Social Security

International Update:

Recent Developments in Foreign Public and Private Pensions

September 2008

The Americas

Argentina

On July 29, 2008, Argentine President Cristina Fernández de Kirchner submitted a proposal to Congress creating a new method of indexing social security pensions. If the proposal passes, beginning in 2009, pension benefits will be adjusted in March and September, according to growth in the general salary index, if the funds are available to finance the benefits. According to official estimates, benefits would increase close to 22 percent next year based on 2008 figures.

Employer and employee contributions to social security finance 48 percent of benefits and general revenues finance 52 percent. Currently, the government may only increase pensions by law or presidential decree.

Sources: "El Primer Adjuste Jubilatorio por Movilidad Será en Marzo," *La Nación*, el 28 de julio de 2008; "El Aumento en Jubilaciones Sería 22% el Próximo Año," *El Cronista Comercial*, el 28 de julio de 2008; "Argentine Government to Help the Needy," Latinnews Daily, July 29, 2008.

Bolivia

President Evo Morales presented a pension reform bill to Parliament at the end of July that overhauls the current individual accounts system established in 1997. The proposed law would establish a guaranteed minimum pension for workers aged 60 or older with at least 10 years of contributions. In addition, the proposal includes provisions to:

- lower the normal retirement age from 65 to 60;
- transfer pension fund management from the two existing private companies to a new government agency (workers would continue to pay 0.5 percent of earnings for administration);
- require employers to contribute between 1 percent and 1.5 percent of their employees' salaries (currently, employers do not contribute to employees' individual accounts);
- finance the solidarity fund—which supplements the pensions for low earners—with an additional 1 percent of earnings contributions from workers earning more than 20 times the monthly minimum wage (currently 11,550 bolivianos or US$1,677) and an additional 10 percent for those earning more than 60 times the monthly minimum wage (currently 34,650 bolivianos or US$5,031); and
- allow retirement at any age if a worker's individual account would yield a pension equal to at least 60 percent of the worker's average salary in the previous 5 years (current law requires 70 percent).

Sources: "Regirán 5 Tipos de Aporte Obligatorio para Jubilar a Otros," la-razon.com, el 27 de julio de 2008; "Hacienda Alista Impuesto para Jubliar a Otros," la-razon.com, el 29 de julio de 2008; "Bolivia: Reforma de Pensiones Enciende el Debate," Inter Press Service, July 30, 2008.

Asia and the Pacific

International Agreement

In August 2008, the governments of Australia and New Zealand announced a plan to formalize a pension portability agreement between the two countries in October 2008, with legislation and implementation to follow in 2009. Under existing law, an employer of a New Zealander working in Australia must contribute 9 percent of the employee's salary to an Australian occupational pension plan or retirement savings account. If the employee moves back to New Zealand, his or her account funds cannot be transferred to New Zealand until he or she reaches the normal retirement age in Australia. Once the new agreement goes into effect, funds deposited in an occupational pension plan or retirement savings account on behalf of New Zealanders working in Australia will be transferred to KiwiSaver accounts, New Zealand's new subsidized, defined contribution retirement savings plans. The Australian government fund has approximately AUS$13 billion (US$11.3 billion) in what they term "lost accounts." According to the two governments, a substantial portion of this money most likely belongs to New Zealanders who have not taken action to claim the funds.

Both governments have discussed a pension portability agreement for a number of years because of the high number of New Zealanders working in Australia and Australians working in New Zealand. However, until the 2007 introduction of KiwiSaver, the dissimilarity of the Australian and New Zealand retirement systems made portability difficult. This new pension agreement does not affect either New Zealand's flat-rate public pension, or Australia's public means-tested old-age pension, both funded from general revenue.

Sources: *Social Security Programs Throughout the World: Asia and Pacific, 2006*; "Portability Proposals for Oz and NZ Retirement Saving," *Global Pensions*, July 25, 2008; "Progress Made on Shifting Retirement Savings, Government Says," New Zealand Press Association, August 17, 2008; "NZ and Oz Agree on Portable Assets," *Global Pensions*, August 18, 2008.

Africa

South Africa

In July 2008, the Social Assistance Amendment Act (the Act) went into effect, gradually reducing the age of eligibility for men covered by South Africa's Old Age Grant (OAG) from 65 to 60. Since 2004, South Africa has provided private sector workers with the means-tested OAG, funded from general revenue. Prior to the Act, the grants were available to women aged 60 or older and men aged 65 or older. The new law lowers the age of eligibility for men gradually so that by 2010 everyone aged 60 or older who meets income requirements for the OAG will have equal access. In 2008, men aged 63 and older qualify; in 2009, men aged 61 and older will qualify; and, in 2010, the age of eligibility will be 60 for men and women.

The Social Security Agency reported that by mid-August 2008 it had processed 5,000 pension applications from men aged 63 and 64 due to the changes in the eligibility age. The government also provides a separate disability grant that has been available to men who are younger than age 65. According to the South African government, more than 36,000 men aged 63 and 64 who are currently receiving the disability grant were converted under the Act to the OAG. The government expects at least 120,000 men to apply for the OAG by the end of the year.

Sources: *Social Security Programs Throughout the World: Africa, 2007*; "Thousands Apply for Old-Age Grant," *The Times*, August 11, 2008.

Reports

Social Security Administration

The Social Security Administration has released *Social Security Programs Throughout the World: Europe, 2008*, part of a four-volume series that provides a cross-national comparison of the social security systems in 44 countries in Europe. It summarizes the five main social insurance programs in those countries: old-age, disability, and survivors; sickness and maternity; work injury; unemployment; and family allowances. The other regional volumes in the series focus on the social security systems of countries in Asia and the Pacific, Africa, and the Americas. The report is available online at http://www.socialsecurity.gov/policy/docs/progdesc/ssptw/2008-2009/europe/index.html.

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