Brazil: pension system in 2008

The Regime Geral de Previdência Social (RGPS), covers the private sector workforce. It is financed through payroll taxes, shared by the employer and the employee, revenues from sales taxes and federal transfers that cover shortfalls of the system. It is a mandatory, pay-as-you-go financed single-pillar scheme, which is operated by the National Social Security Institute.

Qualifying conditions

Private-sector employees are entitled to retire with a full pension at age 65 for men and 60 for women if they have a contribution record of at least 15 years. Alternatively, it is possible to retire after having contributed to social security for 35 years for men and 30 years for women, irrespective of the retiree’s age. For the models we assume retirement for men at 55 and at 50 for women.

Benefit calculation

Old age pension

For persons first insured after 28 November 1999, average earnings for benefit calculation purposes are based on the best 80% of total monthly earnings, multiplied by the Factor Previdenciario. The Factor Previdenciario is not applied to arduous work with 15, 20, or 25 years contributions. The Factor Previdenciario is an actuarial coefficient based on the insured's contribution rate, contribution period, age, and life expectancy. The minimum monthly earnings for benefit calculation purposes are equal to the legal monthly minimum wage (BRL 465). The maximum monthly earnings for benefit calculation purposes are BRL 2 894.28. The minimum pension for minimum monthly contributions is equal to the legal monthly minimum wage.

Contributions vary by earnings level at 8% for monthly earnings up to BRL 965.67, 9% for earnings from BRL 965.68 to BRL 1 609.45 and 11% for earnings from BRL 1 609.46 to BRL 3 218.90.

There are thirteen payments a year with benefits adjusted annually according to changes in the consumer price index.
Variant careers

*Early retirement*

Early retirement is allowed at age 53 with at least 30 years of contributions (men) or age 48 with at least 25 years of contributions (women).

*Late retirement*

Pensions can be claimed along with employment, and there is therefore no incentive to delay payment.

Personal income tax and social security contributions

*Taxation of pensioners*

There are no special tax allowances or credits for pensioners.

*Taxation of pension income*

Pensions are not taxed.

*Social security contributions paid by pensioners*

Old-age pension beneficiaries do not pay social security contributions.
Pension modelling results: Brazil

Gross relative pension level

Gross replacement rate

Net and gross relative pension levels

Net and gross replacement rates

Sources of net replacement rate

Taxes paid by pensioners and workers
<table>
<thead>
<tr>
<th>Men</th>
<th>Median earner</th>
<th>Individual earnings, multiple of average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women (where different)</td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Gross relative pension level (%) average gross earnings)</td>
<td>69.6</td>
<td>43.0</td>
</tr>
<tr>
<td>Net relative pension level (%) net average earnings)</td>
<td>51.6</td>
<td>31.9</td>
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<tr>
<td>Gross relative pension level</td>
<td>78.2</td>
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<tr>
<td>Net relative pension level</td>
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<tr>
<td>Gross replacement rate (%) individual gross earnings)</td>
<td>85.9</td>
<td>63.7</td>
</tr>
<tr>
<td>Net replacement rate</td>
<td>96.6</td>
<td>96.6</td>
</tr>
<tr>
<td>Gross pension wealth (multiple of average gross earnings)</td>
<td>22.2</td>
<td>22.2</td>
</tr>
<tr>
<td>Net pension wealth (multiple of average net earnings)</td>
<td>22.2</td>
<td>22.2</td>
</tr>
</tbody>
</table>