

BRAZIL



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	2 925
GDP per capita (USD)	8,311
Population (000s)	191, 972
Labour force (000s)	98,846
Employment rate	91.1
Population over 65 (%)	6.6
Dependency ratio ¹	13

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Social insurance programme, covering all employees in both urban and rural areas and self-employees; benefits include three components, i.e. the old age pension, contributory pension and proportional pension
- Civil servants, covered by specific pension provisions and on a PAYG basis. Programmes in the federal, states and municipalities have specific financing rules

Private pensions: occupational (voluntary)

- Closed pension plans, which are established by closed pension entities, i.e. the non-profit legal entities for the sole purpose of implementing closed pension plans
- Open pension plans, which are normally offered by open pension entities and/or life insurance companies which manage the contribution and benefit administration.
- The two plans cover all private and public sector employees (except civil servants)

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007
Assets							
Total investments (National currency millions)	ND	ND	ND	ND	ND	480,415	561,581
Total investments, as a % of GDP	ND	ND	ND	ND	ND	20.59	21.95
Of which Assets overseas, as a % of Total investment:							
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)							
• Pension funds	ND	ND	ND	ND	ND	88.21	77.74
• Book reserves	ND	ND	ND	ND	ND	NA	NA
• Pension insurance contracts	ND	ND	ND	ND	ND	11.79	22.26
• Other financing vehicle	ND	ND	ND	ND	ND	NA	NA
By pension plan type							
• Occupational assets	ND	ND	ND	ND	ND	354,607	449,123
• % of DB assets	ND	ND	ND	ND	ND	80.96	78.84
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	19.04	21.16
• Personal assets	ND	ND	ND	ND	ND	125,807	112,459
Structure of Assets (as a % of Total investments)							
Cash and Deposits	ND	ND	ND	ND	ND	0.03	0.06
Fixed Income	ND	ND	ND	ND	ND	38.48	37.18
Of which:							
• Bills and Bonds issued by the public and private sector	ND	ND	ND	ND	ND	37.12	35.47
• Loans	ND	ND	ND	ND	ND	1.36	1.71
Shares	ND	ND	ND	ND	ND	16.19	16.89
Land and Buildings	ND	ND	ND	ND	ND	2.56	2.06
Other Investments	ND	ND	ND	ND	ND	42.75	43.81
Contributions and Benefits							
Total Contributions, as a % of GDP	ND	ND	ND	ND	ND	1.35	0.64
• Employer Contributions, as a % of Total contributions							
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	ND
Total Benefits, as a % of GDP	ND	ND	ND	ND	ND	0.88	0.83
• % of benefits paid as a Lump sum							
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	10.91	ND
• % of benefits paid as a Pension							
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	89.09	ND
Membership (in thousands of persons)¹							
Total membership	ND	ND	ND	ND	ND	15,406	11,158
• % of Total active membership							
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	5.01	6.46
Other beneficiaries	ND	ND	ND	ND	ND	4,122	4,129
Number of Pension Funds/Plans							
Total number of funds	ND	ND	ND	ND	ND	ND	1,972
Total number of plans	ND	ND	ND	ND	ND	6,133	4,290

Note: All data refer to both pension funds and pension insurance contracts.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

BRAZIL: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The public pension in Brazil covers a wide range of population, including employees in both urban and rural areas, domestic servants and self-employed people. Voluntary participation covers students, housewives, unemployed persons and other relevant categories. As of 2007, insured individuals contributed 8% of earnings if their monthly earnings were up to 868.29 reais, 9% if the earnings were between 868.3 reais and 1,447.14 reais, or 11% if earnings were between 1,447.15 reais and 2,894.28 reais. The employer contributed 20% of covered earnings. The minimum monthly earnings for the contribution purposes were 380 reais and the corresponding maximum monthly earnings were 2,894.28 reais. The government covers administrative costs and any deficit.

The old-age pension consists of three parts, i.e. the age pension, contributory pension and proportional pension. The age limit for taking up the age pension is 65 (men) and 60 (women) for employees in urban areas, and age 60 (men) and 55 (women) for rural workers. Those insured before 25 July 1991 must have contributed at least 156 months, and those insured after 25 July 1991 must have contributed at least 180 months. The benefit equals to 70% of the insured average earnings plus 1% of average earnings for each year of contribution. The age pension pays at least the minimum monthly wage (i.e. 380 reais) and a maximum equal to 100% of average earnings.

For the contributory pension, the insured must have contributed at least 35 years (men) and 30 years (women). For arduous professions, the coverage period is between 15 and 25 years. The monthly benefit is equal to 100% of average earnings for those insured before November 29, 1999. For persons insured after this date, the monthly benefit is equal to the pre-specified calculation factor times 100% of average earnings.

For the proportional pension, the age limit is age 53 with 30 years of contributions (men) or age 45 with 25 years of contributions (women); for persons first insured before December 16, 1998, the insured must also contribute 40% of the difference between the required contribution years at age 53 (men) or age 45 (women) and the number of years actually paid as of December 16, 1998. For persons first insured before November 29, 1999, the monthly benefit is equal to 70% of average earnings plus 5% of average earnings for each additional year of contributions, up to a maximum of 100%. For persons first insured since 1999, the monthly benefit is equal to a pre-determined calculation factor times 70% of average earnings plus 5% of average earnings for each additional year of contributions.

Disability Pensions are granted to individuals assessed as permanently incapable for work with at least 12 months of contributions. The contribution period may be waived if the disability is the result of an accident. The degree of disability is assessed by the Ministry of Social Security.

Special Benefits are paid to insured individuals who have worked under risky conditions such as certain positions in the public sector, military forces, etc. The coverage period is between 15 and 25 years.

All the above there types of pensions are adjusted annually accordingly to the consumer price index and thirteen payments were made a year.

Civil servants fall under specific pension provisions. Although the eligibility criterion is the same for all government workers, there are over 2400 specific pension regimes managed by The Federal government, States and Municipalities with specific financing rules. The regimes are mostly PAYG with some pre-funding in a few states and municipalities. The national armed forces and similar groups at state level have a career-basis scheme mostly financed by the general budget. In 2003, the government promoted a comprehensive adjustment in the PAYG parameters (age limit, replacement rates, retiree's contribution)

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for current workers and the convergence of rules for private and public sectors that will come into force for the future generation of civil servants.

OCCUPATIONAL VOLUNTARY

Coverage

Private- and public-sector employees are covered with the exception of civil servants who are covered by a separate pension system. There are no legal rules concerning discrimination. Most plans define maximum age and/or minimum service requirements for joining the plan. Most plans cover all full-time employees of the sponsoring employer(s).

Trade unions, councils of self-employed persons and other associations may establish closed pension plans for their associates or members. Individual employees, the self-employed and the non employed may join an open pension plan on a personal basis.

Contributions

There are no general legal rules regarding the contribution levels. For the DC plans, the contribution rate is around 4 to 6% of the payroll, while for the DB plans it varies between plans.

Benefits

Most closed pension plans are DB, although the newly established close plans tend to be DC. For DB plans, rights usually accrue at a steady rate of between 1.5% and 2% per year of service, with a total benefit target (including social security benefits) of 45% to 70% of final salary after a maximum period of between 30 and 35 years. For DC plans, the benefits depend on the amount of accumulation and returns. Benefits may be paid as lump sums or annuity.

Taxation

Individuals may deduct their contributions up to 12% of annual income. Employer can deduct their contributions up to 20% of payroll as operational expenses. Investment is not taxed. Taxation on benefits depend on the benefit payout method. If the progressive method is used, the tax rate is between 15% and 27.5%. With the regressive method, the tax rate begins at 35%, with deduction of 5% for every additional two years, reaching to and capped at 10% after 10 years.

MARKET INFORMATION

Occupational voluntary

As of 2007 there were 370 closed pension funds, with around USD 170 billion of assets under management. For closed pension funds, three main types exist, i.e. standalone funds (e.g. those set up by the same organisation), multi-sponsored funds (e.g. those set up by a group of firms in the same industry), and sectoral funds (e.g. those set up by the labour union). Assets under management by open funds were around USD 50 billion, of which 85% was composed by plans for individuals. The main forms are PGBL (similar to a 401-K plan in the USA), VGBL (redeemable life insurance) and traditional plans (with inflation protection and investment return guarantees).

According to a recent survey by Mercer (2007), 75% of the surveyed companies provided DB plans (of which 62% by closed funds and 38% by open funds). 85% of the pension plans were DC plans, 4% were DB plans, while 11% were a combination of DC and DB plans.

Costs related to risk benefits and administrative expenses are totally paid by the plan sponsors.

REFERENCE INFORMATION

KEY LEGISLATION

1. Laws on social insurance and social assistance programmes. 1923 (railroads), 1934 (commerce) and 1936 (industry)
2. Current laws on social insurance and social programmes. 1991 ([Law No. 8212 of 24 July](#), on social security), with 1999 ([Law No. 9876 of 26 November](#)) amendment; 1991 ([Law No. 8213 of 24 July](#), on social insurance); 1993 ([Law No. 8742 of 7 December](#), on social assistance); and 1999 (Decree No. 3048 of 6 May, on social insurance regulations).
3. Resolution CMN 3,034 (2002) regulates the investment of open plan assets.
4. Law 109 (2001) replacing Law 6,345 of 1977, provides for the establishment of closed and open pension plans, regulates the administration and operation of closed and open pension entities and introduces requirements concerning preservation and transferability.
5. Resolutions of the Federal Reserve Bank 2,829 and 3,002 (2001) regulate the investment of closed plan assets.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

1. Ministry of Social Insurance provides general regulation and supervision.
<http://www.previdencia.gov.br>
2. National Social Security Institute administers benefits: responsible for managing pension benefits.
<http://www.inss.gov.br>
3. The National Secretariat for Pension Funds (SPC), subordinated to the Ministry of Social Security, is the agency responsible for the supervision and prior authorization for the establishment of pension funds.
http://www.mpas.gov.br/pg_secundarias/previdencia_complementar.asp
4. The Complementary Pensions Management Board - CGPC, subordinated to the Ministry of Social Security, is responsible for the regulation of the closed pension system and composed by government officials (Planning, Finance and Social Security Ministries) and market agents representatives (sponsors, members, beneficiaries and "instituidores").
http://www.mpas.gov.br/pg_secundarias/previdencia_complementar.asp
5. The Superintendence of Private Insurance (SUSEP), subordinated to the Ministry of Finance, is responsible for the authorization and supervision of pension plans offered by open entities (Banks and life insurance companies) <http://www.susep.gov.br/>





