International Update

Recent Developments in Foreign Public and Private Pensions

April 2023

Europe

Turkey Eliminates Minimum Retirement Age for Certain Individuals

On March 3, Turkey's government enacted a law that allows individuals who first enrolled in the country's social insurance program on or before September 8, 1999, to claim an old-age pension at any age if they have at least 25 years (men) or 20 years (women) of coverage and at least 5,000 to 5,975 days (depending on enrollment date) of contributions. Previously, these individuals could not claim the old-age pension before age 60 (men) or 58 (women). The government approved the new law in response to long-standing public dissatisfaction with a 1999 pension reform law that imposed retirement age increases without a phase-in period. According to the government, around 5 million individuals will benefit from the relaxed qualifying conditions, with 2.25 million of them becoming eligible for retirement in 2023.

To reduce the effects of these retirements on Turkey's labor market, the law allows individuals to resume employment after claiming their old-age pensions. (Under current rules, individuals must cease employment to claim their old-age pensions.) The government will also cover a portion of the employer social insurance contributions (reducing the employer contribution rate from 11 percent to 6 percent of gross monthly covered payroll) for individuals who are rehired in their last workplaces within 30 days after retiring under this law. Lastly, employers can receive government loans to spread out the cost of severance payments to new retirees. (Turkey's labor code requires employers to pay retiring employees 1 month of their gross monthly earnings for each year of service, up to 19,982.83 liras [US$1041.61] total.)

The law does not affect the old-age pension qualifying conditions for individuals who first enrolled in the social insurance program after September 8, 1999. As before, individuals with enrollment dates from September 9, 1999, to April 30, 2008, qualify for a social insurance old-age pension if they have reached age 60 (men) or 58 (women) and either have at least 7,000 days of contributions or have at least 25 years of coverage with at least 4,500 days of contributions. For individuals with enrollment dates after April 30, 2008, the normal retirement age is 60 (men, gradually rising to age 65 from 2036 to 2044) or 58 (women, gradually rising to 65 from 2036 to 2048), but they are required to have 7,200 days (private-sector employees) or 9,000 days (civil servants and self-employed persons) of contributions. There are special qualifying conditions for certain groups of individuals, including those with disabilities, military and police personnel, and miners.

In addition to the social insurance program, Turkey's old-age pension system features a Private Pension System (Bireysel Emeklilik Sistem, or BES) with auto-enrollment and voluntary components. Under the BES auto-enrollment program, employees younger than age 45 are automatically enrolled in employer-sponsored defined contribution pension plans with the option to leave the plans within 2 months of enrollment. (Voluntary enrollment is possible for employees aged 45 or older.) The BES voluntary program allows all individuals aged 18 or older, regardless of their employment status, to establish individual retirement accounts with private pension providers.

Sources: "4/a Hizmet Aki ile Çalışanlar," Sosyal Güvenlik Kurumu; *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; "Turkey Approves Changes to the Private Pension System," *International Update*, U.S. Social Security Administration, March 2022; 7438 sayılı Sosyal Sigortalar ve Genel Sağlık Sigortası Kanunu ile 375 Sayılı KHK'da Değişiklik Yapılmasına, 2023; "Emeklilikte Yaşa Takılanlar ile İlgili Düzenlemeyi İçeren Kanun Teklifi TBMM Genel Kurulu'nda Kabul Edilerek Yasalaştı," Sosyal Güvenlik Kurumu, March 1, 2023; "EYT şartlarının ayrıntıları belli oldu: Kadın ve erkeklerde prim kaç gün, sigortalı süresi kaç yıl?" NTV, March 3, 2023.

Africa

Malawi Implements Pension Reforms

On April 1, Malawi's government implemented reforms to the country's National Pension Scheme (NPS) that include expanding mandatory coverage, reducing the waiting period for unemployment-related early withdrawals, introducing an early withdrawal option, allowing larger lump-sum retirement benefits, adding voluntary savings vehicles, and strengthening financial enforcement. (The NPS consists of a mandatory occupational pension program and a voluntary savings program. Most plans under the occupational pension program are defined contribution plans, but fully funded defined benefit plans and hybrid plans are also allowed.) The reforms were signed into law by the president on February 8, and they are primarily intended to boost participation and savings in the NPS. When it was introduced in 2011, the NPS was Malawi's first public pension program to cover private-sector workers. (Malawi already had a special pension program for public-sector employees.) According to the government, the NPS had around 1.7 trillion kwacha (US$1.7 billion) in assets in early 2023.

The key changes made to the NPS by the reforms (all effective April 1) include:

- *Expanding mandatory coverage*: All private-sector employees, regardless of where they are employed, must now participate in the occupational pension program. (Previously, only those working for employers with more than five employees were mandatorily covered.) As before, public-sector employees who were born in 1982 or later or started their public-sector employment on July 1, 2017, or later, are also required to participate in the program. (Public-sector employees who were born before 1982 and started their public-sector employment before July 1, 2017, are covered by a special pension program.) Participation in the program is still voluntary for self-employed persons.
- *Reducing the waiting period for unemployment-related early withdrawals:* Participants who lose their jobs can now withdraw up to 100 percent of their occupational pension account balances after 3 months of unemployment instead of 6 months.
- *Introducing an early withdrawal option:* To help ease the transition to retirement, the reforms allow participants to withdraw up to 50 percent of their occupational pension account balances when they are within 5 years of the normal retirement age of 50. However, in most cases, these early withdrawals will limit the amounts that participants can withdraw as lump sums at retirement.
- *Allowing larger lump-sum retirement benefits:* The portion of their occupational pension account balances that participants can withdraw as lump sums at retirement has increased from 40 percent to 50 percent. As before, the remaining portion must be used to purchase an annuity, make programmed withdrawals, or employ a combination of these two payment methods. (Under certain conditions, participants with small account balances may withdraw their entire account balances as lump sums at retirement.)
- *Adding voluntary savings options:* To encourage additional saving for retirement, the reforms introduce personal pension funds and employer-sponsored supplemental retirement plans (known as provident funds). Any individual can join and contribute to a personal pension fund, which will allocate 40 percent of contributions to personal savings and 60 percent to pension benefits. Participants can access the personal savings portion when they have at least 5 years of contributions or their entire account balances when they have at least 10 years of contributions. By contrast, provident funds are only open to employees if their employers offer them, and early withdrawals from these funds are not possible. At retirement, both personal pension funds and provident funds provide lump-sum benefits.
- *Strengthening financial enforcement:* To ensure that employers pay full and timely contributions, the reforms give regulators the authority to take legal action against delinquent contributors. (Previously, enforcement measures were limited to administrative actions that focused on financial institutions rather than employers.) Penalties for nonpayment of contribution can now include fines up to 150 million kwacha (US$147,820) and temporary or permanent business closure.

The NPS occupational pension program consists of a publicly managed National Pension Fund (NPF) and privately managed pension funds registered with the government. To satisfy the mandatory coverage requirement, employees and their employers can either contribute to the NPF or one of the registered private funds. The minimum monthly contribution is 5 percent of monthly covered earnings for employees and 10 percent of monthly covered payroll for employers. (Participating self-employed persons must contribute at least 15 percent of monthly covered earnings.) Participants qualify for an occupational pension if they have reached the normal retirement age, have at least 20 years of contributions, are assessed with a total and permanent loss of work capacity, or leave Malawi permanently. However, the occupational pension can be deferred until age 70.

Sources: "Malawi," *International Update*, U.S. Social Security Administration April 2011; "New Pension Scheme Causes a Stir," Malawi 24, November 1, 2017; *Social Security Programs Throughout the World, Africa, 2019*, U.S. Social Security Administration, September 2019; "IOPS Country Profile: Malawi," International Organisation of Pension Supervisors, March 2022; Pension Act (No. 6), 2023; "A Glimpse at the New Pension Act," *Business Malawi*, March 10, 2023; "Employers Urged to Comply with Amended Pensions Act," Malawi 24, March 24, 2023.

The Americas

Argentina Implements Moratorium to Expand Pension Access

On March 14, Argentina enacted a law that temporarily allows individuals who have reached the normal retirement age of 60 (women) or 65 (men) but lack the 30 years of contributions required for a contributory old-age pension to purchase missing contributions and claim the pension. In addition, the law allows women aged 50 to 59 and men aged 55 to 64 who will not have at least 30 years of contributions upon reaching the normal retirement age to pay for missing contributions in advance. The government approved this law—known locally as a pension moratorium—in February after a similar one expired in December. Argentina's National Social Security Administration (Administración Nacional de la Seguridad Social, or ANSES) estimates that the latest pension moratorium could help around 800,000 retirement-age individuals and almost 900,000 working-age individuals qualify for a contributory old-age pension. According to ANSES, only one in 10 women and three in 10 men reach retirement age with at least 30 years of contributions. As a result, nearly half of Argentina's 7.2 million current retirees have relied on moratorium laws to qualify for old-age pensions.

Under the latest pension moratorium, eligible individuals have 2 years (with a possible 2-year extension) to arrange payment of missing contributions through the Pension Debt Payment Plan (Plan de Pago de Deuda Previsional). Individuals who have already reached retirement age can purchase missing contributions for periods up to and including December 2008, and individuals who have not yet reached retirement age can purchase missing contributions for periods up to and including March 2012. The cost to purchase a monthly contribution is one Pension Debt Payment Unit (Unidad de Pago de Deuda Previsional), which is 5,730 pesos (US$27.47). Payments of missing contributions can be made in up to 120 monthly installments. The monthly installment amount cannot exceed 30 percent of the minimum monthly old-age pension of 58,665 pesos (US$280), or 17,600 pesos (US$84). Retirement-age individuals can claim their old-age pensions before the missing contributions are fully paid and have the contribution payments deducted from their monthly benefits.

Argentina's old-age pension system consists of a contributory (social insurance) pension program and a noncontributory pension program (Pensión Universal Adulto Mayor). The contributory pension has three components: a basic flat-rate pension, a compensatory pension based on years of contributions before July 1, 1994, and a supplemental pension based on years of contributions since July 1, 1994. To qualify for a full contributory pension, individuals must have reached the normal retirement age and have at least 30 years of contributions. Individuals with less than 30 years of contributions can qualify for an "advanced age" partial pension (equal to 70 percent of the basic pension plus any compensatory and supplemental pensions) if they have reached age 70 and have at least 10 years of contributions, including 5 years in the 8 years before retirement. Resident citizens of Argentina (and certain resident naturalized citizens and foreign nationals) aged 65 or older who do not qualify for any other pension can receive the noncontributory pension, which pays 80 percent of the minimum monthly old-age pension under the contributory program.

Source: *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; Decreto Reglamentario 173/2023, 2023; Ley 27705/2023, 2023; "ANSES Moratoria Previsional: A quiénes beneficia la nueva Ley de Plan de Pago," A24, March 1, 2023; "Nueva moratoria previsional: quiénes podrán acceder y qué períodos sin aportes se permitirá regularizar," *Infobae*, March 1, 2023; "Pese a la advertencia del FMI, el Gobierno promulgó la moratoria para que 800.000 personas se jubilen," TN, March 14, 2023; "Argentina's Pension Reform Passes Into Law," *Buenos Aires Herald*, March 14, 2023; "Moratoria: los que no aprueben la evaluación, podrán jubilarse pagando la deuda al contado," *Clarín*, April 2, 2023.

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: Ben Danforth

Writers/researchers: Ben Danforth, Patrick J. Purcell, 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