SOCIAL SECURITY ADMINISTRATION USA

International Update

Recent Developments in Foreign Public and Private Pensions

November 2024

Europe

Belarus Enacts Old-Age Pension Changes

On October 29, the president of Belarus issued a decree making several changes to the country's social insurance old-age pension program, including removing the pension cap for working pensioners, reducing the paid contribution requirement for women with at least four children, and allowing certain fathers of children with disabilities to retire early. The changes will be effective January 1 and are part of a decade-long effort to improve the adequacy and sustainability of the pension program as Belarus experiences rapid population aging and a growing labor shortage. According to the World Bank, the Belarussian labor force shrank by about 3 percent over the past decade, from 5.11 million people in 2013 to 4.96 million people in 2023. (Belarus has a population of around 9.4 million people.) In addition, the United Nations' Population Division projects that Belarus's old-age dependency ratio (the population aged 65 or older divided by the population aged 15 to 64) will increase from 26.8 percent in 2024 to 46.0 percent in 2050.

The key old-age pension changes made by the decree—all effective January 1—include:

- *Removing the pension cap for working pensioners:* There will no longer be a cap on pension benefits for old-age pensioners who continue to work. Currently, the reference earnings used to calculate the pension benefits of working pensioners are capped at 130 percent of the average national wage (currently 1,751.56 rubles [US$537] a month). (The monthly old-age pension is 55 percent of an insured person's reference earnings, plus 1 percent of the reference earnings for each year of coverage exceeding 25 years [men] or 20 years [women], plus 0.1 percent to 0.5 percent of the reference earnings for each year of coverage exceeding 45 years [men] or 40 years [women], up to 5 years.)
- *Reducing the paid contribution requirement for women with at least four children:* The minimum paid contribution requirement for an old-age pension will be reduced from 10 years to 5 years for women who birth and raise at least four children. However, women must still have at least 20 years of coverage to qualify.
- *Allowing certain fathers of children with disabilities to retire early:* Fathers who care for children with disabilities without the assistance of the children's mothers will be allowed to claim old-age pensions up to 5 years before the normal retirement age (currently 63 for men and 58 for women) if they have at least 25 years of coverage, including at least 5 years of paid contributions.

Belarus's old-age pension system consists of the social insurance program covering employed and self-employed persons residing permanently in Belarus, and a social assistance program covering resident citizens of Belarus. Employees contribute 1 percent of gross monthly earnings, self-employed persons contribute 29 percent of declared income, and most employers contribute 28 percent of gross monthly payroll to finance the social insurance program. (The employer contribution rate varies depending on industry and business.) To receive a social insurance old-age pension, individuals must have reached the normal retirement age and have at least 25 years (men) or 20 years (women) of coverage, including at least 19.5 years of paid contributions (men and women; increasing to 20 years in 2025). A partial pension is possible at the normal retirement age if the insured does not meet the coverage requirements for the full pension. The government-financed social assistance program provides an old-age social pension to non-working citizens at age 65 (men) or age 60 (women) who are not entitled to a social insurance old-age pension.

Sources: "Method for Calculating Old-Age Pensions," Committee on Labor, Employment, and Social Protection of the Brest Regional Executive Committee; *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; Decree No. 357, 2024; Decree No. 402, 2024; *World Population Prospects 2024*, United Nations, Department of Economic and Social Affairs, Population Division, July 2024; "Aleksandr Lukashenko Signs Decree to Abolish Cap on Pensions for Working Retirees," President of the Republic of Belarus, October 29, 2024; *World Development Indicators*, World Bank, November 13, 2024.

Asia and the Pacific

Vietnam Amends Social Insurance Law

On June 29, Vietnam's National Assembly amended the country's social insurance law to extend mandatory coverage, raise the normal retirement age, lower the old-age pension contribution requirement, change the minimum and maximum covered earnings, restrict lump-sum grants, enhance the bonus for long contribution records, modify the old-age social pension, and introduce a monthly old-age allowance. The amended law also includes other social insurance changes, such as extending maternity benefit coverage to voluntarily insured individuals and linking the duration of sickness benefits to working conditions and contribution records. The changes become effective July 1, 2025, and represent the culmination of a reform process that began in 2019 and involved extensive discussions between the government, employer and employee representatives, and technical experts from the International Labour Organization and other groups. With the changes, the government is seeking to strengthen social protection in Vietnam by establishing a multi-tiered old-age pension system that covers most of the population and provides long-term income protection in retirement. The government estimates that only around 35 percent of retirement-age Vietnamese receive an old-age pension under the current system.

The key provisions of the amended social insurance law—all effective July 1, 2025—include:

- *Extending mandatory coverage:* Currently, the social insurance program mandatorily covers private- and public-sector employees with work contracts lasting at least 1 month, including household workers; employees in agriculture, fishing, and salt production; employees of cooperatives and unions; civil servants; police and military personnel; part-time workers in communes, wards, and townships; and certain foreign citizens legally working in Vietnam. The amended law extends mandatory coverage to owners of small household businesses, unpaid managers in cooperatives, part-time employees with monthly earnings of at least the reference level, and permanent local workers. Exemptions from mandatory coverage will be available for individuals already receiving public pensions or allowances, domestic workers in private households, and individuals nearing retirement age with less than 6 months of mandatory contributions remaining.

  The amended law will also allow employees with temporary suspensions or breaks in their work contracts to voluntarily maintain their coverage. Voluntary coverage will also remain available to self-employed persons and citizens of Vietnam without mandatory coverage.
- *Raising the normal retirement age:* Under the amended law, the normal retirement age for claiming an old-age pension will continue to rise gradually from 61 to 62 for men by 2028 and from 56 and 4 months to 60 for women by 2035. (The normal retirement age started rising in 2021 under a reform enacted in 2019.) The rate of age increases will be 3 months a year for men and 4 months a year for women, with the next increases implemented in 2025. However, exemptions from the age increases will apply to certain vulnerable groups.
- *Lowering the old-age pension contribution requirement:* The minimum years of contributions needed to qualify for an old-age pension will be reduced from 20 years to 15 years.
- *Changing the minimum and maximum covered earnings:* The minimum and maximum earnings used to calculate social insurance contributions and benefits are currently the regional minimum wage, which varies by location, and 20 times the basic salary (currently 2,340,000 dong [US$93] a month), respectively. (For public-sector employees, the minimum earnings for calculating contributions and benefits are the basic salary.) Under the amended law, the minimum and maximum earnings will be based on a new reference level, with the minimum set at the reference level and the maximum set at 20 times the reference level. The government will determine the reference level based on its budget capacity, the economic growth rate, changes in the consumer price index, and other factors. Additional details about the reference level will be issued later by the government.
- *Restricting lump-sum grants:* To discourage the claiming of lump-sum grants before and at retirement, the amended law tightens grant eligibility requirements. Under the amended law, individuals who join the social insurance program on or after July 1, 2025, can only claim a lump-sum grant if they have less than 15 years of contributions when they reach the normal retirement age; are permanently moving abroad; have a severe disease (including cancer, polio, decompensated cirrhosis, severe tuberculosis, or AIDS); or have a disability that

results in at least a 81 percent reduction in work capacity. For individuals who join the social insurance program before July 1, 2025, a lump-sum grant can be claimed at any age if they have less than 20 years of contributions and have not paid contributions in the last 12 months.

- *Enhancing the bonus for long contribution records:* Currently, insured individuals who accrue more than 35 years (men) or 30 years (women) of contributions—the maximum years of contributions used to calculate the old-age pension—receive a lump-sum bonus equal to 0.5 times their average monthly covered earnings for each additional year of contributions. Under the amended law, the bonus will be 0.5 times their average monthly covered earnings for each additional year of contributions paid before the normal retirement age plus 2 times their average monthly covered earnings for each additional year of contributions paid after the normal retirement age.
- *Modifying the old-age social pension:* The eligibility age for the old-age social pension paid to Vietnamese citizens who are not entitled to any other old-age pension will be lowered from 80 to 75. It will also be possible for individuals aged 70 to 74 to receive the old-age social pension if they belong to poor or near-poor households. The old-age social pension will include health insurance and death benefits, and the monthly benefit amount (initially 500,000 dong [US$19.82]) will be reviewed at least every 3 years.
- *Introducing a monthly old-age allowance:* The amended law will create a new old-age allowance for retirement-age individuals who have insufficient contributions to qualify for a social insurance old-age pension and choose not to receive a lump-sum grant. If individuals choose this option, they will receive a monthly allowance based on their paid contributions. The old-age allowance will include health insurance and death benefits and will be paid until beneficiaries qualify for the old-age social pension.

Sources: "Vietnam," ISSA Country Profiles, January 2022; Social Insurance Law No. 41/2024/QH15, 2024; "Vietnam Social Insurance Law 2024: Key Updates," Viet An Law, 2024; "Viet Nam's Amended Social Insurance Law: A Step Towards Universal Coverage," ILO News, July 1, 2024; "Changes to Social Insurance Schemes in Vietnam from July 2025," ASL Law Firm, July 20, 2024; "Labour Regulations Update: Key Changes in Vietnam's Social Insurance Law 2024," NIC Global, September 1, 2024; "Vietnam: Social Insurance Law 2024 Passed," Gallagher GVISOR Compliance Alerts, October 30, 2024; "Law on Social Insurance No. 41/2024/QH15," EY, November 2024.

The Americas

Mexico Initiates Changes to Universal Old-Age Pension Program

On October 30, Mexico's congress approved a constitutional amendment that lowers the eligibility age for the country's universal old-age pension from 68 to 65 and requires the government to provide adequate financing for the benefit. Although a 2021 reform already allowed Mexicans to claim the universal old-age pension at age 65, the amendment enshrines this practice in the constitution. In addition, under the guaranteed financing provision, the government is prohibited from cutting resources for the universal old-age pension program from one fiscal year to the next. The amendment has already received the required approval from a majority of Mexico's 31 state congresses, but it must still be promulgated by the president to become effective. With the amendment, the government is seeking to build on previous measures to strengthen pension entitlements and ensure their continuity, which include a prior amendment that made the universal old-age pension a constitutional right in 2020. According to the National Council for the Evaluation of Social Development Policy (Consejo Nacional de Evaluacion de la Politica de Desarrollo Social), pension reforms have helped reduce the share of Mexicans aged 65 or older living in moderate poverty from 34.0 percent in 2016 to 26.3 percent in 2022, and the share living in extreme poverty from 8.5 percent in 2016 to 4.8 percent in 2022. (The moderate poverty line is based on the monthly value of a basket of basic food, goods, and services, while the extreme poverty line is based on the monthly value of a basket of basic food only.)

Mexico's old-age pension system consists of the universal program, a mandatory individual account program, and a legacy social insurance program. The government financed- universal program covers resident citizens of Mexico and permanent residents with more than 25 years of residency and provides a bimonthly benefit of 6,000 pesos (US$301). Both the individual account and social insurance programs cover private-sector employees and cooperative members, but the social insurance program was closed to new enrollees on July 1, 1997, when the individual account program was introduced. (Individuals who were covered by the social insurance program before this date can choose to receive a social insurance old-age pension at retirement.) The normal retirement age for the individual account and social insurance programs is 65. (Individual account participants can retire earlier if they are unemployed or their account balances are large enough to fund minimum benefits.) In July, the government established a new public fund to guarantee that individual account pensioners receive 100 percent of their last monthly salaries, up to the average monthly salary of social security participants (currently 16,777.68 pesos [US$841]).

Sources: *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; Acuerdo por el que se emiten las Reglas de Operación del Programa Pensión para el Bienestar de las Personas Adultas Mayores, para el ejercicio fiscal 2022, 2021; *Medición de pobreza 2022*, Consejo Nacional de Evaluacion de la Politica de Desarrollo Social, August 2023; "Mexico Establishes Old-Age Pension Guarantee Fund," *International Update*, U.S. Social Security Administration, May 2024; "Pensión para el Bienestar de las Personas Adultas Mayores," Gobierno de México, July 2024; "Senado lleva a la Constitución más Programas para el Bienestar y refuerza pensiones," Programas para el Bienestar, October 30, 2024; "Emite el Senado declaratoria de aprobación de la reforma constitucional en materia de bienestar," Senado de México, November 6, 2024.

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.

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