



PREVIDÊNCIA SOCIAL

OVERVIEW OF BRAZILIAN SOCIAL WELFARE

2nd Edition

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**OVERVIEW OF
BRAZILIAN
SOCIAL WELFARE**

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Introduction

Social Welfare is increasing its commitment with the welfare of the families of Brazilian laborers, repositing their income and redistributing it, above all, to those with a smaller income and difficult access to the basic needs in life. Social Welfare provides them with a broad spectrum of coverage, which reaches, besides the different forms of retirement, from maternity salary to reclusion benefits, passing through illness benefits, easing all types of adversities.

Social Welfare does not only act with this direct reach of laborers' lives. It continues participating intensely in the economy of most small municipalities, to the point of constituting an important source of resources in these locations, contributing to the indispensable social balance, through the rendering of Social Welfare benefits. Therefore, Social Welfare is characterized by the merging of its function of social protection, unique to it, with its role of social and regional redistribution of economic resources - it is worth mentioning the improvement of income distribution.

Besides the General and Special Policies, a third instrument of real value appears in the structure of Social Welfare in Brazil; the Complementary Social Welfare. In addition to the basic Social Welfare, the Complimentary Social Welfare vertically increases the coverage system, operating on the improvement of the retirement of higher income workers, and moreover, as an organized and well planned form of long term savings.

A little of all of this is presented, with technical descriptions and supporting data, in this Overview of the Brazilian Social Welfare.

In the entire world, the highest values of citizenship and human rights are increasingly asserted as a way to reach lasting peace and social balance. It is no different in Brazil, where these ideas constitute the longing of society as a whole.

In the healthy democratic environment that we enjoy in Brazil, Social Welfare has a broad horizon on which to prosper in the overcoming of challenges that come about, such as, the increase in the affiliation of new insured members, an elementary assumption in the extension of Social Welfare coverage to thousands of unattended Brazilian families. It also aims at a better financial and performance balance of the whole system. Another challenge is the incessant fight, without truce, against fraud and tax evasion. Finally yet importantly, the adoption of an administrative policy focusing on the modernization and dynamism of the assistance given to insured members, in an intended work-front, without precedents in the history of Brazilian Social Welfare.

I

Historical Background

In the year of 1821, a decree issued by the Regent Prince Pedro de Alcantara, became the first legal text that registered the issue of Social Welfare in Brazil. Previously, there was only knowledge of a protection plan, issued by Navy officers (1793), which granted a pension to dependent widows, and sons and daughters. In the early stages of Social Welfare, there was MONGERAL, which was an aid program for employees of the Ministry of Economics.

The origin of the Social Welfare which we conceive of today was only in 1923, with the Eloy Chaves Law, which foresaw the creation of a Retirement and Pension Fund for each railroad company, covering all its employees. From this Law on, social protection in Brazil was able to count on an institution that offered pension, retirement, medical assistance and pharmaceutical aid. Up to this day, both pension and retirement are benefits, indispensable in the characterization of a Social Welfare institution. Up to the year of 1923, the institutions offered just one or the other benefit.

In the 30's, the Social Welfare system restructured itself, keeping the corporative bases, in order to face the political-economic dynamism of the initial stages of the Brazilian industrialization process.

Parallel to the Funds, and restricted to urban workers, Retirement and Pension Institutes proliferated:

- Seafarers Retirement and Pension Institute (IAPM *Instituto de Aposentadoria e Pensões dos Marítimos*) in 1933,
- Traders Retirement and Pension Institute (IAPC *Instituto de Aposentadoria e Pensões dos Comerciantes*) in 1933,
- Bankers Retirement and Pension Institute (IAPB *Instituto de Aposentadoria e Pensões dos Bancários*) in 1934,
- Industrial Retirement and Pension Institute (IAPI *Instituto de Aposentadoria e Pensões dos Industriários*) in 1936,
- State Servants Retirement and Pension Institute (IPASE *Instituto de Aposentadoria e Pensões do Estado*) in 1938

The institutes, though, had a striking feature: inequality, as each one had a specific benefit and contribution structure, which created a great disparity between the qualitative and quantitative levels of social protection.

In the 30's, the relation between the State and the working class was established, through the interconnection of three systems: Unions, Labor Justice and Social Welfare policies. The adopted policies contributed in a way that the Social Welfare coverage increased immensely. At the end of the 40's, there were ten times more insured members than in 1934.

In the 40's, the definitive organization and functioning of the Brazilian Legion of Assistance (LBA *Legião Brasileira de Assistência*) was authorized - August 28, 1942. Its main function was the protection of maternity and childhood, aid

to the elderly and disabled and medical assistance to people in need. During World War II, the LBA supported the Brazilian soldiers through different campaigns.

In the subsequent decades, Social Welfare resources, through the Institutes, were used in the construction of the new Capital of the Republic, and its resources financed a fast construction and without great costs to the Treasury. The funding of the construction of Brasilia was, probably, the Institutes' biggest real-estate investment in all their existence. Although the construction of Brasilia was an historical advance for the country, until today there is criticism regarding the use of Social Welfare resources in this task, without the guarantee of necessary remuneration.

In 1960, the Organic Social Welfare Law (Law no. 3.807, of August 26th, 1960) unified the legislation applicable to the Institutes. The unification of management, though, would only be implemented a few years later, with the creation of the National Institute of Social Welfare (*INPS Instituto Nacional de Previdência Social*), in 1966.

With Law no. 6.439, of September 1st, 1977, the National Social Welfare and Assistance System appeared, with the difficult mission to integrate the following functions: concession and maintenance of benefits, rendering services, funding activities and programs, Social Welfare and Assistance's administrative, financial and patrimonial management. In order to complete the mission, the following institutes were created:

- National Institute of Medical Assistance of Social Welfare (*INAMPS - Instituto Nacional de Assistência Médica da Previdência Social*),
- National Institute of Social Welfare (INPS),

- Institute of Financial Administration of Social Welfare and Assistance (IAPAS *Instituto de Administração Financeira da Previdência e Assistência Social*),
- Center for Medication (CEME *Central de Medicamentos*),
- Social Welfare Data Processing Company (DATAPREV *Empresa de Processamento de Dados da Previdência Social*),
- Foundation of Minors' Welfare (FUNABEM *Fundação Nacional do Bem-Estar do Menor*) and
- Brazilian Legion of Assistance (LBA)

In July of 1970 the National Institute of Colonization and Agricultural Reform (INCRA *Instituto Nacional de de Colonização e Reforma Agrária*) was created, which later on would emit the necessary documents for obtaining Social Welfare aid by the rural worker. In 1971 the Assistance to the Rural Worker Program (FUNRURAL *Programa de Assistência ao Trabalhador Rural*) (complementary Law no. 11, of May 25th, 1971) was created, which conceded to the rural worker the retirement benefits due to old age or disability, pension for death, funeral aid, health services and social services. Retirement corresponded, therefore, to 50% of the minimum wage. The Rural Social Welfare, which originated at this time, innovated by breaking away from the Bismarckian concepts, which inspired the Brazilian Social Welfare since the Eloy Chaves Law.

In the 80's , the Citizens' Constitution implanted a new concept in Brazil, the idea of Social Security. In its chapter on social order, the Constitution established that the security consist of three basic segments: Social Welfare, Health and

Social Assistance. The following principles guided the public power:

- Universal coverage and assistance, by which all citizens have access to social protection;
- Uniformity and equivalence of the benefits and services offered to the rural populations, by which the rural worker started to integrate the group of citizens, especially in the welfare ambit;
- Selection and distribution in the rendering of benefits and services, in which the individual necessities, determine the benefits and services to be rendered;
- Irreducibility of benefit values;
- Equity in the form of participation in the funding;
- Diversity in the bases of financing - the contributions should be on multiple sectors of the economy and production, and on the salaries;
- Democratic character and decentralization of the administration

In the 90's, the Ministry of Social Welfare and Assistance went through a structural alteration. At the beginning of the decade, the old INPS and IAPAS were extinguished and they gave way to the current National Institute of Social Security (*INSS Instituto Nacional de Seguro Social*), consolidating Welfare with focus on the payment of monetary benefits and on associated services. At this time the INAMPS, which rendered provisional medical assistance, was also extinguished, and its structure and tasks were transferred to the Unique Health System (*SUS Sistema Único de Saúde*), whose management is in the hands of the States and Municipalities and support is based on taxes.

More recently, the INSS has been structured on 100 executive managements that cover the entire territory and are responsible for the payment of benefits to the insured members. The welfare tax revenue was incorporated into the system of tributary collection looking for higher efficiency and bigger scale in 2007.

In Brazil, the Social Welfare system of public servants was found to be deeply unbalanced, due to inadequate rules regarding access to retirement and its calculation. Based on this unbalance, the current government proposed and approved the reform of the Special Public Servants Policies, through Constitutional Amendment no. 41/2003.

Resulting from this historical evolution, are three main welfare policies: the General Policy, managed by the National Institute of Social Welfare, the Public Servants' and the Military's Special Policies, as well as the Complementary Welfare.

A quick analyses of the structure of the Brazilian welfare benefit system, presents the following concepts:

- a) General Social Welfare Policy (RGPS - *Regime Gerald a Previdência Social*), managed by the INSS, is mandatory and currently at a R\$3038,99 cap. It attends to the private sector. Employers, paid employees, domestic servants, autonomous workers and rural workers, contribute to this system. Retirement for old-age is given to 65 year-old men and 60 year-old women in urban cities, and to 60 year-old men and 55 year-old women in the rural area. Retirement due to contribution time is given to men after 35 years and to women after 30 years. The system's management is public;
- b) Public Servants' Welfare Policies is mandatory, at a cap and sub-cap defined by Constitutional Amendment no. 41/2003. Employees of Public Companies, political agents, temporary workers, and those with positions of trust are excluded from this group, whose affiliation to the General Policy

II

Current

Structure

is mandatory. Forced retirement is given to men and women after 70 years and retirement due to contribution time is given to men after 35 years and to women after 30 years. The workers that started as of December 15th, 1998 are subject to the minimum retirement age of 60 for men and 55 for women. The management of this system is public;

- c) Complementary Welfare is voluntary and its management is private. The Complementary

Welfare has a variety of arrangements, highlighting the funds sponsored by employers and the associated complementary welfare, and is a complement to the RGPS/INSS benefit.

The General and the Public Servants' Policies are autonomous, parallel, working on separate budgets and there is a specific legislation for each. The Complementary Welfare can attend to either of these policies.

The focus of the proposal for a Brazilian Social Welfare Reform, presented at the beginning of 2003 and promulgated in December of the same year, was on the Federal, State and Municipality Servants' Welfare. This reform process was motivated by :

1. the establishment of more social equity, reducing the distance between the rules of the Internal Policy and the General Policy and creating a long-term convergence;
2. the establishment of greater, long-term, sustainability;
3. the adjustment of the Special Policy to demographic changes and to changes in society's desires for more solidarity between the policies, although autonomous between themselves;

At the beginning of 2003, the workers of the Special Welfare Policy (RPPS *Regime Próprio da Previdência Social*) and the General Social Welfare Policy (RGPS) get differentiated treatment. Here are some examples:

III

A Recent

Reform

RPPS	RGPS
No cap on contribution and benefits	There is a contribution and benefit cap
Minimum age: 53/48 (transition) and 60/55 (permanent)	No minimum age
Calculation of Retirement payment for contribution time: last salary	Calculation of Retirement payment for contribution time: average and welfare factor
Parity as readjustment rule	Inflation repositioning as readjustment rule
Unaligned contribution shares	Employer contribution at 20% and employee contribution from 8% to 11%

The ideas behind the Welfare Reform of 2003, have as foundations the respect to acquired rights, the attribution of Welfare classification to the Special Policy and revert the situation of the commitment of the budget brought about by the existing imbalances. The current generation of retirees, pensioners and active workers will have their acquired rights respected and the rules of transition will be applied to those who do not have expectancy to rights, but not acquired right. The future generations, which are those that started after the reform, will have a new system, with convergent rules to the General Social Welfare Policy.

The main points of the Brazilian Social Welfare's reform are the following:

- reference age for current workers goes up from 53/48 (M/F) to 60/55 (M/F), including rules that discourage early retirement;

- a new permanent rule for the calculation of retirement and pensions, aligned with the General Policy;
- RGPS cap also for future public servants, as long as their complementary welfare is constituted;
- supportive contribution from retirees and pensioners for the stability of the RPPS;
- application of a general wage cap (federal, state and municipal) hindering abusive benefits;
- indexation of retirement payments and pensions to inflation/ the end of new benefit parity (except for those foreseen in the transitional rules);
- incentives for those who continue active after the retirement conditions are reached;
- real elevation of the RGPS cap from R\$ 1869,34 to R\$ 2400,00.

In the Brazilian reform, whoever is retired or has completed the conditions according to the current rules of access to the benefits have the acquired right. Whoever entered into public service until EC20 (*Emenda Constitucional* - Constitutional Amendment), can still obtain full retirement only if they complete the age of 60/55 (M/F), +35/30 years of contributions (M/F) + 20 years of public service, 10 years in the career and 5 years in the position. In the EC47 a transition rule was added, allowing "full" retirement for whomever, in the sum of age and contribution time, adds up to 95 years (men) and 85 years (women). Whoever entered into public service before December of 1998, can still retire before the age of 60/55 when they complete the rules of the EC20, but they suffer a 5% discount on the retirement value for each anticipated year.

The following points should be noted for States and Municipalities:

- application of the general wage cap and sub-cap respectively;
- mandatory minimum contribution share equal to that of the Union (11% for the worker)
- unification of the RPPS Management Agency in the federal entities;
- consolidation of the contribution by the public agency while an employer.

IV
Essential
Aspects

The Social Protection in Brazil is characterized by public management and is divided in four parts (government, workers, employees and retirees/pensioners), financed by a repartition policy and by inter and intragenerational solidarity, being that the Brazilian model ,in a Latin-American context, can be summarized as follows:

1st Pillar - Basic Social Welfare

Public, strong, four-parted, repartition, mixed financing, with solidarity and inclusion.

2nd Pillar - Complementary Welfare

Private/public, voluntary, capitalization, narrowing between contribution and benefit.

3rd Pillar -

Public Servant and Military Internal Policies, mandatory, repartition, managed by the respective federated entities.

4th Pillar -

Complemented by other forms of voluntary personal savings.

5th Pillar- Social Assistance

For senior citizens and the disabled under the poverty line.

The Brazilian Social Welfare, in its various policies (General, Special and Complementary) was the object of two constitutional reforms in the last 10 years: the Constitutional Amendment 20 (EC20) of

1998 and Constitutional Amendment 41 (EC41) of 2003. Both amendments brought about great changes in the general judicial mark, needing, for its implementation, the regulation of the Management Council of each policy.

The main points to be noted, already regulated, just missing the institution of the Complementary Welfare for public service are:

- a) application of the federal wage cap and State and Municipal sub-caps, which is the essential condition for the compatibility of public expenses in this area;
- b) a new calculation formula for retirement, similar to the General Social Welfare Policy (80% of the largest salary contributions, considered as of the July, 1994), which has as its objective to converge the rules between the two basic welfare policies existent in Brazil;
- c) the institution of inactive workers and pensioners contributions of the federal, state and municipal governments, that constitute a more equal form of redistribution of the adjusting cost of the internal policies among the participating generations;
- d) the introduction of a new regulatory mark for the management of the internal welfare policies of the public servants. This new mark is necessary because Amendment 41 determined the unification of the management organs in each federated entity, and also, contemplating a bigger transparency of the policy's accounting, with the introduction of an accounting plan specific to the welfare policies, as well as more efficiency in resource investment according to Resolution 3,506/2007 of the National Monetary Council, which establishes the rules for active workers' investments. There is, moreover, the need for the

development of better inspection and monitoring instruments of the special policies.

At the time Constitutional Amendment 41 was written, in 2003, questions regarding federal military welfare policy weren't dealt with sufficiently. Although the military welfare policy had already been submitted to a partial reform in 2000, and the Lula government has already acknowledged some particularities of the Armed Forces, there is still the need for monitoring its evolution and proposing measures for its improvement.

In the ambit of the General Social Welfare Policy, the most immediate challenges are put on three axis: (a) the current government's proposal to schedule an exemption of the payroll, reducing the formal labor cost; (b) the redesigning of the Insurance for Work Accidents and improving workers' health and security policy; c) a policy for the expansion of welfare coverage.

A - Payroll Exemption

In the ambit of Constitutional Amendment no.42/2003, known as Tributary Reform, there is a forecast of the possibility of a partial substitution, or, in an extreme scenario, rejected by Welfare, of a full payroll substitution as an incidental employer share base for another base. This base would be the company's revenue or turnover, without cumulative impact, with which a new calculation base for employer contribution would be established, close to the modern concept of aggregated value. It is known that there are advantages and risks in payroll exemption, which is currently the main source to finance the General Social Welfare Policy. On one hand, there is the need to guarantee that the new contribution assures the flow of sufficient and permanent Welfare funding and that a transition phase

between the current funding form and the new one be drawn up, in order to avoid that some economic segments be adversely impacted. On the other hand, a new base, besides reducing the cost to formalize labor, can represent a greater stability for long-term welfare funding, because the aggregated value has grown faster than the wage mass due to the increase in productivity. Additionally, a diversification of Social Welfare financing sources, always in the scenario of partial payroll exemption, will result in redistribution in the load of welfare financing among economic sectors, recalling those segments that, though receiving an increase in their participation in produced riches, have reduced their participation in labor, generated during the last decades.

Sending the PEC233/2008 to the National Congress, retaking up topics that couldn't be taken up in the EC42/2003, updated this debate by opening the perspective of the creation of the Aggregate Value Tax - IVA (*Imposto de Valor Agregado*) in Brazil.

B - Workers' Health and Security

With the intention of offering higher quality of life to the insured and act in a more integrated manner in the social security context, the Directory of Occupational Health and Security Policies, in the General Office of Social Welfare in the Ministry of Welfare, was created in August of 2007. This Directory has as its objective, strengthen the culture of prevention of labor illnesses and accidents, in order to spread, among the insured, the notion that we need safe working environments. As the time spent in the job market is growing longer, the working environment must offer safe conditions. To achieve this, diverse policies are being adopted for the advancement of the prevention of labor illnesses and accidents. A three part action is being developed together

with the Health and Labor Ministry, with the participation of employers and workers, in the tripartite Labor Health and Security Commission, defining policies and taking preventive actions in environments with higher labor mortality, disability and illnesses.

The Tripartite Commission, founded in 2008, will act in order to put into effect Convention 187 of the ILO, with 4 objectives: 1st: Reinforce the national culture of labor-related illness and accident prevention; 2nd: Establish a three part action and reinforce social dialog; 3rd: Create a National Labor Health and Security System; 4th: Establish a National Labor Health and Security Plan and Policy.

Also in effect is the development of the collection of the Labor Accident Insurance (*SAT Seguro de Acidente do Trabalho*), with the implementation of the company collection of the new Accident Prevention Factor. The intention, through the “bonus” x “malus” system, is to collect, from those that cause accidents, higher taxes and reduce accident taxes for those that invest in the prevention of accidents. It is known that, historically, the focus of the Labor Accident Insurance, as well as labor health and security policy and disability retirement, has given little attention to the prevention and rehabilitation and has been centered on the reparation of damages caused to the Social Welfare account. Because of this awry compensation the human, financial and social costs resulting from the passivity of the Welfare in this area have been huge, a situation which Brazil is looking to invert with the welfare policy.

In order to fight the sub-notification and to learn better about the reality of illnesses and accidents in Brazil, the Technical Epidemiological Nexus was created. Besides the professional illnesses on lists approved by regulatory decree, there is the new relation that is established through a high

statistical incidence or epidemic, of certain illnesses related to diverse economical activities. This characterization, also related in decree as economical activity, is done by the INSS forensics.

The nexus between labor and harm to health is established when Technical Epidemiological Nexus is verified between the company's activity and the cause of incapacity, based on the International Disease Classification (CID *Classificação Internacional de Doenças*).

In the first year (April 2007 through March 2008) of operation of the Technical Epidemiological Nexus, there was an increase of 137% in accident notifications compared to the previous 12 months, when only the Accident Communication, made by the employer, was valid. This makes fighting sub-notification possible and draws up a more efficient policy, better to know the sectors where there are endemics and labor related illnesses. With this, companies, the Welfare and the workers can demand the compliance of legislation to eliminate professional risks, in a more efficient manner.

Another important policy that irradiates improvement in labor environments is the revitalization of professional rehabilitation, an area in which Brazil has already been an international reference. In this aspect integration between the Health Ministry and the Labor Ministry are being sought to give a more vigorous impulse to this area. Keeping in mind that as long as the insured receive welfare benefits, without improvements in the labor environment and new professional qualification opportunities, causes the insured to simply keep on receiving the benefits.

This issue was given special interest at the National Social Welfare Forum which happened in 2007. All the social

agents, discussing the sustainability of welfare, considered of utmost importance the dedication of Welfare to accident prevention in order to guarantee a better quality of life to the insured, with the consequent reduction of accident costs resulting from the number of labor related accidents, illnesses, disability and deaths.

C - Welfare Inclusion

As in other Latin American countries, the Brazilian Welfare, born in 1923, is based on the general Bismarkian principle that to have access to benefits, contribution is essential. Though this central concept has been complemented with a number of programs with differential contributive relation (which is the case of the Rural Welfare) or even with assistance features (such as Monthly Income for life and Continued Payment Benefits), still today the fundamental access to the Brazilian welfare system goes through contributive relation. It is estimated that, in 2007, there were about 28.7 million people who didn't contribute to Social Welfare. Although Social Assistance covers a part of this population, it is an enormous social inactivity, which requires, therefore, a social inclusion policy and an expansion in welfare coverage.

The Ministry of Social Welfare calculates that of the 28,7 million workers, 15,7 million could contribute to the Welfare, since they have income, are in the job market and are of adequate age. Motivations for these workers not to participate are various and could be due to lack of information or awareness about the importance to the protection of welfare, about the need to increase inspection on the economic segment or about the existence of barriers to the inclusion, given the particularities of each non-contributive groups.

To increase the level of Social Welfare coverage, Brazil is betting on a number of measures, some carried out, others still in the creation process, like the before mentioned proposal to exempt the payroll. Among the measures that should contribute to the amplification of social inclusion, the following should be highlighted:

- reduction in shares for individual contributors: Constitutional Amendments no. 41 and 47 foresaw the creation of a special social inclusion policy for low-income people, co-substantiated by Constitutional Law no.123, of December 14th, 2006, which instituted, as of April 2007, the Simplified Social Welfare Plan, reducing from 20% to 11% the contribution share for individual contributors who render services to individual entities and optional contributors (housewives, students, non remunerated building managers, the unemployed, non remunerated prison inmates and scholarship students). The plan foresees access to all RGPS benefits, with the exception of retirement for contribution time and the contribution salary is limited to 1 (one) minimum wage;
- the institution of incentives for the incorporation of domestic servants to the welfare system: Law no. 8.212/1991 instituted a welfare contribution of domestic employers at 12%, whereas the standard share for employers is 20%. Law no.11.324/2006 permits the domestic employer to deduct the contributions paid to Social Welfare from the individual entity Income Tax, from 2006 to 2012 (calendar year 2011). The deduction is limited to one domestic servant per declaration, including in the case of joined declaration, and it must be equal

to the employer's contribution value calculated over the minimum wage;

- the implementation of actions, resulting from technical studies in progress, which aim to stimulate the extension of welfare coverage focused on issues of gender (women) and race (promotion of equal rights among races), which are particularly affected by informality and an unstable link to Welfare;
- the consolidation and conceptual updating of rural welfare, guaranteeing judicial stability to social protection in the field: Law no. 11.718/2008, whose subject was negotiated with the representative segments of the rural workers, and covers the identification, application and contribution of the special insured, with the objective of simplifying the guarantee of their welfare rights with safety and quality. Concretely, the Law seeks to promote the application of the special insured in a way to link them to the respective family group, this way increasing the consistency of the registers for welfare ends. At the same time, the means by which the insured can prove the exercise of rural activity, has been increased, facilitating the process at the time at which they will plead their benefits. Besides this, the Law has removed several existing obstacles to the formalization of rural labor, involving individual entity producers.

V

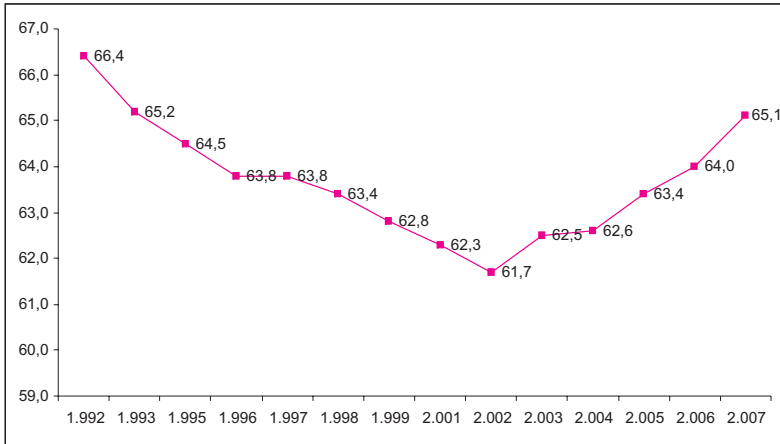
**General
Social
Welfare
Policy -
Highlighting
the
Improvement
of Income
Distribution
and Social
Stability of
the Country**

The General Social Welfare Policy (RGPS) is the welfare policy that protects the most part of workers in the Country. The RGPS covers paid urban, autonomous, domestic and rural workers, in other words, its the workers' welfare from private initiatives and public servants under the CLT (Consolidation of Labor Laws). Currently, there are about 36,4 million contributors¹. The General Policy is, without a doubt, one of the most effective mechanisms of social protection in Brazil, directly and indirectly benefiting a significant part of the Brazilian population.

We can notice the social protection better, considering the number of insured by the RGPS in relation to the total number of employed workers. In 2007, according to National Research of Home Samples (PNAD *Pesquisa Nacional de Amostra Dimiciliar*), about 65,1% of the occupied population in the country's private sector was protected (in the condition of contributors and/or beneficiaries) by the General Social Welfare Policy. This indicator of employed population coverage, in decline in the 90's, has given strong signs of recuperation in the last years (Graph 1). This recuperation has contributed to increase the impact of Social Welfare as a social protection mechanism.

¹ Source: AEPS/MPS 2007

Graph 1 – Evolution of Social Protection for the Total of Occupied Workers between the ages of 16 and 59 (1992-2007)



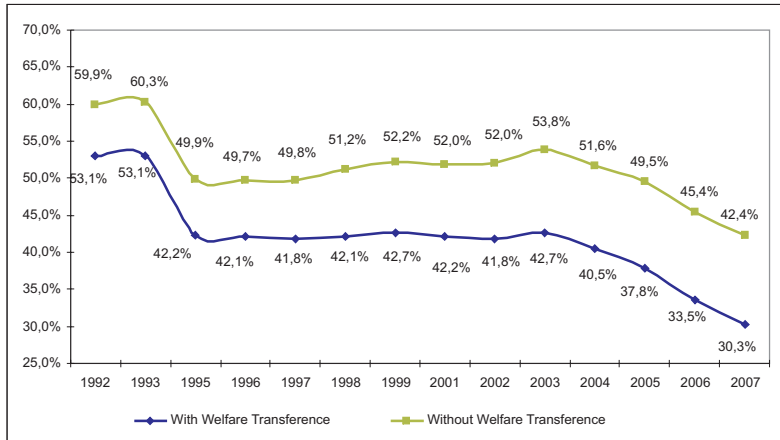
Source: PNAD/IBGE – Elaboration: SPS/MPS

Obs.: Excluding the rural area of the Northern Region (except Tocantins)

One of the main social impacts of the RGPS is the reduction of poverty in the Country. In 2007, 56,87 million people were in poverty considering income from all sources, a number that reached 79,10 million when all the income from Social Welfare was excluded. This means that welfare transferences were responsible for the removal of approximately 22,23 million people, of all age levels, from the condition of poverty². Graph 2, below, also suggests that the expansion of social coverage in the last years has intensified this effect.

² The estimate of this impact was elaborated by taking into account the quantity of people with a home income per capita below half the minimum wage - value defined as the "poverty line", as one includes or excludes welfare income. Supposing that everything else remains constant, in other words, considering that not all the remaining variables that interfere in the level of poverty suffer alterations and discarding possible impacts of welfare transferences on the decisions of individuals who are benefited directly or indirectly.

Graph 2 - Percentage of People in Poverty ($\frac{1}{2}$ Minimum wage at September 2007 prices) Inclusive and Exclusive Welfare Transferences (1992-2007)

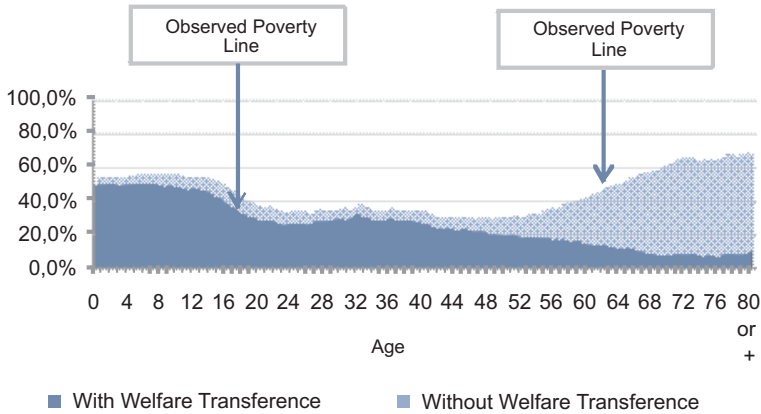


Source: PNAD/IBGE - Elaboration: SPS/MPS

Obs.: Excluding the rural area of the Northern Region (except Tocantins)

As expected, the impact of welfare transferences on poverty is concentrated on the elderly (Graph 3), keeping in mind that the focus of Social Welfare is the guarantee of income for the worker at the end of his economically active life. Despite this greater weight of welfare income for those older than 55 years of age - age at which we start to observe a significant expansion in the difference between the percentage of poor people with and without welfare transferences, the expansion of welfare coverage produces positive effects at all age levels, benefiting indirectly other population groups.

Graph 3 – Percentage of People with less than ½ a minimum wage of home income per capita by age considering and not considering welfare income – 2007



Source: PNAD/IBGE - 2007
 Elaboration: SPS/MPS

The social role of this policy also involves the improvement of income distribution and the incitement of economic development, especially in the rural zone. In order to have an idea of the dimension of this role, the transference of welfare income is bigger than what is passed on from the Municipal Participation Fund (FPM - *Fundo de Participação dos Municípios*) in 63,7% of the country's Municipalities.

The General Policy is of simple distribution and contributive character, which guarantees the coverage in case of: labor disability, advanced age, contribution time and childbirth/adoption, besides imprisonment or death of an insured worker. The contribution to this policy is obligatory.

³ Fonte: Secretaria do Tesouro Nacional, Ministério da Fazenda; INSS/MPS.

This policy is national and public and its benefits have defined maximum and minimum values. Professional rehabilitation of the insured who become partially or completely incapacitated to work is also guaranteed by the policy.

The basic calculation for retirement in the General Policy uses the average of the insured worker's contribution bases. Retirement due to age happens at 65 years (men) and 60 years (women) of age. Contrary to the Servants Internal Welfare Policy, a minimum retirement age for contribution time in the RGPS is not demanded. The benefit readjustment in this policy is done based on the National Consumer Price Index (INPC - *Índice Nacional de Preço ao Consumidor*).

According to the Constitution of 1988, Social Security, of which the RGPS is part, is financed by the entire society, directly and indirectly, with resources from the Union, the States, the Federal District and the Municipalities, and from the following social contributions:

- i) the company and respective entity over:
 - a) the payroll and other labor incomes paid or credited to service providers;
 - b) the income or turnover;
 - c) the profit.
- ii) the worker and other people insured by Social Welfare.

The insured are divided in the following categories:

- a) employees;
- b) domestic servants;
- c) temporary workers;
- d) individual contributors (autonomous, entrepreneurs, etc.);
- e) special (rural workers in a family economy)
- f) optional, such as students over 16 years of age and housewives, among others.

The policy relative to General Social Welfare Policy is formulated by the Ministry of Social Welfare, and is managed by the National Institute of Social Security (INSS).

In 1998, the Brazilian Social Welfare went through an ample reform, with the objective of generating the system's indispensable financial and actuarial balance, reaching, especially, retirement based exclusively on contribution time. Regarding the RGPS, the main alteration was the unconstitutionalization of the retirement calculation formula.

In 1999, Law no. 9.876, of November 26th, 1999, changed the benefit value calculation rules. The basic period for calculation was increased, corresponding to the top 80% contribution salaries since July of 1994, and the "Welfare Factor" was created. This mechanism aims at balancing the time and contribution value and the time and value of the received retirement. The factor is, obligatorily, applied to retirement due to contribution time. Its formula contains life expectancy, contribution time and age of the insured at the moment of retirement, being able to reduce or increase the benefit value depending on the anticipation or not of the insured person's retirement.

In 2003, Social Welfare went through yet another reform, which changed, especially, the rules of the Servants Special Welfare Policy. Regarding the General Policy, the only alteration suffered that year was the benefit cap value, which was readjusted in approximately 28%, going from R\$1,869.34 to R\$2,400.00.

The benefits of the General Policy are paid directly to the insured, through bank transferences, therefore avoiding the need of middlemen, which guarantees the smoothness and quickness of the process.

1. Benefit Salary

Its the basic value used for the calculation of the monthly income of the beneficiaries of continuous installments. It is calculated taking as a base the contribution salaries of June, 1994 until benefit requisition or work leave.

The benefit salary consists of:

- a) for the retirements due to contribution time or old-age, it consists of the simple arithmetical average of the highest contribution salaries, monetarily corrected, corresponding to 80% of the contributive period since July 1994, multiplied by the welfare factor. In case of old-age retirement, the factor is only applied if it is more advantageous;
- b) for disability retirement and special retirement , illness aid and accident aid, according to the simple arithmetical average of the highest contribution salaries, corresponding to 80% of the contribution period since July 1994.

In the case of illness aid and disability retirement, when the insured has less than 144 monthly contributions during the contributive period, the benefit salary corresponds to the sum of the contribution salary divided by the number of contributions.

VI

Important

Concepts

The benefit salary value will not be less than the minimum wage (R\$415,00 in 2008), nor higher than the maximum contribution salary limit (R\$3,038.99 in 2008).

2. Welfare Factor

The Welfare Factor is obligatorily applied to contribution time retirement and, if more advantageous, to old-age retirement. It is calculated taking into consideration the age, life expectancy and how long the insured has contributed once he retires, according to the following formula:

$$F = \frac{Tc \times a}{Es} \times \left[1 + \frac{Id + (Tc \times a)}{100} \right]$$

Where:

F = welfare factor

Es = life expectancy after retirement

Tc = Contribution time at the moment of retirement

Id = Age at the time of retirement

a = contribution share corresponding to 0.31

3. Wait-Time period

The wait-time period corresponds to 10, 12 or 180 monthly contributions, according to the type of benefit. To the beneficiaries affiliated to Social Welfare until July 24, 1991, the wait-time for retirement, with the exception of disability retirement, is fixed according to the year in which the insured implements all the conditions, being 162 contributions in 2008, increasing by six contributions a year, reaching 180 in 2011. For those who started after July 24th, 1991, the wait-time is 180 contributions.

4. Keeping the Condition of Insured

The insured, if unable to contribute momentarily, keeps all his rights with social welfare for 12 months, if he has contributed up to 10 years. This period of 12 months can be extended for one more year, if he has already paid for more than 10 years without interruption, which would result in the loss of the condition of insured. These periods are incremented by 12 months for the insured who is unemployed, as long as he can prove this condition through the register at the Ministry of Work and Labor.

VII

The Welfare

Benefits

The General Social Welfare Policy offers a number of benefits for the insured and their families, such as protection against salary losses due to illness, work related accidents, old age, maternity, death or reclusion. The benefits are classified in three major groups: retirement, pensions and aid, being that the monthly income is calculated, in most cases, as a function of the “benefit salary”, which corresponds to the simple arithmetical average of the highest 80% of contribution salaries as of July 1994. In most cases, a minimum contribution period is required, called the “wait-time period” .

1. Retirement

Retirement is the monthly payments for life, doled out to the insured due to age, contribution time, work disability or work done in activities subject to harmful agents.

a) Retirement due to age

This is, without a doubt, one of the oldest benefits of Social Welfare. Retirement due to age is given to the insured who, after the wait-time period, reaches the limit of 60 years of age for women and 65 years of age for men. The rural workers have the right to the benefit five years earlier, in other words 55 years for women and 60 for men. The minimum contribution time is 15 years, if initiated as of July 25th, 1991, and 13 years and 6 months, in the year of 2008, for those

signed up to July 24th, 1991. The welfare factor can be applied in the benefit salary calculation, if more advantageous.

The benefit value corresponds to 70% of the benefit salary, plus 1% for each group of 12 contributions, up to the maximum of 100%, not allowed to be less than the minimum wage nor higher than the maximum contribution salary limit.

The insured that has passed the wait-time period when he completes 65 years of age for women, and 70 years of age for men, can have his retirement compulsorily requested by the company.

b) Retirement due to Contribution Time

Men and women can retire due to contribution time. Men, in order to receive this benefit, must contribute for 35 years, and women for 30 years. The benefit value corresponds to 100% of the benefit salary, being mandatory the application of the welfare factor.

The insured affiliated to Social Welfare prior to the reform (of December 1998) have the right to retirement proportional to the following conditions:

- 25 years of contribution for the insured women and 30 years of contribution for the insured men, plus the equivalent of 40% of the remaining time which was necessary to complete the 25 or 30 years of contribution, whichever the case, at the date of the reform;
- 48 years of age for women and 53 years of age for men;
- the benefit value corresponds to 70% of the benefit salary at the completion of 25 or 30 years of contribution, plus 40% of the time which remained

at the time of the reform in order to complete the required minimum, plus 5% for each additional year of contribution, up to the maximum of 100%, not allowed to be less than the minimum wage nor higher than the maximum contribution salary limit.

Professors have their contribution time reduced in 5 years, as long as they prove 30 years (for men) and 25 years (for women) of contributions, exclusively in children's education and elementary school and high school.

The greater the age, the contribution time and the value of this contribution, the greater will be the benefit value.

c) Special Retirement

This benefit is awarded to the working insured and the temporary workers that exercise their activities subject to special conditions that are harmful to their health or physical integrity. According to the risk, the contribution time to receive special retirement can vary from 15, 20 or 25 years. Real exposure to harmful, chemical, physical, biological agents or association to agents that are harmful to one's health or physical integrity, during these periods, must be proven.

The value of the benefit corresponds to 100% of the benefit salary, not allowed to be less than the minimum wage nor higher than the maximum contribution salary limit.

d) Disability Retirement

This benefit is awarded to the insured who is totally or definitely incapacitated for the job. The disability retiree will have his retirement canceled if he returns to activity, different from the beneficiaries of other types of retirement,

which are for life. The illness or lesion which the insured has prior to his affiliation to the RGPS will not allow him the right to benefits, except if the disability results from the worsening of this illness or lesion.

In order to have the right to disability retirement, a minimum of 12 months of contribution are necessary, becoming unnecessary for the insured whose disability results from accident of any nature, including work related, or being affected by an illness or disease specified in welfare legislation. The value of the benefit corresponds to 100% of the benefit salary, not allowed to be less than the minimum wage nor higher than the maximum contribution salary limit.

2) Pensions

In this type of benefit, there is only one form, which is the pension for death, awarded to the dependents of the insured for motives of death.

The rights to this benefit go as follows: husband/wife/companion; non-emancipated child under 21 and handicapped child of any age; father or mother; sibling under the age of 21 or handicapped of any age.

The value of the pension due to death corresponds to 100% of retirement that the insured received or would receive in case of disability retirement, and is divided in equal parts among the dependents. There is no wait-time for pensions due to death, all that is needed is to prove the condition of insured.

In case of divorced or legally separated spouses, parents, or brothers of the deceased, the economic dependency to the insured must be proven.

3) Aids

a) Illness Aid

The insured has the right to illness aid when some form of physical or mental compromise hinders his work for more than fifteen days. The benefit is given as of the 16th day away from the job, in case the insured is employed. The company pays the first 15 days. To the other insured, the benefit is given since the first day of disability.

The insured that already has an illness, when he enters the RGPS that results in the disability will not have the right to the benefit due to that illness, unless the work activity aggravates it.

The wait-time to get this benefit is of 12 contributions. The insured is free of the wait-time in case the disability results from any kind of accident, including work-related, or being affected by an illness or disease specified in welfare legislation.

The benefit value corresponds to 91% of the benefit salary, not allowed to be less than the minimum wage nor higher than the maximum contribution salary limit.

b) Reclusion Aid

The Reclusion Aid is a benefit paid out to the dependents of the insured that has been taken to prison, in the same conditions as pension for death.

The benefit is given only if the insured worker's last salary is equal to or less than R\$710,08, in 2008 (value which is updated yearly), and the same does not receive any wage from the company, nor is receiving illness aid, retirement or remuneration for staying in service.

When there is no contribution salary on the date of effective imprisonment, the benefit will be doled out as long as the insured remains in the condition of insured. There is no wait-time for the concession of Reclusion Aid, as long as the condition of insured is proven. The value of this aid corresponds to 100% of the retirement he would have the right to, if he retired for disability.

c) Accident Aid

This benefit is a compensation that the insured receives when, after consolidation of the lesions resulting from accident of any kind, including work related, result in after effects that reduce the work capability of the insured .

It corresponds to 50% of the benefit salary and is paid out until the eve of the

beginning of any retirement or the date of death of the insured. There is no wait-time for the concession of this benefit.

d) Maternity Salary

All the women insured under the General Social Welfare Policy have the right to maternity salary during the period of 120 days.

This benefit is also paid out, for 120 days, in case of adoption of children up to the age of one year; for 60 days in case of adoption of children between 1 and 4 years of age, and for 30 days in case of adoption of children between the ages of 4 and 8.

The value of the benefit for the employed insured and for the temporary worker corresponds to the last wage received. For the domestic servant, it corresponds to the

last contribution salary. For the special insured, it is the equivalent of a minimum wage, and for the other insured, including unemployed that maintain the condition of insured at the time of the child's birth, it is 1/12 of the sum of the previous 12 contribution salaries, in a period not superior to 15 months. The benefit value cannot be less than one minimum wage.

e) Family Salary

It is paid out monthly to the employee, except domestic servants, and to the temporary worker, in proportion to the number of children up to the age of 14, with the value corresponding, in 2008, to R\$24.23 for the insured with a monthly wage not superior to R\$472.43 and to R\$17.07 for the insured with a monthly wage superior to R\$472.43 and equal or inferior to R\$710.08. This value is updated annually. The value of the Family Salary is not incorporated to the salary of the insured or the benefit. It is conditioned to the annual presentation of the obligatory vaccination card for children up to the age of 7 and children between the ages of 7 and 14 must be enrolled in school.

VIII

Special

Social

Welfare

Policy

The Special Social Welfare Policy (RPPS - *Regime Próprio de Previdência Social*), foreseen in article 40 of the Federal Constitution, of contributive character, is the policy guaranteed to public servants in an effective position in the Union, the States, the Federal District and 1900 Municipalities, of a total of 5,563 in Brazil. This number represents 34% of municipalities with an Internal social welfare policy, being that the rest maintain their public servants connected to the General Social Welfare Policy. The Special Policy has as a presupposition observe the principles of financial and actuarial balance and is subject to the orientation, supervision, control and auditing of the Social Welfare Ministry, through the General Office of Social Welfare Policies.

The Special Social Welfare Policy is an important welfare system in Brazil directly guaranteeing welfare coverage to more than 9 million people, among them active and inactive servants and pensioners, at the three levels of government, according to the table below.

For a better understanding of the Public Servants Welfare, we must analyze the historical point of view as well as the social and political. The Brazilian State has historically had as a basic characteristic a paternalist obliquity, guaranteeing the public servants their retirement, not as a right resulting from the contributive welfare policy, but as a State duty to support the

Quantity of Servants in the Union, States and Municipalities - 2008

Entity	Active	Inactive	Pensioners	Total
Union ¹	1,118,360	529,563	448,376	2,096,299
States ²	2,793,050	1,144,698	384,509	4,322,257
Municipalities ³	2,156,676	401,793	151,111	2,709,580
Total	6,068,086	2,076,054	983,996	9,128,136

Fonte: CGEE/DRPS/SPS/MPS – CADPREV, em 16/06/2008 às 07h01.

1 Position in June 2008, excluding servants of public companies and partnerships of mixed economy

2 Data of all States

3 Refers to 1,900 Municipalities with RPPS

servant at the moment of his passage to inactivity, without costs to the servant. This participation was limited only to the financing of the benefits guaranteed to their dependents, pointing out the pension benefits due to death, which represented along the years a contribution of approximately 6% of the servant's salary.

Besides, the lack of transparency of the public accounts made a perfect comprehension and visualization of the problems very difficult. Because at the elaboration of the public budget the costs with inactive workers and pensioners was considered merely as an item of personnel costs. Therefore, in the accountable demonstrations, the distortion of the welfare policy of public servants was not made explicit, making it difficult to process the control and adjustments of these costs.

As such, since welfare was treated as an appendix of the personnel costs, the institution of the welfare policies by the States and Municipalities did not observe any national regulation mark, which historically led to a complete

heterogeneity of the public servants welfare policies. This diversity did not limit itself to public entities, extending also to functional powers and categories, amplified by the reduced control capacity of these policies by the inspection organs.

This way the unbalance of the welfare policies of the Union, State and Municipal servants, was transformed in one of the main items of public budget costs. The data of 2007 show the need for consolidated funding⁴ for the two levels of government in the order of R\$57,5 billion, even considering the employee contribution at 2:1, higher than the result reached by the RGPS which was R\$44,9 billion.

In this context, it became imperative to promote alterations in the public servants welfare policy which began with the promulgation of the Social Welfare Reform (Constitutional Amendment no.20, of November 16th, 1998) introducing structural alterations in the public servants social welfare policy, such as the financial and actuarial balance. Therefore, the separation between the personal and welfare policies begins to happen, guaranteeing it a security characteristic, until then lacking in most public servants welfare policies existent in Brazil.

As of 1998, with Law 9,717 and EC 20, the Special Policies were being institutionalized and started to have a welfare treatment. In 2003, at the time of the debate that came before Constitutional Amendment no.41, it was generally accepted that the Special Policies would be kept as administrative unities, under the responsibility of the respective governmental level, but medium term convergent legislation as the General Policy.

4 It is understood that the need for financing of the public sector welfare policy is the difference between the expenses with inactive workers and pensioners and the sum of employer contributions of public entities with the contribution of workers.

This convergence foresees not only the adoption of the same basic formula for the calculation of future retirements, but also a gradual transition to the same readjustment indexes (in the course of “no parity” benefits) and the possibility of the creation of a servants complementary welfare (noting that the project of law is going through the National Congress).

It is important to point out, that in this country there is communication between the Special Social Welfare Policies and the General Social Welfare Policy, managed by the National Institute Of Social Security - INSS, in other words, the Brazilian worker, be it in the private initiative or in the public administration, can count the contribution time done previously in one welfare policy to complete the required requisites of the welfare policy, in which he finds himself at the time of retirement. This rule is foreseen in article 201, paragraph 9 of the Federal Constitution and is called “reciprocal count of contribution time in the public administration and in the private activity , rural and urban.”

This mechanism is relevant to guarantee social mobility between the Brazilian workers and an important instrument in the promotion of social justice.

IX

National Social Welfare Council

The construction of Social Dialog and Participative Management, which are instruments that give dynamism and strengthen public policies of a democratic government. In this context the National Social Welfare Council - (CNPS *Conselho Nacional de Previdência Social*), superior agency of collegiate deliberation, has as its main goal establish a democratic and decentralized character to administrative management, with the participation of the Government and of society, especially active workers, employers, retirees and pensioners. This way, Social Welfare interacts with society and creates opportunities for Social Dialog in search of constant improvement, transparent and democratic for the system management of which it is part.

The National Social Welfare Council, created by Law no. 8,213/1991, presided by the State Minister of Social Welfare, is made up of fifteen members:

I – six Federal Government representatives; and

II – nine civil society representatives, being;

- a) three retiree/pensioner representatives;
- b) three active worker representatives;
- c) three employer representatives.

The members of the National Social Welfare Council and their respective substitutes are nominated by the Minister of Social Welfare, with the indication of the organized civil society entities (recognized Union Centers and Employer Confederations).

With eyes on increasing and strengthening society's participation in the management of Social Welfare the Social Welfare Council - CPS (*Conselhos de Previdência Social*) was also instituted, in the ambit of the Executive Management of the INSS, by way of Decree no. 4,874 of 2003. It should be noted that Law no.8,213/1991 already foresaw the "decentralized" nature that the social dialog should have in the ambit of Social Welfare. The CPS, decentralized unities of the CNPS, are collegiate instances, of consulting and advisory nature, and whose finality is to present proposals for the local Social Welfare policies. Consequently the Social Welfare Council is, above all, a Welfare instrument to build the dialog with the community and give account of actions, bringing transparency and opportunity in order for social representatives to present their proposals.

The CPS are composed of ten counselors and respective substitutes divided as follows:

- I – Four Government representatives; and
- II – Six civil society representatives, being:
 - a) Two retiree/pensioner representatives;
 - b) Two employee representatives;
 - c) Two employer representatives.

The counselors and their substitutes will nominated by the Executive Manager through indication of the local social entities (workers' unions and employer organization representative of the local society and economy).

Meeting monthly, the CNPS has given important contributions to the formulation of Brazilian welfare policies. For example, from the CNPS debates came recent improvements in rural welfare policies, welfare inclusion and workers' health and security. The CNPS also listens to and evaluates activity reports, as well as work proposals from the various organs associated with the RGPS, such as the INSS, the DATAPREV and the General Office of Social Welfare Policies.

X

***The National
Social
Welfare
Forum***

The National Social Welfare Forum was the first initiative of a Latin American government in the sense of discussing through social dialog, the rules of its social security system, before sending in a reform proposal to the Legislative Power. The usual in Latin America is to send the proposal first, and then discuss it or even impose the reforms without previous public debate (the Pinochet and Fujimori governments - 1981 and 1992 respectively). The lack of social dialog affects the social and political sustainability of social security systems, because these are, in reality, big social contracts that involve multiple generations. A very tiring political process, in which the participants of the system do not feel like they are being heard and they feel like they suffer eventual unjustified "loss of rights", does not incite long term support to social protection systems. Consequently, the social dialog process, despite demanding great effort and patience of all participants, permits a reciprocal convincing of the need to adjust, and creates a stronger support base for the negotiated alterations.

Similar processes to the National Social Welfare Forum have been successfully attempted, outside of Latin America. Notably in Spain and Sweden, this resulted in reform directives and long-term development of their respective welfare systems in the 90's. In Spain, the Toledo Pact was signed in 1995 by all the political parties, and included

principles to draw up the Spanish welfare according to the criteria of long-term social justice and technical rationality and declaring that social welfare should be treated in a supra-partisan and institutional manner, since it deals with a social protection instrument of the Spaniards, which needs long term sustainability.

In Sweden, in 1998, after long debate a political agreement was reached among all parties, to approve a surprising welfare reform, because all sacrificed one point to gain another and the resulting design changed the old Welfare State significantly, developed along the 20th century and which served as reference to many other countries around the world. The logic that prevailed was that Sweden is a relatively small country, which needs a strong integration with the global economy in order to have development perspectives; the integration to globalization would require strong social protection, but would have to be designed in a different way than the previous, post war, development model.

The National Social Welfare Forum context differs from European cases because it proposed planning rules, which would only be applied in a few years, for workers who will still be in the job market. Despite being faster than in European countries, the Brazilian demographic transition presents, at this moment, a constellation of people more favorable to Welfare, with many at working age. Because of this, one can think of gradual, long term, forms of transition for changes in the rules, which, if left for the future, would not be done with the smoothness permitted today.

Despite the favorable short-term scenario, the need for change is indisputable. This need is reinforced by the numbers of the 2007 National Home Sample Research (PNAD), conducted by the Brazilian Institute of Geography and Statistics Foundation (IBGE *Instituto Brasileiro de*

Geography e Estatística). The PNAD shows the continuous tendency of decelerated population growth already registered in previous years. The Brazilian average of children per woman fell from 6.2 to below 2.0, between 1960 and 2007. This means that the population has planned the size of their families in an effort to guarantee an improvement in the quality of life for their children and grandchildren. The cultivation of this protective spirit is fortifying. This is because; the expectancy of specialists is that in the next decades this number drops even more. These statistics are comparable to those of the European continent, which indicate a growth of an older population and reduction of a more youthful population.

On the other hand, thankfully, life expectancy has gone up considerably. The projection is that the Brazilian life expectancy increases from 60, which is normally the supposed age to retire, to about 5 years more between 2000 and 2050, a notable feat, but with impact on all public policies.

This evolution permits the foreseeing of a gradual aging of the Brazilian population, which deserves attention. In the future, the number of active adults in the job market, and, consequently, contributors to social welfare, will be insufficient to face the benefit values to be paid out to retirees and pensioners. There will be the need for incentives for people to keep themselves longer in the job market.

It is necessary to assume responsibility to prepare the social security system, which will attend to the next generation. If today, there are 2 million people over the age of 80 in Brazil, in 2050, the estimates show 14 million. The maintenance of current rules can mean an increase in the contribution shares and taxes - including from social security revenue source - which will fall on the salaries of future workers. Therein lies the spirit of social dialog: notice that,

given the social contract behind Welfare, today's decisions define our children's and grand children's future options.

It would be unjust and little recommended to postpone this debate. After all, the welfare system is based on a pact between generations. We only need to think that our children's and grand children's contributions, some still to be born, will guarantee the payment of our benefits and those of our children. Therefore, the issue regards the entire society.

In this context, President Luiz Inacio Lula da Silva, through Decree no.6,019, of January 22nd, 2007, instituted, in the ambit of the Social Welfare Ministry, the National Social Welfare Forum, with the goal of promoting the debate among the workers', retirees', pensioners', employers' and Federal Government's representatives, eyeing the improvement and sustainability of the social welfare policies and their coordination with social assistance policies, with a long term goal.

COMPOSITION OF THE NATIONAL SOCIAL WELFARE FORUM

The National Social Welfare Forum lasted 8 months and counted with the participation of the Government (5 Ministries, The Staff of the Presidency of the Republic, Special General Office for Women's' Policies of the Presidency of the Republic), 9 central unions representing active workers, retirees and pensioners, 5 confederations representing employers, besides civil society observers, technical advisors and observers from the Ministry of Social Welfare. The composition was established with tripartite representation, not partisan, with the participation of the following entities:

From the Federal Government:

- Ministry of Social Welfare;
- The Staff of the Presidency of the Republic
- Ministry of Work and Labor;
- Ministry of Planning, Budget and Management;
- Ministry of Finance;
- Ministry of Social Development and Fight Against Hunger;
- Special General Office for Women's' Policies.

From the active Workers, retirees and pensioners:

- Autonomous Workers Central (CAT - *Central Autônoma de Trabalhadores*)
- General Workers Central (CGT - *Central Geral dos Trabalhadores*)
- General Workers of Brazil Central (CGTB - *Central Geral dos Trabalhadores do Brasil*)
- The Only Workers Central (CUT - *Central Única dos Trabalhadores*)
- Brazilian Confederation of Retirees and Pensioners (COBAP - *Confederação Brasileira de Aposentados e Pensionistas*)
- National Confederation of Agricultural Workers (CONTAG - *Confederação Nacional de Trabalhadores na Agricultura*)
- Union Force (FS- *Força Sindical*)
- New Central Workers Union (NCST - *Nova Central Sindical de Trabalhadores*)
- Social Democracy Social (SDS - *Social Democracia Social*)

From the employers

- National Brazilian Confederation of Agriculture and Cattle Breeding (CAN - *Confederação Nacional de Agricultura e Pecuária do Brasil*);
- National Confederation of Commerce (CNC - *Confederação Nacional do Comércio*);
- National Confederation of Financial Institutions (CNF - *Confederação Nacional das Instituições Financeiras*);
- National Confederation of Industry (CNI - *Confederação Nacional da Indústria*);
- National Confederation of Transport (CNT - *Confederação Nacional do Transporte*)

Presuppositions of the Forum

1. current model maintenance: Public, Basic and Supportive Social Welfare and Optional Complementary Welfare;
2. focus on the analyses and direct long term proposals;
3. protection of acquired rights;
4. long period of transition.

Main Issues and Results

The Forum held, in all, 12 (twelve) meetings, between March and October of 2007. In a first instant, there were presentations from national and international specialists about diverse issues, with many points of view. In a second instant, there were discussions in small tripartite groups and

boards, followed by plenary referendum. In its functioning form, the consensus and explicit dissension were sought, relative to diverse topical areas. No decisions were taken by the majority of those present.

At the end, the Forum presented subsidies for the elaboration of legislative projects with proposed measures with the necessary adjustments to guarantee that the Brazilian Social Welfare attend to all its constitutional goals, keeping within the dictations of the actuarial discipline, primordial requisite for its strengthening and indispensable to the financial balance. With the conclusion of the debate of the proposed issues, the Forum was able to form consensus about the following:

I – Issues related to the job market and the universality of the coverage.

The Forum recognized that the universality of welfare coverage is an objective yet to be reached, declaring that the need to strengthen the formalization policies and welfare inclusion, in a way to guarantee the access to welfare benefits to all citizens.

II – Issues related to Workers' Security and Health

The Forum recognized the need to implement policies in the workers' health and security area, reducing the number of accidents and the occurrence of occupational illnesses, with positive reflexes in the reduction of benefits due to disability and illness, welfare and accident aids.

III – Issues related to Gender

In the Forum's point of view, any proposal to modify Social Welfare rules eyeing higher gender equity must consider the complexity of the diverse aspects involved. Although the economic activity level of women follows a growing tendency, gradually reducing the difference in job market participation between men and women, it is still significantly lower than that of men.

IV – Issues related to the Social Welfare Management and its Funding

The Forum recognized the need to build an efficient Administration, swift and secure, in a way to generate in the population the indispensable trust in order to feel protected by Social Welfare, and also to give more transparency to the Social Welfare accounts, clarifying to society that, inside a larger public policy, which is Social Welfare, there are a series of specific policies regarding subsidies and income distribution.

V – Issues related to the Coordination between Social Welfare and Social Assistance

The Forum understood that, of the two perspectives of social protection to the elderly, the welfare and the assistance come forth policies that, ideally, should be conceived together, eyeing to guarantee maximum efficiency in social protection, minimizing adverse effects between them. As such, it recognized the need to re-discuss the retirement benefit concession due to old age and the support to the elderly, so that both policies are complementary and not against each other.

VI – *Issues related to Rural Welfare*

The Forum recognized the strategic importance of the welfare policy aimed at rural workers, pointing out that the welfare policy is what has contributed the most to face the problem of poverty in the less favored regions.

VII – *Other Consensus*

Other consensus obtained at the Forum, summarily pointing out:

- a) Monetary incentive mechanisms to postpone voluntary retirement must be created;
- b) The right to pensions due to death of a homo-affective relationship in the General Social Welfare Policy, observing the same rules adopted for same-sex partners, must be recognized.
- c) alternative policies that ensure social protection to the ones who dedicate themselves to the long term caring and to the ones who need it, keeping in mind, among other points, the increase in the contingent of elderly in the country, must be studied.

XI

The

International

Dimension of

Welfare

For a long time, Brazil considered itself a “closed” population to international migration, after having been, until before World War 2, a country of strong immigration. This situation does not correspond to reality, though, above all as of the 80's, when, with the economic crisis, many Brazilians left the country in search of better opportunities in other countries. With the globalization process, either due to the intensification of commercial, capital, communication, transportation flow or other motives, the international move of people is ever more frequent. It is estimated that at least 3.5 million Brazilians currently reside outside of Brazil, whereas almost one million foreigners live in Brazil.

This situation has impacts on social protection and represents a challenge to the Brazilian Welfare. It is necessary to establish international rules that permit the count of contribution time and access to welfare rights in the case of those that have professional trajectories in many countries under different legislations. These rules are the International Social Welfare Treaties, of which Brazil has an insufficient number: currently the Mercosul countries (Argentina, Paraguay, and Uruguay) are covered, as well as Chile, Portugal, Spain, Italy, Greece, Luxembourg, and Cape Verde, adding to a total of only 10 countries.

In this context, you cannot forget that social security is a fundamental instrument

to fight poverty, increase social cohesion and promote well-being in the population. Its main function is to protect the individuals and their families against the risks of losing labor capability associated to events such as accidents, death, maternity, advanced age, among others.

In 2004 and 2005, the Brazilian Welfare united forces with the welfare partners of the Mercosul and put into operation the respective Multilateral Treaty in June of 2005, with important contributions of the DATAPREV for the creation of an electronic data and image transfer mechanism among the four countries involved.

In 2006 and 2007 the Iberian-American Multilateral Social Security Treaty was negotiated, and signed at the Heads of Government and Iberian-American States Summit in Santiago in November of 2007. This multilateral treaty, that still lacks ratification by the National Congress, will be able to benefit from the experience and instrumental, built in the ambit of the Mercosul. It is important to point out that Brazil hosted, in the month of September 2008, in the city of Fortaleza, the 2nd round of negotiations of the Administrative Adjustment of the Iberian-American Multilateral Treaty, where there was dialog about the application of the referred treaty, stipulating criteria for it. It is expected that at a following meeting the Administrative Adjustment of the Iberian-American Multilateral Treaty will be finalized.

There are new agreements in negotiation covering many countries relevant to Brazil, among which Japan and Germany stand out due to the dimension of the human and economic flow between these countries and Brazil. There is strong interest of other countries to negotiate welfare agreements with Brazil. Brazil, on the other hand, also needs to increase its web of agreements. This is one of the reasons that explain the big demand for negotiations in 2008 and for future years.

In the international technical cooperation field, Brazil signed the European Commissariat, in April of 2008, a memo of agreements that foresees a structured dialog about social policies, including issues of the common interest in the expansion of welfare coverage and good governance of social policies in the welfare ambit. The dialog consists of the regular exchange of information and experiences, the realization of short technical visits, practical internship programs and organization of periodical meetings.

Still in the international ambit, regarding the International Labor Organization (ILO), Brazil endorsed the Hemispheric Decent Labor Agenda which proposes, within the next 10 years (2006-2015), that the social protection coverage increases by 20%. For that to happen, a Labor Group was constituted with the goal of analyzing the social protection situation in the country and propose measures for the acceleration of welfare inclusion.

It is important to stress that the Brazilian Welfare has started to have the role of an important reference, for not having done a privatizing welfare reform in the 80's and 90's and, despite all the predictions to the contrary, it not only didn't collapse but also reached relevant coverage indexes. The Brazilian leadership role will be fortified with the ratification of Convention 102 of the ILO, by Brazil, which establishes minimum standards for Social Security and that few countries in the world have ratified. Brazil already follows the criteria established in it and may become, with the ratification, an example of commitment to the well-being of the State.

This way, its foreseeable that, in the context of growing international integration, international welfare treaties become an important instrument of extension and guarantee of social, labor and welfare rights. Also, the international

agreements are put into operation by the National Social Security Institute (INSS), in a decentralized form, with fourteen Liaison Agents connected to the Executive Managements of the INSS in the cities of Manaus, Salvador, Fortaleza, Goiania, Cuiaba, Belo Horizonte, Belem, Curitiba, Recife, Rio de Janeiro, Porto Alegre, Florianopolis, Sao Paulo and the Federal District. These Organisms are responsible for the analyses and concession of benefits, as well as answering solicitations from the insured and from foreign Liaison Agents.

The Brazilian welfare experience stands out, especially in the ambit of the Community of Portuguese Speaking Countries (CPLP - *Comunidade de Países de Língua Portuguesa*), where we have exchanged experiences with countries such as East Timor, Cape Verde, São Tome and Principe and Guinea-Bissau and where the Technical Cooperation Agreement with the ILO was established for Brazil to coordinate its efforts aiming at Portuguese speaking countries.

At the VIII Meeting of Ministers of Labor and of CPLP issues, it was established that Brazil would coordinate a labor group among countries for the elaboration of a proposal of multilateral pacts or a web of bilateral pacts, to be presented at the Meeting of Ministers in 2009 in Lisbon. For that, an internal labor group was structured to study the welfare legislations of member countries of the CPLP aiming at pointing out convergences in the system, with the intention of suggesting a draft of reciprocal agreements among the partners, which will be an object of discussion among the States welfare technicians who are part of CPLP, in the month of November, after the realization of the XXIV General Assembly for the Inter-American Social Security Conference (CISS - *Conferencia Internacional de Seguro Social*), in the

city of Salvador, BA. Regarding the Inter-American Social Security Conference (CISS), its important to point out that Brazil is the vice-president of the international organism, coordinator of the Southern Cone, which will host, in 2008 in the city of Salvador the General Assembly with the participation of 1,200 people and presentation ministered by top specialists of the welfare world.

Definition and Finality

The closed Complementary Welfare integrates the social security system and constitutes an instrument of great efficiency to protect the Brazilian worker. Following the consecrated model by most developed countries, the Brazilian social security system comprehends a group of integrated actions of the public power and society, destined to assure the rights of citizens regarding health, welfare and assistance.

In Brazil, the Federal Constitution of 1988 divided the social welfare system in two paths: one obligatory, founded on the simple distribution modal, responsible for the basic welfare of the general policy of the private initiative workers and the internal policy of public servants; and the other optional, necessarily capitalized based on the constitution of reserves, accessible to the company's employees and to public servants in general and to members, or members of professional judicial entities, by class or sector.

The pension funds, as the participating entities of closed Complementary Welfare are called, currently protect, including dependents, around 6.5 million Brazilians. According to data of December 2007, complementary welfare benefits were paid out to about 670 thousand people, with an average retirement value of around R\$3,4 thousand. Comparing this result with the monthly average benefit value paid out by the

XII

The New

Closed

Complementary

Welfare

General Social Welfare Policy, approximately R\$644⁵, it can be observed, by the difference between the values, that the complementary policy efficiently contributes to maintaining the worker's life standards, when he becomes inactive.

According to Social Welfare's high numbers⁶, the significant part of the economically active population that does not participate in any kind of welfare is of about 90⁷ million people or about 50% of the total population. Considering, that of the approximately 82.5 million occupied workers, only 44.8 million contribute to the basic policy and 2.6 million⁸ receive more than 10 minimum wages every month, there is still more to be done in terms of public inclusion policy.

The financial unbalance of the welfare systems, another recurring issue in this important area, is not exclusive to Brazil. Actually, this is a reality, which most countries face. Expanding the Welfare to the totality of workers is an objective that walks together with the obtaining of balance of the public accounts. The closed Complementary Welfare has shown itself a powerful tool in maintaining the public accounts adjusted, once that its logic is based on the constitution of long term savings accounts, at a low capture cost and reasonable remuneration standards.

The basic and complementary welfare policies are structures that make up the same system, which should act in a harmonious and integrated way, despite being

5 Average value of January through August of 2008, at August 2008 prices (INPC)

6 Source: PNAD/IBGE - 2007, considering workers of ages 16 to 59

7 Source: PNAD/IBGE - 2007, considering workers of ages 16 to 59

8 Source: PNAD/IBGE - 2007, considering workers of ages 16 to 59 and income from all sources.

independent of each other. While the basic policy is compulsory, and exerts a relevant role in guaranteeing a minimum benefit value to the entire population, the complementary, of optional nature, aims at both complementing the inactive workers' income, and correcting distortions that the system's general average may eventually introduce in specific social sectors. Segments such as the petroleum producers, bankers, steel workers, and many others, present specifics that move away from the average, especially in relation to risks involved, to the useful work life and to the income level. All these factors, left to chance, can constitute an exaggerated sacrifice of some individuals in relation to society as a whole. This way, the complementary welfare, besides being an instrument for workers' inclusion, it is also a relevant mechanism for the promotion of social justice.

In sum, the Complementary Welfare is in itself a sufficiently effective social protection mechanism and, in the whole of welfare policies, integrates a well-structured system in a way to give it consistency and sustainability.

Historical Conceptualization

The logic in the functioning of the Complementary Welfare goes back to the beginning of the Social Welfare, with the founding of the welfare funds at the end of the XIX century. In Brazil, the Eloy Chaves Law authorized the creation of the first retirement and pension funds for employees of railroad companies. In the shape of what is today understood as Closed Private Welfare, the first pension fund was born, by means of employer and employee contributions.

In Welfare, the concept of private is inherent to its origin and is never in contradiction to the notion of public. On the

contrary, they are complementary concepts and harmonious between each other, demonstrating that the element of integration between the public power and society is at the core of Welfare, foreseen in the Federal Constitution of 1988. The private dimension of the Complementary Welfare results therefore, from the fact that it does not pertain to the State.

As of 1977, with the edition of the Law on private welfare entities, the closed welfare was instituted by right, despite already existing since the beginning of welfare in Brazil. This legislation introduced in 1977 was in effect until May 29th, 2001, when the Complementary Laws nos. 108 and 109 determined the reformulation of the Brazilian Complementary Welfare, making it more adequate to the new realities and increasing its coverage as a form to offer better alternatives in the ambit of the entities that manage non-profit welfare plans.

Currently the Brazilian complementary welfare is held on two pillars, the open and closed entities, which present major differences between each other. The former, also known as pension funds, are non-profit organizations, constituted by way of private right foundations or partnerships. While the latter, the Open Entities of Complementary Welfare (EAPC - *Entidades Abertas de Previdência Complementar*) are organized by way of anonymous partnerships and act in the complementary welfare market seeking profits. This type offers different kinds of retirement plans to the population, which can be individual or collective.

The complementary welfare entities are regulated and inspected by different government agencies. The Closed Complementary Welfare Entities - EFPC (*Entidades Fechadas de Previdência Complementar*), for example, are regulated by the Complementary Welfare Management Council (CGPC - *Conselho de Gestão da Previdência Complementar*) and

inspected by the General Office of Complementary Welfare (SPC - *Secretaria de Previdência Complementar*), both linked to the Ministry of Social Welfare (MPS - *Ministério da Previdência Social*). The EAPC, on the other hand, are regulated by the National Council of Private Insurance (CNPS - *Conselho Nacional de Seguros Privados*) and inspected by the Superintendence of Private Insurance (SUSEP - *Superintendência de Seguros Privados*), agencies integrated to the structure of the Ministry of Finance.

Lastly, it should be pointed out that, in the complementary welfare ambit, the closed model imposes itself as hegemonic counting more than 6,5 million participants and an accumulated estate of the order of 457 billions Reals.

Basic Concepts

Although they are independent, labor relations and Social Welfare are intimately related concepts. The predominant standards in the job market do not determine the type of welfare, but influence its organization. The Complementary Welfare, for example, builds its foundation on the relations held in big capitalist companies based on the mass production of goods and services.

In Brazil, the state companies and the multinationals greatly determined the standards that set the institutionalization of Private Complementary Welfare. Basically, the pension funds came about due to employees' and employers' desire, that by way of a partner relationship, constituted non-profit entities with the objective of administrating resources coming from the contribution of both for the formation of an estate, that in the future, would be used with the finality of paying welfare benefits and eventually assistance benefits.

The lawful relation, that arose from the estate constituted with specific welfare finality, either to administrate it or enjoy its results, was built, in this first moment, on a tripod made of the participating employee, sponsoring company and the Closed Complementary Welfare Entity (EFPC). In general, the pension funds received contributions from the participants and respective sponsor, being, eventually, able to receive contributions only from the latter.

The technique developed for the construction of any welfare system is founded on the principle of capitalization, being based on labor force or the actual capital. The first model is with regard to the intergenerational pact, in which the future generation, when it enters the job market, takes over the retirement onus of the previous generation. However, in terms of Complementary Welfare, the legislation just permits the capitalization based on the accumulation of capital, which happens by way of accumulation of actives, which can be real estate, debt titles and share participation in the company's capital.

In relation to the capitalization model based on the accumulation of actives, the developed technique permits the use of a great diversity of methods, which vary according to the profile of the mass of insured workers. If, for example, the average age of participants is relatively low, the welfare plan can accumulate resources at a slower rate initially and faster at the end, with the intention of turning the plan more attractive to the young and also to adequate the payment capacity to the group.

Finally, the process of constituting the active, which will guarantee the benefit payments, can happen in the proportion and speed, which is more adequate to the interests and financial capacity of the contributors, keeping the necessary compatibility for the maintenance of the balance

between period and level of contribution in relation to the value and period of benefit reception.

In this sense, the type of plan, whether the Defined Benefit (BD - *Benefício Definido*), Defined Contribution (CD - *Contribuição Definida*) or Variable Contribution (CV - *Contribuição Variável*), generally, does not interfere directly in the process of accumulation of actives. If anything, it can indicate a specific strategy for it. In practice, the BD, CD and CV respect the judicial relation that is established between the participant and the benefit plan, by way of a specific EFPC. In the first case, the participant contracts a specific benefit value of undetermined payment duration, while in the second, specific contribution values and duration are contracted, and the benefit will depend on the revenue performance, being either higher or lower than established as a goal. In case of the CV, there is a combination that mixes characteristics of defined contribution in the resource accumulation phase and defined benefit in the benefit payment phase. The fundamental difference among the types lies in the judicial way of attributing responsibility in case of unbalance between the accumulation phase and the benefit payment phase.

The management of the estate of benefit plan participants is in the hands of non-profit Closed Complementary Welfare Entities (EFPC), constituted specifically for this purpose, and which is fulfilled with the direct action of representatives indicated by the active and assisted participants. The closed complementary system manages its resources in a decentralized way, and consequently, closer to the beneficiaries' rights and with the participation of the interested, fact that contributes to the reduction of administrative costs and of the problems related to fraud.

Innovations

Since 1998, the welfare system has been going through a re-structural process. First, the Complementary Welfare became one of the pillars of Social Welfare. Afterwards the access of the complementary policy was expanded to the almost totality of workers in the private initiative, and lastly, it was extended to the public servants. But, the judicial mark of the new Complementary Welfare was fixed with the edition of Complementary Law no. 109, of May 29th, 2001. With this rule, the Brazilian complementary policy not only fitted itself to the modern rules which had been introduced a long time before in more developed countries, but also innovated itself in other ways.

Initially, we call attention to the conceptual evolution that happened in the mutualistic characteristic of pension funds. In the beginning, the mutualism was, we can say, little supportive, since in order to receive the welfare benefit it was necessary to be alive and whoever died before they qualified, would completely lose any right on the resource funds. Later on, the concept was reshaped, with the incorporation of risk benefits, developing into a kind of restricted mutualism. This second situation lasted until the edition of Complementary Law no. 109/2001, when mutualism stopped in relation to the plan and started in relation to the system.

The mutualism, limited to the plans, presented a great inconvenience that exactly when the person most needed support was when the insurance was least favorable. The loss of the labor bond, and the consequent separation from the plan, in general imputed great loses to the leaving worker, in favor of the ones who remained. The rotation constituted itself as an element responsible for lowering the costs of the plan to the contributors. Many plans in the Defined Benefit

seemingly became more favorable to the participants exactly because they were based on the earnings which the collective gained with the losses of the individual. Another factor that contributed to creating a false impression that the BD plans were more advantageous, derives from the fact that the sponsors covered the eventual existing deficit. But, this situation was in a context in which only the sponsor drove the EFPC, without participant representation. With the introduction of Complementary Law no.109/2001, the eventual deficits of the plans in the Defined Benefit and Variable Contribution must be covered in a proportional way between sponsor and participant. In relation to the plans in the Defined Contribution, conceptually there is no deficit, because any imbalance, for more or less, reflects directly on the benefit value.

As seen above, these types present favorable and unfavorable points. In the case of the Defined Benefit, the advantages are, on one hand, to previously ensure the participant, when he achieves all the conditions for the acquisition of the right, a defined benefit value, and, on the other hand, already bring in its rules a way to equation out the eventual deficit, obligatorily involving the sponsor. The disadvantage, on the other hand, is that the value of the monthly contribution installments can be, periodically, readjusted, based on income performance. In relation to Defined Contribution, the advantages derive, in first place, from the fact that since it doesn't ensure the exact benefit value, it turns the participant in a potential fiscal to accompany the incomes and a form of application of actives, and secondly, for not modifying the financial planning of the participant in relation to the contribution value, which is always fixed, which doesn't hinder him from making extraordinary contributions. What weighs against this form of plan are basically two aspects, the first with respect to

the fact of not compromising the sponsor with eventual deficits, which doesn't forbid him to make voluntary contributions in favor of the participants, and the second, refers to the uncertainty in relation to the benefit value, which wouldn't be a surprise to the participant, if he systematically accompanies the evolution of his benefit plan. In the Variable Contribution plan, the participant has the advantage of the Defined Contribution plan in the resource accumulation phase and has the possibility of converting the accumulated total in Defined Benefit in the benefit perception phase, taking the onus of covering, together with the sponsor, an eventual deficit.

The institutes foreseen in Complementary Law no.109/2001 constitute a great advance in the complimentary policy, equaling the Brazilian system to the practice used in developed countries for a long time. The Differed Proportional Benefit, the Portability, the Redemption and the "Self-Sponsor" are a group of minimum rules that the plans must contemplate, keeping in mind the assurance and protection of participants' rights within the system's new philosophy, today much more supportive and accessible to the majority of workers.

Institutor - An Associative Welfare

The biggest innovation introduced by Complementary Law no.109/2001 was the creation of the figure of the Institutor of welfare plans for union associates and class and sector entities, based on the identity of the existent group. Although other countries already possessed plans based on this tie, the Brazilian case is peculiar and, in many ways, represents an innovation. In the Institutor's plans there is no sponsor, in other words, the participant is the only one responsible for the funding and, therefore, all plans must be

constituted in the Defined Contribution type. But, the norm lets the employer contribute, without be tied to the plan, in the name of his respective employees. Another regulated situation is with regard to the estate management, which must be outsourced. All the judicial and technical cares were made so that the associations and class and sector entities can become an instrument to strengthen the Complementary Welfare, which becomes an instrument to consolidate the harmonious worker relationships.

The possibility of turning the closed Complementary Welfare accessible to workers in general, by means of associative ties, produced a structure compatible and complementary to the traditional structure brought forth from the sponsored plans. Traditionally, the industries organize themselves by sectors of economic activity, in a way that within a same sector it is possible to find various specialized activities, all the way from the executive the worker. This way, the benefit plans for the occupational groups, based on the employment ties, are designed in a way to accommodate the vertical structure characteristic of each economic sector, including activities that are distinct, yet correlated and complementary.

The complementary policy based on associative ties, on the other hand, is conceived in a horizontal form, going through, in many cases, more than one economic sector, but always within the same specialized area, such as, steel worker and engineers, among others. From a conceptual and judicial point of view, the Brazilian model of Complementary Welfare is complete, just needing to develop it in some aspects and integrate more its institutional structure.

Currently the associative welfare counts with 249 institutors, among unions, professional councils and other class entities; which are distributed in 45 institutor plans

operated by 24 pension funds. The Complementary Welfare definitely enters the agenda of the main union leaders of this Country, accomplishing one more important point of President Lula's Social Inclusion Program

Retrospective and Perspective of the Complementary Welfare

Simultaneous to the changes that happened in the legal mark of the Complementary Welfare, the regulating and inspection organs of the Closed Complementary Welfare Entities (EFPC) gained new attributions and a more adequate structure in order to accomplish its main duties, among which the protection of participant rights, taken into consideration individually or collectively, must be noted.

Based on the diverse conjunctive scenarios of the social economic situation of the Country for the next years, the Ministry of Social Welfare has initiated a series of preparations to offer a social protection mechanism to all the workers who can opt for this type of public policy. In relation to the General Office of Complementary Welfare, a group of actions has been established with the goal of making a safe, quick, transparent, friendly, informative and reliable Complementary Welfare system available to as many workers as possible, with an effective and permanent action of public power in the unconditional defense of the participants. As raw material for other government actions, the Complementary Welfare should retribute with an expressive long-term savings account, essential to contribute to the economic and social development in an independent and sustainable way.

As there was a big gap between the existing institutional structure and the one really necessary to face the new political

orientations, and considering the shortage of financial and human resources, the General Office of Complementary Welfare initiated an emergency procedure, though put into practice in a methodical and thorough way, in order to optimize the application of the available resources. Initially they were separated - conceptually the attributions of the regulating organ, in the hands of the Complementary Welfare Management Council (CGPC), from the ones of the inspection organ, taken care of by the General Office of Complementary Welfare (SPC). Both were valued and strengthened for in order to see to their attributions. The CGPC, with a tighter and more representative structure, gained more agility and was able to regulate situations that had been dragging along for years due to lack of political definition.

The SPC focused its efforts along the following directives: Strengthen the closed Complementary Welfare system, incite the creation of benefit plans (sponsored and associative welfare), and keep track of the setting of rules for the public servants Complementary Welfare, CGPC, promoted the regulation of crucial points in order to make the system more attractive and viable for all interested. Among other measures, its worth pointing out the effort to give the General Office a more specialized and quick technical structure, in order to help reduce the legal processing time of the most diverse demands that are received daily in protocol.

Special attention should be given to the effort made with the objective of accomplishing partnerships with the agents of the complementary system. Considering the structure of the EFPC's governance, which, besides the Deliberative Council and the Executive Directory, also entails the Fiscal Council with internal control attributions, the SPC has sought, through various actions, to establish a close relationship with the counselors, with the objective of

integrating the external control, in the hands of the system's inspection organ, and the internal control, which has within it representatives of the participants.

In relation to supervision, the General Office is developing a mechanism to continuously and permanently follow the Closed Complementary Welfare Entities, in a way to learn beforehand, situations in which the orientation of the inspection organ can become vital to follow legislation correctly. Besides permanently accompanying the EFPC's life, the SPC is promoting reinforcement in its staff responsible for the in loco inspection of the benefit plans.

The General Office of Complementary Welfare's agenda for the pension funds anchors itself to some important axis that for the search of more effective results, has been divided, with the purpose of facilitating the comprehension about the areas of action of the SPC. The first one consists of the organization and functioning of the closed complementary welfare entities' inspection organs, which includes, among others, the creation of the National Complementary Welfare Superintendence, the Previc, a state company of autonomous inspection, stable, with financial and administrative independence, and own specialized staff, and also the strengthening of the SPC personnel and the implantation of the new information portal of the SPC.

The second point refers to the consolidation of the foundations for the establishment of the Supervision Based on Risk, which will conduct the inspection organ to the accomplishment of more modern inspection methods in line with the best international practices set forth by the International Organization of Pension Supervisors - IOPS.

The third point refers to the incitement of financial and welfare education as one of the main lines of action of

the General Office of Complementary Welfare for 2008. Educational practices for the participants, the assisted and the beneficiaries of benefit plans, for the organizational structure of the EFPC and for the general Brazilian population, will be stimulated.

The fourth and last axis consists of a revision of the accounting procedures of the closed complementary welfare entities and has as its goal reinforce the transparency, offering more visibility of the registers of financial and actuarial operations and allowing the adequate market launch of the information.

In face of the exposed, the perspectives for the current year are very exciting. It is expected, though, to give continuity to the process that is already being done, deepening and diversifying the already developed actions, having as its main goals the strengthening of the welfare system, the expansion of Institutor plans and the intensive supervision of the benefit plans. The complementary welfare for public servants, now that the Federal Constitution has already set its base rules, will this year be the object of a specific action of the General Office aiming at the organization of a tight , integrated and balanced structure from the start.

Ministério da
Previdência Social

