



April 2008

Europe

Finland

In March 2008, the Finnish government created a Pension Forum to monitor the progress of recent pension reforms and to help promote consensus on a national pension policy. Its discussions will focus primarily on the 2005 pension reform, which increased the average retirement age, and the 2007 pension reform, which combined the various laws covering mandatory private pensions into a single Employees Pension Act. The Forum will consider ways to lengthen working lives, guarantee adequate pension provision for workers, and ensure sustainable long-term financing of pensions. Finland's retirement system is composed of an old-age public pension and mandatory earnings-related private pensions with funds managed by a large number of pension institutions. The Pension Forum will be led by officials from the Ministry of Social Affairs and Health and other government ministries. Representatives from political parties, unions, research institutions, employer groups, and the insurance sector will also participate in the discussions scheduled to convene two to three times a year.

Sources: Finland Ministry of Social Affairs and Health press release, March 10, 2008, IPE.com; "Pension Forum Created to Monitor Finnish Reforms," IPE.com, March 17, 2008.

Greece

The Greek parliament passed a social security reform package in March 2008 to address the financial pressures of its aging population. Since its proposal in November 2007, the government-sponsored reform has generated widespread union protests and work stoppages. The reforms are designed to (1) raise the retirement age for women from the current age 60 to age 65 (the same as for men), (2) increase the early retirement age for certain arduous occupations, (3) merge the more than 130 social security funds into 13 funds to reduce administrative costs, and (4) create incentives for people to work longer. Also, work-

ing mothers, currently able to retire after 15 years of employment, will have to wait until age 55. According to a committee of experts on social security set up by the government, pension expenditures in Greece rose from €23.5 billion (US\$2.96 billion) in 2006 to €32.7 billion (US\$4.4 billion) in 2007. Greece is expected to see an 80 percent increase in the share of its population aged 65 or older from 2005 through 2050. Without these reforms, pension expenditures are projected to rise from the current 12.6 percent of gross domestic product (GDP) to 25 percent of GDP by 2050.

Sources: "Bank of Greece Urges Pension Reform to Protect Public Services," IPE.com, January 18, 2008; "Private Pensions a Needed Complement to State System," Ekathimerini.com, March 11, 2008; "Greek Parliament Passes Controversial Pension Reform Bill," Global Insight Data Analysis, March 21, 2008; "Greece Approves Controversial Pension Reform," Euro News, March 21, 2008.

The Americas

Canada

Effective March 3, 2008, workers with at least 25 years of contributions to the Canada Pension Plan (CPP) must have contributions in 3 (instead of 4) of the last 6 years of employment before they may be eligible for disability benefits. The Canadian government wanted to make it easier for workers with a substantial work history to qualify for disability benefits. All other qualifications remain the same. Workers must also be younger than age 65 and have a severe and prolonged physical or mental disability that prevents them from participating in any gainful activity. Workers with fewer than 25 years of contributions still need contributions in 4 of the last 6 years of employment to qualify for a disability benefit. A child's supplement is also paid to the disabled worker's children who are younger than age 18 (age 25, if a student). Human Resources and Social Development Canada, which oversees the CPP disability program, estimates that by 2010 an additional 3,700 adults and 1,000 of their children could receive CPP disability benefits as a result of the change in requirements. By the end of 2004,

the CPP disability program had more than 280,000 beneficiaries in addition to 90,000 of their children on the disability roles.

Sources: “Government of Canada’s Response to the Fifth Report of the Standing Committee on Human Resources Development and the Status of Persons with Disabilities: Listening to Canadians: A First View of the Future of the Canada Pension Plan Disability Program,” Human Resources and Social Development Canada, December 2004; Social Security Administration, *Social Security Programs Throughout the World: The Americas, 2007*, March 2008. Human Resources and Social Development Canada press release, March 3, 2008.

Colombia

Colombia’s financial regulator broadened the investment limits for pension fund management companies (AFPs) in mid-February 2008. The country’s six AFPs are now allowed to invest up to 40 percent of their assets abroad and up to 40 percent in domestic stocks. Previously these limits had been 20 percent and 30 percent, respectively. AFP investments at the end of January 2008 included 14 percent abroad, about 30 percent in domestic equities, and more than 40 percent in domestic government-backed securities. Total assets under AFP management are 50.4 billion pesos (US\$28 million), nearly 12 percent of the country’s gross domestic product. From the inception of the program in 1993 through June 2007, the real rate of return (before deducting administrative fees) was 5.2 percent per year.

Sources: Asociación Internacional de Organismos de Supervisión de Fondos de Pensiones (AIOS) *Boletín Estadístico*, Número 17, junio de 2007; “Regulator Ups AFP Foreign Investment Limit to 40%,” *Business News Americas*, February 19, 2008; “Colombian Pension Funds Slow to Change,” *Latin Finance Daily Briefing*, February 28, 2008; Asociación Colombiana de Administradoras de Fondos de Pensiones y Cesantías, “Estadísticas,” el 29 de febrero de 2008.

Mexico

A number of changes to the Mexican system of individual retirement accounts were implemented in March 2008 to help increase the rate of return. Pension fund management companies (AFOREs) are no longer permitted to charge account holders a fee on their monthly contributions and may only charge a fee on account balances. The Mexican pension regulator also set up a net rate-of-return indicator (IRN) to allow account holders to compare the net rate of return among all 18 AFOREs for the previous 36 months. Transfers among AFOREs are permitted once a year; however, transfers to the AFORE with the highest IRN are now allowed at any time. New entrants to the labor force who do not choose an AFORE are automatically assigned to the AFORE with the highest IRN at that time. In addition, each AFORE must offer five different pension funds with varying levels of risk designated for specific age groups. The new funds range from the highest risk level available, Fund 1 (for workers aged 18–26) with up to 30 percent invested in equities, to the least risky Fund 5 (for workers aged 56–65) with portfolios containing fixed income. Younger workers who are not comfortable with the level of risk in the fund designated for their age group are permitted to change to a fund designated for an older age group. Current assets under AFORE management total about \$80 billion, about 8 percent of gross domestic product. Since the inception of the program in 1997, the average historical real rate of return has been about 6.5 percent per year.

Sources: “Cambia el Sistema de Ahorro para el Retiro,” *El Economista*, el 13 de marzo de 2008; “Aumentan beneficios para trabajadores con nueva Ley del SAR,” NOTIMEX, el 18 de marzo de 2008; “Demanda Amafore Nuevos Instrumentos para Invertir Fondos de Pensiones,” NOTIMEX, el 18 de marzo de 2008.

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: Barbara E. Kritzer and David Rajnes.

Social Security Administration

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

SSA Publication No. 13-11712