

Brazil

Brazil: Pension system in 2020

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

		Brazil	OECD
Average worker earnings (AW)	BRL	27 696	201 971
	USD	5 372	39 178
Public pension spending	% of GDP		7.7
Life expectancy	at birth	75.6	80.6
	at age 65	18.3	19.7
Population over age 65	% of working-age population	15.5	30.4

Qualifying conditions

Following the pension reform of 2019, the retirement age for private-sector employees, in 2021, is 61 years for women (gradually rising to age 62 by 2023) and 65 for men, with 15 years of contribution for women and 20 years for men (15 years for men already affiliated to the regime before 2019). The retirement on the basis of length of contribution was extinct. Previously, retirement on the basis of length of contribution, at any age, was possible after having contributed to social security for 35 years for men and 30 years for women. It is possible to retire earlier, under transition rules for those already affiliated to the regime before 2019.

Contributions vary by earnings level at 7.5% for monthly earnings up to BRL 1 100 (legal monthly minimum wage – January 2021), 9% for earnings from BRL 1 100.01 to BRL 2 203.48, 12% for earnings from BRL 2 203.49 to BRL 3 305.22 and 14% for earnings from BRL 3 305.23 to BRL 6 433.57, that represents the ceiling to the salary of contribution and benefits in general scheme. The rates are applied in a non-cumulative manner, which means that each rate is applied exclusively in the respective range of earnings.

Benefit calculation

The minimum monthly earnings for benefit calculation purposes are equal to the legal monthly minimum wage (BRL 1 100). The maximum monthly earnings for benefit calculation purposes are BRL 6 433.57. The minimum pension for minimum monthly contributions is equal to the legal monthly minimum wage.

Following the pension reform of 2019, the benefit amount corresponds to 60% + 2% per year of contribution that exceeds the contribution years of 15 for women and 20 years for men (15 years for men already affiliated to the regime before 2019), applied over the contribution salaries average (100%).

There are 13 payments a year with benefits adjusted annually. For the two-thirds of private-sector pensioners who receive the minimum pension amount, annual adjustments are equivalent to those of the minimum wage, which was rising significantly faster than consumer prices over the past decade. Pensions that exceed the minimum level are adjusted according to changes in the consumer price index.

Social assistance programmes for old-age population

Pension-like assistance benefits are also available to those who do not qualify for a retirement benefit on the basis of the two conditions mentioned above. 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 of the minimum wage (floor). They receive an amount equal to the minimum wage and their conditions are revised every two years. Beneficiaries cannot receive any other non-contributory benefit from the government, but social assistance received by another member of the household is not taken into account. However, regular pension benefits received by another member of the household are taken into account. 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– MDS.

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

Variant careers

Early retirement

Previously, there was no minimum age to achieve the early retirement as long as men have accomplished 35 years of contributions and women have accomplished 30 years of contribution. Following the pension reform of 2019, the retirement on the basis of length of contribution was extinct. However, transition rules for those already affiliated to the regime before 2019 allows early retirement, as follows:

I) 57 years old (gradually rising to 62 by 2031) with 30 years of contribution, for woman; 62 years old (gradually rising to 65 by 2027) with 35 years of contribution, for man; or

II) 57 years old and 30 years of contribution plus additional time corresponding to the time left to reach 30 years of contribution in 2019, for woman; 60 years old with 35 years of contribution, plus additional time corresponding to the time left to reach 35 years of contribution in 2019, for man; or

III) Rule 87/97: 30 years of contribution with 88 points, for woman (gradually increasing to 100 by 2023); 35 years of contribution and 98 points, for man (gradually increasing to 105 by 2033). The number of points is the age of the person plus the time of contribution.

IV) Restrict to those who had two years left to retire in 2019: at least 28 years of contribution plus additional time corresponding to 50% of the time left to reach 30 years, for woman; 33 years of contribution plus additional time corresponding to 50% of the time left to reach 35 years, for man. No minimum age is required, and the benefit value decreases (or increases) by a factor (“Fator Previdenciário”) that takes into account the age, the number of contributions and the life expectancy at that specific age at which the person made the request.

$$f = \frac{T_C \times a}{E_S} \times \left[1 + \frac{(I_d + T_C \times a)}{100} \right]$$

f = Fator Previdenciário

T_C = worker contribution period

a = contribution rate 31%

E_S = worker's life expectancy upon retirement

I_d = worker's age at time of retirement

Late retirement

Pensions can be claimed along with employment. As an incentive for late retirement, there is an addition of 2% per year of contribution that exceeds the contribution years of 15 for women and 20 years, for men (15 years for men already affiliated to the regime before 2019), applied over the contribution salaries average (100%). However, the benefit amount is limited to the social security ceiling of BRL 6 433.57.

Personal income tax and social security contributions***Taxation of pension income***

Pensions are not taxed.

Taxation of pensioners

In 2020, individuals with monthly income above BRL 1 903.98 pay taxes according to the following:

Monthly earning From	To	Tax
BRL 1 903.98	BRL 2 826.65	7.5%
BRL 2 826.66	BRL 3 751,05	15%
BRL 3 751,06	BRL 4 664.68	22.5%
BRL 4 664.69	or more	27.5%

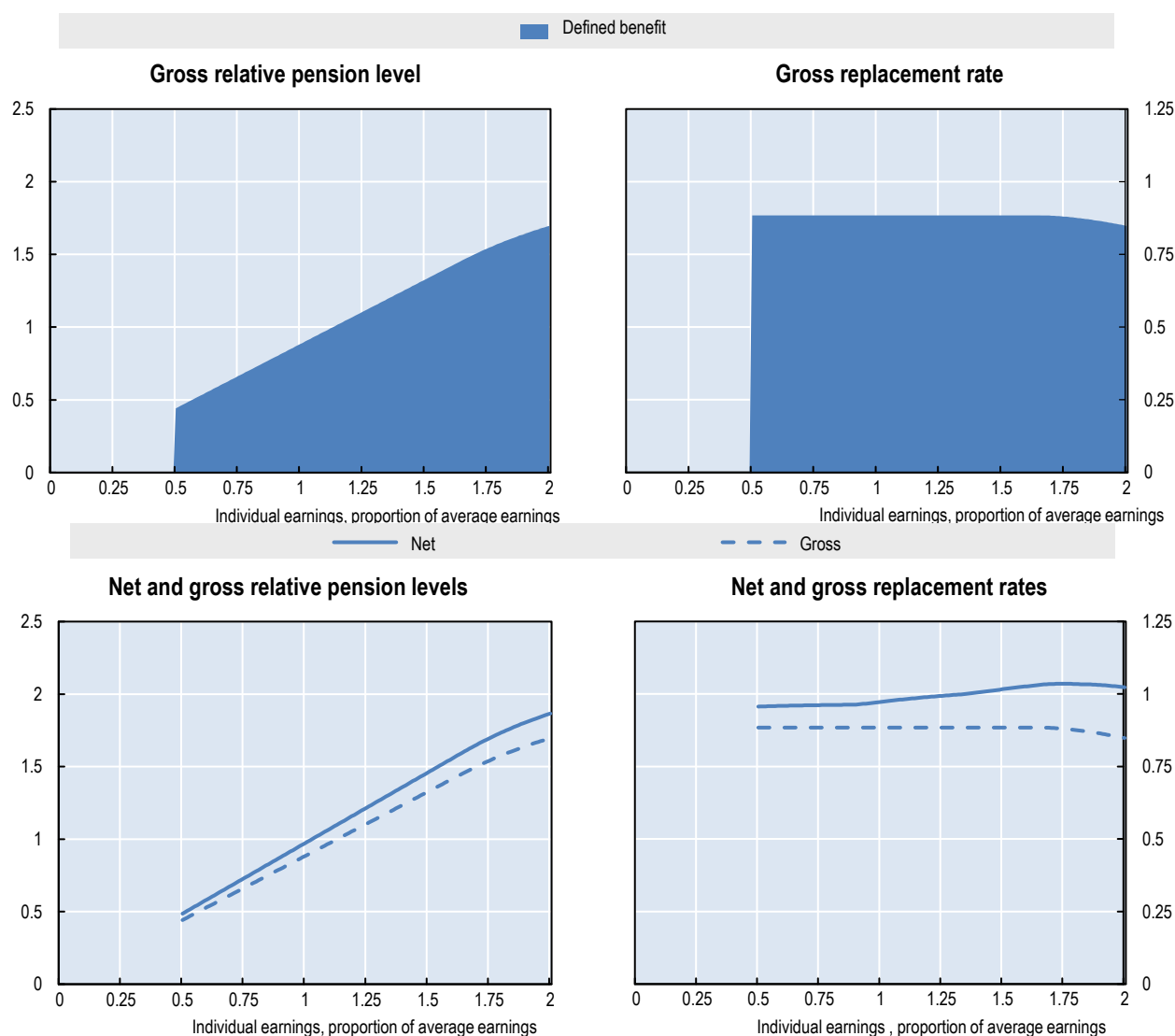
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Social security contributions paid by pensioners

The beneficiaries of Regime Geral de Previdência Social (RGPS) do not pay social security contributions on their benefits, but if they work, social security contributions must be paid on their earnings.

Pension modelling results: Brazil in 2063 retirement at age 65 (men)



Men	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
<i>Women (where different)</i>						
Gross relative pension level	44.2	66.3	88.4	132.6	169.6	187.6
(% average gross earnings)	46.7	70.0	93.3	140.0	181.3	202.1
Net relative pension level	48.6	73.0	97.3	145.9	186.6	206.4
(% net average earnings)	51.3	77.0	102.7	154.0	199.4	222.3
Gross replacement rate	88.4	88.4	88.4	88.4	84.8	62.5
(% individual gross earnings)	93.3	93.3	93.3	93.3	90.6	67.4
Net replacement rate	95.7	96.2	97.3	101.6	102.3	81.0
(% individual net earnings)	101.0	101.5	102.7	107.3	109.3	87.3
Gross pension wealth	15.1	15.1	15.1	15.1	14.5	10.7
(multiple of individual gross earnings)	19.1	19.1	19.1	19.1	18.5	13.8
Net pension wealth	16.4	16.5	16.7	17.4	17.5	13.9
(multiple of individual net earnings)	20.6	20.7	21.0	21.9	22.3	17.8

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 90%. Labour market entry occurs at age 22 in 2020. Tax system latest available: 2020.