

▶ Multi-pillar pension model

► Objectives of a pension system

Poverty relief: pensions provide an important mechanism to reduce poverty of older people and their families.

Income smoothing: pension systems provide a mechanism by which individuals reduce their income today (through contributions) in order that they have higher incomes in older age (through pension payments). Income smoothing implies the provision of earnings-related benefits, usually measured by their replacement rate relative to previous earnings.

Insurance: pension systems provide a mechanism to share risks between individuals. These include the risk of outliving one's savings (longevity risk) and economic risks such as retiring at the moment of an economic downturn.

Redistribution: Pension systems can redistribute between different parts of the population, such as between generations, between higher and lower earners, between men and women, and between different geographical regions.

► Social protection floors recommendation, 2012 (202)

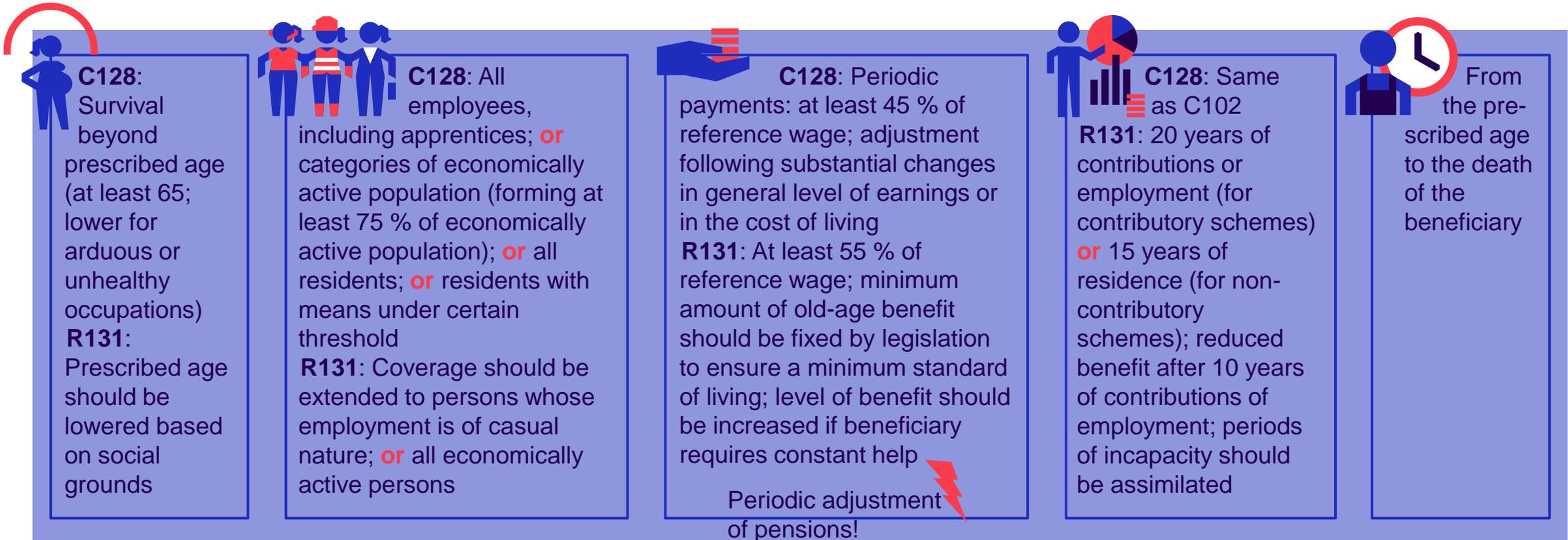
Members should, in accordance with national circumstances, establish as quickly as possible and maintain their social protection floors comprising basic social security guarantees. The guarantees should ensure at a minimum that, over the life cycle, all in need have access to **essential health care** and to **basic income security** which together secure effective access to goods and services defined as necessary at the national level.

- ▀ basic income security, at least at a nationally defined minimum level, for older persons.

Old-Age Benefit (Minimum Standards) Convention No. 102

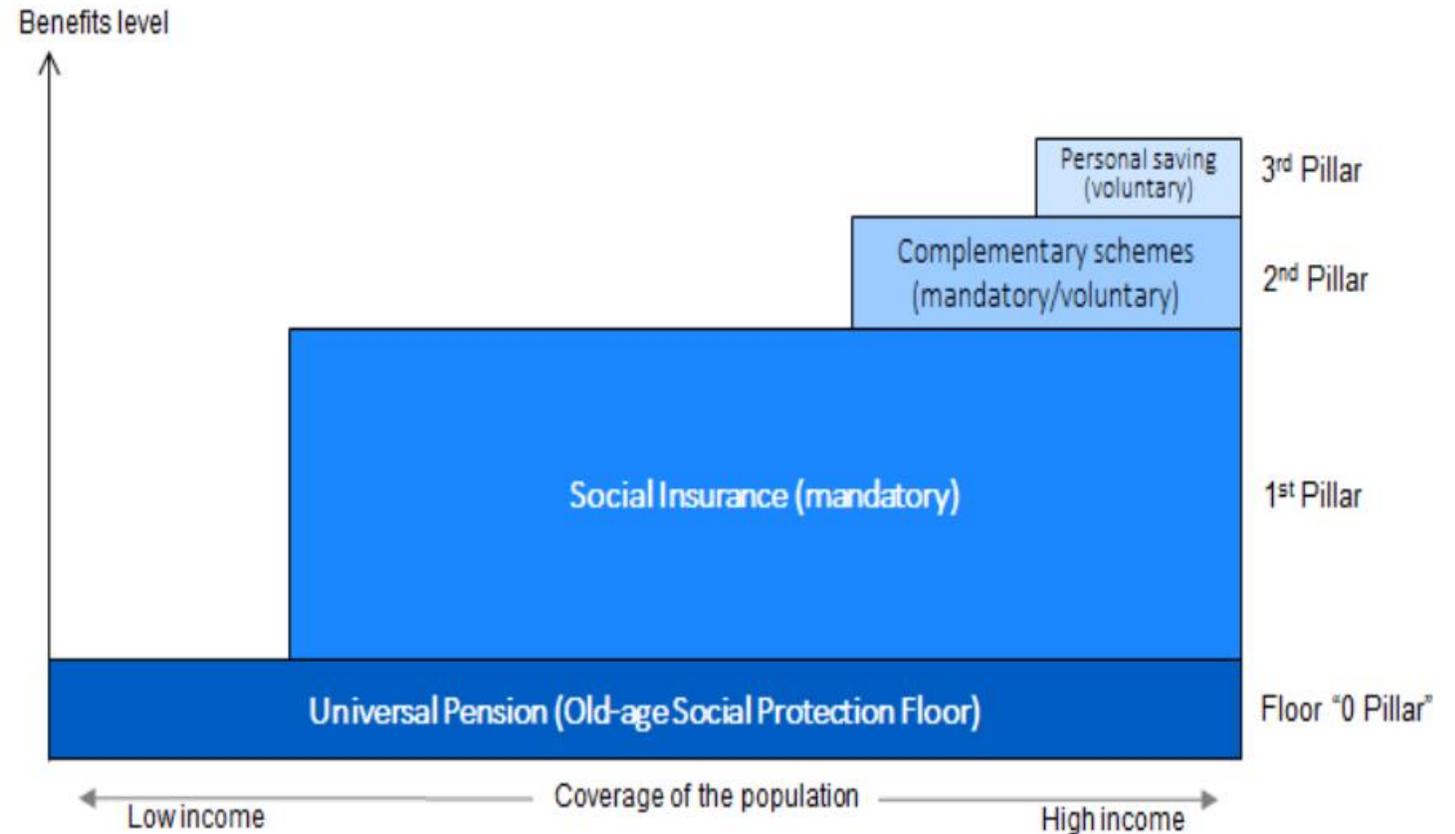
 <p>Article 26</p> <p>Survival beyond age of 65 or such higher age with due regard to working ability of elderly persons</p>	 <p>Article 27</p> <ul style="list-style-type: none">▶ Prescribed classes of employees, not less than 50 % of all employees; or▶ Classes of economically active population, not less than 20% of all residents; or▶ All residents whose means during the contingency do not exceed certain limits	 <p>28, Articles 65-67</p> <ul style="list-style-type: none">▶ Earnings-related benefit: At least 40 % of former earnings;▶ Flat-rate benefit: At least 40 % of wage of unskilled workers;▶ Means-tested benefit: Sum of family means and pension must amount to at least 40 % of wage of unskilled workers 	 <p>Article 29</p> <p>The minimum replacement rate must be provided after 30 years of contributions or employment or 20 years of residence. A reduced pension has to be paid after 15 years of contributions or employment</p>	 <p>Articles 30, 26</p> <p>The benefit shall be granted throughout the contingency (until the beneficiary deceases);</p> <p>It may be suspended in case of gainful activity or other earnings</p>
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Old-Age Benefit (Advanced Standards) Convention No. 128 and Recommendation No. 131



Definition of a multi-tier system

Effective multi-tier pension systems support the achievement of the range of system objectives for different people (whose situation may change over time) in a way that is coherent and distributes risks between individuals, enterprises and government in an appropriate way



Principle 1. Universality

Principle 2. Social solidarity and collective financing

Principle 3. Adequacy and predictability of benefits

Principle 4: Overall and primary responsibility of the state

Principle 5: Non-discrimination, gender equality and responsiveness to special needs

Principle 6: Financial, fiscal and economic sustainability

Principle 7: Transparent and sound financial management and administration

Principle 8. Involvement of social partners and consultations with other stakeholders