establishing a standard of social investment in non-contributory social protection. ***(Source: CEPAL; Date: 12.11.2024).***

ECLAC has published the Demographic Observatory of Latin America and the Caribbean 2024. This edition presents the main demographic indicators of Latin America and the Caribbean according to the 2024 revision and in comparison with the 2000 revision, with the aim of highlighting the main demographic changes that have occurred in the region since the beginning of the 21st century. The analysis of the two revisions shows that birth and mortality rates decreased more rapidly than expected in 2000. The change in the age structure of the population, resulting from the accelerated demographic transition, as well as the persistent fall in fertility to levels below the replacement rate, add challenges to those already existing in the region, given its high levels of socioeconomic inequality and access to State goods and services. ***(Source: CEPAL; Date: Nov.2024).***

The book "Challenges of Longevity in Latin America" was launched as part of the activities of the Global Pension Programme 2024. The book consists of 16 chapters, each written by specialists in the field. The first part addresses what the "transcendental and accelerated change" in longevity in the region means. The second part incorporates a cross-sectional view with the contribution of expert teams from the IDB, the World Bank and the Andean

Development Corporation (CAF). Then, in the third part, an analysis of the challenges in Latin American countries is carried out, collecting the challenges for Colombia, Chile, Costa Rica, Mexico, Peru, Uruguay and the Dominican Republic. In the fifth part, entitled "Lessons for the Future", the chapters focus on the experiences of countries that are already going through longer life stages than Latin America and how they are facing them. ***(Source: Global Pension Programme 2024; Date: 22.10.2024).***

The International Social Security Association (ISSA) has published an article analyzing social security reforms in the Arab countries of the Middle East. The document notes that these countries have faced economic and social challenges (such as rising unemployment, informal employment and demographic pressures) that have driven the need to reform their social security systems. Such reforms seek to improve the coverage and sustainability of social security systems, adapting to the changing needs of the population. This includes modernizing existing structures and implementing new policies that respond to labor market realities. Each country has adopted a different approach depending on its specific context. Some have chosen to expand coverage, while others have focused on improving efficiency and reducing fraud in the systems. Despite efforts, many countries still face significant obstacles, such as political resistance, lack of resources and the need for training in management and administration of social programs. The report highlights the importance of including vulnerable groups, such as women and informal workers, in social security systems to ensure adequate protection. ***(Source: AISS; Date: 29.10.2024).***

New OECD study on informality shows that almost two-thirds of people in Latin America and the Caribbean live in households that rely partially or fully on informal work, limiting their access to social protection. This report examines labor informality in Latin America and the Caribbean (LAC), focusing on both individual workers and households. Using OECD data, covering 19 LAC countries, the report: (i) shows that two-thirds of the region's population lives in informal or mixed households, many of which rely entirely on informal work; (ii) notes that informality limits access to social protection and affects household well-being, particularly for women, youth and older adults; (iii) presents recent policy efforts aimed at expanding social protection and formalizing employment, including strategies to address the challenges posed by digital and platform-based work; and (iv) offers insights for policymakers and researchers interested in understanding informality and its implications for social protection and labour markets in the region. ***(Source: OCDE; Date: 22.10.2024).***

The World Bank published a blog post with five key insights on pension reforms needed for the 21st century, particularly in light of global demographic changes and economic challenges. Among the points, the article highlights that: (i) policymakers face the challenge of ensuring that pension systems are not only adequate but also sustainable; (ii) successful implementation of pension reforms require strong leadership, political support, and cross-sector consensus, to avoid reversal of well-intentioned reforms; (iii) factors such as population aging, migration, and climate change call for a re-evaluation of pension systems. Policies must address the needs of different types of employment, including gig economy workers and those with interrupted contribution histories. ***(Source: Banco Mundial; Date: 09.10.2024).***

The Peruvian AFP Association published a study that reviews the macroeconomic impact of the Private Pension System (SPP) on economic growth from 1993 to 2023. It shows that the SPP accounted for 6.1% of the average annual GDP growth since its creation to the pre-pandemic period (1993-2019), while by 2023 this contribution was reduced to 5.35% because of the extraordinary outflow of private pension savings. The main lesson from the Peruvian experience confirms that the individual capitalization system contributes substantially to the country's growth rate, through internal savings and the efficiency of production factors. ***(Source: Asociacionafp.pe; Date: 25.11.2024).***

The Observatorio Perspectivas published a report that addresses how risk-based supervision, through a more flexible, efficient and modern approach, would allow for increased returns from pension funds, thus allowing for improved pensions in the long term. According to the report, adopting risk-based supervision for pension funds is a decision supported by multiple studies, tools and manuals from international organizations. Denmark, for example, has gradually implemented it successfully. This regulatory approach offers greater flexibility in investments, allowing for more efficient boundaries to be reached. However, it requires the Superintendency of Pensions to establish an adequate framework for managing risk. Finally, evidence shows that pension systems with risk-based regulations tend to achieve better returns and adapt better to the increasing complexity of financial instruments. ***(Source: Observatorio Perspectivas; Date: October 2024).***

What is said about responsible investment

According to a study by Ortec Finance, pension funds could be negatively impacted if climate policy is not modified. According to a recent survey, North American pension funds could fall by 50% by 2040 under higher temperature scenarios, while UK pension funds could see declines of 30% by 2040. ***(Source: Ipe.com; Date: 28.11.2024).***

The Fide Foundation announced the publication of the final report of the Oxford 2024 Congress "Driving Change: Exploring Opportunities and Challenges in Accelerating Sustainable Finance". This report consolidates the main insights gained during the event, offering strategic recommendations to financial institutions and regulators on the transition to a low-carbon economy and the achievement of net-zero emissions by 2050, focusing on how financial institutions and policymakers can lead the changes needed to meet ambitious sustainability goals. One of the messages that stands out is that institutional investors (such as pension funds) play a key role in allocating capital towards sustainable investments, using their influence to drive corporate transformation and progress towards environmental and social goals. By adopting risk control metrics based on ESG (environmental, social and governance) criteria, investors can mitigate risks while opening up new opportunities for sustainable growth. ***(Source: Fide; Date: 21.10.2024).***

The presentations and videos of the IV Latin American Congress on Responsible Investment are available. The Congress, held on October 21 and 22, 2024 in Santiago de Chile, brought together investors, companies and other market players with the aim of promoting sustainable development and responsible investment in Latin America. Topics discussed included: strategies to integrate ESG criteria into investments; success stories in the implementation of sustainable practices; public policies that favor an enabling environment for responsible investment. This congress is positioned as a key event in the sustainable investment calendar in the region, contributing to establishing a more solid framework for social responsibility in finance. ***(Source: Alas20.com; Date: 19.11.2024).***

PensionsEurope has published its position on the review of the Sustainable Financial Disclosure Regulation (SFDR), calling for a simplification of the regulation. In the report, the organisation notes that, among other issues: (i) the current structure of the SFDR presents significant implementation challenges for pension funds and does not take into account their specificities; (ii) institutions managing occupational pension funds

(IORPs) should be governed by regulatory technical standards specially dedicated to the unique characteristics of these institutions; (iii) the review should prioritize the simplification of the framework, recognizing the costs that IORPs have already incurred in complying with the requirements of the SFDR. PensionsEurope is concerned that the introduction of product categories may inadvertently increase regulatory burdens for IORPs. ***(Source: PensionsEurope; Date: 14.11.2024).***

Relevant news of the period

Latin America and the Caribbean and North America

Regional

Poverty fell to 27.3% in 2023, its lowest rate since 1990, according to ECLAC. Poverty in Latin America fell to 27.3% in 2023, the lowest rate recorded since 1990, equivalent to 172 million people and a reduction of 1.5% compared to 2022. This decline is attributed to several factors, including economic recovery after the pandemic and social policies aimed at reducing inequality, such as public transfers that include non-contributory social protection programs. ECLAC underlines the need to maintain these efforts in order to continue moving forward and face the challenges that still persist in the region. ***(Source: Elmostrador.cl; Date: 14.11.2024).***

Argentina

The Government is considering rewarding retirees who have made contributions to the pension system and have not resorted to moratoriums[1]. The government is considering implementing a new benefit for retirees who have made contributions to the pension system throughout their working life and who have not resorted to moratoriums. Mariano De Los Heros, head of the National Social Security Administration (ANSES), stressed that there is an "outstanding debt" with those retirees who have contributed between 30 and 35 years, who deserve recognition for their commitment. This proposal is part of a broader effort to improve pensions and ensure equitable treatment for those who have fulfilled their obligations in the system. The government is evaluating various options to increase the pensions of those who completed all their contributions, which indicates a shift towards more favorable measures for long-term contributors. ***(Source: Infobae; Date: 18.11.2024).***

Chile

The AFP Association launched the digital application "My AFP Benefits" to support the family economy of members and pensioners. The App allows access to discounts of up to 50% in more than 150 physical and online stores in areas such as health, home, education and activities. This is part of the commitment assumed by the AAFP to contribute directly to the economic well-being of members and pensioners, helping them save on essential goods and services. ***(Source: Aafp; Date: 03.12.2024).***

Espacio Público-ILO-UNDP survey: 52% request that the 6% extra contribution be allocated to individual accounts. The pension reform in Chile, submitted to Congress two years ago, is still under discussion in the Senate with the Executive expecting it to be approved in January 2025. Despite rapprochements between the government and the opposition, there are still differences regarding the use of the 6% additional contribution and the division of the industry. The survey, carried out by Espacio Público, the ILO and the UNDP together with Ipsos, highlighted that

[1] Moratoriums are mechanisms that allow people who have not completed the years of contributions required to access a regular retirement, to regularize their situation and obtain the pension benefit. In Argentina, these moratoriums have been especially relevant for those who do not reach the 30 years of contributions required by current legislation.

one of the most controversial points of the bill is the destination of the 6% additional contribution. 52% of respondents prefer that it be allocated entirely to individual accounts, while 43% support its partial or total use in a collective fund. Preferences vary according to socioeconomic group and gender, with a greater inclination towards solidarity among women and older people. Furthermore, the study highlighted the lack of public knowledge about the fees charged by the AFPs and expectations regarding replacement rates. The majority expect to maintain a similar quality of life after retirement, with 76% demanding replacement rates of 75% or more of their last salary. In addition, half (50%) agree or strongly agree that "a part of the contribution of active workers should help finance the pension of current retirees," and the other half disagree or strongly disagree with that statement. ***(Source: Latercera; Date: 29.11.2024)***

The Superintendency of Pensions has started the tendering process for the portfolio of new members to the system for the period 2025-2027. The portfolio of new members is made up of all people who join the pension system as dependent or independent workers or voluntary members during the 24 months that begin on October 1, 2025, and end on September 30, 2027. The 2025-2027 tendering process is the ninth to be carried out since the 2008 pension reform established this mechanism to encourage competition and seek greater efficiency among the different pension fund administrators. The presentation of offers was scheduled for February 14, 2025, while the Economic Offer and the Additional Technical Offer, respectively, will be made on March 21, 2025. ***(Source: Spensiones.cl; Date: 29.11.2024).***

Costa Rica

Changes to the Mandatory Supplementary Pension System (ROP) due to the implementation of generational funds are 80% complete. The Superintendency of Pensions (SUPEN) announced that changes to the ROP are already 80% complete. The changes include the implementation of generational funds that will generate different returns depending on the age of the member. For younger people, investments will be riskier, but with the potential for higher returns, while for those close to retirement, investments will be more conservative. These changes would come into effect on April 1, 2025. ***(Source: Crhoy.com; Noticias Repretel; Crhoy.com; Date: Nov.2024).***

The pay-as-you-go system is in crisis with alarming projections. The new actuarial studies of the Disability, Old Age and Death (IVM; pay-as-you-go system) regime, published in recent weeks by the Actuarial and Economic Directorate of the Costa Rican Social Security Fund (CCSS), have once again set off alarm bells about the country's pay-as-you-go pension system. On the one hand, they have made evident their inevitable financial insufficiency in the short and medium term. On the other hand, they have shown insufficiency of its coverage. The situation is serious, and all potential solutions are controversial. According to estimates, the fund would finish using up its monetary reserves in 2047, if the State correctly pays all its obligations (something that has not happened in such a way in recent years). Likewise, it is projected that the number of older adults without an IVM old-age pension would double in the next 30 years, even though there are already around 360 thousand people in that condition. According to IVM data, while in 1970 there were 30 contributors for each pensioner, today the number has dropped to just 6 for each retiree and it is projected that by 2050 the ratio will have fallen to a meager 2.5. In other words, there are fewer and fewer contributors to support the payments of the pensioners. ***(Source:: El Financiero; Date: 14.10.2024).***

USA

Older working women will now be able to boost their savings in 401(k) plans. Beginning in 2025, American workers between the ages of 60 and 63 will be able to make an additional one-time contribution of up to $11,250, the Internal Revenue Service reported. People who reach those ages at some point in the year will be able to contribute up to $34,750 to their workplace retirement plans. This represents an increase of about 14% compared to 2024 and is the most significant change to 401(k) contribution rules in two decades. ***(Source: Wsj.com; Date: 01.11.2024).***

The newly elected President of the United States, Donald Trump, proposed during his electoral campaign to reduce federal taxes on Social Security benefits. This proposal has generated considerable attention and debate due to its potential implications. According to experts, the implementation of this measure could have the following effects: (i) Social Security beneficiaries, especially low- and middle-income retirees, could experience significant tax relief; (ii) it is estimated that the savings for beneficiaries could reach up to US$ 500 per month in some cases; (iii) mainly people who earn less than US$ 100 thousand per year would benefit, who currently pay taxes on 85% of their benefits. Trump argues that this measure: (i) would offer a greater capacity to face the rising cost of living; and (ii) would eliminate the "double taxation" that affects many retirees, who feel that they pay taxes again on benefits for which they already contributed during their working life. However, the proposal also raises concerns: (i) it could reduce the revenues that fund Social Security, worsening the program's deficit if offsetting measures are not implemented; and (ii) some economists warn that this could accelerate the depletion of the program's trust funds, possibly by 2031, forcing benefit cuts. It is important to note that implementation of these proposals would depend on congressional approval and could face significant political and economic hurdles. ***(Source: Lanacion.com.ar; Cnnespanol.cnn.com; Us.as.com; Larazon.es; BBC.com; Nytimes.com; Date: Nov.2024).***

Mexico

The government enshrined the noncontributory pension in the Constitution. On October 30, 2024, Congress approved a constitutional amendment that lowers the eligibility age for the country's universal noncontributory old-age pension ("*Programa Pensión para el Bienestar de las Personas Adultas Mayores*") from 68 to 65 and requires the government to provide adequate funding for the benefit (although a 2021 reform already allowed Mexicans to claim this pension at age 65, the amendment enshrines this practice in the Constitution). Moreover, under the guaranteed funding provision, the government is prohibited from cutting resources for this program from one fiscal year to the next. The amendment has already received the required approval from a majority of the country's 31 state congresses, but it must still be signed into law by the president to take effect. ***(Source: SSA International Update; Date: Nov.2024).***

The maximum cap on management fees for 2025 was reduced from 0.57% to 0.55% of assets under management. The Board of Governors of the National Commission for the Retirement Savings System (CONSAR) determined that the maximum to which the fees charged by the Retirement Fund Administrators will be subject for the year 2025 was set at 0.55% of the balance of assets under management (in 2024 the cap was 0.57%). With this, the system average will go from 0.566% to 0.547%. ***(Source: CONSAR; Date: Nov.2024).***

The CONSAR published adjustments to the investment regime of the Afores. On October 25, 2024, CONSAR announced an update to the Investment Regime of the Siefores, a measure that will allow the Afores to boost their investments in infrastructure and other key sectors. Among the most relevant changes, it stands out that now the investment limit in structured instruments will increase from 20% to 30% of the assets managed, while that of Fibras will rise from 10 to 12.5%. In addition, the limit for investments in foreign currency was made more flexible and the permitted risk levels were raised. Guillermo Zamarripa, president of Amafore, stated that the new investment regime will allow workers' savings to generate more returns, which will translate into a better pension. ***(Source: CONSAR; Date: 25.10.2024).***

Panama

The Executive presented a bill that reforms the organic law of the Social Security Fund (CSS; a PAYGO system), which among other things increases the retirement age for men and women, increases the employer's contribution rate and creates a universal basic pension. The bill that modifies Law 51 of the CSS is based on the premise that this entity faces a long-term sustainability crisis. The project was presented on November 6 to the National Assembly by the Minister of Health, according to which by 2025, pensioners will not be able to collect their full pensions if the system does not change, and by 2029, only less than half of the pensions paid today will be able to be paid.

The proposed reform seeks to resolve the CSS crisis through a series of changes covering various aspects:

• Increase in the Retirement Age: Given that the life expectancy of the population increased by 6 years, the retirement age must be updated by 3 years for men and women equally (62 – 65 Men / 57 – 60 Women).
• Increase in contribution rates: Proposed increase in the rate financed by public and private employers of 3 percentage points (from 12.25% to 15.25%); without increasing the contribution of workers.
• Mixed Subsystem: This reform will allow those insured under the Mixed Subsystem and new entrants to receive pensions similar to those provided by the Exclusively Defined Benefit Subsystem.
• Creation of the Single Solidarity Fund, administered by the CSS, in which all income will be deposited to finance the economic benefits granted in the Risk of Disability, Old Age and Death, through the new Pension System: Single Capitalization System with Solidarity Guarantee.

The president of the country declared that no fiscal reforms or tax increases are contemplated. In addition, he pointed out that the reform contemplates an annual contribution from the State of US$ 966 million to cover the actuarial deficit of the pay as you go system, estimating that some US$ 1.2 billion will be given annually to the CSS.

Meanwhile, Jorge Mesa, Vice President of PROFUTURO AFPC, has declared that the Pay as you go system is unsustainable due to demographic change, high informality and current pension subsidies. In addition, in his opinion, what should be done is to move towards a sustainable, equitable and truly supportive pension system, based on the integration, improvement and strengthening of three existing pillars (this proposal generates long-term fiscal savings to improve the conditions of elderly people in poverty, frees up resources to manage the current deficit and allows the transition to be financed internally):
- The First Solidarity Pillar ("Program $120 at 65"), which protects elderly people in poverty since the right to a non-contributory pension financed by the State is guaranteed.
- The Second Pillar (Mixed Subsystem) is sustainable and equitable, since the pension is financed with individual contributions and all people receive a pension according to their effort.
- The Third Pillar (model of the Savings and Capitalization System of Pensions for Public Servants, SIACAP) improves pensions with the support of employers, and is based on a public entity that is an example of excellence in service, transparency, efficiency and good returns for its members. ***(Source: Proyecto de Ley 163 que modifica, adiciona y deroga artículos de la Ley 51 de 27 de diciembre de 2005, El Capital Financiero; Date: Nov.2024).***

Peru

The Superintendency of Banking, Insurance and AFP (SBS) called for the seventh tender for new members to the Private Pension System (SPP). It establishes that the fee offered on the balance, to be presented by an AFP, must be less than 0.78% per year. The AFP that wins this tender will assume the affiliation of the workers who join the SPP for the first time, during the period between June 1, 2025, and May 31, 2027. These members will remain in said AFP for a period of two years; however, after having completed 180 days of permanence, they have the possibility of transferring to another AFP, if the latter offers them a higher net return after fees. ***(Source: SBS; Date: 14.11.2024).***

Dominican Republic

The country could increase non-contributory pensions by up to 20% by 2030, ECLAC says. According to ECLAC, this is possible because the country has sustained economic growth that would allow it to assume this social investment. The executive secretary of ECLAC, José Manuel Salazar, indicated that the increase in benefits for older people who have this pension would imply allocating around 0.3% of the GDP, an expense that is "financially viable" with respect to the sustained growth trend of the Dominican economy, which the organization estimates would close at 5.2% this year. "There is the fiscal space to do this, and other things," said the executive during the presentation of "Social Panorama of Latin America and the Caribbean 2024," a study that ECLAC has focused on the challenges of non-contributory social protection to advance towards social and inclusive development. ***(Source: Diariolibre.com; Date: 12.11.2024).***

"Here We Know About Pensions": SIPEN seal that certifies companies that promote pension education. The Superintendency of Pensions (SIPEN) launched the "Here We Know About Pensions" seal of recognition aimed at institutions and companies that demonstrate a strong commitment to the pension education of their employees. This distinction is a recognition that certifies that at least 70% of their employees have successfully completed the basic course "What I should know about my pension", a key training to understand the benefits and responsibilities within the Dominican Pension System. The companies that bear this seal reflect that they care about the financial well-being of their employees, obtain a greater corporate reputation and reinforce social responsibility; showing a tangible commitment to sustainable development and the well-being of their community. Likewise, employees acquire more knowledge about their rights within the Pension System, which will allow them to make more informed decisions, better plan their retirement, and greater economic stability in their post-work life. In this first edition, the Dominican Association of Pension Fund Administrators (ADAFP) and the following Pension Fund Administrators received the "Here We Know About Pensions" seal: AFP Crecer, AFP Popular, AFP Romana, AFP JMMB BDI, AFP Siembra, AFP Reservas and AFP Atlántico. Other companies have been certified, such as Banco de Ahorro y Crédito Fondesa (Banfondesa) and PedidosYa. ***(Source: Sipen; Date: 22.11.2024).***

Uruguay

Plebiscite proposing to eliminate the AFPs and lower the retirement age to 60 is rejected. On October 27, 2024, Uruguayans rejected in a plebiscite a proposal to reform the country's pension system. This initiative, which was rejected by 60% of voters, proposed three main changes to the Uruguayan pension system: (i) eliminate the AFAPs (Pension Savings Fund Administrators), and with it the individually-funded system; (ii) reduce the retirement age from 65 to 60 years; and (iii) establish that the minimum pension should be equivalent to the national minimum wage. The plebiscite was promoted mainly by the PIT-CNT trade union and some sectors of the left, including the Communist Party and the Socialist Party. However, the proposal faced strong opposition from various political and economic sectors, including

President Luis Lacalle Pou, who expressed his "enormous concern" about the possible consequences of the reform. Opponents of the plebiscite argued that its approval would have had serious economic and financial consequences for Uruguay, including: a possible "confiscation" of individual savings of AFAP members; risks of multimillion-dollar lawsuits against the State; problems with access to credit and loss of foreign investments; an estimated cost of more than 1 billion dollars annually to finance the reform. The rejection of the proposal was seen as a positive signal by the markets, avoiding what some experts described as potential economic and legal "chaos." ***(Source: Latercera; Yahoo; Latercera; Emol; Date: Oct.2024).***

Asia and the Pacific

Australia

The Australian Superannuation Funds Association (ASFA) welcomes the government's proposed reforms to improve the superannuation system and has called on the government to develop a national retirement income strategy to guide the system's core purpose. The government's proposed measures designed to improve the experience for retirees include: (i) improved consumer guidance, with a focus on retirement choice; (ii) innovation in superannuation products through features such as money-back guarantees and instalment payments (rather than lump sum payments); (iii) voluntary principles and best practices for superannuation product design; and (iv) a new superannuation outcome reporting framework to commence from 2027. ASFA particularly welcomed the focus on improved consumer education and guidance, which will help increase worker engagement with their occupational superannuation fund.

Additionally, ASFA CEO Mary Delahunty called on the government to develop a strategy that recognises how the three pillars of the superannuation system (Superannuation; Age Pension; and voluntary private savings) interact to ensure all Australians have access to adequate, sustainable and equitable retirement income. ASFA says the creation of such a scheme will provide a clear standard of dignity in retirement and an appreciation of the role of the Superannuation system as the only universal pillar. ASFA believes this strategy should also foster coordination with major areas of social policy, ensuring alignment with health care, aged care and housing policies and recognising their impact on the adequacy of retirement income. ***(Source: ASFA; ASFA; Date Nov.2024).***

Kyrgyzstan

The country implemented reforms to the public pay-as-you-go pension system. On July 1, 2024, the government implemented reforms to the country's public pay-as-you-go pension system, including eliminating early retirement and partial pension options, reducing the years of service requirement for a full old-age pension, and increasing the minimum old-age pension. The government also followed these reforms with additional benefit increases on October 1. These changes aim to improve the sustainability of the program by encouraging longer working careers and boosting benefit adequacy for lower-income retirees. ***(Source: SSA International Update; Date: October 2024).***

Vietnam

The country amended the social security law regulating the public pay-as-you-go system. On 29 June 2024, the National Assembly amended the country's social insurance law to expand mandatory coverage (e.g. to part-time employees with monthly earnings of at least the reference level), raise the normal retirement age (from 61 to 62 years for men in 2028 and from 56 and 4 months to 60 years for women in 2035), reduce the contribution years requirement for the old-age pension (from 20 to 15 years), change the minimum and maximum covered earnings, restrict lump-sum benefit payments, increase the bonus for long contribution histories, lower the eligibility age for the social old-age pension (from 80 to 75 years), and introduce a monthly old-age allowance. The amended law also includes other changes to social insurance, such as extending maternity benefit coverage to voluntarily insured persons and linking the duration of sickness benefits to working conditions and contribution records. The changes will come into effect on 1 July 2025. ***(Source: SSA International Update; Date: Nov.2024).***

Europe

Belarus

The country approved changes to the public pay-as-you-go system. On October 29, 2024, the president issued a decree introducing several changes to the pay-as-you-go pension program (effective January 1, 2025), including removing the pension cap for working retirees, reducing the paid-in contribution requirement for women with at least four children, and allowing early retirement for certain parents of children with disabilities. The changes are part of an effort to improve the adequacy and sustainability of the pension program at a time when the country is experiencing a rapidly aging population and growing labor shortages. ***(Source: SSA International Update; Date: Nov.2024).***

Spain

Inverco called for improved tax incentives for pension savings. Ángel Martínez-Aldama, president of Inverco, pointed out that due to ageing, Spain will have to allocate 3.5 more points of GDP to public pensions over the next two decades (around EUR 51 billion more than what is currently paid), in order to be able to pay the promised benefits (this compares with a European average of 0.4 points of GDP). Currently, Spain allocates approximately 12% of GDP to maintaining the pensions of the public pay-as-you-go system. The problem, according to Inverco, is that this deficit for public finances makes the country more vulnerable, which is why tax and other incentives for pension savings and financial education should be much more encouraged. ***(Source: Eleconomista; Date: 27.11.2024).***

New amendment to the Regulations on Pension Plans and Funds, within the objective of promoting employment pension plans. The new Royal Decree 1086/2024, of October 22, 2024, for the promotion of employment pension plans, has introduced modifications and technical improvements to the Regulations on pension plans and funds. The main new features (see details here) include the introduction of the possibility of payment in the event of partial retirement, and a series of modifications are made to publicly promoted employment funds to encourage their use and facilitate their operation. ***(Source: bbvamijubilacion.es; Date: 30.10.2024).***

In September, the Government and the Social Agents signed an agreement for a new pension reform. This reform includes, among other measures, the reform of partial retirement, active retirement, improved incentives for delayed retirement, the reform of the coefficients reducing the retirement age in professions and jobs of an arduous or dangerous nature, improvements in the accreditation of contribution periods for fixed-term workers, as well as changes in the management of temporary disability (TD) and to promote the recovery of workers (see in this article the details of the main measures approved). If the agreement is finally approved, this would be the third pension reform in the last 3 years, after the two previous ones in 2021 and 2023. ***(Source: bbvamijubilacion.es; Date: 23.09.2024).***

United Kingdom

The government has launched a comprehensive pensions review aimed at improving investment in UK assets and improving the pension system overall. This review, led by Pensions Minister Emma Reynolds, is structured in two phases – the first focusing on investment strategies and the second on overall pension outcomes. The key objectives of the pensions review that have been stated are as follows:
(i) Boosting investment in local assets: The review seeks to unlock the potential of the country's pensions market, which is valued at approximately £2 trillion. The government aims to increase allocations to local asset classes, thereby stimulating economic growth and improving returns for savers.
(ii) Consolidating defined contribution schemes: A significant aspect of the review involves driving scale and consolidation within occupational defined contribution (DC) schemes. This consolidation is expected to reduce inefficiencies and improve governance within the Local Government Pension Scheme (LGPS).
(iii) Focus on value over cost: The review emphasizes a shift from a cost-focused approach to one that prioritizes value for future retirees. This includes assessing how pension funds can deliver better outcomes for members.

The government has issued a call for evidence to gather input from a range of stakeholders, including employers, unions and financial services. Interim findings from the first phase are expected to be published soon, ahead of the introduction of the Pension Schemes Bill due in 2025. These findings will outline initial recommendations aimed at improving investment strategies and outcomes for savers. Stakeholders have expressed the need for a strategic approach to address existing challenges in the pension system, particularly around long-term adequacy and sustainability.

While there are optimistic projections for increased investment and improved outcomes, challenges remain. These include ensuring that larger pension systems can effectively manage investments in potentially volatile private markets in the country without compromising member returns or incurring excessive costs. ***(Source: IPE; Sackers; Rpclegal; Gov.uk; Broadstone; Ifs.org; Nortonrosefulbright.com; Date: Nov.2024).***

Switzerland

The Federal Council has proposed a measure that would eliminate tax advantages for the second and third pension pillars. This proposal is part of a package of cost-cutting measures, which include several federal spending cuts to close the structural deficit of the state budget. Currently, those who voluntarily deposit money into the pension fund (mandatory 2nd occupational pillar) or into a personal retirement plan (voluntary 3rd private pillar) during their working life benefit from tax deductions on their annual taxable income. Once they reach retirement age, pensioners have the option of withdrawing all of the savings they have made during their working life. This capital is taxed at a relatively low rate. This means that it is attractive to save capital for retirement; in addition, many people have the option of deferring the collection of their pensions. Now, however, the proposal is intended to introduce the novelty of drastically increasing the tax rate on withdrawals of pension capital. Opponents of the proposal argue that taxing withdrawals would not provide an incentive for individual and responsible retirement planning in the future, especially for the middle class. Bourgeois political parties therefore describe the plan as an "attack on the middle class" and criticize "a change of rules in the middle of the game". The consultation process begins in January 2025. It is also possible that a referendum will be held later. However, the plan already raises several questions and has sparked a broad debate. If approved, there would be several ways to avoid taxation, including emigration (the planned taxation of withdrawals would only apply if the recipient of the benefit is domiciled in Switzerland at the time of the withdrawal). ***(Source: Swissinfo.ch; Date: 11.11.2024).***

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