

IOPS COUNTRY PROFILE: BRAZIL

DEMOGRAPHICS AND MACROECONOMICS



GDP per capita (USD)	9 307
Population (000s)	206 099
Labour force (000s)	102 604
Employment rate	61.4
Population over 65 (%)	8.2
Dependency ratio ¹	16.4

Data from 2016 or latest available year.

1. Ratio of over 65-year-olds / labour force.

Source: OECD, various sources.

BRAZIL: COUNTRY PENSION DESIGN

Public pensions

- Social insurance programme, covering all employees in both urban and rural areas and self-employees. Benefits include three components, i.e. 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 funding 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 contributions and benefit administration
- The two plans cover all private and public sector employees (except civil servants)

Source: OECD/IOPS Global Pension Statistic

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. There were 29,829,292 insureds in 2014. As of 2016, insured individuals contributed 8% of earnings if their monthly earnings were up to 1,556.94 reais, 9% if the earnings were between 1,556.95 reais and 2,594.92 reais, or 11% if earnings were between 2,594.93 reais and 5,189.82 reais. The employer contributed 20% of covered earnings. Self-employers contributed 20% of earnings if their monthly earnings were between 880 reais and 5,189.82 reais on voluntary basis. They also may contribute 5% or 11% if earnings were 880 reais but cannot accrue rights for the contributory pension.

The minimum monthly earnings for the contribution purposes were 937 reais and the corresponding maximum monthly earnings were 5,531.31 reais. The government covers administrative costs and any deficit.

The old-age pension consists of four parts, i.e. the age pension, contributory pension proportional pension and progressive 85/95 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.

Progressive 85/95 pension, there is no age limit. The insureds need to reach 85 points, for woman, and, 95 points, for man, to pay a monthly benefit equal to 100% of average earnings. That calculation is a sum of age and years 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 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) 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. In 2012 Closed Pension Funds for federal civil servants were set up by the Law n^o 12.618, which established the same benefit cap of public pensions to their specific pension programme. The Law n^o13.183 established automatic enrolment for federal civil servants who had joined federal administration since 2013.

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 depends 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 2016 there were 307 closed pension funds, with around USD 233 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 or professional associations).

According to Undersecretariat for Private Complementary Pension Funds (2016), there were 1,102 pension plans being managed in 2016, 29% were DB plans, 33% Variable Contribution plans (hybrid plan) and 38% DC plans. Most of DB plans are closed to new members.

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

OVERVIEW DATA OF CLOSED PENSION FUNDS

	2010	2011	2012	2013	2014	2015	2016
Assets							
Total investments (National currency millions)	566,271	602,627	677,346	681,538	704,173	722,126	795,997
Total investments, as a % of GDP	14.6	13.8	14.1	12.8	12.2	12.0	12.7
Assets overseas, as % of Total investment	0.06	0.05	0.05	0.06	0.02	0.02	0.01
By pension type plan							
Occupational assets	566,271	602,627	677,346	681,538	704,173	722,126	795,997
% of DB assets	76.4	74.59	73.57	72.79	70.45	67.15	65.38
% of DC assets	8.75	9.32	9.51	9.59	10.33	11.79	12.41
% of VC assets ¹	14.6	15.76	16.76	17.45	19.04	20.88	22.00
Structure of assets (as a % of Total investments)							
Fixed Income	50.21	49.7	50.09	46.89	48.93	55.48	57.64
Public Bonds and debetures	21.38	20.49	20.32	14.85	16.41	18.99	20.49
Loans	2.46	2.58	2.52	2.68	2.77	2.82	2.63
Others	26.35	26.61	27.24	29.35	29.73	33.66	34.51
Stocks	32.31	29.93	28.4	28.76	24.68	18.47	18.07
Real Estate	2.97	3.58	3.98	4.48	4.67	4.78	4.29
Funds	14.31	16.42	17.17	19.58	21.41	20.98	19.73
Others Investments	0.18	0.34	0.34	0.27	0.28	0.26	0.25
Contributions and Benefits							
Total Contributions, as a % of GDP	0.34	0.34	0.35	0.35	0.36	0.37	0.41
Employer Contributions, as a % of Total contributions	46.25	48.31	48.65	49.08	49.84	49.97	47.35
Employee Contributions, as a % of Total contributions	53.74	51.68	51.34	50.91	50.15	50.02	52.64
Total Benefits, as a % GDP	0.66	0.65	0.63	0.63	0.64	0.71	0.73
% of benefits paid as Lump sum	3.73	3.14	3.4	2.81	3.09	3.41	3.31
% of benefits paid as a Pension	96.26	96.85	96.59	97.18	96.9	96.58	96.68
Membership (in thousands of persons)²							
Total membership	2,910	3,028	3,075	3,140	3,254	ND	ND
% of active members	77.04	77.64	77.54	77.37	77.56	ND	ND
% of retirees and beneficiaries	22.96	22.35	22.45	22.62	22.43	ND	ND
Number of Closed Pension Funds/ Plans							
Total number of funds	365	349	337	328	323	309	308
Total number of plans	1,090	1,102	1,105	1,101	1,109	1,110	1,102

Note: All data refer only to closed pension funds

¹ Variable Contribution (VC) is a type of hybrid pension plan

² Membership figures reflect "membership" rather than "people". Therefore a person may be a member of more than one types of plan at one time.

ND: data not available

NA: data not applicable

Source: Undersecretariat for Private Complementary Pension Funds

REFERENCE INFORMATION

KEY LEGISLATION

- Laws on social insurance and social assistance programmes. 1923 (railroads), 1934 (commerce) and 1936 (industry)
- 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).
- Resolution CMN 3,034 (2002) regulates the investment of open plan assets.
- 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.
- Resolutions of the Federal Reserve Bank 2,829 and 3,002 (2001) regulate the investment of closed plan assets.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

- Secretariat of Social Security, subordinated to the Ministry of Finance, is responsible to provide to Minister public policies for pension system (all tree pillars, except open private pension plans): <http://www.previdencia.gov.br/> National Social Security Institute administers benefits: responsible for managing pension benefits: <http://www.inss.gov.br>
- The National Superintendence for Pension Funds (PREVIC), subordinated to the Ministry of Finances, is the agency responsible for the supervision and prior authorization for the establishment of pension funds: <http://www.previc.gov.br/>
- National Board of Complementary Pensions - CNPC, subordinated to the Ministry of Finances, is responsible for the regulation of the closed pension system and composed by government officials (Planning and Finance Ministries) and market agents representatives (sponsors, members, beneficiaries and "instituidores"): <http://www.previdencia.gov.br/a-previdencia/orgaos-colegiados/conselho-nacional-de-previdencia-complementar-cnpc/>
- 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/>