International Update
Recent Developments in Foreign Public and Private Pensions

July 2023

Asia and the Pacific

Australia Implements Scheduled Pension Changes

On July 1, Australia's government implemented several scheduled changes to its Age Pension and superannuation programs, which include raising the Age Pension eligibility age, adjusting the Age Pension's income and asset tests, increasing employers' minimum superannuation contribution rate, and ending a temporary reduction in age-related minimum superannuation distributions. The means-tested Age Pension program covers Australian retirees with lower financial resources, while the superannuation program consists of mandatory occupational pension plans covering employees aged 18 or older and those younger than 18 who work more than 30 hours a week. (Voluntary superannuation coverage is possible for self-employed persons.) As of June 2021, around 30 percent of Australia's 3.9 million residents aged 65 or older receive a full Age Pension, 32 percent receive a partial Age Pension, and 38 percent rely solely on other income sources (such as superannuation).

The key changes made to the Age Pension program (all effective July 1) include:

- *Raising the eligibility age:* The eligibility age for the Age Pension increased from 66 and 6 months to 67. This is the last in a series of eligibility age increases that began in July 2017.
- *Adjusting the income test:* Pensioners can now receive the full Age Pension if they have biweekly incomes from other sources (including employment, superannuation, investments, businesses, and real estate) up to A$204 (US$135, single pensioners) or A$360 (US$239, couples). These are increases of A$14 (US$9) and A$24 (US$16), respectively, from last year's thresholds. Pensioners with biweekly incomes exceeding a threshold have their biweekly benefits reduced by A$0.50 (US$0.33) for every A$1 (US$0.66) in income above the threshold. Pensioners with biweekly incomes exceeding A$2,332 (US$1,545, single pensioners) or A$3,568 (US$2,364, couples) are ineligible for the Age Pension.
- *Adjusting the asset test:* Pensioners can now receive the full Age Pension if they have assets (excluding a principal residence in most cases) up to A$301,750 (US$199,952, single homeowners), A$543,750 (US$360,311, single non-homeowners), A$451,500 (US$299,183, couple homeowners), or A$693,500 (US$459,542, couple non-homeowners). These are increases of A$21,750 (US$14,412), A$39,250 (US$26,009), A$32,500 (US$21,536), and A$50,000 (US$33,132), respectively, from last year's thresholds. Pensioners with assets above a threshold have their biweekly benefits reduced by A$3 (US$1.99) for every A$1,000 (US$663) in assets above the threshold. Pensioners with assets exceeding A$656,500 (US$435,024, single homeowners), A$898,500 (US$595,384, single non-homeowners), A$986,500 (US$653,696, couple homeowners), or A$1,228,500 (US$814,055, couple non-homeowners) are ineligible for the Age Pension.

The key changes made to the superannuation program (all effective July 1) include:

- *Increasing the minimum employer contribution rate:* The minimum employer contribution rate (or superannuation guarantee rate) increased from 10.5 percent to 11 percent of covered payroll. The Australian Department of the Treasury estimates this rate increase will add more than A$21,500 (US$14,247) to the final superannuation balances of recent school leavers who work in low- or middle-income jobs until age 67. The superannuation guarantee rate will continue to rise by 0.5 percentage points on July 1 each year until it reaches 12 percent in July 2025. (Employees are not required to make superannuation contributions, but the government offers tax incentives and matching funds to encourage voluntary contributions.)
- *Ending the temporary reduction in age-related minimum annual distributions:* The 50-percent reduction in age-related minimum annual distributions introduced during the COVID-19 pandemic has ended. The restored minimum distribution rates apply to retirement-age participants and range from 4 percent

(for individuals aged 59 to 64) to 14 percent (for individuals aged 95 or older).

To qualify for the government-financed Age Pension, an individual must have reached the eligibility age, have resided in Australia for at least 10 years, and satisfy the income and asset tests. As of March 2023, the full biweekly benefit (with pension and energy supplements) is A$1,064 (US$705, single pensioners) or A$1,604 (US$1,063, couples). To receive a superannuation retirement benefit, a participant must have reached age 59 (rising to age 60 in July 2024) and be permanently retired (or participating in the Transition to Retirement program). Depending on the superannuation plan, the retirement benefit can be paid as a lump sum, an annuity, or periodic payments.

Sources: *Social Security Programs Throughout the World: Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; "Age Pension," Australian Institute of Health and Welfare, September 16, 2021; "The Super Guarantee Rate Is Increasing," Australian Taxation Office, June 16, 2023; "Significant Changes to the Age Pension to Come Into Effect on July 1," news.com.au, June 23, 2023; "Major Age Pension Changes Coming From July 1," Yahoo Finance, June 26, 2023; "Millions of Aussies Receive Huge Cash Boost," Yahoo News, June 30, 2023.

India Allows Certain Individuals to Opt for Higher Social Insurance Pensions

In response to a Supreme Court ruling issued in November 2022, the Employees' Provident Fund Organisation (EPFO) allowed certain participants in the country's social insurance program—the Employees' Pension Scheme (EPS)—to opt for higher pensions by July 11. (The deadline was originally set at March 3, but it was extended several times because of administrative issues.) Participants receive the higher pensions by retroactively basing their EPS contributions on all earnings rather than earnings up to a statutory ceiling (currently 15,000 rupees [US$182.71] a month). To be eligible for this higher pension option, EPS participants must have joined the program before September 1, 2014, and paid contributions on monthly earnings exceeding the statutory ceiling (5,000 rupees [US$60.90] or 6,500 rupees [US$79.17] before September 1, 2014), or retired before September 1, 2014, and had their claims for higher pensions under a previous rule denied by EPFO. According to EPFO, around 1.6 million participants (out of 46 million participants in 2022) had applied for the higher pension option as of June 26.

In numerous announcements, EPFO has clarified that the higher EPS pensions are financed through additional contributions and transferring funds from the Employees' Provident Fund (EPF) to the EPS. Under the higher pension option, employers still contribute 8.33 percent of employees' monthly basic earnings to the EPS, but there is no longer an earnings ceiling. In addition, employers must pay an additional 1.16 percent of monthly basic earnings exceeding 15,000 rupees to the EPS, but their EPF contribution rate for this income bracket is reduced by a corresponding amount (from 3.67 percent to 2.51 percent). (This additional EPS contribution applies to earnings from September 1, 2014. The employer EPF contribution rate remains at 3.67 percent for monthly basic earnings up to 15,000 rupees.) Retroactive contributions paid for past earnings exceeding the earnings ceiling will be deducted from participants' EPF balances. As a result, those who opt for higher EPS pensions can expect to receive smaller EPF old-age benefits at retirement.

The EPF covers employees of firms with at least 20 employees in certain industries, and the EPS covers employees who joined the EPF on or after November 16, 1995. Employees do not contribute directly to the EPS, but they contribute 12 percent of monthly covered earnings up to 15,000 rupees to the EPF. To qualify for the EPF lump-sum old-age benefit, a participant must have reached the normal retirement age of 58 and retired from covered employment. (Earlier payment of the benefit is possible under certain conditions.) The EPS old-age pension is paid to participants who have reached the normal retirement age and have at least 10 years of contributions. (The pension can be claimed as early as age 50 with a reduced benefit or deferred until age 60 for a higher benefit.)

Besides the EPS and EPF, India's main public pension programs include: the National Pension System, a voluntary individual account program for public- and private-sector employees; the Atal Pension Yojana, a voluntary defined benefit program for individuals aged 18 to 40 who work in the informal sector; and a gratuity scheme for employees of factories, mines, oil fields, plantations, ports, railways, and businesses with 10 or more employees.

Sources: *Social Security Programs Throughout the World: Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; "Annual Report: 2021-22," Employees' Provident Fund Organisation, 2022; "Higher EPS Pension: Extra 1.16% to Come From Employer's, Not Employee's Contribution; Impact on Pension, EPF," *The Economic Times*, May 4, 2023; "EPFO

Higher Pension Scheme: What Is It and Should You Apply for It?, *The Financial Express*, May 17, 2023; "Applying for Higher EPS Pension: As Glitches Plague EPFO Portal, Govt May Again Extend Deadline," *The Economic Times*, June 24, 2023; "EPFO Extends Deadline to Opt for Higher EPS Pension; Last Opportunity to Apply," *The Economic Times*, June 27, 2023; "EPFO Higher Pension Last Date Extended for Employees and Employers – Check Details," *Financial Express*, June 27, 2023; "Higher EPS Pension: EPFO Release Circular on Pension Computation Method," *The Economic Times*, July 16, 2023.

The Americas

Uruguay Reforms Mixed Pension System

On May 2, Uruguay's president signed into law reforms to the country's mixed pension system that include, among other things, raising the normal retirement age, introducing early retirement options for workers with long careers or arduous occupations, modifying contribution rules, changing the calculation of social insurance old-age pensions, and establishing a new social security agency. (Uruguay's mixed pension system consists of a social insurance program administered by the Social Insurance Bank [Banco de Previsión Social] and a mandatory individual account program managed by pension savings fund administrators [Administradoras de Fondos de Ahorro Previsional].) The reforms are primarily intended to improve the sustainability of the social insurance program as Uruguay's population continues to age. The United Nations' Population Division projects that the country's old-age dependency ratio (the population aged 65 or older divided by the population aged 15 to 64) will increase from 24.1 percent in 2023 to 45.2 percent in 2060. With the reforms, however, the government estimates that annual spending on the social insurance program over the same period will remain at around 8 percent of gross domestic product instead of increasing to 10 percent.

The key changes made by the reforms (effective August 1 unless otherwise noted) include:

- *Raising the normal retirement age:* The normal retirement age will gradually increase from 60 to 65 for individuals born after 1972. (The normal retirement age will not change for individuals born in 1972 or earlier.) Specifically, the normal retirement age will increase by 1 year for each birth year after 1972 until it reaches 65 for individuals born in 1977 or later. To qualify for an old-age pension at the normal retirement age, individuals born after 1972 must still have at least 30 years of contributions. (Women born after 1972 remain eligible for 1 year of credited contributions for each child they birth or adopt, up to 5 years.)
- *Introducing early retirement options for workers with long careers or arduous occupations:* Individuals born after 1972 can retire as early as age 60 (if born in 1973), age 61 (if born in 1974), or age 62 (if born in 1975 or later) if they have at least 40 years of contributions. Individuals born in 1976 or later also have the option of retiring at age 63 if they have at least 38 years of contributions or at age 64 if they have at least 35 years of contributions. In addition, all individuals (regardless of their birth years) can retire as early as age 60 if they have at least 30 years of contributions, including at least 20 years paid while in arduous occupations, such as construction or agriculture. (At least 5 of these years of arduous work must have occurred in the last 10 years of an individual's working life.)
- *Changing advanced-age retirement:* Currently, individuals who have fewer than 30 years of contributions when they reach the normal retirement age can qualify for an advanced old-age pension if they satisfy a lower contribution requirement at a later age, ranging from 25 years of contributions at age 65 to 15 years of contributions at age 70. The reforms eliminate the advanced old-age pension for individuals born after 1972 and instead allow those with fewer than 30 years of contributions to claim the regular social insurance old-age pension at later ages, with the contribution requirement ranging from 27 years of contributions at age 66 to 15 years of contributions at age 70.
- *Modifying contribution rules:* Currently, participation in the social insurance program is mandatory for all employed and self-employed individuals not covered by special pension programs, while participation in the individual account program is only mandatory for those with monthly covered earnings above 78,770 pesos (US$2,027). In particular, employed or self-employed individuals contribute 15 percent of monthly covered earnings up to 78,770 pesos to the social insurance program and 15 percent of monthly covered earnings above 78,770 pesos but not exceeding 236,309 pesos (US$6,082) to the individual account program. (Employers contribute 7.5 percent of monthly covered payroll up to 236,309 pesos to the social insurance program only.) However, individuals with monthly covered earnings up to 118,155 pesos (US$3,041) can choose to reallocate 50 percent of

their social insurance contributions to the individual account program. If this option is selected, 100 percent of the contributions paid on an individual's monthly covered earnings above 78,770 pesos but not exceeding 118,155 pesos are reallocated from the individual account program to the social insurance program. Starting on December 1, participation in the individual account program will be mandatory for all employed and self-employed individuals regardless of their earnings, and contributions for both pension programs will be levied on all covered earnings. The social insurance and individual account contribution rates paid by covered individuals under this new framework will be 10 percent and 5 percent, respectively. (The new law does not affect the monthly covered earnings ceiling or the employer contribution rate.)

- *Changing the reference earnings for calculating the social insurance old-age pension:* For individuals who qualify for a social insurance old-age pension after 2042, the average monthly indexed earnings used to calculate the pension will be based on their best 20 years of covered earnings. Currently, the reference earnings are the average monthly indexed earnings for the last 10 years of covered earnings or the best 20 years of covered earnings, whichever is higher. The current method will remain in effect for new pensioners through 2032, and special transition rules will apply from 2033 to 2042.
- *Altering the formula for calculating the social insurance old-age pension:* For individuals who qualify for the social insurance old-age pension after 2042, the pension will be calculated by multiplying an individual's reference earnings by their years of contributions and by an accrual rate of 1.50 percent. However, the accrual rate will be reduced for early retirement (with a minimum rate of 1.20 percent for retirement at age 60) and increased for deferred retirement (with a maximum rate of 1.96 percent for retirement at age 70), and the final replacement rate cannot exceed 85 percent. Currently, the old-age pension is 45 percent of an individual's reference earnings plus 1 percentage point for each year of contributions from 31 years to 35 years plus 0.5 percentage point for each year of earnings from 36 years to 40 years. The current formula will remain in effect for new pensioners through 2032, and special transition rules will apply from 2033 to 2042.
- *Introducing a solidarity supplement*: Individuals who receive social insurance pensions under the new rules can receive a monthly supplement of up to 14,000 pesos (US$374) if they have resided in Uruguay for at least 10 of the last 20 years and have monthly incomes up to 42,000 pesos (US$1,111, if younger than 65) or 60,000 pesos (US$1,587, if aged 65 or older).
- *Allowing pensioners to work:* The reforms will allow all individuals (including current retirees) to resume paid work after claiming their old-age pensions as long as it is not with their last pre-retirement employer. Currently, individuals are not allowed to work while receiving old-age pensions.
- *Phasing out special pension programs for certain occupations:* The special pension programs for bank employees, notaries, university professionals, and military and police personnel will be phased out as the qualifying conditions and benefits for these programs are gradually harmonized with the those of the general mixed pension system.
- *Establishing a new social security agency:* The law establishes the Social Security Regulatory Agency (Agencia Reguladora de la Seguridad Social) to oversee the mixed pension system, the phase out of special pension programs, and the development and implementation of new rules.

Sources: *Social Security Programs Throughout the World: The Americas 2019*, U.S. Social Security Administration, March 2020; *World Population Prospects 2022*, United Nations, Department of Economic and Social Affairs, Population Division, July 2022; Ley N° 20.130, 2023; "Nuevo Sistema Previsional Común," Banco de Previsión Social, 2023; "Valores actuales," Banco de Previsión Social, 2023; "Cambios propuestos por la reforma al régimen de AFAP: más afiliados por una menor tasa de aporte, nuevo fondo y mayor libertad para invertir," *La Diaria Economía*, February 17, 2023;"Jubilación común y por edad avanzada," Banco de Previsión Social, May 31, 2023; "Suplemento solidario," Banco de Previsión Social, May 31, 2023.

International Update is a monthly publication of the Social Security Administration's (SSA's) Office of Retirement and Disability Policy. It reports on the latest developments in public and private pensions worldwide. The news summaries presented do not necessarily reflect the views of SSA.

Editor: Ben Danforth

Writers/researchers: Ben Danforth, Patrick J. Purcell, and David Rajnes.

Social Security Administration
Office of Retirement and Disability Policy
Office of Research, Evaluation, and Statistics
250 E Street SW, 8th Floor, Washington, DC 20254

SSA Publication No. 13-11712
Produced and published at U.S. taxpayer expense