

# QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

29 NOVEMBRO | CENTRO CULTURAL DE BELÉM



**APPFIPP**

ASSOCIAÇÃO PORTUGUESA DE FUNDOS  
DE INVESTIMENTO, PENSÕES E PATRIMÓNIOS

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# FEITO O DIAGNÓSTICO, QUE SOLUÇÕES PONDERAR?

LOURDES AFONSO



QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL?  
ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

## SOCIAL SECURITY PENSION SCHEMES

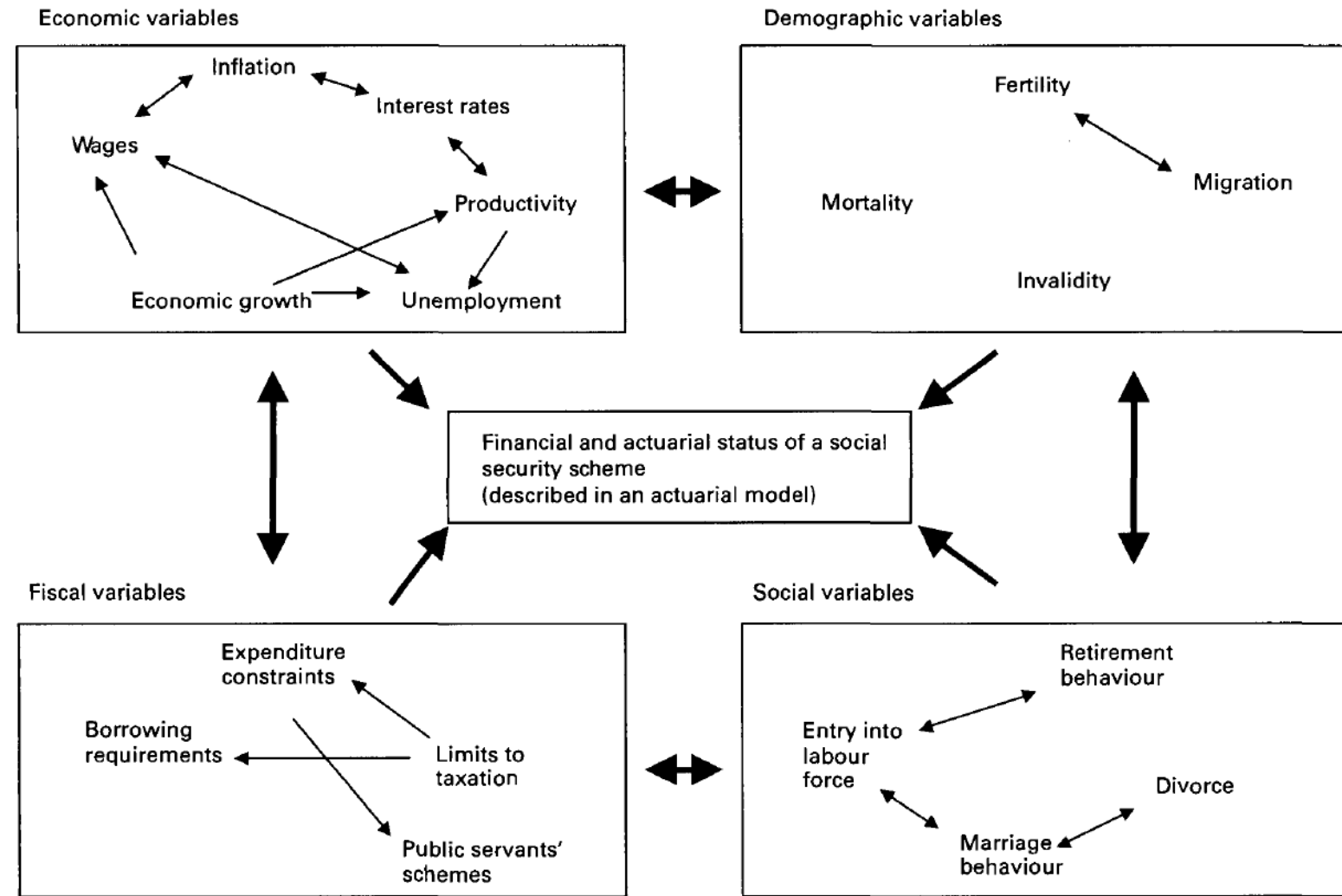
- Social security schemes, notably pension schemes (where **actuarial work is most relevant**) are long-term societal commitments, many of which must be honored by future generations.
- Such schemes should assess - to the best of our knowledge - what these future burdens might be.
- Models should combine social, economic, demographic and **actuarial knowledge** to develop a long-term vision of economic and social transfer systems, which are called socio-economic actuarial (SEA) models.



# QUAL O FUTURO DAS PENSÕES DE REFORMA ONDE ESTAMOS? PARA ONDE QUEREMOS?

- Plamondon, P., Drouin, A. Binet, G., Cichon, M., McGillivray, W.R., Bédard, M. and Perez-Montas, H. (2002) **Actuarial Practice in Social Security** QUANTITATIVE METHODS IN SOCIAL PROTECTION SERIES, ILO and ISSA.

Figure 1.1 Structural long-term relationships in SEA models





## QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

# PAY-AS-YOU-GO

- are subject to decisions made by politicians, who may be limited by their traditionally short planning horizons, often of four years or less—a time horizon that's far shorter than a pay-as-you-go pension system may require.
- tend to need periodic adjustments because of demographic and economic uncertainty.
- those adjustments must be made through discretionary legislation, which may not take into account the best long-term interests of pay-as-you-go contributors and beneficiaries.



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## PAY-AS-YOU-GO



Not accepted from  
the social point of  
view

BY DEFINITION ARE ALWAYS  
FUNDED.

INCREASE THE CONTRIBUTIONS  
OR DECREASE THE PAYMENTS.



## QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

# PAY-AS-YOU-GO

- Social Security benefits are generally based on a balancing of two principles: equity and adequacy.
- The intergenerational support is not assured anymore in Portugal.

### Artigo 9.º

#### Princípio da equidade social

O princípio da equidade social traduz-se no tratamento igual de situações iguais e no tratamento diferenciado de situações desiguais.

### Artigo 13.º

#### Princípio da coesão intergeracional

O princípio da coesão intergeracional implica um ajustado equilíbrio e equidade geracionais na assunção das responsabilidades do sistema.



## QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

# INCREASE THE CONTRIBUTIONS

- Increase the number of actives:
  - Fertility rate 1,5 (need several generations)
  - Migration of active people (projections of decreasing labor force)
- Increase the taxes:
  - (TSU 34,75%) 20,21% of the salary to old age pensions
  - Projections TSU\* 2035 ->42% 2055-> 46%
- Active population and employers will seek for countries with lower taxes





# QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

## DECREASE THE PAYMENTS

- Already in progress! (DL187/2007; DL 167E2013; Portaria 378 G2013)
  - Increase the normal retirement age
    - function of the life expectancy at 65
    - 66 plus 6 month in 2022
    - 66 plus 4 month in 2023
    - 68 by 2037\*
    - 69 by 2052\*
- Decrease the amount of pension paid

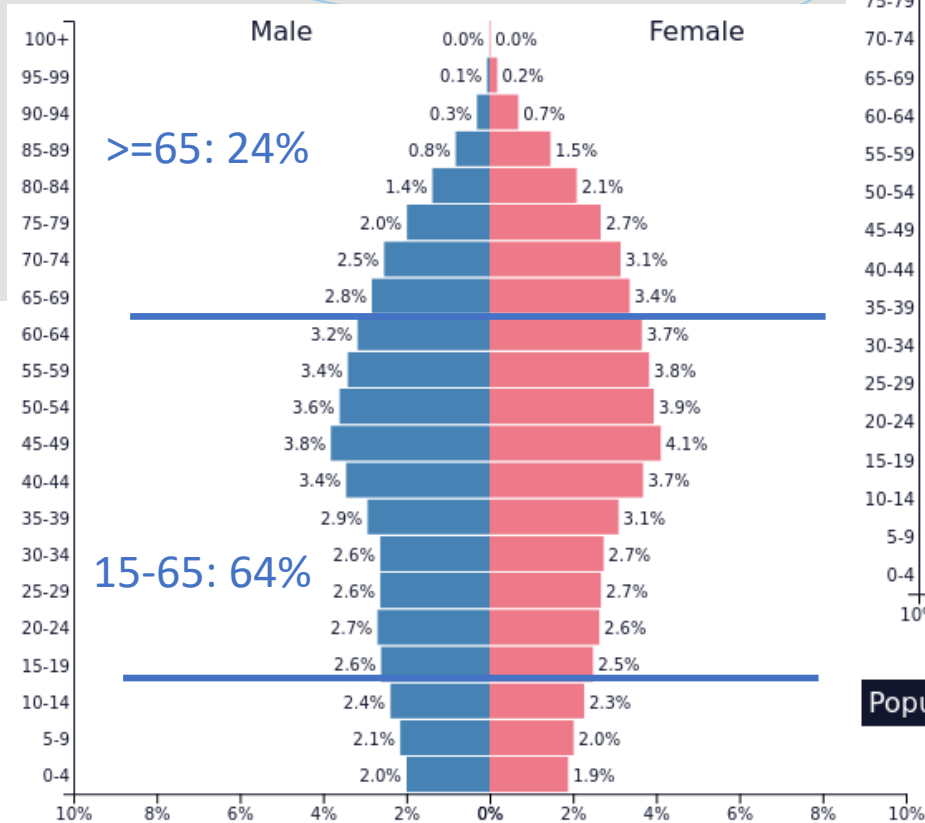
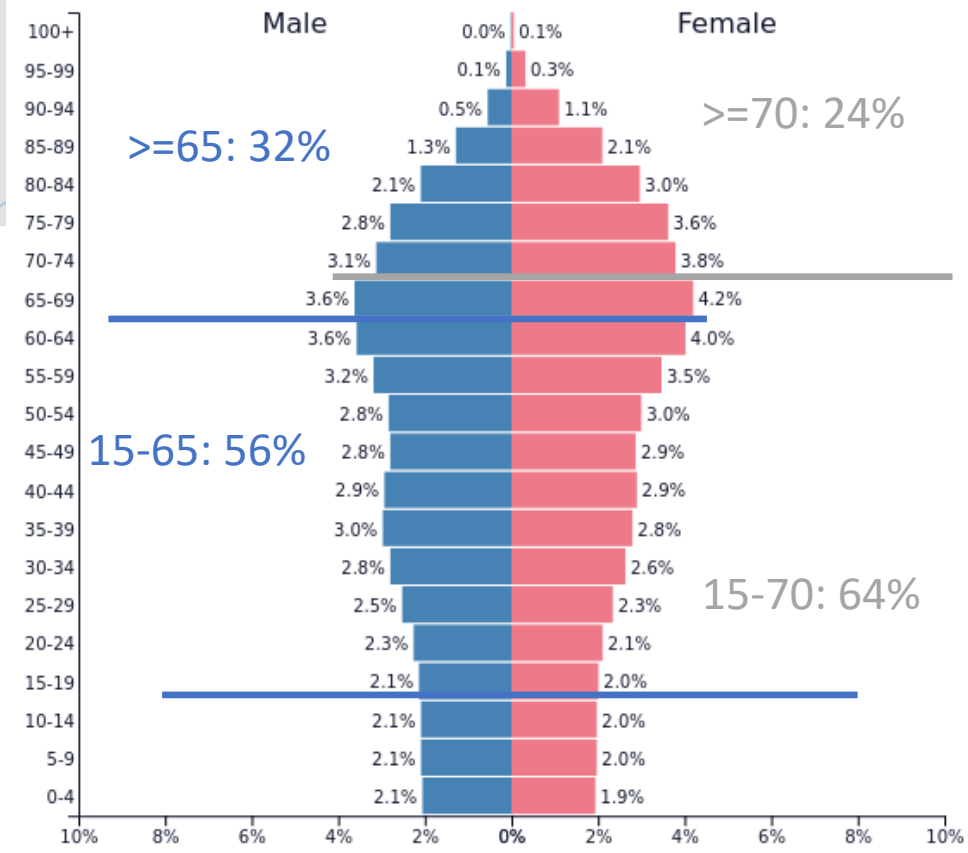
### CÁLCULO DA PENSÃO Beneficiários inscritos na segurança social a partir de 01-01-2002

Número de anos com registo de remunerações		
Com 20 anos ou menos de	Com 21 anos ou mais (Cálculo em função do valor da RR)	
	Remuneração de Referência (RR)	Fórmula de cálculo
<b>P = RR x 2% x N</b>	Igual ou inferior a 1,1 IAS	$P = RR \times 2,3\% \times N$
	Superior a 1,1 IAS e inferior a 2 IAS	$P = (1,1 \text{ IAS} \times 2,3\% \times N) + [(RR - 1,1 \text{ IAS}) \times 2,25\% \times N]$
	Superior a 2 IAS e igual ou inferior a 4 IAS	$P = (1,1 \text{ IAS} \times 2,3\% \times N) + (0,9 \text{ IAS} \times 2,25\% \times N) + [(RR - 2 \text{ IAS}) \times 2,2\% \times N]$
	Superior a 4 IAS e até 8 IAS	$P = (1,1 \text{ IAS} \times 2,3\% \times N) + (0,9 \text{ IAS} \times 2,25\% \times N) + (2 \text{ IAS} \times 2,2\% \times N) + [(RR - 4 \text{ IAS}) \times 2,1\% \times N]$
	Superior a 8 IAS	$P = 1,1 \text{ IAS} \times 2,3\% \times N + (0,9 \text{ IAS} \times 2,25\% \times N) + (2 \text{ IAS} \times 2,2\% \times N) + (4 \text{ IAS} \times 2,1\% \times N) + [(RR - 8 \text{ IAS}) \times 2\% \times N]$

<b>P</b>	Montante da pensão estatutária
<b>RR</b>	Remuneração de referência
<b>N</b>	Número de anos civis relevantes, com o limite de 40
<b>IAS</b>	Indexante dos apoios sociais



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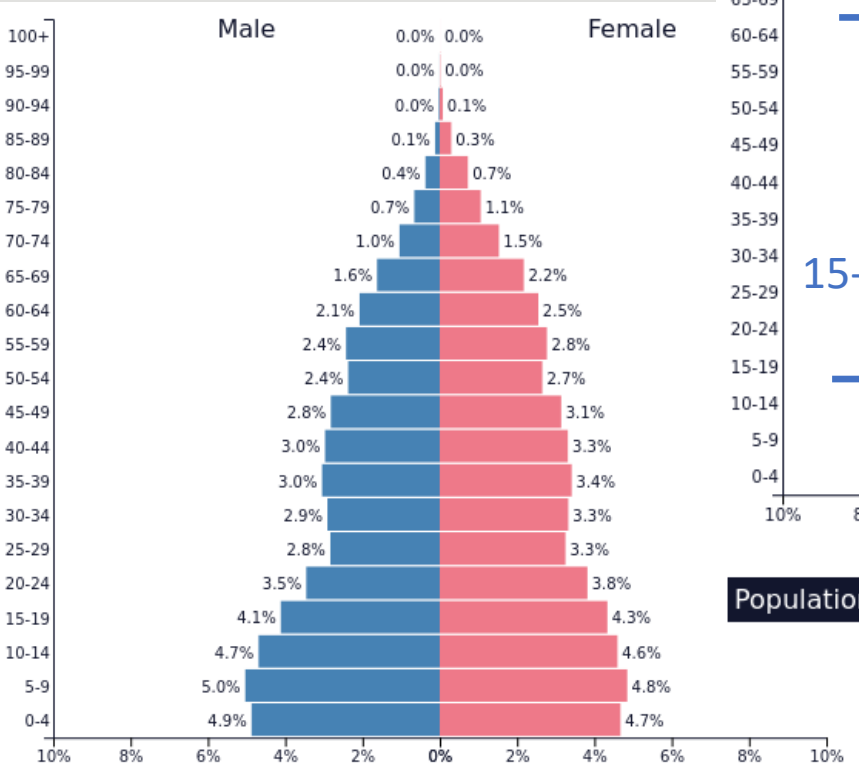


PopulationPyramid.net

PopulationPyramid.net

Portugal - 2022  
Population: 10,140,568

Portugal - 2040  
Population: 9,558,275



PopulationPyramid.net

Portugal - 1970  
Population: 8,651,333





QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL?  
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## INCREASING THE NRA

### Advantages

- increasing the retirement age and, consequently, the imposition of more years working and paying contributions (increase the contributions).
- decreasing in the number of pension payments (decrease the payments).



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## INCREASING THE NRA

**Health care.** a prolonged working life might also have consequences for the health of individuals.

- Data: administrative data covering the years 2009-2018, collected by all public health insurance funds in Germany.
  - focus on women born between 1950–1952.

Mara Barschkett, Johannes Geyer, Peter Haan, Anna Hammerschmid (2021) The Effects of an Increase in the Retirement Age on Health – Evidence from Administrative Data. Institute of Labor Economics. Deutschland.





## QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

# INCREASING THE NRA

## Health care

- “The empirical findings reflect the multi-dimensionality but allow for deriving two broader conclusions. We provide evidence that **the increase in the retirement age negatively affects health outcomes as the prevalence of several diagnoses, e.g., mental health, musculoskeletal diseases, and obesity, increases.** In contrast, we do not find support for an improvement in health related to a prolonged working life since there is no significant evidence for a reduction in the prevalence of any health outcome we consider.”

Mara Barschkett, Johannes Geyer, Peter Haan, Anna Hammerschmid (2021) The Effects of an Increase in the Retirement Age on Health – Evidence from Administrative Data. Institute of Labor Economics. Deutschland.



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# INCREASING THE NRA

## Health care

- Increasing the normal retirement age may thus have positive government income effects **without seriously affecting short to medium run government health care expenditures.**
  - Data: Swedish administrative data on drug prescriptions, hospitalizations, and mortality.
  - Estimating the effect of increasing the RA on individuals' health within the age range 65–69, the results show no evidence that the increase of RA impacted mortality or health care utilization.



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# INCREASING THE NRA

## Health care

- show evidence that delaying exiting employment increases the hazard of dying between the ages of 60 and 69, for almost all individuals. Heterogeneous analysis indicates that the increase in mortality is stronger for those employed in low-skilled, physically and psychosocially demanding jobs.
- show that allowing for flexible retirement schemes, such as **partial retirement**, mitigates the detrimental effect of delaying retirement on mortality
  - Data: Spanish administrative Social Security data



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# INCREASING THE NRA

## Health care

- How about Portugal?
  - The active aging is important \*
  - Non conclusive study\*\* depends on type of disease and group of data. A good starting point to repeat the study.

- Ana Veloso (2015) Envelhecimento, Saúde e Satisfação Efeitos do Envelhecimento Ativo na Qualidade de Vida. Msc Thesis Universidade de Coimbra
- \*\* Mafalda Uva, (2015) Contributo para o estudo dos efeitos da passagem à situação (e idade) de reforma na frequência das principais doenças crónicas em Portugal. PhD Thesis Universidade Nova de Lisboa





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# INCREASING THE NRA

## Longevity expectations

- Are not uniform across the population,
- Possible variation across the socioeconomic spectrum,
- Physically demanding jobs need to keep an earlier RA.

Table 3

Income Level (Quintile)	Male	Female
Lowest	1.53	1.28
Next lowest	1.17	1.06
Middle	0.94	0.97
Next highest	0.77	0.91
Highest	0.58	0.78

Source: *Mortality by Career-Average Earnings Level (April 2018)*  
Office of the Chief Actuary of the Social Security Administration



## QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

# INCREASING THE NRA

- How are the long-term trends in life expectancy?
  - Is there a natural biological limit to longevity\*?
  - What is the impact of future medical breakthroughs, and the long-term effect on public health programs and societal behavior?
  - “The focus shouldn’t be on living longer but on living healthier longer”\*\*

\* Pyrkov, T.V., Avchaciov, K., Tarkhov, A.E. *et al.* Longitudinal analysis of blood markers reveals progressive loss of resilience and predicts human lifespan limit. *Nat Commun* **12**, 2765 (2021). <https://doi.org/10.1038/s41467-021-23014-1>

\*\* S. Jay Olshansky: professor of epidemiology and biostatistics at the University of Illinois at Chicago



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### INCREASING THE NRA

- How do the employers deal with having, in some cases, non productive employees?
  - 96% business < 10 employees
- Risk of increasing the expenditure with unemployment, health care and other social assistance because some people stop being able to work before they reach the higher NRA.

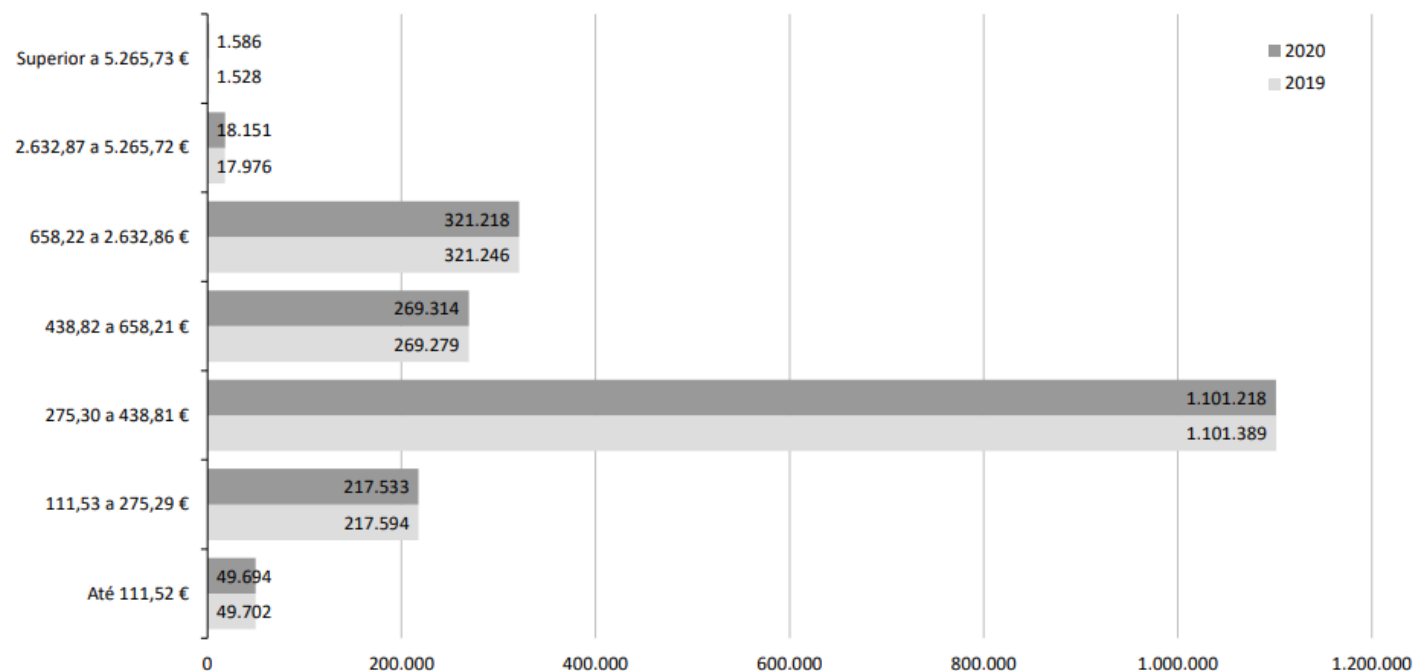


# QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

## DECREASE OF THE AMOUNT OF PENSION PAID

- We already have low pensions!
- Avg old age pension 487.50€
- 69% pensions are lower IAS.

Gráfico 25 - Número de pensões de invalidez e velhice (regime geral), por escalões - 2019/2020



Fonte: CNP / ISS, IP.



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## DECREASE OF THE AMOUNT OF PENSION PAID

- Risk of the Sistema Previdencial being useless and overloading the Subsistema de Solidariedade with subsidy payments.
- Sistema de Proteção Social e Cidadania, Subsistema de Solidariedade funded by the state budget (taxes).



QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL?  
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## CONFLICTS BETWEEN GENERATIONS

we are moving from 1.5 to 3 people > 65 for each young person <15,

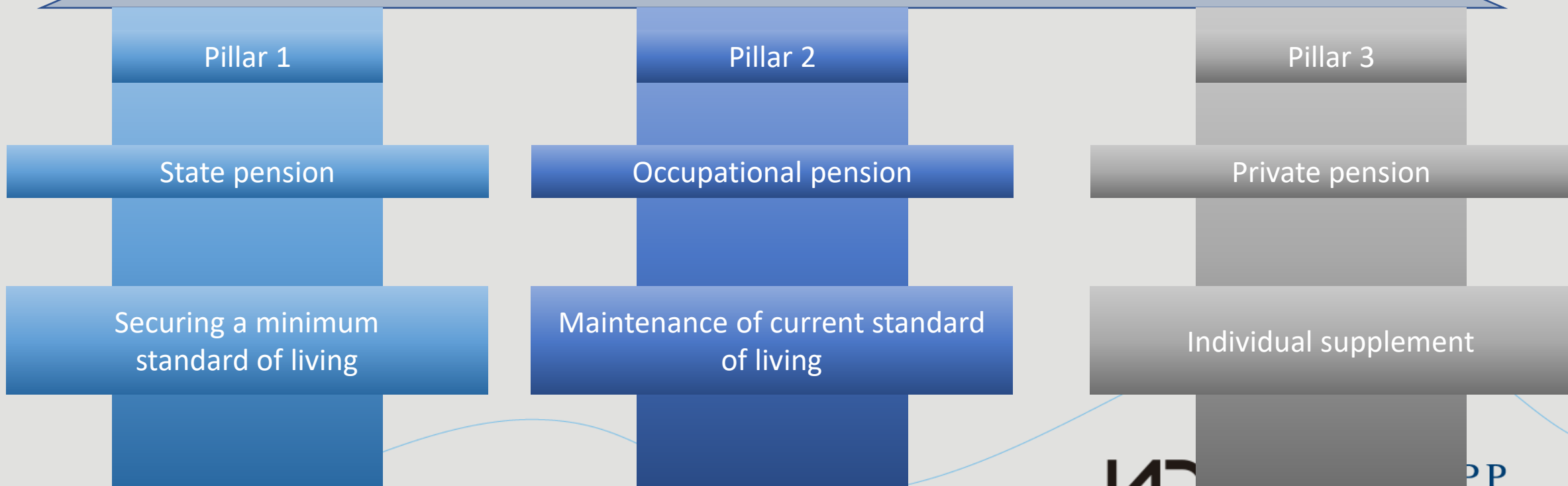
labor force expected to decrease,

justice between generations in a context of demographic ageing, and increases in longevity, is an issue that puts a lot of pressure on the development of public policies.

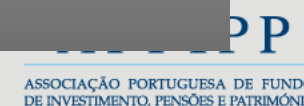


# QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

## Social Protection



INSTITUTO  
DOS ATUÁRIOS  
PORTUGUESES



ASSOCIAÇÃO PORTUGUESA DE FUNDOS  
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## QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

# OTHER SOLUTIONS

Political courage to evaluate the social security sustainability with a disclosure model, data and assumptions.

Define a reasonable replacement rate at NRA and answer the question “are the expected future contributions enough to guarantee this expected payments?”

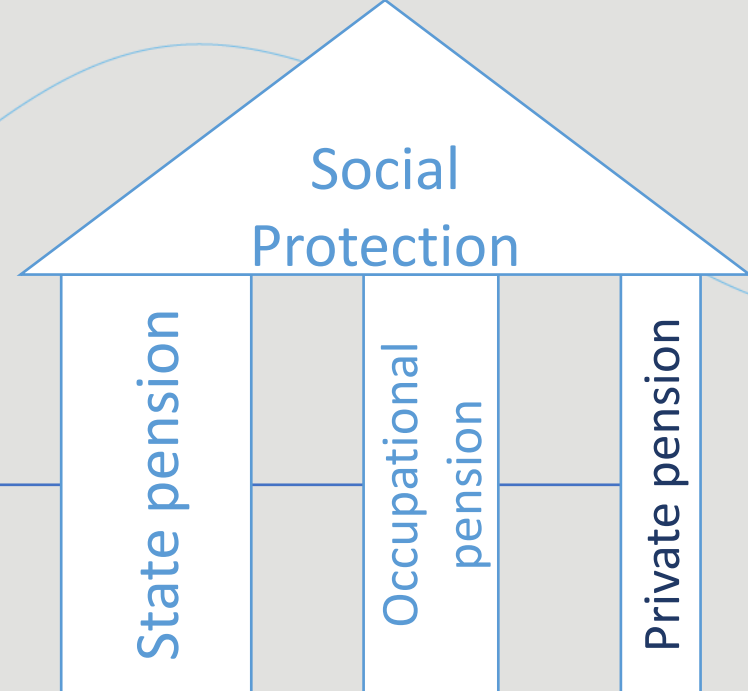
Implement the Notional Defined Contribution scheme\*?





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## OTHER SOLUTIONS



Increase the literacy of the population!

Increase the productivity to allow the increase of the **3rd pillar**. At the moment, with low salaries, this pillar has a marginal weight.

Implement the saving by consumption?



## QUAL O FUTURO DAS PENSÕES DE REFORMA EM PORTUGAL? ONDE ESTAMOS? PARA ONDE QUEREMOS IR?

### OTHER SOLUTIONS

- Promote the **2nd pillar** to complement the state pension and allow the employers to use early retirement agreements to renew the talent and skills of the working force.
- Government tax incentives to all companies especially to micro, small and medium-sized companies.

#### Artigo 15.º

##### Princípio da complementaridade

O princípio da complementaridade consiste na articulação das várias formas de protecção social públicas, sociais, cooperativas, mutualistas e privadas com o objetivo de melhorar a cobertura das situações abrangidas e promover a partilha das responsabilidades nos diferentes patamares da protecção social.