Europe

Estonia Approves Suspension of Contributions to Individual Account Program

On April 15, Estonia’s government approved a measure that will allow employers and employees to temporarily suspend their contributions to the country’s mandatory individual account program. Under the measure, employer contributions to the program will automatically be suspended from July 1, 2020, through August 31, 2021. In addition, upon request, employee contributions can be suspended from December 1, 2020, through August 31, 2021. (To finance the individual account program, employers currently contribute 4 percent of gross monthly payroll and employees contribute 2 percent of covered earnings plus an administrative fee.) This contribution-suspension measure was included in a supplementary budget that was adopted by the government to reduce the socioeconomic effects of the COVID-19 pandemic. The total cost of this supplementary budget is expected to be around €2 billion (US$2.2 billion), or about 7 percent of gross domestic product.

The contribution-suspension measure follows two attempts by Estonia’s parliament (through legislation passed on January 29 and again on March 11) to make participation in the program completely voluntary; the president rejected this legislation because of concerns about its constitutionality and sent it to the Supreme Court for review (a decision is expected in the fall). (Under the Estonian constitution, the president may refuse to sign a bill into law if he or she questions the bill’s constitutionality; if parliament passes the same bill twice without any changes, the president must either approve it or send it to the Supreme Court for review.) To justify its reform efforts, the government has pointed to the individual account program’s high management fees and low real rates of return: from 2002 to 2017, the annual average inflation-adjusted rate of return, net of expenses, was −0.2 percent, which was the worst performance among the 37 members of the Organisation for Economic Co-operation and Development. At the same time, Estonia’s finance ministry has estimated that the reform could reduce the assets held in the individual account program by up to 30 percent. At the beginning of 2020, there were approximately 760,000 participants in the individual account program, with assets under management of €4.85 billion (US$5.27 billion).

Estonia’s pension system consists of the individual account program as well as social insurance, universal, and social assistance programs. The individual account program covers all persons born after December 31, 1982, who are covered by social insurance, including self-employed persons. (Coverage is voluntary for persons born from 1970 to 1982.) The social insurance, universal, and social assistance programs cover permanent residents of Estonia, noncitizens residing temporarily in Estonia, and legal refugees. The social insurance program is entirely employer financed (with a contribution rate of 16 percent of gross monthly payroll), while the government pays the total cost of the universal and social assistance programs.


The Americas

Canada Announces Lump-Sum Payments to Seniors

On May 12, Canada’s federal government announced a new tax-free lump-sum payment of C$300 (US$216.41) to individuals eligible for the Old Age Security (OAS) pension, plus an additional C$200 (US$144.27) to those also eligible for the Guaranteed Income Supplement (GIS). (Payments will be made automatically to
Peru Allows Early Withdrawals from Mandatory Individual Accounts During Pandemic

On May 8, Peru implemented new rules allowing participants in the country’s mandatory individual account program (Sistema Privado de Pensiones, or SPP) to make one-time early withdrawals from their accounts during the COVID-19 pandemic. The allowed withdrawal amount depends on a participant’s account balance; see Table 1 for more details. Peru’s congress approved this special withdrawal measure on April 6 and enacted it on April 30 after the president did not act on it within a constitutionally set timeframe. According to the four pension fund management companies (Administradoras de Fondos de Pensiones, or AFPs) that manage the individual account program, up to 30 billion soles (US$8.9 billion) could be withdrawn as a result of the measure. At the end of March 2020, the individual account program had around 7.5 million active participants (or about 42 percent of Peru’s labor force) and approximately 154 billion soles (US$45.8 billion) in assets under management.

Other key details of the special one-time withdrawal include:

- **Request deadline:** A participant has 60 calendar days from May 18 to submit a withdrawal request to the AFP that administers his or her individual account.
- **Minimum and maximum withdrawal amounts:** The minimum withdrawal amount is 1 reference tax unit (Unidad Impositiva Tributaria, or UIT; 1 UIT is currently equal to 4,300 soles [US$1,278.37]) or 100 percent of the account balance, whichever is less. The maximum withdrawal amount is equal to 3 UITs (12,900 soles [US$3,835.11]).
- **Payment schedule:** After a participant submits a withdrawal request, his or her AFP must release the funds in two payments within a specified timeframe: the first payment must be issued within 10 calendar days of receiving the withdrawal request, and the second payment (if one is allowed) must be issued within the following 30 calendar days. The rules governing the payment amounts vary depending on the participant’s account balance (see Table 1).

In addition to the SPP program, Peru’s old-age pension system consists of a social insurance program (Sistema Nacional de Pensiones, or SNP) and a social assistance program (Pensión 65). SNP and SPP operate in parallel to each other, and participation in either of the programs is mandatory for all public- and private-sector employees and voluntary for self-employed persons. Workers who do not choose to participate in SNP within 10 days of first becoming employed are automatically enrolled in SPP. SNP members can switch to SPP at any time, but generally cannot switch from SPP to SNP (though some exceptions have been made for older workers who voluntarily switched from SNP to SPP and who have not accumulated significant account

Canada’s pension system consists of the OAS/GIS program, the earnings-related Canada Pension Plan (CPP), and voluntary tax-advantaged private savings and employer-sponsored pension plans. (The province of Quebec opted out of the CPP, but it has a similar earnings-related plan called the Quebec Pension Plan.) OAS is a nearly universal pension paid to persons aged 65 or older and is financed through general revenue. To be eligible for an OAS pension, a person must be a legal resident of Canada for at least 10 years after reaching age 18. Low-income OAS pensioners—those with annual incomes of up to C$18,600 (US$13,417.36) for single persons or C$24,576 (US$17,728.23) for couples (April to June 2020)—are also eligible to receive the GIS. The income-tested Allowance is paid to individuals aged 60 to 64 who meet the residency requirements for an OAS pension and are the spouse or common-law partner of a GIS beneficiary.


On May 8, Peru implemented new rules allowing participants in the country’s mandatory individual account program (Sistema Privado de Pensiones, or SPP) to make one-time early withdrawals from their accounts during the COVID-19 pandemic. The measure is estimated to cost around C$2.5 billion (US$1.8 billion) and is aimed at helping vulnerable seniors cover increased living expenses caused by the COVID-19 pandemic. It is the latest in a series of measures adopted under the country’s COVID-19 Economic Response Plan; other measures affecting seniors include a 25-percent reduction in the minimum withdrawal amount in 2020 from Registered Retirement Income Funds (a retirement vehicle similar to an annuity), and temporary extensions of GIS and Allowance payments for pensioners whose 2019 income information has not yet been assessed (to prevent an interruption in benefit payments).

Peru’s congress approved this special withdrawal measure on April 6 and enacted it on April 30 after the president did not act on it within a constitutionally set timeframe. According to the four pension fund management companies (Administradoras de Fondos de Pensiones, or AFPs) that manage the individual account program, up to 30 billion soles (US$8.9 billion) could be withdrawn as a result of the measure. At the end of March 2020, the individual account program had around 7.5 million active participants (or about 42 percent of Peru’s labor force) and approximately 154 billion soles (US$45.8 billion) in assets under management.

Other key details of the special one-time withdrawal include:

- **Request deadline:** A participant has 60 calendar days from May 18 to submit a withdrawal request to the AFP that administers his or her individual account.
- **Maximum and maximum withdrawal amounts:** The minimum withdrawal amount is 1 reference tax unit (Unidad Impositiva Tributaria, or UIT; 1 UIT is currently equal to 4,300 soles [US$1,278.37]) or 100 percent of the account balance, whichever is less. The maximum withdrawal amount is equal to 3 UITs (12,900 soles [US$3,835.11]).
- **Payment schedule:** After a participant submits a withdrawal request, his or her AFP must release the funds in two payments within a specified timeframe: the first payment must be issued within 10 calendar days of receiving the withdrawal request, and the second payment (if one is allowed) must be issued within the following 30 calendar days. The rules governing the payment amounts vary depending on the participant’s account balance (see Table 1).

In addition to the SPP program, Peru’s old-age pension system consists of a social insurance program (Sistema Nacional de Pensiones, or SNP) and a social assistance program (Pensión 65). SNP and SPP operate in parallel to each other, and participation in either of the programs is mandatory for all public- and private-sector employees and voluntary for self-employed persons. Workers who do not choose to participate in SNP within 10 days of first becoming employed are automatically enrolled in SPP. SNP members can switch to SPP at any time, but generally cannot switch from SPP to SNP (though some exceptions have been made for older workers who voluntarily switched from SNP to SPP and who have not accumulated significant account.

---


---

For more information on Peru’s pension system, see "Peru Allows Early Withdrawals from Mandatory Individual Accounts During Pandemic," International Update, May 2020.
balances before retirement). The social assistance pension is paid to residents of Peru who are aged 65 or older, do not qualify for SPP or SNP pensions, and are members of households classified as extremely poor.


---

**Table 1.**

<table>
<thead>
<tr>
<th>Account balance</th>
<th>Allowed withdrawal amount</th>
<th>1st payment</th>
<th>2nd payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 4,300 soles (US$1,278.37)</td>
<td>100% of the account balance</td>
<td>100% of the account balance</td>
<td>Not applicable</td>
</tr>
<tr>
<td>4,300 soles to 17,200 soles (US$5,113.48)</td>
<td>4,300 soles</td>
<td>2,150 soles (US$639.18)</td>
<td>2,150 soles</td>
</tr>
<tr>
<td>More than 17,200 soles but not more than 51,600 soles (US$15,340.43)</td>
<td>At least 4,300 soles but not more than 25% of the account balance</td>
<td>50% of the withdrawal amount</td>
<td>50% of the withdrawal amount</td>
</tr>
<tr>
<td>More than 51,600 soles</td>
<td>At least 4,300 soles but not more than 12,900 soles (US$3,835.11)</td>
<td>50% of the withdrawal amount</td>
<td>50% of the withdrawal amount</td>
</tr>
</tbody>
</table>

---

*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: John Jankowski

Writers/researchers: Ben Danforth, John Jankowski, 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