International Update

Recent Developments in Foreign Public and Private Pensions

April 2025

Asia and the Pacific

South Korea Approves Social Insurance Pension Reforms

On March 20, the South Korean parliament enacted legislation reforming the country's social insurance pension program, the National Pension Service (NPS), which was established in 1988 and previously amended in 1998 and 2007. The reforms include raising the contribution rate, increasing the old-age pension replacement rate, and expanding credits for childbirth and military service. These changes aim to extend the solvency of the NPS fund and improve old-age benefit adequacy in response to South Korea's rapid population aging. According to the United Nations' Population Division, the share of South Korea's population aged 65 or older is projected to rise from 20.3 percent in 2025 to 33.8 percent by 2040, and further to 48.6 percent by 2070. The government anticipates that the reforms will delay the NPS fund's depletion date from 2050 to at least 2064 under conservative estimates, or potentially to 2071 under more optimistic conditions (including a rise in the fund's average annual rate of return from 4.5 percent to 5.5 percent).

The key reforms enacted by the approved legislation, all effective January 1, 2026, include:

- *Raising the contribution rate:* Beginning in 2026, the NPS contribution rate of 9 percent will increase by 0.5 percentage points a year until it reaches 13 percent in 2033. Employers and employees will continue to each pay half of the contribution rate.
- *Increasing the old-age pension replacement rate:* The target replacement rate for individuals claiming the NPS old-age pension at age 65 with at least 40 years of contributions will increase from 41.5 percent in 2025 to 43.0 percent in 2026. (A pension replacement rate is the percentage of average pre-retirement income replaced by an old-age pension.) Under current rules, the replacement rate would have steadily declined to 40 percent by 2028.
- *Expanding credits for childbirth and military service:* Under current rules, women receive 12 months of credited contributions if they have two children plus 18 months of credited contributions for each additional child, up to a maximum of 50 months. Under the reforms, the 12-month childbirth credit will be granted to women with only one child, and the 50-month cap will be eliminated. Additionally, the maximum credited coverage for military service will increase from 6 months to 12 months.

Beyond these reforms, the government is also considering adjustments to how the NPS fund is invested. One change under consideration would raise the cap on risk-asset investments from 65 percent to 75 percent of total assets, allowing the NPS to better respond to fluctuating economic conditions and generate higher returns. At the close of 2024, the NPS fund's portfolio, valued at 1,212.9 trillion won (US$830 billion), was allocated as follows: 11.5 percent in domestic equities, 28.4 percent in domestic bonds, 35.5 percent in foreign equities, 7.3 percent in foreign bonds, and 17.1 percent in alternative investments.

South Korea's NPS is a pay-as-you-go scheme, providing old-age, disability, and survivor benefits, as well as social assistance benefits. Participation is compulsory for employed and self-employed persons aged 18 to 59 and voluntary for persons younger than 27 who have no income, are married to an insured person, or meet other specified conditions. To be eligible for an NPS old-age pension, individuals must have reached age 63 (gradually rising to age 65 by 2033) and have at least 20 years of contributions. A reduced old-age pension can be claimed as early as age 58 (gradually rising to age 60 by 2033) with at least 10 years of contributions.

Sources: "Republic of Korea," ISSA Country Profiles, January 2022; "South Korea Implements New Investment Option Rules for Defined Contribution Pension Plans," *International Update*, Social Security Administration, August 2022; *World Population Prospects 2024*, United Nations, Department of Economic and Social Affairs, Population Division, July 2024; "South Korea: Proposed Pension System Reforms Include a Substantial Increase in Contributions," WTW, December 30, 2024; “Historic Bipartisan Agreement Reached on South Korea’s National Pension Reform,” *Business Korea*, March 20, 2025; “Assembly Passes Bill for First Hike in Pension Payments in 28 Years,” *The Korea Herald*, March 20, 2025; “South Korea Approves Reforms to Shore Up $830 Billion State Pension Fund,” Reuters, March 20, 2025; “S. Korea’s NPS to Double Pension Fund Size by 2050, Hike Risky Assets,” kedglobal.com, March 24, 2025.

Africa

Rwanda Implements Contribution Rate Increases

On January 1, the Rwandan government implemented a presidential order that increased the contribution rate for the country’s social insurance pension program from 6 percent to 12 percent of monthly covered earnings. The order also calls for annual 2-percentage-point increases to the contribution rate from 2027 to 2030, with a final rate of 20 percent. As before, employees and employers each pay half of the contribution rate, although employers may cover part or all of their employees’ share. These rate increases are part of a government effort to improve the social insurance program’s sustainability, boost benefit adequacy, and strengthen domestic capital markets. Notably, the contribution rate had remained unchanged since 1962, despite a rise in Rwanda’s average life expectancy from 43 years to 69 years.

Other key details of the presidential order include:

- *Earnings base:* Previously, the contribution rate was only applied to employees’ basic earnings and housing allowances. The new order broadens the earnings base to encompass employees’ total gross salaries, including transportation allowances. This change simplifies program administration by aligning the earnings base for contributions with the earnings base for income taxes.
- *Rate review:* The contribution rates may be further adjusted during the implementation period following a required actuarial review of the social insurance program.
- *New investments:* To help support Rwanda’s economic development, the Rwanda Social Security Board (RSSB), which administers the social insurance program, will allocate the higher contributions to fund two new investment initiatives: a capital fund of 30 billion francs (US$21 million) for small and medium-sized enterprises, and a research and development fund for start-ups and innovative ventures. The RSSB will also continue to invest contributions in local and regional assets, including listed companies, private equity, fixed-term securities, real estate, and infrastructure.

The social insurance program provides old-age, disability, and survivor benefits, with mandatory coverage for public- and private-sector employees, including temporary and casual workers. (Voluntary coverage is available for self-employed persons who have enrolled by age 50 and persons who previously had mandatory coverage.) To qualify for an old-age pension, individuals must have reached the normal retirement age of 60 and contributed for at least 180 months. Individuals may qualify for a reduced old-age pension at any age if they meet the 180-month contribution requirement and are assessed as prematurely aged by a government-sponsored medical board. Individuals who do not have at least 180 months of contributions upon reaching the normal retirement age or are assessed as prematurely aged can receive a lump-sum old-age settlement.

Sources: “Investment,” Rwanda Social Security Board; “Rwanda,” ISSA Country Profiles, January 2022; “RSSB Engages the Private Sector on Pension Reforms and Expected Benefits,” Rwanda Social Security Board, November 24, 2024; “FAQs – Pension Reforms,” Rwanda Social Security Board, 2025; “Rwanda Gazettes Presidential Order Revising Contributions to Compulsory Pension Scheme,” EY, January 17, 2025.

The Americas

Chile Enacts Significant Pension System Changes

On March 20, Chile’s president promulgated a law introducing significant changes to the country’s old-age pension system, including creating new social insurance benefits, increasing employer contributions, raising the guaranteed pension, encouraging more competition among individual account providers, and changing individual account investment options. The law, which received congressional approval on January 29 after 2 years of negotiations, represents the most substantial overhaul of Chile’s pension system since the country switched from a social insurance pension model to a mandatory individual account model in 1981. By shifting to a mixed contributory pension model—with both social insurance and individual account components—and making other key changes, the government seeks to improve pension adequacy for current and future retirees, particularly for women and low-income individuals. The government estimates that the reforms will increase benefits for 2.8 million retirees by 14 percent to 35 percent over the next few years.

Key provisions of the pension reform law include:

- *Introducing a social insurance old-age pension:* Effective January 1, 2026, the law will introduce a social insurance old-age pension for current and future retirees to complement existing individual account benefits. Individuals can qualify for the new old-age pension if they have reached age 65 and have at least 20 years (men) or 10 years (women, rising to 15 years in 2035) of contributions. The monthly benefit amount will be 0.1 UFs for each year of contributions, with a maximum of 2.5 UFs. (The UF, or Unidad de Fomentos, is an index adjusted daily based on monthly changes in Chile's consumer price index. As of April 1, 1 UF is equal to 38,899.12 pesos [US$41.38].)
- *Creating a women's pension supplement:* Effective January 1, 2026, women aged 65 or older receiving a contributory old-age or disability pension will be paid an additional monthly supplement to compensate for their longer average life expectancy compared to men. The supplement amount will be calculated based on their total monthly old-age pension (including both social insurance and individual account pensions) and their life expectancy at retirement. The minimum and maximum amounts for the supplement will be 0.25 UFs and 18 UFs, respectively. However, a partial supplement will be paid to women who claim their old-age pensions before age 65: 75 percent of the full amount at age 64, 50 percent at age 63, 25 percent at age 62, 15 percent at age 61, or 5 percent at age 60. The supplement will not be paid to women who retire before age 60.
- *Increasing employer contributions:* To finance the new social insurance benefits and increase individual account savings, the law will gradually raise the employer contribution rate from 1.5 percent to 8.5 percent of monthly covered payroll over a 9-year period starting August 1, 2025. Of the final 8.5 percent rate, 4.5 percentage points will be allocated to employees' individual accounts, 1.5 percentage points to a social security fund for the social insurance old-age pension, and 2.5 percentage points to a social security fund for the women's pension supplement and existing disability and survivor benefits. The employee contribution rate for old-age, disability, and survivor benefits will remain at 10 percent of monthly covered earnings plus an individual account administrative fee.
- *Raising the guaranteed pension:* Effective September 1, 2025, the maximum monthly universal guaranteed pension (Pensión Garantizada Universal, or PGU) will increase from 214,000 pesos (US$228) to 250,000 pesos (US$255) for recipients aged 82 or older. The PGU increase will be extended to recipients aged 75 to 81 on September 1, 2026, and to all remaining recipients on September 1, 2027. The government will finance this PGU increase using general revenues.
- *Encouraging more competition among individual account providers:* Effective August 1, 2027, 10 percent of individual account participants will be randomly selected every 2 years for bidding by the seven pension fund management companies (Administradoras de Fondos de Pensiones, or AFPs) that administer the mandatory individual account program. The group of participants will be awarded to the bidder with the lowest administrative fee (which must be guaranteed for at least 5 years), although participants can opt out of the bidding process or switch AFPs at any time. Additionally, new individual account participants will be automatically assigned to the AFP with the lowest administrative fee.
- *Changing individual account investment options:* On April 1, 2027, the five investment fund options currently available to individual account participants—ranging in risk from conservative to aggressive—will be replaced with 10 target-date funds designed for different age cohorts.

Chile's old-age pension system currently consists of a mandatory individual account program, a legacy social insurance pension program, and the PGU program. The mandatory individual account program covers employees and self-employed persons with annual covered incomes of at least the legal monthly minimum wage (currently 510,636 pesos [US$543]). The normal retirement age for both the individual account and social insurance pensions is 65 for men and 60 for women. The government-financed PGU is paid to individuals who have reached age 65; have resided in Chile for at least 20 years since age 20, including at least 4 of the last 5 years before claiming the pension; belong to a family unit that is not within the wealthiest 10 percent of the population; and have monthly base pension income below 1,210,828 pesos (US$1,288).

Sources: "Nuevo sistema de pensiones para Chile," Subsecretaría de Previsión Social; "Chile," ISSA Country Profiles, January 2023; Ley N° 21.735, 2025; "Se aprueba la Reforma de Pensiones: Así funcionará el nuevo sistema previsional en Chile," Gob.cl, January 29, 2025; "Se publica la reforma previsional: en mayo inicia vigencia el Seguro de Lagunas y en septiembre aumenta la PGU al primer grupo de beneficiarios," Instituto de Previsión Social, March 26, 2025; "Compensación por diferencia de expectativa de vida para las mujeres," Chile Atiende, March 31, 2025; "Pensión Garantizada Universal (PGU)," Instituto de Previsión Social, April 11, 2025.

International Update is a monthly publication covering recent developments in foreign private and public pensions, social security, and retirement. The news summaries presented do not necessarily reflect the views of SSA.

Editor: Ben Danforth
Writers/researchers: Ben Danforth and Nancy Early
Contact: research@ssa.gov

Social Security Administration
SSA Publication No. 13-11712
Produced and published at U.S. taxpayer expense