



June 2021 Special Report

Major Legislative Developments in Mexico

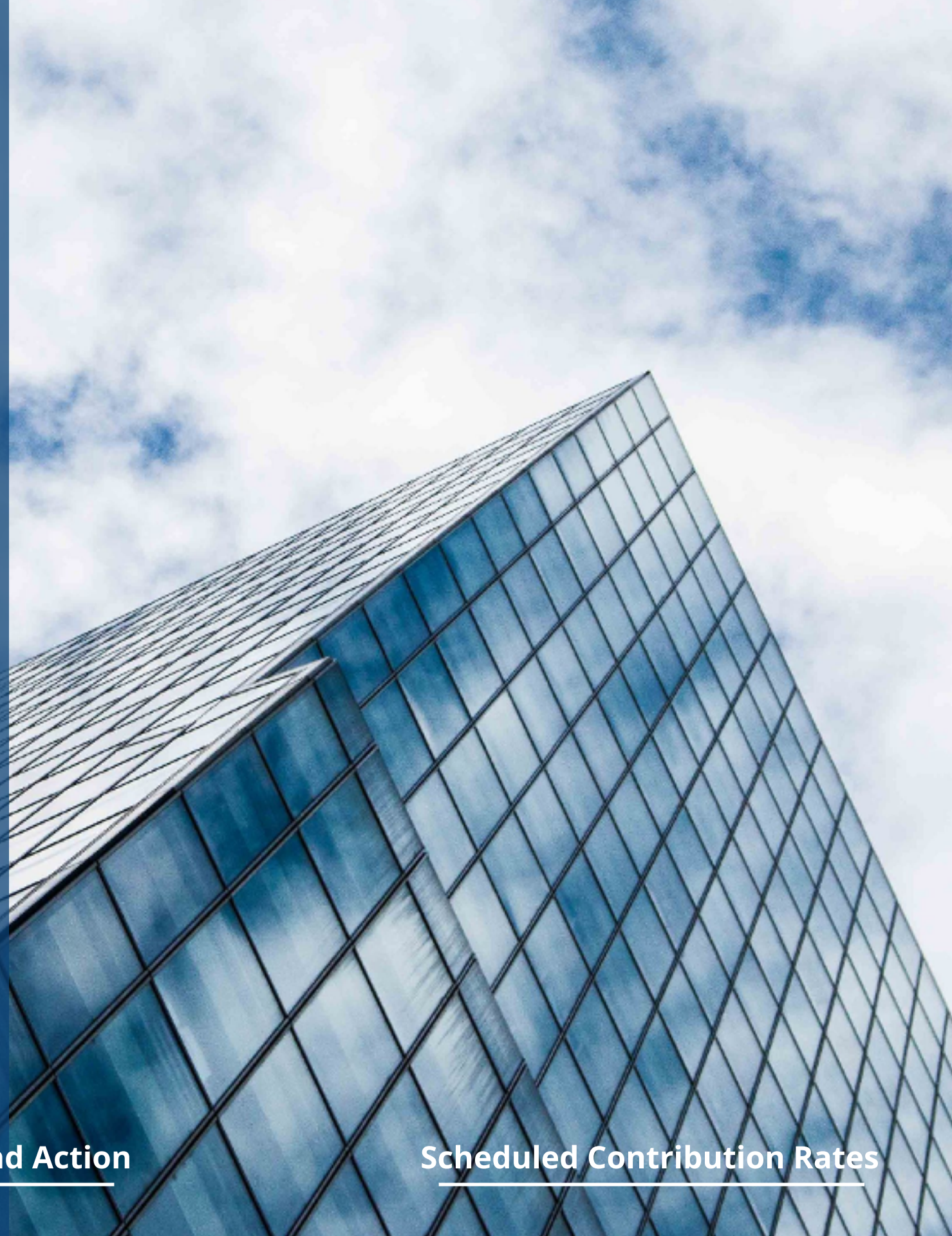
Impact and Call for Action

Part III: Changes to Pension Contributions and Eligibility

Key Provisions

Impact and Action

Scheduled Contribution Rates



PART III: CHANGES TO SOCIAL SECURITY PENSION CONTRIBUTIONS SCHEDULE AND PENSION ELIGIBILITY

REFORM OF MEXICAN LABOR LAWS

On December 9, 2020, the Social Security Law was reformed to improve workers' eligibility under the defined contribution social security pension system which includes a defined benefit minimum guaranteed pension. The minimum number of contribution weeks for pension eligibility is reduced from 1,250 to 1,000. Furthermore, the requirement is lowered to 750 for 2021, increasing annually by 25 up to 1,000 weeks for the year 2031 and beyond.

The reform also gradually **increases the employer pension contribution rate from 5.15% to 13.875% of covered wages** over the period from 2023 to 2030. For individuals who joined the system after July 1997, all of these higher contributions will be destined toward the defined contribution element of the Social Security pension system managed by the private sector.



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Social Security Law Reform



Employers will be facing significantly higher pension contributions to the social security system



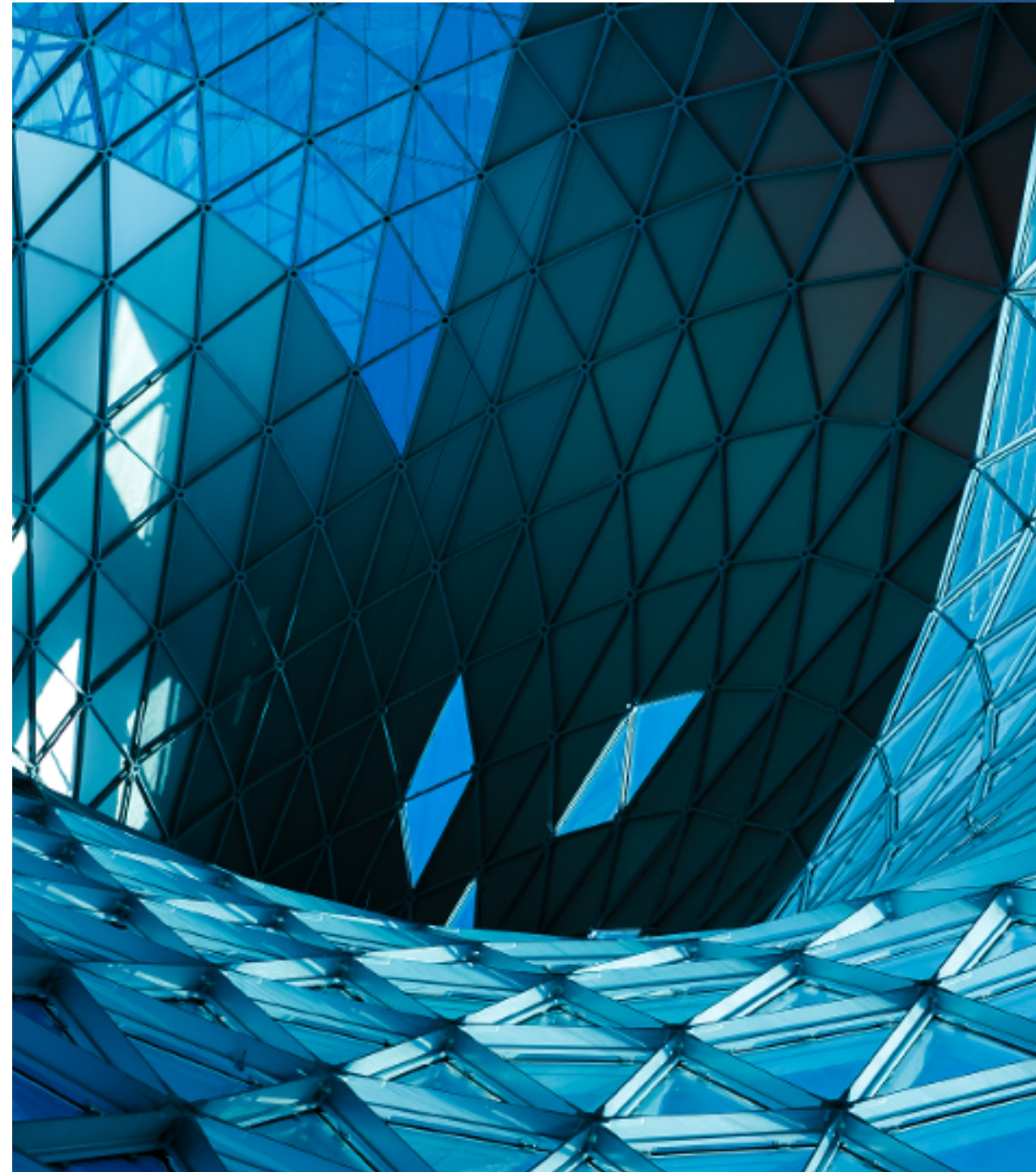
Employees will benefit from reduced requirements for minimum pensions and better benefits from increased employer contributions



Employee contributions currently set at 1.125% of covered pay will remain unchanged

Suggested Employer Action

- Adjust payroll cost budgets for future years to reflect the higher contribution rates for the company
- Review the design of existing supplementary retirement programs to take into account the higher social security pensions that are expected to emerge from the increases in employer contributions to the social security system
- Better terms for social security pension eligibility may represent employer opportunities to transition older workers into retirement



Employer Social Security Pension Contribution Schedule

Year / Wage	1 MW	1.01 MW to	1.51 to 2 UMA	2.01 to 2.5 UMA	2.51 to 3 UMA	3.01 to 3.5 UMA	3.51 to 4 UMA	4.01 UMA and above
2023	3.150%	3.281%	3.575%	3.751%	3.869%	3.953%	4.016%	4.241%
2024	3.150%	3.413%	4.000%	4.353%	4.588%	4.756%	4.882%	5.331%
2025	3.150%	3.544%	4.426%	4.954%	5.307%	5.556%	5.747%	6.422%
2026	3.150%	3.676%	4.851%	5.556%	6.026%	6.361%	6.613%	7.513%
2027	3.150%	3.807%	5.276%	6.157%	6.745%	7.164%	7.479%	8.603%
2028	3.150%	3.939%	5.701%	6.759%	7.464%	7.967%	8.345%	9.694%
2029	3.150%	4.070%	6.126%	7.360%	8.183%	8.770%	9.211%	10.784%
2030	3.150%	4.202%	6.552%	7.962%	8.902%	9.573%	10.077%	11.875%

MW - Minimum Wage (MXP 141.7 per day)

UMA - Unit of Measurement and Indexation (MXP 89.62 per day)

Note: In addition to the above, the employer contribution under the system (2% of covered pay that is currently deposited in the individual retirement account balances managed by the private sector) as well as the 5% of covered pay made toward the Housing Fund will remain the same

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