International Update

Recent Developments in Foreign Public and Private Pensions

April 2024

Europe

Switzerland Approves 13th Pension Payment

In a national referendum held on March 3, Swiss voters approved a measure that introduces a 13th payment for Old-Age and Survivors' Insurance (OASI) pensions. Under the measure, OASI pensioners will receive a 13th payment equal to their standard monthly payment along with their 12th payment each December starting in 2026. The measure will also raise the maximum annual pension (based on current pension figures) from 29,400 francs (US$32,546) to 31,850 francs (US$35,258) for single persons and from 44,100 francs (US$48,819) to 47,775 francs (US$52,887) for married couples and registered partners, and it stipulates that supplemental benefits will be unaffected by the additional payment. Proponents of the measure have argued that the 13th payment is needed to help Swiss pensioners deal with rising living costs. (Switzerland had the highest cost of living among the 38 countries belonging to the Organisation for Economic Co-operation and Development in 2022 based on relative price levels.) However, the government and parliament have opposed the measure because it does not specify how the benefit increase will be fully financed. According to government estimates, the 13th payment will cost around 4.2 billion francs (US$4.7 billion) annually, with the federal government covering around 840 million francs (US$930 million) of the added expenditure. The government is considering increases in OASI employee contributions and Switzerland's value-added tax (VAT) to finance the remaining amount.

As part of the same referendum, Swiss voters rejected a measure that would have gradually increased the normal retirement age from 65 to 66 by 2033 and linked further increases to changes in life expectancy. (The normal retirement age for women is currently 64, but it is set to gradually rise to 65 by 2028.) Under the life expectancy adjustment mechanism, the normal retirement age would have automatically increased by 80 percent of the change in life expectancy, with a maximum annual increase of 2 months. The government estimates that initial 1-year increase in the normal retirement age would have reduced annual OASI expenditures by around 2 billion francs (US$2.2 billion) and that further automatic increases would have generated additional savings.

Switzerland's old-age pension system consists of the OASI program covering all residents regardless of employment status, a mandatory occupational pension program covering employees, and voluntary individual savings arrangements. To finance the OASI program, employees and employers each contribute 4.35 percent of gross earnings/payroll, self-employed persons contribute up to 8.1 percent of gross earnings, and the government allocates 1 percentage point of the VAT and pays 20.2 percent of the program's total cost. (Individuals who are not gainfully employed must also pay annual contributions based on their financial means and other factors.) Individuals qualify for a full OASI old-age pension if they have reached the normal retirement age and have contributions for each year from age 20 to the normal retirement age. A partial old-age pension is paid if an individual does not meet the contribution requirements for a full pension but has at least 1 year of contributions.

Sources: *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; "Switzerland Approves Women's Retirement Age Increase," *International Update*, U.S. Social Security Administration, October 2022; "Initiative for a 13th OASI Pension Payment," Swiss Federal Council, March 3, 2024; "Pensions Initiative (Retirement Age)," Swiss Federal Council, March 3, 2024; "Swiss Vote: 'Yes' to Higher Pensions, 'No' to Retiring Later," swissinfo.ch, March 3, 2024; "Swiss Government Outlines Proposal to Fund '13th Month' Pension Rise," swissinfo.ch, March 27, 2024; "Switzerland to Cut Funds to First Pillar to Pay Out 13th Month of Pension," *Investment & Pensions Europe*, March 28, 2024; "Purchasing Power Parities Database," Organisation for Economic Co-operation and Development, April 15, 2024.

Asia and the Pacific

Bahrain Amends End-of-Service Benefit Program for Non-Bahraini Employees

Effective March 1, a royal edict amended Bahrain's end-of-service benefit (EOSB) program for non-Bahraini employees to require private-sector employers to prefund benefits by making monthly contributions to the country's Social Insurance Organization (SIO). Previously, employers were legally liable for paying lump-sum benefits accrued by their employees under the program, but they were not required to set aside funds to cover these liabilities. The amended rules are intended to strengthen the financial integrity of the EOSB program and significantly reduce the risk of nonpayment of benefits. The EOSB changes are part of a multi-year government strategy to align Bahrain's employment practices with global standards to make the country more attractive to foreign workers. According to the Labor Market Regulatory Authority, non-Bahraini employees comprised nearly 80 percent of Bahrain's labor force in mid-2023.

Under the amended rules, the key features of the EOSB program include:

- *Program administration:* The SIO is responsible for collecting contributions and paying benefits that accrue under the amended EOSB rules. The Ministry of Finance and National Economy continues to oversee and regulate the EOSB program.
- *Program coverage:* As before, the program covers private-sector employees who are not citizens of Bahrain or other Gulf Cooperation Council (GCC) countries and thus ineligible to participate in a social insurance pension program. (The GCC countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.) Employers must register covered employees with the SIO by April 1. Benefits accrued by employees before the implementation of the amended rules will continue to be governed by the previous rules.
- *Employer contributions:* Employers must now pay monthly contributions to the SIO on behalf of their covered employees. The contribution rate is 4.2 percent of monthly earnings for employees with up to 3 years of service with their employers and 8.4 percent of monthly earnings for employees with more than 3 years of service. The earnings used to calculate contributions include employees' base earnings, commissions, bonuses, allowances, and other compensation. Employers must electronically submit contributions to the SIO by the 15th of each month to avoid financial penalties, which include 5 percent interest plus up to 20 percent of any overdue amount.
- *Benefit calculation:* The formula for the lump-sum EOSB continues to be half a month of an employee's earnings for each year of the first 3 years of service plus a full month of earnings for each year of service beyond 3 years. The SIO will pay benefits that accrue under the new rule directly to employees upon termination of employment (or their survivors in cases of death). Non-Bahraini employees generally must retire by age 60.

In addition to the EOSB program, Bahrain's old-age pension system includes a social insurance pension program that is administered by the SIO and covers Bahraini citizens working in Bahrain or other GCC countries. Voluntary coverage is available for self-employed persons, persons who previously had at least 5 years of mandatory coverage, and citizens of Bahrain working outside of the GCC area. To be eligible for a social insurance old-age pension, individuals must have reached the normal retirement age of 60 (men) or 55 (women) and have at least 10 years of contributions. (Contributions may be credited under certain conditions.) An old-age settlement is paid at the normal retirement age to individuals with less than 10 years of contributions.

Sources: "Bahrain End of Service Gratuity Calculation," HLB Payroll Team; *Social Security Programs Throughout the World: Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; "Bahrain Approves Social Insurance Pension Reforms," *International Update*, U.S. Social Security Administration, April 2022; "HRH the Crown Prince and Prime Minister Issues Edict (109) of 2023," Council of the Crown Prince of Bahrain, December 12, 2023; "The New End-of-Service Gratuity System: Amendments to the Payment of Leaving Indemnity to Non-Bahrainis in Private Sector," Al Tamimi & Company, January 17, 2024; "Bahrain Implement New End-of-Service Benefit System from 1 March 2024," EY Tax News Update, February 28, 2024; "Bahrain Implements New End of Service Gratuity for Expatriates," Lockton Global Compliance News, March 24, 2024.

The Americas

Argentina Adopts New Benefit Adjustment Formula

On March 22, Argentina's president issued a decree that links future benefit adjustments under the country's contributory pension program to inflation instead of changes in wages and social security revenues. Starting in July, Argentina's National Social Security Administration (Administración Nacional de la Seguridad Social, or ANSES) will adjust pensions each month based on the change in the national consumer price index 2 months prior, as measured by the country's National Institute of Statistics and Census (Instituto Nacional de Estadística y Censos, or INDEC). As a transitional measure, the decree also includes a 12.5 percent increase to pensions in April and additional increases in May and June equal to the higher of the amounts calculated under the old and new benefit adjustment formulas. The adoption of the new formula is intended to provide Argentina's pensioners with better protection against inflation—which reached 288 percent on an annualized basis in March—and eliminate the need for ad-hoc benefit increases and bonuses. However, many observers' have pointed out that the new formula will not help pensioners recover the purchasing power they have already lost in recent years. Over the 12-month period ending in February 2024, it is estimated that the real value of contributory pensions paid by ANSES decreased by 28.9 percent for pensioners receiving the minimum amount and 43.9 percent for those receiving higher amounts.

With this latest reform, Argentina's government has changed the benefit adjustment formula for contributory pensions four times since 2008. Under the last formula—which was implemented in March 2021—contributory pensions are automatically adjusted each March, June, September, and December, based on 50 percent of the quarterly change in ANSES's revenues and 50 percent of the quarterly change in national wages (as measured by INDEC or the Ministry of Labor, whichever is higher). (The quarterly changes are based on data for the previous quarter.) For the first quarter of 2024, this formula produced a benefit increase of 27.18 percent, which fell short of the 51.6 percent inflation rate for the same period.

Argentina's old-age pension system consists of a contributory (social insurance) pension program and a noncontributory pension program (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, individuals must have reached the normal retirement age and have at least 30 years of contributions. Individuals 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 supplemental pensions) if they have reached age 70 and have 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 minimum monthly old-age pension under the contributory program.

Sources: Ley 27609, 2020; *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; Decreto 274, 2024; "Índice de Precios al Consumidor (IPC)," Instituto Nacional de Estadística y Censos de la República Argentina, March 2024; "Jubilaciones: qué cambios anunció el Gobierno y cómo evolucionaron los haberes desde 2015," Chequeado, March 23, 2024; "El Gobierno oficializó la nueva fórmula de movilidad jubilatoria: cómo serán los próximos incrementos," *Infobae*, March 24, 2024; "Argentine Pensioners, in the Frontlines of Javier Milei's Attacks on the Welfare State," *El País*, March 27, 2024; "Nueva fórmula de movilidad: las jubilaciones y pensiones se actualizarán en forma mensual por IPC," Administración Nacional de la Seguridad Social, March 28, 2024.

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

Editor: Ben Danforth

Writers/researchers: Ben Danforth and David Rajnes.

Social Security Administration
Office of Retirement and Disability Policy
Office of Research, Evaluation, and Statistics
250 E Street SW, 8th Floor, Washington, DC 20254

SSA Publication No. 13-11712
Produced and published at U.S. taxpayer expense