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Operational Retirement Programmes Around the World

Dr. Angana Barua
Assistant Professor Deptt. of Economics Pandu College Guwahati, Assam
Corresponding Author: Dr. Angana Barua

ABSTRACT: *Retirement benefits schemes constitute the major part of the social security programmes. Since the mid part of the last century, the world is experiencing considerable ageing of the population which has increased the need of a well developed retirement support structure. Different plans and programmes are taken for providing retirement benefits to the elderly in almost all the countries of the world. All of them have made changes and reforms in the retirement benefit programmes to cope with the changing needs imposed by demographic changes. The developed countries like Japan, Sweden and the U.S.A. have pension systems which have better coverage and adequacy than the developing countries like China, Sri Lanka and Egypt.*

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I. Introduction

The term 'social security' is used in the economic sense of security that the society can provide to people belonging to some vulnerable groups. It refers to the institutionalized programmes or schemes providing support to people during periods of retirement, illness, unemployment, disability etc.

Retirement benefits schemes constitute the major part of the social security programmes. Although traditionally children have been considered as securities for old-age, but the growing urbanization and increased life expectancy have reduced people's expectation on children to support them in their old age.

Since the mid part of the last century, the world is experiencing considerable ageing of the population which has increased the need of a well developed retirement support structure. In the developed countries the population ageing has taken place for quite a long time, but at present the developing countries are also facing population ageing due to demographic transition with reduction in both fertility and mortality rates. According to *U.N.O. World Population Ageing Report 2013*, the share of the population aged 60 years or over in the total world population increased from 8 per cent in 1950 to 12 per cent in 2013.

In this paper, a discussion is undertaken to present a perspective of contemporary social security structure present in different countries across the globe. For a comprehensive perception of operational retirement plans across the world, six representative countries are selected, namely, China, Egypt, Japan, Sri Lanka, Sweden and U.S.A. Among these countries, China, Egypt and Sri Lanka are developing countries while the rest three are developed nations.

CHINA

The Peoples' Republic of China, located in Eastern Asia, is the most populous country of the world. But, strict population control policies of the Chinese government have resulted in the considerable fall in the birth rate. Average annual percentage of population growth rate was 0.6 during 2010-2015 and the life expectancy at birth was 76.6 years for females and 74 years for males. According to the World Bank data, population aged 65 and above constituted 10 per cent of the total population in 2015 which was only 4 per cent in 1960.

The first law regarding social security of China was enacted on 26th February, 1951. State sector employees were benefited from this law. In subsequent years, several legislations were enacted in the years 1953, 1978, 1995, 1997, 1999, 2005, 2009, 2010 and 2011.

Generally, Basic Pension Insurance covers the employees in urban enterprises and the urban institutions which are managed as enterprises as well as the urban self-employeds. Urban enterprises comprise all state-owned enterprises, regardless of their location. In some provinces, coverage for the urban self-employed is voluntary. In some provinces, special arrangements are made for former farmers who migrate to work in urban areas. Normally, under Basic Pension Insurance the insured persons except the self-employeds contribute nothing. But, local government regulation may determine some contribution rates for them also. Self-employed persons contribute about 12 per cent of local average wages. For the employer, the maximum contribution is 20 per cent of payroll, depending on local government regulations. Contribution rates are not the same in all provinces. For the Basic Pension Insurance, central and local governments provide subsidies when needed.

Pilot rural pension schemes are gradually being merged into the social assistance and individual accounts. In case of rural pilot pension, the insured persons including the self-employeds contribute nothing, but under mandatory individual account they have to contribute 8 per cent of gross insured earnings. The minimum earnings used to calculate contributions are 60 per cent of the local average wage for the previous year and although there are variations in the maximum earnings, they may be as high as 300 per cent of the local average wage for the previous year. The employer contributes nothing towards the mandatory individual account, but under rural pilot pension an annual contribution of 100 yuan to 500 yuan is paid to an individual rural pension account. Central and local governments provide subsidies as needed to the individual accounts of insured persons. For rural pilot pension, the government makes a tax-financed contribution of 55 yuan per month per insured person. In the central and western regions, the central government pays the total cost of the scheme; but in the eastern region only partial cost of the scheme is borne by the central government.

Special government-funded, employer-administered systems cover the employees of government and communist party organizations and employees of cultural, educational, and scientific institutions except for the institutions which are not financed under budget.

The qualifying age for basic pension insurance is 60 years for men and professional women, 55 years for nonprofessional salaried women and 50 years for other categories of women. At least 15 years of coverage is necessary for receiving the benefits. If engaged in risky or unhealthy work, the qualifying age is reduced to 55 years for men and 45 years for women with at least 15 years of coverage. Early pension under basic pension insurance is allowed at age 50 for men and age 45 for women with at least 10 years of coverage and with a total disability. It is also allowed at age 55 for men and at age 45 for women with at least 8 to 10 years of continuous coverage and if employed in arduous or unhealthy work.

According to the Central Government guidelines, under mandatory individual account, the qualifying ages are the same as under the basic pension insurance. Here also, the insured must have at least 15 years of coverage to receive the benefits. Lump-sum compensation under mandatory individual account is paid if the insured has less than 15 years of contributions.

The qualifying age for rural pilot pension is 60 for both men and women. Moreover, the person must not be entitled to the urban basic pension. In several provinces, insured persons who have not completed 15 years of contributions are allowed to make a lump-sum payment or continue to make contributions until qualified for the monthly pension benefits.

A residence-based monthly welfare pension is granted in some areas such as Beijing to both urban and rural residents who have reached retirement age but are not covered under any pension.

EGYPT

The Northern African country, Egypt, had an average annual percentage of population growth rate of 1.6 percent during 2010-15 and the life expectancies were 68.7 years for male and 73.5 years for female. Out of the total male population, 7.8 per cent are above 60 years of age while this percentage was 9.7 for females in 2014.

Public pensions in Egypt are provided through three social insurance schemes, which are mandatory. They are: (i) Government Employees Pension Fund, (ii) Pension Fund for military personnel and (iii) Public and Private Enterprises Employees Pension Fund (PPEEPF). The PPEEPF also manages some special schemes for employers and self-employed, individuals working abroad along with casual and informal sector workers.

Alternative social insurance schemes can be established on a voluntary basis by companies employing at least of 100 workers and with total capital of EGP (Egyptian Pound) 10 million. The schemes must provide higher pension benefits than the PPEEPF, but the contribution rates should not exceed the levels of the later. Such schemes are mostly operated by Egyptian banks, affiliated to international financial groups.

Egyptian public pension scheme is a defined benefit scheme financed mainly on a pay-as-you-go principle. The public pension schemes are managed by the government according to the pooling principle, the pension funds of the three schemes are pooled together. All pension reserves and the surpluses thereon are deposited and invested through National Investment Bank.

The public pension system provides coverage to more than 80 per cent of workers in the public and private sectors. Contribution rates to PPEEPF vary according to the category of workers. The insured persons contribute 13 per cent of basic wage or 10 per cent of variable wage. The basic wage includes basic pay up to 650 EGP while the variable wage includes basic pay over 650 EGP and various types of compensations. The employer contributes 17 per cent of basic wage or 15 per cent of variable wage. The government makes 1 per cent matching contribution and holds the responsibility for any deficit. The self-employeds, within the income range of EGP 50 to EGP 900, contribute 15 per cent of monthly income.

Usually, pension benefits are paid at age 60 after 120 months of contributing to basic wage pension and at age 50 with 240 months of contributing to variable wage pensions.

Early retirement pension is authorized after at least 240 months of contributions but with the reduction of pension benefits. Egyptians working abroad can claim pension at age 60 with 180 months of contributions; and casual workers are entitled to receive pension at age 65 after 120 months of contribution.

The pension benefits in each scheme are calculated in accordance with pre-determined formulas. The maximum pension is calculated at 80 percent of the average earning, including basic and variable wages, during the last year before retirement or 920 EGP a month, whichever is less. The minimum pension of 100 EGP a month is paid to all citizens, including the unemployeds. Since 1975, voluntary occupational pension plans have been established in Egypt known as 'Special Insurance Funds' (SIF). In addition to pension payments, SIFs can provide a range of other benefits at the time of marriage, disability, death of the member, etc. However, these should be in accordance with the decision of a Fund's board of directors and approval by the Egyptian Insurance Supervisory Authority (EISA). All schemes have to obtain license from the EISA in order to legally operate in Egypt. The SIFs are fully funded.

The private pension schemes are managed by the board of directors, who are elected amongst scheme members at the annual general assembly. In case if an employer, partly or fully finances the pension scheme, can nominate the members of the board according to the charter of the fund. Moreover, almost all trade unions in Egypt may sponsor occupational plans which provide flat-rate pensions and under certain condition lump sum payments to the adherent members after the attainment of retirement age.

Although the law prescribes voluntary membership in SIFs, however, in practice, participation becomes quasi mandatory due to related mode of financing of most pension funds.

The sources of finance of SIF are: establishing pension fund company's budget surpluses & other revenues related to its activities, members' contributions, investment returns and any other sources decided by the fund's board of directors. Members' contributions are determined either as a percentage of basic salary or a premium, paid on an annual basis. The rate of the premium depends on the age of the contributor.

There are prescribed investment regulations regarding the investment of pension fund assets. At least 25 percent of total fund assets must be invested in the government guaranteed securities. Not more than 50 percent should be invested in bank deposits. But, at least 60 percent must be invested in real estate, securities listed on the stock market, bank deposits with fixed rate of return or any other investments with fixed return if approved by the EISA.

Although the benefits of SIF are paid mainly in the form of lump sum payments at the time of retirement, it is also paid in case of death and disability. Under special circumstances like marriage, medical treatment, relatives' death etc., withdrawals prior to retirement are authorised. The SIF are also entitled to provide loans to the members.

JAPAN

Japan is situated in the eastern part of Asia with the highest proportion of elderly in the world. U. N. data revealed that in 2014, 29.9 per cent of total male population and 35.5 per cent of total female population of Japan were above 60 years of age during 2010-15. Population aged 65 years and above also increased tremendously from 6 per cent of the total population in 1960 to 26 per cent in 2015 (World Bank Data). Life expectancies at birth for male and female were 80 years and 86.9 years respectively during 2010-15. But during the same period, average annual percentage of population growth rate was negative (−0.1%).

In Japan, during the pre-modern era, there were charity-oriented communal services for the poor. In the period between the Meiji era and World War II, some measures were adopted to help the poor. *Indigent Person's Relief Regulation of 1884, Poor Relief Law of 1929, Health Insurance Act of 1927, National Health Insurance Act of 1938* and *Labor Pension Insurance Act of 1941* were some of the laws and social insurance schemes introduced during this period. Although these were some steps towards building a mature social security system in future, but they were quite inadequate in terms of coverage as they fail to cover the entire population.

World War II caused havoc and social turmoil in Japan which necessitated the introduction of various social security measures. Various measures were undertaken for helping the needy and for the prevention of infectious diseases. Article 25 of the Constitution of Japan, enacted in 1947, emphasized on the fundamental principles to develop a social security system and laid the foundation for the social security laws enacted in later years. After World War II, Japan's economy grew rapidly and public pension and health insurance were expanded to cover most of the population. In the end of 1950s, self-employed persons, persons engaged in agriculture and the persons with no previous social security coverage got eligibility for national pensions and national health insurance through the *National Health Insurance Law* and the *National Pension Law*. 'Universal coverage in public pension and health insurance' were introduced in April 1961 to cover all Japanese citizens. The pensions were of three types: 'Kokumin Nenkin' or the National Pension for the self-employeds, 'Kosei

Nenkin' or the Employees' Pension for salaried persons and 'Kyosai Nenkin' or Mutual Aid Pension for civil servants. *The Act on Social Welfare Service for Elderly* and the *Maternal and Child Welfare Act* were also enacted.

Since the World War II, Japan experienced not only rapid economic growth to become one of the developed countries, but also prominent demographic changes. Until the early 21st century, population of Japan was increasing steadily, but the proportion of younger population to the aged have fallen rapidly due to fall in both birth and death rates. Change in family composition, employment structure, growing urbanization, social advancement of women made it necessary to change the social security policies. Facing the challenge of aging society, various laws were enacted. In 1983, *the Health and Medical Service Law for the Aged* was introduced. The *Old People's Health Care Law*, enacted in August 1982, became effective on 1st February, 1983. The *1984 Health Insurance Amendment*, enacted in August, 1984, became effective on 1st October, 1984 and the *Pension Insurance Amendment* which was enacted in April, 1985, became effective on 1st April, 1986. Finally, in April 1986, the New Pension System was inaugurated, which was a two -tire system. The first tier of this, i.e., the national pension covers the entire population. In addition to this pension, the eligible also receives employees' pension and mutual aid pension in the second tier.

To the national pension, people contribute from age 20 to 60 and receive benefit at 65. The persons covered under the national pension are classified into three categories according to the method of pension insurance contribution and eligibility to receive the second tier of the pension. Category 1 insured persons are the students and the self-employed who make the insurance contributions as individuals. Category 2 insured persons are mainly the salaried persons who work for the government, companies etc. and the Category 3 insured persons are the spouses, supported by the persons in Category 2. Category 3 persons are exempted from insurance contributions.

In March 2000, the Government of Japan passed a package of pension reform bills. Employees' pension benefits for new recipients were cut by 5 per cent from April 2000. It was also decided that the age at which employees' pension benefit is received would be progressively raised from 60 to 65 in such a way that the final level of age 65 would be achieved in 2025 for men and in 2030 for women. In 2004 also, certain pension reform measures were passed which raised the pension contribution amount of both the national pension and the employees' pension.

Japan's social security expenditures amounted to 57 trillion yen in 1994 which increased to 94.8 trillion yen in fiscal 2008 .In 1994, Social security expenditure was 11.9 per cent of Japan's GDP and public pension accounted for 51.3 per cent of it. In 2008, the social security benefits for the elderly constituted about 69.5 per cent of total social security expenditures while pension alone constituted 52.8 per cent.

SRI LANKA

India's neighbour Sri Lanka had an average annual population growth rate of 0.8 per cent during 2010-15 and life expectancies of 71.1 years for male and 77.4 years for female during the same period. According to the World Bank Data, in 1960 about 5 per cent of Sri Lanka's total population was 65 years or over which has increased to 9 per cent in 2015.

In Sri Lanka, formal private sector employees are covered by defined contribution plans like employee private fund, employee trust fund or approved private sector provident fund. Civil servants were formally covered by public service pension scheme (PSPS), but since 2003 a contributory pension scheme was also introduced, which is a defined benefit type social security scheme. PSPS is a non-contributory pension scheme which is financed from general revenue. It accounted for 2 per cent of GDP in 2005. PSPS benefits are not taxable and are not indexed for inflation too. There is no explicit spousal benefit, but the widows and widowers receive survivor's benefit. Moreover, there is one separate contributory Widows, Widowers and Orphans Pension Scheme that provides benefits to survivors of public sector workers who die in service. (Willmore & Kidd, 2008).

For public sector workers, the normal retirement age is 60. For others, the qualifying age is 55 years for men and 50 years for women. However, benefits can be received at any age if the company is closed by the government or if the employed women get married.

The Employees' Provident Fund (EPF) system is governed by the law enacted in 1958. It covers all employed persons including certain self-employed persons. But it excludes the civil servants, family labour, farmers and fishermen. Employees covered by equivalent schemes may come out of this scheme. The insured persons contribute 8 per cent of their monthly earnings, additional voluntary contribution is permitted. The employer contributes 12 per cent of monthly payroll and can make additional contributions voluntarily. Government contributes nothing to the provident fund.

The EPF does not provide a retirement pension; rather it provides only lump sum payments. A lump sum of total employee and employer contributions plus interest is paid as old age benefit. The Monetary Board of the Employees' Provident Fund sets the interest rate periodically. The interest rate must be at least 2.5 per cent annually. At the time of exit, the entire amount is paid as a lump sum. But, it is possible to withdraw funds from the account every five years. . At the end of 2006, the EPF had 11.3 million member accounts, of which 2.0 million were active. The PSPS and EPF cover only the formal sector employees. For the informal sector, there are different contributory pension schemes, but the performance of these schemes is not at all satisfactory. The schemes are voluntary in nature. The oldest and the largest among these schemes is the Farmers' Pension Scheme, started in 1987 and administered by the Agricultural and Agrarian Insurance Board. The Scheme has over 6.8 lakhs accounts, but it is not known how many of them are active. Contributions are collected half-yearly and the benefit received at age 60 is dependent on the age of joining the scheme. The other voluntary schemes are much smaller. For example, the Fishermen's Pension Scheme has only 48000 accounts. The Self-employed Persons' Pension Scheme (Sahana), started in 1996, is administered by the Social Security Board (SSB). In 2006, SSB started five new schemes, namely, 'Thilina', 'Isuru', 'Sarana', 'Surakuma', and 'Dhanalakshmi'. In addition to these, the SSB has introduced various programmes that target different types of workers like 'Sesatha', introduced in 2007 for migrant workers, 'Kam Diriya', introduced in 2006 for small and medium entrepreneurs, 'Saraswathi', introduced in 2008 for artists etc.

There are other schemes like the Sammrudhi and Public Welfare Assistance Allowance. Sammrudhi was started in 1995, but the later is an older scheme, started in 1939. Strictly speaking, Sammrudhi is not a pension scheme, but among other activities, it also provides income support to the poorest old people. Both the schemes target household with monthly income less than 1500 rupees. But, the performance of the schemes is far from being satisfactory and there is lack of coordination between the two schemes.

In spite of the existence of various schemes for both formal and informal workers, the coverage of pensions is very small in Sri Lanka. Not more than 10 to 15 per cent of population is covered by any form of pension scheme (Willmore & Kidd, 2008).

SWEDEN

Located in Northern Europe, Sweden is a developed country with life expectancies at birth of 83.8 years for females and 79.7 years for males during 2010-15. In 2014, 23.9 per cent of the total male population and 27.2 per cent of total female population of the country was above 60 years of age (U. N. data).

In Sweden, the public social welfare expenditures for family benefits are the highest among the countries associated with OECD (Ozawa, 2004). As maintained by the 2015 Pension Adequacy Report, "The Swedish pension system is robust, financially sustainable and performs well in terms of income adequacy." The first social security law of the country was enacted in 1913 and the current system is governed by the laws enacted in 1962; 1998, implemented in 1999; 2000, 2008, 2010, implemented in 2011. A new old-age pension system came into force on 1 January 1999 with certain transitional provisions. Prior to that, a universal and social system existed which still continue to exist along with the new system. The old system provided Guarantee Pension to all persons residing in Sweden and Earnings-related Pension to persons born in 1937 or earlier and earning more than 43,300 kronor a year. Guarantee pension ensures a minimum pension for those who have not worked long enough to be entitled to an adequate earnings-based pension. It is a basic pension for all with no or low capacity to contribute.

Persons born in or after 1954 are fully covered by the new system. Those born between 1938 and 1953 are covered partly by the old system and partly by the new system. Those born in 1938 are covered 4/20 by the new system and 16/20 by the old; those born in 1939 are covered 5/20 by the new system and 15/20 by the old; and so on. As such a person born in 1953 is covered 16/20 by the new system and 4/20 by the old system.

The new system is a notional defined contribution (NDC) and mandatory individual accounts system. Like the old system, it also provides Guarantee Pension to all persons residing in Sweden. Moreover, it provides Earnings-related Pension to all employed and self-employed persons born in 1954 or later and earning more than 18781 kronor a year in 2014. A Premium Pension is also provided to all employed and self-employed persons earning more than 18781 kronor a year.

The insured person contributes 7 per cent of assessable income for old-age insurance and the maximum annual income used to calculate contribution was 459183 kronor in 2014. The self-employed persons contribute 17.21 per cent of assessable income for old-age insurance. Moreover, insured persons including the self-employeds covered by the new system pay administrative fees for the premium pension. In 2013, it was an average of 0.42 per cent of asset value. The employer pays 10.21 per cent of payroll for old-age insurance plus 1.17 per cent of payroll for the survivor pension. Of the total contributions, 16 per cent finances the earnings-related component and 2.5 per cent finances the premium pension component. The government bears the total cost of the guarantee pension of the new system and permanent disability benefits. In addition the government pays earnings-related contributions for central government civil servants.

For receiving Guarantee Pension under both the old and new system, a person must be of age 65 and a resident of Sweden for at least 3 years. If born in 1938 or later, 94572 kronor a year is paid in 2014 for a single pensioner and 84360 kronor for a married pensioner with at least 40 years of residence and without an earnings-related pension. If born in 1937 or earlier, 96854 kronor a year is paid for a single pensioner and 86287 kronor for a married pensioner. Pensions are payable abroad only within the European Union and European Economic Area and, under certain conditions, in Canada. Benefits are adjusted annually according to changes in prices.

Under the old system, the qualifying conditions for the Earnings-related old- age pension are age 65 and at least 3 years of coverage. For receiving full pension at least 30 years of coverage is needed. The pension is 60 per cent of the insured's average income above 43,300 kronor in the 15 best years of income. Income in years in which earnings were below 43,300 kronor is compensated at 96 per cent for an unmarried pensioner and 78.5 per cent for a married pensioner. The average income level which is used to calculate benefits varies from year to year and the pension is reduced proportionately for periods of coverage of less than 30 years. A reduced pension may be paid from age 61 to 64 or the pension may be deferred until age 70. If the pension is taken before attaining 65 years of age, for each month before age 65 the pension is permanently reduced by 0.5 per cent and it is permanently increased by 0.7 per cent for each month after 65 if the pension is deferred from age 65 to age 70. Benefits are adjusted annually according to changes in wages.

Earnings-related pensions under the new system are based on lifetime earnings reported to the system. Here, the retirement age is flexible; beginning at age 61 and the insured must have annual earnings in excess of 18781 kronor in 2014. For the Premium pension also, the retirement age is flexible, beginning at age 61. The NDC pension is based on an annual index of trends in average wages (other social insurance benefits are counted as earnings), an annuity factor depending on average life expectancy at the time of retirement for the appropriate age cohort (based on the most recent 5-year average of unisex life expectancy projections), and the expected increase of average wages in future years (1.6%). The system has an automatic stabilizer which ensures financial stability by activating the balancing mechanism when the ratio of assets to liabilities falls below one.

Premium pension is based on contributions plus net returns converted into an individual, joint, fixed or variable annuity. One of the controversies related to Premium pension is that as the system is based on individual investment choice, due to financial market fluctuations pensions of people with same lifetime incomes may vary significantly.

For both Earning-related and Premium pensions under the new system, benefits are adjusted annually according to changes in wages. Under the Earning-related pension the entitling contribution is 18.5 per cent of the base income per year. The Earning–related pension system is financed on a Pay-As-You-Go basis, but the Premium pension is a fully funded scheme with individual accounts. Earning-related pension under both old and new systems as well as the Premium pensions are payable abroad.

In addition to the publicly provided pension systems, there are two layers of privately managed pension systems also, namely collective occupational pension, based on collective tariff agreement and personal pension saving scheme.

THE U.S.A.

In the U.S.A., about 15 per cent of the total population was aged 65 years or more in 2015. Life expectancy of male was 76.4 years and that of female was 81.2 years during 2010-15. Average annual population growth rate was 0.8 per cent during the same period as per the U.N. data.

The social security retirement plans cover most of the people of the U.S.A. About 96 per cent of American workers are covered by these plans. A worker earns credits towards social security benefits by paying social security taxes. The number of credits that a person needs to get the retirement benefits depends on the year of his or her birth. If a person is born in 1929 or later, 40 credits are needed to receive the retirement benefits. If someone stops working before having enough credits to qualify for benefits, the credits will remain on his or her social security record. He or she can qualify for retirement benefits by adding more credits after returning to work later on. Retirement benefits are directly linked to how much one has earned during the working years. Benefit payment is also affected by the age of retirement. Social security retirement benefits can be received as early as at age 62. However, only reduced benefit is received before attaining the full retirement age. If a person takes early retirement due to health reasons, he or she can apply for social security disability benefits and at the age of full retirement, these social security disability benefits can be converted into retirement benefits. If someone works beyond the full retirement age, such delayed retirement can lead to more earnings because one additional year of work will add one year of earning to the social security record. Moreover, benefits increase by a certain percentage after the full retirement age.

Widows and widowers can receive Social Security benefits at age 60, or at age 50 if they are disabled. They can also take a reduced benefit on one record and later switch to a full benefit on the other record. For example, a working widow can take widow's benefit at age 60 and can later switch to her own retirement benefit while attaining the full retirement age, if her retirement benefit is more than the widow's benefit.

If one is getting social security retirement benefits, some of his or her family members like spouses of age 62 or older, disabled children etc. can also receive benefits. As much as half of the retired worker's full benefit can be received by a spouse who has not worked or who has low earnings. Each child, up to the age of 18 (19, if a full time student who has not graduated from high school), receives up to one half of the full benefit of the employee. But, there is an upper limit of the benefit that can be paid to a family, normally 150 per cent to 180 per cent of the benefit payment of the employee. If the total benefit is more than this limit, benefits of the spouse and the children will be reduced. However, the benefits of the employee will not be affected. Only the unmarried children can receive the children's benefits. But in some situation a disabled child can receive benefits if he or she marries someone who is also disabled since childhood.

If someone gets an additional pension from work covered by social security, such a pension will not reduce the social security benefits. But there are some services like the federal civil service, some state or local government employment, work in a foreign country etc., which are not covered by social security. The employees of such services do not pay social security taxes. Still they receive some reduced social security benefits in addition to the pension from their respective work.

Employees of the federal civil service are covered by Federal Employees Retirement System (FERS), which was created in 1986 and became effective from 1st January, 1987. It replaced the Civil Service Retirement System (CSRS). FERS is a retirement plan which provides benefits from three different sources: (i) Basic Benefit Plan (ii) Social Security and (iii) Thrift Saving Plan (TSP). For Basic Benefit and Social Security, the employee has to pay his or her share in each pay period. The employer also pays its share and after retirement, the employee receives the benefits as annuity payments. If the employee quits the federal service, Social Security and TSP can be carried on to the new job.

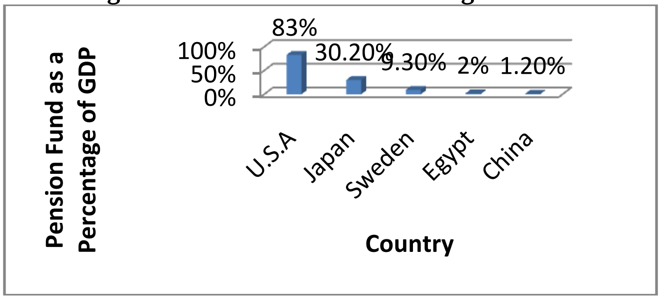
The TSP part of FERS is an account that the employing agency automatically sets up for the employee. For each pay period 1 per cent of the basic pay of the employee is deposited in his or her account by the agency. The employee can make additional contribution to the TSP account and the agency also makes the matching contribution. The TSP is administered by the Federal Retirement Thrift Investment Board. Basic benefit is a defined benefit plan, but the TSP is a defined contribution plan like the 401(k) plans. The 401(k) plans are named after that section of the Internal Revenue Code which determines the conditions for the favourable tax treatment. In 2007, defined benefit plans covered only 17 per cent of the population while the defined contribution plans contributed about 41 per cent of the population. The *Employee Income Security Retirement Act* (ERISA), passed in 1974 and other subsequent legislation up to the *Pension Protection Act* (PPA) of 2006 paved the way for the dominance of 401(k) plans and the decline of the traditional plans. ERISA prescribes some complicated nondiscrimination rules to prevent pension benefits and coverage from being excessively concentrated on high- income employees. The law does not require a very high rate of coverage of the workforce, but is more concerned with parity of treatment of well paid and not so well paid workers.

'Trust' is the standard pension-plan vehicle in the U.S.A. According to the Trust fund Data, asset reserves of Old Age, Survivors and Disability Insurance Trust Funds increased from 23042 million dollars in 1957 to 2789476 million dollars in 2014. Although labour unions can also establish plans, but such types of plan are very uncommon. The labour representatives are not given any particular share in the administration and committees of plans sponsored by the corporations.

Conclusion: In all the six countries discussed above, demographic changes have pressurized the systems of retirement benefits. Increasing number of senior citizens along with low birth rate has increased the financial burden and has put a challenge to the sustainability of the pension systems. In the recent decades most of the countries has adopted reforms in social security arrangements to tackle the problem.

The developed countries, Japan, Sweden and the U.S.A. have pension systems which have better coverage and adequacy than the developing countries, China, Egypt and Sri Lanka. In these countries the importance of pension funds relative to the size of the economies (measured in terms of GDP) is also more (Fig. 1).

Fig.1 Pension Fund as a Percentage of GDP



Source: OECD Global Pension Statistics, 2014

In the U.S.A., pension fund is 83 per cent of Gross Domestic Product (GDP) of the country. In Japan and Sweden, the percentages are 30.2 and 9.3 respectively which is much higher than that of the developing countries, Egypt (2%) and China (1.2%) [Fig. 1]

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