


Mexico

Mexico: Pension system in 2012

Old-age pensions for private sector workers that entered either after 1 April 2007 or before that date but opted for the new regime, are covered under a mandatory defined-contribution (DC) scheme. Under the new DC schemes, there is a minimum pension.

Key indicators

		Mexico	OECD
Average worker earnings (AW)	MXN	94 100	553 600
	USD	7 300	42 700
Public pension spending	% of GDP	1.7	7.8
Life expectancy	At birth	77.3	79.9
	At age 65	18.7	19.1
Population over age 65	% of working-age population	11.4	25.5

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Qualifying conditions

Private sector workers: Normal retirement age is 65 for men and women, subject to 1 250 weeks (around 24 years) of contribution.

Benefit calculation

Funded scheme

Private sector workers: Workers and employers contribute a total of 6.275% of earnings to an individual account, to which is added a government contribution equivalent to 0.225% of earnings. An additional 5% contribution is made to an individual housing sub-account (a scheme known as Infonavit) which reverts to the retirement account when it is not used. Finally, the government contributes a fixed amount quarterly indexed to inflation into individual retirement accounts per day of contribution called *cuota social* or social fee. As of May 2009, the Social Security Law was amended in order to establish a progressive social fee, seeking to benefit workers who earn the lowest salaries. The social fees as of December 2012 are as follows: for workers who earn up to one minimum wage, the social fee is MXN 4.44; for those who earn between 1.01 and four times the minimum wage, MXN 4.25; for those in the 4.01 to seven times the minimum wage bracket, MXN 4.07; for those in the 7.01 to ten times the minimum wage bracket, MXN 3.88 and finally, for those who earn between 10.01 and 15 times the minimum wage, MXN 3.70. For higher wage earners there is no social fee contribution. The social fee is indexed to inflation every three months.

There is a ceiling on contributions which is 25 times the minimum wage.

The pensioner who opts for the alternative of phased withdrawals, can hire at any time a life annuity if the monthly life annuity value is greater than the guaranteed pension.

At retirement, the individual converts the accumulated account balance (discounting the premium for survivors' benefits insurance) into a price-indexed annuity or a phased withdrawal. Annuity rates are sex-specific and given the case annuities consider disability.

There is a ceiling on contributions which is ten times the minimum wage.

The pensioner who opts for the alternative of phased withdrawals, can hire at any time a life annuity if the monthly life annuity value is greater than the guaranteed pension.

The calculations assume a private sector worker that converts the accumulated account balance (discounting a survival insurance that must be bought to cover the survivors' benefits) into a price-indexed annuity at normal pension age. Annuity rates are sex-specific.

Minimum pension

Private sector workers: The minimum (guaranteed) pension is equivalent to a 1997 minimum wage value indexed to inflation (MXN 26 112 in 2012).

Variant careers

Early retirement

Private sector workers: Early retirement is possible from age 60 up to 64 for men and women. Conditions are that the worker is not employed and that at least 1 250 weekly contributions have been made.

Members may retire at any age prior to 60 years old, if the accumulated capital in their account allows them to buy a life annuity that is at least 30% higher than the minimum guaranteed pension. In this case, the worker still has to complete the 1 250 weeks of contributions.

Late retirement

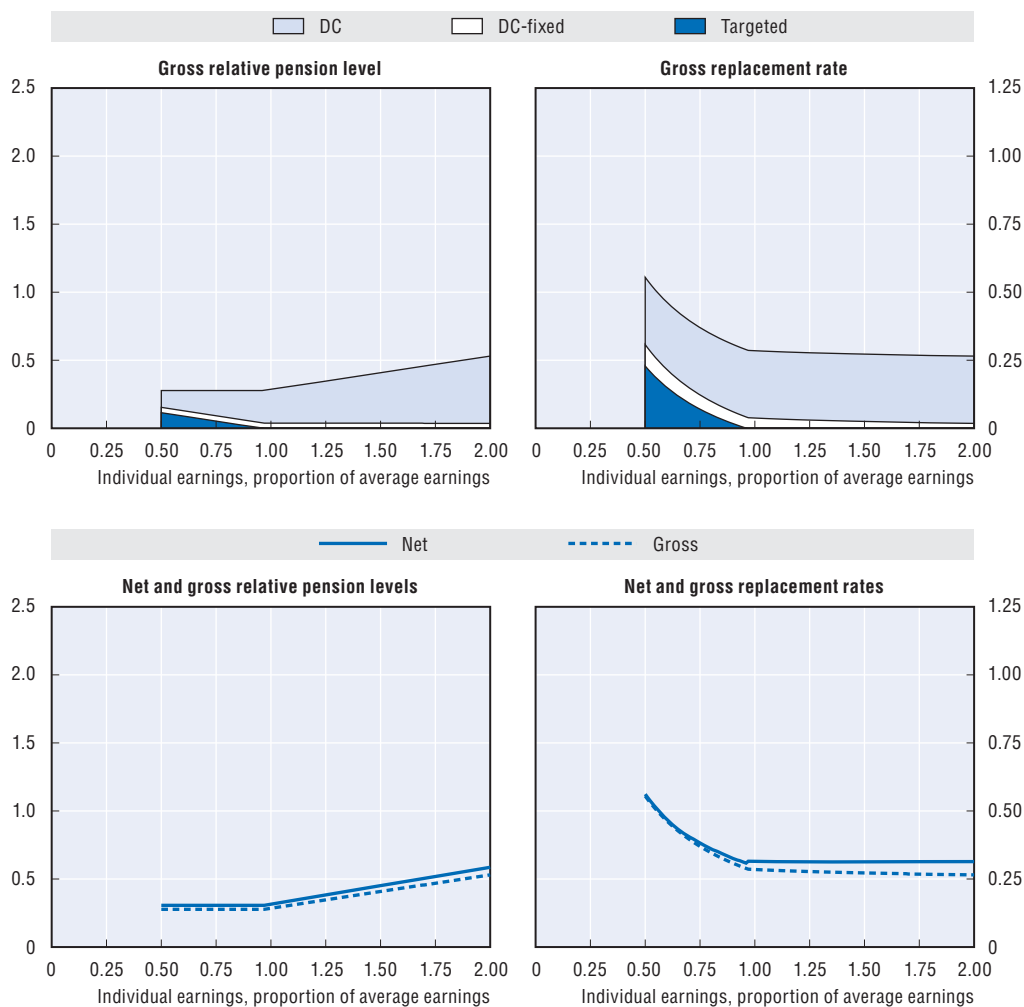
It is not mandatory to retire at 65. It is possible to defer the pension after age 65 for private sector workers.

Unemployment


Private sector workers: When a worker is unemployed, he/she will have the right to withdraw some money from his/her old-age/retirement sub-account once every five years. Unemployed members whose individual account were opened at least five years in advance to the unemployment spell may withdraw the lower of the equivalent of 90 days of their average salary during the last 250 weeks in which he/she paid contributions or 11.5% of their account balance. The benefit may be distributed in a maximum of six monthly instalments. Unemployed members whose individual account were opened at least three years in advance to the unemployment spell and have paid at least two years of contributions may withdraw, in only one instalment, up to 30 days of their salary with a limit of ten minimum monthly wages.

One can claim the unemployment benefit amount from the forty-sixth natural day in which they were unemployed.

Pension modelling results: Mexico



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)	27.7	27.7	27.7	28.5 27.7	40.9 37.7	53.0 48.9
Net relative pension level (% net average earnings)	30.7	30.7	30.7	31.5 30.7	45.2 41.6	58.6 54.0
Gross replacement rate (% individual gross earnings)	44.7	55.5	37.0	28.5 27.7	27.2 25.1	26.5 24.4
Net replacement rate (% individual net earnings)	45.3	56.2	38.2	31.5 30.7	31.3 28.9	31.4 28.9
Gross pension wealth (multiple of individual gross earnings)	7.6	9.4	6.2	4.8	4.6	4.5
Net pension wealth (multiple of individual gross earnings)	7.6	8.2	6.2	5.1	4.6	4.5
		10.2	6.8	5.1	4.6	4.5

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