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Preamble

Reforming social security is a difficult task. Nevertheless, we can observe that it has been pursued in many countries over the last years. This particularly affects old-age pension schemes which have not only undergone several adaptations, but also structural changes, sometimes known as parametric reforms. Quite a few research projects have been carried out in order to describe these developments, and several books have been published on the issue. They stress the fact that, even though the institutional backgrounds and reasons for reforms were not always the same, there are certainly common trends. It suffices to point at the rising pensionable age and the establishment of multi-pillar systems.

The following study is different. It is based on the assumption that social security reforms will basically never come to an end, but lead to subsequent changes, and that these changes tend to be rather fundamental if the preceding measures were of a ground-breaking nature. The study focuses on one of the most radical processes of social security pensions, through which previous public pensions systems were totally or partially privatized in two dozen countries in the world in 1980–2008, particularly in Latin America and Central and Eastern Europe. The study analyses the outcomes of this privatization in three countries in Latin America, namely in Chile, Argentina and Bolivia, as well as in Hungary. The concept of »re-reform« is introduced, new changes that either substantially transformed the previous private pension systems or closed them altogether. The core of the study is a comparative analysis of the most thorough re-reforms in the world, which took place in the four countries mentioned. For that purpose, the legal features and socio-economic effects of the re-reforms are systematically contrasted and evaluated, based on ten key social security principles. The study identifies the advantages and the disadvantages of the re-reforms, and proposes recommendations to cope with their pending challenges.

The project was designed by *Carmelo Mesa-Lago*, one of the most renowned and experienced researchers in the field of social security, especially with regard to Latin America, and carried out under his supervision in close cooperation with the Max Planck Institute for Social Law and Social Policy, Department for Foreign and International Social Law, in Munich.

I would like to thank *Carmelo Mesa-Lago* for his initiative and efforts, which formed the basis for a very fruitful cooperation. My thanks also go to the other researchers involved in this project, *Eva-Maria Hohnerlein*, *Lorena Ossio Bustillos* and *András Simonovits* for their valuable contributions.

The results of the project published in this volume altogether cannot be overestimated: they shed new light on the process of social security pension reforms. This holds true for the political processes as such. But it does not

stop there. At the same time, these results underline the importance of social policies which are based on relevant normative principles like access to social protection, universal coverage, sufficiency of benefits, social solidarity, gender equity, and financial sustainability.

Carmelo Mesa-Lago, Pittsburgh

Introduction: Background, Structure and Method

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1. The structural reforms: models, advantages and flaws
2. The re-reforms
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1. The structural reforms: models, advantages and flaws

In the last three decades, »structural reforms« totally or partially privatized social security pensions.[1] They shifted »public« schemes characterized by defined-benefit, financing by pay-as-you-go (PAYG) or partial collective funding, and public (social security) management, into »private« schemes typified by defined-contribution, fully-funded financing (individual accounts) and private administration. Starting with Chile in 1981, the pioneer and trend setter, and ending with Romania in 2008, 23 countries undertook some type of pension privatization, 13 of them in LAC and ten in CEE.[2] The World Bank (1994) published a book that endorsed the reforms and provided financial-technical support to many countries. Most structural reforms took place in LAC and later in CEE (Müller, 2003; Mesa-Lago 2008), but partial reforms were tried in Western Europe, implemented in a few African and Asian countries, and advocated in Western industrialized nations.

The model of structural reform was diverse in the four countries. Chile and Bolivia followed the »substitutive« approach: they closed the public system and replaced it with the private system but Bolivia forced all the insured to move whereas Chile gave a short period for the insured to decide whether to stay in the public system or move to the private system (affiliation to the latter was mandatory, in both countries, to all new entrants into the economically active population – EAP). Argentina and Hungary followed the »mixed« approach but also with differences. Argentina's was more complex because the public system was not closed and a new system created with two pillars: the first public provided a basic pension and the second (private or public)

1 A structural reform totally or partially closes a public pension system whereas a parametric reform maintains a public system with measures to improve and make it financially viable.

2 In Latin America: Chile 1981, Peru 1993, Argentina and Colombia 1994, Uruguay 1996, Bolivia and Mexico 1997, El Salvador 1998, Nicaragua 2000, Costa Rica and Ecuador 2001, Dominican Republic 2003, and Panama 2008. In CEE: Hungary 1998, Poland 1999, Latvia 2001, Bulgaria, Croatia and Estonia 2002, Lithuania 2004, Slovakia 2005, Macedonia 2006, and Romania 2008. In Latin America ten countries now have public systems: Argentina, Bolivia, Brazil, Cuba, Ecuador, Guatemala, Honduras, Nicaragua, Paraguay and Venezuela (Ecuador's and Nicaragua's reforms were declared unconstitutional or annulled). In CEE only Slovenia and the Czech Republic have pure public systems but the latter plans to introduce a private pillar in 2013 (Mesa-Lago, 2008; Fultz, 2012b).

granted a supplementary pension; at the start the insured both old and new entrants in the EAP could change between the two systems but restrictions were imposed later. In Hungary the pure public system was initially closed for new entrants and the two-pillar created: the first, public, paid a proportional instead of basic pension and the second, only private, was expected to grant a supplementary pension strictly based on the balance of the individual accounts (it was never paid because of that pillar closing in 2011); later on it was possible to return to the public system and new entrants could opt for it and then new comers were forced to affiliate to the private pillar.

Most structural reforms were successful to: strengthen the relationship between contributions and pension levels (equivalence), improve efficiency in managing individual accounts and periodically report their balance to the insured, shorten the period for processing benefits, and achieve substantial capital accumulation in the pension funds as well as reasonable to high capital returns in LAC.[3]

Conversely, the structural reforms endured substantial flaws of design and implementation: 1) the premise of a universal paradigm that fitted all regardless of significant economic-social-political differences among countries worked in some and failed in others; 2) the private system was geared to an urban, formal labor market but, in most LAC, the informal and rural sectors predominated therefore the majority of the labor force was excluded (not in CEE); 3) most of the reforms assumed effects that did not materialize: coverage was stagnant or declined, competition did not work properly in most countries (particularly in small ones), administrative costs were high, the invested portfolio remained concentrated in the majority of cases (due to lack of a capital market or an incipient one), gender equity was eroded (private schemes normally lack social solidarity);[4] 4) most of the reforms neglected the first or zero pillar to provide non-contributory (social assistance) pensions for the poor (less so in CEE); 5) the premise that ownership of individual accounts and private management would preclude state intrusion and politics was shattered in Argentina where the government pressured pension administrators to invest in state funds provoking a fund loss during the crisis of 2001–2002 – eventually the state nationalized private funds in Argentina, Bolivia and Hungary; 6) halt or substantial reduction of contributions to the public system generated high transition costs, which also lasted much longer than anticipated and induced unsustainable fiscal cost and debt levels, in Chile they still were 4.7 % of GDP in 2010, 30 years after the reform, albeit considerably less in Bolivia and Hungary (it has been argued in LAC that fiscal costs in the long run would have been higher without the reform); and 7) the

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3 According to Fultz (2012a) these effects did not occur in most CEE: real capital returns were negative, and efficiency in paying benefits could not be measured because few are being paid.

4 The assumption that private systems would cope with population aging has been refuted: as life expectancy grows, the accumulated fund in the individual account becomes insufficient thus forcing an increase in the »defined« contribution, a cut in the pension, a raise in the retirement age or a combination of these measures (Barr and Diamond, 2008).

global financial crisis of 2007–2009 sharply reduced the capital accumulated and its returns in private systems, prompted criticism, and halted further structural reforms – although there was a recovery later on, some countries used the losses to justify the re-reforms (Mesa-Lago, 2008, 2010; Calvo et al., 2010; Schwartz, 2011; Fultz, 2012b).

2. The re-reforms

Initial failures in design and performance after the implementation of the private systems led to corrections (partial reforms), for instance, in Argentina (2003–2007), Bolivia (2007–2008) and Hungary (2000–2009), but they did not cope with the fundamental problems. In 2008, two LAC implemented »re-reforms« of their private pension systems with different approaches: Chile preserved but enhanced the system to extend coverage to the poor and low income, infuse social solidarity, increase pensions, and improve gender equity, whereas Argentina shut down the system and transferred without consultation all the insured and funds to the public system. In 2010 Bolivia and Hungary followed the Argentinian approach nationalizing the private pillar; Bolivia guarantees the individual accounts within the public system whereas Argentina law promises that the public pension will be equal or better than that in the closed private system.[5]

3. Importance of the study, structure and method

A world debate is emerging on the pros and cons of the re-reforms (Mesa-Lago, 2009; Calvo et al., 2010; Simonovits, 2011; Orenstein, 2011; Fultz, 2012b). This is the proper time to undertake, within a common framework, a detailed and comparative analysis of the four most radical re-reforms existing at the end of September 2012, with the objective of determining if they have alleviated or not the flaws of the structural reforms and introduced new elements to be assessed.

The collection starts with comprehensive case studies of each of the four re-reforms (ordered by their date of implementation), based on the same structure and with similar legal information and statistics: Chile by Mesa-Lago, 2013; Argentina by Hohnerlein, 2013; Bolivia by Mesa-Lago and Ossio, 2013; and Hungary by Simonovits, 2013. The final study systematically compares the features of the re-reforms, evaluates their socioeconomic effects, identifies pending problems and challenges offering recommendations to cope with them, and explores potential influences of the re-reforms in LAC and CEE.

The four case studies and the comparisons focus on the fulfillment of ten social security principles based on ILO conventions and recommendations

5 Four CEE countries have retrenched the private pillar by cutting its contribution but none has entirely closed said pillar (Simonovits, 2011).

(for an analysis of these principles see Mesa-Lago, 2008): 1) social dialogue, 2) universal coverage, 3) equal treatment, 4) social solidarity, 5) gender equity, 6) benefits sufficiency, 7) efficiency and reasonable administrative costs, 8) social participation in administration, 9) state role and supervision, and 10) financial/actuarial sustainability.

All the studies (cases and comparison) follow the same structure, divided in three parts: 1) description of the structural reform and the private system/pillar, identifying their advantages and flaws; 2) description of the re-reforms, their political, legal, social and economics features, and whether they have alleviated or resolved the previous flaws; and 3) summary of the re-reforms advantages and pending problems/challenges, as well as recommendations.

4. The economic and social context of the four countries

The four countries have different socio-economic features, key to understand the context of the reforms; for that purpose five indicators are shown in Table 1: Human Development Index (HDI) scores and rank among 187 nations, gross national income per capita in international dollars, life expectancy, and percentage of self-employment in the EAP.

Table 1: *Socio-Economic Indicators of the Four Countries, 2011*[6]

Countries	Human Development Index		GNI p/c PPP US$[b]	Life expectancy[c]	Self-Employ-ment	Overall ranking[d]
	Scores	Rank[a]				
Hungary	0.816	38	16,581	74.4	5.5	1.4
Chile	0.805	44	13,327	79.1	20.6	2.2
Argentina	0.797	45	14,527	75.9	19.7	2.4
Bolivia	0.663	108	4,054	66.6	58.5	4.0

a Ranking among 187 countries where HDI is calculated
b Gross National Income per capita at Purchasing Parity Power US$
c Average years at birth
d Average ranking of the rankings of the five indicators, the lowest is the best.

Based on those indicators Hungary ranks first, followed by Chile and Argentina in virtual tie, and Bolivia lagging behind. The first three countries are very close in the HDI and classified in »very high human development« (Chile and Argentina have the highest ranks within LAC) whereas Bolivia gap is quite large, the country is in »medium development« and among the four lowest ranked within LAC. The incidence of population poverty was 8.6 % in Argentina (only in urban areas thus underestimated), 11.5 % in Chile and 54 % in Bolivia (ECLAC, 2011). Hungary data are not comparable but show 17 % of the population »at risk of poverty« (ESWR, 2010).

6 Sources: UNDP, 2011; self-employment (2009) from ECLAC, 2011 and Simonovits, 2013.

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Carmelo Mesa-Lago, Pittsburgh

Pension Re-Reform in Chile[1]

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Introduction

Chile was the world pioneer country in the design and implementation of the structural pension reform of the public system by Decree Law 3,500, April 11, 1980, which started to operate in 1981. The reform closed multiple public pension schemes integrating them into a unified agency with standardized entitlement conditions, and replaced it with a private system. Those already insured were given a short period of time to decide whether to stay in the public system or move to the private one and all new entrants in the labor force had to mandatorily affiliate in the private system. In 2011, after 30 years of the reform, 98.5 % of all contributors were in the private system and only

1 The author is responsible for this paper but gratefully acknowledges a research grant from the Max Planck Institute for Social Law and Social Policy, as well as information and valuable comments from Alberto Arenas de Mesa (Department of Economics, University of Chile).

1.5 % remained in the public system, however, the proportions of pensioners were 55.5 % and 45.5 % respectively (SP, 2012). The reform brought some positive changes but many of its presumed positive effects did not materialize and the private system endured important flaws. It took 28 years to enact the re-reform by Law 20,255, March 17, 2008 (based on Mesa-Lago, 2012, 2013, unless specified).

1. Flaws of the private pension system before the re-reform

1.1 Social dialogue

The great majority of the structural reforms that privatized pensions in Latin America and several in CEE were implemented without a previous social dialogue, later leading to legitimacy problems. Chile's authoritarian military government enacted the reform law with a fully-controlled congress, banned or subdued unions, and no public discussion. Reformers argued that the public system was bankrupt, inefficient and financially unsustainable whereas the private system would improve coverage, benefits and efficiency, cut administrative costs and be financially sustainable in the long run.

1.2 Universal coverage

Coverage of the economically active population (EAP) in the private system decreased from 73 % in 1973 to 64 % in 1980 (the year the reform was enacted) and to 29 % in 1982. Although coverage rose to 61.2 % in 2007 (the year prior to the re-reform) it still was below the 1973 and 1980 levels. Coverage increased to 62.8 % in 2008 and diminished and stagnated in 2009–2010 because of the global crisis. Survey data including the armed forces and the police show higher coverage but virtually stagnant 62.2 % in 1990 and 62.9 % in 2006. Affiliates that contributed declined from 73.6 % in 1990 to 54.6 % in 2008. Coverage of the population 65 and above by all pensions dwindled from from 73 % to 60.7 % in 1990–2006 (Table 1). In 2008, self-employed workers accounted for 17.7 % of the EAP; their affiliation to the pension system was voluntary and accounted for only 3.5 % of total contributors; unpaid family workers were legally excluded. Coverage tended to increase with income, education, urban location (versus rural) and public sector (versus private sector) (Rofman and Oliveri, 2012).

Table 1: *Pension Coverage of the EAP and the Population Age 65 and Above, and Contributing Affiliates, 1973–2011 (in percentages)*[2]

Years[a]	EAP coverage based on:		Contributors/ affiliates[c]	Coverage of population 65+
	Statistics[b]	Surveys		
1973	73.0			
1980	64.0			
1982	29.0		73.6	
1990	46.8	62.2	61.2	73.0
1992	51.8	61.1	60.7	66.5

Years[a]	EAP coverage based on:		Contributors/ affiliates[c]	Coverage of population 65+
	Statistics[b]	Surveys		
1994	51.8	62.3	57.2	68.2
1996	55.7	62.4	55.7	65.9
1998	53.4	58.9	52.8	62.2
2000	52.9	58.0	50.9	63.7
2003	55.8	58.7	51.8	63.9
2006	58.0	62.9	51.5	60.7
2007	61.2		53.8	
2008	62.8		54.6	
2009	60.3	73.1	51.7	57.2
2010	60.3		54.5	
2011	61.8			

a December of each year
b Since 1982 based on affiliates that contributed in the last month
c Percentage of affiliates that contributed in the last month

1.3 Equal treatment

The reform unified 33 out of 35 independent pension schemes (with significant differences among them), standardized their entitlement conditions eliminating some important inequalities, raised retirement ages and contributions, and unified their management in the Institute of Social Security Standardization (*Instituto de Normalización Previsional:* INP). Although the military government implemented the reform and proclaimed its excellence over the public system, the armed forces and the police did not join it and kept their previous defined-benefit schemes with more generous entitlement conditions and pensions, largely state-financed. In 2006, 1.3 % of GDP was spent to cover the deficit of the armed forces' scheme, whereas 0.4 % was assigned to non-contributory pensions and 0.1 % to minimum pensions.

1.4 Social solidarity

Private systems normally lack endogenous social solidarity as the individual account belongs to the insured worker and is not shared with others. Whatever social solidarity existed in Chile was (and is) done outside of the private system, through state financing of non-contributory pensions, the guaranteed minimum pension (the reform rose the number of contribution years required to gain it), and social protection programs.

1.5 Gender equity

Public schemes attenuate gender inequalities; almost none in Latin America has increased the number of contribution years to earn the minimum pension,

2 Source: Statistics from SAFP, 1981 to 2009, updated with AIOS, 2010–2011, 2011 from Arenas de Mesa, 2012; surveys and coverage age 65 from Rofman et al, 2008 and Rofman and Oliveri, 2012; contributors/affiliates author's calculations based on SAFP, 1981 to 2009 and AIOS, 2010–2011.

there are transfers from men to women, and they use unisex tables to calculate pensions. Private systems accentuate gender inequalities, in addition to those created by the labour market. In Chile, gender inequalities existed prior to the structural reform, such as an inferior insurance coverage for women vis-à-vis men (due to a lower female participation rate and a higher proportion in informal work), but inequalities were accentuated by the private system. Women accounted for 38.8 % of total contributors versus 61.2 % men; among those aged 65 and over, 54 % of women received pensions but 69.4 % of men (AIOS, 2011; Rofman and Oliveri, 2012). Women received lower pensions than men because of frequent exits from the labour market to raise their children, an increase in the years of contribution required for the minimum pension, lower contribution density than men (42 % and 61 % respectively), and a pension calculation based on the fund accumulated in the individual account and mortality tables differentiated by sex (having a lower capitalized fund and a higher life expectancy, the resulting women annuity was lower than that of men: the replacement rate at age 65 was 35 % and 46 % respectively). The same disability-survivors premium was charged to men and women, although the latter have a lower risk incidence and hence paid more than men. On the other hand, males were not entitled to a survivor pension when their insured spouses died.

1.6 Benefit sufficiency

Prior to the structural reform there was a non-contributory pension targeted on the poor and means-tested (PASIS), which continued thereafter restricted by a cap in the number beneficiaries, waiting lists, and the availability of fiscal resources. Most public schemes granted a minimum pension with a relative small number of contribution years, raised to 20 years by the structural reform. Under the latter, the state guaranteed a minimum pension for those in the private system with 20 years of contribution and whose sum in the individual account was insufficient to finance such pension (the state paid the difference). The minimum pension was insufficient, as it averaged 62 % of the minimum wage in 2007 and showed a declining trend. Only half of the insured were projected to get the minimum pension: 35 % of insured men and 60 % of insured women. Part of the insured at the time of retirement lacked the right to either receive a minimum pension (for missing the required years of contributions) or the assistance pension (for not meeting all of the means-test requisites). Contributory pensions were automatically indexed to a monetary unit (*Unidad de Fomento:* UF).

1.7 Efficiency and reasonable administrative costs

In 1979 the government unified the many separate pension schemes that existed (except for the armed forces and the police) under the INP, which resulted in reduced costs within the public system. The private system was/is managed by private for-profit corporations (*Administradoras de Fondos de Pensiones:* AFP) that charge commissions as a percentage of salary for man-

aging the old-age scheme, as well as fixed-sum commission that had regressive effects; a premium to cover disability-survivor risks was collected by the AFPs and transferred to commercial insurance companies.

Table 2: *Administrative Costs in Private System, 1981 and 2007–2012*[3]

Years	Cost as % of Taxable Salary			Total Cost/Deposit Deduction (%)[c]
	Old-age[a]	D & S[b]	Total	
1981			2.44	24.4
2007	1.71	0.73	2.40	24.4
2008	1.74	0.94	2.68	26.8
2009	1.55	1.87[d]	3.38	33.8
2010	1.49	1.49[d]	2.99	29.9
2012	1.43	1.26[d]	2.69	26.9

a Net commission paid to AFP
b Disability and survivors premium to insurance companies
c The deposit is always 10 % of taxable salary.
d In 2009, a single premium for men and women increased the rate but it declined in 2010–2012.

The expected competition did not work so well in reality: the number of AFP fell from 21 to 5 in 1994–2008, concentration of contributors in the biggest three AFP rose from 67.1 % to 86.4 %, and restrictions were imposed on freedom of choice to change AFPs. Despite the assumption that administrative costs would decrease due to competition and private management, the average total commission on salary went up from 2.44 % to 2.68 % in 1981–2008 (Table 2).

1.8 Social participation in the administration

Prior to the structural reform, most pension funds in Chile had tripartite participation in their administration through representatives of workers, employers and the government. The structural reform eliminated such participation in both AFPs and the Superintendence of Pensions, despite the workers being owners of the pension funds.

1.9 State role and supervision

Under privatisation, theoretically, the state would play a »subsidiary role« to the market but, in practice, has a key role even in countries with the largest share of insured in the private system. Affiliation and contributions are compulsory for salaried workers; the government regulates, supervises and guarantees the system; and finances the fiscal cost of the reform transition (see below). Atomization prevailed due to multiple regulations and supervisory entities: the Superintendence of Pensions, a relatively autonomous technical agency, for the private system; the Superintendence of Social Security

3 Source: Mesa-Lago, 2013; 2009–2010 based on CUSP, 2011; 2012 from Arenas de Mesa, 2012.

and INP for the reminder of the public system; the schemes of the armed forces and the police were not submitted to state supervision, save for general auditing.

1.10 Financial sustainability

The structural reform abolished the employer's contribution and shifted it to the worker, who pays 10 % on taxable wages/income plus all commissions, a breach of the ILO minimum standard stating that the worker's contribution should not exceed 50 % of the total contribution. Capital accumulation in all individual accounts rose from 3.9 % to 64.4 % of GDP in 1982–2007, albeit declined to 52.8 % in 2008 due to the global crisis. Annual gross capital returns fluctuated from 28.5 % in 1982 to –18.9 % in 2008; the average annual real capital return since the inception of the system performed quite well but steadily falling from 20.6 % to 8.8 % in the period. The portfolio composition by investment instrument gradually diversified in the 28 years of the reform: public debt declined from 35 % to 14 % and financial institutions from 33 % to 30 % whereas investment in stocks rose from 12 % to 14 % and in foreign emissions from 13 % to 28 %; half of the total portfolio was concentrated in the last two instruments in 2007 prompting a sharp decline in capital returns in 2008 due to the global crisis (Table 3).

Prior to the crisis, »multifunds« were introduced (later in Colombia, Hungary, Mexico and Peru), where the insured can choose among five risk-related portfolios. As the insured worker approaches the retirement age, he/she should move toward a more conservative portfolio and indeed 80 % of them were in the least two risky portfolios when the crisis hit. Conversely, those who in the midst of the crisis changed from high- to lower-risk portfolios, lost a significant portion of their funds and had not recover their value by 2010 (CUSP, 2011).

The state finances all transition costs: the operational deficit resulting from the closed public system, the value of contributions paid to the public system by those insured that moved to the private system (»recognition bond«), the differential cost in minimum pensions, and the non-contributory pensions; it also guarantees pensions in case of bankruptcy of AFPs. Contrary to initial projections, transition costs were close to 5 % of GDP in 2008 despite 28 years elapsed since the structural reform and a reduction in the operational deficit (Table 3). Such costs are financed by the entire population through taxes (mostly on consumption), including the poor and others uncovered, with regressive effects. Opposite to other Latin American reforms, Chile's was able to finance the high transition costs because it generated a steady fiscal surplus (CPS, 2011).

Table 3: *Accumulated Capital Fund, Real Capital Returns, Portfolio Composition and Fiscal Cost in the Transition of the Private Pension System, 1982–2011*[4]

Years[a]	Capital Fund		Real capital returns (%)		Distribution portfolio by main instrument (%)				Fiscal cost (% GDP)
	Million US$	% GDP	Since start[b]	Last year	Public debt	Financial institutions	Stocks	Foreign emissions	
1982	600	3.9	20.6	28.5					–6.4
1984	1,200	7.7	16.6	3.6					–7.6
1999	34,501	53.3	11.3	16.3	34.6	33.2	12.4	13.4	–5.9
2000	35,886	59.8	10.9	4.4	35.7	35.1	11.6	10.9	–6.0
2001	35,461	55.0	10.7	6.7	35.0	32.5	10.6	13.1	–6.0
2002	35,515	55.8	10.3	3.0	30.0	34.2	9.9	16.2	–5.9
2003	47,690	64.5	10.3	10.6	24.7	26.3	14.5	23.7	–5.8
2004	60,799	59.1	10.2	8.9	18.7	28.5	15.7	26.8	–5.5
2005	74,750	59.4	10.0	4.6	16.4	28.9	14.7	30.2	–5.2
2006	88,632	61.0	10.2	15.8	13.1	26.3	17.0	32.0	–5.1
2007	111,037	64.4	10.0	5.0	7.8	30.3	14.5	35.6	–5.0
2008	74,313	52.8	8.8	–18.9	14.3	29.7	13.8	28.5	–4.9
2009	118,053	65.3	9.2	22.5	9.7	18.9	13.9	43.9	–4.8
2010	124,726	61.9	9.3	12.0	10.0	16.6	14.6	45.0	–4.7
2011	153,009	64.0	9.1	7.0	14.5	16.2	26.1	43.2	

a December, except June 2010 and 2011
b Annual average return from the inception of the system until the end of each year.

2. Legal features and socio-economic effects of the re-reform[5]

The AFP had enormous power as they managed pension funds worth 64 % of GDP and succeeded in obstructing any fundamental reform for 28 years despite growing criticism of the system flaws under successive democratic governments since 1990. The description of the re-reform features and evaluation of its effects follows. Some of such effects have been measured by two surveys taken in 2009 hence only during the first year of the re-reform; a survey taken in 2011 whose results will be available in 2012 will assess outcomes in 2010–2011.[6]

2.1 Social dialogue

President Michelle Bachelet appointed an advisory council in 2006 with representation from all sectors of society to: study the re-reform, discuss it in numerous public meetings – including one with international experts, and submit a report proposing changes to correct the weaknesses of the private system; 90 % of the council's recommendations were incorporated in the legal

4 Sources: AIOS, 1999–2011; FIAP, 2011; last column from Mesa-Lago, 2013.
5 Part of this section is based on Mesa-Lago, 2008b, 2009, 2012, 2013.
6 Encuesta de Protección Social 2009 (EPS), Encuesta de Caracterización Socioeconómica Nacional 2009 (CASEN) and CASEN 2011.

draft submitted to Parliament in 2007, which was approved as Law 20,255 and went into effect in July 2008 (Gobierno de Chile, 2008; for the re-reform history see Arenas de Mesa, 2010).

2.2 Universal coverage

The re-reform law ordered self-employed workers to be mandatorily covered starting in 2012 (preceded by an information/education process); initially they contribute 10 % upon 40 % of their annual taxable income rising gradually; all will have to contribute on their entire taxable income by 2015. As an incentive for affiliation, the self-employed are now eligible for family allowances, protection against occupational accidents and fiscal solidarity contributions; the percentage of the self-employed enrolled jumped 24 % in 2009–2010 but still was only 3.5 % of total affiliates, the same percentage as in 2008. Voluntary affiliation is granted to unpaid workers (including housewives) and a state subsidy is awarded to low-income young workers during their first two years of affiliation. However, the number of voluntary affiliations in 2010 was small (0.5 % of the total) and also there were few young people enrolled as a result of the re-reform (CUSP, 2011).[7] The number of contributors to the private system rose 15.7 % in 2007–2011, from 4.3 million to 5 million; as a percentage of the EAP, however, there was a decrease from 62.8 % in 2008 to 60.3 % in 2009, due to the effect of the global crisis in Chile[8], and a rise to 61.8 % in 2011 with the recovery. EAP coverage by all pensions climbed from 62.9 % to 73.1 % in 2006–2009 (Table 1). Contributory and non-contributory coverage of the elderly rose from 23.9 % in 2008 to 51.1 % in 2009 and is projected to expand to 97 % by 2025 (Arenas de Mesa et al., 2008; Arenas de Mesa, 2010). The re-reform created a universal basic non-contributory pension for the poor and low income population, to further expand coverage (see 2.4 below).

2.3 Equal treatment

The re-reform failed to correct treatment inequality as it kept excluded the armed force and police schemes, which receive superior benefits than those in the general system and with heavy fiscal subsidies. Despite pressure on the armed forces and some legal attempts, they remained out of the system in 2012.

7 In 2010 there were 300,000 female domestic employees, 12 % of their total employment, 57 % lacked a contract and a high proportion under-declared its salary, due to lack of incentives/information for them and their employers.

8 After high economic growth in 2007–2008, GDP fell 1.7 % in 2009 and recovered in 2010–2011; unemployment rose from 7.8 % to 9.7 % in 2008–2009 and declined thereafter; the occupation rate of the EAP slowdown from 51.7 % to 50.5 % and rose thereafter (ECLAC, 2011).

2.4 Social solidarity

The re-reform created two new »solidarity pensions« financed by the state. First, the Basic Solidarity Pension (*Pensión Básica Solidaria:* PBS) for old-age and disability, to gradually replace the PASIS, ending waiting lists and fiscal restrictions that impeded its universality (it compensates affiliates not previously entitled to either a minimum pension or the PASIS). Starting in 2008, the PBS is granted to 40 % of the lower-income population,[9] that does not receive any other pension, is 65 years or older and a resident for 20 years; it was gradually extended to 60 % of the lower-income population by 2011. Second, the Solidarity Pension Contribution (*Aporte Previsional Solidario:* APS) that will gradually replace the guaranteed minimum pension. The APS supplements the contributory pension of those aged 65 and over whose income is low, and is always greater than the PBS. The APS decreases according to the amount of the contributory pension and ends when it exceeds a ceiling gradually rising until 2012, hence it has progressive effects. Eligibility conditions for the APS are similar to those of the PBS. Young workers' contributions are subsidized for the first two years of their affiliation.

2.5 Gender equity

To cope with previous gender inequalities, the re-reform included several policies. Mothers (affiliated to the private system or beneficiaries of a PBS or survivor pension), regardless of their socio-economic conditions, are granted a maternity voucher equal to 10 % of 18 minimum wages for each child born alive, the voucher is credited to the mother's individual account at child's birth, thereafter accrues annual interest, and it is cashable at age 65, increasing the pension level. In 2009–2010, 475,548 women had received the voucher. The disability-survivors scheme charges one single premium (paid by employers since 2011) for men and women, but as the latter have lower risk incidence and use this insurance less, the surplus premium paid by women is credited to their individual accounts (0.3 % of the premium in 2010). But gender-differentiated mortality tables persist. In case of divorce, a judge can order the transfer of funds accumulated in the individual account during the marriage, from one spouse to the other (usually the female), up to a maximum of 50 %. Housewives may have voluntary affiliation and receive contributions from their spouses or their own rental income. A program expanding day-care facilities aims to facilitate women's employment, improve family's income, and increase pension affiliation. Male spouses are now entitled to a survivor pension (CUSP, 2011; Arenas de Mesa, 2012; SP, 2012).

Distribution of coverage based on contributors by gender improved slightly but still favored men: out of the total, the women share was 38.8 % in 2008 and 39.4 % in 2011. Conversely, the distribution of the solidarity pensions

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9 A nuclear family may have two senior adults receiving the PBS without the household being necessarily among the poorest.

(PBS and APS) greatly favored women: 62.8 % versus 37.2 % men by mid-2012, and the average solidarity pension received by women was 4 % higher than that of men (SAFP, 2009; SP, 2012).

2.6 Benefits sufficiency

The PBS value in 2008–2009 was 50 % higher than the previous PASIS, thereafter it is annually adjusted to the CPI. The PBS increased income by an overall average of 34 % in 2009: by 72 % to those in the lowest 5 % income strata and by 57 % to those in the lowest 10 %. The APS substantially improves contributory pensions; it should provide incentives for affiliation and contribution, and reduce incentives for evasion; since 2010 is also adjusted to the CPI.[10] The distribution of expenditures by solidarity pensions in 2010 was: 89 % to PBS and 11 % to APS. The number of beneficiaries in both programs almost doubled from 603,427 in 2008 to 1.1 million by mid-2012 (39.5 % of all beneficiaries in the country) and it is projected to reach 1.9 million by 2025. Poverty was reduced by 2.7 % among those aged 65 and above, and in the total population by 0.7 %. A new targeting mechanism that measures poverty and gets data on family income was implemented in 2010: the PBS was paid to 84.5 % of those in the six poorest income deciles (60 % of the population), but also improperly paid to 8 % in the three wealthiest deciles, requiring a modification and suspension of benefits to 0.2 % of total beneficiaries in 2009–2010 (CPS, 2011). The law created a »collective voluntary savings« program with contributions negotiated by employers and employees (it may also be by employers alone), with tax benefits, such as tax-deferred payment when funds are withdrawn. However, in 2010 very few employers were participating in this program (CUSP, 2011; SP, 2012). All pensions are automatically indexed to the monetary unit (UF)

2.7 Efficiency and reasonable administrative costs

The re-reform stipulated the following measures to stimulate competition and reduce administrative costs: a) biannual affiliate bidding so the AFP that offers the lowest commission wins the affiliation of those who enter the labour market annually, the newly enrolled must stay in the selected AFP for two years and later may shift to another that charges a lower net commission (the reduced commission also is applied to old affiliates); b) elimination of the fixed-sum commission that had regressive effects; c) authorization to banks to manage individual accounts in competition with the AFP; and d) individual bidding by AFP to select commercial insurance companies has been replaced by universal collective bidding regardless of affiliation, which should reduce costs. The number of AFPs rose from five in 2008 to six in 2011 and the concentration decreased slightly. In mid-2012, the commission upon the salary

10 The effect of the solidarity pensions on the affiliation and payment of contributions in the contributory system, as well as on savings, is not clear because not enough time has elapsed since the re-reform to measure it (CPS, 2011).

charged by the AFP that got the new entrants was 1.14 % whereas the highest was 2.36 %. The average total commission rose from 2.68 % to 3.38 % in 2008–2009 because the abolished fixed commission, excluded in previous averages, was incorporated into the old-age commission and also for the coverage expansion of disability-survivor risks. Nevertheless, as a result of bidding the total commission shrunk to 2.69 % in 2012 at the same level of 2008.[11] In 2011, beneficiaries of the PBS and middle-income pensioners were exempted from the contribution to the health-care program (Table 2; CUSP, 2011; ISSA, 2011–2012; SP, 2012).

2.8 Social participation in the administration

To compensate for the absence of workers' and pensioners' participation in the private-system management, the re-reform created a »User's Commission« composed by five representatives, one each from: workers, pensioners, AFP, insured remaining in the public system and academia. Representatives express their opinions on the system's performance, monitor the fulfilment of reform goals, and guide strategies for members' education (reports were published in 2010 and 2011). A Social Insurance Pension Education Fund was also established, financed by the state and the AFP, to disseminate information and educate the public on pension matters, as well as centers and private advisors to respond enquiries from the public and help the insured to claim benefits and choose AFPs, »multifunds« and pension options. Despite these measures, the lack of proper knowledge of the entire pension system continues; in 2010 there were 536 private advisors that processed 22 % of consultations but the insured needed better information on their location and services (P, 2011).

2.9 State role and supervision

Under the re-reform the role of the state has been substantially expanded in providing benefits, infusing social solidarity and gender equity, promoting competition, consolidating supervision, and guaranteeing the financial solidity of future benefits.

The Superintendence of AFP was abolished and replaced by a Superintendence of Pensions, which oversees the private and public pension systems (excluding the armed force and the police schemes), as well as the new solidarity pensions (removing from the AFP the administration of minimum pensions), the centres for comprehensive pension provision, and other related public agencies. The INP was transformed into the Institute of Social Insurance (*Instituto Nacional de Previsión*); the waiting time in its centres decreased from one hour to 15 minutes, the index of overall satisfaction was 89 % and

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11 The average net commission for the old-age program decreased from 1.74 % to 1.43 % in 2008–2012 whereas the disability-survivor premium rose from 0.94 % to 1.87 % and then fell to 1.26 % due to the bidding (Table 2). For salaried employees the total administrative cost was 1.48 % in 2010 whereas it was 2.99 % for the self-employed (FIAP, 2011).

that of adequate service 96 %; a new single facility serving all types of pensions (*ventanilla única*) has improved the service (CUSP, 2011). The Under-Secretary of Social Insurance powers were expanded to design public social policies and follow up the pension re-reform (Arenas de Mesa, 2012).

2.10 Financial sustainability

Mainly due to the recovery as well as the improvement of the private system, the value of the total fund increased two-fold in 2008–2011: from US$ 74,313 million to US$ 153,009 million, a historical record. The real average capital return since the inception of the system rose from 8.8 % to 9.1 %, and the average in the last 12 months improved from –18.9 % to 22.5 % en 2009 but fell to 7 % in 2011 (Table 3). In 2010, the distribution of the multifunds by risk portfolio appeared to be better balanced than in 2008 taking into account the insured age: 53 % were in the two riskiest portfolios, 37 % in the intermediate, and 10 % in the two least risky. Since 2011, the disability/survivor premium was shifted from the insured to the employer, reducing the worker's burden but still not complying with the ILO maximum of 50 % contributions paid by workers. The state provides fiscal stimulus to employers to contribute to their employees' voluntary individual accounts, but with little results so far – modifications were introduced to improve this. The new benefits and agencies are financed by general taxation and resources saved by ending some payments in the public system. There was an improvement in collection in 2010 and a slight decline in the historical trend of payment delays (CUSP, 2011).[12] Fiscal costs of the structural reform in 2010 were still 4.7 % of GDP; fiscal costs of the re-reform were 0.25 % in 2008, 0.61 % in 2009, 0.68 % in 2010 and projected to peak at 1.3 % in 2030. All pension costs (contributory and solidarity pensions) are projected as 2.4 % of GDP in 2020 but this estimate is not comparable to previous ones (CPS, 2011).

The re-reform set the basis to ensure its long-term financial sustainability: a) a Reserve Pension Fund was created to finance the new benefits; b) the Ministry of Finance develops every three years an actuarial study of the Fund and the new system, allocates fiscal resources according to the budget law, and elaborates annual reports on required resources; c) the Superintendence and the Ministry conducts actuarial reports, every five years, to assess the effects of demographic, financial and affiliate-behaviour changes on replacement rates and financial needs; d) a Pension Consulting Council composed by qualified experts monitors the fiscal impact of the re-reform, its sustainability and any potential modifications required whereas the Users' Commission elaborates annual reports on the re-reform evolution (CCP, 2011; CUSP, 2011). In 2010, a report from the University of Chile confirmed that the system was in actuarial equilibrium for 2009–2025 (Arenas de Mesa, 2010). The

12 In mid-2011, payment delays accounted for 1.1 % of the total accumulated fund in 30 years.

first actuarial report in 2010 showed that the system will be able to meet its obligations until 2030 (CPS, 2011)

3. Advantages and problems/challenges of the re-reform

3.1 Advantages

- The re-reform was preceded by a wide social dialogue, it is comprehensive, and promotes most social security principles;
- procures a wider coverage prescribing the gradual, legal mandatory affiliation of the self-employed and incentives for joining the system;
- establishes stimuli for affiliation and payment of contributions, and promotes voluntary contributions from employers;
- grants a basic solidarity pension to all the poor and low-income groups, without a waiting list or fiscal restrictions;
- resolves the previous lack of protection to affiliates who did not qualify for a minimum or non-contributory pension;
- improves the existing pensions with a fiscal subsidy calculated as a percentage of the contributory pension; said contribution decreases as the pension amount grows and is eliminated if it exceeds a maximum ceiling;
- reached the target of one million beneficiaries of solidarity pensions ahead of schedule;
- grants a maternity voucher to all mothers as well as other benefits to mitigate gender inequities,
- stimulates competition and introduces mechanisms to reduce administrative costs;
- creates an entity to facilitate the claiming process of the new benefits, inform the insured, and promote pension education;
- institutes representative social participation through an users' commission to monitor the re-reform;
- unifies and reinforces the regulation and supervision of the system; and
- lays a solid financial foundation for the re-reform based on a solidarity fund, biannual actuarial projections, five-year actuarial evaluations of the effect of the re-reform on key pension variables, and monitoring by a technical council and the users' commission.

3.2 Problems and challenges[13]

- Implement more innovative and effective mechanisms to achieve mandatory coverage of the self-employed; despite an increment, affiliates are still very low relative to the total number of self-employed (the same can be said for mandatory affiliation of domestic servants, as well as voluntary and young worker affiliations);

13 This section is largely based on CPS, 2011, and CUSP, 2011.

- eliminate the small percentage of »free riders« through a more effective application and periodic verification of the new targeting mechanism, making transparent the causes of suspension of benefits;
- investigate the real impact of the solidarity pensions on the affiliation and payment of contributions to the contributory system, as well as on savings;
- integrate the armed forces and police pension schemes to the general system or eliminate/reduce fiscal subsidies granted to their members;
- confront gender inequities generated by the labour market through legal means (enforcement of equal salary earned by women and men for the same work), but also fomenting higher female labour participation through training and further development of public day care centres;
- poor knowledge of the whole pension system persists among the population, the information available is very technical and not adjusted to the educational level of most people hence such information should be simplified and the population better educated through the Education Fund, which should properly diffuse the new rights;
- the »multifunds« helped protect the majority of insured during the economic crisis but the information provided by AFPs and private advisors still needs to be improved to make better selection and shifts among funds;
- to further improve compliance, the insured worker should play a more active role in detecting employer's payment delay by checking the quarterly report sent by the AFP, and the latter promptly inform the worker of such a delay;
- continue the annual reports of the CPS and the CUSP, as well as the actuarial evaluations stipulated by law to ensure that the necessary funds are assigned in the budget for the payment of new benefits.

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Pension Re-reform in Argentina[1]

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Introduction

Before 1993, the old public pension system was afflicted by fragmentation, erosion of the pension real value, and financial-actuarial disequilibria that demanded increasing fiscal subsidies (Mesa-Lago, 2008). Argentina was the third Latin American country to implement a structural reform (thereafter »reform«), which kept the pure public system and created a new »mixed« system (Integrated Pension System: IPS) that comprised two pillars: the first, public, paid a basic pension while the second, added a supplementary pension either in the public or in the private pillar. Initially, workers (previously insured and

1 The author is responsible for this article but gratefully acknowledges Fabio Bertranou and Luis Casanova (both ILO Buenos Aires) for valuable comments and Laura Pautassi (CONICET) for useful hints. Special thanks go to Carmelo Mesa-Lago for his invaluable suggestions and support throughout the interdisciplinary cooperation.

new entrants) could change between the pure public and the mixed systems but posterior restrictions favoured affiliation to the latter. The state guaranteed a contributory minimum pension for those who met certain requisites, paid an additional benefit to both those who stayed in the public system and opted for the mixed system, and granted limited non-contributory pensions. Subsequently, numerous »corrections« (partial reforms) were introduced to the mixed system and the non-contributory pension. After the severe financial crisis of 2001 further corrections were implemented to improve the non-contributory pension for the elderly in 2003 and overall coverage in 2005–2007. In November 2008, when individual accounts had suffered a sharp decline due to the global financial crisis, the re-reform was enacted: it closed the mandatory private pillar and integrated it to the public system. Before the corrections and the re-reform, the mixed system suffered from several flaws.

1. Flaws of the pension system under the structural reform

1.1 Social dialogue

The initial social dialogue on the reform with political parties, trade unions, the association of pensioners and other organizations, reached two agreements: the employer contribution would be kept and the total contribution not risen. After 15 months of discussion in congress, reform Law 24.241, September 23, 1993 was approved and became operative in July 1994 (Mesa-Lago and Müller, 2003). However, in 1995 the government introduced significant modifications that undermined the agreed compromises.

1.2 Universal coverage

Legally, the IPS was mandatory for all salaried and self-employed workers, except for those in separate schemes (see 1.3), but less than one fourth of the economically active population (EAP) were effectively covered due to the following reasons: tightening of entitlement conditions by the reform (especially for the self-employed), as well as rising informality, evasion and unemployment; the domestic crisis in 2001–2003 and the global crisis of 2007–2009 that also cut coverage. Affiliates in the mixed system are those insured that enrolled and paid one contribution, but many left the labour market or did not further contribute, hence coverage based on affiliation is overestimated; active contributors (affiliates that paid in the last month) averaged 38 % of affiliates in 1998–2008. Based on active contributors, EAP coverage fell from 24.7 % in 1998 to 15.7 % in 2001 (due to the domestic crisis), climbed to a peak of 25.8 % in 2006 and, due to corrections in 2007 (see 2.2), diminished to 19.8 % in 2008, lower than in 1998. Affiliates that contributed dwindled from 48.9 % to 37.9 % in 1998–2008 (AIOS, 1999–2008). In 1999, 78 % of total contributors were in the mixed system and 22 % in the pure public system, by 2004 the proportions were 86 % and 14 % respectively (Rofman, 2000; Mesa-Lago, 2008). More comprehensive survey data, combining contributors in the private and public systems, as well as in separate schemes,

showed higher coverage but decreasing from 46.7 % to 33.4 % in 1992–2003 and then rising to 45.1 % in 2007, still below the pre-reform level (Table 1). Despite legal mandatory coverage, the self-employed that accounted for 20 % of the EAP in 2008 had a lower effective coverage as they had to contribute 27 % of a predefined income. Argentina had the lowest EAP coverage among the most socially developed countries in the region (Mesa-Lago, 2008). Falling coverage and contribution density raised the risk of inaccessible contributory pensions at retirement age.

Table 1: *Coverage of the EAP and the Elderly by Pension Systems, 1992–2010 (percentages)*[2]

Years[a]	Private System Alone		Public + Private Systems[d]	New estimates public (SIPA)[e]		Elderly (65+) by all pensions
	Affiliates[b]	Contributors[c]		*Aportantes*[f]	Contributors[g]	
1992			46.7	35.6		78.1
1998	50.5	24.7	41.1	35.0		73.4
1999	52.4	23.2	40.0	35.1		73.3
2000	53.0	20.7	39.0	33.9		70.7
2001	54.3	15.7	36.9	30.2		71.6
2002	54.9	18.2	34.1	27.7		69.4
2003	56.0	19.7	33.4	28.2	25.9	68.6
2004	58.3	20.6	35.2	31.5	30.2	68.1
2005	60.8	24.5	37.8	35.0	32.1	69.0
2006	63.7	25.8	41.0	37.4	33.7	70.7
2007	60.0	24.5	45.1	39.7	35.4	84.3
2008	52.2	19.8	45.7	41.6	37.4	86.7
2009			45.7	41.2	36.2	90.1
2010			47.5	41.6	37.4	90.4

a December; June in 2008
b Those that enrolled and paid at least one contribution since affiliation
c Affiliates that paid the contribution in the last month
d Surveys based on all systems/schemes; EAP based on contributors
e Public and former private
f Affiliates that paid at least one contribution in the last year
g »Regular contributors«: affiliates that paid the month contribution, without specifying in the last month.

EAP coverage increased with income and vice versa: in the lowest income quintile it dropped 31 percentage points in 1992–2003 and never recovered its previous level; the coverage gap between the lowest and highest income quintiles expanded from 13 to 46 percentage points in 1992–2004. Coverage in the lowest quintile decreased from 39.4 % in 1992 (prior to the reform) to 8.5 % in 2004 whereas in the highest quintile it increased from 52.7 % to 55 % (Rofman and Oliveri, 2012).

Coverage of the elderly based on comprehensive surveys also declined from 78 % to 68 % in 1992–2004 and albeit growing to 70.7 % in 2006 still was below pre-reform level (Table 1). In the lowest income quintile, it

2 Sources: 1992–2008 private system from AIOS, 1999–2009; public and private systems and elderly from Rofman and Oliveri, 2012; new estimates from author based on EAP from CEPALSTAT, 2012, aportantes and contributors from Curcio and Beccaria, 2011 and ANSES 2011b.

dropped from 63.4 % to 41.5 % in the period whereas in the wealthiest quintile it fell from 79.7 % to 77.6 % only (Rofman and Oliveri, 2012). The number of old-age pensioners in the IPS shrank 18 % in 1996–2004 (from 2 to 1.6 million). A more comprehensive household survey showed that 2.2 million elderly citizens, most of them women (72 %), did not receive any pension in 2004 (ANSES, 2011c). Non-contributory pensions were restricted by waiting lists and available fiscal resources but the decline in contributory coverage led to lifting the restriction in the number of non-contributory pensions in 2003.[3] Elderly beneficiaries doubled from 43,272 to 92,517 in 2003–2006 (Arza, 2012).

1.3 Equal treatment

The unification of various separate pension schemes was done mostly by previous reforms. The reform kept several separate schemes (armed forces, police, and provincial/municipal civil servants) with better pensions largely financed by the Treasury and extended the unification process by allowing provincial/municipal schemes to be integrated into the IPS, but only 10 out of 24 provinces and two out of 20 municipalities did so (MinTESS, 2005).

1.4 Social solidarity

It was kept in the public contributory pensions, in particular in the basic universal pension, and in non-contributory pensions. But solidarity was absent in the private pillar because of the individual accounts and undermined due to various reasons:

a) banning a return to the public system to those who had taken the option to change to the mixed system; new entrants to the labour force who did not exercise that option (undecided) were automatically assigned to the private pillar (default rule);
b) maintenance of separate schemes with better benefits and fiscal subsidies;
c) declining coverage and related poverty higher among lower-income and the elderly (as well as women) who faced a high risk of not qualifying for a contributory pension, and restrictions to the non-contributory pension (until 2003); and
d) the reform transitional costs are financed by the entire population through taxes (mostly on consumption) and debt, including the poor and others excluded from coverage, with regressive effects.

1.5 Gender equity

Gender inequalities in the pension system preceded the reform and are linked to gender-specific labor market participation; maintaining the public

3 Other special non-contributory pensions are granted by Congress to nation presidents and vice presidents, Nobel Prize winners, veterans from the Malvinas War, and relatives of victims of the military dictatorship.

system/pillar mitigated them because of transfer of resources from men to women, but the reform accentuated such inequalities:

a) in the private pillar, women's benefits were calculated based on gender-differentiated mortality tables;
b) the lower female contribution density, longer retirement span and sex-differentiated mortality tables led to a lower women fund in the individual account (75 % of men in 2003; MinTESS, 2005) and a smaller annuity than men's with the same accumulated funds in individual accounts;
c) years of contributions to earn the minimum pension and the regular pension were raised by the reform hence a higher percentage of insured (women in particular) would not qualify; and
d) the number of years for the average basic wage to calculate the pension was also extended hurting women more than men because of their intermittent employment record (see 1.6).

Different retirement ages by gender (60 women and 65 men) were kept in all contributory pension systems, but women could opt to continue working up to the same retirement age than men thus alleviating such gender disadvantage.

***Table 2:** Coverage of EAP and the Elderly by Gender, 1992–2010 (percentages)*[4]

Years	EAP based on contributors[a]		Elderly (65+) covered by all pensions	
	Men	Women	Men	Women
1992	47.6	45.4	84.4	73.9
1998	42.0	39.7	80.6	68.2
1999	40.7	39.0	79.0	69.7
2000	39.8	38.0	74.9	68.0
2001	36.8	37.0	76.3	68.5
2002	33.5	34.9	73.4	67.0
2003	35.3	31.0	74.5	68.7
2004	37.2	32.6	73.4	64.6
2005	39.4	35.7	73.1	66.4
2006	42.7	38.8	75.5	67.6
2007	47.0	42.5	82.3	85.6
2008	47.3	43.2	85.5	90.8
2009	46.1	45.0	88.1	91.4
2010	48.7	46.4	87.5	92.4

a Percentage of EAP coverage in each sex based on contributions in all schemes.

The proportion of women in the EAP was close to 50 % and the share of women in the public pillar was higher than the men share (Trappe, 2000). In 1992–2003, EAP coverage of women by all pensions, based on contributions, fell from 45.4 % to 31 % and, despite a recovery, in 2009 was at the same level of 1992 (Table 2). Most women were not protected by direct contributory benefits, but by derived benefits as survivors or by non-contributory pen-

4 Sources: Based on Rofman and Oliveri, 2012

sions that were restricted. The percentage of females receiving any type of pensions fell from 73.9 % to 67.6 % in 1992–2006 whereas the men's proportion dropped from 84.4 % to 75.5 % thus reducing the gender gap.

1.6 Benefit sufficiency

The reform provided old-age pensions by two contributory pillars: a first pillar that granted a basic universal pension by the public system regardless of both the worker' income and his/her second pillar choice, and a second pillar to be chosen by the insured, either in the new private system or in the new public system. The reform tightened requirements: a five year increase in the minimum retirement age (men to 65, women to 60), a ten-year increase in the years of contribution (from 20 to 30 years), and the replacement of the average wage in the three best years by an average of the last 10 years.

The IPS basic universal pension is a flat rate benefit granted to all insured that meet the required age and at least 30 years of contribution; for each additional contribution year the amount is increased by 1 % of the base salary with a top of 15 %. The benefit level was subjected to available fiscal resources and decreased to 28 % of average wages; due to lack of indexation, this basic pension value declined to 15 % of average wages (US$ 81 in 2007). In 1995 a law allowed a reduced (at 70 %) basic universal pension to insured aged 70 or older if they had at least 10 years of contribution.

The second pillar benefit level depended on the regime chosen by the insured. The public system granted an additional benefit (PAP), equivalent to 0.85 % of the average wage over the last 10 years for each year of contribution to the new public system after July 1994, with a maximum of 35 years. The reform projected a replacement rate of 50–60 % combining the universal basic pension and the second pillar pension, such rate declining as income increased. The private pillar granted a pension in addition to the basic universal pension; it could be paid either as an annuity from a life insurance company (8 % of all old-age pensioners) or scheduled withdrawals (programmed pension) from the Pension Fund Management Company AFJP (92 %), based on the accumulated balance of the individual account.[5] In 2003, the average fund in individual accounts was US$ 1,690, yet the median was US$ 580 and half of affiliates had a lower sum; such a low deposit was explained by high administrative commissions and low compliance. In the same year, the average amount of the old-age pension was US$ 173, 23 % higher in the private system than in the public, but out of the total pension received in the mixed system, 85 % was from the basic universal pension and the transitional »compensation benefit« (MinTESS, 2005). This benefit was paid to any insured that

5 The AFJPs guaranteed a minimum return equal to the industry average, if their annual return was below that minimum, they had to compensate affiliates with an established reserve, if that was insufficient, the state had to step in.

made contributions to the previous public system provided that the minimum requirements for the basic universal pension were met. This compensation benefit is equal to 1.5 % of the average wage during the last 10 years before retirement, with a maximum of 35 years.

Lack of adequate indexation of benefits and of past wages used to calculate the initial pension was a major flaw. The rule on automatic adjustment of all public pensions to wages twice a year was eliminated in 1995 and replaced by discretional adjustments by the government. The pension had a maximum level which in 2007 was US$ 1,000 monthly, and a minimum level of US$ 100 or one-tenth. In 2008 more than 70 % of pensioners lived on the minimum pension (Álvarez Chávez, 2008). The real average value of the pension decreased dramatically and thousands of lawsuits were won by beneficiaries. The peso devaluation of 2002 further diminished the purchasing power of pensions. The Supreme Court ordered in 2006 and 2007 the creation of an index for automatic adjustment of pension benefits within a reasonable time but it had not been done by the end of 2007.

1.7 Efficiency and reasonable administrative costs

Despite the reform assumptions, competition was limited because the enrolment rules favoured affiliation in the private pillar (default rule; no return option into the public pillar), and workers could not exercise their choice freely. Argentina had the second biggest number of AFJPs in the region, but they declined from 24 when the system started to 10 when it was closed. Concentration in the largest two AFJPs rose from 36.1 % in 1999 to 42 % in 2003 and declined to 36.4 % in 2008 (same as in 1999).[6] Mainly due to legal restrictions, annual changes among AFJPs fell from a peak of 7.1 % of affiliates in 2004 to only 4 % in 2008 (Table 3). There was little competition and transparency among insurance companies handling disability/survivors risks as almost all of them were tied to the AFJP to which the insured was affiliated (Rofman, 2000). The commission and premium combined as percentage of the deposit in the individual account rose from 44.9 % in 1999 to a peak of 83.1 % in 2001 (during the crisis, the worker's contribution was cut from 7.7 % to 2.7 % equally reducing the deposit but keeping the same commission) and fell to 51.8 % in 2007, still more than half of the amount deposited (Table 3). In 1994–2008, the AFJPs reportedly deducted US$12.2 million as administrative costs from insured contributions, about two-thirds (Álvarez Chávez, 2008; *Diario Clarín*, July 9, 2010; see 2.7).

6 In 1999, more than 70 % of contributors were in four AFJPs and the largest one concentrated 21 % of the market.

Table 3: *Competition, Transfers among AFJPs and Administrative Costs, 1994–2008*[7]

Years	Administrators (AFJPs)			Deposit and Administrative Costs (%)[b]		
	Number	Concentration in major 2 (%)	Changes/ affiliates (%)[a]	Deposit in account	Administrative costs[c]	Costs/ deposit
1994	24					
1998	15					
1999	13	36.1	4.2	7.59	3.41	44.9
2000	12	35.8	4.8	7.72	3.28	42.5
2001	12	43.5	4.7	2.73	2.22	83.1
2002	12	42.7	3.6	2.75	2.25	81.9
2003	12	42.2	3.8	4.46	2.54	57.0
2004	12	39.8	7.1	4.47	2.53	56.6
2005	11	38.5	2.3	4.41	2.59	58.7
2006	11	37.8	3.8	4.47	2.53	56.6
2007	11	36.9	3.9	4.61	2.39	51.8
2008	10	36.4	4.0			

a Annual changes among AFJPs as percentage of total affiliates
b Percentage of taxable wage/income
c Include the commission to the AFJP for old-age insurance and the premium for disability/survivors risks.

1.8 Social participation in the administration

The old public pension system had tripartite participation in the administration although it was not always effective. The private pillar lacked it in the AFJPs and the Superintendence, despite the workers being owners of the pension funds. Trade unions, however, participated in the administration of the few AFJPs they owned. The reform stipulated the creation of an advisory National Pension Council with the participation of workers, employers and beneficiaries but, to the best of our knowledge, it was not established.

1.9 State role and supervision

The state continued to play a key role in the whole pension system (IPS). It bore all the transitional costs of the reform: pension benefits of the previous system, value of contributions paid to the previous public system for all the insured (even those who stayed in the public system), basic universal pension, guaranteed minimum pension, non-contributory pension, etc. Such costs were increasing due to the drainage of contributions directed to the private pillar, rising unemployment (from 8.8 % to 25 % in 1993–2001) and increasing informality. The AFJPs were supervised by an autonomous Superintendence of Pensions that, based on the reform law, strictly regulated and oversaw the operation of the AFJPs with binding rules as to affiliation procedures, mandatory contribution of workers, investment, marketing and information. In addition, the state guaranteed a minimum investment return of the individual ac-

7 Sources: AIOS 1999–2009; number of AFJPs in 1994 is from Rofman, 2000, and in 2008 from Álvarez Chávez, 2008.

counts, and payments of life insurance and disability pensions in case of insolvency of the AFJPs or the insurance company; if the AFJP could not pay the minimum return or pension, the state would pay the difference, take over the fund administration and withdraw the AFJP licence.[8] Insurance companies that paid disability/survivor annuities were supervised by a reportedly weak National Superintendence of Insurance. The public pension system is managed by the National Social Security Administration (ANSES) and supervised by a government ministry and the national auditing agency.

1.10 Financial sustainability

The public pension system was financed by contributions from employers (16 %, later reduced in the private-sector to an average of 10.8 %, due to crises), contributions from the insured that opted for the public pillar (11 %), and taxes; self-employed paid 27 % of their reference income (16 % if were in the private pillar). The private pillar was only financed by contributions from the insured worker: 11 %, reduced to 5 % in 2001 because of the crisis,[9] and gradually risen to 11 % in 2003–2008. In 1998, a simplified paying system (*monotributo*) was set for low-income self-employed contributors, consisting of flat contributions: mandatory of US$ 35 to the public pillar and voluntary of US$ 33 to the private pillar (MinTESS, 2005). Low compliance persisted. The public system revenues fell 40 % as 80 % of the insured and their contributions shifted to the private pillar and ANSES had to cover the deficits, as well as a the huge debt from the settlement of pensioners' law-suits prompted by lack of indexation for 12 years.[10] About 10 % of the public system deficit was generated by the deficits of provincial schemes transferred to the national pension system. The State also finances deficits of non-integrated provincial pension schemes based on agreements, and of separate schemes for the armed forces and police.

In the private pillar, the severe domestic economic crisis of 2001–2004 led to a 44 % decline in the value of the funds in 2002, and it did not recover until 2005. GDP also decreased sharply thus explaining why the value of the fund relative to GDP did not shrink further. In that crisis the real capital return dropped –10.4 % in 2001. The global crisis of 2008 resulted in a decline of –8.7 % in the capital return in that year. The average real annual return since inception of the system fell from 11 % to 8.4 % in 2000–2008 (Table 4). These are *gross* returns because they do not deduct administrative charges that were very high hence the *net* returns were lower but never published. The share of the portfolio on state debt rose from 52.3 % in 1999 to a peak of 76.7 % in 2002 (in the midst of the crisis) because the government put pressure on the AFJPs to invest in that instrument, changed investment in dollars

8 By 2008, before the re-reform, the state fully paid 77 % of pensions to 445,000 beneficiaries of the private pillar, as well as additional payments to 179,000 pensioners to maintain the minimum guarantee, and 33,000 pensions for those who had depleted their individual accounts (reform law *Anexo-Fundamentos*).

9 The reduction should have been also applied to the public pillar but was quickly halted in 2001.

10 In 2003, only 14 % of total insured were in the public system that had 95 % of all pensions.

into pesos (which suffered greatly due to the later devaluation of the peso), and finally cut the interest rate paid on state debt. All this affected the funds' value. The share on state debt declined to 56.2 % in 2008 but still was higher than the 1999 share of 52 %. Investment in domestic stocks and foreign emissions had high returns explaining their increased shares but they suffered a severe fall in value during the 2008 crisis not fully appreciated in the table because its worst effects were in 2009 (Table 4). The corrections of 2005–2007 relieved some of the problems listed above, as will be explained later.

Table 4: *Capital Accumulated in Pension Funds, Real Gross Capital Returns, and Distribution of Portfolio by Main Instruments, 1998–2012*[11]

Years[a]	Capital Accumulated[b]		Capital return (%)[d]	Distribution of Portfolio by Main Instruments (%)					
	Million US$[c]	% of GDP		Public Debt	Domestic Stocks	Foreign emisions	Mutual Funds	Bank deposits	Dev't projectse[e]
1998	11,526	3.9							
1999	16,787	5.9	9.2	52.3	20.5	0.4	6.3		
2000	20,381	7.1	11.1	56.0	12.3	4.5	8.2		
2001	20,786	7.4	8.0	68.0	10.2	1.8	3.3		
2002	11,650	11.3	10.4	76.7	6.5	8.9	1.8		
2003	16,139	12.4	10.5	68.9	11.8	9.7	2.8		
2004	18,306	11.9	9.9	62.0	12.7	10.3	4.8		
2005	22,565	12.3	9.4	60.9	13.4	8.9	8.1		
2006	29,371	13.7	9.8	60.6	12.7	9.7	11.6		
2007	30,105	11.5	9.2	54.9	15.0	8.4	14.6		
2008	32,881	11.8	8.4	56.2	12.5	8.9	13.2		
2008	31,238	9.5		60.2	9.8	5.4	3.3	10.8	2.3
2009	37,966	12.3		64.7	10.2	5.0	1.3	7.0	6.1
2010	45,645	12.3		59.3	14.2	0.2	1.8	9.0	11.8
2011	48,537	10.8		58.9	8.3	0.0		11.7	13.9
2012	47,188			59.1	8.1	0.0		10.2	13.8

a December 1998–2007; June and December 2008; December 2009–2011; March 2012
b In private individual accounts until June 2008 thereafter in public system
c Converted based on official exchange AR$ to US$
d Annual average *gross* real capital return from the inception of the private system in 1994 to 2008
e Investment in national productive and infrastructure projects.

2. Legal Features and Effects of the Re-reform

About 12 corrections to the entire pension system amended flaws of the structural reform in 2003–2008 (particularly Law 26,222, February 27, 2007). The re-reform (Law 26,425, November 20, 2008) eliminated the private pillar in January 2009, moved all their members back to the public system (*Sistema Integrado Previsional Argentino*: SIPA), based on PAYG and managed by ANSES. The capital from the individual accounts of the private system was

11 Sources: 1998-June 2008 from AIOS, 1999–2009; December 2008–2010 from ANSES, 2011d; March 2012 from ANSES, 2012; GDP and exchange rate from CEPALSTAT, 2012.

transferred to a Fund to Guarantee Sustainability (FGS) that previously had received the funds from the public system. Herein »re-reform« embraces both the corrections and the final step.

2.1 Social dialogue

After the economic crisis of 2001, there was a wide social dialogue: the government invited two ILO missions, debated reform proposals with broad representation, and published a »white book« with conclusions and recommendations (MinTESS, 2003). In 2003 the government elaborated a study on the prospects of the pension system based on financial and actuarial projections up to 2050 (done with technical support from ILO), which recommended a substantial reform to solve the problems of low coverage. Some of the corrections prior to 2008 were based on previous recommendations, but their approval was rather hasty. The re-reform law was not supported by technical and actuarial studies; the draft law was approved – with a few changes – in 10 working days by the Chamber of Deputies and two weeks later by the Senate (Álvarez Chávez, 2008); with only 22 articles the law eliminated the private pillar and forced the move of all its members to the public system. The latter was done although previously a majority (82 % of affiliates and 78 % of contributors) had not explicitly reacted to the option to switch back to the public system (Mesa-Lago, 2009). The corrections enacted in 2005–2008 and the re-reform had little public discussion and congressional debates, and were approved with no inputs from experts, civil society and interest groups. On the other hand, the privatization of the pension system did never receive broad acceptance from civil society, except for interest groups (like economic conglomerates, banks, insurance companies, AFJPs).

2.2 Universal coverage

The corrections prior to the re-reform allowed change between the public and the mixed systems every five years with certain requisites; automatically assigned new entrants in the labor market that did not exercise the option – undecided – to the public system reversing the previous default rule; and took other steps that transferred 2.5 million affiliates (22 % of the total in 2007) from the private to the public system:

a) 1.1 million with less than 10 years to retirement and with less than US$ 6,600 in their individual accounts;
b) 1.3 million that had opted to return or new entrants to the labour force enrolled by default; and
c) 174,000 in reinstated special schemes (Rofman et al., 2010).

Policies implemented in 2004–2005 expanded contributory coverage:

a) employment promotion to reduce unemployment and increase contributions and revenue, the unemployment rate shrank from 19.7 % in 2002 (worst point of the crisis) to 7.2 % by the end of 2011 (ECLAC, 2011);
b) the 2006 Program for the Social Inclusion of the Elderly (*moratoria*) allowed by the end of 2007, 1.7 million elderly without or with insufficient

contributions who met the minimum retirement age to immediately receive a reduced contributory pension, provided they recognized the debt for owed contributions and paid it with deductions from their pensions (the number rose to 2.45 million in 2010);[12]

c) granting an early retirement pension at 50 % level to 46,000 unemployed elderly insured who had met the minimum contribution requirement and had less than 5 years to retirement age, the pension was risen after the statutory age of retirement was reached (Rofman et al., 2008 and 2010; Arza, 2012).

Estimating EAP coverage is complicated by changes in definitions and the calculation. ANSES now defines »*aportantes*« as affiliates that paid at least one contribution in one year and »*regular contributors*« as affiliates that paid a contribution in a month, without specifying »in the last month« (ANSES, 2011a, 2011b). Previously, AIOS (2009) defined affiliates as »active contributors« that paid in the »last month«. Table 1 compares all the series and estimates coverage of the EAP by *aportantes* in 1994–2010 and regular contributors in 2003–2010. *Aportantes* are lower than regular contributors but the latter are considerably higher than active contributors because they not necessarily paid in the last month. Coverage by *aportantes* was 35.6 % in 1994, decreased to 27.7 % in 2002 due to the crisis and rose to 41.6 % in 2008 and 2010. Coverage based on the more reliable regular contributors rose from 25.9 % in 2003 (in the midst of the crisis but it must have been higher before) to 37.4 % in 2008 and 2010. Finally, coverage based on comprehensive surveys increased from 45.7 % to 47.5 % in 2008–2010, vis-à-vis 46.7 % in 1992. Despite the problems noted, coverage rose by 4–6 percentage points since 2006 with stagnation in 2008–2010 except for surveys (Table 1). The self-employed share in total EAP coverage decreased from 25.2 % to 3.5 % in 1994–2009 because many of them joined *monotributo* whose share rose from zero to 12.3 %; the share of domestic employees also increased from zero to 3.2 % (Bertranou et al., 2011; Curcio and Beccaria, 2011). Coverage by all pensions in the lowest quintile rose to 20.8 % in 2010 (still 19 points below 1992) and in the highest quintile it reached a record 66.2 %, a gap of 45 points similar to that in the 2004 trough (Rofman and Oliveri, 2012).

Based on comprehensive survey data, the elderly (age 65 and over) receiving all types of pensions (contributory and non-contributory) rose from 70.7 % in 2006 to a record of 90.4 % in 2010 (Table 1).[13] The total number of SIPA contributory pensioners rose from 3.2 million to 4.6 million in 2003–2010 (Calvi and Cimillo, 2010; Bertranou et al., 2011). The number of non-

12 The *moratoria* tried to facilitate access to contributory pensions for those who reaching retirement age were not entitled to a pension; the measure is transitional and applies only to contribution period gaps prior to the structural reform of 1993 (Bertranou et al, 2011). About 87 % of the elderly claimers were women, at an average age of 72, exemplifying how gender gaps in labor-market participation affected the pension system (Pautassi et al., 2011).

13 Based on register data for 2006–2010, coverage by contributory pensions rose from 57.6 % to 87.1 % and the coverage by all pensions (including separate schemes) to 95.8 % in 2010 (ANSES, 2011b).

contributory pensioners decreased from 92,517 in 2006 to 57,089 in 2010 and 48,394 in 2011 due to the 2006 inclusion program that allowed them access to contributory pensions. On the other hand, 604,620 disabled and 299,251 mothers with many children also received non-contributory pensions hence the overall number rose to 952,265. There are 2.5 million new beneficiaries, the majority of them receiving a minimum pension; two out of three people of retirement age who did not previously have access to a benefit became protected (Arza, 2012; ILO, 2012).

2.3 Equal treatment

The corrections and the re-reform left untouched some 130 separate schemes (armed forces, provincial/municipal civil servants) with superior benefits and fiscal subsidies (Curcio, 2011). Worse, separate schemes with privileged benefits were reinstated for 174,000 teachers, university staff, researchers, diplomats and the judiciary; old-age pensions were granted five years earlier for men and three years earlier for female teachers, researchers and university staff than in the general system, and with only 20 or 25 years of contributions[14] (Bertranou et al., 2011).

2.4 Social solidarity

The corrections and the re-reform improved social solidarity: a) abolished the tax deduction for additional contributions to the private pillar that favoured high-income groups; b) reduced and then halted high administrative charges by AFJPs; c) closed the private pillar that lacked solidarity and moved all insured to the public system with intergenerational solidarity; d) extended coverage in the contributory system, especially for lower income groups, although the poorest decile still has the lowest rate of coverage and 15 % of the population of retirement age remains excluded from benefits (Arza, 2012); and e) expanded social inclusion by removing some restrictions: for the elderly on contributory pensions, and for mothers on non-contributory pensions (see 2.6). Elderly coverage rose in all income groups with the greatest impact on the poorest quintile (Rofman and Oliveri, 2012).

2.5 Gender equity/equality

The re-reform elimination of the private pillar and return to a comprehensive public pension system attenuated gender inequalities (e. g., sex-differentiated mortality tables were dropped). The expansion of coverage of contributory pensions reduced the gender gap, and mothers with seven or more children and without income/pension now receive a non-contributory benefit equal to the contributory minimum pension. Since 2009, a universal allowance is granted for each child below age 18 or disabled (a maximum of five) to parents who are unemployed or informal and do not receive a pension; the

14 The elimination of the judiciary scheme provoked numerous law suits and was declared unconstitutional.

monthly amount in 2011 was US$ 53 per child and US$214 if disabled (ANSES, 2011b). The percentage of women in retirement age receiving contributory old-age and survivor pensions increased from 54 % to 83 % in 2005–2010 whereas the men's proportion rose from 74 % to 88 % hence the gender gap was reduced from 20 to 5 percentage points; 78 % of pensions granted under the new programs are received by women (ANSES, 2011c; Arza, 2012). The share of women in all pension beneficiaries (including non-contributory) rose from 67.6 % to 92.4 % in 2006–2010 exceeding the men's share of 87.5 % (Table 2). Unresolved is the problem of women's lower contribution density, partly due to leaving the labour force to raise their children, as those activities are not compensated. Different retirement ages for men and women have not changed either.

2.6 Benefit sufficiency

The 2007 corrections increased future benefits of the second pillar public pension: a) PAP benefits calculated at 1.5 % (instead of 0.85 %) of the average base salary, per each year of contribution, raising them by 76 % (Rofman et al., 2008); b) indexation of past salaries to calculate the base salary (excluding years of inactivity) in the 10 years before retirement; and c) after 30 years of contributions, the insured is entitled to a pension combining the basic universal pension representing 22 % of average salary and the public-pillar PAP benefit replacing 45 % of the average base salary (Bertranou et al., 2011). Under the re-reform, the monthly basic universal pension (with 30 years of contribution) was increased several times in 2008–2012, from US$ 104 to US$ 200, whereas the minimum pension joining the two public pillars rose from US$ 245 to US$ 423 (ANSES, 2011b and Resolution 327/2012).

According to the law, the state guarantees affiliates and pensioners transferred to the public system »equal or *better* benefits than those they were granted« under the private system at the start of the re-reform (Law 26.425, art. 2). The latter stipulation is difficult to enforce as it is hardly possible to estimate the insured pension in the private system (not defined benefit) at the time of its closing.

Non-contributory pensions for old age and disability are at 70 % of the minimum contributory pension, whereas the pension for war veterans is three times the minimum contributory pension. Non-contributory pensions are also adjusted twice a year and rose to an average US$ 341 in September 2012 (http://mbesse.wordpress.com, August 9, 2012). According to household survey data, the percentage of persons of age 60 and over living in poverty was reduced from 27.9 % to 3.3 % in 2003–2009 (ANSES, 2011c).

After several discretionary pension adjustments, Law 26,417 of 2008 restored the automatic indexation of all pensions (including those previously granted by the AFJPs, maximum benefits, and non-contributory pensions) twice a year starting in 2009; the index combines variations in both wages and the total amount of contributions to SIPA; negative adjustments are not al-

lowed (Bertranou et al., 2011). The *average* contributory pension (combining the two public pillars) rose five times, from US$ 118 to US$ 560 in 2003–2012 whereas the *maximum* pension was US$ 3,108 in 2012, three times the 2007 maximum (ANSES, 2011b and Resolution 327/2012). The average replacement rate for all workers, excluding the *moratoria* pensions (see 2.2), was 75 % of average salary, but if the moratoria were included the average replacement rate would decline to 43 % (Bertranou et al., 2011).

2.7 Reasonable administrative costs

The correction of 2007 increased again the worker's contribution and thus the percentage deposited in the individual account, reduced administrative costs of the private pillar from 1.2 % to a maximum of 1 %, and ended the disability/survivor premium paid to commercial insurance companies and financed it with a new Mutuality Contribution Fund that charged the same premium to all insured regardless of individual risk (Rofman et al., 2008). The re-reform alleged that one of the reasons to nationalize the private system had been high administrative costs relative to the deposit (see 1.7) and eliminated all commissions and premium. ANSES cannot charge any fee but transparent data on its administrative costs are lacking.

2.8 Social participation in the administration

The re-reform stipulated the creation, within ANSES, of an Advisory Council of the FGS to supervise and monitor the funds of the unified public system (SIPA), comprised of 13 representatives:

a) 3 from the most representative trade unions;
b) two from the Advisory Council of Pensioners (composed by 114 elected members from the corresponding Federation, independent, with monitoring and counselling functions to ANSES);
c) 2 from the most representative employer's organizations;
d) 2 from the most representative banks;
e) 2 from Congress;
f) one from ANSES, and
g) one from the Executive.

Workers and pensioners had five members; employers and banks four, and the government also four. There is no social participation at any management level of ANSES but, compared with the structural reform, social participation seems to have improved.

2.9 State role and supervision

The re-reform strengthened the role of the state in the provision of pensions but expanded rather than unified the supervisory agencies:

a) SIPA managed by ANSES is under internal and external control and supervision by several public institutions that pay special attention to the

FGS (also within ANSES), which absorbed all assets from the private pillar;

b) a new Congressional Bicameral Committee (consisting of 12 elected members from both chambers) monitors SIPA funds and the system evolution, may request information and give opinions and recommendations (ANSES provides such Committee with 2–3 reports annually on FGS performance);
c) the Advisory Council of the FGS, the National Auditing Agency and the National Ombudsman also exert external supervision;
d) a specific internal auditing body for the control of the FGS was created within ANSES internal auditing unit; and
e) the National Superintendence for Insurance oversees private pillar annuities managed by insurance companies (Bertranou et al., 2011).

These supervisory bodies are weak; ANSES plays a predominant role in SIPA, manages the FGS that is not autonomous (albeit ANSES was restructured for the FGS operation), and both the Congressional Committee and the Advisory Council lack binding power (Mesa-Lago, 2009).

2.10 Financial sustainability

The re-reform significantly increased revenue of the public system. The FGS had previously received US$ 5,693 million from the old public system, as well as US$ 25,545 million transferred from the individual accounts of the closed private pillar in December 2008, for a total of US$ 31,238 million (ANSES, 2011d; Table 4).[15] In addition, FGS had previously received funds from those who had chosen to switch to the public system or were affiliated by default, as well as funds from individual accounts of teachers, researchers, diplomats and judiciary (Rofman et al., 2008). Partly due to the transferred funds, FGS accumulated capital increased 48 % between June 2008 and December 2011: from US$ 32,881 million to US$ 48,537 million. Due to such significant expansion, relative to GDP the accumulated capital rose from 11.8 % to 12.3 % in 2008–2010 but fell to 10.8 % in 2011 (Table 4).

Within FGS, an Executive Committee (integrated by government members) advises on investment; it is bound by the investment rules previously established for the private pillar but, before the re-reform, it was legally stipulated that from 5 % to 20 % of the portfolio must go to national productive and infrastructure projects for economic development (the majority of which is public); increasing from 2.3 % of the portfolio at the end of 2008 to 13.8 % in 2012. Investment in public debt (state, provincial and municipal) increased from 54.9 % to 59.1 %, domestic stocks declined from 15 % to 8 %, foreign emissions were banned and reduced to zero; a change in the categories since 2008 impedes to trace back investment in fixed-term bank deposits but it was 11.7 %

15 In June 2008 there were US$ 32,881 million in the individual accounts (Table 4) and it has not been explained what happened to the difference of US$ 7,336 million (compared with the US$ 25,545 million reportedly transferred).

in 2011 and half was in the state bank. The FGS investment policy is not committed exclusively to increase capital returns as previously because the primary objective is economic development. The nominal capital return in 2011 was 6.4 % but adjusted to inflation that year (9.5 %) it was negative (–3.1); the return declined to 4.9 % in March 2012 and in real terms was also negative (returns from ANSES, 2012; inflation from ECLAC, 2011). The average annual real return has not been published since 2008 therefore it's not possible to assess the outcome of the new investment policy.

On the other hand, the re-reform increased pension expenditure significantly: expanding coverage of the elderly previously excluded from contributory pensions, re-instating the automatic indexation, raising the level of public pensions, and the number of non-contributory pensions. The proportion of pension expenditure climbed from 3.8 % of GDP in 2005 to 6.4 % in 2010 (ANSES 2011c). The previous public system endured significant annual deficit that were covered by the state (Calvi and Cimillo, 2010). It is argued that ANSES had a surplus from 0.4 % to 1.2 % of GDP in 2004–2007 but these may have been the result of tax revenues. Merging the former private funds with the public funds in the FGS led to an immediate elimination of such deficit. Some measures were taken to reduce the risk of imbalance in the pension system, for instance, the indexation is tied to wages and total contribution revenue, and a few separate schemes have increased contributions. These measures and the huge flow of revenue after the re-reform might prevent the risk of disequilibrium in the short run (maybe in the medium term also) but in the long run the SIPA will face the substantial obligations from the closed private system and a deficit. We have been unable to find ANSES annual balance of SIPA between revenue and expenditures (albeit it must report it to the Congressional Committee and show if there is a deficit), as well as actuarial projections. The National General Auditing made projections to 2050 based on 2007 data (before the re-reform) concluding: »Based on pension revenue alone, the system is unsustainable [but] when adding fiscal resources it is sustainable« (AGN, 2010: 36). A study based on 2009 data (after the re-reform) projects SIPA financial balances in 2010–2050 showing that the deficit will increase five times in the period without fiscal subsidies (CEMUPRO, 2011).

Thus the elimination of the private pillar increased the implicit pension debt in the long run because the state will be responsible for the payment of future pensions of about 4 million contributors moved to the public system. Due to population aging and the increase in life expectancy, FGS revenue and returns from the transferred private funds could be insufficient to pay such obligations as well as those of the former public system; in that case, the state will have to finance the deficit, increase contributions, cut benefits, rise capital returns or a combination of all those measures (Lo Vuolo, 2008; Mesa-Lago, 2009). The FGS is obliged to use all the funds for pension payments and hence they should not be used to pay foreign debt (art. 8), but ANSES is authorized to invest the surplus and to give loans to the state by buying public bonds up to 50 % of the surplus (Álvarez Chávez, 2008), and also FGS partly

finances family allowances. When using the FGS funds for financing pension benefits, ANSES is obliged to inform the causes of the deficit and to determine whether it is transitional or the result of structural problems that pose a risk for the long-term sustainability of the system; in this case, the government must propose necessary solutions to said deficit (Bertranou et al., 2011).

Other factors that may jeopardize the future sustainability of the system are:

a) the re-reform was done without previous actuarial studies and projections and, to the best of our knowledge, they have not been done at least after the re-reform;
b) there are 1.36 contributors per one pensioner (7.6 million contributors and 5.6 pensioners in 2010), too low and probably falling in the future due to increased life expectancy, declining birth rate, persistent informality and low compliance, FGS resources may not be sufficient to cope with these problems;
c) Argentina has a long tradition of using pension funds for other purposes than their central objective;
d) the FGS is subject to internal and external supervision and monitoring but they have to be tested in future economic-financial crises; and
e) the largest majority of privileged separate schemes are actuarially imbalanced and take substantial fiscal resources.

3. Advantages of and problems/challenges of the re-reform

3.1 Advantages

- Expanded coverage, access and levels of contributory pensions, and extended non-contributory pensions for the needed elderly, disabled and mothers (including a universal benefit for child), particularly benefiting low-income strata and reducing poverty;
- integrated the private and public pension systems into SIPA;
- improved social solidarity with the shift from the private pillar without solidarity to the public system with strengthened solidarity;
- improved gender equity by extending contributory pensions to elderly women; eliminated gender-differentiated mortality tables, and granted a non-contributory pension to mothers with many children;
- restored adjustment of current/new pensions to wages and contribution collective sum;
- first reduced and then eliminated commissions and premium through the unified public system that doesn't charge fees;
- established an advisory council to monitor the reform with 38 % from insured and pensioner representatives; and
- strengthened the state role in pensions and created several public supervisory agencies.

3.2 Problems and challenges

– The re-reform was done without a social dialogue and did not incorporate agreed guidelines from the 2001–2002 debate. A comprehensive, profound and long-term reform is needed to solve pending challenges, preceded by a wide social dialogue and professional actuarial studies.

It is also needed to

– elaborate and publish statistical series on the ten key principles, properly connected with data prior to the re-reform, which are essential for the evaluation of its effects;
– tackle the persisting public system fragmentation, incorporating into SIPA the armed forces and remaining provincial/municipal civil servants, as well as the restored privileged schemes, and eliminate fiscal subsidies that these groups may receive;
– within the pension system, implement mechanisms to cope with female low contribution density and introduce a gender neutral retirement age;
– establish a unified non-contributory means-tested basic income scheme for the poor, and end pensions granted by Congress;
– restructure ANSES to establish it as an autonomous juridical, financial and economic agency, administered by representatives of workers, pensioners and employers instead of by state representatives alone;
– establish a single, autonomous, technical superintendence that regulates and oversees SIPA and all separate pension schemes (Congressional Commission recommendations are not binding);
– convert the FGS into a fully autonomous institution, not managed by ANSES but by a collective technical body and without government intervention;
– invest the funds transferred from individual accounts that were merged with the public PAYG system funds, sin accordance with strict legal rules that maximize their capital return and minimize their risk; and
– provide resources to pay for settled lawsuits and recognize debt for missed adjustments as established by the Supreme Court, to prevent new litigation.

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Pension Re-Reform in Bolivia[1]

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Introduction

The public pension system of Bolivia[2] faced serious problems in 1995:

- high fragmentation with one single basic program but 38 supplementary funds that had significant differences among them;
- very low EAP and elderly coverage, particularly among women;
- very low retirement ages (50 women/55 men) and very high replacement rates (70–100 %);
- high administrative costs (averaged 17–20 % of contributions);

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2 *Estado Plurinacional de Bolivia*, abbreviated herein as Bolivia due to space limitations.

- substantial evasion, payment delays and under-declaration of wages;
- hyperinflation in the 1980s that significantly eroded the pension fund, and low or negative capital returns; and
- insufficient fund to pay one year of pensions, severe actuarial disequilibrium, increasing fiscal transfers to finance the growing deficit, and an active/passive ratio that averaged 2.7 in the basic program but below 1 in several supplementary funds (Gersdorff, 1997; Jemio, 2008; Picado and Durán, 2009).

The above problems were the justification to the structural reform Law No. 1732 of November 29, 1996; the reform was of the substitutive type and totally replaced the public system with a private system: all the insured in the public system (both in the basic scheme and the supplementary funds) were automatically moved to the private system (except those who had met all conditions for retirement by the end of 1997 later expanded to the end of 2001); new entrants in the labor force that have mandatory coverage must also affiliate. The reform brought positive changes: integration of pension schemes into the general system, stronger relationship between contributions and pension levels, significant capital accumulation, high capital returns in the early years, and the lowest administrative costs among private systems. But the Bolivia's labor force and socio-economic features were quite different to those of Chile's thus making difficult to reproduce that reform model; furthermore, there were important flaws of design and posterior changes that generated crucial problems. After corrections in 2003–2008, the administration of President Evo Morales Ayma enacted the re-reform in 2010.

1. Flaws of the private pension system prior to the re-reform

1.1 Social dialogue

In his first term in office, President Gonzalo Sánchez de Lozada endorsed the structural reform with the support of the international financial organizations but with strong opposition from the ministries of labor and health, and the trade unions. The proposal tied the reform with the privatization of half of all public enterprises, made politically feasible by assigning half of the stocks to finance an annual non-contributory flat benefit to part of the elderly (Bonosol, later *Renta Dignidad:* Dignity Pension) hence getting support from the major labor federation; it also created a pension superintendence to oversee the private system and take power away from social ministries. A public relations campaign launched in 1995 led to a limited social dialogue but did not overcome the opposition forces that resorted to public demonstrations. The government coalition that had a strong majority in congress approved the reform law in 1996 and it started to operate on May 1, 1997 (Mesa-Lago and Müller, 2003; Müller, 2009).

1.2 Universal coverage

EAP coverage based on affiliates steadily climbed and was about three times of that based on contributors, because in the former it was sufficient to be affiliated and pay one contribution. Based on more reliable data on contributors, coverage fell from 11.7 % in 1994 (before the reform) to 9.7 % in 2003, peaked at 13.4 % in 2009 and fell to 12.5 % in 2010, one point higher than before the reform. According to survey data including all schemes, coverage decreased from 13.7 % to 12.5 % in 1999–2005 and rose to 15 % in 2007, also one point higher (Table 1). Within Latin America, Bolivia had the lowest coverage among private systems and the third lowest among all countries (Mesa-Lago, 2008). The proportion of affiliates that contributed shrank from 87.5 % to 39.3 % in 1997–2010 (AIOS, 1999–2011; Picado and Durán, 2009). Reasons for the low and stagnant coverage were:

- 63 % of the EAP in 1999 and 61.8 % in 2007 were non-skilled self-employed, micro-enterprises employees, unpaid family workers and domestic employees (ECLAC, 2011b) that have voluntary coverage whereas only large agricultural plantations have some coverage;
- coverage was essentially limited to civil servants (whose number was substantially reduced by privatization of public enterprises in the 1990s) and salaried employees in urban formal large enterprises (about 1 % of the total employees);
- substantial evasion in the formal sector thus only 38 % of large enterprises with more than 20 salaried employees were registered in 2010 (Comisión, 2011); and
- lack of knowledge or distrust of the private system.

The share of self-employed workers in total affiliation rose from 1.7 % to 4.3 % in 1998–2010 but their share in the EAP was 44 %[3] (ECLAC, 2011b; INE, 2012a).

Coverage of the population age 60 and above by contributory and non-contributory pensions rose from 34.2 % in 1995 (prior to the reform) to 126.4 % in 2008; contributory coverage decreased from 17.6 % to 15.7 % in 1999–2008 whereas non-contributory coverage jumped from zero to 110.7 %; the overlapping was due to data flaws or one person receiving more than one non-contributory pension (fraud) and/or the simultaneous reception of both types of pensions (legally possible) (Table 1). This is the highest coverage of the elderly by non-contributory pensions in Latin America.

3 All self-employed (skilled and unskilled) and unpaid family workers accounted for two-thirds of the EAP. Coverage of unpaid family workers and domestic employees was even lower than that of self-employed. In 2005 93 % of non-salaried workers were not affiliated (Picado and Durán, 2009; ECLAC, 2011b).

Table 1: *Coverage of the EAP and the Elderly Population, 1994–2011(in percentages)*[4]

Years[a]	EAP by Private System: Registration data based on		EPA by all schemes[b]	New Series: EAP/Public System		Elderly Popopulation (60+) by all Pensions		
	Affiliates	Contri-butors		Registe-red	Contri-butors[c]	Total	Contri-butory	Non-Contri-butory[d]
1994		11.7[e]				34.2		
1998	12.4							
1999	14.2		13.7			79.7	17.6	62.1
2000	20.5		13.4	16.6	10.4			
2001	21.2	9.9	13.0	16.5	9.7			
2002	23.1	10.8	10.7	18.8	10.2			
2003	24.8	9.7		19.3	9.9			
2004	24.8	11.1	11.4	21.0	10.3			
2005	25.9	12.3	12.5	20.8	11.0	91.4	15.6	75.8
2006	26.7	13.3	13.8	20.6	10.6	87.2	15.5	75.8
2007	28.2	13.3	15.0	21.9	10.3	90.5	15.3	71.7
2008	29.6	12.8		23.2	10.2	126.4	15.7	110.7
2009	30.6	13.4		24.2	10.5			
2010	31.7	12.5		25.4	11.4			
2011				26.5				

a December; June in 2010
b Surveys based on contributors
c »Contributors enrolled« without specifying contribution period
d Bonosol/*Renta Dignidad*
e Based on contributors in old public system (Picado and Durán, 2009).

1.3 Equal treatment

The public system had a basic program plus 38 supplementary pension schemes for powerful occupational groups mainly in the public sector (armed forces, teachers, universities, judges, miners, etc.); affiliation to such schemes was legally voluntary but most insured in the public sector had it. There were significant differences among those schemes but the majority enjoyed liberal entitlement conditions and benefits and endured actuarial disequilibria (the state financed the deficit and took over several insolvent schemes). The reform integrated the basic program and all supplementary schemes, a unique case in the region (Mesa-Lago, 2008). However, an agreement signed in 1996 by the government with the military scheme (*Corporación del Seguro Social Militar:* COSSMIL), a few days before the enactment of the reform law, stipulated that all active members with 35 years of service in that year would receive a pension not less than 100 % of the average salary in the last five years, each indexed with the US dollar. Decree No. 24,668/1997 added that military

4 Sources: EAP coverage 1994–2010 from AIOS, 1999–2011; surveys from Rofman and Oliveri, 2012; new series from APS, 2011, 2012 and EAP from CEPALSTAT, 2012; elderly 1994 from Roffman and Oliveri, 2012, and 1999–2008 from Durán and Pacheco, 2012.

men with 35 years of service and whose pension is less that 100 % of the average salary get the difference paid by the collective fund.[5] Other groups that had supplementary pensions (e. g., miners), obtained from the government early retirement and a compensatory pension paid retroactively, under certain conditions.

1.4 Social solidarity

The public system had a collective fund responsible for all risks whereas in the private system the individual shouldered them. Bonosol was an important social-solidarity element: an annual flat transfer for life to the resident population age 65 and above who was 21 years old (adult) by the end of 1995, regardless of their income; in 1998–2001 Bonosol was replaced by Bolivida that reduced the benefit but increased the eligible age set in 1995 from 21 to 50 years; in 2002 Bonosol was restored at its original amount. The benefit was not universal, because it was limited to a specific population cohort, and not targeted on the poor hence it was collected by those receiving a contributory pension. Law No. 3791, November 28, 2007, established the Universal Old-Age Pension (*Renta Dignidad*) and made it universal: it is granted for life to all residents age 60 and above, regardless of income, and registered in the data base of beneficiaries; those who receive a contributory pension get a 25 % reduction. Alleged reasons for the universal instead of targeted benefit were: widespread population poverty (60.6 % in 1999 and 54 % in 2007 among the highest in Latin America), much larger in rural than in urban areas (ECLAC, 2011a); high administrative costs of targeting, and the stigma carried by the means test, particularly among indigenous peoples (Müller, 2009; Ossio, 2013).

Elements against solidarity in the private system were:
- the very low coverage that combined with consumption taxes led to regressive effects (the large majority of the uncovered EAP indirectly financed part of the transition costs of the covered minority);
- contrary to other reforms, there was not a guarantee minimum contributory pension to the insured who failed to accumulate enough in their individual accounts to finance such benefit, that pension was finally granted in 2008 but without state financial responsibility;[6]
- neither was a compensation for contributions (CC) made to the public system by those transferred to the private system, until 2003 and with significant restrictions;
- the armed forces, miners and other groups became eligible to early retirement and/or increased pensions;
- the employer contribution of 5.8 % was eliminated (except for 1.71 % for employment injury insurance), as well as the state contribution of 1.5 %,

5 Some 7,500 pensioners in the armed forces cost 0.5 % of GDP in 2004 whereas 410,000 beneficiaries of the non-contributory pension cost 1 % (Picado and Durán, 2009).
6 The pension is financed by 20 % of common and professional-risk disability premium, and other sources.

whereas the insured contribution was raised from 8.9 % (including the basic and supplementary)[7] to 12.2 %--before and under the reform, the ILO minimum norm that the employee should not paid more than half of the total contribution was infringed;
- the self-employed have to pay the total contribution based on a declared income; and
- gender inequalities explained below.

1.5 Gender equity

Women had a considerably lower share than men in salaried work but the opposite in informal work and virtually all domestic employees are women (optional coverage or difficult to enforce). The female share in total affiliation slightly rose from 33.6 % to 35.4 % in 1999–2010 whereas the female proportion in the EAP covered was significantly smaller than men's and decreased from 11.6 % to 10.6 % in 1999–2005, the lowest in the region (AIOS, 1999–2011). The women average monthly income gap vis-à-vis men expanded by 91 % in 2000–2009, from US$ 65 to US$ 103. The percentage distribution of CC by gender in 2003 was 66 % men and 34 % women and deteriorated to 73.4 % and 26.6 % respectively in 2010. Average female pensions were lower than men; depending on the type of pension they were from 39 % to 86 % the average male pension (based on INE, 2012a). The lower female salary, woman higher life expectancy and differentiated mortality tables by sex contributed to that difference. The proportion of elderly female receiving any type of pension fell from 23.7 % to 12.8 % in 1995–2007, but its proportion in the non-contributory pension was 54 % in 2008, a notable improvement (Picado and Durán, 2009; Rofman and Oliveri, 2012).

1.6 Benefit sufficiency

In the public system, retirement ages were 55 for men and 50 for women, with 15 years of contribution (for those who met retirement conditions by 2001 and specifically required to stay). Due to social pressure, additional benefits were granted to those in the public system who did not meet the entitlement conditions at the time of the reform.[8] In the private system, the minimum pension introduced in 2008 requires age 60 and 15 years of contributions and is equal to the minimum wage; an insured that have reached age 65 but lack the required sum in the individual account, can monthly withdraw 70 % of the minimum salary until the account is depleted. The certificate for contribution compensation (CC) began to be awarded in 2003 but it was restricted by ceilings of 20 times the minimum wage and US$ 1,137. The accu-

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7 The employer contributed 4.5 % to the basic and 1.3 % to the supplementary, while the employee contributed 2.5 % and 6.4 % respectively. The elimination of the employer contribution led to an initial proportional increase in the employee salary.

8 A minimum monthly pension to those who were of relatively advanced age and could not accumulate in the private system; a flat sum for those with less than five years of contributions, and an anticipated pension for those who had requested a public pension but its processing had not been completed.

mulated number of CC granted in 2003–2010 was 78,621 tantamount to 17 % of affiliates in 1998 and 24.7 % of contributors in 2001 hence only a fraction of the eligible population has received the CC (authors' calculations based on INE, 2012a). The insured can retire, regardless of age, when accumulating in the individual account a sum (contributions, CC and returns) that can finance a pension equal to 70 % or more of his/her average salary, or at age 65 if can finance a pension equal or higher than the national minimum wage. When meeting the requirements, the insured could choose between a life fixed annuity paid by a commercial insurance firm or a variable annuity with an AFP. The estimated replacement rates based on the latest salary were extremely low: 23.9 % for men and 19.7 % for women (Durán and Pena, 2011). All pensions were initially indexed to the US dollar and later to a monetary unit whose value is annually adjusted to inflation (*Unidad de Fomento a la Vivienda:* UFV).

Beneficiaries of the non-contributory pension *Renta Dignidad* rose from 492,000 to 750,000 in 2007–2009, as the required age was reduced from 65 to 60 and it became truly universal. Payments are made now monthly instead of annually through the banking network and military bases. The pension was increased from US$ 229 annually in 2007 (US$ 19 monthly) to US$ 342 in 2009 (US$ 28.50 monthly) for those that do not receive a pension, and 75 % of that sum to those who receive a pension. In 2008, 100 % of the elderly, 20 % of the households and 7 % of the entire population benefited from this program, which contributed 9.4 % to the monthly household income and significantly reduced poverty (Durán and Pacheco, 2012).

1.7 Efficiency and reasonable administrative costs

The National System of PAYG (SINASIR) pays public pensions, and estimates and grants the CC. The AFPs manage the individual accounts and the collective fund for the non-contributory pension, and pay part of the pensions. There was no competition in the private system for three reasons:

- there were (are) only two AFP hence a duopoly with 100 % concentration;
- initially there was no freedom of choice, the government assigned the insured (50 %/50 %) to the two AFP by zones, for the first five years a new AFP could not be created and members could not transfer between the two (the insured market is too small for a third AFP, the Superintendence bidding for another AFP failed), since 2003 until 2010 only a tiny proportion of the affiliates (0.3 % to 0.4 %) changed AFP (AIOS, 2004–2011; APS, 2011);
- there is no competition among commercial insurance firms that cover disability-survivors risks as bidding was eliminated in 2006; and
- the commissions charged and capital returns of the two AFP were similar.

Bolivia had the lowest administrative costs among all private systems in Latin America because there was no competition hence no need for publicity and marketing that take a big portion of such costs. The commission was legally set at 0.50 % of wages/income and the premium was 1.71 % most of the

time, for a total of 2.21 % vis-à-vis a 10 % deposit therefore administrative costs were 22 % of the deposit (Table 2). Despite being the lowest in the region, the 22 % rate was higher than the 17 % paid in the closed public system and quite high by international standards.[9] Up to 2010, the insured worker paid both the deposit and all administrative costs, whereas the employer paid nothing hence infringing the ILO minimum norm. For the special military scheme (COSSMIL), the state as employer contributes 13 % of salary: 6 % for basic pensions, 5 % for the collective fund managed by AFP to improve military pensions, and 2 % for occupational risks.

Table 2: *Administrative Costs in the Private System, 1999–2010*[10]

Years[a]	Deposit and Administrative Costs (%)[b]			
	Deposit in Account	Administrative costs[c]	Solidarity contributionn	Costs/deposit
1999	10.00	2.50	0.0	25.0
2001	10.00	2.21	0.0	22.1
2010	10.00	2.21[d]	4.0[e]	22.1

a Years 2000 and 2002–2009 are deleted because are the same as the previous year
b Percentage of taxable wage/income
c Include the AFP commission to manage old-age insurance and the premium to cover disability/survivors risks
d According to AIOS, in 2009 the premium for disability-survivors rose from 1.71 % to 13.42 % but it could not be confirmed.
e Employer 3 % and insured from 0.5 % to 10 %.

1.8 Social participation in the administration

The public system had tripartite representation: from workers, employers and the government. The reform eliminated such participation in the AFPs (including the collective fund for the non-contributory pension); there is no participation in the Superintendence either.

1.9 State role and supervision

Despite the assumption that the state would play a »subsidiary role« under the structural reform, it had crucial functions and obligations:

– finance the transitional deficit resulting for the complete and rapid closing of the public system that left it without any contributors (much worse than in Argentina, Chile and Hungary where part of the insured stayed in the public system/pillar) but resposible for all current and future obligations;
– since 2003 finance the CC emanating from the basic and supplementary pension funds;
– manage *Renta Dignidad* though the Ministry of Finance and partly finance it; and

9 On average, commissions paid were equivalent to 9.7 % of total years contributed by men and 9.5 % contributed by women, the lowest percentages among private systems but still high in view of the low average pensions (Durán and Peña, 2011).
10 Source: Based on AIOS 1999–2010; Ticona, 2012.

– finance the Superintendence of Pensions, Securities and Insurances (SPVS). The latter that was autonomous, regulated and oversaw the private system whereas the Ministry of Finance supervised the remainder of the public system.

1.10 Financial sustainability

Since 2003, SINASIR took over all assets and became responsible for all obligations of the closed public system (basic and supplementary funds). Two major capitalization funds were established: individual with funds from private individual accounts (FCI), and collective with dividends from half of the stocks obtained from privatizing public enterprises geared to finance the non-contributory pension (FCC).[11] Excluding the early years, the value of the two funds combined increased three times in 2002–2008, and relative to GDP rose from 15.5 % to 25.2 %, except for stagnation in 2003–2005 (Table 3). Despite the lowest EAP coverage, the GDP percentage was the biggest after Chile in Latin America (because of the collective fund and a relative low GDP) and showed the huge importance of the pension fund for the economy and the government.

Table 3: *Capital Accumulated in Pension Funds, Real Gross Capital Returns, and Distribution of Portfolio by Main Instruments, 1998–2010*[12]

Years[a]	Capital Accumulated[b]		Capital Return (%)[c]	Distribution of Portfolio by Main Instrument (%)				
	Million US$	% GDP		State Debt	Bank deposits	Private emissions	Domestic Stocks	Foreign Emissions
1998	333	4.0						
1999	592	7.0	12.5	67.2	32.4	0.4	0.0	0.0
2000	841	10.8	11.1	69.5	23.2	3.7	0.0	0.0
2001	936	11.0	15.7	73.2	10.5	13.4	0.0	0.0
2002	1,144	15.5	17.1	69.1	14.7	13.4	0.0	1.3
2003	1,493	20.9	11.1	64.1	7.3	16.7	8.6	1.7
2004	1,716	20.5	10.4	67.5	5.6	16.9	7.5	1.5
2005	1,816	20.1	9.8	70.0	6.8	13.5	6.3	2,5
2006	2,140	21.0	8.8	74.8	11.1	9.3	0.1	2.7
2007	2,559	22.0	7.6	72.4	14.6	8.5	0.0	2.2
2008	3,428	25.2	6.8	68.5	14.3	12.3	0.0	0.0
2009	4,246	22.6	7.3	62.7	20.7	11.8	0.0	0.0
2010	5,408	28.9	9.1	60.8	22.5	16.1	0.0	0.0
2011	6,583	28.7	6.7	56.8	25.5	15.4	0.0	0.0

a December, except June 2010.
b Includes the individual and the collective capitalization funds.
c Annual average *gross* capital return from the inception of the system in 1997 to 2010.

11 In 2011, 99.3 % was in the FCI and only 0.7 % in the FCC managed by the AFPs (FIAP, 2011).
12 Sources: 1999–2009 from AIOS, 1999–2010; 2010–2011 authors' estimates based on FIAP, 2011 and VPSF, 2012; GDP in US dollars and inflation from ECLAC, 2011b and BCB, 2012.

The average gross capital return peaked at 17.1 % in 2002, the highest among private systems in the region, but decreased to 6.8 % in 2008 (the fourth); there was a partial recovery to 9.1 % in 2010 (the second highest, tied with Chile). A projection done in 2005 showed that for each one percentage point less in the capital return of the private system, for an insured with 25 years of contribution, the pension level decreased by 26 % (Picado and Durán, 2009). Due to government regulations, the portfolio was highly concentrated on government debt rising from 67.2 % in 1999 to a peak of 74.8 % in 2006 (the third highest share among private systems). Government bonds paid a relatively high interest rate in 1998–2004 explaining the rise in capital returns and the fund value relative to GDP. Based on the structural reform law of 1996, however, the government pressured the AFPs to pay the deficit of *Renta Dignidad* by purchasing shares of the collective fund – with poor dividends (this policy was stopped later); in 2005 AFPs were obliged to buy new public bonds with lower interest rates; the outcome of these measures was decreasing returns. The second largest investment was in short-term bank deposits, albeit falling from 32.4 % to 22.5 % in the period, which paid low interest (Picado and Durán, 2009). These two instruments accounted for 99.6 % of the portfolio in 1999 and still 87 % in 2007, partly because of legal rules and also due to the small domestic capital market and lack of other investment alternatives. Thus very little was invested in stocks (8.3 % down to 0.1 % in 2003–2006), and even less in foreign emissions (2.7 % down to zero in 2006–2008), which were banned part of the time (Table 3). The fund performed comparatively well during the global crisis because it had no investment in stocks and foreign emissions and high shares in state debt and bank deposits; declines in fund value in 2007–2009 were minor relative to other countries,[13] but the portfolio concentration in low-return instruments led to decreasing average returns (Mesa-Lago, 2010).

Transition costs were first projected in 1996 at US$ 2,360 million for 1997–2060, but in 2004 raised to US$ 5,790 million for 2004–2060, 2.5 times the initial projection and excluding CC and additional pensions granted after the reform (Gamboa, 2005).[14] Relative to GDP such costs were initially estimated for the first year of the reform at 0.2 % peaking at 2.2 % in 2000 and declining thereafter (Gersdoff, 1997), but the World Bank rose the cost from 3.5 % to 5 % in 2001 and projected to 2.1 % in 2020 (Gil et al, 2005). Transition costs/GDP were higher because of:

– flaws in the initial projections that overestimated GDP growth;
– added benefits in both the public and private systems;
– government failure to recover assets from the supplementary funds of the armed forces, the police and the judiciary, and
– unabated non-compliance (Picado and Durán, 2009).

13 The crisis provoked a decline in the annual return (–2.9 % in 2007 and –1.9 % in 2009) but there were worse drops in Argentina, Chile, Peru and Uruguay (AIOS, 2008–2010).

14 Additional pensions granted led to 35 % more pensioners than initially estimated (Picado and Durán, 2009).

The number of Bonosol beneficiaries was much larger than expected and a steady deficit resulted in the collective fund; a projection in 2005 showed that financing the non-contributory pension at the legal level would require an increase by two-fold of the collective fund or a cut in the benefit (Gamboa, 2005).

2. Legal features and socio-economic effects of the re-reform

The private system integrated all previous pension schemes, charged the lowest administrative fees in Latin America, reinforced the relationship between contribution and pension level, and achieved one of the highest regional capital accumulations relative to GDP. Conversely, it failed to increase EAP coverage (one of the lowest two in the region), lacked social solidarity (partly infused by the state with Bonosol), expanded gender inequalities, failed to originally guarantee the minimum pension and the compensation for previous contributions-CC (both added later with restrictions), provided very low benefits, was a duopoly with only two AFP without initial freedom of choice and later with almost no changes among them, abolished social participation in the system administration, eliminated the employer's contribution and raised the insured's, bore a huge concentration of the portfolio in state debt and to less extend bank deposits, as well as declining real capital returns, and faced increasing fiscal costs during the transition due to incorrect initial projections and posterior addition of multiple benefits in both the closed public system and the private system. In a perception survey conducted in 2008 before the re-reform, among affiliates, contributors, non-affiliates and pensioners, only 38 % wanted to keep the private system (because of individual savings and pensions based on them), 30 % were against and 32 % were undecided, while 61 % endorsed the reform, partly due to the promise of tripartite contributions mostly by employers (Arze, 2008).

Several corrections of the private system were implemented since 2000, the most important being the replacement of Bonosol by *Renta Dignidad* expanding it to a truly universal pension for the elderly (Law N° 3791, November 28, 2007) and the guaranteed minimum pension (Law N° 3785, November 23, 2007) both under Morales' Presidency. Bolivia's Constitution of 2009 prohibited social security privatization or delegation of its management, and guaranteed the universal right to a non-contributory universal pension. The re-reform Law N° 65 of December 10, 2010 reinforced the role of the state, replacing the previous private system with a new public PAYG system (*Sistema Integral de Pensiones:* SIP) comprised of three branches:

- contributory for old-age-disability-survivor pensions financed by contributions alone;
- semi-contributory covering the same risks but financed by contributions and a new solidarity fund; and
- non-contributory for *Renta Dignidad*.

The first branch was previously established, the second was the key innovation of the re-reform, and the third was consolidated and expanded. The SIP has not been fully implemented and is in »transition«: the Public Administrator (*Gestora Pública de Seguridad Social a Largo Plazo*) has not been created yet due to pending regulations; in the meantime the two AFP continue operating temporarily. Regulations has been enacted on benefits (Decree 822 March 16, 2011), and contributions and collection (Decree 778, January 26, 2011); investment regulations are still missing (Tufiño, 2012).

2.1 Social dialogue

Two re-reform proposals were initially discussed: notional accounts and a mixed system (elaborated by the ILO) but they faced strong opposition from the major labor federation – *Central Obrera Boliviana:* COB (Durán, 2012). In 2010, during the second Morales' administration, the Senate reasserted that, based on the new Constitution, the pension system would be managed by the state (»Senado …«, 2010). The government diffused a new re-reform legal draft, reached a consensus and signed an agreement with the COB, which stipulated the joint reception of old-age and disability pensions for a period, and the government review every three years of the 0.5 % commission paid to the Public Administrator (»El Gobierno …«, 2010). But the conversations focused on the new semi-contributory scheme and, according to the COB, some trade union sectors (manufacturing) were not consulted (Tufiño, 2012). Neither was consulted the Confederation of Private Employers on the additional payroll contribution to finance the solidarity fund (Quintanilla, 2010b). The re-reform legal draft was not the subject of a professional discussion in the media (e. g., financial sustainability) and was approved by the government two-third majority in Congress (»Pensiones …«, 2010).

2.2 Universal coverage

The re-reform key improvement in contributory coverage was the creation of the semi-contributory branch geared to part of the uncovered labor force providing them an incentive for affiliation by the solidarity contribution; but its regulations were enacted in March 2011 hence its effects cannot be properly assessed yet. In any case, the fundamental obstacles to coverage already explained (see 1.2) remain: two thirds of the labor force with voluntary affiliation and virtually uncovered, a minority covered in the public sector and large urban formal enterprises, and substantial evasion in the formal private sector. In 2007–2010, despite the implementation of the guaranteed minimum pension in 2008, the percentage of affiliates that actively contributed declined from 42.3 % to 39.3 % (AIOS, 2011). The share of self-employed workers in total affiliation was the same in 2007 and 2010: 4.3 % vis-à-vis the salaried employees' share of 95.7 %, but the former's share in the EAP was 36 % in 2007 (INE, 2012a; ECLAC, 2011a).[15] The re-reform mandated in 2010 that self-employed consultants pay all pension contributions and their employers be responsible to obtain the payment certificate before disbursing the consult-

ant services. Data on the number of these consultants were not available but they must be a tiny proportion of the total self-employed hence, although positive, this measure will have little impact on overall coverage. The financial capacity to pay contributions is very low thus in 2010, out of total contributors to the pension system, 98 % earned between zero and 20 national minimum wages whereas only 2 % earned between 20 and 60 or more minimum wages (VMPSF cited by Lazcano, 2010). Voluntary affiliation of the self-employed (except for consultants) and other informal workers is de-stimulated by imposing them a total contribution of 14.42 % of their reference income, including the premium for occupational risks; the semi-contributory branch, once fully implemented, could be an incentive for the affiliation of these workers. The re-reform stipulated that agricultural seasonal workers have free choice to affiliate as self-employed or wages earners. The Public Administrator will open offices in middle size cities and small towns to help the self-employed to affiliate to the SIP, they could pay up to one year of contribution together (Lazcano, 2010).

Comparing coverage by contributory pensions before and after the re-reform is difficult:

- the law was enacted in 2010 and became operational in 2011;
- surveys embracing overall coverage have not been published after 2007 when the first corrections were implemented; and
- the previous coverage series for 1998–2010 based on affiliates and contributors in the last month has been replaced by a new 2000–2011 series of »enrolled« (*afiliados registrados*) and »contributors« (without defining the contribution period) whose percentages of EAP coverage are lower than those of the corresponding previous series (Table 1).

»Enrolled« coverage increased from 21.9 % in 2007 (prior to the relevant corrections) to 25.4 % in 2010[16] (the year of the re-reform) whereas »contributors« coverage was 11 % in 2005 and 11.4 % in 2010 virtually stagnant (compared with 12.3 % and 12.5 % in the previous series). A tentative conclusion is that coverage stagnation in the contributory branch continues and is among the lowest in Latin America.

The latest survey data available on coverage of the elderly population by all types of pensions is 2008 (the year when *Renta Dignidad* was implemented) and showed an overall increase from 90.5 % in 2007 to 126.4 % in 2008; the contributory share in the last year was 15.7 % vis-à-vis 110.7 % the non-contributory share (Table 1). As already explained, such overestimation is due to data flaws, one pensioner receiving both the contributory and non-contributory pension and/or fraudulent reception of the latter. In 2012, it was officially

15 All self-employed (skilled and unskilled) and unpaid family workers accounted for two-thirds of the EAP. The self-employed share of total contributors was only 2.3 % in 2010 (APS, 2011); coverage of unpaid family workers and domestic employees was even lower; 93 % of non-salaried workers were not affiliated in 2005 (Picado and Durán, 2009; ECLAC, 2011b).

16 The new series figure for 2011 is 26.5 % and it is no available in the old series.

reported that one woman collected 27 *Renta Dignidad* pensions (VMPSF, 2012). Bolivia's universal coverage of the elderly is unique in the region.

2.3 Equal treatment

The re-reform kept the special regime for the armed forces. Workers in mining, metallurgy and under insalubrious conditions that contributed to the closed public system can retire at age 56; and for each year of work one year of contribution is reduced up to five years, allowing retirement at age 51. On the other hand, the re-reform equalized the previous different ceiling between pensioners of the closed public system (14 minimum wages) to those in the private system (60 minimum wages). Contributory-system pensioners opposed the 75 % of *Renta Dignidad* paid to them vis-à-vis 100 % to those who do not have any pension (Quintanilla, 2010a), but the difference was maintained, which is appropriate because scarce fiscal resources should be targeted on the latter and to ameliorate regressive effects.

2.4 Social solidarity

Important improvements by the corrections and the re-reform are: the universalization and age-reduction of the non-contributory pension, the creation of the semi-contributory branch, the Solidarity Fund (that redistributes its patrimony in favor of those contributors with less income and that have an expectancy of low pension), and the solidarity contribution charged to the employer and increasing according to the insured income. Conversely, elements against solidarity are the continuous low contributory coverage of the EAP, keeping special liberal regimes for the military and other groups, and the excessive contribution burden on the worker vis-à-vis the employer. There is significant debate on the juridical nature of the solidarity contribution, considered a tax by some (Tufiño, 2009).[17] The annex to the re-reform law mandates the payment of such contribution to all those who have income additional to wages from: rent from real estate, honoraria for consultanship or membership in corporation boards, profits from owned enterprises, interests and dividends from bank accounts or stocks, and income exceeding US$ 1,853 monthly. *Renta Dignidad* was a key factor in population poverty reduction from 54 % in 2007 (when it was enacted) to 48.5 % in 2011 (ECLAC, 2011a; MEF, 2011). This program faces challenges due to the significant differences between urban and rural zones. In the latter live most indigenous peoples that endure language barriers, lack of or irregular identity documents and low access to banking services. Public policy emphasizes the constitutional right to such benefit but without sufficient attention to said differences thus a pilot project with provisional identification in rural zones (Unified National Registry) failed and had negative effects due to stigma reasons (Medina, 2007; Müller, 2009). The Fund for Renta Dignidad data base is to be updated by the Public Administrator (APS, 2009).

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17 There is not an income tax; in 2002–2003 an attempt to introduce it failed because it was badly designed and provoked serious social upheaval.

2.5 Gender equity

In order to compensate women time devoted to raise their children, the re-reform allows insured mothers with 10 years of contribution (to either the old public system, the private system or the re-reform system) to reduce one year for each child born alive with a three year maximum, counted for the mother old-age solidarity pension.[18] All women shares slightly increased: in total affiliates to the contributory program from 34.6 % to 35.4 % in 2007–2012 (INE, 2012a; VMPSF, 2012); in EAP coverage from 10.6 % to 12.4 % in 2005–2007 (Rofman and Oliveri, 2012); and in total contributory pensions from 17 % to 18 % in 2007–2010 (APS, 2011). On the other hand, women were 54 % of *Renta Dignidad* pensioners in 2011; among those that received a contributory pension the proportion fell to 29 % (due to lower female affiliation) whereas among those that did not have a contributory pension the proportion rose to 59 % demonstrating the positive impact of the non-contributory pension on women (APS, 2012 provided by Ticona, 2012). No recent data are available on average pensions by gender.

2.6 Benefit sufficiency

The corrections and the re-reform changed and liberalized previous entitlement conditions. The old-age contributory pension is made up by two parts: a fraction of the insurance balance in the individual account estimated by the number of »old-age units« that can be acquired with that balance at the »old-age unit price«, and the compensation for contributions (CC). Such pension is granted regardless of age if the balance finances at least 60 % of the average base salary; also to women at age 50 and men at age 55 providing they have the 60 % including the CC; and at age 58 for both sexes without the 60 %. The semi-contributory pension is granted at age 58 with 10 years of contribution (to all systems), and has two components: contributions plus CC, and the solidarity subsidy. *Renta Dignidad* is awarded to all residents at age 60 without contributions. In 2012, the minimum pension in the contributory branch equaled one national minimum wage (US$ 145) and the contributory pension had a maximum of 60 minimum wages (US$ 8,700) both high for Bolivia whereas the semi-contributory pension maybe lower than the minimum wage and has a maximum of US$ 376.

Pension indexation, as before the re-reform, is mainly based on the UFV but with differences:

– the fraction of the contributory old-age pension from individual accounts is indexed by the variation in the UFV, the pensioners mortality rate and capital returns of the Old-Age Fund;
– the CC are indexed by the UFV annually;

18 A widow pensioner loses the benefit if she remarries or is a concubine; the re-reform legal draft suppressed that restriction but that clause was erased in the final law. Another clause obliged the affiliated spouse to contribute in favor of the unaffiliated partner (*aporte conyugal*) in order to cover housewives, but it was eliminated due to opposition from trade unions (»El Gobierno«, 2010; Tufiño, 2012).

- the solidarity fraction for the semi-contributory pension still does not have the indexation but is expected to be based on the UFV;
- the minimum pension is equal to the minimum wage annually adjusted to the UFV; and
- the non-contributory pension is set by the government (Ticona, 2012).

All pensioners from the private system were 20,980 in 2010 and the average monthly pension was US$ 346; in the old public system there were 118,992 pensioners in 2011 and the average pension was US$ 387 hence the latter was higher. On the other hand, the average COSSMIL pension in 2011 was US$ 662 about twice the average public and private pension (APS, 2011; VMPSF, 2012). *Renta Dignidad* beneficiaries by mid-2012 were 924,446 (8.5 % of the total population); 67 % of the total was concentrated in three departments (La Paz, Cochabamba and Santa Cruz); 83 % did not have another pension and 17 % did have a pension. The monthly sum was US$ 28.50 (8 % of the average contributory pension); although rather low this benefit is a significant help for the poor, for 50 % is the only income. Payments to those without another pension are made by financing institutions and mobile units of the armed forces whereas to those having a pension by the AFPs, insurance companies and COSSMIL (Müller, 2009; MEF, 2012; VMPSF, 2012).

2.7 Efficiency and reasonable administrative costs

The re-reform stipulated the creation of a Public Administrator (*Gestora Pública*) to manage all pensions but it had not been established yet by the end of September 2012 due to pending regulations, albeit was being organized and expected to start at the end of that year (Tufiño, 2012). In the meantime the two AFPs manage the system and the distribution of affiliates was close: 46 % and 54 % in 2010 (APS, 2011). It is speculated that one of the two AFP could become the Public Administrator and consolidate individual accounts (Durán, 2012). The assigned 0.5 % for AFP administrative costs should be transferred to the Public Administrator once it is established (to finance the new offices); in the meantime the AFPs keep collecting that fee (Lazcano, 2010). Current contributions are the same as before the re-reform except for the additional solidarity contribution:

- the total contribution is 17.42 % but could raise to 18.42 %, 22.42 % and 32.71 % (see b), higher than in the old public and private systems, as well as by Latin American standards;
- the insured pays 12.71 % (10 % deposit in the individual account, 0.5 % administration of old-age, 1,71 % premium for disability-survivor and 0.5 % solidarity contribution (an additional solidarity contribution of 1 %, 5 % and 10 % for insured with income higher than US$ 1,868, US$ 3,592 and US$ 5,029 respectively – exchange rates for 2010);
- the employer pays 4.71 % (3 % solidarity contribution and 1.71 % occupational-risk premium);
- the self-employed pays 14.42 % because is in charge of the occupational risk contribution;[19] and

– the state does not pay anything and can establish other revenue sources without touching Treasury resources.

The worker pays at least 2.7 times the employer contribution hence still infringing the ILO minimum norm on this issue.

2.8 Social participation in the administration

The Constitution stipulates that the direction and administration of social security is exercised by the state with social control and participation but the re-reform law did not include representation from workers and employers in the Public Administrator albeit the pending regulations might still do it. The President of the Republic will select the five members of the Public Administrator (its president and four directors) from candidates approved by two-thirds of the Chamber of Deputies. The Constitution mandates that public agencies, such as the new supervisory agency of the SIP (see 2.9), defends legal rights to all benefits, and enforces »social control« through public hearings with representatives of social organizations, for instance, to follow up court procedures to recover unpaid contributions. An Ombudsman Office hears citizens' claims including pensions but it is not listed among public institutions that had most claims (Defensoría del Pueblo, 2012). The administration of the military scheme (COSSMIL) is under a board with five representatives from active military men, pensioners, widows, orphans and the Ministry of Defense; the board director is appointed by the Minister of Defense a decision that caused friction with the government (»Militares …«, 2009).

2.9 State role and supervision

The re-reform increased the state role with the transfer of the private system to the public SIP, the creation of the semi-contributory branch and the solidarity contribution, the expansion of the non-contributory pension and its partial financing with the hydrocarbon tax, and the strengthening of government functions. The Executive has significant increased its legal, administrative, financing and supervisory powers over the pension system: through regulatory decrees can enact the rules determining rights and obligations, set retirement ages, contributions, commissions and pensions, and every five years change the salary sums originally set by the re-reform law for the additional solidarity tax. The previous Superintendence (SPVS) has been replaced and expanded by the new Authority for Supervision and Social Control of Pensions and Insurances (APS) whose functions are:

– regulate, supervise, control and audit all persons and agencies that are part of SIP, particularly the Public Administrator and insurance entities;
– recommend policies to improve the administration;
– defend the persons rights to all legal benefits;

19 Since 2012, the self-employed contributions are imposed upon the national minimum wage.

– inform the population of the SIP rights and obligations through diffusion and education campaigns.

The APS director is appointed by the President of the Republic; it is not autonomous (as the previous SPVS) and is under the Ministry of Economy and Public Finance (APS, 2009). Until the Public Administrator is not established, the two AFPs continue performing all functions assigned to the former.

The Public Administrator is empowered to forcibly collect all due contributions, premium and commissions, through »coactive social execution.« The re-reform law added to the Penal Code several social security transgressions sanctioned with five to ten years of prison: illegal appropriation of contributions, fraudulent declarations on salaries and other information, inadequate use of funds and so forth. Payment delays from employers are submitted to courts, impede the dismissal of workers whose contributions have not been transferred, and ban state contracts with the infringing enterprise. Re-reform regulations give 120 days to recover due contributions from employers with payment delays; by mid-2011 the two AFPs began punitive action against employers (Chipana, 2011). The debt for payment delays rose from US$ 40.5 million to US$ 74.6 million in 2007–2010 and the annually recovered sum fell from 40 % to 9 % in 2004–2010 (APS, 2011).

2.10 Financial sustainability

The Public Administrator will manage five funds:

– for the contributory branch, the Insurance Savings Fund is made up by the transferred capital in the individual accounts, the Old-Age Fund is financed by the accumulated balance from contributions and capital returns of those that become old-age pensioners, and the Collective Risks Fund is backed by the premium for disability and survivors risks (both common and occupational);

– for the semi-contributory solidarity branch, the Solidarity Fund financed by 20 % from the risks premium, a monthly solidarity contribution of 0.5 % from all insured taxable income with a ceiling of 60 minimum wages (an additional 1 %, 5 % or 10 % from insured with income higher than US$ 1,868, US$ 3,592 and US$ 5,029 respectively in 2010), and 3 % monthly from employers' solidarity contribution; and

– for the non-contributory branch, the Fund for the Universal Old-Age Pension (*Renta Dignidad*) since 2008 financed with 30 % of revenue from the tax on hydrocarbons (this sector was nationalized in 2006 and 82 % of revenue goes to the state), and the stocks and dividends of capitalized enterprises that were in the Collective Capitalization Fund at the end of 2010.[20]

The Insurance Savings Fund is based on individual capitalization and the other four funds are on PAYG. During the transition, the two AFP will manage these funds except the one for *Renta Dignidad* (Ticona, 2012).[21] The re-

20 In June 2011, the individual fund had 99.3 % of the total and the collective fund only 0.7 % (FIAP, 2011).

21 See Müller (2009) for *Renta Dignidad* financial problems and the politics of its approval and financing.

reform law stipulates that the Old-Age Fund guarantees the private property of the former individual accounts, which continue under the SIP; the latter is also responsible for paying ongoing pensions from the closed private system; the Treasury finances the CC.

The capital accumulated in the fund kept rising from US$ 3,428 million in 2008 to US$ 6,583 million in 2011, an increment of 92 % for the period and 22 % in 2011 alone; relative to GDP it increased from 25.2 % to 28.7 %. The annual real average return since inception continued its decline to 6.7 % in 2011, due to the low returns of public debt and bank deposits (jointly 82.3 % of the portfolio in 2011); investment in private emissions is growing but we lack their returns to make an evaluation (Table 4). A legal draft regulating SIP investments stipulates that the Public Administrator will continue investing without limit in public debt bonds of the Treasury and the Central Bank of Bolivia. This affects capital returns because the Treasury 30-year bonds pay a nominal interest rate of 3 % (adjusted for inflation the real rate was –3 % in 2011), and lower than 15-year bond rates in the 1990s that averaged 8 % (real zero), and also lower than private sector 10-year bonds that pay from 6 % to 7 % (real zero and 1 %) (Chipana, 2012; real rates by authors based on inflation from ECLAC, 2011a).

Payment of contributions to SIP began in July 2011 and they increased by 147 % in 2007–2011 to US$ 525 million (VMPSF, 2012). Overall SIP expenditures are not available hence the total financial balance cannot be estimated. Nevertheless, revenue and expenditure of the Solidarity Fund alone showed a surplus of US$402 million in mid-2012 (Ticona, 2012).

3. Advantages and problems/challenges of the re-reform

3.1 Advantages

- Consolidated and expanded the non-contributory pension (*Renta Dignidad*) to all the elderly residents, a unique case in Latin America, reducing poverty and cutting 25 % of the benefit for those that receive another pension;
- stipulated the creation of a semi-contributory branch financed by a solidarity contribution mainly paid by employers and high-income insured, which should facilitate coverage and strengthen social solidarity;
- mandated coverage of self-employed consultants;
- improved gender equity with reduction of mothers' retirement age for each child born alive, slightly increased female share in contributory coverage, and female majority of non-contributory pension;
- the non-contributory pension is only 8 % of the average contributory pension hence it is not a disincentive for affiliation in the contributory program;
- enacted tougher procedures and sanctions to collect employers' debt, evasion of contributions and other violations; and
- rose accumulated capital both in absolute terms and as percentage of GDP.

3.2 Problems and challenges

- The government signed an agreement on the re-reform with a major labor federation but did not have a wide debate in Congress, and with other organized groups and the media; pending pension challenges should be tackled with a well-designed reform preceded by a wide social dialogue;
- clear definitions of affiliates and contributors are needed, as well as statistical series compatible with previous ones to properly estimate EAP and elderly coverage;
- contributory coverage remains low and stagnant due to old barriers (large informal sector and formal-sector evasion); mandatory affiliation of consultant self-employed albeit positive will not markedly rise overall coverage; innovative tools (particularly the solidarity contribution) should stimulate affiliation of self-employed and other informal groups;
- special conditions and benefits for the armed forces and other influential groups ought to be eliminated or fully financed by the insured without fiscal subsidies;
- *Renta Dignidad* data base shall be cleaned of duplications and forged beneficiaries, a professional study done on the impact of this program on poverty, and steps taken to include eligible beneficiaries still excluded due to language, lack/irregular ID, etc.;
- some anti-solidarity elements that remain could be alleviated: the low contributory coverage, privileged benefits for some groups, and excessive contributory burden to the worker vis-à-vis the employer;
- the compensation for contributions has not been fully certified and should be completed;
- administrative costs continue to be low but an assessment is needed on whether they are adequate for a public PAYG system;
- representatives from workers and employers do not participate in SIP administration and they should;
- the supervisory agency (APS) should be autonomous as previously;
- the portfolio still is highly concentrated on state debt and bank deposits (82 % in 2011) that pay low or negative real interest and the average real capital return keeps declining therefore portfolio diversification is a must; and
- to the best of our knowledge, there was not a technical actuarial study on the long-term effects of the liberalization of entitlement conditions, the new solidarity pension, the disability-survivor premium, the equilibrium of Renta Dignidad with the new funding and so forth; such study should be done as soon as possible and the needed adjustments implemented in the SIP.

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Pension Re-reform in Hungary[1]

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Introduction

During the communist (officially: socialist) era, there was apparent full employment; large state-owned and strictly controlled firms supplied the bulk of domestic output and were unable to hide their revenues from the government. Most prices were also controlled and those of basic goods were heavily subsidized. Pension benefits were quite modest but, in the framework of a shortage economy, still were adequate and the pension systems easy to finance. All these countries had a PAYG (unfunded) mandatory public pension system with only a single pillar and relatively generous entitlement conditions and benefits.

1 I express my debt to Professor Carmelo Mesa-Lago for inviting me to the four-country study and guiding me relentlessly to the common aim. I also thank Ágnes Matits' and Katharina Müller's (Hochschule Mannheim) help in the whole project. Any remaining error is mine.

Around 1990, the Central and Eastern European (CEE) socialist politico-economic systems were replaced by democracy and market economies in diverse degrees. Ten of these countries entered the European Union (EU) in 2004–2007, after achieving the transition.[2]

During the transition, output temporarily collapsed and then recovered. The emerging small and medium-size firms hid a significant part of their revenues from the tax authorities and generated substantial evasion. To preserve the social peace, a large share of older workers was allowed to retire as disabled or early retirees. Price liberalization resulted in inflation. The mounting tensions on the public pension system required deep reforms.

Under the influence of the World Bank (1994), in 1998–2006 all ten countries save for the Czech Republic and Slovenia implemented fully-funded, defined-contribution (DC) and privately-managed pension systems (thereafter second pillar). Hungary closed it down in 2011 whereas the Czech Republic plans to introduce it in 2013. Only Slovenia has not set up a second pillar and, so far, does not plan to do so.

The World Bank's initial idea for the structural reform (not fully implemented in any CEE country) was to create a two-pillar model: a) downsize the generous pure public pension system into a first (public) pillar that would pay universal modest flat benefits to alleviate old-age poverty; and b) establish a second pillar with the explained characteristics as the dominant one to increase income replacement. In all countries, this model was mandatory for (relatively) new entrants in the labor force but voluntary, with some limitations, for those already employed; the pure public system was closed for new entries. The funded voluntary private pension scheme (third pillar) typical in Latin America has not played a significant role in the CEE.

The second pillar was carved out from the pure public system rather than added to it, hence the problem of transition costs arose: how to make up the missing contributions redirected from the public system to the private pillar? The obvious answer was debt financing, converting part of the implicit pension debt into an explicit one, but this approach constrained the size of the private pillar (it generally remained modest and weakened its expected favorable impact on employers' compliance and declared earnings). In all countries the strong progressive effect of the public system was basically eliminated (Fultz, 2002; Schmähl and Horstmann, 2002). The administrative costs of the private funds were much higher than expected largely because private interests manipulated the government's decisions and due to poor competition thus significantly diminishing its efficiency.

When the Great Recession started in 2008, the public pillar suffered from falling contributions and the private pillar from decreasing capital returns. Eventually, most of the losses were recovered but the actual capital returns (both before and during the recession that still continues) have been much

2 Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

lower than expected. The need for anti-cyclic budgetary measures prompted the reduction or the temporary suspension of contributions to the second pillar.

In this paper, we study the case of Hungary; it's a medium-sized country (10 million inhabitants), has a medium level of development (65 % of the EU average) and an aging population: the old-age dependency ratio (ratio of those above 64 to those between 20 and 64) was 24 % in 2000 and is projected to rise to 50 % in 2050. Hungary was considered a forerunner of the transition: in 1968 started structural economic reforms (including the abandoning of mandatory planning) and in the final days of socialism began to introduce market-oriented reforms, e. g., personal income and value added taxes. In addition, it was the first to open its markets to foreign investors and the most heavily indebted country in the region.

The Hungarian public system had virtual universal coverage (practically 100 %), social solidarity, fair gender equity, and progressive redistribution. On the other hand, it was poorly designed: it had liberal entitlement conditions (low normal ages of retirement: 55 years for women and 60 for men); fair benefits but insufficient indexation of the higher ones thus leading to erosion in real terms; and a weak relationship between contributions and pensions. Since the pension and health systems were part of the general budget and had minimal administrative costs, the issue of equilibrium was not important (for example, there was no contribution to the health-care system).

During the transition, there was a sharp rise in unemployment inducing many workers into early retirement, steeply reducing the number of contributors, increasing the number of pensioners, and forcing increases in contribution rates and cuts in benefits. Double digit inflation also eroded benefits and prompted under reporting of wages. Many Hungarians regarded the pension system inherited from socialism as too redistributive and distrusted state institutions (Fultz, 2012).

By 1995 there was a consensus that the pension system needed a reform. After internal debates, the government proposed the introduction of a second (private) pension pillar, and their proponents argued that it would generate several positive outcomes: a significant rise in national savings; incentives to fully report wages by employers (increase in compliance) and for workers to retire later than under the previous public system – to accumulate a higher amount in their individual accounts[3] (Palacios and Rocha, 1998; a sober reevaluation in Rocha and Vittas, 2002). Conversely, opponents proposed a parametric reform of the pure public system and warned of the dangers of privatization: high administrative expenses, the financial burden of transitional costs, the problem of pension indexation, and the difficulty to provide

3 It was projected that the interest rate earned in the second pillar will be 1–1.5 percent point higher than the GDP growth rate, which did not materialize.

decentralized private unisex and partly wage-indexed life annuities (Augusztinovics, 1999; Simonovits, 1999).[4]

While some Hungarian reformers may have believed in the superiority of the private pension system over the public one, others probably supported it because it obfuscated the parametric reform of the public system (Müller, 1999). Gál and Tarcali (2003) showed how the step-by-step increase of *normal* retirement age,[5] the reduction of indexation of on-going public pensions, and of pensions granted to newly retired employees, contributed to the long-run rebalancing of the system much more than privatization.

In Hungary the ideology of the party or government in power worked opposite than a priori expected and passed zigzag measures that hurt the system.[6] The socialist-liberal government enacted the structural reform in mid-1997 and introduced a two-pillar system in January 1998: the public pillar with a proportional rather than flat benefit, and the second pillar fully-funded and based on contributions and their capital returns – similar to the »mixed model« in Latin America (Mesa-Lago, 2008). Affiliation was mandatory for those who had first entered the labor force after 1997, and optional for the rest; the pure public system was closed for new entrants. In the initial design, out of a total contribution of 31 % on wages, 8 % from the employees was to be assigned to the second pillar (gradually increasing from 6 %) and 23 % from the employers to the first pillar (declining from 25 %). Disability and survivors benefits were also partly privatized. The conservative government that took over in May 1998 rolled back several features of the reform because it resented that most pension funds were owned by foreign corporations: froze the contribution rate at 6 % instead of raising it to 7 % and 8 % in 1999 and 2000, respectively; reduced the indexed level of public benefits in 1999; terminated a minimum guarantee against losses in the second pillar; made possible the return from the private pillar to the pure public system, and mandated those who wanted to join the former to make their choice explicit rather than by default. Conversely, the socialist-liberal coalition that returned to power in 2002: raised the contribution rate to 8 % by 2004; phased in a 13th public pension in 2003–2006; and made entry into the second pillar mandatory again for new comers to the labor force; as a result, fiscal costs increased significantly.

4 Within the socialist-liberal government there were two opposite proposals: the ministry of finance—influential because it subsidized the public pension deficit and was supported by the World Bank—endorsed a private system whereas the ministry of welfare aimed to reform the public system; the government selected the former but left some key issues unresolved: neither specified sources of revenue to finance transition costs nor regulated fees charged by private firms (Müller, 2011; Fultz, 2012).

5 The *normal* retirement age defines the so-called full benefit; those who retire before the statutory age endure a reduction in their pension, those who retire after such age receive an addition to their pension. Workers can retire at different ages; the average is called *effective* retirement age**.** In 1997–2001 the normal male retirement age rose from 60 to 62 years, while in 1997–2009, the normal female retirement age increased from 55 to 62.

6 Pension privatizations were often implemented by left-wing of post-socialist governments (Argentina, Bolivia, Hungary) because they were under stronger pressure from international creditors to show their commitment to market-oriented reforms and had better links with unions that allowed concessions (Müller, 2003).

1. Improvements and flaws of the structural reform

1.1 Social dialogue

In 1997 a debate on the reform took place among the government, trade unions and employers' organizations, and significant changes were introduced into the original draft: the original 31 % total contribution was broken down to 15.5 % and 15.5 % but the actual distribution was 23 % (for public contribution) and 8 % (for private contribution), and the unisex nature of the life annuities was mandated. Unfortunately, the discussion was rather shallow and did not address the transition problems.

1.2 Universal coverage

The pre-reform as well as the reformed pension system covered literally every working-age person hence there has not been a change on this. The reform ensured such coverage in two ways: a) without age limit, all workers already employed in 1998 were voluntarily allowed to enter the two-pillar system, but resigning 25 % of the pension rights already obtained as if the worker had paid into the nonexistent private pillar throughout his total previous employment; and b) all new entrants had to join the two-pillar system. The reason for this unequal treatment was to constrain the entry of too many workers in the private pillar. Older employees would have lost so much that their entry was not advantageous; nonetheless, a large share of workers joined the two-pillar system that should have not entered (Augusztinovics et al, 2002). The expected share of the voluntary members was 25 % of the economically active population (EAP), but the actual share was 49 %. During the 13 years of its operation, another 23 % of the EAP joined the two-pillar system by law and the total rose to 72 % (Table 1). Unlike Latin America, in Hungary (as well as in the CEE in general) most workers, including the self-employed (only 5.5 % of the EAP), are registered hence black (totally informal) economy is atypical; but a large part of the self-employed hides a good share of their income**.** Contrary to expectations, the introduction of the second pillar did not raise the effective rate of pension contribution; the question is whether the self-employed pensions would be sufficient.

Table 1: *Affiliates in the Private Pillar and Economically Active Population (EAP) Coverage, 1998–2011*[7]

Years	EAP (thousands)	Affiliates[a] (thousands)	% EAP covered
1998	4,010	1,339	33.4
1999	4,095	2,021	49.4
2000	4,120	2,280	55.3
2001	4,102	2,222	54.2
2001	4,109	2,213	53.8

a December, except June 2010 and 2011

7 Source: Affiliates from IFPA, 2011; EAP from Central Statistical Office, 2000–2011.

Years	EAP (thousands)	Affiliates[a] (thousands)	% EAP covered
2003	4,166	2,304	55.3
2004	4,153	2,403	57.8
2005	4,205	2,511	59.7
2006	4,247	2,665	62.8
2007	4,238	2,788	65.7
2008	4,209	2,955	69.7
2009	4,203	3,019	71.8
2010	4,256	3,045	71.5
2011	4,280	97	2.3

a December, except June 2010 and 2011

1.3 Equal treatment

All workers are covered by the same system (except the division explained above within the system). In contrast to countries like Argentina, Chile, Germany or the United States, there are no special schemes for civil servants or members of the armed forces, though the latter have much more generous retirement conditions.

1.4 Social solidarity

The old system had social solidarity and a progressive redistribution, a feature that was eliminated from the public as well as the private pillar (but see 1.6).

1.5 Gender equity

The approved unisex life annuities would have helped the otherwise disadvantaged female pensioners from 2013 if the system had not been closed down in 2010.

1.6 Sufficiency of benefits

This was theoretically ensured in the private pillar by the relatively high contribution rate, the higher efficiency and the steeply rising cap on the contribution base. The public pillar would finance three fourths of the total pension whereas the private pillar one fourth (ISSA, 2011). Those remaining in the pure public system would not lose either. After 15 years of contributions to the second pillar, every member could receive a life annuity based on the amount accumulated on his/her account. The government guaranteed each member a 6 % upper bound on loss of the benefit he/she would have received if staying in the pure public system, but was withdrawn in 2000, when the system ceased to be mandatory for a while. As already mentioned, private life annuities were expected to be unisex and also indexed to wages-prices, a method which is very complex and virtually impossible in a private insurance. In 1992–1999, on-going pensions were adjusted to net wages (the annual raises were the same), but in 2000–2009 the index changed into the arithmetic

average of wages and prices growth rates. Calculating with a long-run annual increase of 2 % in real wages in a 20-year retirement period, this measure led to a 10 % reduction of the promised life-long pension level.

In 2008 the government planned to set up an agency which would pay price-indexed unisex life annuities, leaving also open the possibility for risk-loving members to choose a nominally guaranteed life annuity. Projections showed that, due to the above reasons, plus low capital returns and high administrative costs, most of those who joined the private pillar would receive lower total pensions than if they had stayed in the public system.

1.7 Efficiency and administrative costs

Workers were free to join any private pension fund and to switch fund at any time paying minimal fees. The private pillar was not efficient due to lack of competition: the number of pension funds decreased from more than 60 to 21 in 1998–2010, the six biggest funds concentrated 90 % of both capital and members, and almost every fund managed its own capital rather than delegating it to more efficient financial institutions.

As a result, administrative costs were very high: 5 % was deducted from the private contribution and 1 % from the accumulated pension capital annually – after ten years, the government capped those expenses to 4.5 % and 0.8 % respectively (Augusztinovics et al., 2002; Simonovits, 2011a). Operating costs of the funds were quite high: as a percentage of contributions rose to a peak of 14.5 % in 2007 and after a decline were 12.3 % in 2010 whereas as a percentage of capital declined from 3.4 % to 1.2 % in 2000–2010 (Table 2).

Table 2: *Administrative Cost as Percentage of Wage Contributions and Capital in Pension Funds, 2000–2010*[8]

Year	% of contributions	% of capital
2000	8.8	3.4
2001	8.9	3.1
2002	9.1	2.7
2003	8.7	2.7
2004	8.8	2.3
2005	9.0	2.1
2006	9.7	1.8
2007	14.5	1.3
2008	9.2	1.6
2009	9.3	1.4
2010[a]	12.3	1.2

a In October 2010, the contribution to the private pillar was terminated.

8 Sources: Hungarian Financial Supervisory Authority, 2011.

1.8 Social participation

In 1992–1999 (due to the deal with the unions), the public system had tripartite self-government (representatives of the employee' and the employer' organizations and the government), but the conservative government dissolved it for the period 1998–2002, re-established for 2002–2010 and again dissolved from 2010. There has never been employee or employer participation in the administration of the large private funds, but in principle, the trade unions could participate in the administration of the smaller funds.

1.9 State role and supervision

Like in other CEE countries, in Hungary there is a supervisory agency for pension funds, commercial banks and insurance companies: the Hungarian Financial Supervisory Authority (HFSA). The pension funds report their activities and the HFSA controls them. In the last 13 years there have not been serious problems in this area.

1.10 Financial and actuarial sustainability

According to the original design, the entire pension system was in equilibrium. The private pillar was defined contribution and it was in equilibrium by definition, but there was no effective mechanism to ensure the equilibrium of

Table 3: *Evolution of Pension Contribution Rates, 1998–2012*[9]

Year[a]	Employer to public system	Employee to second pillar		Total contribution
		Initial plan	Actual	
1998	24	7.0	6.0[c]	31.0
1999	22	8.0	6.0[c]	30.0
2001	20	8.0	6.0[c]	28.0
2002	18	8.0	6.0[c]	26.0
2003	18	8.5	7.0[d]	26.5
2004	18	8.5	8.0[d]	26.5
2007	21	8.5	8.0[d]	29.5
2008	24[b]	9.5	8.0[d]	33.5
2010	24	9.5	6.7[e]	33.5
2011	24	10.0	[f]	34.0
2012	24	10.0	[g]	34.0

a Years 2000, 2005 and 2006 excluded because there were no changes
b The 3 % increase to finance disability pensions
c Center-right repealed the projected legal increase
d Raised by the center-left
e Contributions to the second pillar were suspended in November 2010, thus the annual rate fell from 8 % to 6.7 %
f Those staying in the two-pillar system were promised to continue their contribution to their private account starting in 2012 but were reprieved from accrual in their future public benefits since 2012
g Those staying in the two-pillar system could not contribute any more to their private accounts but regained their rights to the public pillar.

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9 Source: Various editions of Budgetary Laws of the Hungarian government.

the public pillar (there were not long-term projections on the transition costs resulting from the transformation of part of the implicit debt into an explicit debt). The entire employer contribution went to the public pillar and fell from 24 % to 18 % in 1997–2004 but recovered to 24 % in 2012. The bulk of the employee contribution went to the private pillar, which first steadily rose from 6 % to 8 % in 1997–2008 and then declined to 6.7 % in 2011. The total contribution dropped from 30 % to 26.5 % and then rose to 34 % in the period (Table 3). There was also a steep rise in the cap value on the employee's contribution and a step-by-step elimination of progressivity in benefits.

Furthermore, the government partly guaranteed against the potential failure of a fund and an annual capital return below the average return of all funds. The dominance of large financial institutions and a reliable monitoring system precluded significant financial problems but the expectation that high capital returns would make possible a further reduction of the public pillar did not materialize. One reason for this failure was a specific feature of the Hungarian second pillar: the private pension institutions managing the accounts of their members were cooperative or mutual savings associations rather than commercial funds or specialized insurance institutions (as in Latin America). Nominally the capital was the joint property of the members who also elected the directors of these associations. Imagine an election where 800,000 members vote for the director of a single association! This feature helped the managing directors of those institutions to serve their own interests rather than those of the members. When the interim government (March 2009 to May 2010, supported by the *de facto* socialist-liberal coalition, not seeking reelection) tried to transform the associations into genuine funds, the opposition and the President of the Republic prevented it. Populist center-left governments failed to reduce the dynamics of other public expenditures (including public pensions) to make room for the second-pillar contribution. Both the budget deficit and the current account rose to 9 % of GDP in 2006, contributing to increase the gross government debt to 66 % of GDP and the gross external national (private and government) debt to 96.8 % of GDP.

Table 4 shows that transition costs rose from 0.3 % of GDP in 1998 (the year the reform began) to 1.2 % in 2009, but declined to 0.7 % in 2010 (as a result of the re-reform). The government promised to finance transition costs from public revenue and rising public debt; it took seven years (1998–2004) to ask EU permission to deduct such costs from the budget deficit (to comply with the Maastricht budget deficit cap of 3 %), but the EU only authorized it for five years and at diminishing rate. To counteract a future decrease of the funds' capital and private pension levels, in 2007–2010 fund administrators were required to offer a portfolio range of investment choices to members, hoping that these portfolios would reduce risks as members approach the retirement age (similar to »multifunds« in several Latin American countries).

An unexpected side effect of the structural reform was the neglect of the public-system parametric reform. The significant raise in the retirement age with full benefits (footnote 5) only affected the women's effective retirement

age but left men's basically unchanged. The reduced indexation of public pensions was overwritten by the granting of a 13th month benefit in 2003–2006. The hope that the introduction of the funded pillar will constrain the budget deficit did not materialize.

Table 4: *Transition Cost, Fund Capital and Government Debt as Percentages of GDP, and GDP Index, 1998–2010*[10]

Years	As percentage of GDP			GDP Index (2005 = 100)
	Transition cost	Accumulated capital	Government debt	
1998	0.3		61.1	75.8
1999	0.5		60.4	78.4
2000	0.6	1.0	54.9	81.5
2001	0.6	2.0	53.6	84.6
2002	0.6	2.0	57.2	88.5
2003	0.8	3.0	59.9	91.9
2004	1.0	5.0	60.5	96.3
2005	1.1	4.8	61.8	100.0
2006	1.1	6.0	65.8	103.9
2007	1.1	7.1	67.0	104.1
2008	1.2	7.4	72.9	104.9
2009	1.2	9.0	79.7	97.8
2010	0.7	10.7	81.3	99.0

In 2007–2009, the Roundtable for Pension Reforms studied various pension-reform options, including the full privatization of the pension system, a return to a progressive public pension system, and halving the contributions to the second pillar but the current government has not considered these reform proposals.

The global crisis led to declines in GDP and employment, which have not yet fully recovered (Simonovits, 2011b); the gross external national debt rose from 97 % to 140 % of GDP in 2006–2011. In October 2008, speculators attacked the weak Hungarian currency and the government had to apply for a conditional EU–IMF–World Bank loans, promising to follow a strict austerity program even during the crisis that restricted benefits as explained (see 1.6). The 13th month public pension was withdrawn, the indexation of public pensions made less generous[11] and further raises in the normal retirement age are being implemented.[12] The government was able to transform the loans into currency reserves and stabilize the economy, though increasing the gross external debt by 20 %.

The global crisis also provoked declines in the value, revenues and capital returns of public and private pension systems, which were used by the center-

10 Source: Central Statistical Office, 2000–2011.

11 Since 2010, on-going pensions are adjusted to prices resulting in another 10 % reduction in lifetime promised future benefits.

12 Male and female full benefit retirement ages will be gradually raised from 62 to 65 between 2012 and 2024, resulting in another 10 % reduction in lifetime promised future benefits.

right to criticize the private funds. In 2007–2008 the real value of the pension funds decreased 22 %, albeit in 2009 it rose 17 %. Table 4 shows that the end-year capital accumulated in the pension funds rose from 1 % of GDP in 2000 to 10.7 % in 2010, considerably less than in most Latin American private pension funds. However, while GDP hardly grew, the government debt ratio increased, partly due to the transformation of implicit into explicit pension debt.

Due to the temporary meltdown of assets in the second pillar, in 2009 the socialist government (supported by the liberals) allowed a voluntary return to the public system for those who were older than age 52 at the time, and granting them a full public pension. Recall that members of older cohorts gave up a quarter of their previous pension rights when they joined the two-pillar system in 1998–1999, a loss that they did not recover, especially due to the turbulent global economy. Pension associations supported such voluntary return, perhaps to circumvent the possibility that the first cohort of private retirees would be disappointed with the level of their pension benefits. However, only half of the older members accepted that offer.

By 2010, 72 % of all insured workers were members of the second pillar, and a significant capital (about 11 % of GDP) was accumulated in the funds. Since 2008, a successful campaign started to reduce administrative costs and the real value of the contribution was guaranteed by the government by indexing it to the CPI.

In summary, the Hungarian structural pension reform failed to deliver the large majority of its promises: most spectacularly, during its 13 years of existence, its average real rate of return was negative (see the critical evaluations of Orbán and Palotai, 2005; Gál et al., 2008; Guardiancich, 2008).

Due to the mismanagement of the economy by the socialist-liberal governments and the conservatives' populist promises,[13] after eight years in opposition, the conservative party returned to power in May 2010 with a supermajority. In August 2010, together with the eight other EU countries with private pillars, Hungary asked the European Commission to modify its decision and take into full account the transition costs of pension privatization in the budget deficit and the government debt. The EU decision was ambiguous, but for Hungary it was a definitive no. At the same time, the Hungarian Constitutional Court largely upheld the socialist-liberal government plan for the transformation of the country's mutual savings associations into commercial pension funds.

13 For example, they voted against the elimination of the 13th month pensions, though admitting that they could not be financed and opposed the transformation of pension associations into commercial pension funds in 2009 in the Parliament.

2. Legal features and socio-economic effects of the re-reform

In October 2010, the conservative prime minister announced a drastic personal income tax reform, making the formerly quite progressive tax schedule lower and almost linear (ending with a single rate of 16 %) in 2013. In order to reduce the public budget deficit, finance the reduction of personal and corporate income tax and further delay the much needed cuts in public spending (the current rate of which is still equivalent to about 50 per cent of GDP, much higher than that in other similar countries), the new government imposed massive levies on companies and financial institutions, undermining new investments.

Between May and October of 2010, there were rumours on the Internet that the new government was considering the reduction or elimination of the second pillar, rumours that were not refuted.[14] The EU and the IMF opposed the government's plans that were expected to decrease the reported budget deficit by 1.4 % of GDP by nationalizing the private pillar, confiscating the accumulated capital in the pension funds. On October 13, 2010, the prime minister announced the temporary suspension of the transfer of individual contributions to the second-pillar pension associations (through the Hungarian Tax Authority) for 14 months and the right of insured workers to return to the pure public system. Without any discussion, the government supermajority in parliament voted these laws with long-lasting effects. Two weeks later, the prime minister announced the measures that *de facto* resulted in closing down the private pension associations. Although members were »allowed« to stay in the private system and contribute 10 % rather than 8 % to their private associations starting in 2012, those who remain will lose their rights to all contributions paid by their employers on their behalf (at a rate of 24 % of gross monthly earnings) that would have accrued in the »public« pillar after 2011. Members were given two months to decide.

The government made the automatic return or entry into the pure public system the default option. Those returning to the public system and having positive real returns on their accounts can collect the difference between the value of the pension capital and the total contribution.[15] Conversely, those with negative real returns will be »compensated« for their losses and receive the full public pension. In the end, less than 3 % of the membership decided to remain in the second pillar. Since most remaining members are young, they may believe that have enough time to wait for an eventual reversal of the law. According to the official view, the great majority of the former private pillar members »chose« the public system because they supported the government stance. On the other hand, if the private pillar had been sufficiently efficient

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14 Even successful countries like Poland had to significantly reduce the contribution rate to the second pillar as part of an anti-cyclic budgetary policy.

15 For example, a worker had a capital of 100 units in December 2010 and the real value of his/her accumulated contributions was 90 units, hence can collect the difference of 10 units. The average return was equivalent to about one monthly minimum wage (Fultz, 2012).

and attractive, then 3 million members might have organized mass demonstrations against the government and compelled it to renounce its proposal. As in the case or Argentina, the assumption that individual accounts and private managing would prevent political and government intervention was shattered.

The balance of the re-reform is quite negative. The current government plays politics with pensions and neglects key economic issues of the pension system.

2.1 Social dialogue

Contrary to the structural reform, there was no social dialogue prior to the re-reform. Nobody is able to evaluate the financial loss of this re-reform but the intangible results can be seen in the drastic flight of private savings abroad.

2.2 Universal coverage

Overall EAP coverage has not changed significantly. But out of 3 million members in the private pillar 97.7 % returned to the pure public system, and only 2.3 % EAP decided not to move their assets (Table 1).

2.3 Equal treatment

No change.

2.4 Social solidarity

The nominal value of the minimum pension has been frozen since 2008 and the nominal value of the sozial assistance is even reduced by 20 %.

2.5 Gender equity

Since 2011, women with 40 years of work (at least 32 salaried, and including the time for child care), are entitled to a full pension before the normal retirement age (ISSA, 2011). The maternity bonus was raised from two to three years; the liberal widow/widower pensions were retained, and there are government- sponsored plans for a significant differentiation of benefits relative to the number of children in the future.

2.6 Benefits sufficiency

No important change in the pension formula. The re-reform has not affected the public pillar apart from abolishing early retirement (current early retirees do not enjoy the advantages awarded to proper pensioners anymore). Recapitulating our earlier statements: before the start of the re-reform, on-going pension expenditures were cut by 8 % and long-term pension expenditures by another 20 %.

2.7 Efficiency and administrative costs

Eleven of the 18 pension funds kept the minimum number of members to operate (2,000) but, at the end of 2011 when contributions were permanently halted, most of them ceased operations (Müller, 2011). The commission on contributions was cut from 4.5 % to 0.9 % and the managing fee on annual assets from 0.8 % to 0.2 %, but this is irrelevant as the remaining private pillar is minuscule and should disappear.

2.8 Social participation

The tripartite participation was first abolished in 1998–2002, resurrected in 2002–2010 and then abolished again by the re-reform.

2.9 State role and supervision

The re-reform significantly expanded the role of the state that now bears full and exclusive responsibility from all pension obligations. Since the private pillar was virtually abolished, its supervision became superfluous.

2.10 Financial and actuarial sustainability

Due to the nationalization, by 2011 the fund total capital was drastically reduced to only 9.7 % of the 2009 peak (Table 4). The capital of the private funds were transferred to the Pension Reform and Debt Reduction Fund established by the state management agency and the assets used to reduce the nation public debt and finance the huge deficit in the public pension system in 2011–2012.

Those who stayed in the second pillar in 2011, had proportionally more than three times as much capital as the average, i. e., the remaining less than 3 % of the membership had 10 % of the total capital before close down, amounting to about 1 % of GDP. The total value of positive real returns in the second pillar and cashed was tantamount to 1 % of GDP. Moreover, the nationalized pension capital (9 % rather than 11 % of GDP prior to the re-reform, after taking into account the value of non-nationalized pension capital and its returns) was used not only for a temporary reduction of the budget deficit, but also to make possible a radical tax cut (4 % of GDP over three years) and buying up the stocks of the Hungarian Oil Company MOL. Finally, the explicit government debt hardly diminished, and the implicit government debt will be increased by the gains in future pension entitlements of those returning to the pure public system. To date there has not been a formal calculation of the fiscal implications of both the structural reform and re-reform.

Neither the banks nor insurance companies that sponsored the private funds nor the trade unions and employers made any important public statements against the coercive nationalization of the private pillar. The socialist party complained about this measure and the association of private pensions filed a lawsuit (Fultz, 2012). But, anticipating the opposition's enforcement of the

Constitutional Court in defence of private pension accounts, the government had already curtailed the jurisdiction of such Court in matters that hold fiscal consequences, making any legal reversal impossible. The government has sacrificed the future on the altar of the present.

After a one-year truce, at the end of 2011 the government introduced new changes on the remaining members of the second pillar. Against its promise, the government changed its own law just two weeks before it went into effect: rather than restarting the 10 % contribution to the private accounts from 2012 on, in the future, even the remaining members must pay all 34 % to the pure public system, regardless if they stay in the private pillar or not. At the same time, their contributions will earn them the same pension rights as for the others for the period starting in 2011. Due to this change, about one quarter of the remaining private members returned to the public system leaving only 2.3 % in the private pillar. This measure undermined the government credibility but nationalized the remaining members' private contributions, about another 0.2 % of GDP every year. The remaining 0.8 % of GDP held by the private pillar members may be the next target. The government has used these resources and savings to reduce public expenditure, and the long-term sustainability of the public pension system is unknown**.**

Contrary to its promises, the government has not yet done the parametric reform of the restored public system. Even the standardization of the accrual rates surpassed the horizon of the government.[16] If the original structural reform was not judged successful, its reversal seems to be even less so.

3. Advantages and problems/challenges of the re-reform

Contrary to the structural reform, the re-reform was not preceded by a social dialogue, was approved by the government large majority in the Parliament, and have more problems than advantages.

3.1 Advantages

- Continued high coverage, mandatory self-employment affiliation, and means-tested non-contributory pension for all the needy;
- grants a modest minimum pension (25 % of average net wage);
- promises high replacement rate of 60 %;
- improved gender equity by granting a universal maternity bonus and liberal widow's pensions and maintaining unisex mortality tables (but never implemented), and;
- temporary elimination of the transition costs.

16 The first 10 years of employment yield 33 % of the average lifetime wage, while 40 years yield 80 %.

3.2 Problems and challenge[17]

- Implement a proper parametric reform of the public system;
- establish a transparent relationship between contributions and level of pensions;
- discourage early retirement and stimulate retirement beyond the normal age;
- provide all insured regular and clear information on accumulated pension rights and the pension level based on their contributions;
- introduce individual accounts in the pure public system that show the contributions made and pension earned;
- restore participation of workers and employers in the administration of the public system;
- halt using former private fund pillar resources to pay transition costs and fiscal deficit; and
- secure the financial and actuarial sustainability of the public pension system conducting an actuarial review and making the needed adjustments.

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Comparisons of Legal Features and Evaluation of Socio-Economic Effects of the Four Re-reforms[1]

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References

In 1981–2008, 23 countries in Latin America (LAC) and Central and Eastern Europe (CEE) structurally reformed their defined-benefit, pay-as-you-go (PAYG), public pension systems, partially or totally replacing them with defined contribution, fully-funded, privately managed systems or pillars based on individual accounts. Initial failures in design and subsequent performance of the private systems/pillars led to »corrections« (partial reforms), but they did not solve the fundamental problems, which were aggravated by the global financial crisis (Mesa-Lago, 2010, 2012a). In 2008–2010 four countries implemented far reaching »re-reforms«: Chile maintained the private system

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but improving it and restoring the state role, Argentina and Bolivia closed and integrated it to the public system, and Hungary virtually closed the private pillar.

In a summarized manner, this paper systematically compares and evaluates the four most radical re-reforms existing in the world at the end of September 2012, divided into three sections: 1) identification of the main flaws of the private pension system before the re-reform; 2) contrasting of legal characteristics of the re-reforms and assessment of their socio-economic effects; and 3) conclusions: re-reforms advantages, pending problems and challenges, recommendations, and potential influence on other private systems. As in the four case studies, this comparison focuses on the fulfillment of the ten selected social security principles, based on the analysis and sources cited in such papers: Chile by Mesa-Lago, 2013; Argentina by Hohnerlein, 2013; Bolivia by Mesa-Lago and Ossio, 2013; and Hungary by Simonovits, 2013. Nevertheless, the author is solely responsible for the selection and interpretation of data from the cases and the evaluation of the effects of the re-reforms.

1. Advantages and flaws of structural reforms and private pension systems

1.1 Social dialogue

Most structural reforms that privatized pensions in LAC and CEE were implemented without a previous social dialogue, later leading to legitimacy problems (Mesa-Lago and Müller, 2003; Müller, 2003). Chile's military government enacted the reform law with a fully-controlled congress, banned or subdued unions and media, and without public discussion. In Argentina, a social dialogue was held with political parties; the draft law was debated in parliamentary commissions and with trade unions and the association of pensioners resulting in significant concessions and changes. The Bolivian reform was tied with the privatization of half of all public enterprises, made politically feasible by assigning half of the stocks to finance an annual non-contributory benefit to the elderly hence getting support from the major labor federation; there was a limited social dialogue (the employers' association and some unions were not consulted) and the government strong majority in congress approved the law. The Hungarian government debated the reform with trade unions and employers' organizations, and some important changes were introduced in the legal draft but the discussion did not address transition costs; the law was quickly passed by the government large parliamentary majority and trade union support in exchange for tripartite administration.

1.2 Universal coverage

All indicators of coverage indicate that it was highest in Hungary followed by Chile, Argentina with a gap, and Bolivia lagging behind. In LAC, coverage tends to increase with income, education, urban location (versus rural)

and public sector (versus private sector) – no comparative data were available for CEE. Coverage of the EAP in LAC based on affiliates was two to three times of that based on active contributors, because in the former it was sufficient to be affiliated and pay one single contribution but many left the labor market or did not further contributed, hence affiliates overestimate coverage. Active contributors (affiliates that paid in the last month) are more accurate and used in the comparisons which usually contrast the year prior to the reform and 2007–2009. Chile had the highest coverage in LAC but falling from 64 % to 61 % whereas coverage based on surveys including separate schemes was virtually stagnant at 62 %. In Argentina, EAP coverage fell from 25 % to 20 % and survey coverage from 46 % to 45 %. In Bolivia, coverage rose from 10 % to 11 % and survey coverage from 14 % to 15 %, still the third lowest in LAC. Affiliates that contributed declined: from 74 % to 55 % in Chile, 88 % to 39 % in Bolivia, and 49 % to 38 % in Argentina. Theoretically Hungary EAP has 100 % coverage, but 70 % in practice, because of 28 % evasion (Fultz, 2012a), still the highest coverage among the four countries.

Coverage of the EAP is influenced by the size of the informal economy and voluntary vis-à-vis compulsory affiliation of the self-employed. In Hungary the informal economy is very small, the self-employed account for 5.5 % of the EAP, have mandatory affiliation and pay a reduced contribution hence their coverage is high but many under-declare their income. In Chile the self-employed were 21 % of the EAP, had voluntary coverage and accounted for only 3.5 % of total contributors; in Bolivia the shares were 58 % and 4 % respectively (coverage was essentially limited to civil servants and salaried employees in urban formal large enterprises). Argentina's self-employed were 20 % of the EAP and had compulsory coverage thus it was higher than in the other two LAC.[2] Coverage of the elderly by all pensions dwindled from 73 % to 61 % in Chile, but rose from 78 % to 84 % in Argentina due to corrections that expanded the non-contributory pension, and from 34.2 % to 126 % in Bolivia (overlapping resulted from data flaws, duplications and fraud) owed to a significant expansion of the non-contributory pension with the highest elderly coverage in LAC. No data were available for Hungary but elderly coverage is reportedly very high.

1.3 Equal treatment

The Chilean reform unified 33 out of 35 separate pension schemes and standardized their entitlement conditions but left out the armed-force and police schemes, precisely those that implemented the structural reform. In Bolivia the reform integrated the basic program and 38 supplementary schemes, a unique case in the region, but the armed forces, miners and other groups became eligible to early retirement and/or increased pensions. Argentina's re-

2 The self-employed were charged 27 % of a predefined income, a serious barrier against coverage. A simplified paying system (*monotributo*) for taxes, social security, etc. was set for contributors with income of certain level, consisting of flat contributions hence facilitating self-employed affiliation.

form maintained separate schemes for the armed forces, police, and provincial/municipal civil servants but allowed the latter to join: 40 % of the provinces and 10 % of the municipalities did so. Hungary did not have separate schemes albeit the armed forces have more generous entitlement conditions.

1.4 Social solidarity

The public system usually has social solidarity, for instance, a collective fund against risks whereas in the private system all risks are born by the insured individual. Private systems normally lack endogenous social solidarity as the individual account belongs to the insured worker and is not shared with others; social solidarity was infused through state financing of non-contributory pensions, a guaranteed minimum pension, and social protection programs. Elements against solidarity in the private system were: a) very low coverage in Bolivia, which combined with consumption taxes led to regressive effects (the majority of the uncovered EAP indirectly financed part of the transition costs of the covered minority – true also for Argentina); b) separate schemes or special conditions for powerful groups with better benefits and fiscal subsidies (save Hungary); c) elimination of the employer contribution and increase in the insured contribution (in Bolivia and Chile, not in Argentina and Hungary); d) a gradual rise in the cap on employers' contribution and reduction in the progressivity of benefits in Hungary; e) the self-employed pay the total contribution (their own and the employer's that they lack, at a reduced rate in Hungary), a significant barrier for inclusion of low-income self-employed; and f) accentuation of gender inequalities.

1.5 Gender equity

Part of the gender inequalities are from the labor market, e. g., women have a smaller share than men in formal salaried work but the opposite in informal work that is often excluded from coverage, and female wages are lower than men for the same task (in Bolivia, the female average income gap vis-à-vis men expanded by 91 %). But the pension system itself contributes to inequalities because most women are not protected by direct contributory benefits, but by derived benefits as survivors or by non-contributory pensions that were restricted. Public pension schemes tend to attenuate gender inequalities (e. g., through transfers from men to women); in Argentina and Hungary the public system/pillar partially played that role. Conversely, private systems tend to accentuate such inequalities: women receive lower pensions than men because of uncompensated exits from the labor market to raise their children, the reform increase in the years of contribution required for the minimum pension (in Argentina and Chile), lower contribution density than men, and a pension calculation based on the fund accumulated in the individual account and sex-differentiated mortality tables (having a lower capitalized fund and a higher life expectancy, the resulting women annuity was lower than that of men). In Hungary, the agreed unisex mortality tables would have mollified female pensioner disadvantages starting in 2013 but were not implemented.

Examples of gender inequalities follow. Chile's female share of total contributors was only 39 % vis-à-vis 61 % men whereas shares in total pensioners were 54 % and 69 %, and replacement rates were 35 % and 46 % respectively; the same disability-survivors premium was charged to men and women, although the latter have a lower risk incidence and hence paid more than men. Argentina's female share in EAP contributory coverage fell from 45 % to 43 % and the gap with men expanded whereas the elderly female share in all pensions declined from 74 % to 67 % but the gender gap contracted. Bolivia's female share of EAP coverage was 11 %, the lowest in the region, and the proportion of elderly female receiving any type of pension was 13 %, but in the non-contributory pension was 54 %, a significant improvement. Hungary data were not available.

1.6 Benefit sufficiency

In the three LAC, the insured worker in the private system/pillar could retire, regardless of age, when the balance in the individual account could finance a pension equal to a percentage of his/her average salary (in Bolivia also at age 65 if the balance could finance a pension equal or higher than the national minimum wage). When meeting the requirements, the insured could choose between a life fixed annuity paid by a commercial insurance company or a variable annuity disbursed by the old-age program administrator. The mixed system of Argentina provided old-age pensions by two contributory pillars: a first public pillar granted a basic universal pension regardless of income while the second pillar (either in the private or the public system) would provide the bulk of the pension. Conversely, in Hungary the public pillar would finance 80 % of the total pension and the private pillar only 20 %. Because Chile and Bolivia closed the public system, they had to compensate the insured that moved to the private system for the value of the contributions they had paid to the public system (recognition bond or certificate). Chile fully complied with that obligation whereas Bolivia did not start issuing the certificates until five years after the reform and with significant restrictions thus only 17 % of affiliates had received the certificate in 2007. In Argentina, the reform granted additional benefits to both the insured that stayed in the public system and to the insured that moved to the private pillar. Under social pressure, Bolivia made entitlement conditions more flexible and granted benefits to insured in the public system hence the number of pensioners was more than three times the initial projection. Hungary also made more flexible the entitlement conditions of those who remained in the pure public system, and projections showed that most of those who joined the private pillar would receive lower pensions than if they had stayed in the public system. These measures contributed to higher expenditures and fiscal costs in the transition.[3]

3 Estimated replacement rates for men and women based on the last salary and a contribution of 10 % for deposit were different among LAC: 23.9 % and 19.7 % in Bolivia, but 48.6 % and 46.3 % in Chile.

In Argentina and Chile, the state guaranteed a minimum pension for those in the private system with certain years of contribution and whose sum in the individual account was insufficient to finance such pension, the government paying the difference, but the reform raised contribution years required for such pension in both countries (Argentina also increased the minimum retirement age) therefore a higher percentage of insured could not qualify. In Chile the minimum pension was insufficient (62 % of the minimum wage) and only half of the insured were projected to get it, whereas in Hungary the guaranteed minimum pension was 25 % of the minimum wage. In Argentina the state-guaranteed minimum public pension was 40 % of the average salary during the time of affiliation, but said 40 % was later eliminated and all public pensions subjected to available annual fiscal resources. Bolivia did not guarantee the minimum pension until 2008 and without state financial responsibility.

Prior to the reform both in Argentina and Chile there was a non-contributory pension targeted on the poor and means-tested, which continued thereafter restricted by a cap in the number of beneficiaries, waiting lists, and availability of fiscal resources. In 2003, Argentina extended such coverage to those over age 70 or disabled, with no other income, and lifted the restriction in the number on non-contributory pensions; beneficiaries doubled. In Bolivia the reform introduced a non-contributory »universal« pension (*Bonosol*) to those 65 and above (restricted to part of the population), regardless of income, hence collected by those receiving a contributory pension; in 2007 that benefit truly became universal (*Renta Dignidad*) to all residents age 60 and above (beneficiaries rose 52 % in 2007–2009); those receiving a contributory pension get a 25 % reduction.[4]

All pensions were indexed based on a monetary unit whose value is annually adjusted to inflation in Chile (UF) and Bolivia (UFV). The Argentinian reform stipulated automatic adjustment of all public pensions to wages twice a year, but it was later eliminated to cut fiscal costs and the adjustment was discretionally set by the government annually; the real pension sharply decreased and thousands of lawsuits were won by beneficiaries; the peso devaluation of 2002 further cut the pension purchasing power and 70 % of pensioners lived on the minimum pension in 2008; the Supreme Court order to create an index for automatic adjustment of pensions was not enforced. In Hungary**,** all pensions were initially adjusted to wages then changed to an average of wages and prices; a plan to create a public agency to set priced-indexed annuities was not implemented.

4 Reasons for the universal instead of targeted benefit were: widespread population poverty, high administrative costs of targeting, and the stigma carried by the means test, particularly among indigenous peoples.

1.7 Efficiency and reasonable administrative costs

The private system was/is managed by private for-profit firms (AFP in Bolivia and Chile, AFJP in Argentina) that charge commissions as a percentage of taxable salary for managing the old-age scheme (in Chile also charged a fixed-sum commission with regressive effects), and a premium to cover disability-survivor risks, transferred to commercial insurance companies. The firms improved the management of individual accounts, the periodic report of the balance to affiliates, and the time to process pensions; conversely, they handled their own investment rather than delegating it to more efficient financial institutions. Hungary's accounts were managed by cooperatives or mutual savings associations instead of ad hoc firms as in LAC, and the elected directors were not necessarily the best.

The expected competition did not work well in reality, especially in countries with a small insured market (the number of administrators is a result of the size on such market). In Hungary the number of firms shrunk from 60 to 21 and the biggest six concentrated 90 % of the members. Argentina's number of AFJP declined from 24 when the system started to 10 when it was closed, concentration in the largest two stagnated at 36 % in the period; changes among AFJP fell from a peak of 7 % of affiliates to 4 %, and curbs were imposed on freedom of choice between the public and the private systems. Chilean AFP fell from 21 to 5 in 1994–2008, concentration in the biggest three rose from 67 % to 86 %, and there were restrictions on changes of AFP. In Bolivia there was no competition but a duopoly; initially the government assigned the insured to the two AFP by zones, for the first five years members could not transfer between the two and, since 2003 only 0.3 % to 0.4 % of affiliates shifted AFP.

Because of poor competition, the assumption that administrative costs would decrease did not materialize. Although not strictly comparable with the rest, the highest costs were in Hungary: deducted from contributions they peaked at 14.5 % in 2007 and were 12.3 % in 2010 whereas as a percentage of the capital fell from 3.4 % to 1.2 %. In 2008 the government capped those charges and slightly reduced both percentages. The average total commission on salary went up in Chile from 2.44 % to 2.68 % in 1981–2008 tantamount to 27 % of the deposit of 10 %. Argentinean administrative costs as percentage of salary fell from 3.41 % to 2.39 % (higher than Chile) but as a percentage of the deposit jumped from 45 % in 1999 to a peak of 83 % in 2001 and fell to 52 % in 2007, still more than half of the amount deposited.[5] Because there was no competition and no need for publicity and marketing, Bolivia had the lowest administrative costs of all LAC private systems: 2.21 % of salary or 22 % of the deposit.

5 At the worst point of the severe domestic economic crisis (2001), the worker's contribution was cut to one third sharply reducing the deposit but keeping the same commission.

1.8 Social participation in the administration

Prior to the reform in the three LAC, most pension funds had tripartite administration through representatives of workers, employers and the government, although the election of those representatives was not always transparent and workers' participation in the total membership board was sometimes a minority. The structural reform eliminated such participation in the firms administering the private system, despite the workers being owners of the individual accounts (in Chile, small AFP owned by unions had such participation but they eventually disappeared). In Hungary, due to the deal with the unions, the tripartite administration of the public system continued right after the reform but later a conservative government abolished it, albeit unions participate in managing some small funds.

1.9 State role and supervision

Under privatization, theoretically, the state would play a »subsidiary role« to the market but, in practice, has a key role even in countries with the largest share of insured in the private system. Affiliation and contributions are compulsory for salaried workers; the government regulates, supervises and guarantees the system; and finances all fiscal costs of the transition (see 1.10). In Argentina and Chile an ad hoc autonomous superintendence watched over the private system; the superintendence also oversaw the capital market and commercial insurances in Bolivia, and commercial banks and insurance firms in Hungary. In the three LAC, the schemes of the armed forces, as well as some provincial/municipal schemes in Argentina, were not submitted to such superintendence, save for general auditing.

1.10 Financial sustainability

In Chile and Bolivia, the reform abolished the employer's contribution and shifted it to the insured worker (a percentage on taxable wages for deposit in the individual accounts plus commission and premium), a breach of the ILO minimum norm that the worker's share should not exceed 50 % of the total contribution. In Argentina and Hungary mixed systems, the insured contribution was shifted to the private pillar and the employer's went to the public pillar thus aggravating the deficit in the public system (for the tiny minority that stayed, all contributions went to the public system).

The reform generated transition costs fully financed by the state: a) the operational deficit resulting from the closed public system left without contributors but the bulk of pensions (fastest in Bolivia where all insured were forced to move while slower in the rest as part of the insured stayed in the public system/pillar);[6] b) the value of contributions paid to the public system for those insured that moved to the private system (recognition bond/certificate in

6 Prior to the re-reform, the share of total insured in the public system was: 25 % in Hungary, 19 % in Argentina, 1.5 % in Chile and zero in Bolivia, but the bulk of ongoing pensions was from the public system.

Chile and Bolivia); c) the differential cost of minimum pensions as well as extra benefits granted in Argentina, Bolivia and Hungary; d) non-contributory pensions, and e) the guaranteed pensions in case of bankruptcy of the administrator, and a guaranteed minimum capital return in a fund performing below the average of all funds.

Chile's fiscal cost of the transition took 5 % of GDP in 2008 after almost three decades of reform although declining from a peak of 7.6 %; in Bolivia such costs were 2.5 times the initial projection but excluding the certificate for contributions and additional pensions granted after the reform. Hungary had the lowest costs albeit rising from 0.3 % to a peak of 1.2 %. Transition costs are usually financed by the entire population through taxes (mostly on consumption), including the poor and others uncovered, with regressive effects; in Hungary were done by additional government borrowing.

From the creation of the system until the re-reform, Chile accumulated the highest capital fund in the individual accounts, rising from 4 % to 64 % of GDP (it declined in 2009 to 52.8 % during the global crisis but rapidly recovered). Bolivia's two funds combined (from individual accounts and a collective fund to finance non-contributory pensions) increased from 4 % to 22.6 % of GDP, the biggest after Chile. In Argentina the fund value fell from a peak of 14 % in 2006 to 11.8 % in 2008 due to the global crisis. Hungary had the lowest accumulation but climbing from 1 % to 10.7 % of GDP.

The average annual real (adjusted for inflation) gross capital return excludes high administrative fees hence net returns were lower but not published; since the inception of the system until the re-reform, such average declined: from 20.6 % to 8.8 % in Chile, 12.5 % to 7.3 % in Bolivia, and 9.2 % to 8.4 % in Argentina. There is not a complete statistical series for Hungary but the real annual average during the reform 13 years was negative.

The average capital return is explained by the portfolio composition by instrument of the invested fund (determined by law and heavily concentrated in public debt except for Chile) as well as by each instrument return. Bolivia lacked a developed capital market and had very few investment options: the share in public debt rose to 75 % in 2006 and initially public bonds paid a relatively high interest thus contributing to high returns. Later the government pressured the AFP to purchase shares of the collective fund as well as new public bonds, both with low interest rates. Bolivia's second largest investment was in short-term bank deposits also disbursing low interest. These two instruments accounted for 87 % of the portfolio in 2007 and little was invested in stocks and even less in foreign emissions (banned part of the time) therefore the fund was not seriously affected by the global crisis but the portfolio concentration in low-yield instruments led to decreasing average returns.

Argentina had a much more developed capital market but still the share of the portfolio on public debt peaked at 76 % in 2002 (in the midst of the domestic crisis). Furthermore, the government pressured AFJP to invest in public bonds, changed investment in dollars into pesos (later devalued), and cut the interest rate hence reducing capital returns. Investment in domestic stocks

and foreign emissions had high returns but they suffered a severe fall in value during the 2008 global crisis. Chile gradually diversified its portfolio away from public debt (only 8 %) but half of it was concentrated on domestic stocks and foreign emissions in 2007 prompting a sharp decline in capital returns in 2008 due to the crisis. In Hungary, 70 % of the fund was invested in government bonds that paid interest below inflation and the real value of the fund fell during the global crisis and induced a negative rate of return.[7]

Table 1 summarizes the legal features and socio-economic effects of the four structural reforms; statistics usually compare the start year of the reform and that prior to the re-reform.

Table 1: *Comparative Features and Effects of the Structural Reform in the Four Countries*[8]

Principles[a]	Argentina	Bolivia	Chile	Hungary
Social dialogue	Yes	Partial	No	Yes
Coverage[b]				
Of EAP	25 % to 20 %; 46 % to 45 %	10.4 % to 11.4 %; 14 % to 15 %	64 % to 61 %; 62 % to 63 %	100 %; private 33 % to 72 %
Obligatory self-employed	Existed previously	No; voluntary, no coverage	No; voluntary, tiny coverage	Existed previously
Of the elderly	78 % to 84 %	34 % to 126 % (2008, fraud)	73 % to 61 % (2006)	n. a.
Non-contributory pension	Previous, means-tested, fragmented, restricted by quota and fiscal resources	Yes, universal regardless of income, limited to part of the population	Previous, means-tested, restricted by quota & fiscal resources	Previous, means-tested, for all needy
Equal treatment (separate schemes)	Armed forces, police, 60 % of provinces, and 130 separate schemes	Unified armed force scheme (special rules) and 38 supplementary pension schemes	Unified 33 separate schemes, left out armed forces and police, which applied the reform	System was already unified, (special rules for armed forces)
Social solidarity	None in private pillar, some in public system/pillar; state minimum and noncontributory pensions, employer pays bulk of contributions	Not in private system, very low contributory coverage, workers pay all contributions & fees, but state non contributory pension (Bonosol)	None in private system, state minimum & noncontributory pensions, workers pay all contributions and fees, fixed regressive commission	None in private pillar, cut in progressivity of benefits, cap on employer's contribution
Gender equity	Private pillar accentuates inequality (lower female pension, gender-diverse mortality tables), while public system/pillar attenuates it, female/male gap expanded	Private system accentuates inequality (lower female pension, gender-diverse mortality tables), females 13 % of all pensions but 54 % of Bonosol recipients	Private system accentuates inequality (lower female pension, gender-diverse mortality tables); females 39 % of contributors, 35 % replacement rate (46 % men)	Private pillar accentuates inequality (lower female pension); agreed unisex mortality tables since 2013 were not implemented

7 Before the global crisis, Chile and Hungary introduced »multifunds«, where the insured choose among several risk-related portfolios: as the insured worker approaches retirement age, should move to a more conservative portfolio and 80 % of Chilean insured were in the least two risky portfolios when the crisis hit. Those that in the midst of the crisis changed from high- to low-risk portfolios lost a significant portion of their funds.

8 Sources: Author's summary based on Hohnerlein, 2012; Mesa-Lago, 2013; Mesa-Lago and Ossio, 2013; Simonovits, 2013; Hungary' capital in US$ from IFPA, 2011

Principles[a]	**Argentina**	**Bolivia**	**Chile**	**Hungary**
Social dialogue	Yes	Partial	No	Yes
Benefit sufficiency				
General	Minimum pension (with more contribution years), additional benefits in public system and private pillar, wider coverage of contributory and non-contributory pensions	Delayed/restricted minimum pension and certificate for affiliates (only 17 % of contributors got it), Bonosol »universal« pension, added benefits	Minimum pension (with more contribution years), recognition bond for contributions paid to public system	Low minimum pension, more flexible conditions for those that stayed in public system, private pension would be lower than public
Pension indexation	At government discretion, loss in value led to litigation	To automatic housing unit (UFV)	To automatic monetary unit (UF)	First to wages, then average of wages and prices
Efficiency	AFJP fell from 24 to 10, concentration rose, changes fell from 7 % to 4 %, freedom of choice restrictions	Only 2 AFP, state assigned members 50/50 % by zones, changes banned for 5 years, later only 0.3 % changed AFP	AFP fell from 21 to 5, concentration rose from 67 % to 86 % in biggest 3, freedom of choice restrictions	Firms fell from 60 to 21, 90 % members in biggest 6; accounts not managed by ad hoc firms
Administrative costs				
% of salary	⇩ 3.41 % to 2.39 %	⇩ 2.5 % to 2.21 %	⇧ 2.44 % to 2.68 %	14.5 % of contributions and 12.3 % of capital; capped later
% of deposit	⇧ 45 % to 52 %	⇩ 25 % to 22 %; no competition	⇧ 24.4 % to 26.8 %	
State role	»Subsidiary role«, but vital	»Subsidiary role«, but vital	»Subsidiary role«, but vital	»Subsidiary role«, but vital
Superintendence of private system/pillar	Ad hoc, autonomous in theory, under state pressure	Autonomous, also for stocks and insurance, not unified	Ad hoc, autonomous, not unified	Autonomous, also for banks and insurance
Social participation in private system/ pillar	Eliminated	Eliminated	Eliminated	For a while then abolished
Financial sustainability				
Capital million US$/%GDP[c]	⇧ 32,881, ⇧ 11.8 % (2008)	⇧ 4,246, ⇧ 22.6 % (2009)	⇧ 111,037, ⇧ 64 % (2007)	⇩ 12,094, ⇧ 10.7 % (2010)
Real capital returns	⇩ 9.2 % to 8.4 % (2008)	⇩ 12.5 % to 7.3 % (2009)	⇩ 20.6 % to 10 % (2007)	Negative[d]
Portfolio composition	⇧ 60 % in public debt, 10.8 % in bank deposits (low returns)	⇩ 63 % in public debt, 20.7 % in bank deposits (low returns)	50 % in foreign emissions & stocks (high/volatile returns)	70 % in public debt (negative return)
Actual transition-cost higher than initial projections	–3.6 % of GDP projected for 2040 versus surplus of 0.2 %	⇧ actual costs 2.7 times higher than initial estimate	⇩ from –7.6 % peak to –4.9 % of GDP (2008)	⇧ from –0.3 % to –1.2 % (2009)

a Data refer to the year prior to the reform and the latest year available before the re-reform.

b EAP coverage first by registered data, second by surveys covering all pensions; elderly coverage by surveys.

c Capital refer to year before re-reform; gross annual real average return from inception to the year before re-reform.

d According to Fultz (2012b), the annual nominal capital return in the 13 years was 3.75 % whereas the inflation rate was 6.6 %.

Note: ⇧ rose, ⇩ fell, n.a. non available

2. Legal features and socio-economic effects of the re-reforms

The four re-reforms have the common feature of strengthening the state role in the pension system albeit their approaches were different: Chile (2008) maintained the private system but improving it; Argentina (2008) closed the private pilar and integrated it to the public system; Bolivia (2010) also closed the private system and integrated it to the public system but guaranteeing within the latter the individual accounts; and Hungary (2010) banned new entrants into the private pillar and appropriated most individual accounts funds, virtually closing the private pillar (it will eventually disappear). This section compares the legal features of the re-reforms, assesses whether they have solved or not the identified flaws of the structural reform, pinpoints pending challenges and provides recommendations, and explores the potential influence of the re-reforms in LAC and CEE.

2.1 Social dialogue

In 2001, the ILO strengthened the principle of social dialogue: any pension reform should be preceded by debate involving all interested parties. The World Bank now acknowledges that it is critically important to avoid abrupt policy changes and that before dismantling the second pillar it is useful to have a social dialogue (Schwartz, 2011). In Chile the President appointed an advisory council with representation from all sectors of society to: study the re-reform, discuss it in numerous public meetings, and submit a report proposing changes to correct the flaws of the private system: 90 % of the council's recommendations were incorporated in the legal draft approved by the Parliament. The Bolivian government granted some concessions and signed an agreement with the major trade union federation but some trade unions, the employers' federation and other relevant sectors were not consulted, and the government's ample majority in Congress approved the law. In Argentina and Hungary there was little public discussion and congressional debates on the re-reform, which was rapidly approved by their government ample majority in Congress without inputs from experts, civil society and interest groups.[9] The shifting of the private-pillar accumulated capital to a public fund affected about four million insured in the private pillar in both countries; Argentinean insured had not reacted to previous legal options to move to the public system. And yet the re-reform neither generated union protests nor insured demonstrations save for a few unsuccessful court suits (Hungary employers' associations and banks did not oppose the re-reform), explainable by the flaws of the structural reform and the private pillar, as well as their inability to develop society support.

9 Some of Argentina's 2007–2008 corrections were based on 2001–2003 discussions, technical studies and recommendations.

2.2 Universal coverage

In LAC, coverage of the EAP and the elderly has increased due to re-reform inclusion policies. Chile's self-employed are mandatorily covered, gradually, and eligible for other benefits including solidarity state subsidies; enrollment jumped 24 % in 2009–2010 and the mandate just started in 2012. Unpaid family workers have now voluntary affiliation and low-income young workers get a two-year fiscal subsidy as an affiliation incentive (there were few voluntary and young people enrolled by 2010 but it is too soon to evaluate the full effect of the re-reform). A new universal basic non-contributory pension granted to 60 % of the population with the lowest income eliminated previous limitations (waiting lists, available fiscal resources). EAP coverage slightly rose from 61.2 % in 2007 to 61.8 % in 2011, still below the record of 62.8 % in 2008 before the global crisis reduced it to 60 % in 2009–2010; on the other hand, comprehensive survey coverage climbed from 63 % to 73 % in 2006–2009 (there are no more recent data) with a robust increase in the poorest quintiles; elderly coverage by all pensions declined in 2009 prior to the full impact of the re-reform inclusion policies. Argentina's corrections and re-reform expanded both contributory and non-contributory coverage, also with substantial increment in the poorest quintile. Two different series on EAP coverage indicate a two-point increase in 2007–2010: from 35.4 % to 37.4 % based on contributors, and from 45.1 % to 47.5 % based on surveys that include all schemes. Elderly coverage by all pensions rose from 84 % in 2007 (already growing due to the corrections) to a record 90.4 % in 2010; two out of three elderly who previously did not receive a pension are currently included. Bolivia and Hungary re-reforms were in 2010 and there are no data to assess changes in coverage. A Bolivian new series, alike the unreliable one on affiliates, showed an increase in EAP coverage by one percentage point in 2011; more reliable data based on contributors indicated a similar increase but estimated it at 11.4 % in 2010, still one of the lowest in LAC (these data are not available for 2011 neither are on elderly coverage after 2008 but should be 100 %).

2.3 Equal treatment

The Argentinian and Chilean re-reforms left untouched separate schemes with superior benefits and fiscal subsidies: in Chile the armed forces and the police, despite pressure and legal attempts to include them in the general system; in Argentina 130 separate schemes including armed forces, provincial and municipal civil servants, but also reinstated were generous schemes for teachers, university staff, researchers, diplomats and the judiciary and added one for construction workers. Bolivia kept the special regime for the armed forces (their subsidized average pension is twice the average of public-private pensions) and granted more liberal conditions to workers in mining, metallurgy and under insalubrious conditions. There were no separate schemes in Hungary (save for special rules for the armed forces) and the situation did not change.

2.4 Social solidarity

It was improved by closing the private pillar that lacked solidarity and moving all insured to the public system with intergenerational solidarity, except in Chile. The latter, however, infused solidarity in the private system creating two state-financed benefits: a basic universal pension (PBS) that ended waiting lists and fiscal restrictions, granted to 60 % of the lower-income resident population, age 65 and over without a pension; and a solidarity contribution (APS) that supplements the contributory pension of those aged 65 and over whose income is low, the APS decreases with the amount of the contributory pension and ends when it exceeds a ceiling hence has progressive effects. A remaining element against solidarity is the almost total contributory burden on the worker, albeit the employer now pays the disability-survivor premium. Argentina abolished the tax deduction for additional contributions to the private pillar that favored high-income groups; ended high administrative charges; extended coverage in the contributory system, especially for lower income groups; and expanded social inclusion by removing some restrictions for the elderly on contributory pensions, and for mothers on non-contributory pensions. Bolivia's improvements in solidarity include: the universalization and age-cut of the non-contributory pension *Renta Dignidad* that reduced poverty (but there are fraudulent beneficiaries), the semi-contributory pension, the solidarity fund (that redistributes its patrimony in favor of contributors with less income and low-pension expectancy), and the solidarity contribution charged to the employer and increasing according to the insured income. In Hungary the collective fund instills some solidarity but several benefits were cut or eroded and entitlement conditions tightened. A common feature against solidarity in all LAC countries is keeping special liberal schemes/regimes for the armed forces and other groups; also in Bolivia the continuous low EAP contributory coverage; and in Bolivia and particularly Chile, the excessive contribution burden on the worker vis-à-vis the employer that infringes the ILO minimum norm.

2.5 Gender equity

All re-reforms have improved gender equity. Chilean mothers, regardless of income, are granted a voucher for each child born alive, credited to the mother's individual account and accruing annual interest, cashable at retirement age thus increasing the pension level; the gender-differentiated disability-survivor premium is the same for both sexes but, as women have lower risk incidence than men, the resulting surplus is credited to their individual accounts; in case of divorce, a judge can order the transfer of funds accumulated in individual accounts during the marriage (up to 50 %) from one spouse to the other, usually the female; housewives have voluntary affiliation and male spouses are now entitled to a survivor pension. In Argentina, the expansion of contributory-pension coverage reduced the gender gap; mothers with seven or more children and without means receive a non-contributory benefit; a universal allowance is granted for each child below age 18 or disabled to

parents who are unemployed or informal and lack a pension. Bolivian insured mothers with 10 years of contribution can reduce one year for each child born alive with a three year maximum, counted for the mother solidarity pension. Hungarian insured women with 40 years of work, including time for child care, are entitled to a pension before the normal retirement age and the previous maternity voucher was raised from two to three years. In LAC, the female shares in pensions have increased, particularly in non-contributory benefits where they are now a majority: in Argentina, the proportion of elderly women receiving all types of pensions (including non-contributory) rose to 92 % in 2010 vis-à-vis a men share of 89 %; in Chile the share in total solidarity pensions was 63 % in 2012 (the female average solidarity pension was 4 % higher than the male average); and in Bolivia, the female share in *Renta Dignidad* pensioners reached 54 %. No data were available for Hungary. Gender-differentiated mortality tables were eliminated in all countries except in Chile.[10]

2.6 Benefits sufficiency

Except in Hungary, the re-reforms improved benefits. In Argentina, the re-reform increased: three times the maximum contributory pension reaching US$ 3,108 in 2012, five times the average contributory pension (combining the two public pillars) to US$ 560, 73 % the minimum pension to US$ 423, and 100 % the basic universal pension to US$ 200.[11] The minimum pension is 76 % of the average pension (too close a gap) whereas the basic pension is about half of the minimum pension. The average replacement rate was 75 % of the average salary, but it declined to 43 % taking into account a program that granted reduced contributory pensions to 2.4 million elderly insured (*moratoria*).[12] In Chile, the PBS value is 50 % higher than the previous non-contributory pension and increased income by 34 %; the APS also significantly raised the level of contributory pensions.

Bolivia's corrections and re-reform expanded and liberalized entitlement conditions and benefits, which are too complex and diverse to be fully explained herein. There are three pension regimes: contributory based on individual accounts, semi-contributory with a solidary subsidy, and non-contributory. The old-age contributory pension is made up by two parts: the insured balance in the individual account estimated by a formulae and the contribution compensation (CC). The pension is granted regardless of age if said balance finances at least 60 % of the average base salary; also to women at age 50 and men at age 55 providing they have the 60 % including the CC; and at age 58 for both sexes without the 60 %. The semi-contributory pension is granted at age 58 with 10 years of contribution, and is based on contributions

10 Since 2012, the European Union made illegal gender-differentiated mortality tables in private systems.

11 According to the law, the state guarantees to affiliates and pensioners moved to the public system equal or better benefits than those they had under the private system at the time of the re-reform, but it is hardly possible to estimate such pension.

12 Under certain conditions, the elderly insured were immediately granted a reduced pension, they had to acknowledge past debt and pay it through pension deductions.

plus CC and the solidarity subsidy. In 2012 the average monthly pension from individual accounts is US$ 346, slightly higher in the old public system; the semi-contributory pension can be lower than the minimum wage and has a maximum of US$ 376, the minimum contributory pension equals one minimum wage (US$ 145) and the contributory pension has a maximum of 60 minimum wages (US$ 8,700).

Hungary tightened benefits: early retirement was abolished in the public pillar, the minimum pension reduced, a 13th month pension eliminated, and the age of retirement is being gradually increased by four years. Insured in the private pillar could stay by explicit request, but increasing their contribution and resigning to their employers' contributions paid to the public pillar, hence 97 % of the insured returned to the pure public system: those having positive returns can collect the difference between the accumulated capital and the total amount contributed whereas those with negative returns receive the full public pension.

The three LAC re-reforms expanded non-contributory pensions. Chilean beneficiaries in PBS and APS doubled in 2008–2012 surpassing one million, and elderly poverty was cut by 2.7 %. The PBS was paid to 84.5 % of those in the six poorest income deciles (60 % of the population) and raised income by 72 % in the lowest 5 % income, but it was improperly paid to 8 % in the three wealthiest deciles; a new targeting mechanism terminated some of those improper benefits. Bolivia's *Renta Dignidad* beneficiaries jumped 88 % in 2007–2012 to 924,446 (8.5 % of the total population) and 83 % of them lacked another pension; the monthly sum was US$ 28.50 (8 % of the average contributory pension); although rather low, this benefit is the only income received by half of the poor. Argentina's non-contributory pension is 70 % of the minimum contributory pension; the percentage of the elderly living in poverty was reduced from 28 % to 3.3 % in 2003–2009. No data are available for Hungary.

Except for Hungary, the re-reform improved or maintained pension indexation. In Chile it continues to rely on the monetary unit automatically adjusted to inflation (UF). This is mostly true in Bolivia: as before the re-reform, indexation is mainly based on the UFV but with some differences among regimes.[13] Argentina restored the adjustment based on an index of average wages and total contributions. In Hungary indexation shifted from an average of wages and prices to prices alone leading to a 10 % decline in real pensions.

2.7 Efficiency and reasonable administrative costs

Competition in Chile was stimulated by: two-year bidding that assigns new labor-force entrants to the AFP offering the lowest commission, which is im-

13 The fraction based on individual accounts is also adjusted by the pensioners' mortality rate and the fund capital returns, the solidarity fraction for the semi-contributory pension still lacks indexation, and the non-contributory pension is set by the government.

mediately applied to previous affiliates; authorization to banks to manage individual accounts; and replacing individual by collective bidding in the selection of commercial insurance companies. One more AFP was founded and the concentration decreased slightly. The average total commission initially rose because the abolished fixed commission was incorporated into the variable commission and because of coverage expansion of disability-survivor risks but, due to bidding, the total commission fell to the pre-re-reform level. In the other countries, under the public system, competition has disappeared. In Argentina all commissions and premium were eliminated; the state agency managing the public system (ANSES) cannot charge any fees, we lack data on its administrative costs. In Hungary, most of the administrators had ceased operations by the end of 2011; the commission and the fee on annual assets were cut substantially and then terminated. In Bolivia, until the public administrator is established, the two AFP perform all its functions; fees are unchanged: the commission, collected by the AFP, will go to the public administrator once established, and the premium is collected by a collective-risk fund set at the Treasury.

2.8 Social participation in the administration

None of the re-reforms restored direct social representation in pension management albeit Argentina and Chile set advisory/monitoring boards improving somewhat the previous total vacuum. Chile created: a users' commission with representation from workers, pensioners and other sectors, to monitor fulfillment of re-reform goals and publish an annual report on results; a fund to inform and educate the people on the pension system; and centers to respond public enquiries and help the insured to claim benefits and make decisions. Argentina established, within the public administrator (ANSES), an advisory council to supervise and monitor the funds of the unified public system, comprised of 13 representatives: three from trade unions, two from the pensioners' association, two from employer's organizations and the remaining six from the government and banks. Despite Bolivia's constitutional mandate, the re-reform law had no representation from insured and employers in the public administrator; the latter is legally bound to inform the population on the new system rights and obligations and defend the insured, through diffusion and education campaigns. The abolition of the tripartite participation continues in Hungary.

2.9 State role and supervision

The re-reforms increased the government role with the transfer of the private system to the public system, and the creation/expansion of state-financed benefits (the latter except in Hungary). In Chile the state provides new benefits (PBS and APS), improves social solidarity and gender equity, promotes competition and guarantees financial solidity. Bolivia added a semi-contributory program and a solidarity contribution, expanded the non-contributory pension, and significantly increased the Executive powers over the pension

system but still the two AFP are operating. In Hungary the public system was restored but it's promised parametric reform has not been undertaken, the private pillar is left with only 2 % of previous insured. All countries save Argentina and Hungary closed the previous autonomous superintendence overseeing the private system/pillar and replaced it with a new state agency of diverse nature, unity and independence. Chile's new autonomous superintendence unified the control of the entire pension system except for the armed forces and the police schemes. Argentina created a congressional committee (with elected members from both chambers) that monitors the public system funds and their evolution, receives annual reports from ANSES and may give non-binding recommendations; an advisory council of the fund (also lacking binding power) and other public agencies exert external supervision hence there is not a unified autonomous superintendence as in Chile; the overseeing bodies are weak and ANSES plays a predominant role. Bolivia new public authority, not autonomous, oversees pensions and insurances. Hungary still keeps the old superintendence but it is irrelevant due to the virtual disappearance of the private pillar.

2.10 Financial sustainability

Contributions were largely unchanged in Argentina and Chile, but rose in Bolivia and Hungary. There were no change in contribution and fees in Chile (a total of 12.69 %, 11.43 % by insured and 1.26 % by employers) but the disability-survivor premium was shifted from the insured to the employer, reducing slightly the former's burden. Argentina contributions are unchanged and continue to be the highest (total of 27 %, 11 % by insured and 16 % by employers), but commissions and premium were eliminated. Bolivia's current contributions were raised for the additional solidarity contribution paid by the employer (3 %) and the insured according to income (rising from 0.5 % to 10 %); the total contribution of 17.42 % is higher than in the old public and private systems, as well as that in Chile, and could gradually raise to 32.71 % surpassing Argentina; the employee pays at least 2.7 times the employer contribution and the self-employed is charged an additional 1.71 % for occupational risks; the state does not pay anymore to the contributory regime and can establish other revenue sources without touching fiscal resources. Bolivia and Chile still do not comply with the ILO minimum norm. Hungary's contribution including the reminder of the private pillar rose from 33.5 % to 34 % in 2010–2011.

Except for Hungary, the fund accumulated capital kept climbing and achieved new records, the highest in Chile, followed by Argentina and Bolivia, and Hungary lagging behind; real capital returns were positive and increasing in Chile but falling in Bolivia and negative in Argentina and Hungary because 70–82 % of investment was concentrated in low-return instruments; except for Chile, the financial sustainability of the re-reform is at risk. Chile's accumulated capital jumped two-fold in 2008–2011 reaching a national and regional record of US$ 153,000 million or 64 % of GDP; the real

average capital return since the inception of the system rose from 8.8 % to 9.3 % based on a widely diversified portfolio (however, concentration in foreign emissions and stocks expanded from 50 % to 69 %). In Argentina, mostly due to the transferred funds from the private pillar, the public fund (FGS) capital increased 48 % in 2008–2011 to a record US$ 48,537 million; relative to GDP it grew to 12.3 % in 2010 but fell to 10.8 % in 2011. The real capital return dropped from 8.4 % in 2008 to –3 % in 2011 and it was also negative in the first quarter of 2012, mainly because 73 % of the fund was invested in public debt (53 %) and in new government development projects (14 %) that have priority, with low returns, only 8 % was invested in stocks and zero in foreign emissions. Bolivia's accumulated capital and its percentage of GDP kept rising in 2008–2010; the re-reform created five funds with additional revenues hence the capital increased 22 % in 2010–2011 to records of US$ 6,583 million and 28.7 % of GDP, but the real capital return decreased from 9 % to 6.7 % because 82 % of the portfolio is invested in public debt (57 %) and bank deposits (25 %) with low yields – Treasury bonds real returns were –3 % in 2011 lower than private sector bonds, but zero in stocks and foreign emissions; the new investment policy maintains the priority in these instruments. Hungary capital accumulation was the smallest, 10.7 % of GDP in 2010 and fell to 0.8 % in 2011; the real capital return was –0.5 % in 2011 as the share of the fund invested in public bonds that earned real negative interest rose from 70 % to 85 % (OECD, 2012).

In Chile, fiscal costs of the structural reform were 4.7 % of GDP in 2010, but those of the re-reform only 0.68 %; financial sustainability was ensured by creating a reserve fund to finance the new benefits, submitted to actuarial reviews every three years (the first one showed that the system will meet its obligations at least until 2030), as well as every five years to assess the effects of key variables on replacement rates and financial needs; a consulting council monitors the re-reform fiscal sustainability and potential modifications needed.

Argentina, Bolivia and Hungary re-reforms were not supported by actuarial studies and apparently they have not been done after the re-reform. Argentina public fund FGS increased revenue from the huge transfer of private pillar-funds but pension expenditure climbed from 3.8 % to 6.4 % of GDP in 2005–2010. The previous public system endured significant annual deficit financed by the state but it was eliminated by shifting/merging about US$ 9,000 million of private funds into the FGS hence preventing short-run disequilibrium. In the long run, however, the FGS faces substantial obligations and a potential deficit from 3.6 million insured shifted from the closed private system, plus those previously insured in the public system. This risk is aggravated by several factors: population aging, increasing life expectancy, system maturity and persistent informality/low compliance that led to a ratio of 1.36 contributors per one pensioner and falling; most separate schemes are actuarially imbalanced and demand substantial fiscal resources; and negative FGS returns because ANSES can invest up to 50 % of the FGS surplus in loans to the state

(buying public bonds) and FGS finances family allowances (socially good but financially unproductive). Based on 2009 data (after the re-reform) it is projected that, without fiscal subsidies, the entire pension system deficit will increase five times in 2010–2050. In case that the public system faces deficit or risk of long-term unsustainability, the government must propose solutions: state-subsidies, raised contributions and/or capital returns, cut benefits or a combination of these measures.

In Bolivia, half a million insured and US$ 5,408 million were transferred from the private to the public system but individual accounts are legally guaranteed. Contribution payments to the public system increased 147 % in 2007–2011 but overall expenditures are not available hence the total financial balance cannot be estimated. To the best of our knowledge, there are no long-term projections of the five funds financial sustainability and, as in the case of Argentina, they may be insufficient to finance future obligations from insured in the previous public system and those transferred from the private system; negative capital returns in 2011–2012 compound the problem. In Hungary, about US$ 11,000 million, 89 % of total assets (based on FIAP, 2011) and close to 11 % of GDP, were transferred in 2011 from the private pillar to a state-managed fund and used to finance the deficit in the public system (81 % of government debt), reduce fiscal costs of the transition, and pay part of the national debt hence jeopardizing the financial sustainability of the new fund that is responsible for the pension obligations of three million insured transferred from the private pillar.

3. Conclusions

3.1 Comparative performance of re-reforms

Legal features and socio-economic effects of the four re-reforms are summarized in Table 2 focusing on the ten social security principles. All re-reforms have improved most structural reform flaws, save Hungary.

– **Social dialogue**: Chile wide, Bolivia partial, none in Argentina and Hungary.
– **Coverage**: increased both for EAP and elderly (unchanged in Hungary); self-employment affiliation made gradually mandatory in Chile.
– **Equal treatment**: separate schemes continue, some added, Hungary unchanged.
– **Social solidarity**: improved substantially in all LAC, less in Hungary
– **Gender equity**: improved in all.
– **Benefits sufficiency**: improved in LAC, tightened in Hungary.
– **Efficiency and reasonable administrative costs**: competition and premium eliminated in Argentina and Hungary, unchanged in Bolivia, improved in Chile.
– **Social participation**: none restored tripartite representation; advisory council in Argentina and user's commission in Chile monitor re-reform but lack decision power.

- **State role and supervision**: state role increased in all; old superintendence replaced in LAC (continues in Hungary), unified and autonomous in Chile but not in the rest.
- **Financial sustainability:** strong in Chile, weak in the rest particularly in Hungary.[14]

The best performance has been in six principles: coverage, social solidarity, gender equity, benefit sufficiency, reasonable administrative costs, state role and supervision (the latter partially). The weakest performance has been in four principles: social dialogue, equal treatment, social representation (slight improvement in two) and, particularly, financial sustainability (save in Chile). All LAC re-reforms achieved progress in most social principles but Argentina, Bolivia and Hungary face serious long-run challenges in financial sustainability. Hungary re-reform failed to correct most flaws of the structural reforms and added new problems.

Table 2: *Comparison of Legal Features and Socio-Economic Effects in the Four Re-reforms*[15]

Principles[a]	**Argentina**	**Bolivia**	**Chile**	**Hungary**
Social dialogue	No	Partial	Wide, with all sectors	No
Coverage[b]				
Of EAP	45 % to 47.5 % (2010)	11.4 % (2010, no data 2011)	61 % to 62 % (2011)	70–100 % unchanged
Obligatory self-employed	Existed previously	No, except consultants	Since 2012, gradually	Existed previously
Of elderly	84 % to 90.4 % (2010)	126 % in 2008 (fraud)	57.2 % (no data 2010-11)	n. a.
Non-contributory pension	Ibid, expanded, means-tested	Expanded, universal, regardless income	Expanded to 60 % pop. lower income, means-tested	No change
Equal treatment (separate schemes)	Continue 103 separate schemes; restored various separate schemes	Restored liberal conditions for armed forces and other groups	Armed forces and policemen still separated	System continues unified, with special rules for armed forces
Social solidarity	Coverage extension to low income, women, elderly, strong effect in low quintiles	*Renta Dignidad*, solidarity fund and contribution, semi-contributory branch	Basic solidarity pension (PBS), progressive state solidarity subsidy (APS)	Minimum pension is 25 % of average net wage and cut by 20 %
Gender equity	Cut in coverage gap, non-contributory pension for mothers with 7+ children, universal child benefit	*Renta Dignidad* expanded women coverage, cut in retirement age for each child born alive	Women 63 % of PBS/APS, fund division among spouses, universal maternity voucher, no change in mortality tables	Liberal widow/ widower pension, universal maternity voucher, unisex mortality tables not implemented

14 The closing of the private system/pillar in Argentina, Bolivia and Hungary eliminated fiscal transition costs, but the obligations of those insured moved to the public system must be financially guaranteed in the long run.

Principles[a]	Argentina	Bolivia	Chile	Hungary
Benefit sufficiency				
General	Higher minimum, basic and average pension, pension equal/better than in closed private system (how?)	Cut age/contribution years, guarantees individual accounts, *Renta Dignidad* truly universal, low but crucial for poor	PBS higher that previous benefit, ASP increases pension level	60 % replacement rate, full public pension for those back to public system (others cut), raised retirement ages
Pension indexation	To wages and contributions	To automatic unit, but varies	To same automatic unit	To prices: loss pension value
Efficiency	Competition ended	Competition will end when Public Administrator is created	One more AFP, new tools for increased competition	Few firms left will disappear
Administrative costs	Commission/ premium ended	Unchanged	Same but should decline	Lower but irrelevant
State role	Rising	Rising (stronger Executive)	Rising	Rising
Supervision	Congressional Commission w/o enforcement power	Superintendence not autonomous	Unified and autonomous Superintendence	Superintendence will disappear
Social participation	No, advisory council w/o decision power	No, except in armed forces scheme	No, users' commission, w/o decision power	No
Financial sustainability				
Capital million US$, % GDP	⇧ 48,537, ⇩ 10.8 % (2011)	⇧ 6,583, ⇧ 28.7 % (2011)	⇧ 153,000, = 64 % (2011)	⇩ 1,333, ⇩ 0.8 % (2011)
Real capital returns	–3 % (2011-2012)	⇩ 6.7 % (2011)	⇩ 9 % (2009-2011)	⇩ –0.5 % (2011)
Portfolio composition	⇧ 73 % in public debt & state dev't projects (low returns)	⇧ 82 % in public debt & bank deposits (low returns)	⇧ 69 % in foreign emissions & stocks (high/volatile returns)	⇧ 85 % in public debt (negative rate), 6 % bank deposits
Long-term equilibrium	No actuarial study, projected 5-fold jump in deficit by 2050	Neither actuarial study nor projections done, high risk	Three-year actuarial review, in equilibrium until 2030	Neither actuarial study nor projections done, high risk

a Data usually refer to the year prior to the re-reform and the latest year available, except when specified
b EAP coverage based on statistics (Bolivia on surveys); coverage of the elderly on surveys.
Note: ⇧ rose, ⇩ fell, = stagnant, n.a. non available

3.2 Pending problems/challenges of the re-reforms and recommendations

The structural reform was considered a panacea by international financial organizations (IFO) and many experts, and the re-reform should not be presented as such. Both types of reforms must be preceded by a social dialogue and actuarial studies, be carefully designed taking into account the peculiarities of each country, and have as main goal the improvement of social security principles. The re-reform not necessarily has to close the private system, the Chilean case shows that it could be kept and substantially improved. Closing the private system/pillar is viable too with the cautions noted, particularly on financial sustainability.

15 Sources: Based on Hohnerlein, 2013; Mesa-Lago, 2013; Mesa-Lago and Ossio, 2013; Simonovits, 2013; Hungary's capital in US$ from FIAP, 2011, portfolio composition from OECD, 2012.

- **Social dialogue**: An integral, well-designed and with a long-term perspective reform is advisable for most countries to solve pending problems/ challenges, preceded by a wide social dialogue and professional actuarial studies. Hungary urgently requires a parametric reform of the public system.
- **Needed data**: Statistical series on the ten key principles should be developed, properly connected with data prior to the re-reform, clearly defining affiliates and contributors, for a more accurate evaluation of the re-reform effects.
- **Coverage**: More innovative and effective mechanisms to achieve mandatory coverage of the self-employed and other informal groups are necessary in LAC. In Bolivia, contributory coverage remains low and stagnant due to a large informal sector and evasion in the formal sector; mandatory affiliation of self-employed consultants albeit positive will not substantially raise coverage of the overall group; the solidarity contribution should provide an incentive for affiliation to low-income self-employed and similar groups.
- **Equal treatment**: Persisting system fragmentation (save in Hungary) requires incorporation of the armed forces and other separate schemes with superior conditions/benefits (as well as those restored in Argentina and Bolivia), and fully-financed special benefits by the insured without fiscal subsidies.
- **Non-contributory pensions**: Argentina needs to establish a unified non-contributory means-tested basic income scheme for the poor, and end pensions granted by Congress. Bolivia's *Renta Dignidad* data base should be clean of duplications and fraudulent beneficiaries, and steps taken to include potential beneficiaries excluded due to language, lack or information on rights and/or irregular ID. Chile should eliminate the small percentage of »free riders« through a more effective application and periodic verification of the new targeting mechanism.
- **Impact on poverty**: A study should be conducted in all countries to measure the impact of the re-reform and, particularly the new or expanded non-contributory pensions on poverty, as well as on the affiliation and payment of contributions to the contributory system.
- **Social solidarity**: Remaining anti-solidarity elements in Bolivia could be alleviated (low contributory coverage, special benefits for some groups, uncertified compensation for contributions). Bolivia and Chile must correct the excessive contributory burden on the worker vis-à-vis the employer to meet the ILO minimum norm.
- **Gender inequities:** Those generated by the labor market should be corrected through legal means (e. g., enforcement of equal salary earned by women and men for the same work), but also fomenting higher female labor participation through training and further development of public day care centers, as well as a gender neutral retirement age.
- **Benefit sufficiency**: Individual accounts are guaranteed by Bolivia's public system, whereas in Argentina the public pension earned by insured

moved from the closed private system must be equal or better that the private pension owed at the time of the re-reform; those rights ought to be protected. Hungary shall introduce individual accounts in the pure public system for those moved from the private system.

- **Administrative costs**: Bolivia's still are low but an assessment is suggested to check if they are adequate for a public system. Chile's advisory council and users' commission should further evaluate the impact of the re-reform on commissions and premium.
- **Social representation**: Restore participation of workers and employers in the administration of the pension system, with decision power.
- **Information**: Poor knowledge of the pension system persists among insured and the population; the available information is very technical and not adjusted to the educational level of most people hence it should be simplified and the population better educated (e. g., through an education fund as in Chile). Argentina, Bolivia and Hungary should provide to all insured periodic and clear information on accumulated pension rights and the pension level based on their contributions. Chile's »multifunds« helped protect most insured during the global crisis but the information supplied by AFP and private advisors needs improvement to make better selection and shifts among funds.
- **Compliance**: To further improve it, in Chile the insured worker should play a more active role in detecting employer's payment delay by checking the quarterly report sent by the AFP, and the latter promptly inform the worker of such a delay; stronger sanctions for those that infringe the law are needed (as done in Bolivia's re-reform law).
- **Supervision**: A unified and autonomous supervisory pension agency overseeing all schemes is needed. Argentina's congressional commission recommendations are not binding whereas Bolivia supervisory agency is not independent from the strong Executive.
- **Financial sustainability**: In Argentina the funds transferred from individual accounts that were merged with the public PAYG system funds, should be invested in accordance with strict legal rules that maximize their capital return and minimize their risk; and the fund (GFS) converted into an autonomous institution, not managed by ANSES but by a collective technical body and without government intervention; also to prevent new litigation, resources are necessary to pay for settled lawsuits and debt recognized for missed adjustments as established by the Supreme Court.
- **Portfolios:** Argentina, Bolivia and Hungary public funds (and Bolivia's individual account fund) need to diversify investment away from excessive public debt and bank deposits that pay low or negative real returns. Chile's very high share invested in foreign emissions is exposed to high risks and losses in case of another global crisis.
- **Actuarial studies:** Argentina and Bolivia failed to conduct actuarial reviews on the re-reform long-term effects (liberalization of entitlement conditions, expanded non-contributory pensions, new solidarity funds, etc.), which should be done as soon as possible and needed adjustments imple-

mented. Hungary should halt using former private fund pillar resources to pay transition costs and fiscal deficit, and secure the financial/actuarial sustainability of the public pension system conducting an actuarial review.
- **Monitoring the re-reform:** Chile's annual reports of the advisory council and users' commission should continue, as well as the actuarial evaluations stipulated by law to ensure that the necessary funds are assigned in the budget for the payment of new benefits. Similar mechanisms are needed in the other countries.

3.3 Potential influences of the re-reforms

The re-reforms probably will have influence on other total or partial private pension systems in LAC and CEE. Four years have elapsed since the re-reforms in Argentina and Chile and two years since Bolivia's, and no other re-reform have been enacted in LAC, but it should be noted that eleven years elapsed from the Chilean structural reform in 1980 and the second one in Peru in 1993.

Corrections, however, have taken place to improve both the private pillar and some social security principles. Uruguay implemented changes, similar to those in Chile and Argentina, to extend coverage, increase competition, reduce administrative costs, establish a single payment for all taxes and grant one year of work to female affiliates for each child born alive. Peru allowed the insured in the private system to return to the public one in some cases, established a non-contributory pension for the poor, and is debating to set a ceiling on the total commission on wages and add a commission on the capital return. Mexico is gradually expanding mandatory coverage to the self-employed, extended the private pillar to civil servants (that had retained a separate public scheme), and improved competition significantly with innovative approaches: new entrants to the labor market must join the fund with the highest capital return, and there are no restrictions to shift to such a fund. El Salvador followed the latter measure and also created a non-contributory pension targeted on the poor, but faces high fiscal costs of the transition and other problems. Costa Rica's system is in fairly good shape but might consider a few changes such as to complete the universalization of the means-tested non-contributory pension and to introduce a universal maternity voucher. So far Colombia, Dominican Republic and Panama have not implemented significant changes, except for multifunds in the first (Calvo et al., 2010; Mesa-Lago, 2012b).

In CEE, several countries retrenched the contribution allocated to the private pillar: Poland cut it by two-thirds in 2011; Estonia suspended the government contribution to the private pillar in 2009–2011 but fully restored it in 2012; Latvia reduced the diversion to the private pillar from 8 % to 2 % but is planning to increase it to 4 % in 2013; and Lithuania cut it from 5.5 % to 1.5 % in 2009–2011 and is not clear if will raise it to 2 % in 2013. It is difficult to predict if these temporary measures will become permanent and if other more profound reforms take place (Fultz, 2012a, 2012b). Slovenia has

no plan to introduce a private pillar but the Czech Republic is expected to so in 2013 (Simonovits, 2011).

There are significant asymmetries in the transmission of information on the structural reform and the re-reform. The former was widely diffused and financially and technically supported by IFO (World Bank, IMF, OECD, Inter-American Development Bank), as well as by the International Association of Pension Fund Administrators (FIAP) and its biannual newsletter and many publications. Within some countries there are foundations that also promoted the structural reform, e. g., CIEDESS in Chile, the American Heritage Foundation and the Cato Institute in the United States. All these entities, plus economic conglomerates and international insurance companies, invested substantial resources to promote the structural reform, holding international and national seminars and forum, and financing well-known reformers to sell that model throughout the world.

On the other hand, the re-reform has considerable fewer channels of diffusion and financial support: the ILO and the International Social Security Association have reported re-reforms through academic articles in the *International Labor Review* and the *International Social Security Review*, as well as news in *Social Security Observer.* In LAC, the U. N. Economic Commission for Latin America and the Caribbean (ECLAC) also provides some information. In addition, the re-reform confronts powerful opposition from the same international and national sources that promoted the structural reform.

Hopefully the publication of these studies will help to inform and disseminate the re-reform, its features, effects and challenges.

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Carmelo Mesa-Lago, Pittsburgh

Zusammenfassung[1]

Inhaltsübersicht

I. Projektübersicht
II. Vorteile und Schwachstellen der Rentenstrukturreformen
III. Der Kurswechsel der jüngsten Rentenreformen: Normative Merkmale und sozio-ökonomische Wirkungen
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I. Projektübersicht

In den Jahren 1981 bis 2011 führten 23 Länder in Lateinamerika und Mittel- und Osteuropa »strukturelle Reformen« mit einer teilweisen oder vollständigen Privatisierung der öffentlichen Rentensysteme durch. Systematisch lassen sich zwei Modelle dieser Rentenstrukturreformen unterscheiden: sogenannte substituierende Modelle wie in Chile und Bolivien, bei denen das öffentliche Rentensystem vollständig durch ein privates Rentensystem ersetzt wird, sowie Mischsysteme wie in Argentinien und Ungarn, in denen die Strukturreform nicht zur Abschaffung des öffentlichen Rentensystems führte. Schwächen im ursprünglichen Reformdesign, länderspezifische Besonderheiten und mangelhafte Ergebnisse bei den meisten Indikatoren zwangen einige Länder zu »Korrekturen«, die jedoch die grundlegenden Probleme nicht zu lösen vermochten. Vier Länder haben nun die vorausgegangene Rentenstrukturreform ganz oder teilweise zurückgenommen und Reformgesetze zur Abschaffung oder Eindämmung ihrer privatisierten Renten- oder Rententeilsysteme (sog. »Reform der Reformen«) in Kraft gesetzt: Chile und Argentinien 2008, Bolivien und Ungarn 2010.

Im Rahmen des durch das MPI für Sozialrecht und Sozialpolitik unterstützten Projektes wurden vier Länderstudien mit ähnlichem Datenmaterial nach einer einheitlichen Struktur erarbeitet. In der chronologischen Abfolge des Reformkurswechsels sind dies:

- Chile: Carmelo Mesa-Lago
- Argentinien: Eva Maria Hohnerlein
- Bolivien: Carmelo Mesa-Lago and Lorena Ossio Bustillos
- Ungarn: András Simonovits

Auf der Grundlage von zehn Prinzipien der sozialen Sicherheit identifizieren die vier Länderberichte und die vergleichende Analyse die Schwachstellen der

[1] Übersetzung aus dem Englischen von Eva Maria Hohnerlein, München.

jeweiligen Rentenstrukturreform und untersuchen, ob und inwieweit die »Reform der Reformen« diesen Prinzipien sozialer Sicherheit gerecht wird:

1. Sozialer Dialog
2. Allgemeine Absicherung
3. Gleichbehandlung
4. Soziale Solidarität
5. Geschlechtergerechtigkeit
6. Ausreichendes Rentenniveau
7. Effizienz und angemessene Verwaltungskosten
8. Beteiligung der Sozialpartner/der Gesicherten in der Verwaltung
9. Rolle des Staates und Kontrollen
10. Finanzielle Nachhaltigkeit

Wichtige sozio-ökonomische Unterschiede zwischen den Vergleichsländern werden für eine sachgerechte Analyse der Strukturreformen und der Neuausrichtung der Rentenreformen berücksichtigt (Tab. 1). Ungarn steht hierbei an vorderster Stelle, gefolgt von Chile und Argentinien auf nahezu gleichem Stand, während Bolivien weit dahinter liegt.

Tabelle 1: *Vergleich von sozio-ökonomischen Daten der vier Länder*

Länder	Index f. menschl. Entwicklung (HDI)		Pro-Kopf-Einkommen in US$	Lebens-erwartung	Selbstständige Erwerbstätigkeit	Gesamt platzierung
	Punkte	Rang				
Ungarn	0.816	38	16,581	74.4	5.5	1.4
Chile	0.805	44	13,327	79.1	20.6	2.2
Argentinien	0.797	45	14,527	75.9	19.7	2.4
Bolivien	0.663	108	4,054	66.6	58.5	4.0

II. Vorteile und Schwachstellen der Rentenstrukturreformen

Vorteile

- Verstärkung der Äquivalenz zwischen Beiträgen und Rentenniveau;
- Verbesserung der Effizienz durch die Führung individueller Rentenkonten;
- Periodische Information der Versicherten über ihren Kontostand;
- Verkürzung der Verfahren zum Erlass der Rentenbescheide;
- Ansammlung eines bedeutenden Kapitalstocks im Rentenfonds und angemessene bis hohe Kapitalrenditen.

Schwachstellen

Die Idee eines universellen Paradigmas, das trotz signifikanter sozio-ökonomischer Unterschiede zwischen den Ländern als Einheitslösung dienen könnte, funktionierte in einigen Ländern und versagte in anderen. Die meisten der durch die Strukturreform erwarteten Wirkungen blieben aus, wie etwa Verbesserungen im Deckungsgrad, in der Gleichstellung der Geschlechter und im Rentenniveau, geringere Verwaltungskosten durch Wettbewerb, und eine subsidiäre Rolle des Staates im Rentensystem.

1. Sozialer Dialog

Chiles Strukturreform wurde durch die Militärdiktatur ohne Diskussionen eingeführt, in den drei anderen Ländern fand eine öffentliche Debatte der Reformoptionen statt.

2. Allgemeine Absicherung

Der Deckungsgrad der Erwerbsbevölkerung blieb in Ungarn unverändert nahezu universell, er stagnierte in Chile (bei 62 %), verringerte sich in Argentinien (auf 45 %), und stagnierte in Bolivien auf einem äußerst niedrigen Niveau (12 %).
- Rolle der informellen Wirtschaft: Je größer der informelle Sektor ist (einschließlich der selbständigen Erwerbstätigkeit), desto schwieriger erweist sich die Erhöhung des Deckungsgrades, gemessen an aktiven Beitragszahlenden, wie das Beispiel Boliviens zeigt.
- Für die Bevölkerung im Rentenalter sank der Deckungsgrad in Argentinien und Chile, stieg jedoch in Bolivien (aufgrund der nicht beitrags-bezogenen Renten »Bonosol«).

3. Gleichbehandlung

Alle ergänzenden Rentensysteme in Bolivien sowie die meisten separaten Sondersysteme in Chile und einige Sondersysteme in Argentinien wurden vereinheitlicht, doch alle Länder klammerten die Alterssicherung der Streitkräfte und anderer Gruppen aus (Ungarn hatte zwar keine separaten Systeme, jedoch galten für die Angehörigen des Militärs besondere Bedingungen).

4. Soziale Solidarität

Sie fehlt in den privaten Rentensystemen (z. B. individuelle Konten, Abschaffung des Arbeitgeberbeitrags in zwei Ländern, etc.); der Staat ist jedoch für Mindestrenten bzw. nicht beitragsbezogene Renten und für die Übergangskosten verantwortlich.

5. Geschlechtergerechtigkeit

Die Benachteiligung leitet sich teilweise aus der unterschiedlichen Arbeitsmarktsituation, teilweise aber auch direkt aus dem Rentensystem ab:
- Die privaten Systeme verstärken die Diskriminierung: Frauen erhalten niedrigere Renten aufgrund von geschlechts-spezifischen Sterbetafeln (ausgenommen Ungarn), höherer Lebenserwartung und weil sie den Arbeitsmarkt verlassen um Kinder zu erziehen; auch die Anhebung der Zahl der Beitragsjahre für eine Mindestrente (Argentinien, Chile) erschwert es Frauen, eine beitragsbezogene Rente zu erwerben.
- Der Deckungsgrad liegt für Frauen in der Erwerbsbevölkerung und für Frauen im Rentenalter jeweils unter dem der Männer; er war in Argentinien rückläufig, während in Bolivien der Deckungsgrad für ältere Frauen zunahm.

6. Ausreichendes Rentenniveau

- Es gibt eine staatlich garantierte Mindestrente in drei der Länder, allerdings schränkte Argentinien ein Jahr nach der Strukturreform die Garantie einer Mindestrente ein; Bolivien führte sie erst 2008 ein und verzichtete auf eine staatliche Verantwortung.
- Ein Ausgleich für Beiträge an das öffentliche Rentensystem wird in Chile gewährt, während Bolivien eine Ausgleichsleistung verzögerte und an restriktive Bedingungen knüpfte.
- Nicht beitrags-bezogene Sozialrenten mit einer Bedürftigkeitsprüfung gewähren Argentinien, Chile und Ungarn, allerdings ist der Zugang durch Quotenregelungen (Kontingente) und verfügbare Haushaltsmittel beschränkt; die »Universalrente« (Bonosol) in Bolivien wird ohne Einkommensprüfung gewährt, ist jedoch auf eine nach dem Geburtsjahr bestimmte Kohorte der Bevölkerung beschränkt.
- Die Renten werden in Bolivien und Chile über eine Rechnungseinheit automatisch an die Inflation angepasst; in Ungarn folgte die Rentenanpassung zunächst der Lohnentwicklung, später der Lohn und Preisentwicklung, während Argentinien die automatische Rentenanpassung ein Jahr nach der Strukturreform durch diskretionäre Anpassungen nach Kassenlage ersetzte.

7. Effizienz und angemessene Verwaltungskosten

Das private Rentensystem/die private Säule wird durch gewinnorientierte Unternehmen (Kapitalfondsgesellschaften AFP; AFJP) verwaltet; sie stehen untereinander im Wettbewerb und erheben Verwaltungsgebühren für die Alterssicherung und eine Prämie für die Absicherung der Risiken Invalidität und Tod des Versicherten (die durch kommerzielle Versicherungen verwaltet werden); durch den Wettbewerb sollten die Verwaltungskosten verringert werden.

- Der Wettbewerb funktionierte nur unzureichend: In Bolivien herrschte ein Duopol; in den anderen drei Ländern entstanden ziemlich große Verwaltungsgesellschaften, jedoch verringerte sich die Zahl der Wettbewerber, die Versicherten konzentrierten sich auf die beiden größten Gesellschaften, die Wahlfreiheit war beschränkt, und es gab nur wenig Wechsel zwischen den Gesellschaften.
- Aufgrund des fehlenden Wettbewerbs und fehlender Transparenz sowie wegen hoher Marketingkosten stagnierten die Verwaltungskosten als Prozentsatz der Löhne auf hohem Niveau oder sie stiegen an: Sie betrugen 12 % in Ungarn, 2.7 % in Chile, 2.4 % in Argentinien, und 2.2 % in Bolivien. (Als Prozentsatz des Anlagekapitals auf den individuellen Konten lagen die Veraltungskosten zwischen 22 % und 52 %).

8. Beteiligung der Sozialpartner/der Versicherten in der Verwaltung des Rentensystems

Eine Interessenvertretung der Versicherten und der Arbeitgeber in den Verwaltungsgesellschaften der Rentenfonds und anderen Einrichtungen des Rentensystems wurde in allen Ländern abgeschafft (nur in Ungarn existierte zeitweise eine Interessenvertretung).

9. Rolle des Staates und Kontrollen

Theoretisch sollte der Staat eine subsidiäre Rolle gegenüber den Marktkräften spielen, doch in der Praxis kam dem Staat eine Schlüsselrolle zu: Er finanzierte die Kosten des Systemwechsels, aber auch die garantierte Mindestrente und die Ausgleichsleistung für die Beiträge an das alte öffentliche Rentensystem sowie die nicht beitragsbezogenen Sozialrenten.

Eine staatliche Aufsichtsbehörde überwachte das private Rentensystem in allen Ländern.

10. Finanzielle Nachhaltigkeit

In Bolivien und Chile wurde der Arbeitgeberbeitrag abgeschafft und auf die Arbeitnehmer überwälzt (was eine ILO-Vorschrift verletzt, wonach der Arbeitnehmer nicht mehr als die Hälfte der gesamten Sozialbeiträge zahlen soll); in Argentinien und Ungarn wurde der Arbeitgeberbeitrag auf das öffentliche Teilsystem/die erste Säule verlagert, während der Arbeitnehmerbeitrag die private oder öffentliche zweite Säule finanzierte (wodurch sich das Defizit im öffentlichen Teilsystem/in der öffentlichen Säule vergrößerte).

- Die Kosten des Systemwechsels waren hoch, dauerten länger als vorgesehen und führten zu einer gewaltigen Staatsverschuldung (81 % in Ungarn); die Reformkosten in Chile beliefen sich 2010 (30 Jahre nach der Reform) noch immer auf 4 % des BIP, in Bolivien waren sie allerdings deutlich niedriger und in Ungarn betrugen sie lediglich 1 %.
- Das akkumulierte Kapital der Rentenfonds stieg in allen Ländern: auf 64 % des BIP in Chile, 25 % in Bolivien, auf 10 % in Argentinien und Ungarn.
- Die Renditen fielen in allen Ländern: in Chile von 21 % auf 9 %; in Bolivien von 12 % auf 7 %, in Argentinien von 9 % auf 8 %, und in Ungarn rutschten sie sogar ins Minus (–2.8 %).
- Das Investitions-Portfolio war in Chile gut diversifiziert, in den anderen drei Ländern jedoch stark auf öffentliche Titel mit niedriger Verzinsung konzentriert (bzw. auf niedrig verzinste Bankeinlagen); der bolivianische Kapitalmarkt war erst im Entstehen und bot nur wenige Investitionsalternativen.
- Die globale Finanzkrise führte zu einem scharfen Einbruch des Kapitalstocks und seiner Erträge (auch wenn die Fonds sich später wieder erholten), was Kritik provozierte, weitere Strukturreformen stoppte und schließ-

lich als Rechtfertigung für die jüngste Rücknahme der Strukturreform in Argentinien und Ungarn diente.

Die Hypothese, wonach das Eigentum an persönlichen Konten und privat verwaltete Rentensysteme staatliche und politische Einmischung ausschließen würden, wurde in Argentinien widerlegt: Auf Druck der argentinischen Regierung mussten die Kapitalfondsgesellschaften in Staatsanleihen investieren, was einen Verlust des Fondsvermögens in den Krisenjahren 2001/2002 auslöste; am Ende wurden die privaten Rentenfonds in Argentinien, Bolivien und Ungarn wieder verstaatlicht.

III. Der Kurswechsel der jüngsten Rentenreformen: Normative Merkmale und sozio-ökonomische Wirkungen

Alle Maßnahmen der Reform der Reformen verstärkten die Rolle des Staates im Rentensystem, allerdings in unterschiedlicher Weise: Chile (2008) verbesserte das private Rentensystem; Argentinien (2008) schloss das private System der zweiten Säule und integrierte es in das öffentliche System; Bolivien (2010) verstaatlichte das private System, garantierte jedoch die individuellen Konten; Ungarn (2010) stoppte den Beitritt neuer Mitglieder in das private Teilsystem, übertrug die Guthaben der meisten persönlichen Konten der privaten zweiten Säule zurück auf das öffentliche Rentensystem und beendete die Beitragszahlungen, wodurch die private Rentensäule allmählich verschwinden wird.

1. Sozialer Dialog

Die ILO erklärte im Jahr 2001, dass jeder Rentenreform eine Diskussion aller betroffenen Parteien vorangehen sollte; auch die Weltbank hält nun einen sozialen Dialog für nützlich, ehe die private Säule demontiert wird.

- In Chile fand eine breite öffentliche Diskussion statt: Ein Sachverständigenbeirat der Präsidentin mit Repräsentanten aller betroffener Sektoren legte einen Bericht mit Reformvorschlägen vor, die das verabschiedete Reformgesetz zu 90 % übernahm.
- Die Regierung Boliviens unterzeichnete eine Vereinbarung mit dem wichtigsten Arbeitnehmerverband, verzichtete jedoch auf die Konsultation aller Sektoren; eine große Mehrheit der Abgeordneten stimmte für das Reformgesetz.
- In Argentinien und Ungarn gab es kaum öffentliche Diskussionen oder Debatten im Parlament; die Regierungsmehrheit im Parlament verabschiedete die »Reform der Reform« im Eiltempo ohne die Beteiligung von Experten, Vertretern der Zivilgesellschaft oder Interessengruppen. Wegen der Schwachstellen der privaten zweiten Säule und wegen der fehlenden Unterstützung durch die Zivilgesellschaft protestierten weder Gewerkschaften noch Versicherte (es gab einige Gerichtsverfahren, die erfolglos blieben).

2. Allgemeine Absicherung

Der Deckungsgrad stieg in den lateinamerikanischen Ländern durch die Inklusionspolitik für die Erwerbsbevölkerung sowie für die Senioren.

- Die selbständig Erwerbstätigen in Chile werden ab 2010 schrittweise pflichtversichert, und erhalten dadurch Ansprüche auf andere Sozialleistungen (die Versichertenzahlen erhöhten sich um 24 %); unbezahlt Arbeitende können freiwillig der Rentenversicherung beitreten, jüngere Niedriglohnbezieher erhalten eine Steuervergünstigung als Anreiz zum Beitritt; die Zutrittsbeschränkungen zu den nicht beitragsbezogenen Renten wurden beseitigt; der Deckungsgrad der Erwerbsbevölkerung stieg von 63 % auf 73 %.
- Argentinien gliederte Senioren ohne Rentenanspruch in das beitragsbezogene Rentensystem ein und weitete zudem den Anwendungsbereich der nicht beitragsbezogenen Renten deutlich aus; der Deckungsgrad in der Erwerbsbevölkerung stieg von 41 % auf 48 %, während der Deckungsgrad unter den Senioren von 84 % auf 90 % anstieg.

Beide Länder erhöhten den Deckungsgrad innerhalb der ärmsten Einkommensgruppen erheblich.

- Bolivien weitete den Deckungsgrad durch die nicht beitragsbezogenen Renten (*Renta Dignidad*) aus.
- Ungarn verzeichnete keine Veränderungen.
- Die letzten beiden Reformen zur Rücknahme der Rentenstrukturreform wurden erst 2010 verabschiedet, weshalb bisher keine Daten zur Bewertung ihrer Auswirkungen verfügbar sind.

3. Gleichbehandlung

In allen Ländern werden die Sondersysteme für die Streitkräfte und die Polizei bzw. zumindest privilegierende Konditionen für sie beibehalten.

- Argentinien führte großzügige Sondersysteme für Lehrer, Universitätsbedienstete, Forscher, Diplomaten und Justizbeamte wieder ein.
- Bolivien gewährte großzügigere Konditionen für einige Gruppen.
- Ungarn sah keine Veränderungen vor.

4. Soziale Solidarität

Die Schließung der privaten Säule ohne Solidarität und die Überführung aller Versicherten in das öffentliche Rentensystem mit intergenerationaler Solidarität erhöhte insgesamt die soziale Solidarität.

- Chile behielt das private System, ergänzte es jedoch um zwei staatlich finanzierte Solidaritätsleistungen: eine universelle Grundrente ohne Zugangsbeschränkungen über Wartelisten sowie ohne Finanzierungsvorbehalte, die 60 % der niedrigen Einkommensgruppen ohne anderweitigen Rentenanspruch erhalten; einen Solidarzuschlag, der die beitragsbezogene Rente von Rentnern mit einem niedrigen Einkommen aufstockt (der Zuschlag hat progressive Wirkungen: er sinkt mit zunehmendem Betrag der

Beitragsrente und entfällt, wenn ein Grenzbetrag überschritten wird). Der Arbeitgeber finanziert nun die Prämie für die Absicherung von Invalidität und Tod des Versicherten.

- Argentinien erweiterte den Deckungsgrad im beitragsbezogenen Rentensystem, insbesondere für Gruppen mit niedrigeren Einkommen, beseitigte einige Zugangsbeschränkungen für Senioren und Mütter, und schaffte die hohen Verwaltungsgebühren ab.
- Bolivien gestaltete die *Renta Dignidad* – die nicht beitragsbezogene Altersrente – zu einer universellen Leistung um und setzte die Altersgrenze herab, um die Armut zu verringern (es gibt jedoch missbräuchlichen Leistungsbezug), führte eine teilweise beitragsbezogene Rente, den Solidaritätsfonds (der seine Mittel zugunsten von beitragszahlenden Versicherten mit niedrigem Einkommen und geringen Rentenanwartschaften umverteilt), sowie den Solidaritätsbeitrag ein (der hauptsächlich dem Arbeitgeber und dem Versicherten auferlegt wird und mit wachsendem Einkommen des Versicherten ansteigt).
- Ungarn kürzte mehrere Leistungen und verschärfte die Leistungsvoraussetzungen.
- In Bolivien und Chile ruht die Finanzierung nach wie vor fast ausschließlich auf dem Beitrag des Arbeitnehmers, sodass weiterhin die entsprechende ILO-Norm über Mindeststandards der sozialen Sicherheit verletzt wird.

5. Geschlechtergerechtigkeit

Alle Reformen zur Umkehr der Reform verbesserten die Geschlechtergerechtigkeit, indem Mütter einen Ausgleich für Kindererziehungszeiten erhielten:

- Argentinien führte für bedürftige Mütter mit 7 oder mehr Kindern eine nicht beitragsbezogene Sozialrente ein.
- In Chile erhalten Mütter für jedes lebend geborene Kind eine Gutschrift, unabhängig vom Einkommen; sie wird dem persönlichen Konto der Mutter gutgeschrieben und erhöht die jährlichen Zinserträge und damit das künftige Rentenniveau.
- Bolivien verringerte das Rentenzugangsalter für Mütter pro Kind um ein Jahr (maximal um drei Jahre); auch die für die Solidarrente erforderliche Mindestbeitragszeit von 10 Jahren wurde für Mütter entsprechend reduziert.
- Ungarn gewährt Frauen mit 40 Beschäftigungsjahren, zu denen auch Zeiten der Kindererziehung rechnen, Zugang zu einer vorzeitigen Altersrente.
- Die Ausweitung von beitrags- und nicht beitragsbezogenen Renten in den drei lateinamerikanischen Ländern begünstigte Frauen mehr als Männer; der Anteil der Frauen im Zeitraum 2010–2012 war 92 % (aller Renten) in Argentinien, 63 % (der Solidarrenten) in Chile, und 54 % (der nicht beitragsbezogenen Renten) in Bolivien.

6. Ausreichendes Rentenniveau

Anders als in Ungarn gelang es den drei lateinamerikanischen Ländern, die Leistungen zu verbessern:

– Argentinien erhöhte mehrfach die beitragsfinanzierte Rente, die Mindestrente und die allgemeine Grundrente.
– Bolivien verringerte das Rentenzugangsalter, führte eine teilweise beitragsfinanzierte Rente mit partieller staatlicher Förderung ein, und garantierte die persönlichen Konten des privaten Systems.
– In Chile liegt die neue Sozialrente um 50 % über der früheren nicht beitragsbezogenen Sozialrente; der Zuschlag zur Beitragsrente erhöhte das Rentenniveau insbesondere für die unteren Einkommensgruppen-
– Ungarn erhöhte das Rentenalter und schaffte vorzeitige Renten sowie die 13. Monatsrente ab.
– Alle drei lateinamerikanischen Länder erweiterten die nicht beitragsbezogenen Renten zu einer universellen Leistung und erhöhten deren Leistungsniveau; die entsprechende Leistung in Bolivien ist weiterhin niedrig, für die meisten Empfänger sichert sie jedoch die Hälfte des Einkommens.
– Die Rentenanpassung der Bestandsrenten ist in Chile und Bolivien ähnlich wie bisher geregelt; in Argentinien basiert die Rentenanpassung nun auf der Entwicklung der Löhne und des Beitragsvolumens; Ungarn stellte die Rentenanpassung von der Lohn- und Preisentwicklung auf einen bloßen Inflationsausgleich um (was zu einem Wertverlust der Renten um 10 % führte).

7. Effizienz und angemessene Verwaltungskosten

Wettbewerb und Verwaltungsgebühren wurden in Argentinien und Ungarn abgeschafft.

– Bolivien: Bis zur Einführung der neuen staatlichen Agentur, die für die Verwaltung der Rentenfonds zuständig sein soll, übernehmen zwei Fondsverwaltungsgesellschaften deren Aufgaben; alle Verwaltungsgebühren bleiben unverändert.
– Chile setzte Wettbewerbsanreize durch verschiedene Maßnahmen: eine öffentliche Ausschreibung im Zweijahresturnus, wonach Arbeitnehmer, die erstmals versicherungspflichtig beschäftigt sind, bei der Rentenfondsverwaltung mit den niedrigsten Verwaltungsgebühren eingeschrieben werden (diese Konditionen werden dann auch auf die Bestandsmitglieder erstreckt); eine Genehmigung für Banken, die persönliche Rentenkonten verwalten; die Gesamtgebühr blieb bislang unverändert.

8. Beteiligung der Sozialpartner/der Versicherten

In keinem der vier Länder führte die Reform zur Rücknahme der Strukturreform zu einer direkten Beteiligung der Sozialpartner in der Verwaltung des Rentenfonds; allerdings etablierten Argentinien und Chile Beratungs- oder Kontrollgremien, in denen die Sozialpartner vertreten sind, wodurch sich die Situation gegenüber früher verbessert hat.

9. Rolle des Staates und Kontrollen

Mit der Eingliederung des privaten Rentensystems/der privaten Säule in das öffentliche Rentensystem und der Einführung/Ausweitung nicht beitragsfinanzierter Leistungen verstärkten die »Reformen« der »Reform« die Rolle des Staates (außer in Ungarn).

– Bolivien verstärkte die Befugnisse der Exekutive in Bezug auf das Rentensystem in erheblichem Ausmaß.
– Das bisherige autonome Aufsichtsorgan, das das privatisierte Rentensystem/die private Rentensäule überwachte, wurde in allen Ländern (ausgenommen Ungarn) durch eine neue staatliche Behörde ersetzt:
– Eine vereinheitlichte autonome Behörde wie in Chile ist auch in Bolivien geplant, derzeit aber noch nicht umgesetzt.
– Argentinien setzte einen gemeinsamen Ausschuss beider Kammern des Parlaments ein, um den Rentenfonds im öffentlichen System zu kontrollieren, aber dessen Empfehlungen sind nicht verpflichtend.

10. Finanzielle Nachhaltigkeit

Die Beitragssätze blieben in Argentinien und Chile im Wesentlichen unverändert, wurden in Bolivien und Ungarn angehoben

– Das akkumulierte Fondskapital wuchs weiter (ausgenommen in Ungarn) und erreichte neue Rekordwerte: am höchsten in Chile, gefolgt von Argentinien, während Bolivien und Ungarn dahinter zurückbleiben (vgl. Tab. 2).

Tabelle 2: *Akkumuliertes Kapital, Kapitalerträge und Portfolio-Konzentration, 2010–2011*

Länder	Kapitalstock im Rentenfond		Reale Kapitalrendite (%)	Investiert in 2 Hauptanlagen (%)		
	Millionen US$	% des BIP		Staatsanleihen	Zweite	Gesamt
Chile	153,000	64	9	14	43	57
Bolivien	6,583	29	7	57	26	83
Argentinien	48,537	11	–3	59	14	73
Ungarn	16,140	11	–3	70	n. v.	(70)

– Die realen Kapitalerträge waren in Chile positiv und steigend, in Bolivien jedoch rückläufig, und in Argentinien und Ungarn negativ, da 70–82 % des Kapitals in Anlagen mit geringer Rendite investiert war.
– Andere Anlageinstrumente: Chile hatte 43 % des Kapitals in ausländischen Anleihen und 15 % in Aktien investiert, Argentinien hatte keine ausländischen Anleihen und nur 8 % in Aktien investiert, während Bolivien weder in ausländische Anleihen noch in Aktien investierte.
– Öffentliche Kosten des Systemübergangs: Chiles Systemübergang belastete den staatlichen Haushalt mit 4.7 % des BIP im Jahr 2010, wobei auf die Kosten für die »Reform zur Umkehr der Reform« 0.7 % entfielen; finanzielle Nachhaltigkeit soll durch einen Reservefonds, versicherungsmathematische Projektionen im dreijährigen Turnus (nach der ersten Evaluierung soll das Rentensystem seine Verpflichtungen bis mindestens 2030 er-

füllen können) sowie durch einen Beirat mit beratenden Funktionen gesichert werden, der die Nachhaltigkeit überwacht.
– Die »Reformen zur Umkehr der Reform« in Argentinien, Bolivien und Ungarn waren nicht durch versicherungsmathematische Studien untermauert (die auch nicht nachträglich durchgeführt wurden), und alle drei Länder sind mit substantiellen Verpflichtungen der Versicherten aus dem öffentlichen Rentensystem und den aus dem privaten Rentensystem/der privaten Säule transferierten Versicherten (3.6 Millionen in Argentinien und 4 Millionen in Ungarn) konfrontiert.

Das frühere öffentliche Rentensystem Argentiniens wies ein beträchtliches jährliches Defizit auf, für das der Staat aufkam. Dieses Defizit wurde durch die Übertragung der privaten Fonds auf das öffentliche System beseitigt; ohne staatliche Zuschüsse soll sich das Defizit nach Hochrechnungen für den Zeitraum 2010–2050 jedoch verfünffachen.

Die finanzielle Ausgeglichenheit des bolivianischen Rentensystems kann nicht geschätzt werden. Mangels langfristiger Projektionen für die fünf Rentenfonds kann die finanzielle Nachhaltigkeit nicht beurteilt werden.

Ungarn benutzte die transferierten privaten Rentenfonds, um das Defizit des öffentlichen Rentensystems auszugleichen (81 % der Staatsverschuldung wurden dadurch getilgt), um die Kosten des Systemübergangs zu verringern, und teilweise um die Staatsschulden abzubauen.

4. Schlussfolgerungen

Die »Maßnahmen zur Reform der Reform« haben überwiegend – vor allem in den drei lateinamerikanischen Staaten – dazu geführt, Defizite der Rentenstrukturreformen in Bezug auf die untersuchten Prinzipien sozialer Sicherheit zu korrigieren:

1. Ein sozialer Dialog wurde in Chile sehr umfassend geführt, in Bolivien nur begrenzt, während Argentinien und Ungarn dieses Prinzip vernachlässigten.
2. Die allgemeine Absicherung verbesserte sich sowohl für die Erwerbsbevölkerung als auch für die Senioren (keine Veränderung verzeichnete Ungarn).
3. Die Gleichbehandlung unterschiedlicher Kategorien von Erwerbstätigen ist nicht gewährleistet, da Sondersysteme mit Privilegien fortbestehen; in Ungarn ergibt sich keine Veränderung im Vergleich zur Rechtslage durch die Strukturreform.
4. Die soziale Solidarität hat sich in den drei lateinamerikanischen Ländern dramatisch verbessert, in Ungarn ein wenig.
5. Die Geschlechtergerechtigkeit hat sich in allen Vergleichsländern einschließlich Ungarns verbessert.
6. Ausreichendes Leistungsniveau: Die Leistungshöhe verbesserte sich in allen Vergleichsländern; in Ungarn wurden allerdings die Leistungsvoraussetzungen verschärft.

7. Die Effizienz und die angemessenen Verwaltungskosten haben sich uneinheitlich entwickelt: Argentinien und Ungarn beseitigten den Wettbewerb und auch die Verwaltungsgebühren; in Bolivien sind keine Veränderungen gegenüber der früheren Situation zu verzeichnen, während in Chile Verbesserungen eingetreten sind.
8. Die Beteiligung der Sozialpartner/der Versicherten bleibt verbesserungsbedürftig: Keines der Vergleichsländer führte die gleichberechtigte Interessenvertretung der Sozialpartner wieder ein; Argentinien und Chile bildeten einen Beirat mit Beteiligung der Sozialpartner.
9. Die Rolle des Staates und Kontrollen: Alle Vergleichsländer verstärkten die Rolle des Staates und ersetzten das frühere autonome Aufsichtsorgan durch eine neue Behörde (ausgenommen in Ungarn); allerdings kann diese nur in Chile ihre Befugnisse autonom ausüben.
10. Die finanzielle Nachhaltigkeit ist in Chile stark, in den übrigen Vergleichsländern schwach oder nicht hinreichend überprüfbar.

Internationale Finanzorganisationen und zahlreiche Experten sahen in der Rentenstrukturreform zu Unrecht ein Patentrezept; doch auch die Reformen zur Rücknahme privatisierter Rentensysteme sollten nicht als Allheilmittel angesehen werden. Beide Arten von Reformen sollten durch einen sozialen Dialog und versicherungsmathematische Studien vorbereitet werden, sie müssen sorgfältig unter Beachtung der landestypischen Besonderheiten konzipiert werden und ihre Hauptziele sollten auf die Verbesserung der Prinzipien sozialer Sicherheit ausgerichtet sein. Die Rücknahme der Strukturreform bedeutet nicht zwangsläufig, das private Rentensystem zu schließen. Das Beispiel Chiles zeigt, dass eine Beibehaltung mit substantiellen Verbesserungen gegenüber dem ursprünglichen Konzept möglich ist. Auch die Schließung des privaten Systems/der privaten Säule ist eine brauchbare Lösung, sofern die angemerkten Warnhinweise beachtet werden.

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