



BRAZIL

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.

		Key indicators	
		Brazil	OECD
Average earnings	BRL	16 500	74 500
	USD	9 000	40 600
Public pension spending	% of GDP		7.0
Life expectancy	at birth	72.4	78.9
	at age 65	82.5	83.1
Population over age 65	% of working-age population	11.3	23.6

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

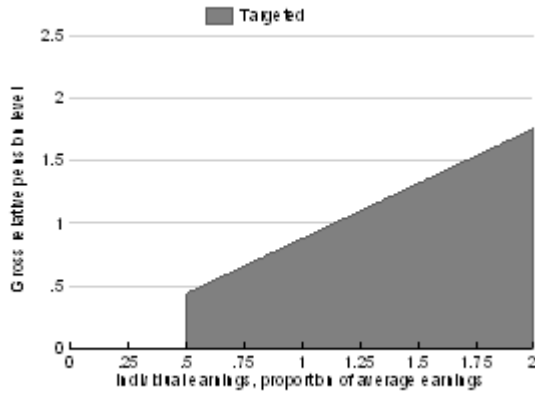
Pensions are not taxed.

Social security contributions paid by pensioners

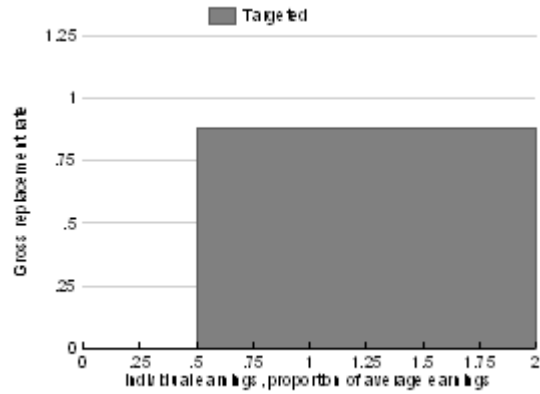
Old-age pension beneficiaries do not pay social security contributions.

Pension modelling results: Brazil

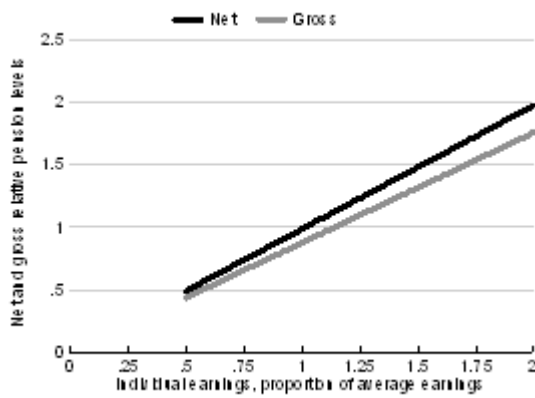
Gross relative pension level



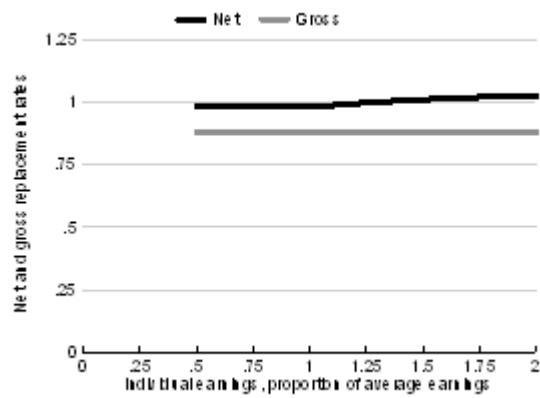
Gross replacement rate



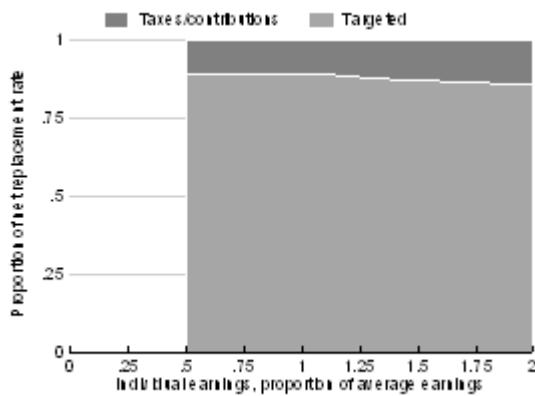
Net and gross relative pension levels



Net and gross replacement rates



Sources of net replacement rate



Taxes paid by pensioners and workers



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	69.6 51.6	43.0 31.9	64.5 47.8	85.9 63.7	128.9 95.6	171.9 127.5
Net relative pension level (% net average earnings)	78.2 58.0	48.3 35.8	72.4 53.7	96.6 71.6	144.9 107.4	193.1 143.2
Gross replacement rate (% individual gross earnings)	85.9 63.7	85.9 63.7	85.9 63.7	85.9 63.7	85.9 63.7	85.9 63.7
Net replacement rate (% individual net earnings)	96.6 71.6	96.6 71.6	96.6 71.6	96.6 71.6	98.9 73.3	100.4 74.5
Gross pension wealth (multiple of average gross earnings)	22.2 22.2	22.2 22.2	22.2 22.2	22.2 22.2	22.2 22.2	22.2 22.2
Net pension wealth (multiple of average net earnings)	22.2 22.2	22.2 22.2	22.2 22.2	22.2 22.2	22.2 22.2	22.2 22.2