Asia and the Pacific

India

On October 28, the Ministry of Overseas Indian Affairs launched a voluntary savings and insurance program for Indians working temporarily in the United Arab Emirates. The program (called the Pension and Life Insurance Fund or PLIF) will eventually cover the roughly 5 million blue-collar (unskilled and semiskilled) temporary workers in 17 countries—mainly in the Gulf region. The objective of the program is to encourage workers to use a portion of the remittances they send home to their families for retirement savings and for their return and resettlement to India. Participants in the program are also covered for life insurance, which is financed by the government.

Eligible workers are those aged 18 to 50, who emigrate overseas or have already emigrated on a temporary employment/contract visa. Once the program is fully implemented, it will include the following countries: Afghanistan, Bahrain, Indonesia, Iraq, Jordan, Kuwait, Saudi Arabia, Libya, Lebanon, Malaysia, Oman, Qatar, Sudan, Syria, Thailand, the United Arab Emirates, and Yemen.

Under the program, subscribers must have a bank account, and to receive a government subsidy, they must contribute a minimum of 5,000 rupees (US$81) each year—at least 1,000 rupees (US$16) for the pension and 4,000 rupees (US$65) for return and resettlement. The annual government contribution for a pension varies by sex—2,000 rupees (US$32) for men and 3,000 rupees (US$49) for women. There is also a government contribution toward return and resettlement of up to 25 percent of each subscriber’s contribution, subject to an annual ceiling of 1,000 rupees.

On returning home, the subscriber may withdraw the return and resettlement portion of the account as a lump sum. The retirement savings portion remains under the NPS-Lite program (part of the National Pension System for low-income workers and the informal sector), which pays a pension at age 60. In addition, the government-financed life insurance provides benefits for natural death, accidental death, and permanent partial disability that is due to an accident.

Operations of the PLIF program are supervised by the Pension Fund Regulatory and Development Authority, the Security and Exchange Board of India, and the Insurance Regulatory and Development Authority—which regulate the investment and insurance products used in the program.


Oman

On November 3, Oman’s Public Authority for Social Insurance announced a series of amendments to the country’s pay-as-you-go (PAYG) public pension program, including increases in contribution rates and changes to the way benefits are calculated. The amendments, which will come into effect on July 1, 2014, include the following key changes:

- Contribution rates will increase from the current 6.5 percent of monthly salary to 7 percent for employees; from 10.5 percent to 11.5 percent for employers; and from 4 percent to 5.5 percent for the government. (Contributions finance old-age, survivors, and disability benefits.)

- The accrual factor used for the calculation of old-age pensions will increase. As a result, old-age pensions will be calculated based on 3.5 percent (up from the current 2.5 percent) of the insured worker’s average wage in the last 5 years of employment, multiplied by the number of full years of contributions.
The minimum old-age pension will increase from 150 rials (US$390.12) to 202.50 rials (US$526.66) a month. In addition, pensions greater than 202.50 rials will rise by 5 percent. (The maximum old-age pension remains the same at 80 percent of the insured’s pensionable salary.)

Oman’s PAYG program covers all citizens employed in the private sector under a permanent work contract or working in one of the other Gulf Cooperation Council countries (Bahrain, Kuwait, Qatar, Saudi Arabia, or the United Arab Emirates). Workers are eligible for an old-age pension at age 60 with at least 180 months of paid contributions (men) or age 55 with at least 120 months of paid contributions (women). (An early pension may be paid at ages 45–59 with at least 240 months of contributions for men or 180 months for women.) Workers at the retirement age who do not meet the contribution requirement for the old-age pension but have at least 12 months of paid contributions may receive a lump-sum, end-of-service benefit.


Uruguay

On October 23, the General Assembly passed a law that will allow certain workers to transfer the funds in their individual accounts to the pay-as-you go (PAYG) public pension program. Since the inception of the individual accounts program in 1996, on four separate occasions the government has permitted some older workers to transfer their accounts to the PAYG program. (The last opportunity for account transfer was in 2008.) Approximately 480,000 existing account holders (out of a total of 1.2 million) may be eligible under the new rules. The law, which also includes changes to the rules for the pension fund management companies (AFAPs), is expected to be implemented in February 2014.

According to the new law, workers who voluntarily enrolled in the individual account program and either were aged 40 or older in 1996 or are currently ages 40–50 may request a transfer to the PAYG program. In addition, when any younger account holder who voluntarily joined the system reaches age 40, he or she may request a transfer up to age 50. The Social Insurance Bank—the PAYG administrative agency—is required to provide specific advice, including a comparison of projected benefits for each individual, before the request is finalized. The decision to transfer is permanent (although there is a 60-day grace period for the worker to change his or her mind). Once the request to transfer has been processed, the AFAP submits the funds from the worker’s individual account to the Social Insurance Bank, and the worker is then credited with the equivalent number of contributions to the PAYG program.

Other measures of the law that apply to the AFAPs include the following:

• Each AFAP will have to provide two subaccounts instead of the current one account to each individual account holder. The accumulation sub-account will replace the existing account; and a new retirement subaccount will be added when an account holder reaches age 55. The purpose of this measure is to reduce investment risk for workers who are close to retirement. The account balance from the accumulation subaccount will be shifted gradually to the retirement account over a 4-year period. Investments in the retirement account will be mainly in fixed instruments.

• Workers who do not choose an AFAP will be assigned to one of two AFAPs that charge the lowest administrative fees among the four companies. The government expects this measure to help lower the administrative fees that AFAPs charge affiliates. (As of June 2013, fees averaged 1.41 percent of a worker’s monthly earnings.)

Uruguay has a “mixed” pension system with a public PAYG first pillar plus individual accounts as a second pillar. The individual accounts are mandatory for workers earning above 31,618 pesos (US$1,436) a month and voluntary for those earning less. (All other workers who do not enroll in the mixed system are covered by the PAYG program only.) As of June 2013, total assets under management were 21.1 billion pesos (US$9.6 billion) for the four AFAPs (three privately managed and one state run) combined.

On November 5, the OECD released *Pension Markets in Focus 2013*, the latest issue of the annual series that examines recent trends in the financial performance of pension funds. The report compares the most recent statistics available for OECD countries, including those on pension fund wealth, performance, and investments.

Among the report’s main findings is that pension fund assets have grown in the past few years. From 2009 through 2012, assets increased by an average of 7.4 percent per year for OECD member countries. In addition, assets as a percentage of gross domestic product (GDP) increased on average from 73.5 percent of GDP (2011) to 77 percent (2012). However, there is a significant variation among the member states. For example, in 2012, pension fund assets exceeded 100 percent of GDP in the Netherlands, Iceland, and Switzerland; assets exceeded the OECD average (77 percent of GDP) in the United Kingdom, Australia, and Finland; and assets for most member countries were below 20 percent of GDP. Over the past decade, the growth rate in pension fund assets to GDP declined in Hungary, Belgium, and Portugal. The report attributes the decline in both Hungary and Portugal to the government’s transfer of private pension assets to the public pension systems in each of those countries. (There was no explanation for the decline in Belgium.)

For 2012, other key findings from the report include the following:

- The United States had $11.6 trillion in total assets under management—more than 50 percent of the combined assets for all OECD member countries. Japan, Australia, the Netherlands, Canada, and Switzerland had the next highest level of combined assets, each with between 3.4 percent and 6.7 percent of the total. The other 27 OECD countries had $1.8 trillion in combined assets.

- Nineteen countries had positive real rates of return (after deducting administrative fees) compared with 2011 when 21 countries had negative rates of return.

- In 13 member countries, more than 80 percent of assets were invested in bonds and equities; the United States, Australia, and Chile had more than the overall OECD weighted average of 40.3 percent of assets invested in equities.

- In 10 member countries, private pensions represented one-third of total retirement income for current retirees.

- Of the 26 member countries with comparable data, assets in defined contribution plans were larger than in defined benefit (DB) plans; in eight of the countries, there were no DB plans at all.

**Source:** *Pension Markets in Focus 2013*, OECD, November 2013.