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Pension Legislation for Federal Public Servants in Brazil

Maria Chaves Jardim ^α & Sidney Jard ^σ

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I. INTRODUCTION

On April 30, 2012, Bill No. 1992/2007 was transformed into Ordinary Law 12618/2012, whose main objective has been the implementation of pension funds for Brazilian federal public servants. The enactment of the new law represented a significant advancement in the implementation of the Constitutional Amendment 40/2003, sent exactly nine years ago to the Congress by the then President Luiz Inácio Lula da Silva (2003-2010). The new legislation has determined that the pension funds for public employees would be deployed as "defined contribution" and would be known as Foundation for Pension Funds of Federal Civil Servants (FUNPRESP). The main arguments made by advocates of the matter, in 2003 and 2007, as well as in 2012, pervade the social security crisis, excessive privileges of the public sector, and the quest for greater equity between public and private pension benefits.

In order to provide an understanding, even if provisional and exploratory of a theme as relevant (and current) for the economy, politics and society as this one, we present in this paper a critical discussion on the topic. The text is based on literature review, analysing of bills and constitutional amendments, and finally, collecting of material in the press seeking to outline proponents and opponents to the pension funds for civil servants in Brazil.

This reflection is motivated by previous studies, in which were showed the consolidation of pension funds as a central character in the Brazilian contemporary capitalism (Jardim 2007; Jardim, 2009;

Jardim, 2010). Therefore, it is an extension of efforts to understanding the finance capitalism and its related characters (pension funds, insurance market, managers, union pension funds, etc.). At the theoretical level, this text allows us to reflect on the similarities and differences between State and market institutions in the provision of social security welfare.

The text is divided as follows: it starts with the emergence of private pension plans in the Brazilian social security system, then it shows the various reforms (laws and constitutional amendments) leading to the creation of pension funds for servants and finally, in the last part, we analyse the discourses of opponents to and advocates who stand by the issue, as well as the controversies surrounding the pension reform in Brazil.

II. CREATION AND REGULATION OF PENSION FUNDS IN BRAZIL

The regulation of private pension plans in Brazil began during the military regime in 1972, stepping up from 1974 on. This debate appeared in Congress for the first time in 1976, when an Interministerial Commission drafted a preliminary bill to be sent by the Executive to the Legislature. This project was processed and approved by Congress during the Geisel Government in 1977 when the private pension activities in Brazil were institutionalized.

Therefore, the private pension formally came into existence in Brazil, with the enactment of Law 6435 of July 15, 1977. This law established that the activities of private security should be regulated and controlled by the State. Until then, entities operating in the market existed without any monitoring by the state and worked in isolation, without organization or dialogue among operators in the market. From the creation of Law 6.435/77, the pension market was expanded, and the private pension expression began to be used in Brazil. Before the 1977 law, entities that operated open private pension plans were called "montepios", whose origin dates back to the period of the Empire.

Law 6435 of July 15, 1977 set a maximum date for the regulation of existing private pension entities. Those who did not meet the standards of this law would be excluded from the market. This is the case of the montepios, many of whom were deposed by the National Superintendence of Private Insurance (SUSEP), which alleged irregularities in these institutions. The

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montepios approved had to be restructured to fit the new rules set forth by SUSEP. Menicucci (1994) reports that 180 montepios attended SUSEP for regulatory purposes, and of those, 120 were approved. Those approved had their old pension plans blocked and were forced to create new ones.

The pension funds of state enterprises that emerged in Brazil in 1977 had the following characteristics:

- strongly inspired by the pension funds of the United States;
- under the Government's interest and not the workers';
- in order to strengthen the capital market (stock exchange);
- strongly founded on public companies;
- modeled in Defined Benefit Plans.

To Menicucci (1994), through the 1977 legislation, the government made it clear that its goal was to gradually eliminate from the market the nonprofit organizations, represented by traditional montepios, and open space for profit organizations, encouraging mergers and acquisitions. Menicucci (1994) argues that the State saw in the private pension an instrument for capturing savings, i.e., it aimed to start in the country the

internal logic of capital accumulation from funding through private pension. The savings generated by private pension funds would be invested in the economy.

In addition to the private pension model featured above, Law 109/2001 (replacing the 1977 Law) authorized the existence of a new device called plan "Institutor". Approved in 2001, in the government of Fernando Henrique Cardoso (1995-2002) and regulated in 2003, in the Government Luiz Inacio Lula da Silva (2003-2010), this device enables the creation and management of pension funds through unions, professional organizations, and others. Moreover, the pension reform of 2003 allowed the adoption of a pension fund for civil servants, the FUNPRESP, which is the subject of this text.

Therefore, since its regulation in 1977, the private pension has undergone significant changes throughout its history. Open and closed entities move together 25% of Brazil's GDP, and of this amount 18% of closed private pension and the remaining 7% of the open private pension (represented by the insurance industry). In turn, the market of pension funds has a total of 368 entities, which move the amount of 565 billion dollars. See the table below:

Table 1 : Number of Closed Supplementary Pension Entities - CVET by predominant type of sponsorship

Patrocínio	Quantidade de Entidades *	%
Instituidor **	18	4,9%
Privado	266	72,3%
Público	84	22,8%
Total	368	100,0%

*Number of Entities**

*Founder***

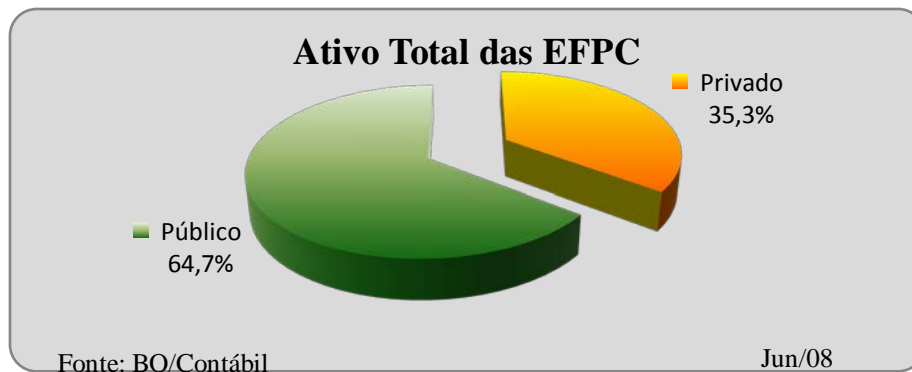
Source: Consolidado

Estatístico, junho de 2011.

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It is worth pointing out that even if the table shows a greater amount of privately sponsored entities (266), public sponsorship funds are the ones holding greater economic, political, and symbolic power in the social space of pension funds.

The following graph shows the total of assets controlled by public and private funds.



Graph 1 : Total assets of pension funds

Source: BO/Universo Cadastro, 2008

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Based on the graph above, it is possible to verify the superiority of public sponsorship funds (64.7%) over private sponsorship funds (35.3%), which hold greater symbolic power in the closed pension plan in Brazil. As per Jardim (2010), the funds of public patronage actively participate in the Growth Acceleration Program (PAC).¹ It is in the management of those funds that labor union members can be found, coming from the banking and oil industries, which greatly influence the investment portfolios of the pension fund market, to forge new forms of investment with sustainability criteria and strengthening institutional designs such as Investment Funds holdings (FIPs), also known as private equity.

From this context, we affirm that the private pension institution has existed in Brazil since the Empire, in the form of montepios. However, during the 1970s, these entities had the image worn by irregularities and possibly fraud committed by such institutions. This led many montepios bankrupt and as a result, consumers lost money and began to mistrust pension funds.

Distrust of Brazilian society in relation to pension funds began to turn in 2000, when it ceased to be associated with the image of bankruptcy, failure, and corruption to be associated with the development of Brazil. More specifically, the savings of those funds was (partially) used for the implementation of new projects in the Lula government, such as construction of dams, roads, railways, public housing, hospitals, etc.

Finally, in 2012, the market for private pension gained a new product, the pension fund for public employees. If we consider the rich market moved by pension funds, it is clear that over the coming years, the fund will be subject to great political and financial disputes.

Below, we discuss the legal transformations of the social security system for the public civil servants.

III. LEGAL FRAMEWORK OF THE BRAZILIAN PENSION SYSTEM

Since the Constitution of 1988, the pension system has undergone reforms, especially regarding the civil service. We present in this topic, the laws that sparked the emergence of pension funds to the public servants in Brazil. We shall begin with a table that summarizes the legal framework for the pension funds of public employees sector. These laws / amendments are detailed in the following pages.

Law/year	Details
Law No. 9.717 of November 27, 1998	The General Pension Law in the public sector imposes general rules for the organization and operation of specific social welfare regimen of civil servants of Federal, State, and Local Governments. It was determined that the RPPS were organized based on general standards of accounting and actuarial, with actuarial valuations and assessments to review plans and costing. In Article 1, it was established that funding systems themselves should use funds from Federal, State, and Local Governments and contributions of civil and military, active, inactive and retiree to their respective regimes. In Article 2, the Law set forth that the employer contribution may not be less than the employee contribution, or double that, leaving the Federal, State, and Local Governments responsible for covering the financial shortcomings of their own arrangement stems, a consequence to the payment of pension benefits.
Constitutional Amendment No. 20, December 15, 1998	It was sent to Congress for the 1st time in 1995 in order to cut costs. It was only approved in 1998 and it brought the following changes: the minimum age for full retirement based on time of contribution was increased to 60 for men and 55 for women; minimum of 10 years of public service and 5 years in office to enable programmable retirements, end of accumulation of retirement and the possibility of increased income in the passage to inactivity; extinction of proportional retirement and special retirement of teachers; replacement of retirement for length of service and time of contribution.
Constitutional Amendment No. 41, of December 19, 2003	End of parity between the adjustments in wages and social security benefits, passing the latter to be adjusted based on the inflation; pension became in full up to the RGPS and reduced to 30% for higher values; social security contribution on retirement and pensions higher than the RGPS limit; institution of time of service allowance equivalent to the amount of the contribution for service of the servant, who, although allowed to retire, can continue in activity. The possibility of Federal, State, and Local Governments establishing the maximum level for the benefit of the general social security scheme, for the value of pensions to be granted by the schemes, was instituted as long as they create complementary pension systems to their respective servants. It established the end of the parity and completeness.
Bill No. 1992/2007	Attempts to deploy a pension fund for civil servants (Funpresp). Based on this Bill, the person who goes into public service after the creation of the fund will have to contribute to it, if they want to retire earning more than the limit that already exists for the private worker at INSS, that is, 3.600 monthly in 2012. According to the 2007 Bill, the servants who enter public service after the initial operation of the Foundation for Pension Plans of the Federal Civil Servants (FUNPRESP) are subject to the maximum benefit. The participant's contributions should focus on that part of the proceeds that exceed the ceiling of the General Scheme, at a rate set by the participant, limited only by the regulation of the benefit plan. This means that, provided any new constraint to be adopted in the benefit plan, it is possible to contribute to the entire portion of the earnings that exceed the RGPS ceiling.

Source: Research data

Figure : Laws that promotes changes in the pension system

a) *Law 9.717 of 1998*

In November 1998 it was established Law 9717, which provides for the organization of Special Social Security Scheme (RPPS) for servants of the different government levels in the country (federal, states, and municipalities). Such schemes would be independent of the General Social Security System (RGPS), maintaining specific standards for servants (IPEA, 2011).

With the establishment of the RPPS, states and municipalities started to separate their pension accounts from other elements of income and expense in their budgets, and they were granted the possibility of accumulating financial reserves through investments in the capital market.

According to IPEA (2011), data for 2009 indicated 2,236 municipal RPPS(s) and 26 state RPPS(s). The Federal Government, however, have not unified until

2012, the pension management of their servants, whose management remains in charge of the various organs and powers that are linked to more than one million civil servants.

The following law, of December that year, further details the legal provisions brought by Law No. 9,717.

b) *Constitutional Amendment No. 20 of 1998*

Constitutional Amendment No. 20 of 1998, determined that the federal, state, and local governments should set up pension funds and that they could fix the ceiling of the RGPS for pensions to be granted to their servants. The law determined that the employer's contribution should not be less than the employee contribution, or double that, leaving the federal, state, and local governments responsible for covering the

financial shortcomings of their own regime, due to the payment of social benefits.

Constitutional Amendment (CA) No. 20, introduced other changes in the pension system for civil servants, such as the determination that their regimes were contributory and funded by federal agencies as employers; to maintain financial and actuarial balance; and that it would submit to the supervision and control of the Ministry of Social Security (MPS).

Moreover, the same amendment imposed stricter conditions on retirement of servants; stipulated a ceiling to their remuneration (valid for pensions); extinguished the modality of special retirement for academics and forbade the accumulation of retirements within the same scheme (CA No. 20/1998, Federal Constitution of 1988, Article 40).

In the regulatory framework of pension funds of the servants, we cannot forget Complementary Laws No. 108 and 109 of 2001, which will be discussed next.

c) *Laws 108 and 109 of 2001*

The supplementary pension servants must necessarily be in accordance with Complementary Laws No. 108 and 109, 2001. According to the 2001 legislation, the creation of pension funds is optional, being the federal institutions authorized (not required) to establish complementary social security. In this case, the condition is setting the value of pensions based on the ceiling of the RGPS.

d) *Complementary Law No. 108 of 2001*

This Law regulates the restrictions on the relationship between state-owned enterprises, as sponsors of pension funds, and their closed private pension entities. These restrictions are in addition to the general rules to be observed by all the private pension system, whether in the sphere of public sponsors, whether in the private sphere. In addition to rule items to reduce the overhead of the state in funding closed pension entities, the law improves the means of supervision and imposes rules to ensure the financial stability of these entities.

e) *Complementary Law No. 109 of 2001*

This Law provides for the general rules for the system of private pension and replaces Law No. 6.435, of July 15, 1977. It can be argued that this law establishes essential conditions to "modernize" the system of private pension in Brazil, giving it greater flexibility, credibility, and transparency and strengthens the capacity of regulation and supervision by the state. It was through this law that labor unionists became part of the management boards of the pension funds of state enterprises (Jardim, 2007).

f) *Constitutional Amendment No. 41 of 2003*

As we have seen, the possibility of creating pension funds for civil servants was created in Constitutional Amendment No. 20 of 1998. But it was the end of parity and integrity brought by Constitutional Amendment No.

41 of 2003 that gave grounds to the interest in pension funds.

Therefore, the rights and criteria for access to retirement benefits and pensions of public servants were defined by Amendment No. 41 of December 2003. From this Amendment, the Ministry of Social Security (MPS) would make a pact about the pension adjustment of states and municipalities, which was done through the Support Program for Reform of State Security Systems (PARSEP) that provided support (including financial) for municipalities and states to organize pension funds. It is worth noting that states and municipalities are not required to maintain a RPPS. The federal entity can choose between having a RPPS or bind to the RGPS (IPEA, 2011).

In addition, the Amendment predicted the end of integrity of the value of pension benefits of public employees, as well as the end of parity between benefits and wages of active personnel. It also established an extra pension contribution (11%) for retired servants and pensioners whose earnings were above the RGPS ceiling (Brazil, 2009).

Based on this Constitutional Amendment, the servants who join the public service and want to get above the ceiling of ten minimum wages, may join the fund, collecting monthly from 6% to 9% of their gross salary. The amendment also adds that the funds raised must meet the following characteristics: be organized autonomously in relation to their own pension scheme; keep the membership of the servants optional; be governed by the principle of capitalization; allow full access to management information by the participants; make the contributions by the public entity equal to that of the participating servant (never higher). Finally, according to Constitutional Amendment 2003, only the executive branch can take the initiative to establish a supplementary pension system.

The approval of the CA brought the expectation that in the future the RPPS will coexist with FUNPRESP, intended for the retirement of servants. Discursively, the goal that motivated the government in creating the supplementary fund was seeking to balance the deficit of social security and the reduction of early retirement in the federal system.

g) *Bill No. 1992 of 2007*

The Project continued questions brought by CA 2003. However, it was "forgotten" during the last years of the Lula government and was only retaken in the spotlight of power in 2011, when President Dilma Rousseff claimed urgency in tackling the issue and project approval.

The intent of the Dilma government to take the matter further was explained when she triggered Mr. Silvio Costa (PTB-PE), chairman of the Committee on Labor, Public Service, and Administration of the House, to request priority to vote on the proposal. Within three

weeks, Costa decided that he himself would be the reporter of the project, analyzed it, and presented a favorable opinion, approving it.

Specifically, Bill No. 1992 of 2007 aimed to create a supplementary pension for civil servants who hold effective positions of executive power, including its agencies and foundations, as well as members of the judiciary, public prosecution office, and the Court of Auditors.

According to the bill, the benefits to the new servants and members who join the public service would be limited to the ceiling of the General Board, which in 2012 amounted to 3.6 billion dollars. Remember that membership was not compulsory. By the rules established in Bill No. 1992 of 2007, the servants who join the public service until the day before the beginning of the operation of the entity responsible for the private pension, may join the pension funds system, being limited to the ceiling of their general scheme benefits but also being entitled to a special benefit.

The scheme will be offered by public-character closed private pension entities, which shall offer to its participants, benefit plans only in the form of "defined contribution".

Under current pension rules of the servants, possible shortcomings of cash for the payment of benefits are covered with resources from the treasure of several governing levels to which the beneficiaries are bound. As public revenue comes from taxation, the whole society is responsible when the government needs additional resources to finance the pensions of their servants. So, if defined benefit plans were adopted, the same situation would remain as before, in the sense that the costs of any solvency risks of these plans would also be transferred to the company as a whole (IPEA, 2011).

The bill states that FUNPRESP must be fully maintained by their revenues, arising from contributions from participants, beneficiaries, and sponsors; the financial results of its applications and donations and bequests of any kind. That is, the value that will be received by the person retired in the public sector will depend on the contributions collected during activity and how these funds were invested in the financial market. In this sense, the risk is all on the insured.

However, the servant will have a portion of their pension benefit categorized as "defined benefit". It's limited to the RGPS ceiling value because, regardless of the existence of capitalization or not, the government will ensure that value to the retired civil servant. In this case, the risk is all on the employer, i.e., the government.

Therefore, the design of pension plans for public service provides a guaranteed income, which assures the minimal standard of living of the insured, via public security, while offering the possibility of complementation, which in turn depends on the individual accumulation of each person, via pension fund.

The bill also adds that the administration of the fund shall be held by institutions authorized by the Brazilian Securities Commission (CVM). The sole paragraph of Article 4 provides that FUNPRESP should be structured in the form of foundation with legal personality under private law enjoying administrative, financial, and managerial autonomy and headquartered in Brasilia.

Regarding its organizational structure, this will consist of the governing board, supervisory board, and executive board, respecting the laws No. 108 and 109 of 2001. On investments, the bill proposes that this be done pegged to indexes of market references, within the guidelines and limits of prudence established by the National Monetary Council to closed private pension entities.

Regarding contributions, the Bill proposes that the contribution of the participant should be decided by them, and the Sponsor's contribution shall be equal to the participant's, up to the limit of 7.5% (the government has studied the possibility of meeting the claim of social movements, increasing this ceiling to 8.5%).

The federal government, as well as the sponsor, appoints the majority of members in the administration of the fund. The monitoring will be the responsibility of the National Treasury, the Central Bank, and the Ministry of Planning. The fund will be capitalized by the defined contribution system (instead of the defined benefit system).

One last issue refers to portability, i.e. the bill allows the insured to bear or carry their capital to other supplementary pension institution. Portability is an institution already existent in the current pension funds (Jardim, 2009).

Finally, we affirm that Laws No. 108 and 109 of 2001, as well as Amendment No. 41 of 2003 and Draft Law No. 1992 of 2007 (processed at Annual Law 12618 of 2012) are part of a political context of dominance of finance, discourse of social security crisis, and political, economic and social implications for the creation of pension funds, considered the central character in contemporary capitalism (Orléan 1999; Farnetti 2005; Chesnais 2005 Aglietta, 2009) and important struggles in creating domestic savings (Aglietta, 2009).

In the next section, we will highlight the controversial aspects of the reform.

IV. CONTROVERSIAL LEGAL ASPECTS: PRIVATE PENSION AND PUBLIC NATURE

In accordance with Law 12.618 of 2012, FUNPRESP is a foundation of private law but public nature (Michelon, 2011). Constitutional Amendment of 2003 provides the requirement that all entities of pension funds, which may be created by federal agency, must have characteristics of "public nature". To wit:

Article 40, Section 15. The supplementary pension scheme in § 14 shall be established by an act of the respective executive branch, subject to the provisions of Article 202 and its paragraphs, where applicable, through closed pension funds of public nature, which offer to their participants benefit plans only in the form of defined contribution. (Maimomi, A, 2004).

On the occasion of the 2003 pension reform, the Brazilian newspaper *Folha de São Paulo* brought the following criticism of the pension reform text:

The pension reform text passed in the House may limit the performance of pension funds that will be created to supplement the pensions of future servants and still allow governments, especially those of states and municipalities, to use the resources of those entities to invest in projects of public interest. (*Folha de São Paulo*, 08/08/03).

Likewise, the former Secretary of Social Welfare of Fernando Henrique Cardoso Government highlighted criticisms to the "public nature" of pension funds. According to him, thanks to the "public nature" characteristic federal, state, and local governments can use these resources in private interest investments. For the foregoing secretary, the "trend is that this occurs primarily in states and municipalities, where the control of resources is less strict." (*Folha de São Paulo*, 08/08/03).

It is worth noting that there is no clear definition in the legal debate about what a public nature pension fund of private law means. This can create statutory questions about the pension funds of public servants that may be imposed.

According to Meneguim (2011), the most reasonable interpretation of what the expression public nature means is in line with those who argue that the closed supplementary pension entity of the servants is of public nature for the quality of its participants (servants), the need to transparency in the management of assets and liabilities, inspection by the public sponsor, and accountability to society. Dal Bianco, Oliveira, Lima, and Cechin (2009) continue this argument emphasizing the fact that even though the participants are civil servants and the sponsors are public entities, it does not cause the accumulated assets to become public, nor that there is any subsidiary or joint liability of the public body for the maintenance of the social security scheme.

The arguments assume that the public nature of the regulatory instruments that shape this entity would be in conflict with each other (IPEA, 2011). On one hand, CA No 41 of 2003 provides that FUNPRESP have a "public nature" legal personality, on the other hand, Law 12.618 of 2012 determines that such a foundation is organized based on Complementary Laws No 108 and 109 and Article 202 of the Constitution, which provide that the closed private pension funds are governed by private law. That is, apparently, based on

the Constitution, the expression "public nature" could not be understood as meaning "legal personality under public law".

In this sense, IPEA (2011) argues that the pacification of the conflict would be in the own text of Law 12.618 of 2012, Article 8, since it provides that the public nature of closed entities, referred to in Article 40 of the Constitution, consists of:

- I. submission to the federal legislation on procurement and public contracts;
- II. conducting public tender for hiring staff;
- III. published annually in the official press or public administration official site digitally certified by accredited authority for that purpose under the Infrastructure Brazilian Public - ICP - Brazil - their accounting, actuarial, financial statements and benefits without prejudice to the provision of information to the participants and beneficiaries of the benefit plan and the regulatory and supervisory body of the closed private pension entities, in the form of complementary Law No. 108 and 109 of 2001. (IPEA, 2011).

V. FRAGMENTATION OF PENSION LAW: THREE POWER AND THREE FUNDS

Supplementary pension fund for civil servants should avoid the segmentation of assets among participants of executive, judiciary and legislative branches. This would undermine the effectiveness of the plan. First, because the greater the mass of resources applied, greater profitability, and second, because the operation of the pension fund involves administrative costs, which can also be greater if there are several entities. In this sense, IPEA (2011) argues that one should consider the union of the three powers in the same fund, as well as the possibility of participation of states and municipalities in the scheme. So the new pension fund would be provided with scale economy.

Throughout the voting process of Bill No. 1992 of 2007, this idea was shared by the federal government. However, the decision to create only one pension fund under the three powers created a controversial debate among the future categories of participants in pension system. Contrary manifestations by civil servant unions and the Senate itself took place since the government suffered a constant pressure to decentralize FUNPRESP, creating a fund for each power.

In March 2012, the government backtracked on the idea of creating a single fund for all three branches of government - Executive, Judicial and Legislative. In this perspective, the project was redesigned and there will be a unique fund for each power, which means higher expenses for the government. As per the statement of the Minister of Welfare, Garibaldi Alves, on the theme: "All claims of the parties were served, as well

as of the trade unions. All that emerged was clarified and answered. There is nothing pending".²

Besides agreeing with the creation of a pension fund for every power, the Minister added that these will be administered by the participants themselves, not by a third party, as provided in the initial design. He also noted the possibility of contribution of 8.5% to Federal funds (and not only 7.5% as originally proposed).³

Regarding the criticism that the plan will come out more expensive, the Minister replied that: "It will be more expensive because of administration costs. But this is a claim of sectors, especially the Judiciary".⁴

By indulging and allowing the creation of three pension funds, the government also eliminated another controversy of the law, namely, the administration of the fund, as entities linked to the Executive, Judiciary, and Legislative since civil servants were complaining about lack of representation in the Board of Directors of FUNPRESP.

VI. OPPONENTS AND SUPPORTERS OF THE NEW LAW

The theme has instigated several controversies, especially about its subtext of privatization of social security, the social security deficit, and the public nature of pension funds. Public servants have been reticent to that proposal and have been organized from the National Federation of Federal Public Servants (CONDSEF). Campaigners against the reform claim that FUNPRESP will create legal uncertainty in the category. To wit:

This project represents the death of the pact between generations in public service. It will create three categories of servants: those who have already retired and those who are expected to retire, and in theory still be entitled to full pension and those who come after regulation of complementary retirement, which will no longer have this right. There are also those who entered after 2003, which will fall in a legal vacuum that nobody knows what will happen. This creates considerable legal uncertainty in the category. (3rd Meeting of Retirees and Pensioners DS Campinas/Jundiaí, Speech made by the Auditor Mr. Marcelo Lettieri Siqueira, from DS Ceará "*Previdência Social: a importância do pacto entre gerações*").

The argument of breaking the solidarity pact promoted by social security, and the destruction of social security, was also cited.

The leading thread of this model is the dismantling of the social welfare model based on solidarity between generations. Thus, Social Security is now regarded as a burden that costs money (...) New generations who did not live long periods of social instability are more sensitive to this speech. The reasoning is that it will be able to fund their own retirement fund and there is no reason to fund those already retired. (3rd Meeting of Retirees and Pensioners DS Campinas/Jundiaí, Speech made by the Auditor Mr. Marcelo Lettieri Siqueira, da DS Ceará "*Previdência Social: a importância do pacto entre gerações*").

To defend their arguments, opponents militants are inspired by bankrupted examples, as Chile's.

In Chile, the pension fund for civil servants lost 48% of its revenues and had to increase the amount of contributions, taxing retirees and reducing the value of pensions. In the state of Michigan (USA), the pension fund for civil servants lost 80% of its reserves and pensions were reduced to ¼ of the value. (3rd Meeting of Retirees and Pensioners DS Campinas/Jundiaí, Speech made by the Auditor Mr. Marcelo Lettieri Siqueira, da DS Ceará "*Previdência Social: a importância do pacto entre gerações*").

On the other hand, advocates of pension funds for servants, also use international experience to support their arguments. Meneguín (2011) shows that in the 1980s, the pension system for civil servants of the United States worked as defined benefit and showed severe imbalance. To remedy the problem, the government proposed a major reform, which was passed by Congress in 1986, creating the pension scheme of federal civil servants in the United States, known as Federal Employees Retirement System (FERS). This plan is mandatory for new servants that were employed after the publication of the law and optional for all others.⁵

According to the Ministry of Social Welfare, in 2010 the Brazilian government spent U.S. \$ 51 billion to cover the difference between what they earned in pension contributions from public workers and what it paid to 950,000 retirements of the category. It meant that there was, on average, a monthly allowance of R\$ 4,300.00 for each inactive public servant. To the Minister of Social Security: "If we do not stop this bleeding (from the security of servants), Social Security will pay significantly. Incidentally, it is already paying⁶".

² <http://g1.globo.com/politica/noticia/2011/12/fundos-de-pensao-para-servidores-e-icms-sao-prioridades-diz-mantega.html>

³ <http://g1.globo.com/politica/noticia/2011/12/fundos-de-pensao-para-servidores-e-icms-sao-prioridades-diz-mantega.html>

⁴ <http://g1.globo.com/politica/noticia/2011/12/fundos-de-pensao-para-servidores-e-icms-sao-prioridades-diz-mantega.html>

⁵ The author informs us that FERS is a pension plan that provides benefits from three different sources: a plan of the public social security system (standard for all U.S. workers), a defined benefit plan, and a supplementary defined contribution plan (Thrift Savings Plan – TSP).

⁶ http://www.previdencia.gov.br/arquivos/office/3_110610-160738-086.pdf.

IPEA (2011) has also used efforts on the subject and stood in favor of the creation of FUNPRESP. According to the arguments made by IPEA, the introduction of pension funds for civil servants, with the consequent imposition of a ceiling on benefits in their own schemes, has the virtue of promoting greater equity among various sectors of the population. By establishing the maximum benefit, it promotes horizontal equity between servants and private sector workers, since the RGPS, which caters to the latter, already practices the maximum benefit by referring to the supplementary pension plan to workers who rely on income higher on retirement.

On the other hand, the measure will also promote greater vertical equity, since it will prevent the entire society to bear the costs of sometimes excessive retirement benefits and pension, generated by higher-income strata of civil servants.

For the IPEA (2011), the reform will reduce the "fat" existing in the civil service sector. According to the defenders of the existence of privilege in the public sector, despite constitutional reforms already undertaken, the pension rights of public servants and private sector employees remain quite distinct, being public servants in significant advantage, especially with regards to the expected values for retirement benefits and pension.

Despite the discourse statements of "successful" experiences, the critical wing of the project looks at the proposal with suspicion. In the opinion of Lettieri, for example, Bill 1992 of 2007 represents a serious risk to public servants and to the Brazilian society, since it is an ongoing policy of dismantling Social Security⁷.

In this context, CONDSEF met with the Ministry of Planning and claimed the development of "workshops" with the economic and political areas to discuss the issue. "We do not agree with the assumptions of the government. He says that there is a deficit in the pension plan of the servants, but there is contribution evasion of the Executive, who does not collect what it should"⁸.

VII. FINAL PROVISIONS

As we see throughout the text, the possibility of creating pension funds for civil servants is present in the Brazilian legislation since Constitutional Amendment No. 20 of 1998. From that date until 2012, 26 states and the Federal District have established their own benefit plans (pension funds).

However, the possibility of pension funds to the servants became more concrete since 2003, when we

had the approval of Constitutional Amendment 41, which authorized the creation of FUNPRESP. The project was resumed in 2007 with Bill 1992, which provided for the deployment of funds. But it was only in 2011, during the government of President Dilma, that the theme occupied again the headlines and the discussions in the National Congress. On April 30, 2012, nine years after the welfare reform initiated by the Lula government, the private pension scheme of federal civil servants was finally established by Law 12,682.

The discursive production around the theme signals the existence of opponents and advocates, who are fighting for the approval or not of the fund, as well as the beliefs that comes along with it. In this sense, the content of the discourse litigation signals that the purpose of the creation of the fund is to reduce the social security deficit, with a solidarity contribution between the various participants, the servant, and the Federal Government, as well as reduce the privileges of the civil service, responsible for the social security crisis.

Therefore, the social security crisis was used by defenders of public employees pension funds as justification for the creation of private pension. However, studies indicate (Duval, 2007; Jardim 2002) that the debate on the social security system crisis is more a social construct imbued with ideologies, than an actual reality.

Regarding the reasons that influence the advocates of pension funds, these are political, but also economic. That is, considering the recent economic and social performance of the pension funds of public companies in Brazil (Previ, Petros, Funcef), as well as the quality and quantity of their domestic savings, the implementation of a pension fund for the servants is quite seductive. The formation of a pension plan is a powerful tool in raising money to invest in areas that the government considers important, such as infrastructure and financing of public debt.

As the public sector wages are higher than the private sphere, the amount of funds to be administered will, in relatively short time, even exceed the assets of the pension fund of Banco do Brasil (Previ), totaling in 2012, R\$ 139 billion. It is possible that this perspective causes an extensive dispute among various groups of servants as well as a strong political interest, as observed in the management of pension funds of state enterprises.

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⁷ http://www.dscampinasjundiai.org.br/site/documento_618_0_artigo:-estariamos-perdendo-a-fe-no-atual-sistema-de-financiamento-da-previdencia--por-marcelo-lettieri.html

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- (Texto para Discussão nº 84, disponível em http://www.senado.gov.br/senado/conleg/textos_discussao.htm).
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