International Update

Recent Developments in Foreign Public and Private Pensions

January 2025

Europe

Czech Republic Adopts Old-Age Pension Reforms

On December 13, the president of the Czech Republic signed reforms to the country's social insurance pension program that include raising the normal retirement age, reducing new old-age pensions, and changing work incentives for old-age pensioners. The reforms received parliamentary approval on December 4 and followed changes to early retirement eligibility and cost-of-living benefit adjustments enacted in October 2023. With the reforms, the government is primarily seeking to improve the sustainability of the social insurance program by encouraging later claiming of benefits and longer work careers. The government previously projected that the program would have an annual deficit of 5 percent of gross domestic product by 2050 without the reforms.

The key changes made by the pension reforms—all effective January 1 unless otherwise noted—include:

- *Raising the normal retirement age:* Previously, the normal retirement age (currently 64 and 2 months for men and childless women; varies for women with children) was set to gradually rise to 65 by the 2030s. Under the reforms, the normal retirement age—which is based on birth year—will continue to rise above 65 by 1 month a year until it reaches 67 for individuals born in 1989 or later.
- *Lowering the deferred retirement age:* Under previous rules, insured individuals who failed to qualify for the old-age pension at the normal retirement age because they lacked the required 35 years of coverage (30 years of coverage without any credited periods) could claim the pension when they reached a so-called deferred retirement age and had at least 20 years of coverage (15 years of coverage without any credited periods). The reforms lower the deferred retirement age from 5 years to 2 years above the normal retirement age for men with the same birth year as the insured. (Coverage may be credited for periods of basic military service, higher education enrollment, caring for children younger than 4 or persons with disabilities, unemployment or disability benefit receipt, and certain other activities.)
- *Reducing new old-age pensions:* The old-age pension comprises a flat-rate basic benefit of 10 percent of the average monthly national wage (equivalent to 4,660 korun [US$192] for 2025), and an earnings-related benefit of 1.5 percent of an insured individual's personal assessment base for each year of coverage. The personal assessment base is currently 100 percent of the insured's average monthly indexed earnings up to 20,486 korun (US$845) plus 26 percent of the average monthly indexed earnings exceeding 20,486 korun and up to 186,228 korun (US$7,682). (The average monthly indexed earnings are based on the insured's earnings since 1986 or age 18, whichever was later.) Starting in 2026, the reforms will reduce the first percentage in the personal assessment base by 1 percentage point a year until it reaches 90 percent in 2035. In addition, the 1.5 percent replacement rate in the benefit formula will decrease by 0.005 percentage points a year over the same period until it reaches 1.45 percent. These benefit formula changes will not apply to old-age pensions awarded before 2026.
- *Modifying the pension increase for raising children:* Currently, old-age pensioners receive an additional 503 korun (US$21) a month for each child they raised. From 2027 to 2030, the reforms will gradually phase out this pension supplement for the first two children raised and instead credit an individual's earnings record with earnings equal to the average national wage for periods of caregiving up to age 4 for each child.
- *Introducing an optional joint earnings base for couples:* Starting in 2027, married couples and registered partners can choose to have a shared earnings base for years they are legally together and both gainfully employed. Under this arrangement, one-half of a couple's daily average combined earnings in a given calendar year is entered into each partner's earnings record for the days they have reported earnings in that year. If one partner has more days of

earnings than the other for the year, the excess days are not adjusted. The arrangement can be terminated at any time by either partner.

- *Increasing the minimum old-age pension:* Effective 2026, the minimum old-age pension will be 20 percent of the average monthly national wage (equivalent to 9,320 korun [US$384] based on 2025 values). Currently, the lowest possible monthly pension is 10 percent of the average monthly national wage for the basic component plus 770 korun (US$32) for the earnings-related component. (Based on 2025 values, the current total minimum benefit is 5,430 korun [US$224].)
- *Expanding early retirement for demanding occupations:* Previous rules allowed underground miners, paramedics, and firefighters to claim an old-age pension up to 5 years before the normal retirement age without any benefit reduction. The reforms expand the categories of workers covered by this early retirement provision to include foresters, welders, metal workers, bricklayers, glassmakers, specialized nurses, social workers, and certain other arduous or hazardous occupations. As before, the employers of workers covered by this provision must contribute an additional 2 percent (gradually rising to 5 percent by 2026) of monthly covered payroll.
- *Reducing the early retirement penalty for long-career workers:* Effective 2026, the penalty for claiming an old-age pension before the normal retirement age will be halved—from 1.5 percent to 0.75 percent for every 90 days of early receipt—for insured individuals with at least 45 years of coverage.
- *Changing work incentives for old-age pensioners:* Old-age pensioners who receive full benefits and continue to work are no longer required to contribute 6.5 percent of monthly covered earnings for old-age, disability, and survivor benefits. However, these individuals must continue to pay other social insurance contributions, and their employers must still contribute 21.5 percent of monthly covered payroll. Self-employed pensioners contribute 21.5 percent of monthly covered earnings instead of 28 percent. These contribution reductions replace a provision that increased the benefits of old-age pensioners by 0.4 percent for every year they worked after claiming their pensions.

Other recent changes enacted through earlier pension reforms include:

- *Restricting eligibility for penalized early retirement:* Effective October 1, the years of coverage (including credited periods) required to claim an old-age pension up to 3 years before the normal retirement age increased from 35 years to 40 years. As before, old-age pensions are permanently reduced by 1.5 percent for every 90 days they are claimed before the normal retirement age, and pensioners are not eligible for cost-of-living increases to their earnings-related benefits until they reach the normal retirement age.
- *Modifying the benefit adjustment formula:* Effective January 1, the formula for annual benefit adjustments became 100 percent of the increase in the consumer price index (CPI) for pensioners plus one-third of the growth in average real wages. Previous adjustments were calculated as 100 percent of the increase in the general CPI or the CPI for pensioners, whichever was higher, plus one-half of the growth in average real wages. An additional benefit adjustment is still possible each year if the relevant CPI exceeds 5 percent.

Sources: *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; Zákon č. 417/2024 Sb., 2024; "Podmínkou pro odchod do předčasného starobního důchodu od 1. října 2024 je získání alespoň 40 let doby důchodového pojištění," Česká Správa Sociálního Zabezpečení, September 26, 2024; "President Pavel Signs Pension Reform, Raising Retirement Age to 67," *Brno Daily*, December 13, 2024; "Náročné profese," Ministerstvo práce a sociálních věcí České republiky, December 13, 2024; "Sociální legislativa - změny v důchodech, sociálníma nemocenském zabezpečení - změny MPSV s účinností plánovanou od roku 2025," kurzy.cz, December 18, 2024; "Výpočet důchodu 2025 - výpočet výše starobního důchodu," kurzy.cz, 2025; "Sněmovní tisk 696: Novela z. o důchodovém pojištění," Parlament České republiky, 2025.

Asia and the Pacific

Japan Expands Pension Coverage for Part-Time Employees

Effective October 1, 2024, employers in Japan with more than 50 employees are required to enroll their part-time employees into the Employees' Pension Insurance (EPI) program. (The EPI program is the earnings-related component of Japan's public two-tiered pension system. The other component is the universal National Pension [NP] program, which provides a flat-rate benefit.) This is the third and final phase of a gradual expansion of mandatory EPI coverage for part-time employees, which began in 2020 for employers with more than 500 employees and was extended in 2022 to employers with 101 to 500 employees. The mandatory coverage expansion was approved in 2020 along with other reforms to the EPI and NP programs, including increasing the maximum NP deferral age and modifying the EPI earnings test. These pension reforms were intended to address the mounting fiscal pressures and labor shortages stemming from Japan's rapidly aging population, which ranks among the oldest in the world. According to the United Nations' Population Division, Japan's old-age dependency ratio (the population aged 65 or older divided by the population aged 15 to 64) will increase from 51.0 percent in 2025 to 73.1 percent in 2050. Japan's Ministry of Labor estimates that the expanded coverage requirement will add 1.3 million workers to the 46.1 million workers who had EPI coverage in 2024.

As it is now implemented, the new mandatory coverage requirement under the EPI program applies to part-time employees at workplaces with more than 50 employees who work at least 20 scheduled hours a week, have work contracts lasting at least 2 months, have monthly earnings (including salary and allowances) of at least 88,000 yen (US$561), and are not students (with exceptions for individuals starting jobs before graduation, on leaves of absence from school, or attending part-time classes). Previously, mandatory EPI coverage was limited to part-time employees who worked at least 75 percent of the standard hours in their workplaces (usually 40 hours a week) and full-time employees. In October 2023, to help employers pay the additional EPI contributions resulting from the new coverage requirement, the Ministry of Labor introduced a subsidy of up to 500,000 yen (US$3,186) for each newly covered part-time employee.

Japan's public old-age pension system consists of the pay-as-you-go NP and EPI programs supplemented by a means-tested program for low-income pensioners. The NP program covers all residents of Japan aged 20 to 59, with voluntary coverage available for certain older workers and Japanese citizens residing abroad. The EPI program covers employees younger than age 70 in covered firms, with voluntary coverage for employees aged 70 or older under certain conditions. The means-tested program pays benefits to old-age, disability, and survivor pensioners who meet certain income limits and other requirements. To complement the public pension programs, many employers sponsor occupational pension plans, which can be defined benefit or defined contribution (DC). In addition, there are individual DC pension plans for employed or self-employed individuals without access to employer-sponsored plans.

Sources: "Japan Approves Plan to Expand Pension Coverage to Part-Time Employees in Smaller Companies," *International Update*, U.S. Social Security Administration, March 2020; "Japan Approves Social Security Reform Package," *International Update*, U.S. Social Security Administration, June 2020; "Japan Implements Provisions of Pension Reform Law," *International Update*, U.S. Social Security Administration, June 2022; "Employees' Pension System to Cover More Part-Timers," *The Asahi Shimbun*, May 29, 2024; *World Population Prospects 2024*, United Nations, Department of Economic and Social Affairs, Population Division, July 2024; "Employees' Health Insurance System and Employees' Pension Insurance System," Japan Pension Service, September 5, 2024; "Japan: Expansion of Social Insurance to Include Part-Time Employees of Mid-Size Employers," Gallagher GVISOR News, November 26, 2024; "Japan," Gallagher GVISOR Country Manual, December 5, 2024.

The Americas

Mexico Begins Roll Out of Women's Welfare Pension

On January 3, Mexico's government began rolling out the Women's Welfare Pension (Pensión Mujeres Bienestar), a new noncontributory pension program for women aged 60 to 64. (Mexican women and men receive a universal old-age pension when they reach age 65.) The program is initially open to Mexican women aged 63 to 64 and those aged 60 to 64 who reside in indigenous or Afro-Mexican municipalities. The government plans to expand the program to all Mexican women aged 60 to 64 by 2026. The creation of the new pension program is part of a broader government effort to improve the economic security of Mexican women and reduce the large gender gap in income at older ages. According to government statistics for 2022, the average monthly income of Mexican women aged 60 to 64 was 5,082 pesos (US$245) compared to 10,612 pesos (US$512) for men in the same age group. In addition, the share of Mexican women aged 60 to 64 receiving contributory pensions was 20.3 percent compared to 28.5 percent of their male counterparts.

The key details of the new Women's Welfare Pension program include:

- *Qualifying conditions:* To receive the pension in 2025, women must be residents of Mexico and aged 60 to 64 if they live in municipalities classified as indigenous or Afro-Mexican or aged 63 to 64 if they live in other municipalities. As mentioned before, the pension is expected to become available to all Mexican women aged 60 to 64 by 2026. The government estimates that around 3 million women will receive the pension once it is fully rolled out.

- *Benefit amount:* The pension provides qualified women with 3,000 pesos (US$145) every 2 months.
- *Program financing:* The government is covering the entire cost of the program. An independent analysis by the Mexican Institute on Competitiveness has estimated that the program's annual cost will be 22.1 billion pesos (US$1.1 billion) in 2025 and rise to 69.5 billion pesos (US$3.4 billion) by 2030.
- *Program administration:* The program is administered by the Ministry of Welfare, and benefit payments are disbursed through debit cards issued by the government-owned Welfare Bank (Baco del Bienestar).

In addition to the Women's Welfare Pension program, Mexico's old-age pension system consists of the universal program (Pensión para Adultos Mayores), a mandatory individual account program, and a legacy social insurance program. The universal program provides a bimonthly benefit of 6,000 pesos (US$289) to individuals aged 65 or older who are citizens of Mexico or permanent residents with more than 25 years of residency. In November, entitlement to the universal pension became a constitutional right. Both the individual account and social insurance programs cover private-sector employees and cooperative members, but the social insurance program was closed to new enrollees on July 1, 1997, when the individual account program was introduced. (Individuals who were covered by the social insurance program before this date can choose to receive a social insurance old-age pension at retirement.) The normal retirement age for the individual account and social insurance programs is 65. (Individual account participants can retire earlier if they are unemployed or their account balances are large enough to fund minimum benefits.) In July, the government established a new public fund to guarantee that individual account pensioners receive 100 percent of their last monthly salaries, up to the average monthly salary of social security participants in 2023 indexed for annual inflation (16,777.68 pesos [US$809] in 2024).

Sources: *Social Security Programs Throughout the World: The Americas, 2019*, U.S. Social Security Administration, March 2020; "Situación de pobreza en las mujeres de 60 a 64 años," Consejo Nacional de Evaluacion de la Politica de Desarrollo Sociajl, August 2024; "Pensión del bienestar para mujeres de 60 a 64 años: fechas de registro, requisitos y monto," *El País*, October 3, 2024; "Gobierno de México presenta pensión para el bienestar de las adultas mayores de 60 a 64 años," Gobierno de México, October 3, 2024; "Impacto presupuestario del programa de pensiones para mujeres entre 60 y 64 años," Instituto Mexicano para la Competitividad, October 3, 2024; "Mexico Initiates Changes to Universal Old-Age Pension Program," *International Update*, U.S. Social Security Administration, November 2024; "Pensión Mujeres Bienestar 2025: éstas son las fechas y lugares para recibir tu tarjeta," *Infobae*, January 3, 2025.

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