

Key results

Regulation usually defines a contribution rate for mandatory and auto-enrolment plans. Mandatory contribution rates for funded and private pension plans vary across countries. They are fixed at more than 10% of the salary in Denmark, Iceland and Israel. The contribution rate is lower in other countries like Australia (9.5% for employers only) or Chile (10% for employees only). Employees or employers may have made additional voluntary contributions in some mandatory pension systems.

Regulation usually defines a (minimum) contribution rate for mandatory and auto-enrolment plans. The responsibility to pay the contributions may fall on the employees (e.g. in Chile), on the employers (e.g. in Australia, Norway) or on both (e.g. in Estonia, Iceland, Switzerland). This obligation may only apply to certain employees or under certain conditions (e.g. mandatory employer contributions only for employees earning at least AUD 450 a month in Australia). Contributions may be topped by state matching contributions (e.g. New Zealand) or subsidies (e.g. social quota in Mexico).

Mandatory contribution rates are fixed at different levels across countries. Iceland sets the highest mandatory contribution rate at 15.5% of salary, split between employers (11.5%) and employees (4%). Mandatory contribution rates also represented over 10% of the salary in two other countries: Denmark (defined in collective agreements, ranging between 12% and 18%), and Israel. In Switzerland, the contribution credits to pay vary by age group, from 7% between 25 and 34 years old up to 18% beyond 55 years old. By contrast, Norway has the lowest mandatory rate among the reporting countries (2% paid by the employer). Employers and employees can however agree on whether employees have to contribute on top of employer contributions. These mandatory contribution rates sometimes vary by income (e.g. Denmark) or sector in which employees work (e.g. public or private in Mexico).

Individuals or their employers may have the possibility to contribute above the mandatory rate and make voluntary contributions. In New Zealand, the minimum contribution rate for KiwiSaver plans is 6% equally split between the employer and employee from 1 April 2013. Members can however select a higher personal contribution rate of 4%, 6% (from April 2019), 8% or 10% (from April 2019) of salary. In Poland where automatic enrolment in Employee Capital Plans (PPK) is implemented since 2019, the minimum contribution rate is 2% for employees and 1.5% for employers if employees do not opt out from PPK. Employers and employees have the possibility to make additional contributions of up to 2.5% (for employers) and 2% (for

employees). In Australia, employees have no obligation to contribute to a plan but can make voluntary contributions on top of their employer contributions.

In voluntary plans, there may be no required nor minimum amount of contributions expected at the national level. Personal plans may however include a ceiling to benefit from tax advantages. Occupational plans may define specific contribution rates for employees and employers in the plan rules. The contribution rates may vary according to the funding of the plan in case of defined benefit (DB) plans.

The highest average effective annual contributions per member (relative to average annual wages) can be found in mandatory systems with relatively high contribution rates (e.g. Australia, Iceland and Switzerland). Average contributions per member in Australia (14.8% of the average wages) are above the mandatory contribution rates of 9.5% of earnings, which could be the result of voluntary contributions of employees and additional contributions by employers on top of Australia's mandatory contribution rate of 9.5%. By contrast, average contributions per member in Chile (5.8% of average wages) were lower than the mandatory 10% of earnings, potentially reflecting irregular contributions from plan members to pension plans.

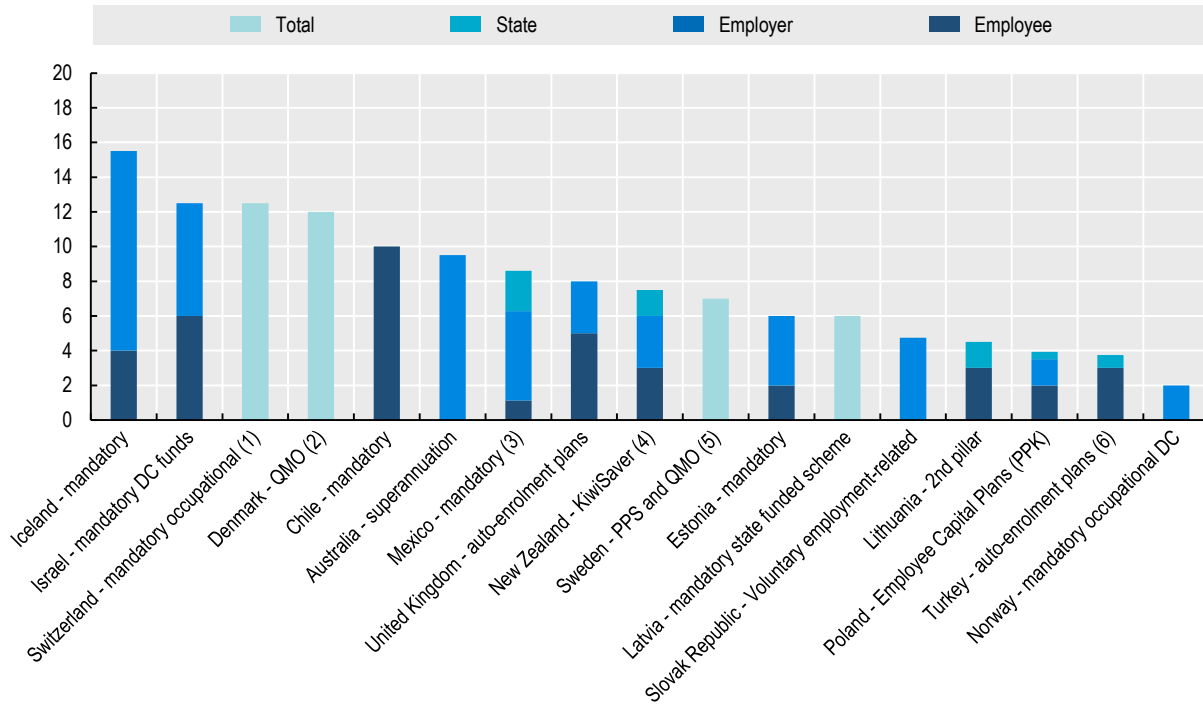
Among voluntary systems, average contributions per member (or plan) was below 10% of the average salary except in Canada and Luxembourg.

Definition and measurement

Average effective annual contributions may be expressed per account instead of member, as the exact number of members holding one (or several) pension plans is sometimes unknown. This is the case for instance in France where individuals can have an occupational (e.g. PERCO) and personal plans (e.g. PERP).

The population holding a pension plan may not be representative of the population on which the average annual wages were calculated and used for the assessment of the average effective annual contributions per member (or account).

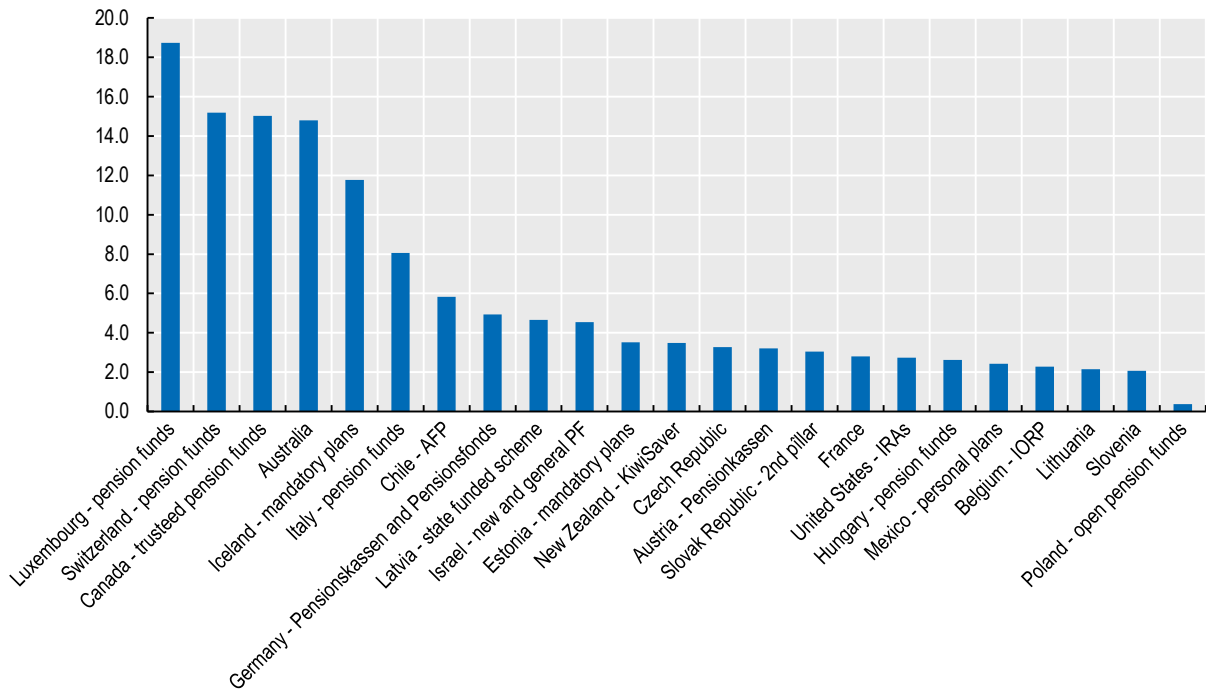
Figure 9.1. **Minimum or mandatory contribution rates (for an average earner)**
As a percentage of earnings



Source: ISSA Social Security Country Profiles.

StatLink <https://doi.org/10.1787/888934042390>

Figure 9.2. **Average annual contribution per active account or member in selected OECD countries, latest year available**
As a percentage of average annual wages



Source: OECD Global Pension Statistics.

StatLink <https://doi.org/10.1787/888934042409>



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