


## Brazil

### Brazil: Pension system in 2012

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 worker earnings (AW) | BRL                         | 21 000 | 87 500 |
|                              | USD                         | 10 200 | 42 700 |
| Public pension spending      | % of GDP                    |        | 7.8    |
| Life expectancy              | At birth                    | 73.8   | 79.9   |
|                              | At age 65                   | 18.2   | 19.1   |
| Population over age 65       | % of working-age population | 12.2   | 25.5   |

StatLink  <http://dx.doi.org/10.1787/888932908440>

### 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 all workers the benefit is the average of 80% of the best monthly earnings from July 1994 up to the date of retirement. This average is multiplied by the “Factor Previdenciario” only if this factor is higher than 1.0. The “Factor Previdenciario” is an actuarial coefficient based on the insured's contribution rate, contribution period, age, and life expectancy. The “Factor Previdenciario” is not applied to arduous work with 15, 20 or 25 years of contributions. The minimum monthly earnings for benefit calculation purposes are equal to the legal monthly minimum wage (BRL 622). The maximum monthly earnings for benefit calculation purposes are BRL 3 916.20. 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 1 174.86, 9% for earnings from BRL 1 174.87 to BRL 1 958.10 and 11% for earnings from BRL 1 958.11 to BRL 3 916.20.

There are 13 payments a year with benefits adjusted annually according to changes in the consumer price index. No benefit could be less than the minimum wage which is also annually adjusted.

#### Retirement for length of contribution

For workers who qualify for this kind of retirement, men with 35 years of contribution and women with 30 years of contribution, the benefit is the average of 80% of the best

monthly earnings from July 1994 up to the date of retirement. This average is multiplied by the “Factor Previdenciario” that, for young retirees, could be well below 1.0. The minimum monthly earnings for benefit calculation purposes are equal to the legal monthly minimum wage. The maximum monthly earnings for benefit calculation purposes are BRL 3 916.20. The minimum pension for minimum monthly contributions is equal to the legal monthly minimum wage.

There are 13 payments a year with benefits adjusted annually according to changes in the consumer price index. No benefit could be less than the minimum wage which is also annually adjusted.

### **Social assistance programmes for old-age population**

There is a benefit for those who do not qualify for a retirement benefit. The BPC-LOAS was created to assist old-age people (65 years old and more, both male and female) or disabled people whose household income per capita is under one-quarter on the minimum wage (floor). They received the amount equal to the minimum wage and their conditions are revised every two years. This benefit is exclusive: beneficiaries cannot receive any another non-contributory benefit from the government. The logistics is made by the INSS (medical certification and means-test), but the responsibility for the benefit is given to the Ministry of Social Development and Fight Against Hunger – MDS.

There is another benefit called *Previdencia Rural* (Rural Pension) for those males aged 60 and females aged 55 or older, who have at least 180 months of work in rural areas. The benefit is equal to the minimum wage.

## **Variant careers**

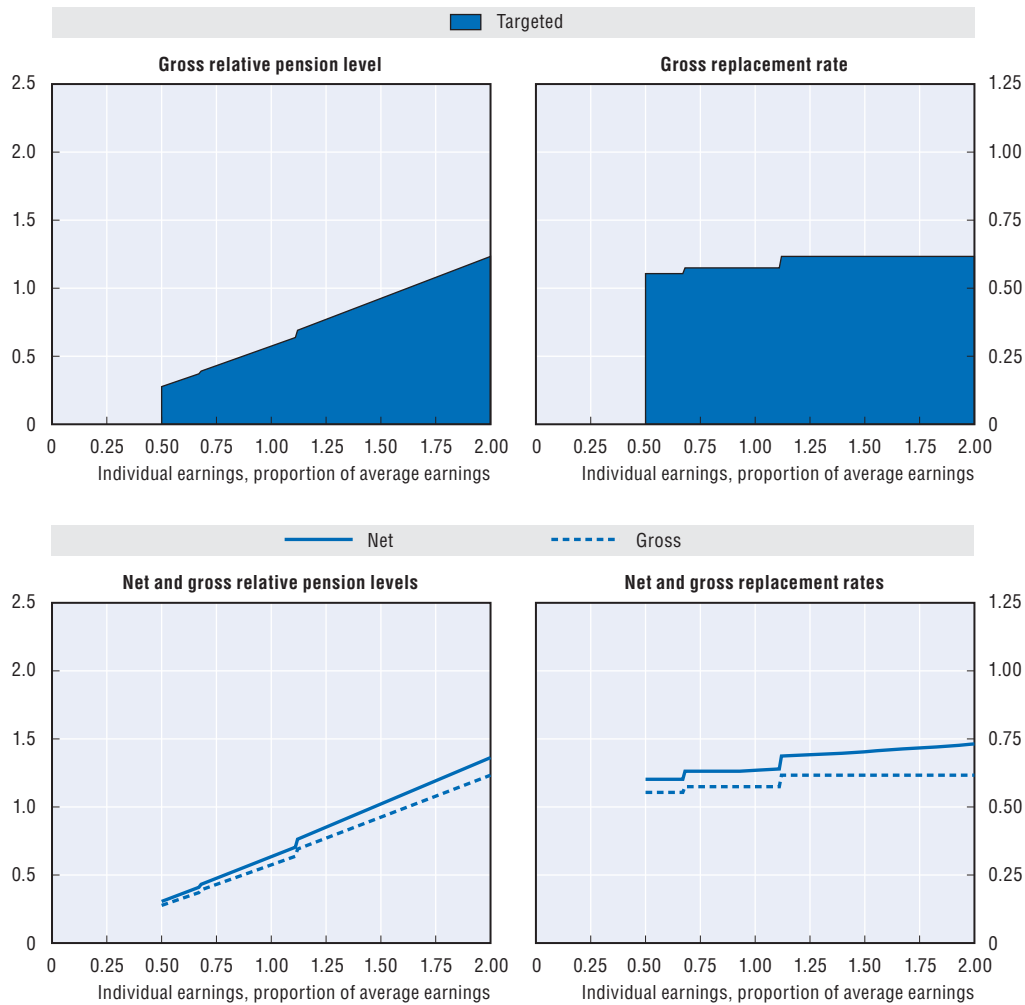
### **Early retirement**

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.

## Pension modelling results: Brazil



| Men<br>Women (where different)          | Median earner | Individual earnings, multiple of average |      |      |       |       |
|---|---------------|--|------|------|-------|-------|
|   |               | 0.5                                      | 0.75 | 1    | 1.5   | 2     |
| Gross relative pension level            | 46.5          | 27.7                                     | 43.1 | 57.5 | 92.5  | 123.3 |
| (% average gross earnings)              | 42.3          | 25.2                                     | 39.2 | 52.3 | 84.1  | 112.2 |
| Net relative pension level              | 51.4          | 30.6                                     | 47.6 | 63.5 | 102.2 | 136.3 |
| (% net average earnings)                | 46.8          | 27.8                                     | 43.3 | 57.7 | 93.0  | 123.9 |
| Gross replacement rate                  | 57.5          | 55.4                                     | 57.5 | 57.5 | 61.7  | 61.7  |
| (% individual gross earnings)           | 52.3          | 50.3                                     | 52.3 | 52.3 | 56.1  | 56.1  |
| Net replacement rate                    | 63.1          | 60.2                                     | 63.1 | 63.5 | 70.3  | 73.2  |
| (% individual net earnings)             | 57.4          | 54.7                                     | 57.4 | 57.7 | 64.0  | 66.6  |
| Gross pension wealth                    | 16.1          | 15.5                                     | 16.1 | 16.1 | 17.3  | 17.3  |
| (multiple of individual gross earnings) | 18.9          | 18.2                                     | 18.9 | 18.9 | 20.3  | 20.3  |
| Net pension wealth                      | 16.1          | 15.5                                     | 16.1 | 16.1 | 17.3  | 17.3  |
| (multiple of individual gross earnings) | 18.9          | 18.2                                     | 18.9 | 18.9 | 20.3  | 20.3  |

StatLink  <http://dx.doi.org/10.1787/888932908459>