

## Chapter 1

# Recent pension reforms

*This chapter looks at pension reforms in OECD countries over the past two years (between September 2015 and September 2017). Most OECD countries have enacted pension reforms since the last publication of Pension at a Glance. However, the reforms have been fewer and less widespread than in previous years with one-fifth of OECD countries taking no policy action. Among the most common reforms are changes in benefits and contributions. In addition, retirement ages are being adjusted in the majority of OECD countries. However, some of these adjustments are a reversal of previously legislated retirement age increases.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## 1.1. Introduction

In the last few years the pace of pension reforms across the OECD countries has slowed. After the financial crisis and the subsequent sovereign debt crisis in Europe, pension reforms were plenty and widespread, as documented in previous editions of *Pensions at a Glance*.<sup>1</sup> However, even taking into account the progress that has been made, concerns about the financial sustainability and pension adequacy of the current state of pension systems in OECD countries remain.

Continued ageing of societies combined with the changing nature of work puts pressure on both the financial sustainability and the retirement income adequacy of pension systems; in addition, risks of increasing old-age inequality have been building up (OECD, 2017). At the same time, the momentum for far reaching pension reforms might be dwindling. After a decade of stress, improved government finances, potential pension reform fatigue as well as politically volatile times and rising populism are slowing the pace of reform.

Public expenditure on pensions as a percentage of GDP has increased and is expected to rise further in the near future in most OECD countries. For the OECD as a whole, public pension expenditure rose by about 2.5% of GDP since 1990. Currently, Greece and Italy already spend more than 15% of GDP on pensions. However, long-term prospects have improved and the projected pace of spending growth has slowed substantially (see indicators 7.3 and 7.5 in this publication; Fall and Bloch, 2014; European Commission, 2015).<sup>2</sup> At the same time, recent reforms will lower replacement rates in many countries due to measures aimed at improving pension finances. This may jeopardise the adequacy of retirement income in some countries, especially for retiring low-skilled and low-paid workers. The long term need to reform is still present in many countries, especially given the ongoing improvements in longevity.

The challenges for financial sustainability and pension adequacy generally call for bold action by policy makers. To keep defined benefit systems financially sustainable a number of measures can be taken. Contributions can be raised, initial benefits can be cut and indexation of pensions in payment can be limited. These measures have been taken in many countries. In many European countries, for example, replacement rates are projected to decline while the financial balance of pension systems is projected to improve in coming decades (European Commission, 2015). Higher contributions might improve financial sustainability and/or pension adequacy but it raises non-wage costs, which in turn may affect net wages and employment depending on how the labour market adjusts over time. In countries where pension contribution rates are low, lower net wages might be acceptable to workers if this preserves or raises retirement income levels in the future.<sup>3</sup> By contrast, cutting benefits and limiting indexation endangers pension adequacy, in particular in countries which are already facing low pension income prospects. Against this background, raising the retirement age can be a win-win proposition: it increases the labour force participation of older workers and helps maintain pension levels, at least for those who can actually work longer.

To maintain retirement income adequacy a number of measures can be taken. Apart from raising contributions resulting in higher entitlements, coverage of mandatory schemes can be increased. In most OECD countries, however, there are limits to this strategy since coverage levels among the employed population are already very high. Only countries with a relatively large informal economy can significantly increase pension coverage, but this will require policy packages which extend far beyond pension policies. However, coverage can also be extended to groups that are not systematically covered, such as the self-employed. Moreover, coverage of voluntary private pensions can still be improved in many countries. Adequacy concerns can also be addressed by raising the level of basic and minimum pensions, possibly in combination with relaxing eligibility criteria for such pensions, albeit at a cost and potential risks for financial sustainability.

The changing nature of work in the context of population ageing highlights the importance of continuing to improve pension systems. Most pension systems are still based on the idea that people enter the labour market after finishing school, find a stable full-time job, often staying with the same employer, and retire from that company around age 65. Increasingly, such career patterns appear to be less realistic and may no longer correspond to people's preferences. Careers are patchier, people switch jobs, different types of contracts are used and different hours are worked. Moreover, technological progress is profoundly transforming the labour market, making some tasks and jobs obsolete and requiring workers to adapt their skills to a rapidly changing environment. For some, labour market positions will be squeezed and jobs will be made redundant. For others, advancing technology combined with greater flexibility will enable work conditions that can be better adapted to people's profiles and preferences. In the absence of increased redistribution, widening inequality on the labour market will eventually result in widening income inequality in old age. Policies to limit inequality in old-age, going much beyond pension policies, are discussed in the recently released OECD report *Preventing Ageing Unequally* (OECD, 2017).

In order to implement the needed reforms popular and political support is needed. Cutting benefits, increasing contributions or raising the retirement age, however, are unpopular. Given the significant political clout of older age groups, pension reforms that limit benefits paid over longer periods might be difficult to pass. Economic, financial and budgetary crises are often seen as logical points in time to implement reforms. Indeed, as shown in previous editions of *Pensions at a Glance*, many pension reforms were passed in times of crisis. However, reforming in a hurry can backfire, and from a macroeconomic perspective this has undesirable side-effects as it tends to amplify economic cycles adding pain in already difficult times. As result, pension reforms may be reversed, which has been occurring in some OECD countries recently. It is therefore important for governments to carefully build support, communicate clearly and take enough time to construct a viable reform plan.

The rest of the chapter is structured as follows. Section 1.2 sets the scene by describing some key indicators, Section 1.3 details the most recent pension reforms and, finally, Section 1.4 concludes.

### **Key findings**

- Most OECD countries have enacted pension reforms since the last publication of *Pension at a Glance* (OECD, 2015). However, the reforms have been fewer and less widespread than in previous years.

- Reforms will potentially have a large impact on the pension system in Canada, the Czech Republic, Finland, Greece and Poland.
- The retirement age was changed in six countries. Three of them actually reduced the long-term planned retirement age, including the Czech Republic, and Poland where this change will directly lead to substantially lower replacement rates.
- Based on legislated measures, the normal retirement age will increase by 1.5 and 2.1 years on average for men and women, respectively, in the OECD, reaching just under 66 years over the next four to five decades.
- The future normal retirement age varies enormously from 59 years in Turkey (women only) and 60 years in Luxembourg and Slovenia to an estimated 74 years in Denmark.
- The net replacement rate from mandatory pension schemes for full-career average-wage earners is equal to 63%, on average in OECD countries, ranging from 29% in the United Kingdom to 102% in Turkey. Low-income (half the average wage) earners generally have higher net replacement rates than average-income earners, by 10 points, on average across the OECD.
- In non-OECD G20 countries, net replacement rates for full-career average-wage earners range from 17% in South Africa to 99% in India. Only Indonesia implemented a major reform over the last two years by introducing a mandatory defined benefit pension scheme.
- Many countries have introduced automatic links between pension benefits and life expectancy. Funded defined contribution schemes have automatic links through more expensive annuities with increasing longevity, but links also exist in notional defined contribution systems, in point systems (Germany) and in defined benefit schemes (e.g. in Finland and Japan).

Most pension reforms over the past two year were undertaken in the following areas:

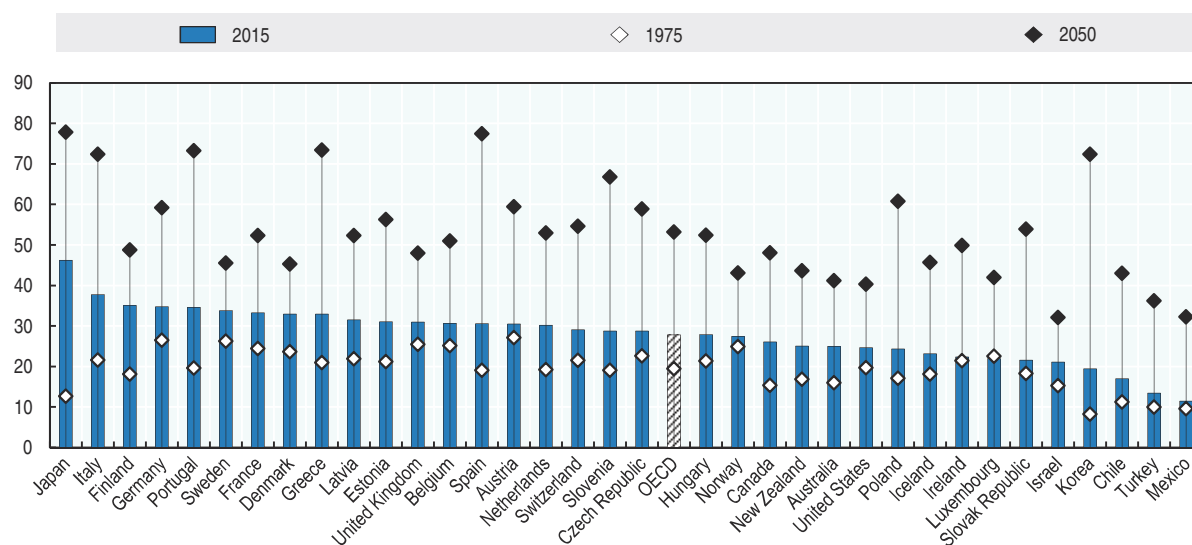
- Twelve countries modified contribution rates or limits contributions, by age or income (e.g. Australia, Canada, Hungary and Latvia).
- Twelve OECD countries changed benefit levels for all or specific groups of retirees (e.g. Canada, Finland, France and Greece). This either involved an outright adjustment of rules used to compute benefits, benefit cuts for higher earners, changes of the guaranteed minimum rate of return, of the reference salary, of the pension point value or of wider options for annuitisation.
- Seven countries changed the rules associated with minimum or basic pensions or conditions related to income and means testing (e.g. Germany, Greece and the Slovak Republic). Two countries introduced a minimum or basic pension, and three changed the earnings or asset rules.
- Seven countries, for example Ireland and Israel, changed the tax incentives related to pensions. Among the measures taken are the abolition or implementation of tax exemptions for some categories of earners.
- Five countries, e.g. Japan and Turkey, took measures to increase the coverage of pensions, by using auto-enrolment, lowering or increasing the age at which contributions can be made or removing restrictions on participating in a pension scheme.

## 1.2. Setting the scene

Part of the reason for falling replacement rates and rising pension expenditure is the increase in longevity. Life expectancy at age 60 has increased from 18.0 to 23.4 years in the OECD since 1970, with gains ranging from 1.5 years in Latvia to 8.7 years in Korea. By 2050, average life expectancy at age 60 is expected to rise to 27.9 years. If retirement ages remain at the same level, more time will be spent in retirement and, with unchanged benefits, pension expenditure will rise. In addition, larger cohorts are entering retirement with the labour market exit of the baby boom generation and fewer people will contribute because of low fertility rates.


Overall, this will significantly raise the so-called old-age dependency ratio. This ratio, defined as the number of individuals older than 65 years for every 100 persons of working age (20 to 64 years), increased from 19.5 in 1975 to 27.9 in 2015 on average in the OECD. It is projected to accelerate and almost double until 2050 to 53.2 (Figure 1.1). It is, however, computed based on fixed age boundaries, and as such only captures demographic shifts. Changes in the effective old-age dependency ratio would be better reflected by adjusting age boundaries proportionally in line with rising effective retirement ages (e.g. by using the ratio of 67+ year-olds over 20-66 year-olds for a future period), which would show a less dramatic increase.

Figure 1.1. **The old-age dependency ratio will almost double in the next 35 years on average**  
Number of people older than 65 years per 100 people of working age (20-64), 1975-2050



Note: The projected old-age dependency ratios differ based on the sources used. This report is based on UN data for comparison reasons. The largest differences are the following: according to Eurostat the old-age dependency ratio (65+/20-64) would increase by 39 and 19 percentage points between 2015 and 2050 in Spain and Austria, respectively, against 47 and 29 points with UN data. On the other hand, it would increase in Latvia by 33 points based on Eurostat against only 21 points with UN data.

Source: United Nations World Population Prospects: The 2017 Revision.

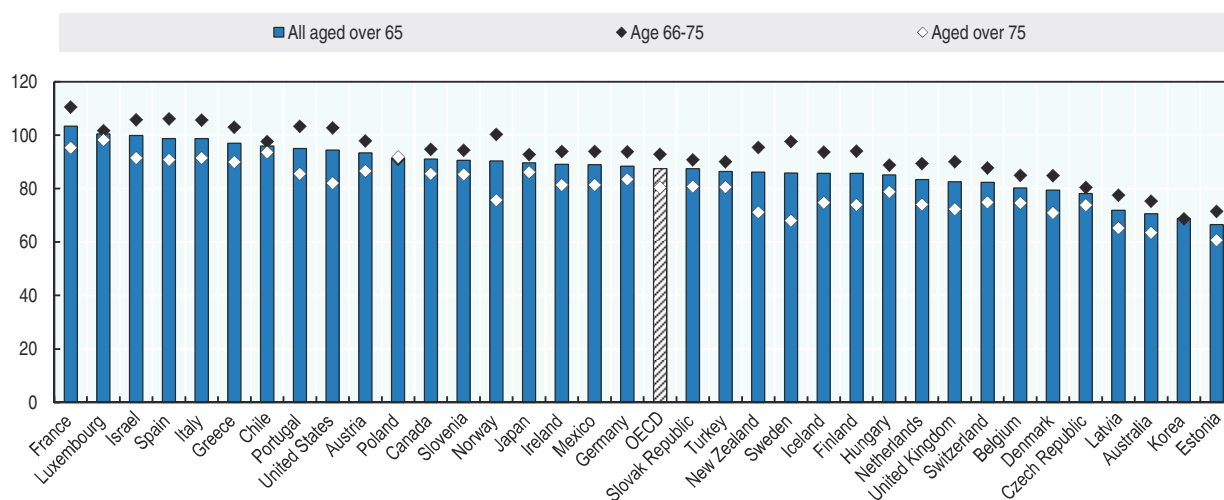
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Changes in the age structure of the population drive the need for pension systems to continue to adjust. There are two determinants at the heart of this movement. First, fertility is low and is expected to stay below the population replacement levels (slightly above 2.0 births per woman in developed countries), even though the trough seems to have been reached at


the beginning of the century, around 1.6 on average in the OECD (indicator 5.1). Second, life expectancy continues to rise, with projections indicating an increase in remaining life expectancy at age 65 of about one year per decade.

To assess the impact of ageing on retirement incomes, it is useful to take a look at current retirees' incomes. The relative disposable income of older people differs significantly among countries. Those aged over 65 receive less than 70% of the economy-wide average income in Korea and Estonia, but slightly more in France and Luxembourg (Figure 1.2, indicator 6.1). On average, the average income of the age group 65+ is 12% lower than that for the total population. Older age groups (75+) earn significantly less than the 66-75 in all countries except Poland, and also Chile and Luxembourg. Large differences (20 percentage points and more) exist between 66-75 and 75+ in Finland, New Zealand Norway, Sweden and the United States.

Figure 1.2. **Average incomes of older people**  
Disposable incomes of people aged over 65, % of total population incomes



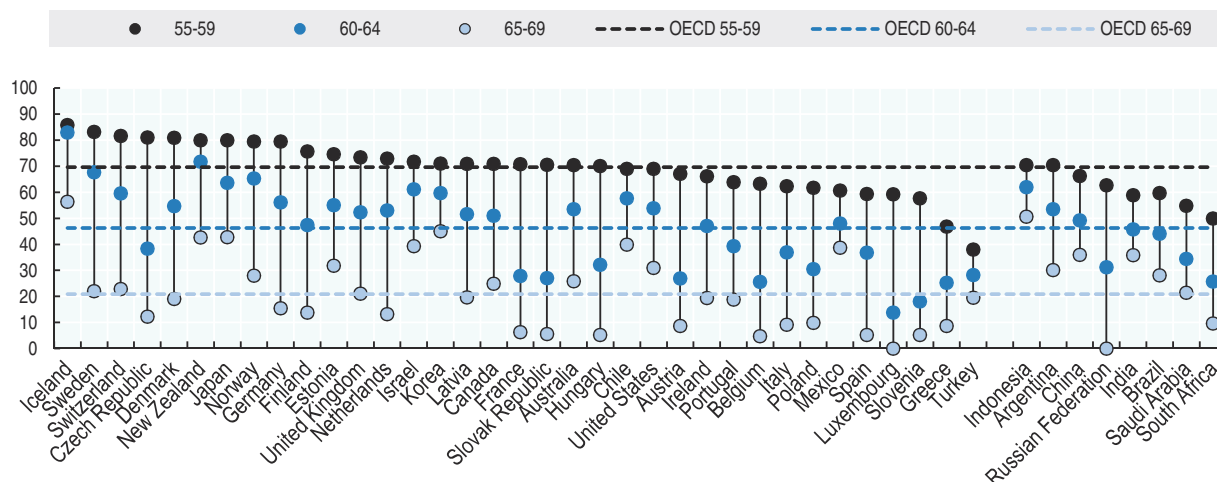
Note: 2014 or latest available year. All income from employment, self-employment, capital and public transfers are included. Incomes are measured on a household basis and equalised with the square root equivalence scale to adjust for differences in household size.  
Source: OECD Income Distribution Database.

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There are several reasons for the differences between the two age groups. First, a larger share of the 75+ age group is female: women's life expectancy is higher than that of men and older women often had short careers, resulting in low benefit entitlements. Second, in some countries pension systems are still maturing, meaning that not all older people have been covered during their working lives. Finally, employment rates drop sharply by age; even though employment rates of the 65+ age group is generally low in most OECD countries, it is still higher than employment rates of the 75+ age group.

Despite the large employment gains after age 55 since 2000 (Chapter 2), employment rates still fall sharply after age 60 (Figure 1.3). While in most countries, except Greece and Turkey, more than half the 55-59 year-olds work, this is only the case in half of the countries for the 60-64 and only for Iceland for the 65-69. Given that retirement ages are moving up in many countries it is important that employment follows suit. Extending working lives should therefore be on the forefront of the policy debate.

Figure 1.3. **Employment rates fall sharply with age**  
Employment rates of workers aged 55 to 59, 60 to 64 and 65 to 69 in 2016



Source: OECD Employment Database.

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### 1.3. Recent pension reforms

OECD countries have enacted fewer pension reforms per year in the 2015-17 period than between 2009-15. Based on a simple count of the number of measures per year recorded in *Pensions at a Glance*, there has been a reduction of about one-third between the two periods. Even though such an accounting exercise gives little indication of the extent of pension reforms, it suggests that their pace has slowed. However, some countries have taken considerable steps towards a more financially sustainable pension system while others have improved retirement income prospects. Beyond age measures, the majority of reforms involved either changes in benefits, contributions or tax incentives. Canada, the Czech Republic, Finland and Poland, in particular, took measures with a potentially large impact. Overall, several reforms constituted a reversal of previous action.

#### Retirement age

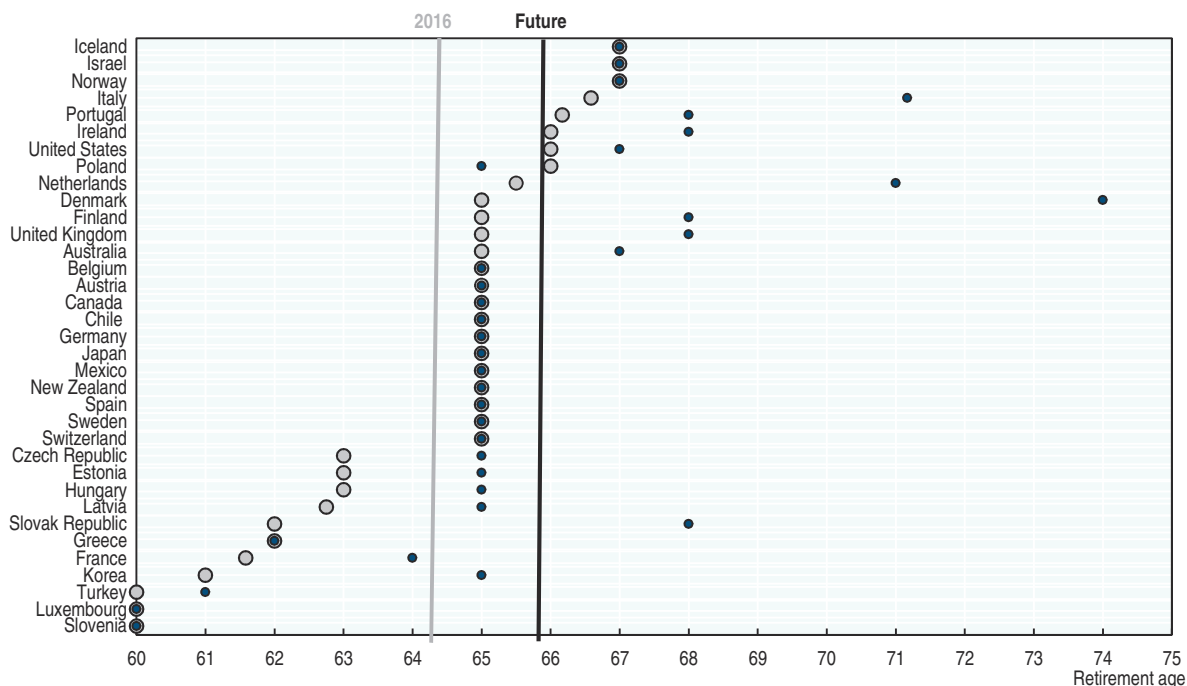
Many countries are increasing their retirement age. This can both enhance financial sustainability and – if translated into higher effective retirement ages – pension adequacy. Raising the retirement age in a defined benefit system tends to improve financial balances by boosting contributions and lowering total pension expenditure due to the shorter retirement period implied by the measure. Financial sustainability is not an issue in defined contribution systems but as pension entitlements need to be spread out over a longer period of time if life expectancy increases this automatically reduces pension income levels. This can then lead to boosting expenditure on first-tier pensions, generating public finance pressure possibly beyond the scope of contributory pensions. Increasing the retirement age might help to solve this problem.

During the last two years, several countries have taken steps to gradually increase the retirement age. Three countries have decided to increase the retirement age. Denmark will gradually increase it to 68 in 2030 and Finland from 63 to 65 by three months a year. In the Netherlands the pensionable age to receive a basic pension is increased to 67 and three months in 2022. Conversely three countries decided to reverse previously adopted

reforms. Canada chose not to implement the planned increase to 67 for the basic and means-tested pensions, the Czech Republic will no longer increase the pension age beyond age 65 and Poland reversed the planned increase to 67, with retirement ages dropping back to 65 for men and 60 for women. Moreover, in France, changes in rules to compute mandatory occupational benefits imply that the contribution period needed to get a full pension will increase by one year.


When taking into account all past legislated measures, and assuming a full career from age 20 in 2016, the normal retirement age (to become eligible for a full pension) is not planned to increase in 17 countries; three of which, Iceland, Israel and Norway, already have retirement ages of 67 (Figure 1.4).<sup>4</sup> However, most countries have previously agreed on fixed step increases for the coming years. Some have gone further and linked retirement ages to life expectancy afterwards: Denmark, Finland, Italy, the Netherlands, Portugal and the Slovak Republic. Based on this baseline scenario, three countries would have a future retirement age larger than 68 years (for the generation having entered the labour market in 2016): Denmark, Italy and the Netherlands. Overall, the future normal retirement age varies enormously from 59 years in Turkey (women only) and 60 years in Luxembourg and Slovenia to an estimated 74 years in Denmark. France and Greece will also have a normal retirement age below 65. On average across OECD countries, the normal retirement age would increase based on current legislation from 64.3 years today to 65.8 years for men and from 63.4 to 65.5 years for women (indicator 3.9). The 1.5-year increase represents slightly less than one-third of expected gains in life expectancy at age 65 during that period, which means about less than half of what is needed to stabilise the balance between the working and the retirement period.

Figure 1.4. **Retirement ages will increase in half of OECD countries, men**



Note: Normal pension age is calculated for a man with a full career from age 20. Future refers to the year in which someone is eligible for full retirement benefits from all mandatory components, without reduction, assuming labour market entry at age 20, this year differs by country.

Source: Indicator 3.10.

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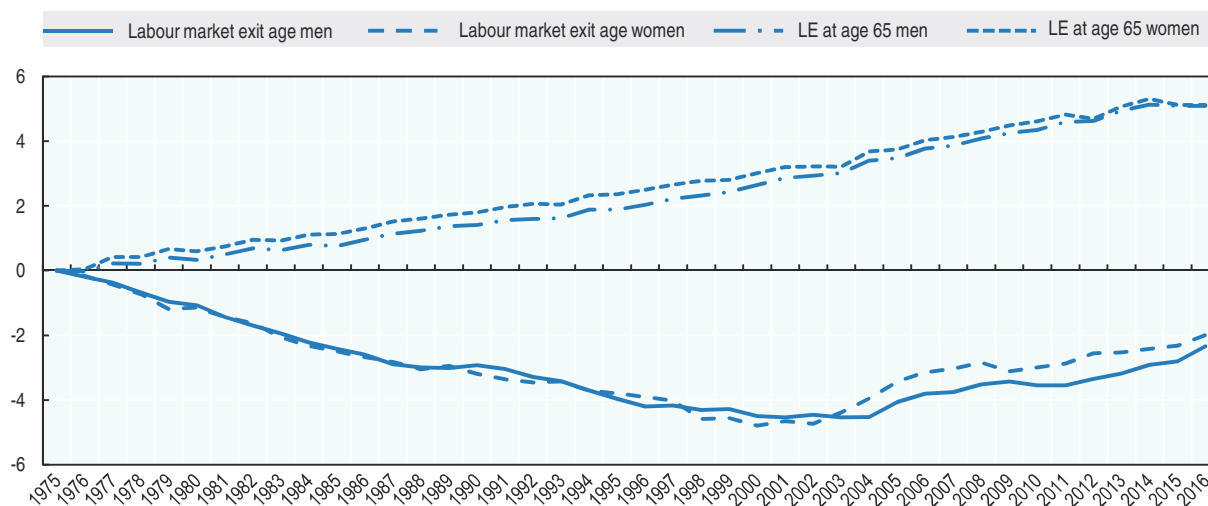


The increase in retirement ages over the past decades has contributed to enhancing employment of older workers. Although employment rates still decline steeply with age beyond 50 years, the employment rates of people aged between 55 and 64 have risen remarkably in most OECD countries over the last two decades and on average from 44% in 2000 to 58% in 2016 (indicator 5.7). Increases were larger than 20 percentage points in Austria, the Czech Republic, Estonia, Israel and Italy and larger than 25 points in Germany, Hungary, Latvia, the Netherlands and the Slovak Republic. Even during the global economic crisis where total employment performance was weak, employment rates continued to increase among older age groups.<sup>5</sup>

Higher employment at older ages broke the declining trend in the average age of labour market exit that had prevailed since the 1960s at least. Over the last 15 years, the average labour market exit age increased by about two years, recovering the levels reached in the early 1990s for men and mid-1980s for women. Yet, it is still lower today than it was 40 years ago when longevity was much lower. The diverging trends between the 1970s and the early 2000s of rising life expectancy and of decreasing labour market exit age – triggering a large increase in the duration of the retirement period – are at odds with the view that poor health is the current key obstacle to higher participation rates at older ages; this suggests that there is still a large potential to raise labour supply at older ages (Figure 1.5).


### Figure 1.5. Labour market exit ages and life expectancy have both increased over the last 15 years

Changes in labour market (LM) exit ages and life expectancy (LE) at the age of 65 among men and women since 1975, average over 24 OECD countries in years



Note: The trend reversal that led to increases in the effective labour market exit age between the early 2000s and today can be found in most countries, but not all. The effective age of labour market exit was actually higher in 2000 than in 2016 for men in Denmark, Greece, Iceland, Japan and Mexico and women in Greece, Ireland and Mexico.

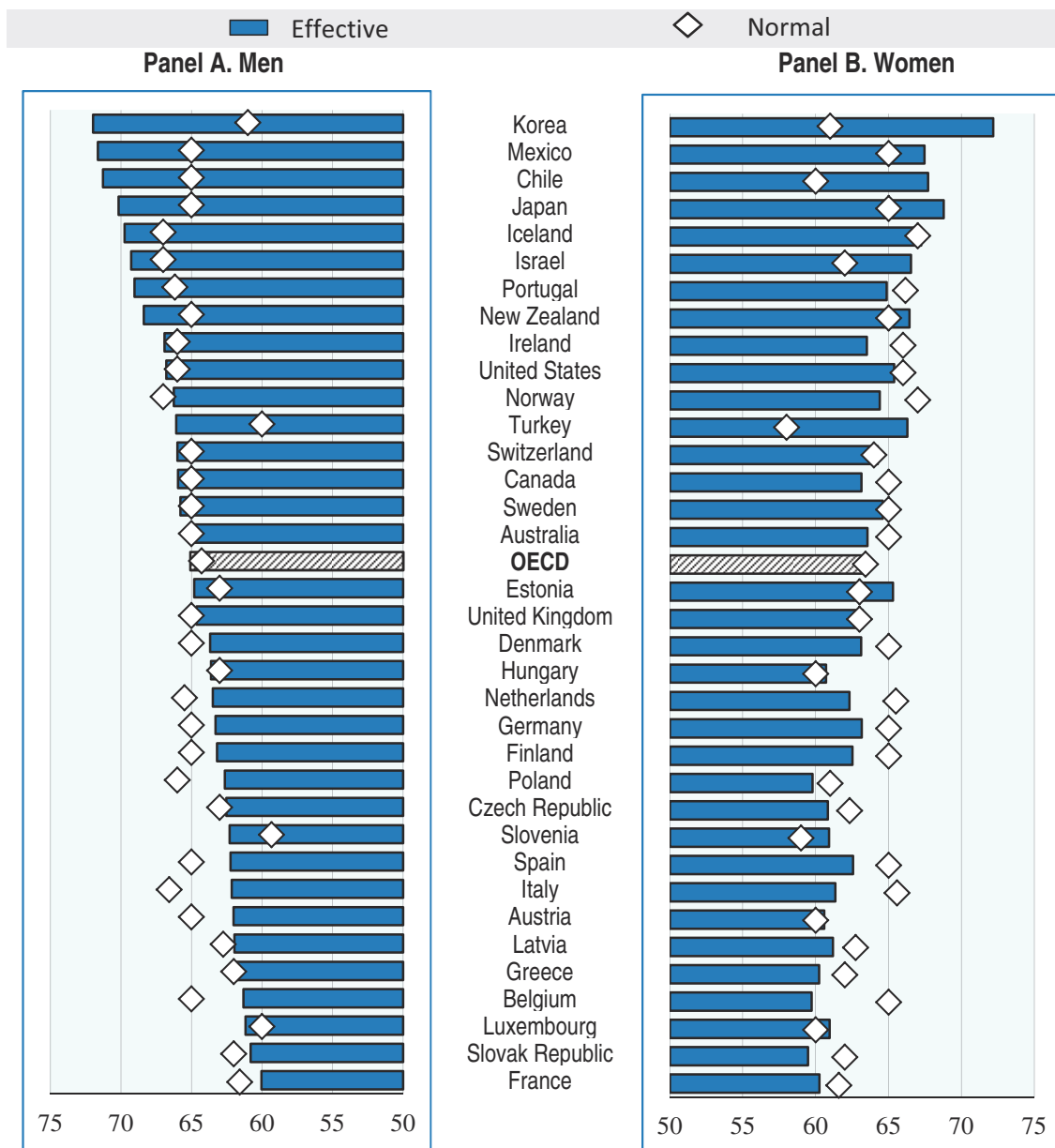
Source: OECD estimates. Labour market exit age data are based on the results of national labour force surveys, the European Union Labour Force Survey and, for earlier years in some countries, national censuses. Life expectancy data stem from OECD Health Statistics and are based on Eurostat data and national sources.

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The average labour market exit age was equal to 64.3 in the OECD on average, and was 1.5 years lower for women than for men. However, beyond the OECD average statistics lay vast country differences. The average labour market exit age ranges from 60.2 in France and the Slovak Republic to 72.1 in Korea (Figure 1.6). It is lower than 62 years in Belgium,

France, Luxembourg and the Slovak Republic for both men and women, and higher than 66 years in Chile, Iceland, Israel, Japan, Korea, Mexico, New Zealand and Turkey.

Figure 1.6. **Average effective age of labour-market exit and normal pensionable age in 2016**



Source: OECD estimates based on the results of national labour force surveys and the European Union Labour Force Survey.

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### Balancing financial sustainability and pension adequacy

There are other options than raising the retirement age to help reach the main objectives of pension systems. Even though the direct pressure of the financial crisis and the subsequent sovereign debt crisis in Europe subsided, many countries still took steps to improve the financial sustainability of their pension systems. At the same time, falling replacement rates prompted some countries to improve pension adequacy.

Pension benefits were, or are planned to be, changed in 12 OECD countries: Belgium, Canada, Finland, France, Greece, Iceland, Italy, Japan, the Netherlands, Portugal, Spain and Switzerland. The scope and direction of the benefit changes differ widely across countries. In France, the cost of the point (purchased by contributions) in occupational pensions has been exceptionally increased, beyond the usual wage valorisation, by 2% annually between 2016 and 2018. In Canada, future target replacement rates from the mandatory earnings-related component (Canada Pension Plan) for full-career workers earning up to about 1.25 times the average wage will increase from around 25% to 33%, thanks to increases in both contribution levels and ceilings. In Greece, pensions were cut by as much as 40% for those with a total pension of more than EUR 1 300 per month, equivalent to around three-quarters of average earnings. In Finland, accrual rates are being standardised across the entire working life, at 1.5%. Previously those aged 53 to 62 had an accrual of 1.9%, with those aged 63 to 68 getting 4.5%. In Belgium, the guaranteed interest rate within the voluntary scheme was reduced from 3.25-3.75% to 1.75%.

In several countries, benefit levels are linked to factors influencing total pension expenditure or total contributions. First, all funded defined contribution schemes automatically adjust the level of benefits to changes in longevity through the pricing of annuities. Second, an increase in life expectancy automatically lowers the newly granted pensions in countries with notional defined contribution systems, Italy, Latvia, Norway, Poland and Sweden. Third, Finland, Japan and Spain (sustainability factor) have introduced similar mechanisms in their DB pensions. Fourth, Italy, Latvia and Poland go further and uprate the notional accounts based on the growth rate of the wage bill or GDP.<sup>6</sup> Fifth, in Germany, Japan, Portugal and Sweden, there is an automatic adjustment of pensions to changes in the ratio of the number of workers per pensioner or to the financial balance of the PAYGO scheme. In Germany, Japan and Spain only, all pensioners, and not just new pensioners, have been affected by this adjustment of pension benefits.

Indexation rules were changed in only France and Japan. In France the adjustment of the occupational pensions is applied much later in the year and the period of reduced indexation has been extended for another two years.<sup>7</sup> In Japan, from April 2018 periods of deflation will be included in the indexation rules, but any unrealised benefit reduction because of a deflationary environment will be delayed to the next fiscal years, when the unused reduction can be applied as consumer prices rise. Moreover, in the Slovak Republic pension indexation was temporarily adjusted by 2% rather than applying the original indexation formula in 2017, which would have led to only a 0.3% increase.

Three countries changed the rules concerning minimum and basic pensions: Canada, Greece and the Slovak Republic. Canada increased the guaranteed income supplement for the lowest-income single seniors by over 10%, Greece introduced a flat-rate minimum pension, equivalent to over 20% of average earnings, and the Slovak Republic introduced a minimum pension from July 2015 for people who have at least 30 years of contributions.

Four countries changed the income and means testing rules of the pension system. Australia reformed the asset test for the Age Pension, increasing the threshold amount of assets before their pension is affected but simultaneously increasing the rate at which payments are reduced once this threshold is exceeded. In France and Germany the income test for combining work and pension has been relaxed. Finally, in Greece the means tested social assistance (EKAS) is being phased out.

Many countries changed contribution rates, but measures differed widely. Israel increased minimum contribution rates paid by both employers and employees, Hungary

reduced the social security contributions for employers, Finland reduced the rates for employers but increased them for employees and Canada increased the rates for both employers and employees to finance the earnings-related benefit increase. In Australia the annual contribution ceiling has been lowered.<sup>8</sup> Greece increased the contribution rates for the self-employed while Latvia changed the contribution rates for the self-employed and removed the contribution ceiling for funded DC schemes. In the Slovak Republic the ceiling to earnings on paying pension contributions increased from five to seven times the average earnings in January 2017.

Tax rules were altered in seven countries: Australia, Canada, France, Germany, Ireland, Israel and Latvia. Australia, in particular, has been very active in adjusting tax incentives. It established a cap of AUD 1.6 million on the amount of superannuation funds that can be transferred into the generally taxfree retirement phase, lowered the annual income threshold at which individuals pay an additional 15% contribution tax, extended retirement phase tax exemptions and changed the taxation of earnings for individuals using transition to retirement schemes. Canada introduced a tax deduction for the extra contributions made under the measures outlined above while France lowered the tax paid by employers on voluntary DC plans. Germany increased the tax incentives for employers of low earners to contribute to occupational pension plans: 30% of the additional contributions made (within the limits of EUR 240 and EUR 480 per year) can be deducted from taxes paid on wages.<sup>9</sup> Ireland scrapped the levy tax on pensions that was introduced during the financial crisis while Israel has reduced the tax advantages for high earners. Latvia increased the non-taxable part of the pension (from EUR 235 monthly in 2017 to EUR 300 in 2020), extended the private pension coverage of the self-employed and reformed the solidarity tax: before the reform the tax applied to earnings above the social security contribution ceiling while this solidarity tax will now also partly finance private pensions and health care.

Four countries took steps to increase coverage: Finland, Germany, Japan and Turkey. Finland decreased the minimum age for benefit accrual from 18 to 17 years whilst Germany concentrated on older workers by allowing contributions after the normal retirement age when continuing to work. Japan extended coverage of part-time workers and removed contribution restrictions to individual DC schemes, enabling non-working spouses, public-sector workers and those currently with only DB schemes to participate. Finally, Turkey introduced automatic enrolment of all wage earners under 45 into private DC pension plans.

Three countries changed the rules concerning early retirement. Austria introduced a partial pension for people 62 and over. Workers with at least 780 weeks of unemployment contributions are allowed to reduce hours between 40% and 60% without a reduction in earnings. Finland introduced a partial pension which allows people to receive 25% or 50% of their pension – which is on top actuarially adjusted – without work requirements from the age of 61. For those in arduous jobs early retirement can be taken from the age of 63 (and without actuarial adjustment). Germany reduced the age at which compensation payments paid by employees can be made from 55 to 50 to help individuals reduce the penalty for early retirement.

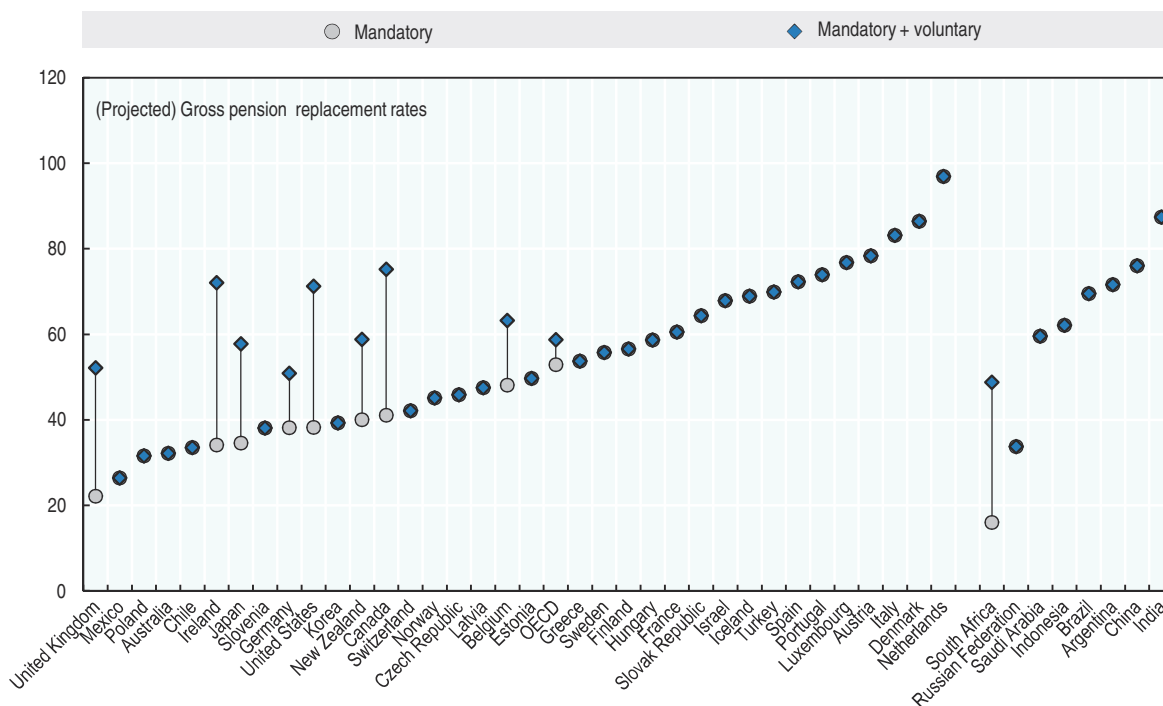
### **Replacement rates**

The replacement rate is one measure of retirement income adequacy (for a comprehensive overview of all OECD pension entitlement indicators and the assumptions underlying their estimation, see Chapter 4). The replacement rate is equal to the ratio of the pension

entitlement to lifetime average earnings. Assuming that individual earnings grow in line with average earnings, lifetime average earnings are equal to the last earnings for full-career workers.<sup>10</sup> Future theoretical replacement rates are estimated assuming individuals have a full career starting at age 20 in 2016 until reaching the country-specific normal pensionable age (baseline case). This normal pensionable age is defined as the age at which individuals can first withdraw their full pension benefits, i.e. without actuarial reductions or penalties.

Figure 1.7 shows theoretical gross pension replacement rates across OECD and G20 countries for an average-wage worker. Gross replacement rates for mandatory pensions range from 22% in the United Kingdom to 97% in the Netherlands. In countries with significant coverage from voluntary private pensions – Belgium, Canada, Germany, Ireland, Japan, New Zealand, the United Kingdom, the United States and South Africa – being covered by a voluntary pension boosts future replacement rates by 26 percentage points on average for average earners.

Figure 1.7. **Future gross replacement rates for full-career average-wage workers in OECD and G20 countries**



Source: OECD calculations based on the pension model. See Chapter 4 for details.

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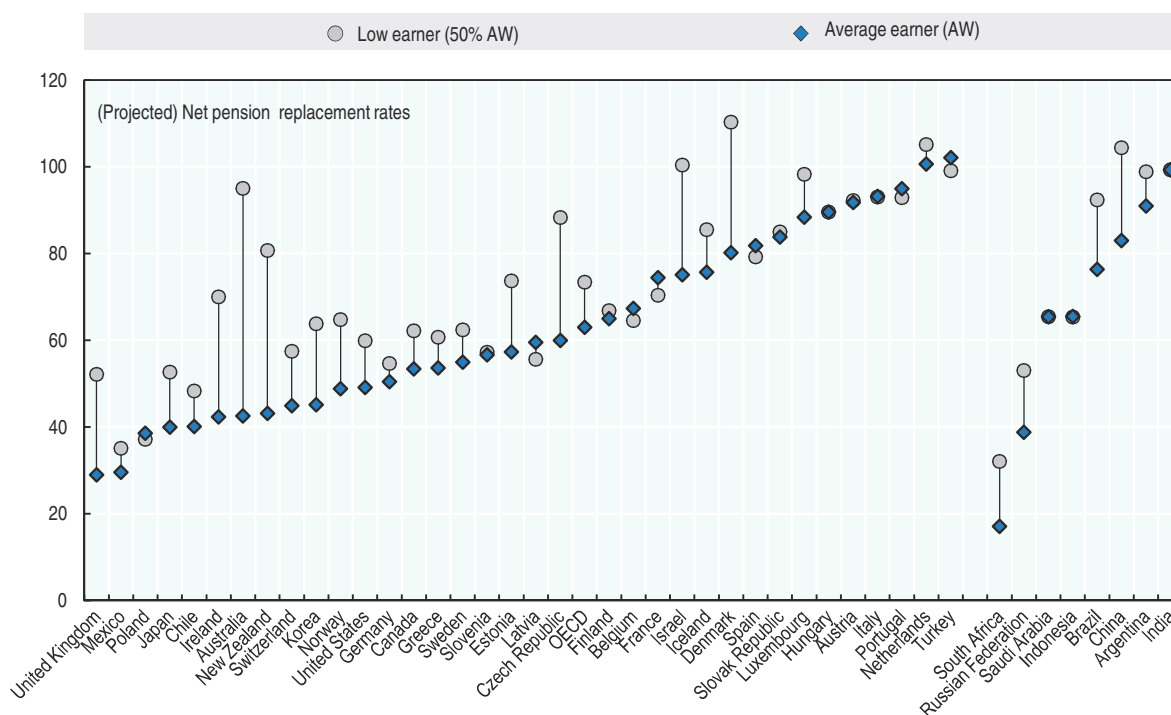
For the non-OECD G20 countries, South Africa has a very low gross replacement rate (16% for average earners) from the mandatory component. By contrast, projected gross replacement rates are 72%, 76% and 87% in Argentina, China and India, respectively. However, including the voluntary pension boosts the replacement rate for South Africa (49% across earnings levels for a full career).

The biggest reform implemented in the non-OECD G20 countries over the last two years is the 2015 reform in Indonesia, creating a mandatory pay-as-you-go defined benefit scheme. The new scheme was introduced on top of the existing mandatory defined


contribution scheme. Its accrual rate is 1% per year based on the career average wage (with past wages uprated by prices).<sup>11</sup>

As what matters in the end is disposable income both before and after retirement, net replacement rate is a better indicator of retirement income adequacy. Figure 1.8 shows theoretical net pension replacement rates across OECD and G20 countries for a full-career worker at either low or average earnings. The OECD average for net replacement rates from mandatory schemes for average-income earners is equal to 63%, ranging from 29% in the United Kingdom and 30% in Mexico to 102% in Turkey. Low-income (half the average wage) earners generally have higher net replacement rates than average-income earners, by 10 percentage points on average across countries, due to the progressivity of the tax-pension benefit systems that are in place in most OECD countries. Yet, the net replacement rate for low earners is projected to be below 50% (implying a very low pension even after a full career) in Chile, Mexico and Poland (see indicator 4.8 for more details).

Figure 1.8. **Future net replacement rates for low and average income earners in OECD and G20 countries**



Source: OECD calculations based on the pension model.

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## 1.4. Conclusion

In the last two years the pace of pension reforms across the OECD countries has slowed. As both the financial crisis and the subsequent sovereign debt crisis are subsiding, government finances are improving, taking off some of the direct pressure to reform. Still, most OECD countries have enacted pension reforms since the last publication of *Pension at a Glance*, including changes in benefits, contribution rates and the retirement age.

Increasing the retirement age is one of the key measures to address the challenges triggered by population ageing. Based on available data, the share of healthy life years in

remaining life expectancy at age 50 over the past 15 years has been broadly stable, which suggests that most countries have space to increase the pension age. In half of OECD countries the retirement age will rise in the future, including some countries which go a step further and link retirement ages to life expectancy, leading to a 1.5-year increase of the OECD average retirement age over the next decades based on legislated measures. This would, however, be insufficient to stabilise the balance between retirement and working life. Six countries adopted plans to change the retirement age in the last two years. However, in three of them previously planned increases in the retirement age have been reversed.

Many countries now also include automatic links between pension benefits and demographics, including changes in life expectancy or in the size of the workforce. This goes beyond built-in adjustments in defined contribution – funded or not – schemes and extends to some defined benefit or point schemes. This is a promising avenue as such links lessens the political pressure to ensure financial sustainability in the face of ageing.

However, if employment at older ages does not increase further, population ageing and the above measures will generate lower pension levels, thereby reducing well-being during retirement. It is therefore essential that efficient complementary labour market policies are put in place to maximise the use of substantial health-related work capacity at older ages in many countries (OECD, 2017). These policies should focus on limiting the impact of job losses, upgrading skills throughout the career, enhancing job quality and removing barriers to retain and hire older workers. The impressive increase in employment rates of those older than 55 since 2000 (Chapter 2) should therefore continue and extends to countries that are lagging behind.

OECD countries should not wait until the next crisis to implement the needed reforms to deal with increasing longevity, increasing risk of old-age inequality and changing work patterns. The OECD *Preventing Ageing Unequally* report suggests a range of policies to limit inequality in old-age, going much beyond pension policies. It adopts a life course approach highlighting that it is much more efficient to focus on preventive measures and tackle inequalities as early as possible than implementing more costly and possibly less effective measures to remedy their consequences at later stages. Yet, pension systems can play an important role in coping with old-age income inequality by: targeting adequate levels of retirement income for all retirees through a balanced combination of old-age safety nets, mandatory pensions, annuities in private schemes and pension credits; increasing pension coverage, especially for the self-employed and those with non-standard employment, including through improved financial literacy; weighing the importance of redistributive components given inequalities in life expectancy; designing survivors pensions carefully to protect widow(er)s effectively while limiting inefficient forms of redistribution and work disincentives; and moving towards a unified pension framework for all workers.

## Notes

1. And other OECD pension publications such as *Pensions Outlook*.
2. European Commission (2015) expects pension expenditure to rise as a percentage of GDP until 2040 after which it would decrease and return to 2013 levels around 2060.
3. Countries with mandatory public and private pension contributions for both employer and employee below 10% include Australia, Canada, Korea and Mexico. The social insurance contributions in the United States (which include contributions for disability insurance) are also relatively low at 12.4%.

4. The normal retirement age is the age at which an individual is eligible for full retirement benefits from all mandatory components, without reduction, assuming full career and labour market entry at age 20.
5. There is some evidence that raising the retirement age during a recession has a negative effect on youth employment in the short run (Boeri et al., 2016). However, it is unlikely to have such an impact in the long run (Bertoni and Brunello, 2017).
6. By contrast, NDC accounts in Norway and Sweden are uprated in line with wages, which does not account with the loss of economic potential that might result from the changes in the demographic structure and affect the size of the labour force.
7. It is inflation minus one percentage point, rather than inflation though benefits cannot decrease while these benefits were frozen in nominal terms between 2014 and 2016.
8. The annual before-tax ceiling is lowered from AUD 30 000 if age < 49 or AUD 35 000 if aged 49 or older to AUD 25 000 regardless of age. If the before-tax ceiling is not reached in a given year the remaining amount can be carried forward for up to 5 years if superannuation balances are AUD 500 000 or less. The annual after-tax contribution ceiling is lowered from AUD 180 000 to AUD 100 000 after, and limited to individuals with a total account balance of less than AUD 1 600 000.
9. Additionally, the annual basic allowance for state subsidised pensions (*Riester-rente*) will be raised from EUR 154 to EUR 165.
10. This assumes that past earnings are uprated in line with average-wage growth and that workers maintain the same position within the wage distribution throughout their career.
11. Eligibility conditions include a minimum of 15 years of contributions and reaching the statutory retirement age (56 at the moment, increasing to 65). If contributions are made for less than 15 years the contributions are returned in lump sum.

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## ANNEX 1.A1

### *Pension reform overview decided between September 2015 and September 2017*

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Australia				July 2017. The annual concessional (before-tax) contribution ceiling is lowered from AUD 30 000 if age < 49 or AUD 35 000 if aged 49 or older to AUD 25 000 regardless of age. The annual nonconcessional (after-tax) contribution ceiling is lowered from AUD 180 000 to AUD 100 000. Starting in July 2018, unused concessional contributions can be carried forward for up to five years if superannuation balances are AUD 500 000 or less.	January 2017. The assets test, used to determine eligibility and benefit amounts for the Age Pension and other public pensions, was reformed. The changes provide an increase in the amount of assets a pensioner can hold before their pension is affected under the assets test. The changes also provide an additional increase in the assets test free areas for non-home owners. Support to pensioners with higher levels of assets is reduced, by increasing the taper rate (the amount by which payments are reduced) from AUD 1.50 to AUD 3.00 per fortnight per AUD 1 000 in assets over the free area.	July 2017. A AUD 1.6 million cap is established on the amount of superannuation funds that an individual can transfer into generally tax-free retirement plans. Savings above this limit can remain in the concessional tax-accumulation phase or be moved out of the superannuation system. The retirement-phase tax exemption is extended to additional types of income stream products (for example, deferred lifetime annuities and group self-annuitisation products). However, the tax exemption for returns on assets used to support transition to retirement income streams is removed. A Low Income Superannuation Tax Offset is introduced for individuals with taxable annual incomes up to AUD 37 000. The annual income threshold is reduced at which individuals pay an additional 15% contribution tax from AUD 300 000 to AUD 250 000.	June 2017. The Pensioner Concession Card (PCC) is restored for individuals who lost entitlement to the concession card because of changes made to the social security assets test on 1 January 2017. The PCC entitles a holder to some health-related concessions, including medical care and prescription medication. State and territory governments also provide some concessions for PCC holders. To be eligible for a restored PCC under the reform, an individual must have been receiving a public pension immediately before 1 January 2017, have lost his or her pension directly because of the assets-test restructuring, and not otherwise be entitled to the PCC.
Austria	January 2016. Partial pensions (Teilpension) for employees aged 62 or older were introduced. Employees aged 62 or older with at least 780 weeks of unemployment insurance contributions in the prior 25 years are eligible to reduce their working hours by 40 to 60% without experiencing a similar reduction in their earnings.			January 2017. For workers who defer retirement, employee and employer contributions are reduced by 50% for up to three years (until age 68 for men and age 63 for women). The Pension Insurance Institution is responsible for financing the contribution reduction. At retirement, the pension will be based on the full contribution base.			January 2017. A working parent may transfer up to 50% of his or her pension contributions to a partner for the first seven years of the child's life; previously, such transfers were allowed only for the first four years.
Belgium			January 2016, the legal guaranteed minimum rate of return on contributions under occupational pension plans changes from a fixed rate to a variable rate. The variable rate is calculated based on the 24-month average annual return on 10-year "government linear ordinary bonds". It must be at least 1.75%.				

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Canada	June 2016. The age of eligibility will remain at 65 for the Old Age Security (OAS) pension and the Guaranteed Income Supplement (GIS). Reversal of a previously planned increase from age 65 to 67 from 2023 to 2029.		October 2016. Phased in 2019-25. The benefits of Canada Pension Plan (CPP) will increase from around one quarter to around one-third of a worker's average monthly pensionable earnings. The ceiling for insurable earnings will also gradually increase by 14% by 2025.	October 2016. From 2019 to 2023, the contribution rates for employers and employees will gradually increase from 4.95% to around 5.95%. Additionally, starting in 2024, employers and employees will each be required to contribute around 4% above the previous maximum pensionable earnings, up to a new upper earnings limit, which is projected to be 107% of the previous maximum pensionable earnings in 2024 and 114% in 2025.	July 2016. The Guaranteed Income Supplement (GIS) for the lowest-income unattached beneficiaries increased by CAD 947 per year, an increase of over 10% for single seniors with no or very little income.	October 2016. Phased in 2019-25. Employees will receive a tax deduction on the portion of contributions associated with the CPP enhancement. Employees will continue to receive non-refundable tax credits for existing CPP contributions. As well, the Working Income Tax Benefit will be increased to help low-income workers offset the cost of higher contributions for the CPP enhancement.	November 2016. Ontario implemented the Pooled Registered Pension Plans (PRPP) Act, providing a legal framework for creating and operating voluntary, low-cost, defined contribution pension plans for employed and self-employed persons who do not have access to a workplace pension. The law largely follows the framework of federal PRPP legislation that was passed in 2012. December 2016. Québec-based firms with 20 or more employees and who do not offer workplace pension plans were required to enroll their employees into the Voluntary Retirement Savings Plan (Québec's version of the federal PRPP) by 31 December 2016. Similar firms employing 519 employees have until 31 December 2017 to do so.
Chile							November 2017. Pension fund management companies (AFPs) are permitted to invest a greater share of their funds in so-called "alternative" assets. The AFPs can purchase infrastructure bonds and invest directly in closely held companies and real estate. At the same time, the maximum allowed share of alternative assets will immediately increase from 3% to 5% and potentially keep rising to 15%.
Czech Republic	June 2017. The retirement age increase will be capped at the age 65, reversing the earlier decision to increase by two months every year thereafter.						
Denmark	January 2016. It is no longer allowed to include mandatory retirement ages in employment contracts. November 2015. The retirement age will gradually increase to 68 between 2022 and 2030.						
Estonia							

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Finland	<p>January 2017. Retirement age for the earnings related pension is raised (by three months a year) from 63 to 65 for those born after 1954. Future increases (of up to two months a year) are linked to life expectancy, also in the national basic pension system. The maximum age of pension insurance is raised from 68 to 69 for those born from 1958-1961 and to age 70 for those born after 1961. February 2017. Insured persons can choose to receive a partial pension of either 25% or 50% of their accrued pensions as early as 61 (rising to 62 in 2025 and to life expectancy afterwards). However, claiming a partial pension before the minimum retirement age permanently reduces benefits by 0.4% for every month of early partial retirement. February 2018. A years-of-service pension will be introduced for those in arduous occupations. Workers with at least 38 years of coverage will be eligible to retire at age 63 with no penalty if they can demonstrate that their capacity to work has diminished due to arduous work.</p>	<p>January 2017. The earliest age for benefit accrual and pension insurance for employees is reduced from 18 to 17.</p>	<p>January 2017. The benefit accrual rate is standardised at 1.5% of annual earnings for all age groups from 2026 onward. From 2017 to the end of 2025, the accrual rates are 1.5% for those aged &lt; 53, 1.7% for 53-62 and 1.5% for 63+. Total earnings in benefit calculations are used (previously pension contributions were deducted). The monthly bonus for deferred benefits is applied at the minimum retirement age rather than the maximum age of pension insurance. Disability pension level increases as the retirement age rises. (the projected part of the pension is calculated to the retirement age).</p>	<p>January 2017. Until 2020 the contribution rates for the earnings-related pension will gradually fall for employers and rise for employees. Employers currently contribute a much larger share (on average 75%) to the program than employees. After all adjustments are implemented, the employers' average share will be about 70%. The contribution rates for the earnings-related pension have risen during past years but after the 2017 reform the contribution will stabilise approximately to the level 24.4%. For employees of age 53 to 62 the pension contribution will be 1.5% higher than for other employees until the end of 2025.</p>	<p>January 2016. The guarantee pension was increased by EUR 20.</p>		<p>June 2017. Pension assistance benefit is introduced providing income support for older long-term unemployed. To qualify for pension assistance, a person must have reached 60 and been entitled to unemployment benefits on before 1 September 2016; and collected unemployment benefits for at least 1 250 days from 1 September 2010, to 31 August 2016. Those who qualify receive a monthly benefit equal to the guaranteed minimum pension. The benefit ceases when an old-age, disability or partial pension is received or someone reaches 65. January 2017. A new pension act (JuEL) was created by merging the 4 main public sector pension acts. January 2016. Gradual increase in sailors' retirement ages starts and accrual rates decreased to the level of (TyEL).</p>
France			<p>January 2016. Agreement between social partners. The cost of a point used to calculate an individual's pension benefits is temporarily (from 2016 through 2018) increased by 2 percentage points annually, beyond the usual wage indexation. Beginning in 2016 the timetable for adjusting mandatory occupational pensions (old age and survivors benefits for ARRCO and AGIRC schemes) is pushed back from April to November each year and the formula (the rate of inflation minus one) for adjusting pensions is extended for another two years (but benefits cannot decrease).</p>		<p>January 2016. Earnings test for pensioners who receive both employment-related income and a pay-as-you-go public pension is relaxed. Pensioners who receive partial pensions and have employment-related income above a threshold will have their pensions reduced by the amount of income above this threshold. Previously, old-age pensions were fully suspended if employment-related income exceeded this threshold.</p>	<p>January 2016. The social tax (20% since 2012) that is paid by employers on voluntary DC savings plans (PERCOs) is lowered in some cases. For companies with fewer than 50 employees, the social tax will be lowered to 8% for a six-year period. The social tax will be lowered to 16% for companies whose PERCOs have at least 7% of their portfolio invested in instruments that help finance SMEs and provide a default option that will gradually lower investment risk as a worker ages.</p>	<p>January 2019. Social partners agreed to apply a reduction (10%) to the value of pension points, for the first three years of retirement until age 67, for employees retiring at the age at which they obtain the full rate in the general scheme. This reduction can be cancelled if the worker postpones his/her retirement by one year.</p>

Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Germany	January 2017. Individuals who work after the normal retirement age can choose to continue making pension contributions for higher benefits. Before, individuals who continued to work after the normal retirement age did not pay pension contributions. Employers contributed on their behalf, but the contributions had no effect on the level of benefits.		July 2017. The age at which workers may make compensatory payments (to boost early pensions) decreased from 55 to 50. Compensatory payments are lump sum or gradual payments that allow workers to retire early with less or no benefit reduction (normally 0.3% for each calendar month the pension is claimed before the normal retirement age) by prepaying their pension contributions.	July 2017. The old earnings test for workers aged 63 to 67 who continued to work while receiving a pension is replaced, making it more attractive to work. For those with annual earnings up to EUR 6 300 (USD 6 945.75), the full pension is paid; for those with annual earnings above EUR 6 300, the full pension is reduced by 40% of the additional earnings.	January 2018, for low-income earners (< EUR 2 000/month) a subsidy is introduced for additional employer contributions (between EUR 240 and EUR 480 yearly) to occupational pension schemes. 30% of additional contributions are deducted from the wage tax. January 2018, the annual basic allowance for state subsidised pensions (Riesterrente) will be raised from EUR 154 to EUR 165.	A partial exemption to private pension income (e.g., Riesterrente) for recipients of means-tested benefits was introduced. Not the full amount of the private pension income is taken into account when calculating the means-tested minimum income of the elderly, but EUR 202 per month are not subject to the means-tested income of the elderly.
Greece		May/June 2016. A reduction in benefits by as much as 40% for the approximately 200 000 pensioners who receive combined pensions of more than EUR 1 300 a month.	May/June 2016. The self-employed will have to contribute at the higher statutory rates (combined employer/employee, 20% of income), rather than the current fixed-income amounts (phasing in over five years).	May/June 2016, National flat-rate minimum pension of EUR 384 per month is introduced for workers who have at least 20 years of contributions at the normal retirement age of 67. A gradual phasing out of the means-tested social solidarity benefit (EKAS) by 2020. As a start, stricter eligibility criteria means that current beneficiaries with non-EKAS (combined main plus auxiliary) pension income greater than EUR 664 per month are no longer eligible.		
Hungary			January 2017. Reduction of the social security contribution rate for employers from 27% to 22%.			
Iceland		December 2016. The civil servants pension fund (Adivision) is transformed from DB fully guaranteed into DC not guaranteed with age based accrual rate instead of flat rate accrual. Bdivision of civil servants pension fund, which was closed for new members in 1997, is not part of this reform.				

Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Ireland					October 2015. The Finance Minister announced that the pension levy will be abolished at the end of 2015 because the levy has accomplished its goal of improved public finances. The levy applied to voluntary private-sector pension plans as well as to voluntary personal retirement savings accounts.	
Israel			1st half 2016. Minimum mandatory contribution rates for DC occupational pension plans have increased for both employers (6.0% to 6.5%) and employees (5.5% to 6.0%). Additionally, employer contribution rates are harmonised across different types of retirement plans.		1st half 2016. Tax relief for higher earners reduced.	1st half 2016. Employer responsibility for retirement plan administrative costs increased.
Italy		January 2017. The 14th-month payment is increased for pensions up to EUR 750 a month and is extended to pensioners with an income of up to twice the INPS minimum (-EUR 1 000). Those with benefits of less than EUR 750 a month and less than 15 years of contributions will receive EUR 437, EUR 546 for those with 15-25 years of contributions and EUR 655 for those with more than 25 years of contributions. Those with an income between EUR 750 and EUR 1 000 will receive a 14th-month payment (which they were not eligible for previously) of between EUR 336 and EUR 504.				

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Japan		January 2017. Restrictions on individual DC plan participation will be removed to allow contributions from non-working spouses, public-sector workers, and individuals currently covered only by private DB plans. April 2017. Mandatory coverage of part-time employees (EPI system) will be extended to companies with fewer than 500 employees. To qualify part-time employees must work at least 20 hours a week and earn JPY 88 000 (USD 752) or more per month.	From April 2018 periods of deflation will be included in the indexation rules, but any unrealised benefit reduction because of a deflationary environment will now be delayed to the next fiscal year or later, when the unused reduction can be applied with consumer price inflation. From April 2021, the Wage/Price Indexation is revised. Pensions are adjusted downward when wages decline.	January 2018. Contribution limits will be redefined from a monthly to an annual basis to allow for more flexible contribution arrangements.			January 2017. The rule that allows individual DC plan participants with modest balances of up to JPY 500 000 (USD 821.35) to cash out if they stop working is eliminated. April 2019. New mothers will be exempted from paying National Pension contributions for four months before and after childbirth.
Korea							
Latvia		From 2018 the self-employed earning below the minimum wage will be included in the private pension scheme, though remain outside the public scheme.		Currently the self-employed earning above the minimum wage pay full pension contributions on all earnings. From 2018 they will pay full contributions (20%) on earnings up to the minimum wage, and 5% for earnings above and the self-employed earnings below the minimum wage will pay 5% to the private pension scheme. From 2018 the contribution ceiling for employees will be removed, with 6% and 4% of earnings above this level now going to the DC and private pension schemes, respectively.		The non-taxable allowance for pensioners will increase gradually from EUR 235 a month in 2017 to EUR 300 a month in 2020.	
Luxembourg							

	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Mexico							Creation of a new pension fund for employees aged 60 years or older near to retirement (SB0). In total, each asset manager has to propose five pension funds, which by default are targeted to people of different age groups (SB4: < 36 years old; SB3: 37-45 years old; SB2: 46-59 years old; SB1: > 60 years old; SB0: > 60 years old near to retirement). SB0 started operations in 2015 to protect the savings of workers close to retirement. Since 2017, workers can change to any pension fund, even if it does not match with their age, so they have freedom to choose the investment strategy according to their risk preferences.
Netherlands	January 2016. The retirement age for the basic pension is raised to reach 67 in 2021. After that it will be linked to life-expectancy, with each increase announced five years before. The retirement age will reach 67 and 3 months in 2022.		September 2016. Variable annuity option for defined contribution (DC) occupational pension plans is introduced. DC pension plan participants will be able to choose between: 1) a fixed annuity providing a guaranteed level of income until the end of life; 2) a variable annuity that allows retirees to invest in risk-bearing assets and provides a level of income that is adjusted according to the performance; or 3) a combination of the both.				
New Zealand				May 2015. Removal of the kick-start contribution in KiwiSaver accounts.			
Norway							November 2017. A new scheme for individual pension savings is introduced. Individuals will receive a deduction in capital income up to NOK 40 000 a year for payment to the scheme. Pensions paid from the scheme are taxed as capital income. The new scheme substitutes a more limited scheme.
Poland	October 2017. Reduction of the retirement ages to 60 for women and 65 for men.						



	Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Portugal	October 2017. Early retirement rules for public old-age pensions is amended to allow individuals with 48 years of contributions (or 46 years if they began contributory employment at age 14 or younger) to receive full benefits as early as age 60.		2017. Pensions below or equal to 1.5 times the Social Support Index are increased by maximally EUR 10. The sustainability factor for disability pensioners at the date of the respective conversion into old-age pensions is eliminated.				March 2017. Indexation rules are adjusted. Previously more generous indexation was applied to those earning less than 1.5 times the IAS (social support index) this threshold is increased to 2 times the IAS.
Slovak Republic				January 2017. A ceiling to earnings on paying pension contributions has increased from five times to seven times average earnings.	From 1 July 2015 there is a minimum pension benefit for old-age pensioners and invalidity pensioners that reached retirement age. Conditions for beneficiaries to increase the pension up to the minimum pension: at least 30 years of qualified pension insurance period completed, the amount of pension income is lower than the amount of the minimum pension and all qualified pensions are claimed.		
Slovenia							
Spain			January 2016 Introduction of new "maternity complement". This new complement is applicable to all new contributory pensions recognised to women with children.				
Sweden							
Switzerland			The guaranteed interest rate within the mandatory occupational pension scheme was reduced from 1.75% in 2015 to 1.25% in 2016 and to 1% in 2017.				

Retirement age	Coverage	Pension benefits	Contributions	Minimum and basic pensions, income and means testing	Taxes	Other
Turkey	January 2017. Automatic enrolment of all wage-earners younger than 45 into private DC pension plans. Employees will automatically contribute 3% of their gross income to private pension plans chosen by their employers. Employees can choose to opt out (within the first two months). The government will match 25% of an employee's contributions and will make an additional one-time contribution of TRL 1 000 (USD 337.73) for those who do not opt out.					
United Kingdom						April 2017. Introduction of Lifetime Individual Savings Accounts (LISA), voluntary privately managed savings, open to individuals aged 18 to 40. Up to GBP 20 000 (USD 24 624) can be saved per year, with the government providing a 25% bonus on the first GBP 4 000 (USD 4 925). LISA savings are for retirement (when reaching 60) or for a first home purchase (at any age).
United States						



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