



February 2008

Europe

France

Reforms to the special pension programs for certain French transportation, energy, and other public-sector workers were enacted into law January 16, 2008 and will be implemented July 1, 2008. The goal of the reforms is to lower the cost of these special programs and bring them closer to the public retirement system for private-sector workers. By 2012, the number of years of contributions required for a full special pension will increase from 37.5 years to 40 years (the current requirement for private-sector workers). Under this same timeframe, workers who retire under one of these special pension programs with fewer than 40 years of contributions will have their benefit reduced by 5 percent for each year below 40 years of contributions. Also, benefits will be indexed to inflation instead of wages. By 2016, when the private-sector workers will need 41 years of contributions for full retirement, it is possible that the requirement for public-sector employees under these special pensions programs will also be raised to 41 years.

Sources: "France: Social Cuts Announced Over Christmas Holidays," *WSWS News and Analysis*, January 3, 2008, <<http://www.wsws.org/articles/2008/jan2008/fran-j03.shtml>>, (01/16/08); "Reforme des Régimes Spéciaux: Vers une Négociation Tripartite Dans les Entreprises," Ministère Du Travail Des Relations Sociales Et De La Solidarité, 16 novembre 2007, <<http://www.travail-solidarite.gouv.fr/actualite-presse/dossiers-presse/reforme-regimes-speciaux-un-document-orientation-pour-ensemble-regimes-concernes-6481.html>>, (01/16/08).

The Americas

Belize

In December 2007, the government of Belize extended its Non-Contributory Pension Program (NCP) to cover indigent men aged 67 or older and increased the monthly benefit from B\$75 (US\$38) to B\$100 (US\$51). Prior to this change, the NCP provided benefits to indigent women aged 65 or older. The NCP was introduced in 2003 as part of the government's strategy to alleviate poverty in Belize. In order to

receive a benefit, both men and women must have no other source of income or means of support, and be a permanent resident or citizen of Belize. According to the government of Belize, more than 2,000 women in the country currently receive the NCP and by early January 2008, more than 750 men had registered for the NCP. The total population of the country of Belize is approximately 300,000 persons.

Sources: "Non-Contributory Pension Program," Social Security Board of Belize, January 2008, <http://socialsecurity.org.bz/nc_pension.htm>, (01/15/08); *Background Note: Belize*, US Department of State, July 2007, <<http://www.state.gov/r/pa/ei/bgn/1955.htm#people>>, (01/31/08).

Chile

On January 16, 2008, the Chilean Congress approved a major overhaul of the system of individual retirement accounts introduced in 1981. The changes will be implemented in stages beginning in July 2008. Provisions of the law include the following:

- a new pillar, known as *Sistema de Pensiones Solidarias* (SPS), that provides a basic non-contributory means-tested benefit to those not eligible for any other pension will be added to the existing mandatory individual accounts system;
- participation for the self-employed will be mandatory 7 years after the law has been implemented; and
- a number of measures encourage greater competition among the pension fund management companies (AFPs) and lower costs to the account holder. One of those provisions assigns all new labor force entrants to an AFP with the lowest fees. The AFP will have to maintain that lowest fee for 24 months and offer the same low-rate fee structure to all its account holders.

The legislation does not include one major provision of the President's bill sent to Congress in December 2006. Congress rejected the provision that allows banks to set up an AFP as a subsidiary. Currently, banks are specifically prohibited from entering the pension fund industry. Later this year, Congress

is expected to debate a separate bill that would allow BancoEstado, the state-run bank, to establish an AFP.

Sources: “Chile,” *International Update*, US Social Security Administration, January 2007, <http://www.ssa.gov/policy/docs/prodesc/intl_update/2007-01/2007-01.html#chile>, (01/25/08); “Congreso Aprueba Histórica Reforma al Sistema de Pensiones,” Gobierno de Chile, el 16 de enero de 2008, <http://www.gobiernodechile.cl/noticias_det/?which=9807>, (01/25/08); “Reforma Previsional: las Dudas Que Se Aclararán con la Implementación,” *El Mercurio*, el 21 de enero de 2008, <http://diario.elmercurio.com/2008/01/21/economia_y_negocios/economia_y_negocios/noticias/59E6BBFD-D23A-4D2D-AEB8-FB6AB5772682.htm?id={59E6BBFD-D23A-4D2D-AEB8-FB6AB5772682}>, (01/25/08).

Panama

On January 1, 2008, a new mixed system was implemented in Panama: individual retirement accounts as a supplement to the public pay-as-you-go pension program (Caja de Seguro Social or CSS). As of January 1, 2008, individual accounts are mandatory for new entrants to the labor force and all self-employed workers who were younger than age 35 on January 1, 2007. Participation is voluntary for workers in the labor force who were age 35 or younger at the beginning of 2006 and had earnings of more than 500 balboas (US \$508) a month. Those workers had until December 31, 2007 to enroll in the new system. Some 13,000 workers (out of 100,000 eligible workers) switched to the new mixed system. Eligible workers who did not choose the new system remain covered only by the CSS.

Sources: “Panama: Implementation of a Mixed Pension System,” *Trends in Social Security*, International Social Security Association, 2007, <<http://www.issa.int/engl/publ/Trends/1/PA-3846.htm>>, (01/24/08); “Juventud Cotizante Contra el Reloj,” *Día a Día*, el 3 de diciembre de 2007, <<http://www.diaadia.com.pa/archivo/12032007/impacto.html>>, (01/24/08); “CSS Arranca Plan de Subsistema Mixto de Pensiones,” *Telemetro*, el 1 de enero de 2008, <<http://telemetro.com/noticias/index.php?sec=noti&id=8684>>, (01/24/08).

Asia and the Pacific

Israel

On December 30, 2007, the Israeli government ratified an agreement between labor unions and manufacturing associations to create pensions for all workers without occupational pensions. The agreement will go into effect on January 1, 2009 and covers employees aged 21 or older. For the first year, the program

will apply only to employees who worked for their employer for nine months or longer and did not have an occupational pension with a previous employer. Beginning in January 2010, the program will extend to two additional groups: employees covered by an occupational pension plan in their prior job after 3 months with a new employer and workers without an existing occupational pension after six months with an employer. Employees will choose from a variety of defined contribution pension providers including insurance companies, pension funds, and funds managed by financial institutions.

Contribution rates will gradually increase over a 7-year period. In 2008, employers and employees will each contribute 2.5 percent of the employee’s salary. By 2013, employees will contribute 5 percent of their salary and employers will contribute 10 percent of the employee’s salary. The maximum salary used to calculate contributions is national average earnings, which in September 2007 was NS 7,537 (US\$1,969) per month.

Sources: “New Pension Program Approved,” *Watson Wyatt Global News Briefs*, December 2007, <<http://www.watsonwyatt.com/news/globalnews2.asp?ID=18480&nm=Middle%20East%20-%20Israel>>, (12/31/07); “Pensions For All Start Tuesday,” *Jerusalem Post*, December 31, 2007, <<http://www.jpost.com/servlet/Satellite?pagename=JPost%2FJPArticle%2FShowFull&cid=1198517252470>>, (12/31/07).

International Update is a monthly publication of the Social Security Administration’s Office of Policy. It reports on the latest developments in public and private pensions worldwide. The news summaries presented do not necessarily reflect the views of the Social Security Administration.

Editor: John Kearney.

Writers/researchers: Richard Chard, Barbara E. Kritzer, and David Rajnes.

Social Security Administration

Office of Policy
Office of Research, Evaluation, and Statistics
500 E Street, SW, 8th Floor
Washington, DC 20254

SSA Publication No. 13-11712