International Update

Recent Developments in Foreign Public and Private Pensions

March 2025

Europe

Sweden Moves to Consolidate National Pension Buffer Funds

In January, Sweden's parliamentary pension group approved a government proposal to reduce the number of national pension buffer funds (also called AP funds) from five to three. Under the proposal, the AP1 fund will be closed and its assets split equally between the AP3 and AP4 funds, and the AP2 and AP6 funds will be merged. The proposal also includes provisions to strengthen professional requirements for AP fund boards and modify certain investment restrictions. The proposal still requires full parliamentary approval, but the government expects the reforms to be implemented by January 1, 2026. With these reforms, the government seeks to boost the AP funds' performance by increasing economies of scale, reducing administrative costs, and improving fund governance. The five AP funds had about 2.1 trillion kronor (US$195 billion) in assets at the end of 2024 (up over 200 billion kronor [US$18.6 billion] from the previous year) and delivered 8 billion kronor (US$744 million) in annual income to Sweden's public pension system.

The first four AP funds—the AP1, AP2, AP3, and AP4 funds—were launched in 2000 to provide a capital reserve and additional income for Sweden's notional defined contribution (NDC) program that was introduced in the previous year. These four AP funds were given equal amounts of starting capital and identical investment mandates, which allowed investments in equities, fixed-income securities, and a small share of unlisted assets. (Reforms in 2019 and 2020 significantly increased the amount of unlisted assets these AP funds could hold.) By contrast, the AP6 fund was launched in 1996 with a smaller amount of starting capital and a mandate to invest in unlisted assets. Unlike the other four AP funds, the AP6 fund is completely closed, meaning that there are no transfers between it and the pension system.

After studying potential reforms to the AP fund system for several years, the government has proposed implementing the following changes by January 1, 2026:

- *Consolidating buffer funds:* As mentioned earlier, the proposal calls for the AP1 fund to be closed and its assets divided equally between the AP3 and AP4 funds, and the AP2 and AP6 funds to be combined. The AP7 fund, which serves as the default investment option for Sweden's mandatory individual account program (also known as the premium pension program), is unaffected by this restructuring.
- *Strengthening fund boards:* To ensure that AP funds are effectively managed, the proposal requires each fund's nine-member board of directors to have expertise in public administration, pensions, finance, economics, illiquid assets, sustainability, leadership, corporate governance, and other specific areas. The government will continue to appoint each board, which must have at least two representatives from employer organizations and two representatives from labor organizations.
- *Relaxing investment restrictions:* The proposal will allow the enlarged AP3 and AP4 funds to own up to 3 percent of any listed Swedish company, while the cap will remain at 2 percent for the revamped AP2 fund. However, AP funds will still be prohibited from holding more than 10 percent of the voting share in any listed Swedish company. In addition, the proposal will allow the AP2 fund to hold 50 percent (up from 40 percent) of its assets in unlisted assets through 2036.
- *Appointing special investigators:* The government has appointed two special investigators to coordinate the consolidation and reorganization of the AP funds.

The main components of Sweden's public old-age pension systems are the contributory NDC and premium pension programs covering employed and self-employed persons, and the noncontributory guarantee pension program covering residents with limited financial resources. 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. To qualify for these contributory pensions, an individual must have reached the minimum retirement age of 63 (rising to 64 in 2026) and have at least 3 years of pensionable earnings. Individuals with low contributory pensions may qualify for a contributory pension supplement when they reach age 66 (rising to age 67 in 2026). At this age, retirees with limited financial resources may also qualify for the government-financed guarantee pension and other social assistance benefits, including the housing allowance and old-age income support.

Sources: "Sweden Implements Retirement Age Change," *International Update*, U.S. Social Security Administration, February 2023; "Sweden," ISSA Country Profiles, July 2023; Proposition 2024/25:133, 2025; "Regeringen vill modernisera AP-Fondren," Finansdepartementet, January 31, 2025; "AP-fonderna stärker inkomstpensionssystemet med 182 miljarder kronor," Andra AP-fonden, February 24, 2025; "En effektivare förvaltning av buffertkapitalet," Finansdepartementet, March 18, 2025; "Utredare får i uppdrag att slå ihop AP-fonder," Finansdepartementet, March 20, 2025.

Asia and the Pacific

Thailand to Launch Employee Welfare Fund

On November 15, Thailand's government released a royal decree that set the launch of a new provident fund program—the Employee Welfare Fund (EWF)—for October 1, 2025. The government first approved the creation of the EWF in a 1998 labor protection law, but it delayed releasing the implementing regulations because of administrative and economic concerns. By moving forward with the EWF, the government seeks to provide Thailand's workers with another source of income protection in the event of job separation, retirement, or death. The move also comes at a time when the government is proposing significant social security reforms—including retirement age and contribution rate increases—in response to the country's rapidly aging population. According to the United Nations' Population Division, Thailand's old-age dependency ratio (the population aged 65 or older divided by the population aged 15 to 64) will increase from 23.0 percent in 2025 to 34.9 percent in 2035, and to 50.2 percent in 2050.

Although many details of the EWF are still being determined, the key features of the program include:

- *Worker coverage:* Firms with at least 10 employees must enroll their employees in the EWF unless they offer comparable benefits through an employer-sponsored plan. However, non-profit organizations and certain other entities are excluded from this requirement. Voluntary coverage is possible for employees who are not mandatorily covered.
- *Program contributions:* Covered employees and their employers must each contribute 0.25 percent of monthly earnings/payroll to EWF individual accounts. Effective October 1, 2030, both employee and employer contribution rates will increase to 0.5 percent. The government will also help fund the program through direct subsidies and income from administrative fines.
- *Investment strategy:* EWF savings will be invested in commercial bank deposits and earn interest.
- *Benefit withdrawals:* Participants can withdraw their total contributions plus accrued interest from the EWF upon resignation, termination, or retirement. If participants die before making withdrawals, their EWF savings will be paid to their designated beneficiaries.
- *Administrative organization:* The EWF will be established by the Department of Labor Protection and Welfare and overseen by a 15-member board of directors with five representatives each from the government, employers, and employees.

In addition to the EWF, Thailand's old-age pension system consists of a mandatory social insurance program (Social Security Fund, or SSF) for formal private-sector employees, a voluntary social insurance program (also part of SSF) for informal workers, a voluntary provident fund program (National Savings Fund, or NSF) for informal workers, and a means-tested old-age allowance program for needy retirees. To qualify for the formal-sector SSF old-age pension, insured individuals must have reached age 55 and have at least 180 months of contributions. If insured individuals have at least 12 months but less than 180 months of contributions at retirement, they can receive their total employee and employer contributions plus accrued interest as a lump-sum old-age settlement. (With less than 12 months of contributions, only the employee contributions are paid as a lump sum.) Under the informal-sector SSF program, insured individuals who contribute at least 100 baht (US$2.93) a month can receive a lump-sum benefit at age 60 that depends on the amount and duration of their contributions. The NSF program provides participants who have reached age 60 with a monthly pension that is calculated based on their total contributions and accrued interest. (The minimum monthly contribution for this program is 50 baht [US$1.46].) The old-age allowance is paid to Thai citizens aged 60 or older who have household incomes below a certain limit that varies by age.

Sources: Labor Protection Act B.E. 2541, 1998; "Thailand," ISSA Country Profiles, January 2022; "Thailand Adds Means Test to Old-Age Allowance," *International Update*, U.S. Social Security Administration, October 2023; Ministerial Regulation on Criteria and Procedures for Employers to Provide Assistance in Cases of Employment Termination or Death, 2024; Ministerial Regulation on Prescribing Rates of Savings and Contributions, 2024; Royal Decree on Determination of the Period for Starting the Collection of Savings and Contributions to the Employee Welfare Fund, 2024; *World Population Prospects 2024*, United Nations, Department of Economic and Social Affairs, Population Division, July 2024; "Thailand to Implement Employee Welfare Fund," ASEAN Briefing, January 2, 2025.

The Americas

Nova Scotia (Canada) Opens Public Occupational Pension Program to Private-Sector Employers

Effective February 4, private-sector employers in the Canadian province of Nova Scotia can request to join the province's Public Service Superannuation Plan (PSSP), a defined benefit (DB) occupational pension program that was established in 1923 for public-sector employers. Since its inception, the PSSP has grown to include Nova Scotia's universities (2015) and municipalities (2017), resulting in approximately 65 participating employers. This latest expansion to include private-sector employers, made possible by a 2023 law, is intended to strengthen the PSSP's financial sustainability and provide Nova Scotia's private-sector employers with another occupational pension plan option. At the end of March 2024, the PSSP had 42,722 members and around C$7.9 billion (US$5.5 billion) in assets under management.

The key provisions of the law and regulations allowing private-sector employers to join the PSSP include:

- *Eligibility:* To transfer an existing DB pension plan to the PSSP, an employer must make an earnest effort to notify all members who would be eligible for benefits under the transferred plan, as well as any unions or advisory committees that represent the members. For the transfer to be approved, no more than one-third of active members and one-third of deferred members, retirees, and beneficiaries can vote against the transfer. In addition, the employer must provide all required transfer information to the PSSP's Superintendent of Pensions. An employer can also join the PSSP on a prospective basis, which does not entail a pension plan transfer.
- *Transfers:* Employers can choose to transfer all or part of the assets and liabilities for an existing DB plan to the PSSP. However, a transfer cannot result in a reduction of pension entitlements for any of a plan's active or retired members. If an employer exits the PSSP within 10 years of making a pension plan transfer, it must cover any projected shortfall attributable to its employees enrolled in the PSSP.
- *Contributions:* Employers can choose the level of contributions that they and their employees will pay to the PSSP with corresponding benefit accrual rates. The current contribution options are 100 percent, 80 percent, or 60 percent of the standard PSSP contribution rates. Currently, the standard rates that employers and employees each pay are 8.4 percent of monthly covered earnings/payroll up to the Yearly Maximum Pensionable Earnings (YMPE, currently C$71,300 [US$49,424]) and 10.9 percent of monthly covered earnings/payroll exceeding the YMPE.
- *Benefits:* Regardless of which contribution level is selected, all employees enrolled in PSSP are guaranteed a pension along with other benefits, including early retirement benefits; spouse, domestic partner, and child survivor benefits; and cost-of-living adjustments. The pension amount is calculated by multiplying an insured person's average annual earnings in the highest 5 years of covered earnings by his or her years of service and an accrual rate (1.3 percent for average annual earnings up to the YMPE and 2.0 percent for average annual earnings exceeding the YMPE).
- *Administration:* The Nova Scotia Pension Services Corporation (NSPSC) will continue to handle the day-to-day operations of the PSSP and its investment fund on behalf of participating employers. The NSPSC and PSSP are overseen by the Public Service Superannuation Plan Trustee Inc., a 13-member board with representatives from the government, employers, and employees.

The old-age benefits provided by Nova Scotia's PSSP complement those provided by Canada's public old-age pension system, which consists of the universal Old Age Security (OAS) pension program, the income-tested Guaranteed Income Supplement (GIS) program, and the contributory Canada Pension Plan (CPP). To qualify for a full OAS pension, individuals must have reached the normal retirement age of 65 and legally resided in Canada for at least 40 years since age 18. (A proportionally reduced OAS pension is paid to those with at least 10 years but less than 40 years of residency.) If OAS pensioners have annual net incomes exceeding a certain amount (currently C$86,912 [US$60,246]), their annual OAS pensions are reduced by 15 percent of the income above this threshold. OAS pensioners may qualify for a monthly GIS benefit if their annual household incomes are below certain limits. To qualify for a CPP old-age pension, an individual must have reached the normal retirement age and have at least one valid annual contribution. The CPP old-age pension can be claimed at ages 60–70.

Sources: Private Sector Pension Plan Transfer Act, 2023; "Private-Sector Employers in Nova Scotia Will Soon Be Able to Join the Public Service Superannuation Plan," Public Service Superannuation Plan Trustee Inc., October 13, 2023; "Canada/Nova Scotia: New Novel Pension Option for Private-Sector Employers," WTW, March 21, 2024; "2023–2024 NS Pension Annual Report," Nova Scotia Pension Services Corporation, July 2024; "Open for Business." Halifax Chamber of Commerce, July 2, 2024; Private Sector Pension Plan Transfer Regulations, 2025; "NS Pension Creates Business Development Role to Support PSSP Growth," Public Service Superannuation Plan Trustee Inc., February 5, 2025; "New Rules Allowing Nova Scotia Private Sector Employers to Join Public Service Superannuation Plan Take Effect," Stewart McKelvey, February 12, 2025.

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