International Update

Recent Developments in Foreign Public and Private Pensions

October 2019

Europe

France Implements Changes to Pension Plans

France's government recently implemented two reforms to the country's occupational and voluntary pension plans as part of the Action Plan for Business Growth and Transformation law (*la Loi relative à la croissance et la transformation des entreprises*, or PACTE) adopted in May. The reforms aligned defined benefit (DB) plan rules with new European Union (EU) portability requirements and replaced four types of defined contribution (DC) plans with three new ones known collectively as Retirement Savings Plans (*produits d'épargne retraite*, or PER). According to the government, these reforms are intended to increase supplemental retirement savings and expand the equity capital available for business growth. The government estimates that the DC-specific reform will boost retirement savings from the current €220 billion (US$240 billion) to €300 billion (US$327 billion) in 2020. The government also expects the combined PACTE reforms to increase France's gross domestic product by 0.4 percent by 2025 and by 1 percent in the longer term.

On July 1, a number of changes to DB pension plan rules went into effect (including those called for by the EU's 2014 Portability Directive) that enhance the portability of workers' benefits across EU member states. Under the new rules, DB plans cannot use employment with a specific employer at retirement as a qualifying condition for benefits. (Existing plans are exempt from this rule change provided they have stopped accepting new members.) In addition, the new rules limit the minimum length of service or years of contributions plans can require for vesting to 3 years and limit the minimum age for plan coverage to 21.

On October 1, the three new PER DC plans were introduced to replace (by October 1, 2020) the four existing DC plan types. The three PER variants include a group plan (open to all categories of employees), a corporate plan (open to certain categories of employees, including executives and managers), and an individual plan (open to all individuals); they will replace two types of occupational plans and two types of individual plans. (Individuals can transfer the account balances of their existing plans into the new PERs as they become available.) The new rules also allow employers to offer retirement savings plans that combine two or more PERs. Each PER has the same basic features, including:

- *Taxation and contribution rules:* For employees, voluntary contributions of up to 10 percent of taxable salary are deductible from income tax. For employers, the *forfait social* (a contribution paid by the employer on employee pay not subject to social security) may be reduced or eliminated for payments toward profit-sharing plans, depending on program size.
- *Early withdrawals:* A participant can withdraw voluntary savings from PERs before retirement to purchase a primary residence. Early withdrawals are also possible under certain conditions for disability, unemployment, and death.
- *Payment options:* At retirement, a participant can choose to receive a lump-sum payment, annuity payments, or a combination of these two options. The lump-sum payment is only available for voluntary savings.
- *Investment choices:* PER providers can offer participants a wide range of investment choices to encourage diversified portfolios. If participants do not choose an investment option, a lifecycle fund is the default investment for their savings.
- *Savings transfers:* Participants can transfer their accrued savings between individual and group PERs and from old DC plans to PERs. (Previously, participants could only transfer savings within the same plan category.)

In addition to private-sector retirement savings plans, France's retirement system consists of an earnings-related public pension, a mandatory occupational pension program, and a social assistance program. Special retirement systems operate for mining, railroad, public utility and public sector employees, seamen, and agricultural self-employed persons.

Sources: "France: New 'LOI PACTE' Boosts Savings Schemes, Reforms Pensions," Mercer, June 6, 2019; "France Details 'LOI PACTE' Pension Reforms," Mercer, September 10, 2019;

"France: New Rules for Conditional Defined Benefit Plans Set by Ordinance," IBIS eVisor Compliance Alerts, September 30, 2019; "France: Three New Supplementary Retirement Products Perin, Percol, and Percat Become Marketable Starting 1 October 2019," IBIS eVisor Compliance Alerts, September 30, 2019; "A 'Big Bang' in Pensions," IPE.com, October 2019; "France: PACTE Changes the Landscape," IPE.com, October 2019; "New French Law Aims to Give Workers More Savings Flexibility," *Pensions & Investments*, October 4, 2019; "France Reforms Retirement," *Retirement Income Journal*, October 18, 2019.

Asia and the Pacific

Saudi Arabia Increases Retirement Age for Women

On August 2, Saudi Arabia's government implemented a royal decree that increased the normal retirement age for women under the country's social insurance pension program from 55 to 60, to match the retirement age for men. (Retirement ages in Saudi Arabia are based on the Hijri calendar; age 60 in the Hijri calendar is equivalent to around age 58 in the Gregorian calendar.) The decree is part of a series of measures approved in recent months to equalize the treatment of men and women in the country's labor market. Other measures require employers to treat all employees equally regardless of age, gender, or disability status, and prohibit employers from firing pregnant employees or employees on maternity leave.

Saudi Arabia's social insurance pension program covers private-sector employees, certain public-sector employees, and citizens working abroad for Saudi employers. Coverage is voluntary for citizens working abroad for non-Saudi employers and persons who are self-employed, had mandatory coverage previously, or work for diplomatic missions or international organizations in Saudi Arabia. Employees and employers each contribute 9 percent of gross monthly covered earnings or payroll, respectively, and the government finances any actuarial deficit. To be eligible for an old-age pension, the insured must have reached the normal retirement age and have at least 120 months of contributions. (The old-age pension is paid at any age with at least 300 months of contributions.) A lump-sum old-age settlement is paid at the normal retirement age to workers with less than 120 months of contributions.

Sources: *Social Security Programs Throughout the World: Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; "New Rules for Women Workers in Saudi Arabia," Khaleej Times, August 3, 2019; "Women's Retirement Age in Saudi Arabia is Raised to 60," Sovereign Wealth Fund Institute, August 17, 2019; "Saudi Arabia," IBIS eVisor News, September 27, 2019.

Africa

U.S. Social Security Administration Releases Social Security Programs Throughout the World: Africa, 2019

In September, the U.S. Social Security Administration (SSA) released *Social Security Programs Throughout the World: Africa, 2019*, the third volume of a four-volume series. This volume provides a cross-national comparison of the social security systems in 50 countries in Africa. It summarizes the five main branches of social security in those countries: (1) old age, disability, and survivors (OADS); (2) sickness and maternity; (3) work injury; (4) unemployment; and (5) family allowances. The other regional volumes in the series focus on the social security systems of countries in Europe, Asia and the Pacific, and the Americas.

Notable changes made since SSA released the Africa 2017 volume include:

- *New country:* Guinea-Bissau.
- *Newly covered benefits:*
  - Algeria (special school allowance and solidary allowance).
  - Angola (work injury medical benefits, death grant, and funeral grant).
  - Benin (severance pay).
  - Burkina Faso (severance pay).
  - Chad (employer-liability cash maternity benefit and medical benefits).
  - Democratic Republic of the Congo (parental allowance and birth grant).
  - Djibouti (universal medical benefits and family cash transfer).
  - Egypt (family allowances).
  - Ethiopia (universal medical benefits and work injury funeral grant).
  - Kenya (universal old-age pension and severance pay).
  - Lesotho (medical benefits and work injury temporary disability benefit).
  - Libya (social insurance cash maternity benefit).
  - Madagascar (severance pay).
  - Malawi (old-age, disability, and survivor benefits).
  - Mali (social assistance medical benefits).

– Mauritania (cash sickness benefit and severance pay).

– Mauritius (old-age and survivor benefits).

– Morocco (death grant and family support allowance).

– Namibia (vulnerable child grant).

– Niger (severance pay).

– Nigeria (cash sickness benefit).

– Seychelles (employer-liability work injury benefits).

– Tanzania (unemployment benefits).

– Togo (cash sickness benefit and social assistance medical benefits).

– Uganda (cash paternity benefit).

– Zambia (cash sickness benefit).

– Zimbabwe (funeral allowance and minimum retrenchment package).

- *Major changes to existing benefits*:
  - *OADS:* Angola, Democratic Republic of the Congo, Liberia, Mozambique, and Tanzania.
  - *Sickness and maternity:* Democratic Republic of the Congo, Mozambique, Rwanda, and Tanzania.
  - *Work injury:* Democratic Republic of the Congo, Kenya, Liberia, and Niger.
  - *Unemployment:* Rwanda.
  - *Family allowances:* Democratic Republic of the Congo.
  - *Contribution rate increases for OADS programs*: Democratic Republic of the Congo, Liberia, and Seychelles.
  - *Contribution rate decrease for OADS programs*: São Tomé and Príncipe.
  - *Retirement age increase:* São Tomé and Príncipe (for women only).

Source: *Social Security Programs Throughout the World: Africa, 2019*, U.S. Social Security Administration, September 2019.

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