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## **MEXICAN SUPREME COURT CHANGES RULES ON PENSION INDEXATION**

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Use of the “unit of measure and update” (UMA) to calculate certain benefits in Mexico likely will change, after five recent court rulings finding these calculations should instead use the minimum wage. Since 2016, benefit calculations have commonly used the UMA, such as when determining social security retirement pensions and the statutory seniority premium.

A supreme court announcement [published](#) (Spanish) on 20 Sep 2019 requires use of the minimum wage to calculate retirement pension benefits paid to state workers by the Institute of Security and Social Services. The court said that because these benefits are linked to an individual’s employment and salary history, the minimum wage is more appropriate to use in calculations. Despite focusing on the public sector, the announcement will likely have a broad interpretation and apply to similar private-sector benefit determinations.

Even though labor law reforms introduced earlier this year didn’t change the statutory seniority premium calculation, several private-sector employers have started using the minimum wage instead of the UMA to determine this premium. The seniority premium is defined as 12 days’ salary for each year of service, capped at twice the daily minimum wage for each year. The supreme court’s announcement reinforces employers’ decision to use the minimum wage in determining this premium, even though their actuarial liabilities will increase: The UMA is currently valued at MXN\$84.49, while the minimum wage is MXN\$102.68.

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- [Court Announcement](#) (Spanish) (Supreme Court, 20 Sep 2019)

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- [Mexico Reforms Federal Labor Law, Labor Dispute Procedures](#) (20 May 2019)

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