



Survey of State Pension Schemes

Europe, Americas & Far East



Watson Wyatt
Worldwide

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Watson Wyatt Limited
(Actuaries & Consultants)
4 August 1998

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The purpose of this paper is to provide additional supplementary information on state pension benefits in selected countries.

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The information provided in the following sections is based on state pension schemes in force as at 1 January 1997, unless stated otherwise. All currency conversions are as at 1 January 1997.

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1 Austria

Retirement age

- 1.1 Normal retirement ages are 65 for men and 60 for women. Between 2024 and 2033, the normal retirement age for women will increase gradually to age 65.
- 1.2 Early retirement is possible at age 60 for men and 55 for women, provided that contributions have been made for 35 years. Between 2019 and 2028 the early retirement age for women will increase gradually from age 55 to age 60.
- 1.3 It is possible to defer retirement beyond the normal retirement date, and for each year of deferment the retirement pension is increased by:
- 2 per cent for each year of deferment between age 61 and 65
 - 3 per cent for each year of deferment between age 66 and 70
 - 5 per cent for each year of deferment thereafter

Retirement pension

- 1.4 The retirement pension is based on number of years of insurance, with a maximum of 45 years, contributions over the last 15 years and retirement age. Earnings taken into account for benefit and contribution purposes are subject to a limit of ATS 571,200 pa (£ 33,000). Pensionable earnings are revalued annually in line with changes in the cost of living and salary and wage inflation.
- 1.5 Subject to the limit described above, employer and employee contributions are 12.55 per cent and 10.25 per cent respectively, as a proportion of adjusted annual earnings.
- 1.6 The accrual rate equals 1.83 per cent of the pensionable earnings for the first 30 years of insurance, and 1.675 per cent for each additional year, up to a maximum of 80 per cent after 45 years.
- 1.7 Individuals may make additional contributions to the statutory pension, and the maximum contribution for this additional voluntary insurance is twice the monthly social security ceiling (i.e. ATS 1,142,400 or £66,000).

Survivor benefits

- 1.8 Spouse's pension amounts to between 40 and 60 per cent of the pension of the deceased, depending on the income of the spouse. If the spouse remarries, the pension terminates, and a lump sum of 35 times the monthly amount is paid. Note that pensions are paid 14 times a year.

- 1.9 Orphan's pension is only paid until age 18, or the end of full-time education, but not beyond age 26. The pension is equal to 24 per cent of the pension of the deceased, or 36 per cent if both parents have died.
- 1.10 The combination of orphans' pensions and spouse's pension may not exceed 110 per cent of the pension of the deceased.

Disability pension

- 1.11 Early retirement due to disability is possible from age 57 for men and from age 55 for women, provided that either 15 years contributions during the last 30 years or 20 years contribution in total have been made.
- 1.12 The individual must have lost more than one half of his earnings capacity in his usual occupation, and disability benefit is normally limited to 24 months, although payment will be extended if disability continues.
- 1.13 The disability pension is equal to the accrued retirement pension at the date of disablement, subject to a maximum of 60 per cent of the projected retirement pension at age 56 if disablement occurs before this age.

2 France

Retirement age

- 2.1 Normal retirement age for both men and women is age 65.
- 2.2 Early retirement is possible from age 60. Prior to 1993, if contributions had been made for 150 quarters, full benefits would be available. Between 1993 and 2008, this will gradually increase to 160 quarters.
- 2.3 It is possible to defer retirement beyond the normal retirement date, and contributions after this date receive a higher allocation.

Retirement pension

- 2.4 Benefits are based on earnings up to FRF164,640 per annum (£20,000). The pension is calculated on the basis of average annual covered earnings preceding retirement, revalued in line with a wage index declared annually. The full pension is 50 per cent of this earnings base, with lesser periods of contribution having a proportionately reduced pension.
- 2.5 The retirement pension is increased by 10 per cent if the individual has raised at least three children for a nine year period prior to each child's 16th birthday. The minimum pension after a full contribution history is FRF 41,197 (£5,000) per annum for a single person, and FRF 73,906 (£9,000) per annum for a married couple.
- 2.6 Subject to the limit described in 2.4, employer and employee contributions are 8.20 per cent and 6.55 per cent respectively, as a proportion of adjusted annual earnings.

Survivor benefits

- 2.7 Spouse's pension is 50 per cent of the "base earnings" of the deceased, although this is reduced to 30 per cent if the spouse is under 55. "Base earnings" are subject to a minimum limit of FRF 92,661 (£11,300) per annum, and take account of full earnings up to twice the minimum amount plus one third of earnings in excess of this amount, up to a ceiling of eight times the minimum amount.
- 2.8 On remarriage, the pension ceases, provided that there are no children receiving orphans' pensions. If this is the case, a lump sum settlement of three times the annual spouse's pension is made.
- 2.9 Orphan's pension is only paid until age 16, or 20 if in full time education. The pension is equal to 15 per cent of "base earnings" for the first two dependent children and 10 per cent for all subsequent children. If both parents are deceased, the pension for each child increases to 20 per cent of "base earnings".
- 2.10 The spouse's pension together with all the orphans' pensions may not exceed 85% of the "base earnings".

Disability pension

- 2.11 If disability is permanent, pension is payable based on "base earnings" as described above and the degree of disability. The factor for disability takes account of one half of the degree of disability up to 50 per cent, and 1.5 times the degree of disability in excess of 50 per cent.

Other compulsory pension schemes

- 2.12 Almost all employees are members of compulsory supplement pension funds. These operate on a "pay-as-you-go" basis, with separate schemes for executives (AGIRC) and non-executives (ARRCO-UNIRS).
- 2.13 Normal retirement age is 65 for both men and women, and standard, survivor and disability pensions are provided for. Benefits and contributions are based on earnings subject to the limit mentioned in 2.4, and subject to this limit, employer and employee contributions are 3.75 per cent and 2.5 per cent respectively, as a proportion of adjusted annual earnings.

3 Germany

Retirement age

- 3.1 Normal retirement age is 65 for both men and women.
- 3.2 For men, early retirement is possible at 63 without reduction in benefits, provided that at least 35 years of contributions have been made. Between 2000 and 2001, this age will be raised to 65, and although it will still be possible to retire at 63, a reduction in benefits of 0.3 per cent per month of retirement before age 65 will be made.
- 3.3 Women may retire after attaining age 60, provided that they have contributed for at least ten of the preceding 20 years. Until 1999, full benefits will be available, but between 2000 and 2004, the age will gradually be increased to 65, with early retirement attracting the same reduction in benefits as described in 3.2.
- 3.4 Retirement may be deferred up to age 67, in which case the normal retirement pension is increased by 0.6 per cent for each month of deferment.

Retirement pension

- 3.5 The retirement pension is based on the number of years of contributions and the aggregate of each year's ratio of actual earnings to average national covered earnings. For the purposes of benefits and contributions, earnings taken into account are subject to a limit of DEM 98,400 (£40,000) per annum.
- 3.6 Subject to the limit described above, employer and employee contributions are 10.15 per cent and 10.15 per cent respectively, as a proportion of adjusted annual earnings.
- 3.7 Prior to 1 July 1992, the retirement pension was indexed in line with average gross covered earnings increases. Subsequently, indexation has been in line with national average net income increases.

Survivor benefits

- 3.8 The spouse's pension is equal to the pension of the deceased for the first three months, and then is reduced to 60 per cent of this amount. The pension ceases on remarriage, and a lump sum settlement of two years' pension is made.
- 3.9 Orphan's pension is only paid until age 18, or 25 if in full-time education. The pension is equal to 10 per cent of the pension of the deceased, and doubled if both parents have died. The combination of spouse's pension and orphans' pensions may not exceed the pension of the deceased.

Disability pension

- 3.10 To be eligible, the individual must have paid contributions for 36 months in the last five years, and lost at least 50 per cent of his earnings capacity in his usual employment.
- 3.11 The disability pension is payable from the end of the month of disablement, and is equal to the accrued retirement pension in the case of total incapacity. If the disability is defined as occupational, only two thirds of the pension is payable. In either case, if the disability occurs prior to age 60, the pension is based on projections to age 55, and one third of years still outstanding between age 55 and 60.

4 Greece

Retirement age

- 4.1 For those already in employment as at 31 December 1992, the normal retirement age is 65 for men and 60 for women. For men and women who started employment after this date, the retirement age is 65.
- 4.2 Early retirement for those already in employment as at 31 December 1992 is possible from age 62 for men and from age 57 for women without reduction in benefits. For those starting employment after this date, early retirement will be possible from age 60 for both sexes, but with a reduction in benefits equal to 6 per cent for each year under the normal retirement age.
- 4.3 There are no provisions for late retirements.

Retirement pension

- 4.4 For those already in employment as at 31 December 1992, the retirement pension is calculated on the "notional earnings" associated with "salary classes". There are 28 of these classes, each corresponding to progressive slices of income. The maximum notional earnings in class 28 is GRD 6,204,250 (£16,000) per annum. These amounts are multiplied by a percentage dependent on the salary class, ranging from 70% for class 1 to 30% for class 28.
- 4.5 The total pension based on 4.4, including supplements (e.g. for duration of contributions over 10 years and existence of dependants) may not exceed the "notional earnings" for each class, and the minimum level of pension is GRD 1,371,440 (£3,500) per annum. Pensions in payment are revalued in line with increases in civil service pay.
- 4.6 For those who started employment after 31 December 1992, the retirement pension is equal to the number of years of contributions, subject to a maximum of 35 years, multiplied by 1.714 per cent for each year of contribution, multiplied by total average earnings over the five years preceding retirement. There is no limit to the earnings taken into account, but the retirement benefit amount is limited to four times the GNP per capita in 1991, revalued in line with public sector pension increases.
- 4.7 Employer and employee contributions are 13.33 per cent and 6.67 per cent respectively, as a proportion of annual earnings.

Survivor benefits

- 4.8 For those starting employment prior to 31 December 1992, the spouse' pension is 70% of either the accrued retirement pension or the pension in payment. For those starting employment after this date, the percentage is reduced to 50%. The minimum spouse's pension is GRD 1,234,240 (£3,175) per annum.

- 4.9 The orphan's pension is only paid until 18, or 24 if in full-time education or 26 if unemployed. For those who started employment before 31 December 1992, orphan's pension is equal to 20 per cent of the accrued pension or pension in payment. This increases to 60 per cent if both parents have died. For those starting employment after this date, the percentages are 25 per cent and 50 per cent, respectively.
- 4.10 The combination of spouse's pension and orphans' pensions may not exceed the accrued pension or pension in payment of the deceased, and if only orphans' pensions are payable, these are limited to 60 per cent of the latter amount.

Disability pension

- 4.11 On becoming disabled, a cash sickness benefit may be paid for up to two years, dependent on length of employment. After this period, the disability pension will commence, based on the accrued retirement pension. For a degree of disability of greater than 80 per cent, the full amount of the benefit will be paid, and there is a minimum rate of GRD 1,371,440 (£3,500) per annum.

5 Italy

Retirement age

- 5.1 Prior to 1994, the normal retirement age for men was 60 and for women was 55. An unreduced pension was available at any age provided that contributions had been made for 35 years.
- 5.2 From 1994 until 2000, the retirement ages will increase by 18 months every year, so that by 2000, the retirement age for men will be 65 and for women will be 60. From 1997, early retirement will be available for those individuals who have attained age 57 and made 36 years of contributions.

Retirement pension

- 5.3 Reforms in 1992 and 1995 have meant that there are 3 broad categories of retirees, reflecting the different bases underlying the calculation of their retirement benefits
- "*Pre-1992 salary method*" - retirees before 31 December 1992 - retirement pension based on average of last five years of employment, being revalued in line with the cost-of-living index.
 - "*Post-1992 salary method*" - those contributing prior to 1 January 1996, - retirement pension based on average remuneration over last actual or projected 10 years of employment, being revalued at cost-of-living plus 1 per cent per annum.
 - "*Contribution method*" - those contributing for the first time after 1 January 1996 - benefits based on a notional 33 per cent of gross salary, with notional contributions being revalued in line with a 5 year rolling average of GDP growth plus annual price inflation. Accumulated contributions are converted into pension using standard conversion factors.
- 5.4 The ceiling for calculation of benefits and contributions is ITL 63,054,000 (££25,400) per annum, and this is adjusted annually in line with the cost of living. The level of the minimum pension is ITL 8,224,800 (£3,318) per annum. Subject to this ceiling, employer and employee contributions are 24.11 per cent and 8.89 per cent respectively, as a proportion of adjusted annual earnings.

Survivor benefits

- 5.5 The spouse's pension is 60 per cent of either the accrued retirement pension or the pension in payment of the deceased. The pension ceases on remarriage, when a lump sum settlement of two years' pension is made.
- 5.6 The orphan's pension is paid until 18, or 26 if in full-time education. The orphan's pension is 20 per cent of either the accrued retirement pension or the pension in payment of the deceased. If no spouse's pension is payable, the first dependent child instead receives the percentage associated with the spouse. In any case, the

total of survivor pensions may not exceed the amount of the accrued pension or the pension in payment of the deceased.

Disability pension

- 5.7 To be eligible, the individual must have paid contributions for at least five years, including three years immediately preceding disablement, and must have lost permanently at least two thirds of working capacity.
- 5.8 The disability pension is payable from the date of disability. For partial disability, this is equal to the accrued retirement pension, taking into account the minimum retirement pension if necessary. If disability is permanent, the pension is equal to the accrued retirement pension projected to normal retirement age.

6 Spain

Retirement age

- 6.1 The normal retirement age is 65 for both men and women.
- 6.2 Early retirement is possible for those involved in arduous, dangerous, unhealthy or toxic employment, and for those covered under social security on or before 1 January 1967.
- 6.3 There is no obligation to retire at age 65, but the pension will not be increased unless deferment is coupled with continuation of contributions.

Retirement pension

- 6.4 The retirement pension after the minimum contribution period (15 years) is 60 per cent of average covered earnings. Covered earnings are equal to the average of contribution bases over the ninety-six months before retirement. Bases for the last 24 months prior to retirement are taken at face value, whilst prior contribution bases are adjusted in line with consumer price index. The percentage of average covered earnings increases by 2 per cent with each additional year of contribution, reaching 100 per cent after 35 years.
- 6.5 Earnings subject to contributions depend on the occupational group classification of the individual, with the limit for occupational group I (engineers) being ESP 4,615,560 (£22,350) per annum and for occupational group II (workers under 18) being ESP 3,607,920 (£17,500) per annum, but the maximum benefit is limited to ESP 3,978,772 (£19,260) per annum.
- 6.6 The minimum pension is ESP 767,550 (£3,715) per annum for a single pensioner, and ESP 903,070 (£4,370) for a married pensioner.

Survivor benefits

- 6.7 The spouse's pension on death prior to retirement is 45 per cent of average covered earnings over the last 24 months. The pension on death after retirement is 45 per cent of covered earnings as defined in 6.4, with revaluation of earlier contributions. The pension ceases on remarriage, and a lump sum of 24 times the monthly pension is payable. The minimum pension is ESP 511,140 (£4,050).
- 6.8 The orphan's pension on death prior to retirement is 20 per cent of average covered earnings over the last 24 months. On death after retirement, the orphan's pension is 20 per cent of covered earnings as defined in 6.4, with revaluation of earlier contributions. The minimum pension is ESP 227,010 (£1,100).
- 6.9 If both parents have died, the spouse's pension is paid to the surviving children, but total survivor pensions are limited to 100 per cent of covered earnings.

Disability pension

- 6.10 There are four classifications of disability: partial, total, absolute and great. Partial disability implies an incapacity of one third. In such cases a lump sum payment is made of 24 times monthly covered earnings.
- 6.11 Total disability implies a loss of capacity to continue in normal occupation. A disability pension is paid immediately equal to 55 per cent of covered earnings. This percentage increases to 75 per cent if the individual is over 55.
- 6.12 Absolute disability implies a loss of capacity to continue in any occupation, and the disability is 100% of covered earnings for that occupational group. Great disability implies a need for constant attendance, and the disability pension is therefore increased to 150% of covered earnings.

7 United Kingdom

Retirement age

- 7.1 At present the basic state pension is paid from age 65 for men and from age 60 for women. As a result of the Pensions Act 1995 there will be a single pension age of 65 for men and women, being phased in over the period from 2010 to 2020.
- 7.2 No early retirement provisions exist. Retirement may be deferred for up to five years, and the pension will be increased by 1/7 per cent for each week of deferment. From 2010, the five year limit is removed and the increase factor is 1.5 per cent per week.

Retirement pension

- 7.3 The full basic state pension is £3,250. A married woman may either collect a basic state pension in her own right, or based on her husband's contribution records, claim 60 per cent of the amount. A weekly supplement of £9.90 is paid for the first dependent child and £11.20 for each additional child. Retirement pensions in payment are increased in line with the consumer price index.
- 7.4 On all earnings between £3,224 and £24,180, the employer and employee contributions are 10 per cent and 10 per cent respectively, as a proportion of adjusted annual earnings.

Survivor benefits

- 7.5 On the death of a male married pensioner, the widow, provided that she is 60 or more, may claim a benefit based on his or their contribution records equal to the full pension. If the married man was not of pensionable age, or the widow is less than 60, the widow is entitled to a lump sum of £1,000 and a widow's pension.
- 7.6 The orphan pension is paid to 16, or 19 if in full-time education. The pension amounts to £11.20 per week for the first qualifying child, and £9.90 for any other children.

Disability pension

- 7.7 If any individual has been receiving Statutory Sick Pay for 28 weeks and is unable to do any work through accident of illness, payments of £55.70 per week are made from weeks 26 to 52. If the individual is married, this amount is increased by £29.15 per week.
- 7.8 After 52 weeks, this amount is increased to £62.45 per week, or £99.80 per week if married. To this is added a supplement of £11.20 per week for the first dependent child and £9.90 per week for any other children.

Other compulsory pension schemes

- 7.9 SERPS, or the State Earnings-Related Pension scheme, was introduced by the Social Security Pensions Act 1975. SERPS benefits are paid from age 65 for men and from age 60 for women. The transition to a common retirement age will take place between 2010 and 2020.
- 7.10 The maximum pension provided was originally set at 25 per cent of the average of the best 20 years relevant earnings. Relevant earnings are those earnings up to the Upper Earning Limit (£465 per week). Relevant earnings are revalued up to retirement in line with the national average earnings index, and reduced for the Lower Earning Limit applicable in the fiscal year prior to retirement (currently £62 per week). Pensions in payment are increased in line with consumer price index.
- 7.11 There has been a phased reduction in the percentage applied to relevant earnings to 20 per cent, and this will be complete by 2010. A further change is that from 2000, the Lower Earnings Limit will be deducted from relevant earnings before revaluation takes place.
- 7.12 Employers can contract out of SERPS by providing, through its approved occupational pension plan, retirement benefits broadly equivalent to the earning-related system. As a result of contracting out, the contribution rates demanded from employers and employees are reduced by 3 per cent and 1.6 per cent respectively, as a proportion of adjusted annual earnings.

8 Canada

Retirement age

- 8.1 The normal retirement age is 65 for both men and women.
- 8.2 Early retirement is allowed from age 60, with a reduction in benefits. Receipt of pension may be delayed to a maximum of age 70, with a corresponding increase in benefits.

Retirement pension

- 8.3 The retirement pension is 25 per cent of average pensionable earnings, subject to a maximum of CAD 8,724 (£7,100) per annum. Benefits are increased in line with inflation. In the case of early retirement, the pension is reduced by 0.5 per cent for each month that the date of retirement precedes the normal retirement date. In the case of deferred retirement, the pension is similarly increased by 0.5 per cent per month of deferment.
- 8.4 On all earnings between CAD 3,500 (£2,850) and CAD 35,800 (£29,000), the employer and employee contributions are 2.925 per cent and 2.925 per cent respectively, as a proportion of adjusted annual earnings.

Survivor benefits

- 8.5 If the spouse is less than age 65, the monthly pension is CAD 128.95 (£105) per month plus 37.5 per cent of the deceased's pension, subject to a cap of CAD 405.25 (£330) per month. If the spouse is over age 65, the pension is 60 per cent of the deceased's pension entitlement.
- 8.6 The orphan's pension is paid until 18, or 25 if in full time education. The orphan's pension is CAD 166.63 (£135) per month for each dependent child.

Disability pension

- 8.7 To qualify for a disability pension, the individual must be unable to perform any substantially gainful occupation, and the disability must be of indefinite duration and likely to end in death. The individual must have made contributions in either five out of the last ten years, or two out of the last three years.
- 8.8 The monthly disability pension is CAD 330.49 (£270) plus 75 per cent of the individual's retirement pension, subject to a cap of CAD 883.10 (£720) per month. If the individual has dependent children, amounts equal to the orphan's pension are added to the benefit.

9 United States

Retirement age

- 9.1 The normal retirement age is 65 for both men and women.
- 9.2 Early retirement from age 62 is permitted for both men and women, with a reduction in benefits. Receipt of the pension may be delayed until a maximum of age 70, and benefits are increased for each month of the deferment.

Retirement pension

- 9.3 The retirement pension payable is based on the Primary Insurance Amount (PIA), which is calculated by reference to detailed information over the employee's age, retirement date and year-by-year earnings history. Pension in payment are increased in line with the Consumer Price Index.
- 9.4 For the purposes of benefit and contribution calculations, earnings are assumed to be limited to \$65,400 (£39,900), and the maximum possible PIA is \$1,326 (£810) per month. Any individual between the ages of 65 and 70 is allowed to earn up to \$13,500 (£8,100) per annum without a reduction in their pension, and there are no restrictions at all on those over age 70.
- 9.5 Subject to the limit described above, the employer and employee contributions are 6.2 per cent and 6.2 per cent respectively, as a proportion of adjusted annual earnings.
- 9.6 During the period of payment of the retirement payment, a number of other retirement benefits may be claimed by dependants. These include spouses over age 62, divorced spouses over age 62 who have not remarried, unmarried children under age 18 and orphaned grandchildren. There is a maximum on total benefits paid to all family members based on the contribution record of one individual, and for the highest possible PIA, this amount is \$2,322 (£1,420) per month.

Survivor benefits

- 9.7 The spouse's pension is equal to 100 per cent of the pension in payment of the deceased, if the spouse is over age 65 and there is no orphan pension payable. A reduced pension of at least 75 per cent of this amount is paid for younger survivors. A divorced spouse over age 62 is entitled to 50% of the individual's PIA based on earnings during their marriage.
- 9.8 The orphan's pension is payable to 18, or to 19 if in full time education. The orphan's pension is equal to 75 per cent of the individual's PIA calculated at the time of death.

Disability pension

9.9 To qualify for a disability pension, the individual must have made sufficient contributions, and the disability must prevent the individual from doing substantial gainful work and be expected to last at least 12 months or result in death.

9.10 The basic disability pension is equal to the individual's PIA calculated to the date of disability. Disability pension payments commence five months after the onset of the disability, and total benefits paid to the disabled individual and their family are limited by the family maximum.

10 Argentina

- 10.1 Since the new Social Security system was implemented in July 1994, Argentina has had a mixed system comprising a pay-as-you-go system, managed by the State, and a capitalisation method, which is a defined contribution system managed by private entities created by the law.
- 10.2 Before the Act, the normal retirement ages were 60 for men and 55 for women. Over the period to 2001, these are being increased to 65 for men and 60 for women.
- 10.3 Under the new system, the basic benefit consists of a "basic universal benefit", which is linked to the number of years of contribution, has no connection to salary level and has a maximum of £120 per annum. Further to this is the "compensatory benefit", which is based on past service and is a defined benefit equivalent to 1.5 per cent of average taxable salary over the final 10 years, multiplied by the number of years of contribution, up to a maximum of 35 years. The maximum annual taxable salary at present is AP\$62,400 (£38,000).
- 10.4 There is also an "additional benefit", dependent on whether the employee stays in the pay-as-you-go system, or moves to the capitalisation system. The benefit in the first case is equal to 0.85 per cent of the average taxable salary over the final 10 years, multiplied by the number of years of contributions. The benefit in the latter case is an annuity purchased by the funds accumulated over the course of the career of the individual.
- 10.5 Employees contribute 11 per cent of their taxable salary to the system of their choice. The amount that employers must contribute varies according to region, with a range of 3.2 per cent to 11.2 per cent. The higher contribution rates are associated with areas of high population density.

11 Japan

- 11.1 In Japan there are two types of pension benefits provided by the Social Security system. The National Pension provides a flat pension for all residents from age 65, with the full benefit of 785,500 yen (£4,150) per annum requiring contributions for 40 years.
- 11.2 Employee Pension Insurance (EPI) provides earnings-related benefits based on limited earnings. The EPI pension normally commences at age 65, but benefits may be taken between ages 60 and 65 if earnings are small. Benefits and contributions are based on a monthly standard remuneration, and the pension benefit is equal to average monthly standard remuneration for whole career multiplied by the number of months of contributions multiplied by .75 per cent.
- 11.3 Contributions by employer and employee consist of 8.675 per cent and 8.675 per cent respectively, as a proportion of adjusted annual earnings.
- 11.4 In the case of incapacity through disability, lump sum or pension benefits are paid through the National Pension and EPI schemes. The benefit amounts are paid according to the degree of injury or sickness.

12 Mexico

- 12.1 The Social Security system has been reformed with effect from 30 June 1997. The previous unfunded defined benefit program was replaced by a funded defined contribution program, together with the promise that benefits for any individual under the new system will not be less than those under the previous system.
- 12.2 From 30 June 1997 contributions by employees and employers are paid into individual retirement accounts, managed by approved investment managers. Benefits will depend on the amount accumulated in the fund at the time of the individual's retirement. All employees, except those employed by the Government and foreign nationals, must participate, and the self-employed may contribute on a voluntary basis.
- 12.3 Under the previous system, one contribution rate covered the basic pension and benefits payable on death or disability. Under the reformed system, separate contributions are made. For the basic pension, the contribution rates are 1.125 per cent, 3.150 per cent and 0.225 percent for the employee, the employer and the government respectively. For benefits payable on death or disability, the contribution rates are 0.625 per cent 1.750 per cent and 0.125 per cent respectively.
- 12.4 The normal retirement age is 65 for both men and women, with reduced early retirement benefits payable at age 60.
- 12.5 If an individual dies or becomes disabled after having made contributions for at least three years, a pension of 35% of average covered earnings over the last ten years, revalued in line with inflation, will be paid to the surviving dependent or disabled individual. If at the time of death or disability, the individual's account is greater than the cost of the pension with an insurance company, the excess may be taken either as a cash sum or in the form of an increased pension.

13 Singapore

- 13.1 Benefits related to retirement are part of a range of benefits provided by the Central Provident Fund (CPF). Each individual employee has their own separate account in the CPF which has three components, namely ordinary, special and medisave. The "ordinary" component is intended for such elements as home purchase, investment and education, the "special" component is intended for retirement (although it may be used to supplement the ordinary) and the "medisave" component is intended to cover medical expenses.
- 13.2 Up to age 55, current CPF contributions are 20 per cent from both employer and employee up to a salary ceiling of S\$6,000 (£5,230) per month. Between ages 55 and 60, contribution rates fall to 12.5 per cent for employer and 7.5 per cent for employee.
- 13.3 The normal retirement age is 60 for both men and women, with early retirement available from age 55. However, as of 1 January 1999, the normal retirement age will be increasing to age 62 for both men and women.
- 13.4 Low cost life/disability insurance is available through the CPF and all employees under age 60 are automatically covered, although they can opt out at any time. The amount of the payout depends on the level of accrued premiums, with an upper limit on the insured amount of S\$36,000 (£31,500).
- 13.5 For long-term disability, a lump sum benefit is provided from the CPF. In the case of total and permanent incapacity for manual labourers and non-manual labourers earning less than S\$1,600 (£1,400) per month, S\$49,000 (£42,500) is the minimum compensation and S\$147,000 (£128,000) is the maximum available.