# International Update

**Recent Developments in Foreign Public and Private Pensions**

**December 2021**

## Asia and the Pacific

### *Israel Increases Normal Retirement Age for Women*

As part of its annual budget process, Israel's parliament passed a law (the Economic Arrangements Law) on November 4 that gradually increases the normal retirement age for women from 62 to 65. (The law does not affect the normal retirement age for men, which will remain at 67.) The new law increases the normal retirement age 4 months a year from 2022 to 2024 (until reaching age 63) and 3 months a year from 2025 to 2032. To lessen the increase's effects on women approaching retirement, the law also extends the duration of unemployment benefits for women aged 60 or older, provides funding for new professional training programs, increases the employment grant paid to low-earning women, and increases the amount of income old-age pensioners younger than age 70 can receive without reducing their pensions. According to the government, the law aims to improve the long-term sustainability of the pension system, while also increasing women's employment rates and pension benefits. The government estimates the retirement age increase will save around 550 million new shekels (US$174.7 million) a year.

Israel's public pension system consists of a social insurance program and a social assistance program that cover all Israeli residents. To be eligible for an old-age (social insurance) pension, an individual must have reached the normal retirement age and have at least 60 months of contributions in the last 10 years or a total of 144 months of contributions. (There is no qualifying period for women who are: widowed, divorced, abandoned, or married to an uninsured husband; or receiving a disability pension during the month before reaching the normal retirement age. Persons who immigrated to Israel for the first time after age 60 to 62, depending on date of birth, are ineligible for an old-age pension.) The pension is income tested until the insured reaches age 70. A means-tested old-age (social assistance) benefit is paid to new immigrants to Israel who meet certain conditions.

**Sources:** "Old Age," State of Israel National Insurance Institute, no date; *Social Security Programs Throughout the World, Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; "באיחור של עשור: גיל הפרישה לנשים יועלה ל-65" www.calcalist.co.il, October 24, 2021; "Knesset Passes Economic Arrangements Law," *Globes*, November 4, 2021; "Israel's State Budget: What Are the Main Reforms?" *The Jerusalem Post*, November 4, 2021; Ministry of Finance press release, November 4, 2021; "How Much of a Revolution? 13 Key Reforms in Israel's New State Budget," The Times of Israel, November 4, 2021.

### *New Zealand Approves Residency Requirement Increase for Universal Old-Age Pension*

On November 15, New Zealand's government approved a law that will gradually increase the residency requirement for the country's universal old-age pension (New Zealand Superannuation, or NZ Super) from 10 years to 20 years. Specifically, the required years of residency since age 20 will increase to 11 years on July 1, 2024, and then 1 year every 2 years thereafter until reaching 20 years on July 1, 2042. (Years of residence in New Zealand, the Cook Islands, Niue, and Tokelau qualify toward this requirement.) The new law does not change other residency rules, including that at least 5 years of the residency be since age 50. The residency requirement increase is intended to reduce access to the government-financed NZ Super among individuals who have spent a significant portion of their working-age lives outside of New Zealand. The change will bring the NZ Super's residency requirement closer to the 27.5-year average for residency-based old-age pensions in countries belonging to the Organisation for Economic Co-operation and Development.

New Zealand's old-age pension system consists of the NZ Super, a social assistance program, and a voluntary individual account program (KiwiSaver). To qualify for a NZ Super pension, an individual must satisfy the residency requirements and have reached age 65. As of April 2021, the after-tax weekly benefit paid under this program is NZ$436.94 (US$298.74), if single and living alone, NZ$403.33 (US$275.76), if single and sharing accommodations, or NZ$336.11

(US$229.80), if in a married, civil-union, or de facto couple. For individuals aged 65 or older who experience financial hardship, the government also offers several means-tested benefits, including housing and health supplements and an emergency benefit. To help supplement these public sources of retirement income, the KiwiSaver program automatically enrolls most employees aged 18 to 64 in privately managed individual retirement accounts. (Employees can later choose to opt out of the program. Self- and non-employed persons can also choose to participate in the program.) The accounts are financed by contributions from employees (3 percent to 10 percent of gross earnings), employers (a minimum of 3 percent of gross payroll), and the government (up to NZ$521.43 [US$356.51] in annual matching funds for each worker).

**Sources:** "KiwiSaver for Individuals," Inland Revenue, no date; "Benefit Rates at 1 April 2021," Work and Income, no date; *Social Security Programs Throughout the World, Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Bill, 2021; "New Eligibility Rules for Superannuation Passed–With Delayed Start Date," *The New Zealand Herald*, November 9, 2021; "Changes to Residency Rules for NZ Super Coming," Work and Income, November 16, 2021; *Pensions at a Glance 2021: OECD and G20 Indicators*, Organization for Economic Co-operation and Development, December 8, 2021.

## *Singapore to Implement Changes to the Central Provident Fund*

At the beginning of 2022, Singapore will implement a number of changes to the Central Provident Fund (CPF), including higher contribution rates for workers aged 55 and 1 day up to 70, increased retirement and reemployment ages, and streamlined payout procedures. The government approved the changes earlier this year, and they are in line with recommendations made in 2019 by the Tripartite Workgroup on Older Workers. The changes are intended to boost retirement savings and the supply of older workers as Singapore faces a growing labor shortage caused by population aging. According to Singapore's Ministry of Manpower, around one-quarter of Singapore's labor force was aged 55 or older in 2020, up from 16.5 percent a decade earlier.

The key changes to the CPF (all effective January 1, 2022, unless otherwise noted) include:

- *Higher contribution rates for workers aged 55 and 1 day up to 70:* The combined employee and employer contribution rate will rise from 26 percent to 28 percent of monthly covered earnings for workers aged 55 and 1 day up to 60, from 16.15 percent to 18.15 percent for workers aged 60 and 1 day up to 65, and from 12.5 percent to 14 percent for workers aged 65 and 1 day up to 70. (The combined contribution rate will remain at 37 percent for workers aged 55 or younger and at 12.5 percent for those aged 70 and 1 day or older.) The additional contributions will be allocated entirely to a worker's Special Account (SA), which is primarily for retirement needs. (CPF contributions are allocated into three different individual accounts: [1] the SA; [2] an Ordinary Account [OA] that can be used to finance the purchase of a home, life and mortgage insurance, education, and investments in approved retirement-related financial products; and [3] a MediSave Account for certain hospitalization and medical expenses. At age 55, OA and SA savings, up to a certain amount, are transferred to a Retirement Account [RA].)
- *Increased retirement and reemployment ages:* On July 1, 2022, the statutory retirement age will rise from 62 to 63, while the reemployment age will increase from 67 to 68. (In Singapore, the retirement age is the earliest age at which employers can require employees to retire; once an employee reaches this age, his or her employer must offer one-year reemployment contracts—provided the employee meets certain conditions—until the employee reaches the reemployment age. Employers may also transfer the reemployment obligation to another employer or provide a special lump-sum payment. These ages are not conditions for receiving old-age benefits under the CPF.) In addition, the Ministry of Manpower can authorize further increases in the retirement and reemployment ages until they reach 65 and 70, respectively. These increases must be in line with the Tripartite Workgroup on Older Workers' recommendations, which call for a retirement age of 65 and a reemployment age of 70 by 2030.
- *Streamlined retirement payout procedures:* OA and SA savings will be automatically paid to CPF members when they exhaust their RA savings. Currently, members who exhaust their RA savings must request transfers of their OA and SA savings to continue receiving retirement payouts.

Singapore's public old-age pension system consists of the CPF and a social assistance program. The CPF is a publicly managed provident fund that is mandatory for most workers. Funds from the RA can be partially withdrawn as early as age 55 (subject to certain conditions) or at any age if the fund member has a serious medical condition or permanently leaves Singapore and West Malaysia. Fund members with at least S$60,000 (US$43,991.96) in the RA at age 65 (the CPF payout eligibility age) are automatically enrolled in a life annuity program (CPF Lifelong Income For the Elderly, or CPF LIFE). (Enrollment is voluntary for fund members with less than this amount.) A government-financed social assistance program (the Silver Support Scheme) provides benefits to needy citizens of Singapore aged 65 or older who meet certain conditions.

**Sources:** *Social Security Programs Throughout the World: Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; "Singapore Announces Changes Affecting Older Workers," *International Update*, U.S. Social Security Administration, November 2019; CPF (Amendment) Bill, 2021; Retirement and reemployment (Amendment) Bill, 2021; "Singapore Introduces Government Match for Provident Fund Catch-up Contributions," *International Update*, U.S. Social Security Administration, February 2021; "CPF Top-Up, Payout Procedures to be Tweaked, along with Plans for Higher Retirement and Re-Employment Ages," *The Business Times*, November 1, 2021.

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