International Update

Recent Developments in Foreign Public and Private Pensions

November 2021

Europe

Belarus Approves New Voluntary Individual Account Program

On September 27, Belarus's president signed a decree that creates a new voluntary individual account pension program effective October 1, 2022. Employees covered under the country's social insurance program who are at least 3 years younger than the normal retirement age can choose to participate in the new program and contribute up to 10 percent of gross monthly earnings to fund their individual accounts. (The normal retirement age is currently 62 and 6 months for men and 57 and 6 months for women but will increase to 63 and 58, respectively, on January 1, 2022.) Employee contributions are tax deductible and employees can modify or suspend their contributions at any time. Employers must match the first 3 percent that employees contribute; however, their contributions to the social insurance program will be reduced proportionally to maintain an overall contribution rate of 28 percent of gross monthly payroll. According to the government, the new program is aimed at increasing retirement savings. At present, the average social insurance old-age pension is around 545 rubles (US$223.34) a month.

Other key details of the program include:

- *Administration and investments:* The program will be administered by Strativa, a state-owned insurance company. Strativa will also choose how to invest the individual account assets.
- *Minimum return rate:* The guaranteed minimum rate of return on employee/employer contributions will be equal to the central bank's refinancing rate, which is currently 9.25 percent per year.
- *Benefit payments:* At retirement, participants can choose to receive a monthly tax-free annuity paid over 5 or 10 years. If the participant dies, remaining individual account assets will be inheritable by eligible survivors.

Belarus's pension system currently consists of a social insurance program covering employed and self-employed persons residing permanently in Belarus, and a social assistance program covering all resident citizens of Belarus. Employees contribute 1 percent of gross monthly earnings, self-employed persons contribute 29 percent of declared income, and most employers contribute 28 percent of gross payroll to finance the social insurance program. (The employer contribution rate varies depending on industry and business.) To receive a social insurance old-age pension, individuals must have reached the normal retirement age and have at least 25 years (men) or 20 years (women) of coverage, including at least 18 years of paid contributions (men and women; gradually increasing by 6 months a year until reaching 20 years in 2025). A partial pension is possible at the normal retirement age if the insured does not meet the coverage requirements for the full pension. The government-financed social assistance program provides an old-age social pension to nonworking citizens at age 65 (men) or age 60 (women) who are not entitled to a social insurance pension.

Sources: "Информация о средних размерах пенсий," Ministry of Labor and Social Protection, no date; "Pension System," President of the Republic of Belarus, no date; *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; President of the Republic of Belarus press release, September 27, 2021; "О добровольном страховании дополнительной накопительной пенсии," Ministry of Labor and Social Protection, September 28, 2021; "Belarus: New Voluntary State-Insured Pension System for Employees," Global News Briefs, Willis Towers Watson, October 28, 2021.

Italy Announces Early Retirement Changes

On November 11, Italy's cabinet released the final version of its 2022 Budget Law, which includes provisions that modify several early retirement options under the country's notional defined contribution (NDC) pension program. In particular, the changes extend the options' effective period by 1 year to the end of 2022, raise a key age requirement, and relax certain eligibility rules for unemployed persons and workers in arduous occupations. These changes still require parliamentary approval, which is expected by year's end. The government introduced these early retirement options in 2017 and 2019 to help ease the transition to a higher normal retirement age (currently age 67) and open up jobs for younger residents. However, as Italy's public pension expenditures have continued to rise because of population aging, the government is seeking to increase the average age at which workers retire. According to the Organisation for Economic Co-operation and Development, Italy spends around 15.6 percent of its gross domestic product on public pensions, which is the highest share among the organization's 38 member countries.

The new provisions affect the following early retirement options:

- *Quota 100:* Currently, an individual can claim an old-age pension if the sum of their age and years of contributions is at least 100. In addition, the earliest an individual can retire under this option is age 62 with 38 years of contributions. However, under the amended rules effective in 2022, the minimum age-contribution sum will be 102, and the minimum retirement age will be 64 (with 38 years of contributions).
- *Women's option (Opzione donna):* This option allowing women with at least 35 years of contributions to claim an old-age pension as early as age 58 (if employed) or age 59 (if self-employed) will remain available through 2022. (There is still a 12-month [if employed] or 18-month [if self-employed] waiting period for benefit payments to begin under this option.)
- *Welfare-based early retirement (APE Sociale):* This option allowing certain unemployed persons, persons with disabilities, caregivers, and hardship workers with at least 30 years of contributions (36 years for hardship workers) to claim an old-age pension as early as age 63 will remain in effect through 2022. In addition, the amended rules will make it easier for unemployed persons and hardship workers to qualify by eliminating the 3-month waiting period for unemployed persons and expanding the list of occupations classified as arduous.
- *Early retirement for employees of distressed firms:* In 2022 and 2023, employees of distressed small and medium-sized firms who are aged 62 or older will be able to claim an old-age pension. (The government will announce additional details for this option in the coming months.) Currently, early retirement is only available to employees of larger firms undergoing restructuring.

Italy's old-age pension system consists of the NDC program, a legacy social insurance program (closed to new enrollees in 1996), and income-tested social assistance programs. To qualify for an NDC or social insurance old-age pension, an individual must generally have reached the normal retirement age and have at least 20 years of contributions. Under normal rules, early retirement is possible (1) at any age with at least 42 years and 10 months (men) or 41 years and 10 months (women) of contributions, or (2) for individuals first insured on or after January 1, 1996, at age 64 with at least 20 years of contributions if the insured's notional account balance is sufficient to provide a monthly pension above a certain amount. Retirees who do not qualify for an NDC or social insurance pension and have resided in Italy for at least 10 consecutive years may qualify for an old-age social allowance if their annual incomes are below certain limits. In addition, low-income pensioners may qualify for a pension supplement at age 70 (age 60 if disabled or age 65 if certain contribution requirements are met).

Sources: *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; "Italy Introduces New Early Retirement Rules," *International Update*, U.S. Social Security Administration, April 2019; Disegno di legge S. 2448, 2021; "Italy Amends Contribution Relief and Early Retirement Measures," *International Update*, U.S. Social Security Administration, April 2021; "Legge di Bilancio 2022: il testo aggiornato con tutte le novità," money.it, November 11, 2021; "Nuove pensioni, nel 2022 anticipo per 55 mila persone," *La Repubblica*, November 12, 2021; "Pension spending (indicator)," Organisation for Economic Co-operation and Development, November 15, 2021.

The Americas

Guyana Provides Cash Grants to Old-Age Pensioners

On October 4, Guyana's government began distributing one-time G$25,000 (US$119.40) cash grants, equivalent to one month of the universal old-age pension, to all old-age pensioners. The measure is part of a broader effort announced by the Guyanese president in August to provide support to vulnerable groups in the country. (Other recently implemented measures include G$25,000 cash grants for persons with disabilities and certain public-assistance beneficiaries, and an electricity credit for certain vulnerable households.) The new measures follow previous ones introduced in September 2020 to provide economic relief to persons affected by the COVID-19 pandemic, including G$25,000 cash grants paid to all households in the country. According to the government, around

65,000 pensioners will receive the new cash grants, at a total cost of around G$1.6 billion (US$7.6 million).

Guyana's public pension system consists of a universal program for all resident citizens of Guyana, a social insurance program for public- and private-sector employees and self-employed persons, and a social assistance program for needy persons. To qualify for a universal old-age pension, an individual must have reached age 65 and have at least 10 years of citizenship, at least 20 years of residency, and no more than 2 years of absence from the country. The social insurance old-age pension is paid to insured persons who have reached age 60 and have at least 750 weeks of paid or credited contributions, including at least 150 weeks of paid contributions. (A social insurance grant is paid if the insured does not meet the contribution requirement for the old-age pension but has at least 50 weeks of paid contributions before age 60.) The social assistance program provides disability benefits to needy individuals with a temporary or permanent incapacity for work.

Sources: *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; "COVID-19 Grant Distribution Starts Next Week in Region Five," Department of Public Information, November 12, 2020; "Special Announcement by President Dr. Mohamed Irfaan Ali on Additional Support Measures to Vulnerable Groups," Department of Public Information, August 16, 2021; "Pensioners to Receive 25K Cash Grant, New Pension Book When They Collect October Pension," *Guyana Chronicle*, September 26, 2021.

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