



International Update

Recent Developments in Foreign
Public and Private Pensions

September 2023

Europe

Belgium Announces Pension Reform Agreement

On July 10, Belgium's coalition government announced an agreement to reform the country's old-age pension system, which includes introducing a pension bonus for longer work careers, changing minimum pension rules, capping benefit adjustments for retired civil servants, and doubling the solidarity contribution. The agreement still requires parliamentary approval, and it builds on a partial agreement reached in July 2022. The reforms in the agreement are intended to improve the pension system's financial sustainability, which is a condition for Belgium to receive further assistance from the European Union's pandemic recovery fund. The government estimates that the latest reforms will reduce annual public pension expenditures by €3 billion (US\$3.3 billion), or 0.5 percent of gross domestic product, through 2070.

Key measures in the agreement—all effective January 1, 2024, unless otherwise noted—include:

- *Introducing a pension bonus for longer work careers:* Individuals who continue to work beyond the date they qualify for early retirement will receive a pension bonus at retirement. (The old-age pension can be claimed early at age 60 with 44 years of coverage, age 61 or 62 with 43 years of coverage, or age 63 with 42 years of coverage.) The bonus will accrue for every day worked past the date, up to 3 years, and can be paid as a lump sum or an annuity. The maximum lump-sum bonus will be €22,645 (US\$24,566) after taxes and contributions.
- *Changing minimum pension rules:* Currently, individuals must have at least 30 years (or two-thirds of a full career) of paid or credited coverage to qualify for a guaranteed minimum pension. Under the agreement, individuals also must have at least 20 years of effective work to qualify for this provision. To reduce the negative effects of this new requirement on women, effective work not only includes paid work but certain other activities, including

temporary unemployment, maternity and paternity leave, adoption leave, and certain caregiving. The effective work requirement will not apply to individuals aged 61 or older on the implementation date and will be gradually phased in for younger individuals until it becomes fully applicable for those aged 55 or younger. As before, individuals with at least 45 years of coverage will receive the full minimum pension (currently €1,684.58 [US\$1,826.76] for single persons or €2,105.73 [US\$2,283.45] for couples) and those with at least 30 years but less than 45 years of coverage will receive a proportionally reduced benefit.

- *Capping benefit adjustments for retired civil servants:* Currently, civil servant pensioners receive special benefit increases based on changes in civil servant wages in addition to standard cost-of-living adjustments. Under the agreement, the special benefit increases will be limited to 0.3 percent a year. (Excess amounts will not be transferred to subsequent years.)
- *Doubling the solidarity contribution:* Since 2012, a solidarity contribution (Wijninckx contribution) has been levied each year on certain high-salaried employees and self-employed executives to help finance the social security system. Specifically, when workers' combined occupational and state pension entitlements—converted into annuities—exceed the maximum civil servant pension on January 1 of the previous year (€84,923.40 [US\$92,090.93] in January 2022) their employers or firms must pay a 3 percent solidarity contribution on the excess amounts. Under the agreement, the solidarity contribution rate will rise to 6 percent on January 1, 2028. The government projects that this measure will apply to workers with combined pension entitlements above €90,000 (US\$97,596) in 2028.

Belgium's old-age pension system comprises a public social insurance program covering employed and self-employed persons (including part-time workers), occupational pension plans, and voluntary personal pensions. (The social insurance program has special rules for self-employed persons.) The normal retirement age under the social insurance program is 65 and set to increase to 66 in 2025 and to 67 in 2030. To qualify for a full social insurance old-age pension,

individuals must have at least 45 years of coverage. (A partial pension is paid to those with less than 45 years of coverage.) Occupational pension plans can be defined benefit or defined contribution and have varying eligibility requirements and benefit rules. For personal pensions, individuals can choose from a range of products with varying risk profiles.

Sources: *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; “Reform of the Statutory Pension Scheme in Belgium,” European Commission, September 2022; “Belgian Pension Reform Aims to Get People Working Longer,” Belga News Agency, July 10, 2023; “Accord sur les pensions: rendre le travail plus rémunérateur, y compris au travers des pensions,” Belgian Prime Minister, July 10, 2023; “Federal Government Reaches Agreement on Pensions Reform: What Will Change and for Whom?” VRT, July 10, 2023; “Belgian Government Agrees on Pension Reform to Receive EU Recovery Funds,” Euractiv, July 11, 2023; “Belgian Government Reaches Deal on First-Pillar Pension Reform,” ipe.com, July 12, 2023; “Everything You Need to Know about the Wijninckx Contribution,” AG Employee Benefits, July 18, 2023.

Poland Makes 14th Pension Permanent

On July 24, Poland’s government enacted a law that makes an annual supplement for old-age and disability pensioners, known as the 14th pension (14. Emerytura), permanent. The government has paid the 14th pension on a discretionary basis every year since 2021, which followed the introduction of the 13th pension in 2019. (The 13th pension is disbursed in the first half of a year, and the 14th pension is disbursed in the second half.) Although the new law still allows the government to set the 14th pension amount each year, it stipulates that the amount cannot be less than the minimum monthly old-age pension (1,588 zloty [US\$385] in 2023) and that it must be determined by October 31. According to the government, making the annual allowance permanent will help pensioners meet the economic challenges they face due to rising prices. For 2023, the government estimates that 8.3 million old-age pensioners will receive the 14th pension—with 5.8 million receiving the full supplement—at a total cost of 11.6 billion zloty (US\$2.8 billion).

In August, the government announced that the 14th pension for 2023 will be paid to old-age and disability pensioners in September. According to the announcement, pensioners with gross monthly pensions up to 2,900 zloty (US\$704) will receive the full supplement of 2,650 zloty (US\$643). (The net amount after income taxes and health insurance deductions is 2,202.50 zloty [US\$535].) For pensioners with gross monthly pensions exceeding 2,900 zloty, the supplement will be reduced by 1 zloty (US\$0.24) for each zloty of excess

pension income. Pensioners with gross monthly pension exceeding 5,500 zloty (US\$1,335) will not receive the 14th pension. Eligible pensioners will automatically receive the 14th pension and do not need to apply for it.

Poland’s first-pillar public pension program consists of notional defined contribution (NDC) accounts to which employees and employers each contribute 9.76 percent of covered earnings. Interest is credited to the notional accounts at the rate of growth of wages or the rate of price inflation, whichever is greater. Old-age pension eligibility begins at age 65 for men and age 60 for women. At retirement, pensions are calculated by dividing individuals’ accumulated notional capital by the national average life expectancy at retirement age using life tables published by the Central Statistical Office. There is a guaranteed minimum monthly pension (1,588 zloty in 2023) for men with at least 25 years of coverage and women with at least 20 years of coverage.

Sources: *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; “Pensions at a Glance 2021: Country Profiles – Poland,” Organisation for Economic Co-operation and Development, December 2021; Dz.U. 2023 poz. 1407, 2023; “Government Opts for Permanent Pension Bonus as Election Nears,” The First News, May 16, 2023; “Seniors Will Receive the 14th Pension Every Year—The ‘Fourteenth’ Becomes Permanent,” Chancellery of the Prime Minister of Poland, July 24, 2023; “Jarosław Kaczyński Reveals Details of 14th Pension Increase: A Boost for Polish Pensioners,” Poland Daily 24, August 21, 2023; “Almost 8 Million Poles Will Receive the 14th Pension,” *Warsaw Business Journal*, August 22, 2023; “14. emerytura 2023—próg dochodowy 2900 zł brutto. Co gdy emeryt lub rencista dostaje wyższe świadczenia?” Infor1, August 22, 2023.

Asia and the Pacific

Bangladesh Launches Contributory Pension Program

On August 17, Bangladesh’s government launched the Universal Pension Scheme (UPS), a voluntary contributory pension program for Bangladeshi citizens not employed in the public sector. (Special pension programs cover employees of government, semi-government, and autonomous organizations.) The UPS will initially comprise four plans that cover different categories of workers: the Pragati plan for formal employees and owners of private-sector firms, the Surokha plan for self-employed informal-sector workers (including farmers, fishermen, day laborers, rickshaw pullers, blacksmiths, potters, and weavers), the Samata plan for individuals with annual incomes below the poverty line (currently 60,000 takas [US\$549]), and

the Probas plan for overseas workers. (Two more plans may be added to the UPS in the future.) The government established the UPS in January to improve pension coverage for Bangladesh's rapidly aging population. According to the government, the UPS is expected to give around 100 million working-age Bangladeshi citizens access to contributory pensions.

Leading up to the UPS's launch, the government announced additional program rules on August 13. Key provisions of these new rules include:

- *Program enrollment:* Bangladeshi citizens aged 18 or older who have national identity cards and are not receiving social assistance benefits can enroll in the UPS through a website operated by the National Pension Authority (NPA), the agency responsible for administering the program. In rural parts of Bangladesh, the UPS website can be accessed at local digital service centers. Citizens working or residing abroad can use their passports to enroll if they do not have national identity cards.
- *Contribution options:* Participants can choose a fixed monthly contribution amount based on their assigned plans: 2,000 takas (US\$18), 3,000 takas (US\$27), or 5,000 takas (US\$46) under the Pragati plan; 1,000 takas (US\$9), 2,000 takas, 3,000 takas, or 5,000 takas under the Surokkha plan; 1,000 takas under the Samata plan; or 5,000 takas, 7,500 takas (US\$69), or 10,000 takas (US\$91) under the Probas plan. To encourage UPS participation among low-income individuals, the government pays 50 percent of all monthly contributions to the Samata plan. Employers of formal-sector workers can also pay 50 percent of the monthly contributions to the Pragati plan on their employees' behalf. It is possible for participants to change their contribution amounts and switch plans if their circumstances change.
- *Contribution methods:* Participants can pay their contributions digitally using mobile financial services, online banking, or credit or debit cards, or in person at approved financial institutions. Overseas workers must use foreign currencies to pay their contributions. (They can pay in takas when they return to Bangladesh.) Under all plans, contributions can be paid monthly, quarterly, or annually.
- *Benefit amounts:* The monthly pension amounts that participants receive upon reaching the normal retirement age of 60 depend on the size and duration of their monthly contributions and accrued interest. (Participants must have at least 10 years [120 months] of contributions to qualify for an old-age pension.

They can pay contributions for up to 42 years [504 months] if they enroll in the UPS at age 18.) According to current projections, the monthly benefit amount for current enrollees will range from 1,530 takas (US\$14, for 120 monthly contributions of 1,000 takas) to 344,665 takas (US\$3,153, for 504 monthly contributions of 10,000 takas). Based on the contribution options for each plan, the maximum monthly benefit will be 172,237 takas (US\$1,575, Pragati and Surokkha plans), 34,465 takas (US\$315, Samata plan), or 344,665 takas (Probas plan).

- *Investment strategy:* Participants' savings are pooled in a public pension fund that the NPA intends to invest in treasury bills, bonds, stable commercial banks, and infrastructure projects. Interest will be credited to participants' accounts each year based on the pension fund's performance.

In addition to the UPS, Bangladesh's old-age pension system consists of the Old-Age Allowance (OAA), a noncontributory social pension program. To qualify for the OAA, an individual must have reached age 65 (men) or 62 (women), not be receiving any other pension or allowance, and not have an annual income exceeding 3,000 takas. In addition, individuals who are disabled, homeless, widowed, divorced, or have no family are given priority in the program. The monthly OAA benefit amount is 600 takas (US\$5).

Sources: "Universal Pension Scheme: Frequently Asked Questions," National Pension Authority; *Social Security Programs Throughout the World: Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; Universal Pension Management Act, 2023; Universal Pension Scheme Rules, 2023; "Bangladesh Establishes Contributory Old-Age Pension Program," *International Update*, U.S. Social Security Administration, March 2023; "Old Age Allowance," Bangladesh Department of Social Services, August 14, 2023; "Universal Pension Scheme: All You Need to Know," *The Daily Star*, August 17, 2023; "Universal Pension Scheme for 100m People Launching Today," *Prothom Alo*, August 17, 2023; "Universal Pension Scheme: How Will It Work? What's in It?" United News of Bangladesh, August 17, 2023.

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