

Indicators of Pension Benefits of Social Security State-plans in Mexico¹

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Abstract

Public sector pension plans tend to offer more generous pensions in comparison to those provided by national systems; they also have lower funding and have higher liabilities. This paper is aimed at examining pension benefits of public pension plans in Mexico. We review the pension rules of the most representative state-plans in the 32 states to construct two indicators of pension benefits across the distribution of salaries. The first indicator, replacement rate, has the purpose of providing an idea of pension benefits' adequacy. The second indicator, pension wealth, has the purpose of informing about the approximate value of the pension debt incurred by the state-plan. Both indicators are constructed using a methodology inspired by OECD models. The results show that the average replacement rate for public sector workers is 79%. Replacement rates are higher in defined benefit (DB) state-plans than in defined contribution (DC) plans. Average pension wealth across states is 16.4 times the last annual salary. Women tend to have slightly lower replacement rates and a higher pension wealth.

Keywords: pension benefits of state plans, replacement rate, pension wealth, Mexico

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1 Introduction

In most countries, public sector workers (civil servants and other public sector employees in the military, education, publicly owned enterprises, etc.) have separate pension schemes which have not been as studied as national pension schemes (for private sector employees).³ Among the reasons that have been identified to justify the separation of pensions for both public and private sector workers are: making a career in the public sector stable and attractive; shifting the cost of remunerating public servants into the future; and retiring older civil servants in a politically and socially acceptable way. However, in comparison to national pension plans, public sector pension plans tend to offer more generous pensions, have lower funding and have higher liabilities. Public sector pensions in a number of countries are becoming a large fiscal burden which may threaten the operation of other public programs, especially in countries with a low tax base (Palacios and Whitehouse 2006, OECD 2007).

This paper is aimed at examining pension benefits of state plans in Mexico. In this country, there is concern about the financial situation of public sector pensions due to the lack of information for properly assessing the magnitude of the incurred debt (Aguirre 2012, Vasquez Colmenares 2012, Santin Quiroz 2009). According to Farrell (2009); most social security public pension plans in Mexico are in actuarial deficit since their creation as contributions (*cuotas y aportaciones*) that were stated by law were insufficient to face obligations. This envisages an increasing level of unfunded liabilities due to population aging, financial crisis and inadequate investment of reserves.

³ In some countries, national pension schemes may also include some groups of public sector workers, the self-employed, etc. (See Palacios 2006).

Pensions for public sector workers in Mexico mainly include heterogenous plans for state owned enterprises (*paraestatales*) and local governments (*estados* and *municipios*). Some public sector workers are entitled to pension benefits provided by *Instituto Mexicano del Seguro Social*⁴ (IMSS), others receive benefits from *Instituto de Seguridad Social para los Trabajadores del Estado* (the federal ISSSTE). In addition, pension provision for employees of subnational governments is decentralized; the states (and some municipalities) operate state-plans which can be managed either by “local ISSSTE’s”⁵ or within the administrative structure of the local government (Martinez 2009, Vazquez-Colmenares 2012). In Mexico, in contrast to what happens in other countries, these special regimes for public sector workers are not linked with the general regime or national pension scheme.⁶

Aguirre-Farias (2012) documented that inadequate eligibility requirements are among the main causes for the financial disequilibria in public sector pension plans (in most of them the key aspect is having contributed for a small number of years instead of having reached a reasonable pensionable age), as well as the inexistence of capped pensionable salaries and rules for the accumulation of reserves. The author shows an actuarial deficit for accrued liabilities of all public sector pension plans equivalent to around 120% of the GDP.

Given the need to further assess the situation of pension plans for public sector workers in Mexico, in this paper we construct two indicators of pension benefits which have been used in the literature for the purpose of monitoring with a perspective of fairness and financial sustainability (OECD 2009 and 2011, CISS 2011). The first indicator,

⁴ Art. 123 of the Mexican Constitution, *Apartados A, B*.

⁵ For example: ISSSTESON in Sonora, ISSSTEZAC in Zacatecas, ISSEG in Guanajuato, among others.

⁶ See Palacios and Whitehouse (2006).

replacement rate, shows the value of the pension in relation to an earnings measure, and thus, says something about adequacy (do pensioners have acceptable standards of living, measured with respect to an income of reference?). The second indicator, *pension wealth*, shows the present value of expected pension benefits, and thus provides an indication of the amount of debt incurred by public pension plans at the moment of retirement. Both indicators are constructed based on the methodology used by the OECD.

The main questions that are addressed in this paper are: What is the indicator of average pension benefits of state plans in Mexico? What is the variation of expected pension benefits according to the level of salary, and type of pension plan (DB, DC or mixed)? Which states have the highest and lowest replacement rates and pension wealth?

The results show that the average replacement rate across states in Mexico is 79.3%. States with DB and mixed plans have higher average replacement rates (87 and 101, respectively). Average pension wealth across the distribution of salaries in all states is 16.4 times the last annual salary. When looking at this indicator with respect to type of pension plan, it is 16.9 in mixed, 15.1 in DC and 17.3 in DB plans.

The rest of the paper is organized as follows: Section 2 describes the methodology, assumptions, and data used for modeling pension benefits. Section 3 presents the results of our calculations of indicators of pension benefits, and Section 4 concludes.

2 Methodology and Assumptions

We look at prospective individual old-age pension entitlements for the most representative state-plans in the 32 Mexican states.⁷ Once we obtain individual prospective old-age pension benefits, we construct two main indicators of retirement income. The indicators are

⁷ If there is a non-contributive pension in operation in a state, for which public sector workers may be eligible, these benefits are not included in the analysis.

replacement rates, defined as the ratio of pension benefits to individual pre-retirement salaries, and *pension wealth*, defined as the present value of pension benefits from the moment the individual reaches the statutory pensionable age and for the remaining of his or her life. Pension wealth is a more comprehensive measure of pension entitlements than a replacement rate as it considers other variables such as pensionable age, life expectancy and indexation of pensions. These indicators show how old-age pension entitlements vary across the salary distribution in a range of 50% of the average salary to 5 times the average salary.

In the baseline scenario, we make the assumption of having uninterrupted labor market careers from the age of 20 until reaching the statutory pensionable age. This assumption, which is used in OECD models, is not quite realistic for developing countries with an informal labor market. We also construct a second scenario, in which state pension plans are received when the eligibility condition of having a minimum number of contributed years is met. By having these two scenarios, being retired either when statutory retirement age is reached, or when the minimum number of contributed years is met, we can have an idea of the maximum and the minimum values taken by the indicators.

Assumptions

The calculation of pension benefits focuses on a single worker that enters the labor market in 2011 at the age of 20 and makes uninterrupted contributions to the state pension plan until reaching the statutory pensionable age. This means that we consider a career length of 40 years if the pensionable age is 60, for example. We neither model benefits of dependants nor invalidity or survivorship benefits.

A single set of economic variables is assumed for the projection of salaries and the calculation of pension benefits. A standard set of assumptions allows controlling for economic conditions and focusing on differences in pension policy for public sector workers across states. The baseline assumptions are:

- Price inflation: 4% per year.
- Real salary growth: 1% per year
- Real minimum salary growth: 0.25% per year
- Real rate of return after administrative charges on funded, defined-contribution pensions: 3.5% per year.
- Discount rate: 3% per year.
- Mortality rates: At the national level: United Nations. At the state level: own calculations of life expectancy based on projections by CONAPO.

Data

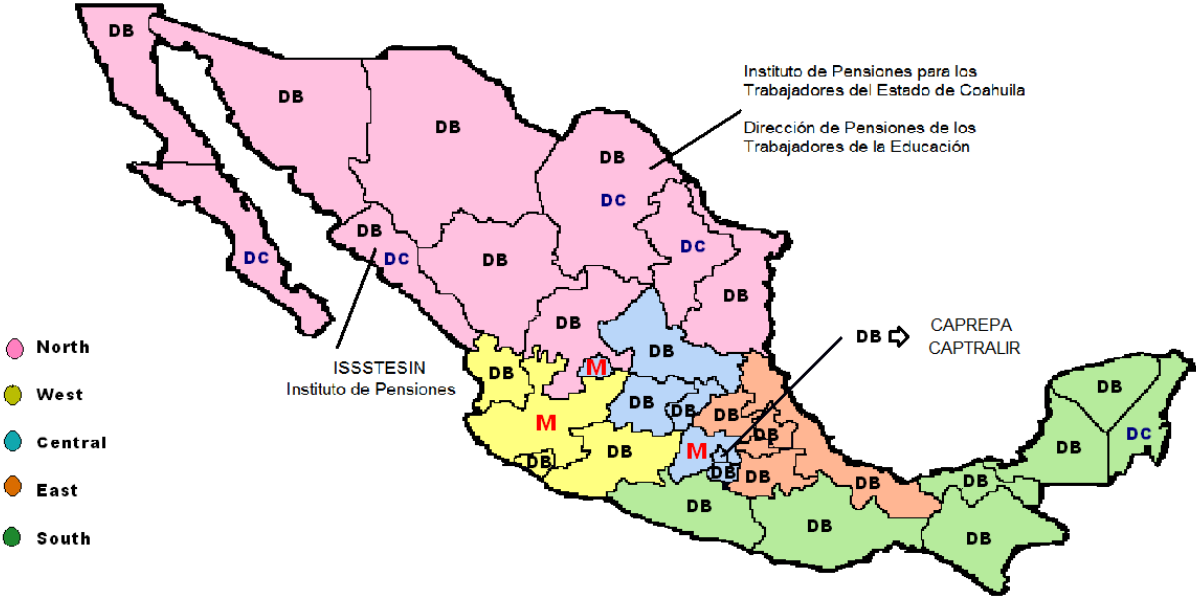
Pension rules and background information for each state-plan as of 2010 can be found in CONSAR (2012) and CESOP-Camara de Diputados (2010); we assume the pension rules that prevailed in 2010 will be valid in the future. Figure 1 presents the map of Mexican states by region⁸ and type of state pension plan. The states with DC plans are: Sinaloa, Coahuila, Nuevo Leon, Baja California Sur, and Nuevo Leon. States with mixed pension plans are Jalisco, Estado de Mexico and Aguascalientes. Most remaining states have DB pension plans.

⁸ States were grouped into regions following classifications by *Instituto Nacional de Estadística e Informática* (INEGI) and *Consejo Nacional de Ciencia y Tecnología* (CONACYT). CAPREPA=Caja de Previsión de la Policía Auxiliar; CAPTRALIR=Caja de Previsión de la Policía Preventiva.

Parameters such as the value of minimum pensions are assumed to remain at the same level in relation to the average salary in the future, unless rules specifically indicate otherwise. Initial salaries for projecting old-age pension benefits of public sector workers were approximated by information from the National Employment Survey (ENOE) for the second trimester of 2011.⁹ Reported salaries of public sector workers in this survey are considered net salaries. Given the assumption on salary growth, projected salaries are expressed as a multiple of the salary in the initial period.

Figure 1

Map of Mexican States by Region and Type of Pension Plan for Public Sector Workers



DB=defined benefit
 DC=defined contribution
 M=mixed

Note: Information on type of state-plans as of 2010 can be found in CONSAR (2012) and CESOP-Camara de Diputados (2010).

⁹ Public sector workers were identified in the ENOE database according to “Sistema de Clasificación Industrial de América del Norte” (SICAN) using the codes 9312 and 9313.

3 Results

In the baseline scenario, workers enter the public sector labor market at the age of 20 in 2011 and have uninterrupted labor careers. Future old-age pension benefits of today's workers who contribute to the main state plan with different levels of salaries are examined. The first indicator is the replacement rate, defined as the individual pension benefit as a proportion of individual pre-retirement salary when working. This indicator is useful when looking at the extent to which a pension plan maintains the standard of living.

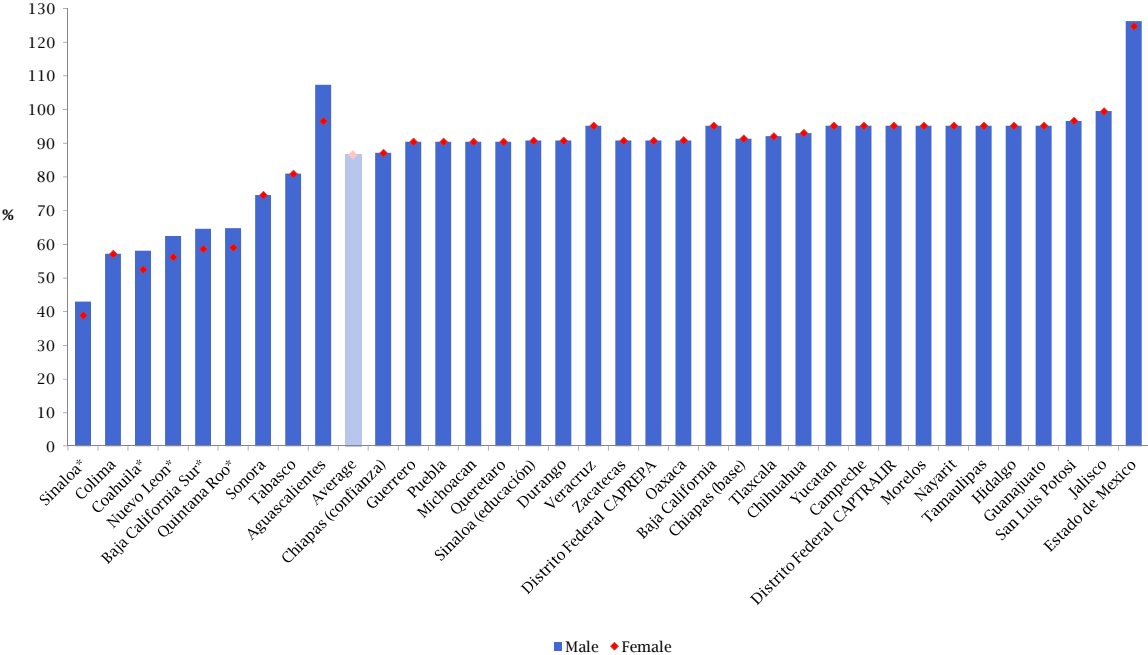
We also present calculations of pension wealth. As this indicator focuses in all future pension benefits the individual will receive until death, it depends on the level of benefits, the period during which these will be received, and the assumptions about the discount rate. It is also affected by whether benefits are adjusted using the rate of growth of prices or salaries. The payment period depends on the statutory age at which benefits are received and on the life expectancy at that age. For DC pension regimes, the calculations assume that when pension benefits are received at pensionable age they are paid in the form of a standard annuity calculated from mortality data.

Replacement Rates

The average replacement rate (in net terms), calculated across states, gender and salaries, is 79%. On average women have lower rates (78) than men (80). States with DB and mixed (DB and DC) pension plans have higher average replacement rates (87 and 101, respectively) than states with DC regimes (50). For the average-salaried public sector workers, Figure 2 compares replacement rates by gender across Mexican states. They receive replacement rates averaging 86 (86.5 for males and 86.3 for females). In general, replacement rates are lower in states of the DC type (which are identified by an asterisk).

The state with the highest replacement rate is Estado de Mexico which has both, DB and DC components. Figure 2 shows that for average-salaried workers women have about the same replacement rates than men, except in states of the DC type as their lower salaries represent lower replacement rates.

Figure 2
Replacement Rates for the Average-Salaried across Mexican States



Figures 3 to 7 show replacement rates across the distribution of salaries, by region and gender. It is found that some states have high replacement rates around 100%. When this is not the case (for example when there is a kink in the replacement rate profile) is due to the existence of a capped pension or a capped salary for the calculation of benefits. In general there are two types of behavior of replacement rates across salaries. A flat line, which indicates that the state-pension gives the same replacement rate regardless the level of salary; and higher replacement rates for the poorest in comparison with the richest, which is characteristic of a redistributive system (for example: Estado de Mexico and DF in the Central-region or Puebla in the East-region).

Figure 3a
Replacement Rates across the Distribution of Salaries, North Region, Males

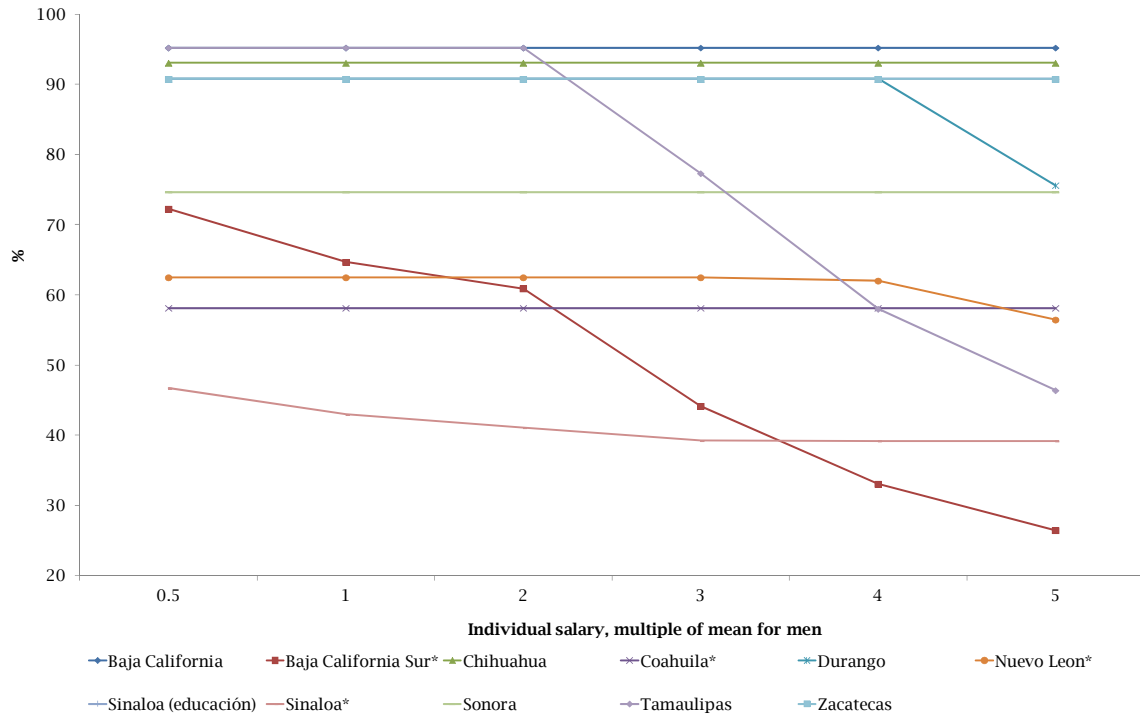


Figure 3b
Replacement Rates across the Distribution of Salaries, North Region, Females

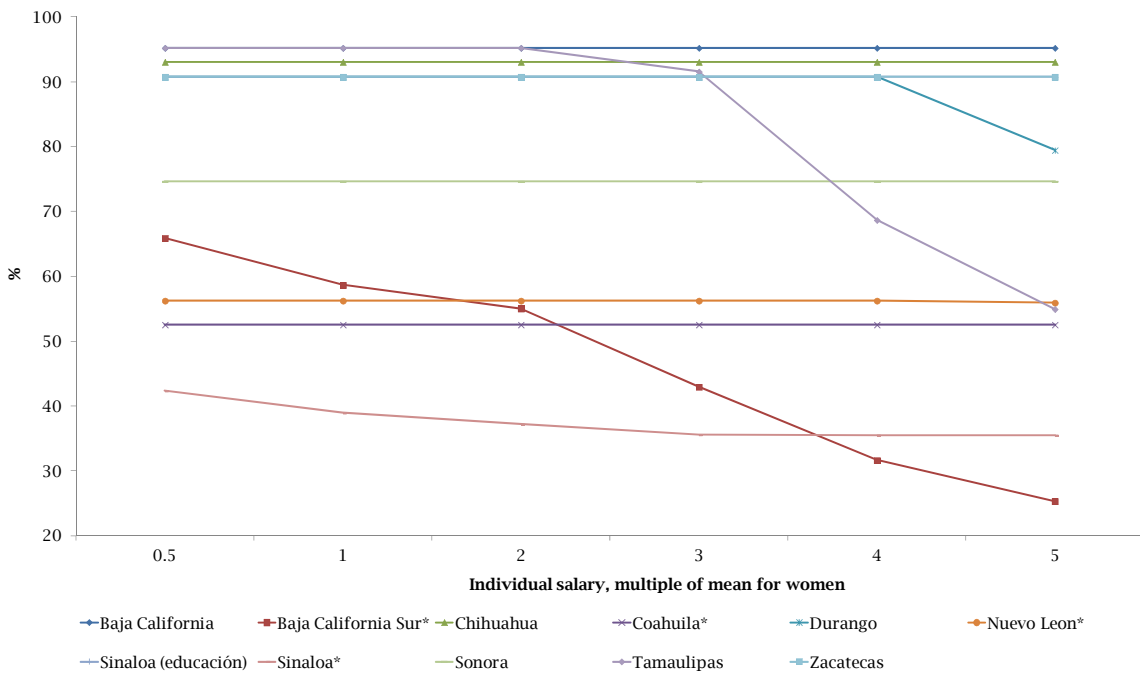


Figure 4a
Replacement Rates across the Distribution of Salaries, South Region, Males

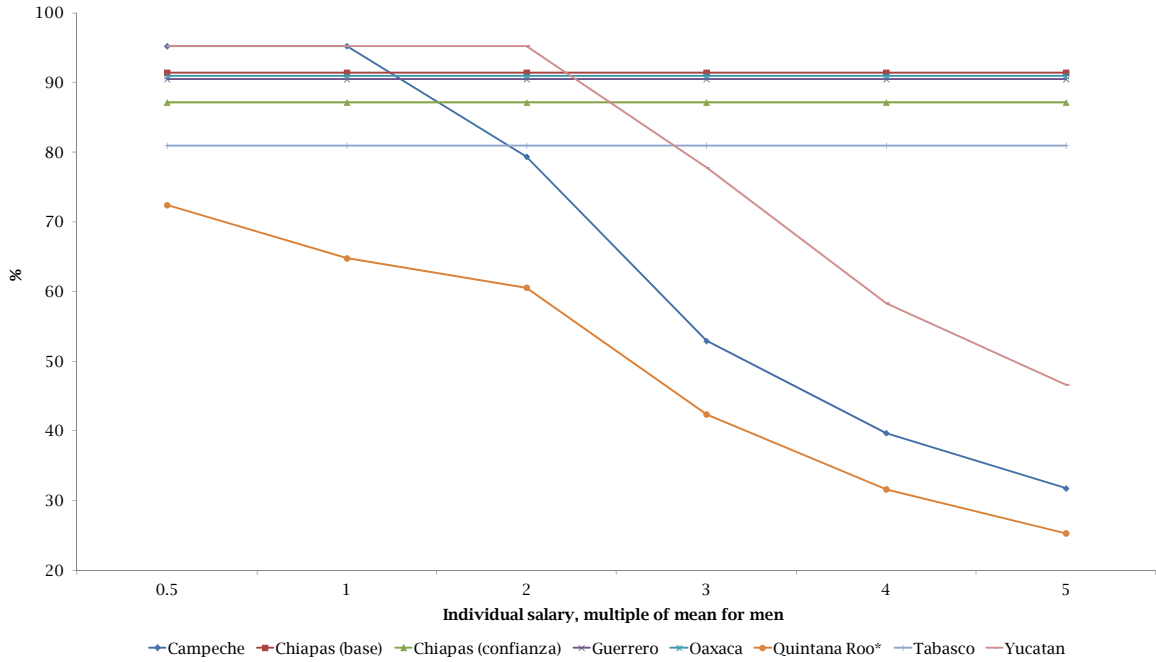


Figure 4b
Replacement Rates across the Distribution of Salaries, South Region, Females

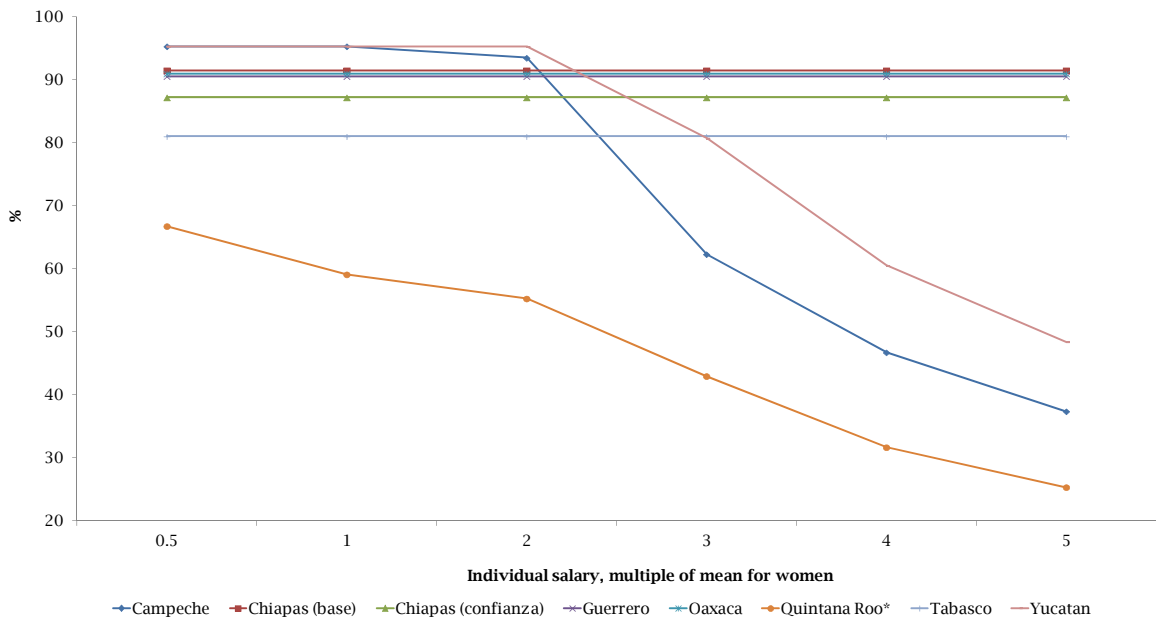


Figure 5a
Replacement Rates across the Distribution of Salaries, Central Region, Males

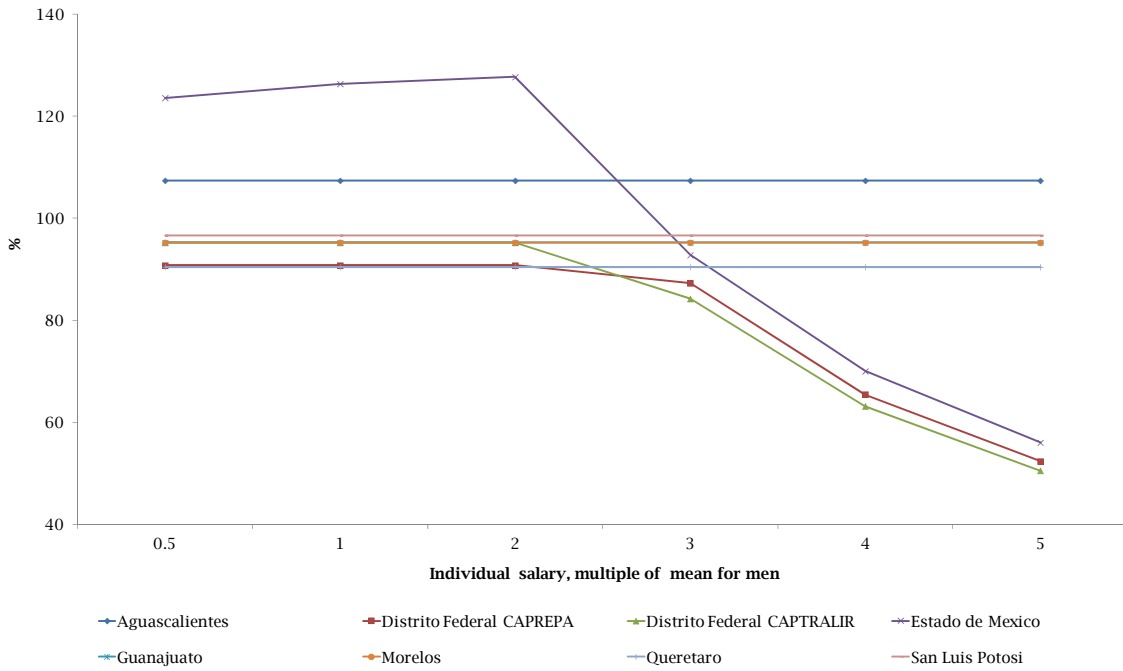


Figure 5b
Replacement Rates across the Distribution of Salaries, Central Region, Females

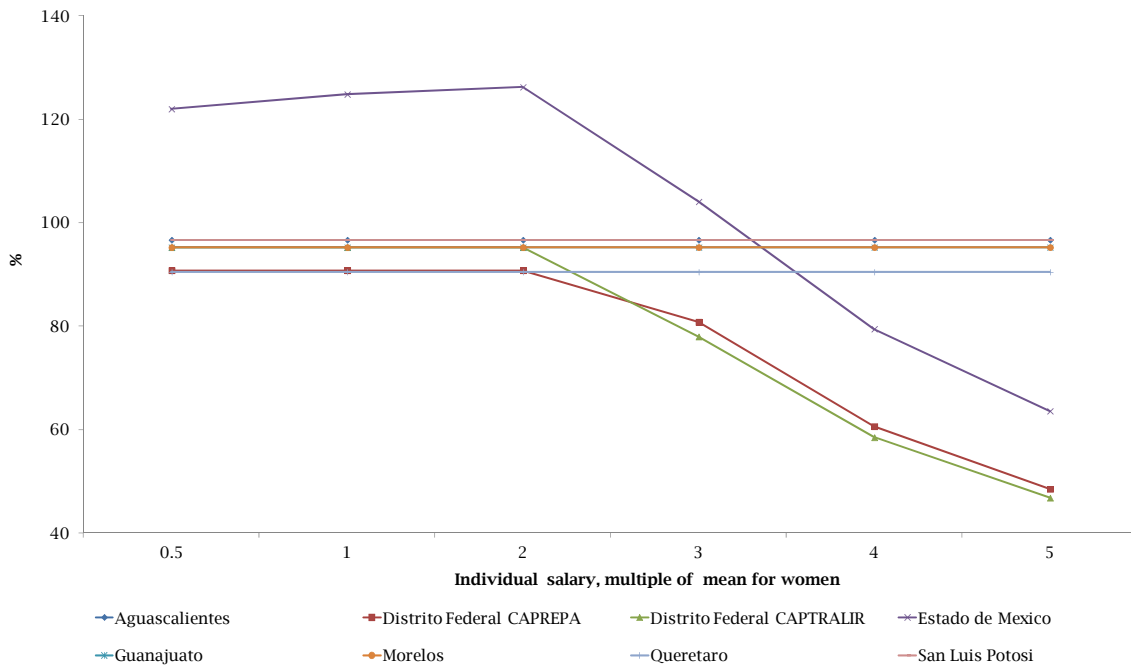


Figure 6a
Replacement Rates across the Distribution of Salaries, West Region, Males

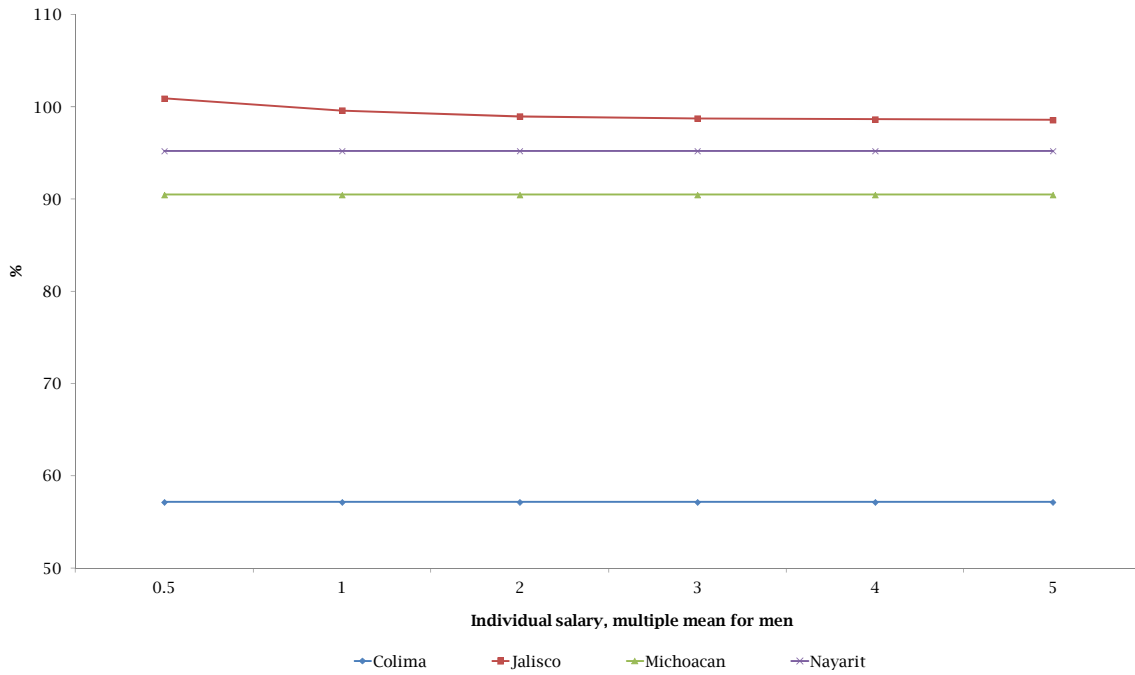


Figure 6b
Replacement Rates across the Distribution of Salaries, West Region, Females

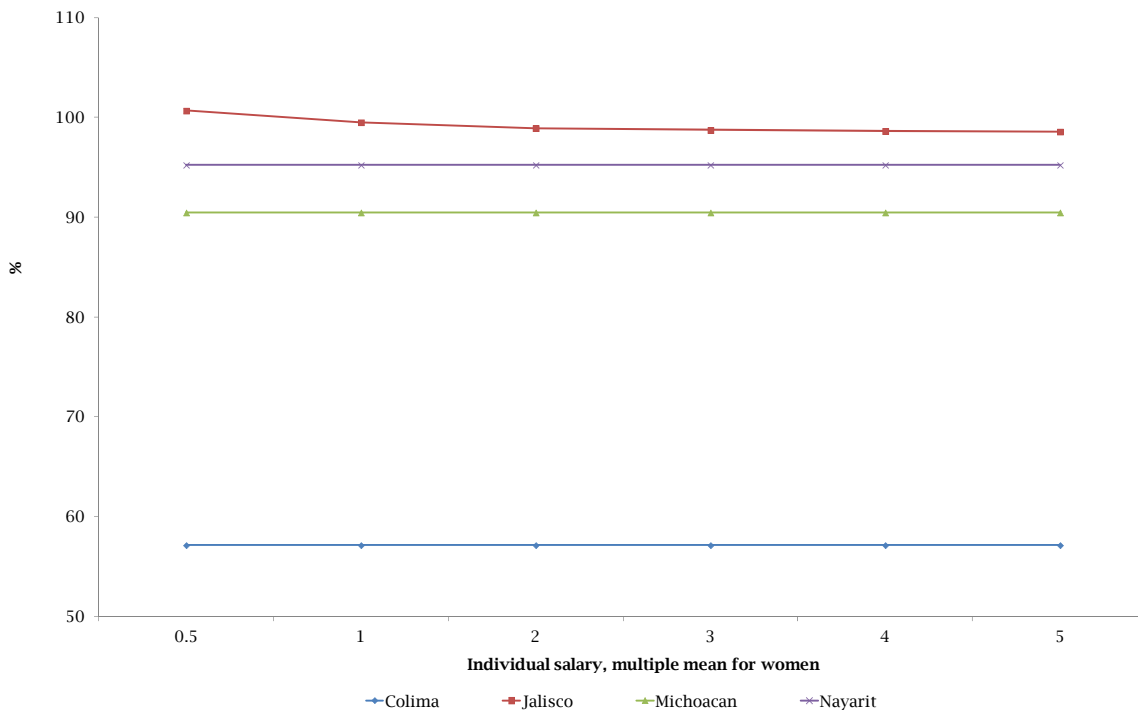


Figure 7a
Replacement Rates across the Distribution of Salaries, East Region, Males

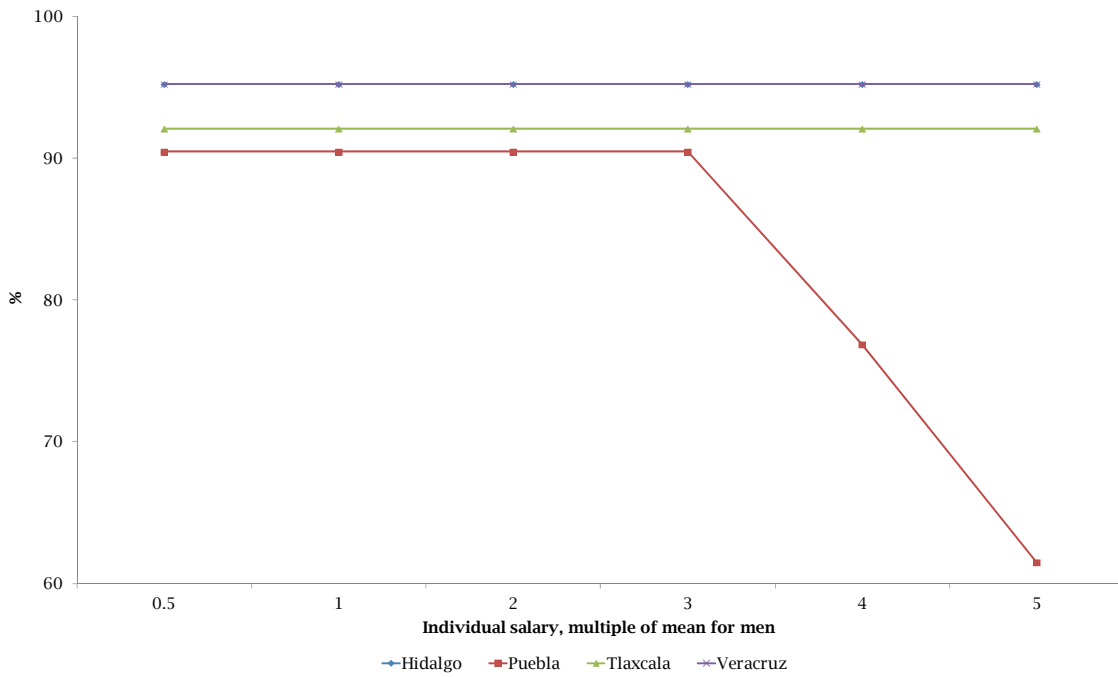
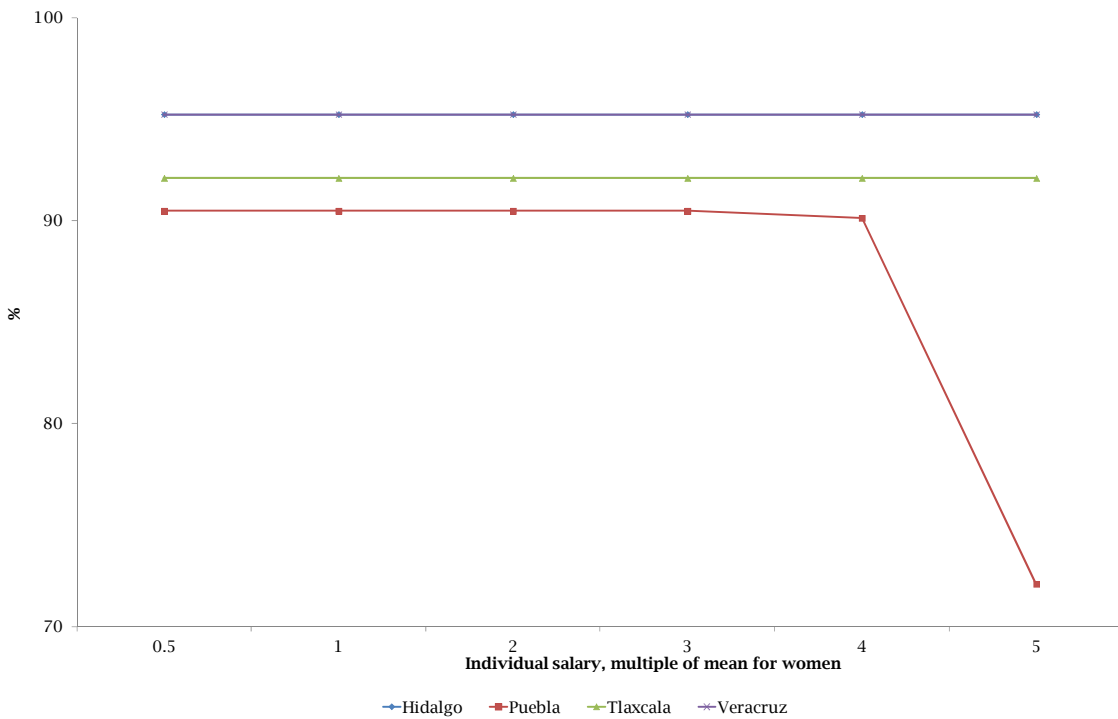


Figure 7b
Replacement Rates across the Distribution of Salaries, East Region, Females



Pension Wealth

Now, we show the calculations for the *pension wealth*, which is defined as the present value of the retirement income stream that will be received from retirement until death. Its calculation requires information about expected mortality at different ages and rules on pension indexation (to prices or salary growth). Unless the specifications in state legislation are different, we index pensions to prices, annually. For a given pension value, pension wealth will be higher in cases where pensionable age is low and life expectancy at this age is high because pension payments will be made for the largest possible number of years. A significant issue is that the calculation herein uses the “annuity option” for mandatory IRA systems; this means that the value of savings is transformed into a monthly payment guaranteed until entitlement is extinguished.¹⁰

Average pension wealth (across states, gender and salaries) is 16.4 times the last annual salary. Women have higher pension wealth (17.2) than men (15.3); this is mainly explained because women have higher life expectancy. States with DB and mixed pension plans have higher pension wealth (17.3 and 16.9, respectively) than states with DC regimes (15.1). For the average-salaried, Figure 8 compares this indicator by gender across states. Public sector workers receive on average pension wealth equals 18.2 (17.5 for males and 18.9 for females). Figures 9 to 13 present the calculation of pension wealth by region, across salaries.

¹⁰ Mandatory IRA systems usually provide two options to withdraw a pension entitlement: annuity or programmed withdrawals. In the first case, the individual uses the whole amount saved and buys an annuity from an insurer; this is the option used for the calculations. In the second, the individual keeps the money in the IRA and withdraws a monthly amount, which in turn is regulated by the pension authority to avoid the extinction of funds before death.

Figure 8
Pension Wealth for the Average-salaried across Mexican States

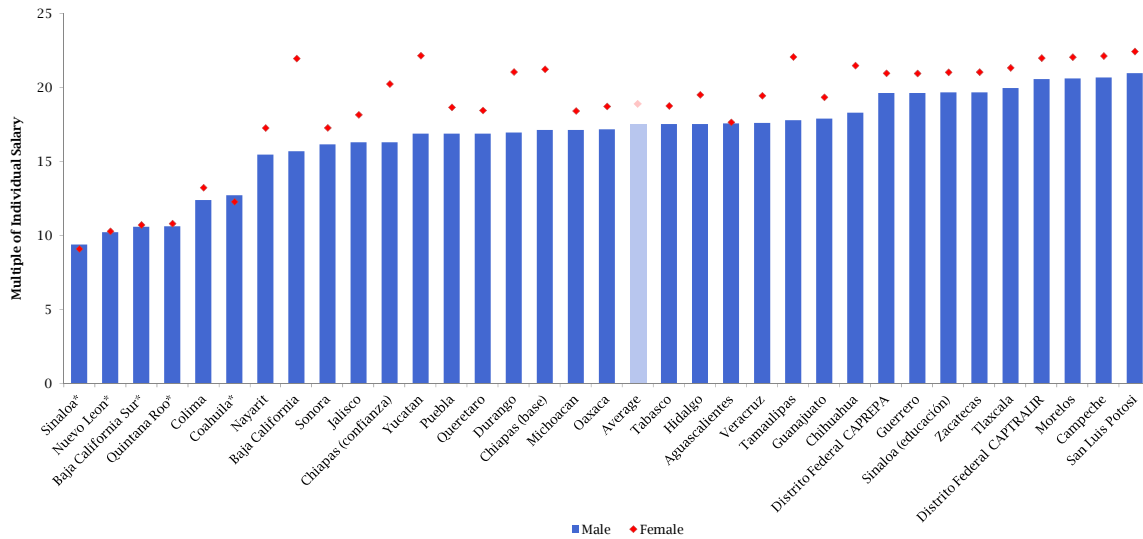


Figure 9a
Pension Wealth across the Distribution of Salaries, North Region, Males

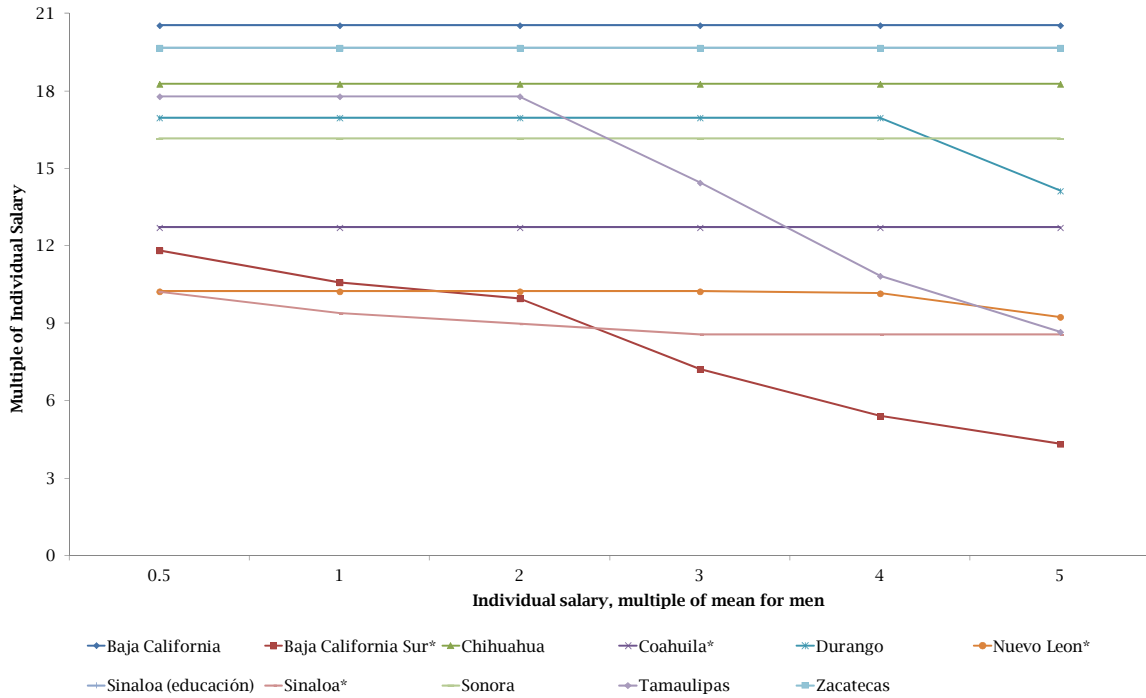


Figure 9b
Pension Wealth across the Distribution of Salaries, North Region, Females

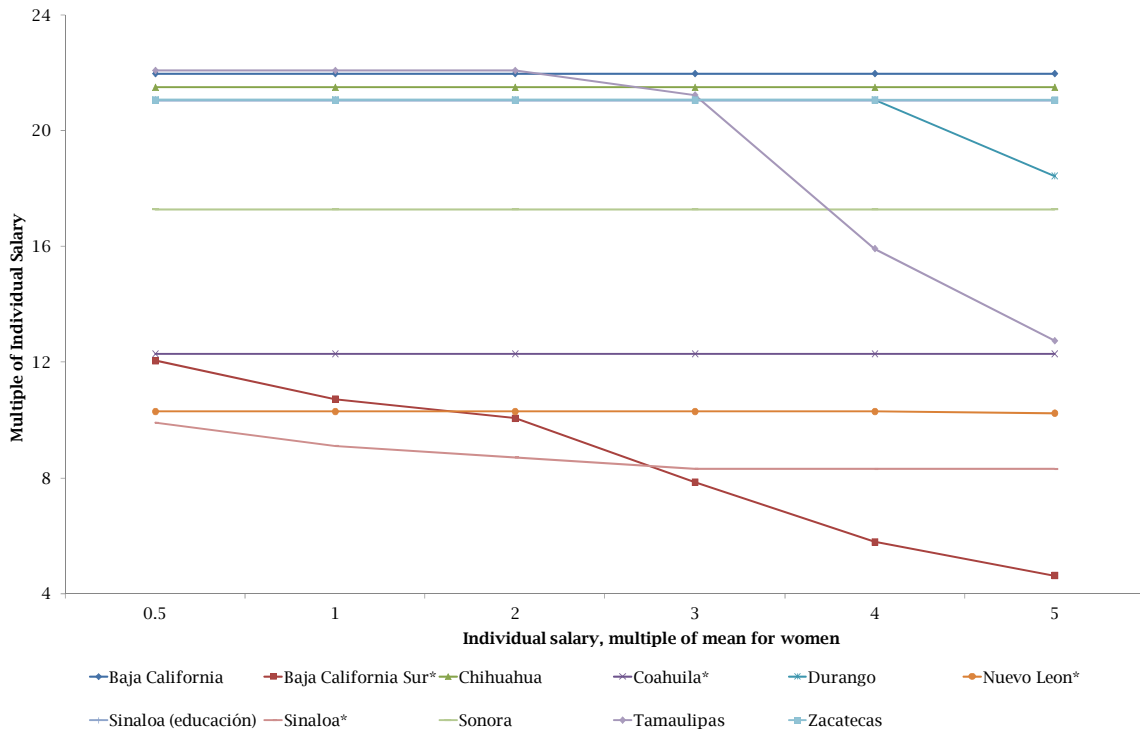


Figure 10a
Pension Wealth across the Distribution of Salaries, South Region, Males

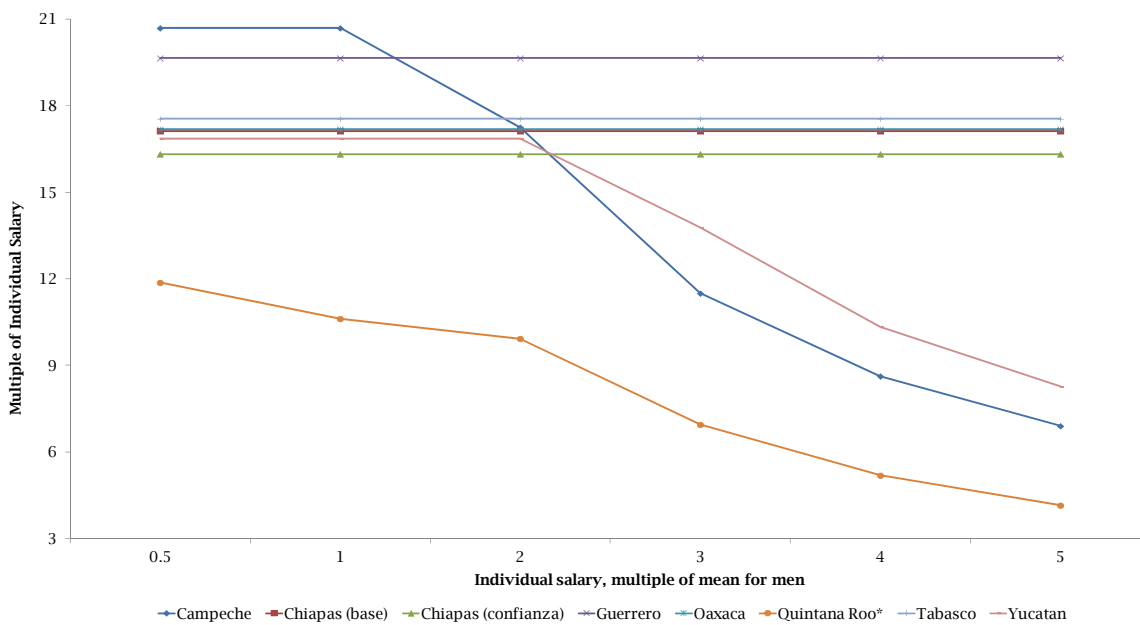


Figure 10b
Pension Wealth across the Distribution of Salaries, South Region, Females

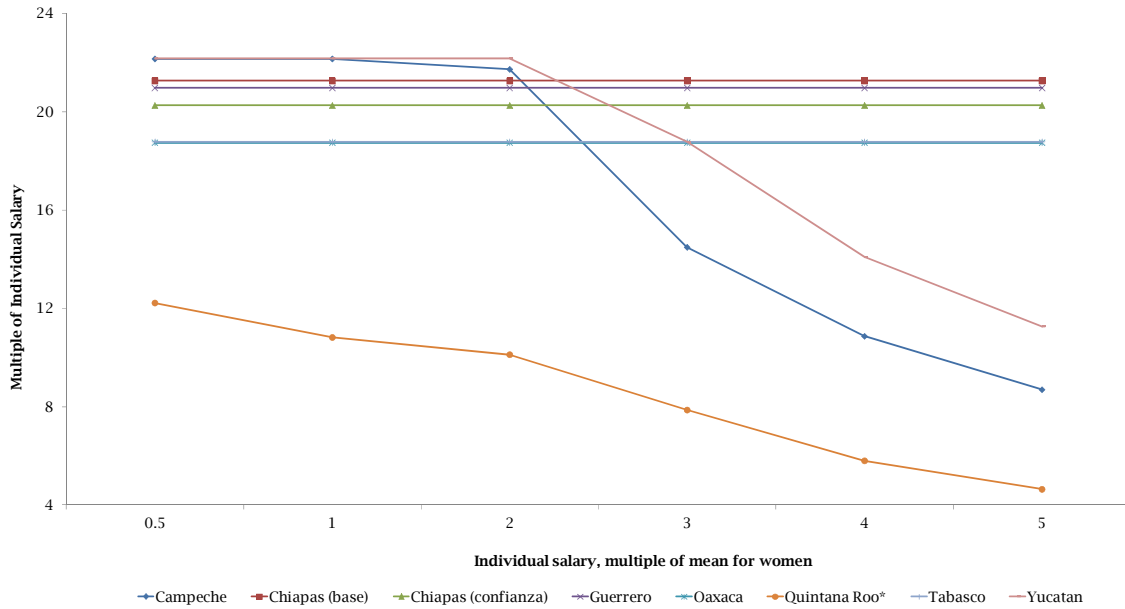


Figure 11a
Pension Wealth across the Distribution of Salaries, Central Region, Males

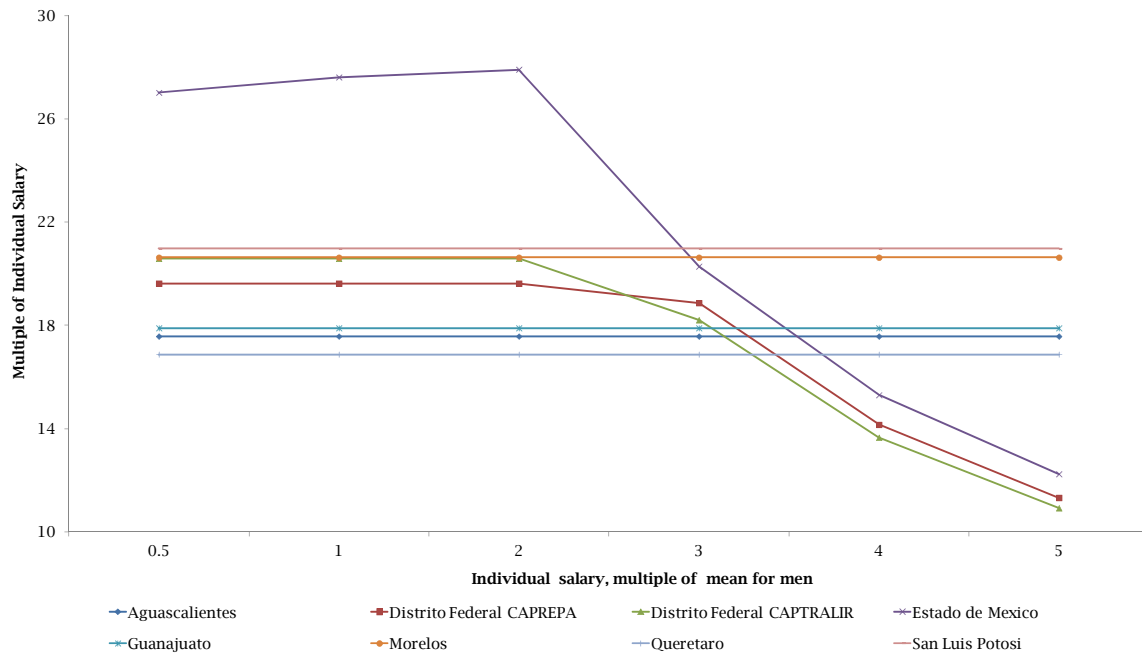


Figure 11b
Pension Wealth across the Distribution of Salaries, Central Region, Females

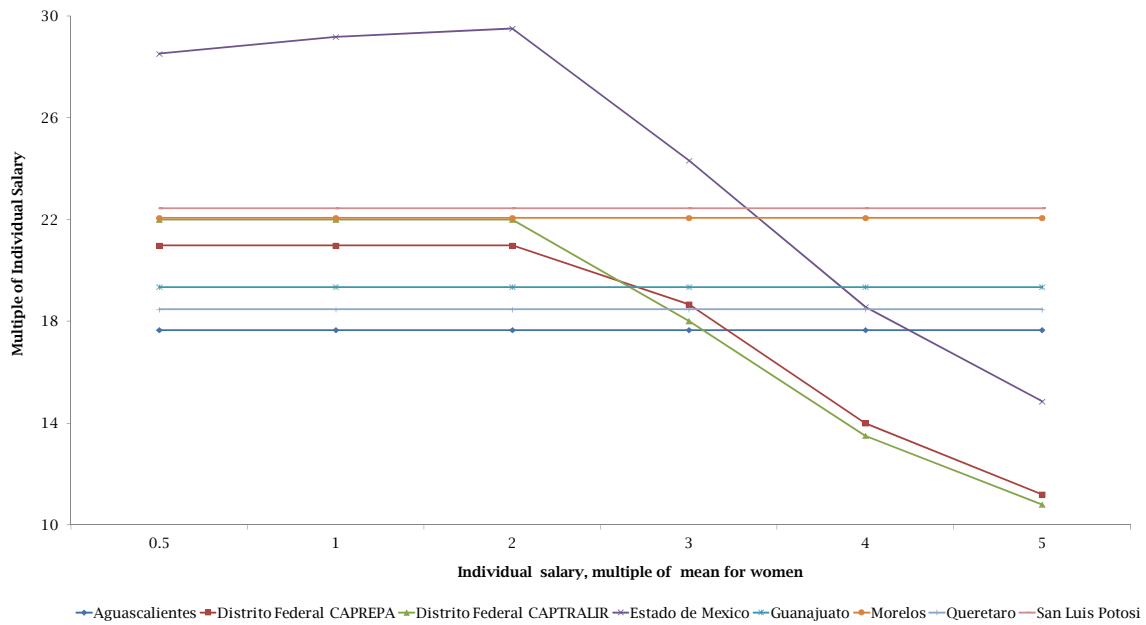


Figure 12a
Pension Wealth across the Distribution of Salaries, West Region, Males

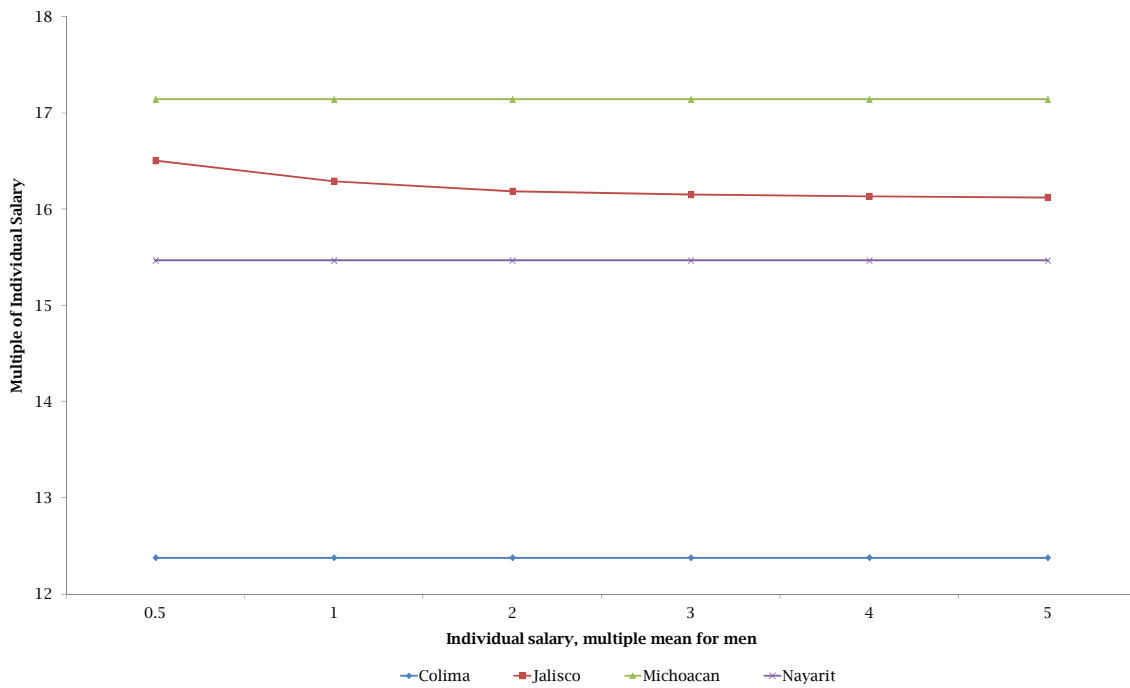


Figure 12b
Pension Wealth across the Distribution of Salaries, West Region, Females

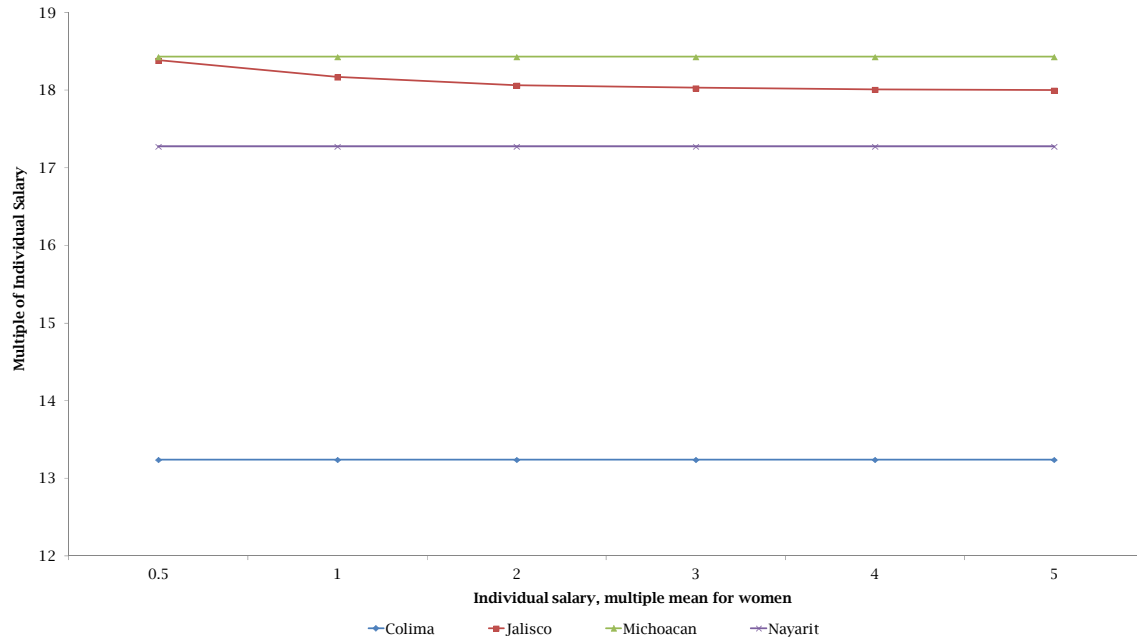


Figure 13a
Pension Wealth across the Distribution of Salaries, East Region, Males

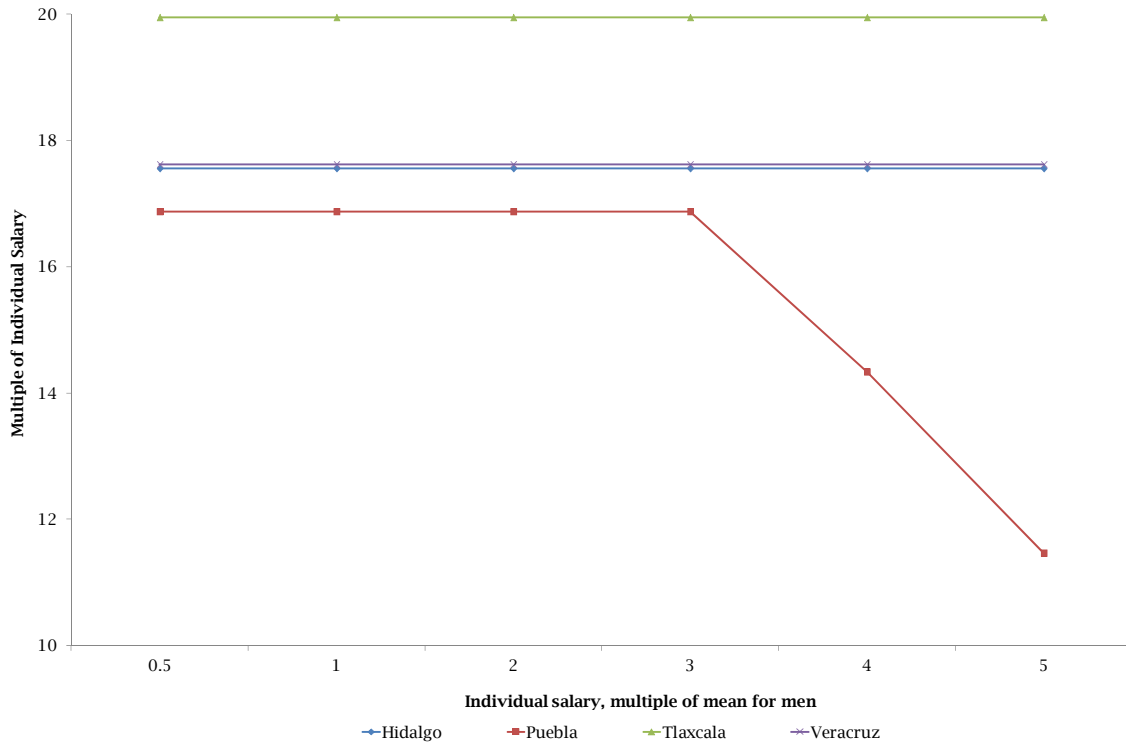
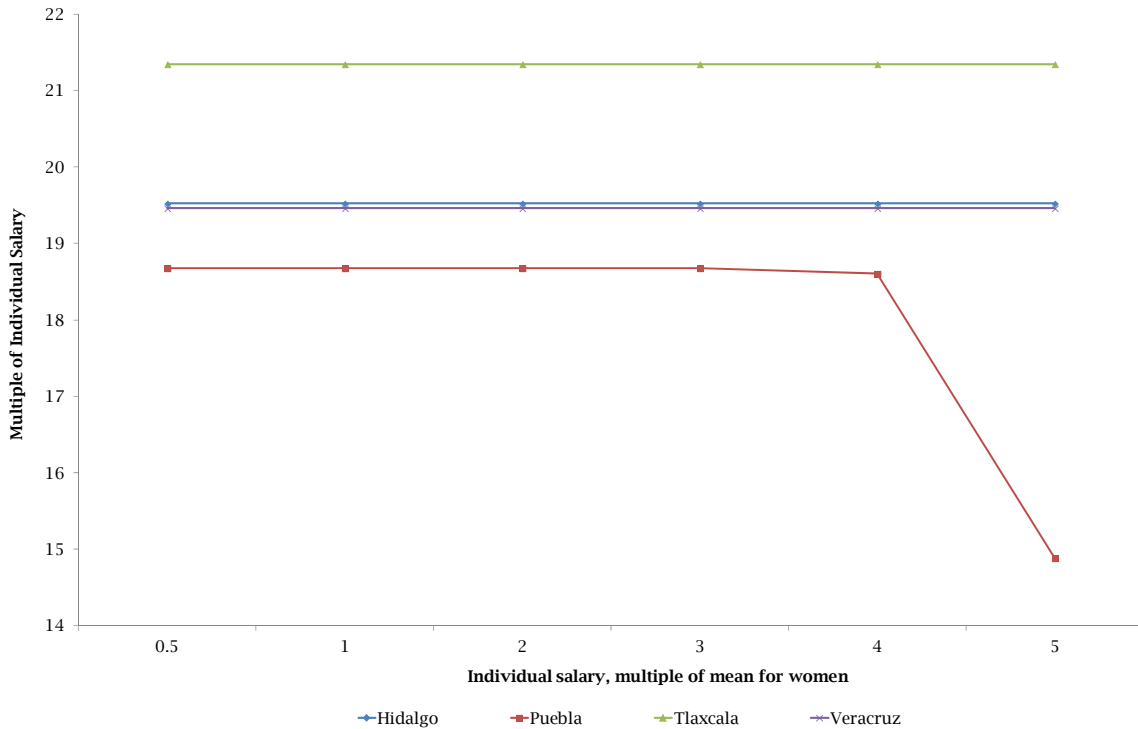


Figure 13b
Pension Wealth across the Distribution of Salaries, East Region, Females



Results for the Alternative Scenario

The previous results assume continuous labor market careers from the age of 20 until the statutory pensionable age stated in each state-plan. In an alternative scenario (Tables 1 to 4) we keep the statutory pensionable age but assume individuals make contributions only for the minimum number of years required to receive the old age pension. The generosity of state pension plans is also appreciated in the results of the second scenario. As a reference, studies by OECD (2011) and CISS (2011) have estimated a replacement rate of about 40% for workers of the private sector (in the baseline scenario, after 40 years of contributions) and pension wealth of about 7 times the last annual salary. Most state plans in Mexico provide benefits after having contributed during only 15 years.¹¹

¹¹ The baseline and alternative scenarios for Coahuila and Zacatecas coincide because in these states the law does not specify a pensionable age.

Table 1
Differences in Replacement Rates, Males

Region	State	Scenario		Difference
		Base	Alternative	
Center	Aguascalientes	107.4	61.5	45.9
Center	Distrito Federal CAPREPA	90.8	45.4	45.4
Center	Distrito Federal CAPTRALIR	95.2	47.6	47.6
Center	Estado de Mexico	126.4	58.3	68.1
Center	Guanajuato	95.2	47.6	47.6
Center	Morelos	95.2	47.6	47.6
Center	Queretaro	90.5	50.5	40.0
Center	San Luis Potosi	96.7	47.6	49.1
North	Baja California	95.2	47.6	47.6
North	Baja California Sur*	64.7	34.9	29.8
North	Chihuahua	93.1	44.3	48.8
North	Coahuila*	58.1	58.1	0.0
North	Durango	90.8	45.4	45.4
North	Nuevo Leon*	62.5	49.5	13.0
North	Sinaloa (educación)	90.8	45.4	45.4
North	Sinaloa*	43.0	18.3	24.7
North	Sonora	74.7	38.6	36.1
North	Tamaulipas	95.2	47.6	47.6
North	Zacatecas	90.8	90.8	0.0
West	Colima	57.1	38.1	19.0
West	Jalisco	99.6	66.2	33.4
West	Michoacan	90.5	47.6	42.9
West	Nayarit	95.2	47.6	47.6
East	Hidalgo	95.2	47.6	47.6
East	Puebla	90.5	47.6	42.9
East	Tlaxcala	92.1	47.6	44.5
East	Veracruz	95.2	47.6	47.6
South	Campeche	95.2	47.6	47.6
South	Chiapas (base)	91.4	43.0	48.5
South	Chiapas (confianza)	87.1	41.0	46.2
South	Guerrero	90.5	47.6	42.9
South	Oaxaca	90.9	45.5	45.5
South	Quintana Roo*	64.8	35.0	29.8
South	Tabasco	81.0	44.5	36.4
South	Yucatan	95.2	47.6	47.6

Table 2
Differences in Replacement Rates, Females

Region	State	Scenario		Difference
		Base	Alternative	
Center	Aguascalientes	96.7	55.4	41.3
Center	Distrito Federal CAPREPA	90.8	45.4	45.4
Center	Distrito Federal CAPTRALIR	95.2	47.6	47.6
Center	Estado de Mexico	124.8	57.7	67.2
Center	Guanajuato	95.2	47.6	47.6
Center	Morelos	95.2	47.6	47.6
Center	Queretaro	90.5	50.5	40.0
Center	San Luis Potosi	96.7	47.6	49.1
North	Baja California	95.2	47.6	47.6
North	Baja California Sur*	58.7	31.7	27.0
North	Chihuahua	93.1	44.3	48.8
North	Coahuila*	52.6	52.6	0.0
North	Durango	90.8	45.4	45.4
North	Nuevo Leon*	56.3	42.0	14.3
North	Sinaloa (educación)	90.8	45.4	45.4
North	Sinaloa*	38.9	16.6	22.3
North	Sonora	74.7	38.6	36.1
North	Tamaulipas	95.2	47.6	47.6
North	Zacatecas	90.8	90.8	0.0
West	Colima	57.1	38.1	19.0
West	Jalisco	99.5	66.1	33.4
West	Michoacan	90.5	47.6	42.9
West	Nayarit	95.2	47.6	47.6
East	Hidalgo	95.2	47.6	47.6
East	Puebla	90.5	54.8	35.7
East	Tlaxcala	92.1	47.6	44.5
East	Veracruz	95.2	47.6	47.6
South	Campeche	95.2	47.6	47.6
South	Chiapas (base)	91.4	43.0	48.5
South	Chiapas (confianza)	87.1	41.0	46.2
South	Guerrero	90.5	47.6	42.9
South	Oaxaca	90.9	45.5	45.5
South	Quintana Roo*	59.1	31.9	27.2
South	Tabasco	81.0	44.5	36.4
South	Yucatan	95.2	47.6	47.6

Table 3**Differences in Pension Wealth, Males**

		Base	Alternative	Difference
Center	Aguascalientes	17.6	10.1	7.5
Center	Distrito Federal CAPREPA	19.6	9.8	9.8
Center	Distrito Federal CAPTRALIR	20.6	10.3	10.3
Center	Estado de Mexico	27.0	12.7	14.3
Center	Guanajuato	17.9	9.0	8.9
Center	Morelos	20.6	10.3	10.3
Center	Queretaro	16.9	9.4	7.5
Center	San Luis Potosi	21.0	10.3	10.6
North	Baja California	20.5	10.3	10.3
North	Baja California Sur*	11.8	5.7	6.1
North	Chihuahua	18.3	9.6	8.7
North	Coahuila*	12.7	12.7	0.0
North	Durango	17.0	8.5	8.5
North	Nuevo Leon*	10.2	9.2	1.0
North	Sinaloa (educación)	19.7	9.8	9.8
North	Sinaloa*	10.2	4.9	5.4
North	Sonora	16.2	8.4	7.8
North	Tamaulipas	17.8	10.3	7.5
North	Zacatecas	19.7	19.7	0.0
West	Colima	12.4	8.3	4.1
West	Jalisco	16.5	10.8	5.7
West	Michoacan	17.1	9.0	8.1
West	Nayarit	15.5	7.7	7.7
East	Hidalgo	17.6	8.8	8.8
East	Puebla	16.9	8.9	8.0
East	Tlaxcala	19.9	10.3	9.6
East	Veracruz	17.6	8.8	8.8
South	Campeche	20.7	10.3	10.3
South	Chiapas (base)	17.1	9.3	7.8
South	Chiapas (confianza)	16.3	8.9	7.4
South	Guerrero	19.6	10.3	9.3
South	Oaxaca	17.2	8.6	8.6
South	Quintana Roo*	11.9	5.7	6.1
South	Tabasco	17.5	9.7	7.9
South	Yucatan	16.9	10.4	6.5

Table 4
Differences in Pension Wealth, Females

		Base	Alternative	Difference
Center	Aguascalientes	17.7	10.1	7.5
Center	Distrito Federal CAPREPA	21.0	10.5	10.5
Center	Distrito Federal CAPTRALIR	22.0	11.0	11.0
Center	Estado de Mexico	28.5	13.5	15.0
Center	Guanajuato	19.4	9.7	9.7
Center	Morelos	22.1	11.0	11.0
Center	Queretaro	18.5	10.3	8.2
Center	San Luis Potosi	22.4	11.1	11.4
North	Baja California	22.0	11.0	11.0
North	Baja California Sur*	12.0	5.8	6.3
North	Chihuahua	21.5	10.2	11.3
North	Coahuila*	12.3	12.3	0.0
North	Durango	21.1	10.5	10.5
North	Nuevo Leon*	10.3	8.6	1.7
North	Sinaloa (educación)	21.0	10.5	10.5
North	Sinaloa*	9.9	4.0	5.9
North	Sonora	17.3	8.9	8.3
North	Tamaulipas	22.1	11.0	11.0
North	Zacatecas	21.1	21.1	0.0
West	Colima	13.2	8.8	4.4
West	Jalisco	18.4	12.1	6.3
West	Michoacan	18.4	9.7	8.7
West	Nayarit	17.3	8.6	8.6
East	Hidalgo	19.5	9.8	9.8
East	Puebla	18.7	11.3	7.4
East	Tlaxcala	21.3	11.0	10.3
East	Veracruz	19.5	9.7	9.7
South	Campeche	22.1	11.1	11.1
South	Chiapas (base)	21.2	10.0	11.3
South	Chiapas (confianza)	20.3	9.5	10.7
South	Guerrero	21.0	11.0	9.9
South	Oaxaca	18.7	9.4	9.4
South	Quintana Roo*	12.2	5.8	6.4
South	Tabasco	18.8	10.3	8.4
South	Yucatan	22.2	11.1	11.1

5 Conclusions

This paper provides indicators of replacement rates and pension wealth for the main state plan for public sector workers across Mexican states. Replacement rates and pension wealth are calculated with respect to individual salaries. We follow closely the assumptions used by the OECD in a baseline scenario that simulates old-age pension benefits for workers assumed to begin work at age 20 until they reach the statutory pensionable age. We also construct an alternative scenario in which the eligibility condition of having a minimum number of contributions made is met.

We found that the general average replacement rate across Mexican states is around 79%. The average pension wealth is 16.4 times the annual salary and gives an indication to state pension plans of the average cost of paying the pension promise. This paper provides evidence of the high costs faced by pensions for private sector workers when compared with the results found for private sector workers (average replacement rate of about 40% after 40 years of contributions, and pension wealth of about 7 times the last annual salary) in Mexico.

There is some progress regarding accountability and governance of state pension plans in Mexico. For example, the suggestion by *Asociacion Nacional de Instituciones Estatales de Seguridad Social* (ANIESS) of applying standard actuarial criteria in the elaboration of actuarial valuations of social security state-plans; and the creation of a pension fund by *Secretaria de Hacienda, Fondo de Apoyo para la Reestructura de Pensiones FARP*, for states that consider the option of diminishing pension liabilities by implementing plans based on individual accounts.

However, more efforts are needed regarding efficient investment of pension funds' reserves and transparency. Another important issue towards having a unified pension system is the integration of state plans to a general regime, so that current fragmentation of social protection is tackled and costs of providing such protection are fairly distributed.

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