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

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Inter American Conference on Social Security (CISS)

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

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