

## Brazil

### Brazil: Pension system in 2010

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	LAC26
Average earnings	BRL	16 500	11 600
	USD	10 000	7 000
Public pension spending	% of GDP	6.8	3.1
Life expectancy	At birth	73.8	73.6
	At age 65	18.2	17.4
Population over age 65	% of working-age population	12.2	12.3

### Qualifying conditions

Private-sector employees are entitled to retire with a full pension at age 65 for men and 60 for women if they have a contribution record of at least 15 years. Alternatively, it is possible to retire after having contributed to social security for 35 years for men and 30 years for women, irrespective of the retiree's age. For the models we assume retirement for men at 55 and at 50 for women.

### Benefit calculation

#### Old-age pension

For all workers the benefit is the average of 80% of the best monthly earnings from July 1994 up to the date of retirement. This average is multiplied by the Factor Previdenciario only if this factor is higher than 1.0. The Factor Previdenciario is an actuarial coefficient based on the insured's contribution rate, contribution period, age and life expectancy. The minimum monthly earnings for benefit calculation purposes are equal to the legal monthly minimum wage (BRL 510.0). The maximum monthly earnings for benefit calculation purposes are BRL 3 467.4. The minimum pension for minimum monthly contributions is equal to the legal monthly minimum wage.

There are 13 payments a year with benefits adjusted annually according to changes in the consumer price index. No benefit could be less than the minimum wage which is also annually adjusted.

#### Social assistance for old-age pension

There is a benefit for those who don't qualify for a retirement benefit. The BPC-LOAS was created to assist old-age people (65 years old and more, both male and female) or disabled people whose income per capita at home is under one-quarter on the minimum wage (floor). They received the amount equal to the minimum wage and their conditions are revised every two years. This benefit is exclusive: beneficiaries cannot receive another non-contributory benefit from the government. 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 and Fight Against Hunger (MDS).

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

## Variant careers

### Early retirement

There is no minimum age to achieve the early retirement as long as the men have accomplished 35 years of contributions and the women have accomplished 30 years of contribution. Nevertheless, if the men are under 65 years old or the women that worked less than 30 years, the value of the benefit is diminished by a factor (*fator previdenciário*) which takes into consideration the age, the number of contributions and the life expectancy in that specific age in which the person was in the requisition date.

### Late retirement

Pensions can be claimed along with employment, and there is therefore no incentive to delay payment.

## Personal income tax and social security contributions

### Taxation of workers

In 2010, individuals with monthly income above BRL 1 434.59 pay taxes according to the following:

Monthly earning from:	To	Tax (%)
BRL 1 434.60	BRL 2 246.75	7.5
BRL 2 246.76	BRL 2 995.70	15.0
BRL 2 995.71	BRL 3 743.19	22.5
BRL 3 743.2	Or more	27.5

### Social security contributions paid by workers

There is no difference of contribution between the benefits. The contribution is valid for all benefits that the category of contributor qualifies the insured to receive.

Insured people	2010	
	Contribution base (BRL)	Rate (%)
Employee, household employee and detached worker	Up to 1 040.22	8.0
	From 1 040.23 to 1 733.70	9.0
	From 1 733.71 to 3 467.40	1.0
	Above 3 467.40	11.0 on the ceiling (3 467.40)

### Taxation of pensioners

There are no special tax allowances or credits for pensioners.

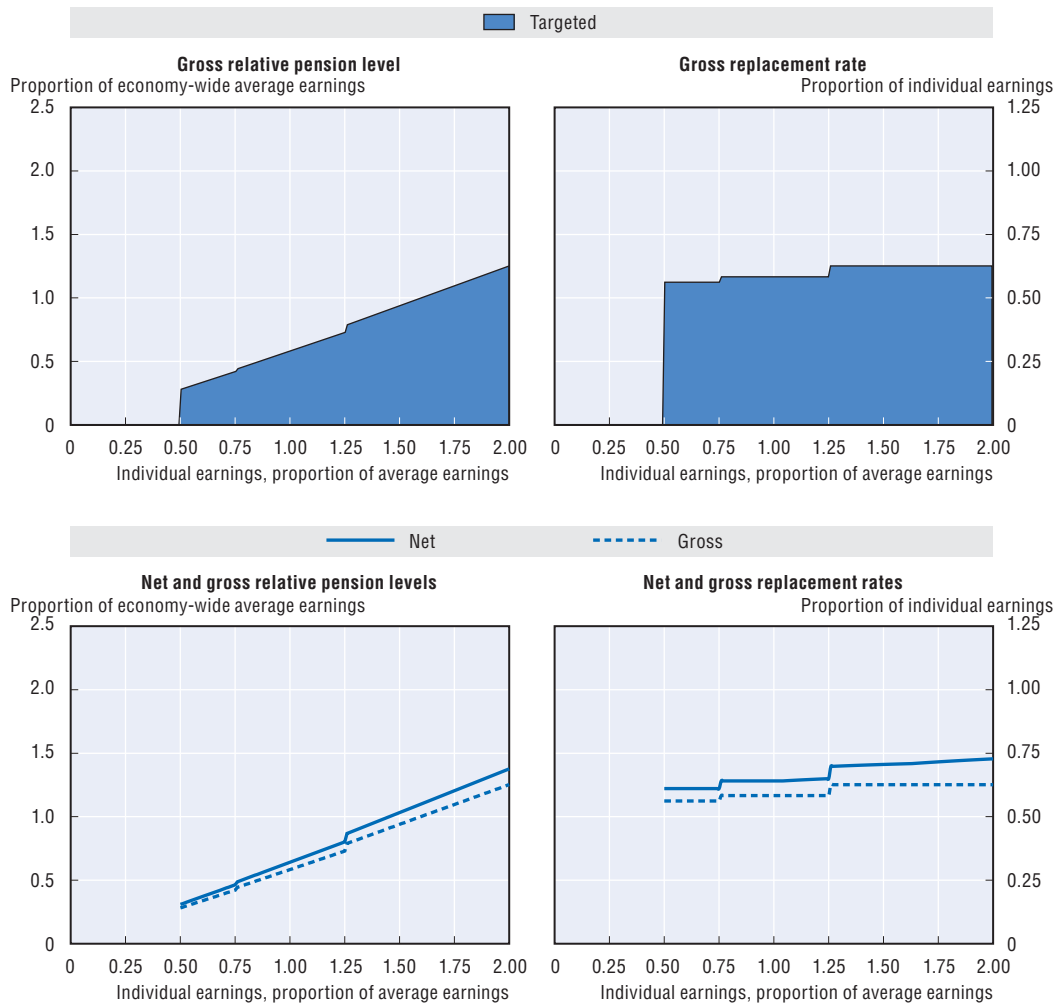
### ***Taxation of pension income***

Pensions are not taxed.


### ***Social security contributions paid by pensioners***

The beneficiaries do not pay social security contributions on their benefits, but if they work, social security contributions must be paid on the earnings of their work, in the same scale that other workers do. Beneficiaries only keep contributing to the social security if the value of their retirement is above the ceiling (BRL 3 467.40).

## Pension modelling results: Brazil



Men		Individual earnings, multiple of average				
	Median earner	0.5	0.75	1.0	1.5	2.0
Women (where different)						
Gross relative pension level	47.2	28.1	42.1	58.3	93.9	125.2
(% average gross earnings)	43.1	25.6	38.4	53.2	85.6	114.2
Net relative pension level	51.9	30.9	46.3	64.1	103.2	137.6
(% net average earnings)	47.3	28.2	42.2	58.4	94.1	125.5
Gross replacement rate	58.3	56.2	56.2	58.3	62.6	62.6
(% individual gross earnings)	53.2	51.2	51.2	53.2	57.1	57.1
Net replacement rate	64.1	61.1	61.1	64.1	70.6	72.8
(% individual net earnings)	58.4	55.7	55.7	58.4	64.4	66.4
Gross pension wealth	16.3	15.7	15.7	16.3	17.5	17.5
(multiple of individual gross earnings)	18.9	18.2	18.2	18.9	20.3	20.3
Net pension wealth	16.3	15.7	15.7	16.3	17.5	17.5
(multiple of individual gross earnings)	18.9	18.2	18.2	18.9	20.3	20.3

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