International Update

Recent Developments in Foreign Public and Private Pensions

November 2022

Europe

Sweden Enacts Guarantee Pension Reforms

Earlier this year, Sweden's government enacted reforms to the country's guarantee pension (garantipension) program that increase monthly benefits, raise the income limit, and eliminate eligibility for pensioners living abroad. (The guarantee pension is a noncontributory pension paid to individuals who have reached age 65 [rising to age 66 in 2023], have resided in Sweden for at least 3 years, and have earnings-related pension income below a certain limit.) The reforms are intended to improve the economic security of lower-income old-age pensioners residing in Sweden. According to the Swedish Pensions Agency, close to 1 million pensioners have benefited from the pension increase of whom 75 percent are women. In addition, the agency estimates that around 58,000 pensioners living abroad will lose their guarantee pensions as result of the new residency requirement.

The key guarantee pension changes made by the reforms (effective in August unless otherwise noted) include:

- *Increasing monthly benefits:* The maximum monthly guarantee pension has increased from 8,779 kronor (US$803.06) to 9,781 kronor (US$894.72) for single pensioners and from 7,853 kronor (US$718.35) to 8,855 kronor (US$810.01) for married pensioners. (Different amounts apply to pensioners born before 1938.) These permanent increases are separate from the cost-of-living adjustments made to the guarantee pension at the beginning of each year based on inflation.
- *Raising the income limit:* The maximum monthly earnings-related pension income a guarantee pensioner can receive has risen from 12,794 kronor (US$1,170.33) to 14,882 kronor (US$1,361.33) if single and from 11,389 kronor (US$1,041.81) to 13,477 kronor (US$1,232.81) if married. (Different income limits apply to pensioners born before 1938.)
- *Eliminating eligibility for pensioners living abroad:* Effective January 1, 2023, the guarantee pension will no longer be paid to individuals residing outside of Sweden. This change was prompted by a 2017 European Court of Justice ruling that classified the guarantee pension as a minimum benefit for persons born in 1938 or later. Under European Union regulations, a minimum benefit is only paid to residents of the country providing the benefit.

In addition to the guarantee pension, Sweden's public old-age pension system consists of a notional defined contribution (NDC) pension program, a premium pension program, and social assistance benefits. To finance the NDC and premium old-age pensions, employers contribute 10.21 percent of monthly covered payroll and employees contribute 7 percent of monthly covered earnings. (In 2022, the minimum and maximum annual earnings used to calculate contributions are 20,431 kronor [US$1,868.93] and 572,600 kronor [US$52,378.63], respectively.) To qualify for these earnings-related pensions, an individual must have reached age 62 (rising to age 63 in 2023) and have at least 3 years of pensionable earnings. (Retirement is usually necessary by age 68 when legal protections against age-based dismissals end.) Retirees aged 65 or older who have limited financial resources may qualify for the guarantee pension and other means-tested benefits, including a housing allowance and old-age income support.

Sources: *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; "Effekter av lagändringen för garantipension och bostadstillägg, augusti 2022," Pensionsmyndigheten, September 2022; "Riksdagsbeslut gav en miljon svenskar höjd pension," Pensionsmyndigheten, September 26, 2022; "Bosatta utanför Sverige får inte längre garantipension," Pensionsmyndigheten, September 28, 2022; "Garantipension," Pensionsmyndigheten, November 11, 2022.

Asia and the Pacific

Thailand Temporarily Lowers Social Security Contribution Rates

On October 1, Thailand's government lowered employee and employer contribution rates to the Social Security Fund (SSF) from 5 percent to 3 percent of covered earnings/payroll for the period from October through December. (The government SSF contribution rate remains at 2.75 percent of monthly covered earnings during this 3-month period.) As a result, the maximum monthly SSF contribution amount that an employee or employer can owe has decreased from 750 baht (US$19.92) to 450 baht (US$11.95). (The maximum monthly earnings/payroll used to calculate SSF contributions are 15,000 baht [US$398.41].) In addition, for individuals with voluntary SSF coverage, the monthly flat-rate contribution amount has been reduced from 432 baht (US$11.47) to 240 baht (US$6.37) for the same 3-month period. These temporary rate reductions are similar to ones implemented from June through November of last year, and they are intended to provide Thailand's workers and businesses with financial relief during the COVID-19 pandemic. The government estimates that the latest rate reductions will reduce total employee SSF contributions by 9.08 billion baht (US$241 million) and total employer SSF contributions by 7.96 billion baht (US$211 million).

Thailand's social insurance pension programs—the SSF for private-sector employees and the Government Pension fund for civil servants, judges, and state-enterprise employees—cover more than 14 million formal-sector workers. (Voluntary SSF coverage is available for certain individuals with previous mandatory coverage.) To qualify for an old-age pension under the SSF, an insured person must have reached age 55 and have at least 180 months of contributions. Around 3 million private-sector workers also participate in voluntary provident funds that provide supplemental old-age benefits. To encourage retirement savings among Thailand's 24 million informal workers, the government matches contributions (up to certain amounts) made by these workers to the National Savings Fund, a voluntary provident fund program. These workers can also voluntarily participate in an individual account program administered by the SSF. When citizens of Thailand reach age 60, they can receive a government-financed, flat-rate old-age allowance if they are not entitled to civil servant pensions.

Sources: "Thailand Changes rules Governing Retirement Age and Severance Pay," *International Update*, U.S. Social Security Administration, November 2017; "An Inventory of Pension Reforms, January to April 2020," *International Update*, U.S. Social Security Administration, April 2020; "Social Protection Diagnostic Review: Review of the Pension System in Thailand," International Labour Organization, 2022; "The Cabinet Has Approved the Reduction of Contribution Rates for Employers, Employees, Section 33, 39, from October to December 2022," Thailand Social Security Office, September 20, 2022; "New Temporary Reduction in Social Security Rates Announced," Gallagher GVisor Compliance Alert, October 31, 2022.

The Americas

Mexico Extends Social Security Coverage to Domestic Workers

On October 27, Mexico's Congress approved a reform to the country's social security law that will extend coverage to domestic workers. As a result, domestic workers will gain access to old-age, disability, and survivor pensions; maternity and sickness benefits; medical benefits; work injury benefits; childcare insurance; and other social benefits. Under this reform, domestic workers are defined as persons hired to perform care, cleaning, or other household services on a regular basis and with no direct economic benefit to their employers. (Casual and temporary household workers and employees of cleaning companies, care facilities, and other service establishments are excluded.) After the reform becomes effective, employers of domestic workers will have 6 months to register the workers with the Mexican Social Security Institute (Instituto Mexicano del Seguro Social, or IMSS). The reform is intended to improve the economic security of Mexico's 2.3 million domestic workers—of whom 88 percent are women—and make social security coverage more universal. At the end of October, around 21.6 million permanent and temporary positions were registered with the IMSS under mandatory coverage provisions. (During the second trimester of 2022, there were around 59.3 million persons aged 15 or older in Mexico's labor force.)

Mexico's old-age pension system consists of the mandatory individual account program, a legacy social insurance program, and a universal program. 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. The universal program covers all residents of Mexico and can be claimed at age 65 (for indigenous persons) or age 68 (for other covered individuals).

Sources: *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; "Encuesta Nacional de Ocupación y Empleo, Segundo Trimestre de 2022," Comunicado de Prensa No. 439/22, Instituto Nacional de Estadística y Geografía, August 18, 2022; "La Cámara de Diputados aprobó reformas a la Ley del IMSS para incorporar la figura de personas trabajadoras del hogar," Cámara de Diputados, October 27, 2022; "Puestos de trabajo afiliados al Instituto Mexicano del Seguro Social," Boletín de Prensa No. 575/2022, Gobierno de México, November 7, 2022; "Cómo será el programa piloto para registrar a las trabajadoras del hogar en el IMSS," Infobae, November 15, 2022.

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