Social Security Administration USA

International Update

Recent Developments in Foreign Public and Private Pensions

August 2021

The Americas

Argentina Introduces Pension Credits for Mothers

On August 2, Argentina introduced pension credits for mothers who have reached the normal retirement age of 60, but do not meet the minimum contribution requirement (30 years) for a contributory social insurance old-age pension. Under the new measure, qualifying mothers can apply to receive 1 year of credited contributions per child; 2 years per adopted child or a child with disabilities; and 3 years per child if the mother previously received a universal child allowance (Asignación Universal por Hijo, or AUH). (The AUH is a social assistance benefit paid to informal workers with monthly incomes below the legal monthly minimum wage, unemployed persons who are not receiving unemployment benefits, and other low-income persons.) In addition, mothers will be credited for periods spent on maternity leave. According to the government, the measure is intended to recognize the value of women's caregiving work. It is expected to enable around 155,000 women to immediately qualify for an old-age pension.

Argentina's old-age pension system consists of a contributory (social insurance) pension and a noncontributory pension (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, an individual must have reached age 65 (men) or 60 (women) and have at least 30 years of contributions. An individual 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 supplementary pensions) if he or she has 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 legal minimum old-age pension.

Sources: "Reconocimiento de aportes por tareas de cuidado," La Administración Nacional de la Seguridad Social (ANSES), no date; *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; "Desde hoy Anses va a reconocer aportes jubilatorios para mujeres por cuidado de hijos: cómo acceder al beneficio y qué dijo Raverta," *El Cronista*, August 2, 2021.

Bermuda Allows Special Withdrawals from Mandatory Occupational Pension Plans

On July 1, Bermuda's government implemented two amendments to the National Pension Scheme (Occupational Pensions) Act 1998 that allow qualified members of defined contribution (DC) private occupational pension plans and local retirement products to make special lump-sum withdrawals from their vested accounts. Under the amendments, non-retired members younger than the normal retirement age of 65 can withdraw up to B$6,000 (US$6,000) from their accounts from July 1, 2021, to June 30, 2022, while members aged 65 or older can withdraw up to 25 percent of their account balances if they are not already receiving annuities. (There is currently no application deadline for members aged 65 or older.) The measures are intended to help Bermuda residents who are facing financial hardship during the COVID-19 pandemic. At the end of 2020, Bermuda's gross domestic product had declined 4 percent from the previous year and its unemployment rate was around 7.9 percent.

The latest special withdrawal measures follow similar measures implemented in June 2020. Under the previous measures, non-retired members younger than age 65 could withdraw up to B$12,000 (US$12,000) from their accounts from July 1, 2020, to June 30, 2021, while members aged 65 or older could withdraw up to 25 percent of their account balances. The withdrawals under these measures averaged B$7,000 (US$7,000) to B$9,000 (US$9,000) depending on the plan provider, and totaled around B$127 million (US$127 million).

In addition to the mandatory occupational pension program, Bermuda's pension system consists of a social insurance program and a social assistance program. The mandatory occupational pension program covers private-sector employees aged 23 or older who have worked at least 720 hours for their current employer in any calendar year and self-employed persons aged 23 or older who have annual earnings above B$20,000 (US$20,000); it is financed through employee and employer contributions of 5 percent each of gross covered earnings/payroll. The social insurance program covers employed and self-employed persons aged 18 or older working more than 4 hours a week, and temporary residents gainfully employed for more than 26 consecutive weeks; it is financed through flat-rate employer and employee contributions of B$35.92 (US$35.92) a week each. The government-financed social assistance program includes an old-age social pension (for Bermudian workers) and a disability social pension (for all Bermuda residents).

Sources: "National Pension Scheme Amendments: Here's What We Know to Help You Prepare," ARGUS, no date; *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; "Bermuda Approves Amendments to Mandatory Occupational Pension Program," *International Update*, U.S. Social Security Administration, February 2020; "Bermuda Introduces Lump-Sum Withdrawal Options for Certain Occupational Pension Plans," *International Update*, U.S. Social Security Administration, June 2020; "Labour Force Survey Report, November 2020," Government of Bermuda, May 2021; "Quarterly Gross Domestic Product by Expenditure," Government of Bermuda, May 2021; "Ministry of Finance Update," Government of Bermuda, May 24, 2021; "Extra Pension Scheme Withdrawals Approved by MPs," *The Royal Gazette*, June 22, 2021; "Bermuda: Senators Pass Pension and Economic Substance Bills," *The Royal Gazette*, July 1, 2021.

Peru Enacts Social Insurance Pension Reforms

On July 22, Peru's government enacted reforms to the country's social insurance pension program (Sistema Nacional de Pensiones, or SNP) that expand access to the SNP early old-age pension and introduce a special partial old-age pension. The reforms are intended to improve retirement security among older individuals who have faced barriers to qualifying for an old-age pension, especially during the COVID-19 pandemic. These reforms follow recent similar measures that have given individuals greater access to retirement pensions and savings before and at the normal retirement age of 65. The Office of Social Security Normalization (Oficina de Normalización Previsional), which administers the SNP program, estimates that the early and partial pension reforms will benefit over 1.36 million and 700,000 SNP members, respectively.

The reforms' key provisions affecting old-age pensions include:

- *Expanding early old-age pension access:* SNP members can now receive an old-age pension as early as age 50 if they have at least 25 years of contributions. (Previously, only women could receive an old-age pension as early as age 50 with at least 25 years of contributions; men had to wait until age 55 and have at least 30 years of contributions to retire early unless they qualified for a special early pension.) In addition, the reference earnings used for benefit calculation are an insured person's monthly covered earnings in the 60 months before his or her last month of contributions. (Previously, the reference earnings formula varied depending on an insured person's birth date and years of contributions.) As before, the early pension is calculated by reducing the insured's reference earnings by 4 percent for each year the pension is received before the normal retirement age, and the final amount cannot be less than the minimum monthly pension of 500 soles (US$127.54) or greater than the maximum monthly pension of 893 soles (US$227.78).
- *Introducing a partial old-age pension:* Previously, an SNP member must have had at least 20 years of contributions to qualify for an old-age pension. Under the new measure, a member who was aged 65 or older when the measure went into effect can receive a monthly old-age pension of up to 250 soles (US$63.77) with 10 to 14 years of contributions or up to 350 soles (US$89.28) with 15 to 19 years of contributions.
- *Removing pensioner work restrictions:* SNP pensioners are no longer subject to earnings limits when they continue or resume employment. Previously, SNP pensioners could only work if their monthly earnings did not exceed one half of a reference tax unit (Unidad Impositiva Tributaria, or UIT; 1 UIT is currently 4,400 soles [US$1,122.32]).

In addition to the SNP program, Peru's old-age pension system consists of a mandatory individual account program (Sistema Privado de Pensiones, or SPP) and a social assistance program (Pensión 65). SNP and SPP operate parallel to each other, and participation in either of the programs is mandatory for all public- and private-sector employees not covered by a special program and voluntary for self-employed persons. According to government estimates for March 2021, around 18.8 percent of Peruvians aged 60 or older are SNP members, 8.7 percent are SPP members, 6 percent are members of special programs, and 66.5 percent have no program affiliation. Peruvians who do not qualify for an SNP or SPP pension and are aged 65 or older may qualify for a social assistance old-age pension if they are members of households classified as extremely poor.

Sources: "Peru Amends Early Retirement Rules for Mandatory Individual Accounts," *International Update*, U.S. Social Security Administration, May 2019; *Social Security Programs Throughout the World: The Americas, 2019*; U.S. Social Security Administration, March 2020; Ley N° 31301, 2021; "Situación de la población adulta mayor," Instituto Nacional de Estadística e Informática, June 2021; "ONP: Promulgan ley que establece pensión para asegurados con 10 y 15 años de aportes," *El Peruano*, July 22, 2021; "Promulgan ley que establece pensiones para los que aportaron menos de 20 años a la ONP," RPP, July 22, 2021; "Más de 700 mil afiliados accederán a una pensión proporcional en el SNP," Oficina de Normalización Previsional, July 23, 2021; "Solicitar pensión de jubilación D.L. N° 19990," Government of Peru, August 6, 2021.

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