



# Mexico: Government publishes proposed public pension reforms

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Measures aimed at strengthening Mexico's public pension system (IMSS) would increase pension access, the amount of guaranteed minimum pension, and employers' contributions. The measures feature in proposed revisions of the social security law published by the Ministry of Finance on 22 Jul 2020, and will be debated in parliament later in 2020. The main employer organizations and labor unions support the proposals.

## Background

Proposed reforms would generally impact workers subject to the pension scheme introduced by the 1997 law, which covers employees who started work on or after 1 Jul 1997.

## Highlights of the proposed reforms

- Increased employer contributions to the social security system would continue to be 100% tax deductible.
- Employer contributions to retirement, old age and old age unemployment insurances would increase to a maximum rate of 13.875% (up from 5.15%), but a government contribution would reduce the amount paid by employers for employees earning less than four UMA (Unit of Measurement and Update).
- The proposed increase is slated to start one to two years after the law takes effect, and could be phased in over an eight-year period. The increased employer contribution also would apply to employees enrolled in the 1973 pension scheme.
- The employees' contribution rate would remain unchanged at 1.125%.

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- The required contribution period for receiving a minimum guaranteed pension (MGP) would be reduced. Under the proposals, employees would have to be registered with the Mexican Institute of Social Security for a minimum period of 750 weeks (14.4 years) — currently the threshold is 1,250 weeks (24 years). It is unclear if the reduced contribution period would be introduced immediately or would be phased in. The proposals include a gradual increase of the contribution period to receive an MGP — from 750 to 1,000 weeks.
- The MGP amount would increase 32% on average, depending on the amount of qualifying salary, the number of total contribution weeks and the age at retirement (60-65 years).
- The commission or administration charge for pension funds would be reduced to 0.7% — from the current average of 0.92%.

### Related resources

#### Non-Mercer resources

- [Press release \(Spanish\)](#) (Government of Mexico, 22 Jul 2020)
- [Information on UMA \(Spanish\)](#) (National Institute of Statistics and Geography, 9 Jan 2020)

#### Other Mercer resource

- [Proposal to reform the IMSS Retirement Savings System](#) (Mercer, August 2020)

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