SOCIAL SECURITY REFORM: WHAT SHOULD I KNOW?

The new retirement rules have just come into force. Nearly nine months after being brought forward by the government, the constitutional amendment bill on the rules for retirement and pensions was passed by Parliament. These new Social Security rules will give Brazilians a new scenario regarding eligibility, and changes in the amount of the pension to be received. Since it's a proposal that inevitably impacts both the pension values, and the age at which people can by law apply for retirement (Brazilian Social Security Institute - INSS), this proposal forces Brazilians to think about private pension as a means to secure financial resources. Regarding the retirement under public rule, among the new changes are the introduction of a required minimum age in order to be eligible for retirement and the use of an arithmetic average to calculate full-time contributions and the subsequent pension to be received.

In the charts below, we describe the main changes that the new rules bring about, and compare them to the previous rules, as defined by the State.

1 ELIGIBILITY CHANGES

CURRENT RULES

Benefit	Eligibility
Retirement Benefit by time of contribution	**Men:** 35 years of contribution. No minimum age is required. **Women:** 30 years of contribution. No minimum age is required.
Retirement Benefit by age	**Men:** 65 years of age and 15 years of contribution **Women:** 60 years of age and 15 years of contribution
Proportional Retirement Benefit (only for members of the General Social Welfare Policy (RGPS) registered until 1998)	**Men:** 53 years of age and 30 years of contribution **Women:** 48 years of age and 25 years of contribution

NEW RULES

Benefit	Eligibility
Retirement by age and period of contribution	**Men:** 65 years of age and 20 years of contribution **Women:** 62 years of age and 15 years of contribution

2 PENSION VALUE CHANGES

CURRENT RULES

Benefit	Benefit Calculation
Retirement by age, period of contribution and proportional retirement (only for members of the General Social Welfare Policy (RGPS) registered until 1998)	Simple arithmetic average of 80% of the highest contribution from income since 1994 multiplied by the reducing / increasing factor.

NEW RULES

Benefit	Benefit Calculation
Retirement by time of Contribution	Simple arithmetic average of all contribution from income since 1994 multiplied by the reducing / increasing factor.

3 REDUCING / INCREASING FACTOR

CURRENT RULES

Benefit	Reducing / Increasing Factor
Retirement by time of Contribution	Rule 86/96: guarantees retirement with full pension, social security factor-free, to those whose sum of age and contribution time is higher than 86 years (if female) or 96 years (if male).
Proportional Retirement (only for members of the General Social Welfare Policy (RGPS) registered until 1998)	**Social Security Factor:** Factor based on the retiree's future life expectancy that reduces benefits when the person retires earlier and increases benefits if they retire at a certain age.
Retirement by age	Reducing factor of 70% with an additional increasing factor of 1% for each year of contribution, reaching 100% in case the retiree reaches 30 years of contribution. **Social Security Factor:** Only if it is beneficial to the retiree.

NEW RULES

Benefit	Reducing / Increasing Factor
Retirement by age and time of contribution.	There will be neither the 86/96 Rule nor the social security factor. The retiree will have a minimum of 60% of their pension and an additional increase of 2% for each year worked that surpasses the minimum amount of years required for retirement. This will guarantee 100% of the pension if the person reaches 40 years of contribution (in the case of men) or 35 years (in the case of wome n). A maximum of 110% of pension value can be reached if the person reaches 45 years of contribution.