



ANNUAL REPORT 2003

INTERNATIONAL FEDERATION OF PENSION FUND ADMINISTRATORS

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LETTER FROM THE PRESIDENT

Dear Members

It gives me great pleasure to present the Annual Report of the International Federation of Pension Fund Administrators (FIAP) for 2003.

The aging of the population, due to increased life expectancy and the fall in the birth-rate, has placed enormous pressure on countries' government expenditure. This has proved impossible to solve and has led to the crisis of their pay-as-you-go systems.

Some countries, such as Germany, Austria, France and Italy, have tried to resolve the crisis by carrying out "parametric" reforms of their state pension systems, introducing more or less radical adjustments and adaptations to the existing system, raising the age of retirement, reducing incentives for taking early retirement, increasing contributions or making the requirements tougher to establish eligibility for a pension. These measures have a high political cost, with the result that many governments have deferred the decision to implement them, thereby delaying the solution of the problem.

Other countries, like the members of FIAP, have decided to carry out "structural" reforms, based on private saving and individual capitalization. Our fundamental objective in FIAP has been to publicize and reinforce these social security systems, because we are convinced that they represent the best solution to the age crisis.

During 2003 we have made great efforts to achieve this objective. We have made considerable progress in the promotion and defence of social security systems based on individual capitalization, positioning ourselves as accepted spokesmen before international bodies of indisputable importance at worldwide level, such as the World Bank, the International Monetary Fund (IMF) and Inter-American Development Bank (IDB), the International Labour Organization (ILO), the Organización Iberoamericana de la Seguridad Social (OISS), the Organisation for Economic Co-operation and Development (OECD) and the International Association of Pension Funds Supervision Agencies (AIOS).

It has been our job to make contact with the authorities in many countries, in order to share experiences and constructive views which will help them to improve their pension systems. During visits to the different associate organizations we have had meetings with authorities and the press in the countries concerned, in order to publicize the strengths of the system and favour its further improvement.

During this period, FIAP has taken part in numerous specialized seminars to present the industry's position on the reform process.

Taking stock, we can guarantee that our systems have continued to grow in every sense; as institutions, as a lever in national development and as a clear, consistent alternative to the pay-as-you-go systems. If there is one idea which summarizes the impression of the year that we are analysing, it is that "the individual capitalization pension systems are gaining ground all over the world". This of course is highly satisfactory, but at the same time it means a great commitment; the obligation to keep on doing things better, to provide bigger pensions and more protection for workers and their dependents.



We shall continue working to establish FIAP as the organization representing all the sectors that have introduced reforms based on private management and capitalization of savings. We believe that the defence and improvement of these social security systems would be strengthened if increasing numbers of representatives from different parts of the world were to unite themselves with this task, places such as Central and Eastern Europe, where the launching of these reforms is being evaluated.

For this reason, and in order to make our relations with these countries even closer, we have decided to hold our Annual General Meeting for 2004 in the Ukraine, followed by a Seminar on Pensions.

We have undoubtedly made progress in 2003, and on the following pages you will find the details of the various activities we have undertaken for each strategic objective during the period. We have still a long way to go, but we are sure that we will manage to reach the goals that we have set ourselves. We have the institutions and the tools with which to do so and also the will and enthusiasm of our associates to continue with the work.

A handwritten signature in blue ink, appearing to read 'Guillermo Arthur', with a stylized flourish at the end.

Guillermo Arthur
President FIAP

PRESENTATION

The International Federation of Pension Fund Administrators, FIAP, is an organization founded in May 1996 on the occasion of the "II Latin American Congress of Private Pension Systems" held in Santiago, Chile. There it became evident that there was a need for an international body to bring together all the countries with systems involving pension fund administrators and those in the process of creating them, in order to share experiences, analyse problems and become an agency capable of making suggestions and interacting at international level, in conjunction with the local associations.

Ever since its inception, FIAP's main objective has been to publicise systems of saving and individual capitalization, managed by private institutions.

Objectives

The business purposes of the federation as defined in its by-laws are:

- To publicise the knowledge and practice of Private Pension Fund Systems.
- To promote the formation and development of Private Pension Fund Systems.
- To represent members' concerns in international organizations.
- To collaborate with public authorities and international bodies in whatever may be required.
- To promote the issuing of legal and regulatory provisions.
- To publish promotional leaflets, circulars, magazines and books, a web site and audiovisual material of common interest to the trade.
- To maintain relations with similar international bodies.
- To create organizations or committees, technical or other, dedicated to studying and preparing support materials for distribution.
- To publicise and defend the values, principles and bases of private business in the area of Private Pension Systems Administration.
- To establish links between persons and institutions related with the management of Private Pension Systems.
- To represent all the affiliated institutions in matters of collective interest where these are compatible with its statutory aims.

At present FIAP includes institutions from 23 countries around the world: 17 in Latin America, 5 in Europe and 1 in Asia.

Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Dutch Antilles, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Peru, Uruguay and Venezuela.

Europe: Bulgaria, Poland, Russian Federation, Spain and Ukraine.

Asia: Kazakhstan.



INSTITUTIONAL STRUCTURE

The government and administration of the Association shall be exercised by: a) the Annual General Meeting of the Members; and b) the Executive Committee.

FIAP MEMBERSHIP

The by-laws of the FIAP establish the following ways of belonging to the organization, as listed below:

Full members

The associations, federations, chambers or other similar institutions in those countries that have legally established Systems of Pension Fund Administrators or similar, and that have as members institutions which take part in the administration, coverage or provision of the allowances, benefits or services proper to such Systems. Entities that are linked to the activities listed herein may also become members, even if their countries do not possess associations, chambers or other institutions similar to those mentioned above.

Their membership may be in Class A or Class B, depending on whether they opt to pay the total or partial contribution, as fixed by the General Meeting.

Collaborating members

Those institutions and companies interested in the private pension systems.

One of the main objectives of the Federation is to bring countries which have adopted systems of individual capitalization and private saving into membership, establishing and maintaining direct links with a variety of associations and institutions related with our field of interest.

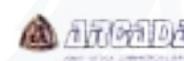
In October, the "Stichting Vidanova Pension Fund" of the Dutch Antilles made a formal request to FIAP for admission as a member and this was approved at the meeting of the Executive Committee in that same month. At present associations and institutions from 23 countries are participating in FIAP:



COUNTRY	INSTITUTION
ARGENTINA	Union of Retirement and Pension Fund Administrators, UAFJP.
BOLIVIA	Bolivian Association of Pension Fund Administrators (*).
BRAZIL	Brazilian Pension Funds Association, ABRAPP.
BRAZIL	National Association of Private Social Security, ANAPP.
BULGARIA	Bulgarian Association of Supplementary Pension Security Companies, BASPSC.
CHILE	Chilean Pension Fund Administrator's Assosiation.
COLOMBIA	Colombian Association of Pension and Unemployment Fund Administrators, ASOFONDOS.
COSTA RICA	Banco Popular y de Desarrollo Comunal.
DOMINICAN REPUBLIC	Dominican Association of Pension Fund Administrators, ADAFP.
DUTCH ANTILLAS	Stichting Vidanova Pension Fund.
ECUADOR	Association of Funds and Trust Management of Ecuador.
EL SALVADOR	Salvadorian Association of Pension Fund Administrators, ASAFONDOS (*).

(* En formación

COUNTRY	INSTITUTION
GUATEMALA	Municipal Employees' Benefit Plan.
HONDURAS	Hondurian Pension Fund Association, AHFOPEN.
KAZAKHSTAN	Pension Fund Association of the Republic of Kazakhstan.
MEXICO	Mexican Association of Retirement Fund Administrators, AMAFORE.
PANAMA	Asociación Panameña de Administradoras de Fondos Previsionales, APREVISOR.
PERU	Association of Private Pension Fund Administrators.
POLAND	Polish Chamber of Pension Funds.
RUSSIAN FEDERATION	NPF League.
SPAIN	INVERCO, Spanish Association of Investment and Pension Funds.
UKRAINE	Arcada Bank.
URUGUAY	República AFAP S.A.
VENEZUELA	Banco Mercantil C.A.





EXECUTIVE COMMITTEE

The Executive Committee of FIAP consists of 5 members: the president and 4 directors who have the rank of vice-presidents.



President
Guillermo Arthur, Chile.



Vice-president
Carlos Peguet, Argentina.



Vice-president
Luis Fernando Alarcón,
Colombia.



Vice-president
Mariano Rabadán, España.



Vice-president
Francisco González, México

The vice-presidents represent each of the geographical areas corresponding to MERCOSUR; Andean Market; Europe; North and Central America and Caribbean.

The MERCOSUR Vice-presidency is represented by Argentina and also includes Brazil, Chile and Uruguay.

The Andean Market Vice-presidency is represented by Colombia and also includes Bolivia, Ecuador, Peru and Venezuela.

The European Vice-presidency is represented by Spain and also includes Bulgaria, Kazakhstan, Poland, Russian Federation and Ukraine.

The North American, Central American and Caribbean Vice-presidency is represented by Mexico and also includes Costa Rica, Dominican Republic, Dutch Antilles, El Salvador, Guatemala, Honduras and Panama.

The meetings of the Executive Committee take place at least twice a year and they are attended by the Executive Secretary.

MEMBERS' DELEGATES TO FIAP

Changes during 2003

The following changes were made in the country representatives to FIAP:

January

- Edwin Sagrera of El Salvador left the post of Representative to FIAP. Enrique Arranz, president of Crecer AFP, was appointed in his place.

February

- Alfonso de los Heros P. of Peru left the post of Representative to FIAP. Andrés von Wedemeyer, president of the Association of Private Pension Fund Administrators of Peru, was appointed in his place.

April

- Osvaldo do Nascimento, of Brazil – National Association of Private Social Security (ANAPP) left the post of Representative to FIAP. Antonio Cassio dos Santos, Director of ANAPP, was appointed in his place.
- Gilberto Pazmiño of Ecuador left the post of Representative to FIAP. Mauricio Anderson, president of the Association of Funds and Trust Management of Ecuador, was appointed in his place.

August

- Julio Vargas of Bolivia left the post of Representative to FIAP. Jorge Matuk, managing director of Previsión AFP, was appointed in his place.

October

- Andrés Aybar of the Dominican Republic left the post of Representative to FIAP. Luis Molina Achécar, president of the Dominican Association of Pension Fund Administrators (ADAFP), was appointed in his place.

DELEGATES AS OF 31. 12. 03



Dutch Antilles
Mr. Rafael Pichardo



Bolivia
Mr. Jorge Matuk



Brazil, ABRAPP
Mr. Fernando A. Pimentel



Brazil, ANAPP
Mr. Antonio Cassio dos Santos



Bulgaria
Mr. Nikola Abadjiev



Costa Rica
Mr. William Villalobos U



Ecuador
Mr. Mauricio Anderson



El Salvador
Mr. Enrique Arranz



Russian Federation
Mr. Valeriy N. Sivashenkov



Guatemala
Mr. Arturo Argueta



Honduras
Mr. Gustavo Martínez



Kazakhstan
Mr. Aidar Alibayev



Panamá
Mr. Juan Pastor



Perú
Mr. Andrés von Wedemeyer



Poland
Mr. Pawel Wojciechowski



Dominican Republic
Mr. Luis Molina A.



Ukraine, Association
of Non-State Funds
Mr. V.I. Kopeykin



Ukraine, Arcada Bank
Mr. Kostyantyn Palyvoda



Uruguay
Ms. María D. Benavente



Venezuela
Ms. Norma L. de Dueñas

ORGANIZATION AND ADMINISTRATION

ADMINISTRATION

Executive Secretary: Gladys Otárola
Research Analyst: Rocío Gutiérrez
Administrative Assistant: Katia Solar

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Website: <http://www.fiap.cl>



From left to right: Mrs. Katia Solar, Administrative Assistant; Mrs. Gladys Otárola, Executive Secretary; Miss Rocío Gutiérrez, Studies Analyst.

TECHNICAL COMMITTEES

Our institution has the following technical committees:

Coordinators' Committee of affiliated associations and institutions

This committee, made up of the managers and directors of the associations, meets annually and works during the year on a variety of subjects in the social security area. These subjects are defined prior to each meeting.

In addition, this committee should serve as a means of support between countries.

Operations Committee

This body concerns itself mainly with matters relating to the management and performance of the different administrators, a sphere which includes aspects such as transfer of members, granting of benefits, collection methods, etc. The Vice-presidency of North America, Central America and the Caribbean is in charge of this committee, currently headed by Mexico.

Legal Systems Committee

This group is concerned with studies of projects and legal modifications to the social security systems of member countries and is the responsibility of the Mercosur Vice-presidency, Argentina.

International Affairs Committee

The aim of this committee is to allow the free flow of administrators' investments on an international scale and it is therefore concerned with attempting to remove the obstacles which impede the realization of this goal. This committee is the responsibility of the Andean Market Vice-presidency, headed by Colombia.
Capital Market Committee

This group's work is directed towards establishing rules to facilitate the flows of investment from the pension funds of the Latin American countries in the rest of the world, and also encourages the unifying of risk-rating criteria for investments. This committee is the responsibility of the Andean Market Vice-presidency, headed by Colombia.

Promotion, Publicity and Culture Committee

The task of this committee, headed by Chile, is to promote, publicise and create a social security culture in the different countries.

All the committees mentioned are currently made up of representatives from the following countries: Argentina, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Peru, Uruguay and Venezuela.

EXTERNAL CONSULTANCY

Since 2002, Augusto Iglesias has been collaborating with us as FIAP's external consultant. Mr. Iglesias is an economist with post-graduate studies at the University of California, Los Angeles, U.S.A. He is a partner of PrimAmérica Consultores (Chile), an expert in social security matters and a consultant to the World Bank.



STRATEGIC PLAN

During the financial year 2003, FIAP continued its work on the basis of the “Strategic Plan of Activities” formulated for the period 2002-2004.

That plan began to be applied as from July 2002, and defines the objectives on which work will be done during this period. In order to achieve these objectives, we will have the support of the following organizations, and with their collaboration it will be possible to reach the proposed goals:

- The associations of each country
- International organizations (World Bank, Inter-American Development Bank, International Monetary Fund, International Labour Organization, among others bodies).
- Regulatory institutions and their group associations.
- Investors.

FULFILMENT OF GOALS AND OBJECTIVES FOR 2003

During the year various activities have been undertaken which have enabled us to fulfil our strategic objectives.

OBJECTIVE 1

To transform FIAP into the accepted spokesman for the international financing organizations

Scope:

The industry has accumulated practical experience and detailed knowledge of the markets which should not be ignored when regulations are designed or when legal modifications to the new pension schemes are under discussion. FIAP must therefore be an influential protagonist and accepted spokesman in those places where improvements and reforms to social security systems are analysed and discussed.

Activities:

- Fortieth Annual Meeting of Governors of the IDB in March

The President of FIAP took part in the Annual Meeting of the Governors of the Inter-American Development Bank (IDB) which was held in the city of Milan, Italy from 24th to 26th March. There he contacted various authorities from the countries belonging to the Bank and had meetings with authorities, such as the Finance Minister of Peru.

He was also in contact with the Bolivian Finance Minister, Lic. Javier Comboni, and discussed with him FIAP's concern about the merging of the pension funds in that country.

- IDB Seminar in March

In the context of the IDB's annual meeting in Rome, Italy, on 27th March, the President of FIAP spoke on the Latin American experience in pension fund management strategies. It was a wide-ranging lecture, entitled "Management Strategies: focusing on the experience of the Latin American Pension Funds". The conference was organized by the Inter-American Development Bank (IDB), the Instituto Italo-Latinoamericano (IILA) and the Commissione di Vigilanza sui fondi pensione (COVIP).

- International Conference of Pension Funds in April

The International Conference of Pension Funds was held in Dublin, Ireland, on 25th April, as a joint effort of the European Federation for Retirement Provision (EFRP), the World Pensions Association (WPA) and FIAP. The President of FIAP was invited to speak by special invitation of the European institutions. The aim was to exchange experiences on pension funds and the future prospects of the investment markets.

- Meetings with the ILO in June and December

In the context of the meeting of the International Labour Organization, ILO, held in Geneva, Switzerland in June, the President of FIAP had an interview with the general director of the multilateral body and made progress with the preparations for a Round Table between FIAP and ILO on the subject of pensions.

In December, a lunch-meeting was held in Buenos Aires, Argentina, organized by the Unión de AFJP de Argentina. Representatives of FIAP and Daniel Funes de Rioja, member of the Administrative Council of the ILO, took part.



Mr. Alejandro Ferreiro, Former AFP Superintendent, Chile; Mr. Carlos E. Weitz, AFJP Superintendent, Argentina; Mr. Angel Martínez-Aldama, General Director of INVERCO, Spain.

- Permanent contact with International Organizations

During this period we worked in collaboration with the International Association of Pension Fund Supervisory Authorities (AIOS) and issued invitations to representatives of the World Bank, International Monetary Fund (IMF) and CEPAL to speak at FIAP seminars.

- Implementation of a Study to Evaluate the Reforms, which was commissioned from the World Bank, based on information compiled using the survey prepared in collaboration with FIAP and sent out to its member countries.
- The Seminar “Pension Reforms: Results and Challenges”, organized in conjunction with the World Bank, was held on 15th and 16th May in Cancún, Mexico.
- Publication of the book “Pension Reforms: Results and Challenges”, containing papers prepared by the World Bank and International Monetary Fund (IMF).

OBJECTIVE 2

To play a leading role in the legislative changes and transformations of the sector, in conjunction with the local associations.

Scope:

FIAP has the ability to collect experiences from different countries in pension matters, and this, added to the technical reliability of the associated institutions, puts it in a privileged position for making contributions and promoting improvements in social security systems in co-operation with local associations. These activities contribute to the development of the systems and neutralize initiatives that would weaken them.

Activities:

Seminars organized by FIAP:

- Pension Reforms: Results and Challenges, in May

The seminar “Pension Reforms: Results and Challenges” was held in Cancún, Mexico, on the 15th and 16th May in collaboration with the Asociación Mexicana de Administradoras de Fondos para el Retiro (AMAFORE) and the World Bank. Its aim was to carry out a balance of the results of the reforms that have brought pension systems with individual capitalization into being in Latin America and Eastern Europe, and discuss the most important challenges arising from these experiences.

Mr. Klaus Schmidt-Hebbel, Economic Research Manager of the Central Bank, Chile; Mr. Mauricio González, General Director of “Grupo de Economía y Asociados”, Mexico; Mr. Andrés von Wedemeyer, President of the AFP Association, Peru.



Distinguished speakers took part, from the pensions industry, authorities, representatives of the International Monetary Fund (IMF), academics and a representative of workers. The first part of the seminar referred to the results of the reforms in Latin America and Eastern Europe and the economic impact of the reforms, while the second part consisted of an analysis of the challenges for the industry and regulators, dealing with subjects such as investment challenges, the views of the industry and regulators and the political challenge.

- Pension System Reform: its Effects and Challenges, in July

The seminar: "Pension System Reform: its Effects and Challenges" was held in Panama City on the 10th and 11th July 2003, organized by FIAP and the Asociación Panameña de Administradoras de Fondos Previsionales (APREVISOR). The President of FIAP was present to open the seminar, together with Augusto Iglesias, the external consultant, who gave an assessment of the reform experiences in Latin America, and representatives of the pension systems in Chile, Colombia and Uruguay, among others. The aim of the Seminar was to create awareness in Panama's economic and financial environment of the need for social security reform in that country.

The challenges facing the institutions administering pension funds, now and in the future, were also analysed in this conference, and it covered matters related with the reform of pension programs and the management of capitalization systems.

The President of FIAP also met with the presidents of the country's main business organizations and on that occasion he explained the advantages of carrying out a pension reform in Panama.



From left to right: Mr. Carlos Barsallo, President of the National Commission of Values; Mr. Mario Fabrega, General Manager of Banvivienda; Mr. Domingo Latorraca, Vice Minister of Economy and Finances; Mr. Juan Pastor, President of APREVISOR; Mr. Guillermo Chapman, former Minister of Economy and Finance; and Mr. Guillermo Arthur, President of FIAP.

Participation of FIAP in seminar and visits organized by the members:

In each of the visits, the President of FIAP spoke at seminars and meetings and had interviews with the press and the authorities of the country concerned.

- Seminar and visit to APREVISOR, Panama, in January

The specific purpose of the visit was to be present at the assumption of responsibilities of the Board of Directors of the Asociación Panameña de Administradoras de Fondos Previsionales (APREVISOR).

- Seminar and visit to Arcada Bank, Ukraine, in January

The President of FIAP took part in the International Scientific and Practical Conference "The Private Pension System in the Context of the Development of the Financial Services Market", by invitation of Arkada Bank. The aim of this conference was to evaluate the strengths and weaknesses, as well as the opportunities and risks, involved in developing the pension system in the Ukraine.

- Visit to ASAFONDOS, EL Salvador, in July

In order to support the work being carried out by ASAFONDOS, the President of FIAP had meetings with executives of AFP Crecer and AFP Confia.

- Visit to the Asociación de Ecuador, in September

On the occasion of his participation in the XXX Annual General Meeting of the International Federation of Stock Exchanges (FIAB), the President met representatives of the local association, who accompanied him in his interview with the President of the Republic of Ecuador, His Excellency Mr. Lucio Gutiérrez, a meeting in which they discussed the advantages of social security reform.

- Visit to INVERCO, Spain, in October

The President of FIAP had meetings with representatives of INVERCO on the occasion of his participation in the seminar "The Future of Social Security and Reforms in Pension Funds", organized by The Economist.

- Seminar and visit to UAFJP, Argentina, in October

The President took part in the Lunch-Meeting "Pension Funds: Future Growth" organized by the UAFJP.

- Visit to UAFJP, Argentina, in December

By special invitation of the UAFJP, the President of FIAP took part in a lunch in which opinions were exchanged on the current situation of the pension funds in that country.

- Visit to ASOFONDOS, Colombia, in December

On the occasion of the 10th anniversary of Law 100, ASOFONDOS organized meetings in which the President of FIAP, representatives of the Colombian pension funds, representatives of the Superintendency and Directors of the Central Bank all took part.

Activities with the International Association of Pension Fund Supervisory Authorities (AIOS):

- Participation in the panel: “Better Regulatory Practices” in November

On 11th November in Santiago, Chile, the President and delegates of FIAP’s Coordinators’ Committee were invited to take part in a panel on “Better Regulatory Practices”, programmed as one of the activities in the seminar held in the context of the Annual General Meeting of AIOS.

- Meeting of the Coordinators’ Committee to prepare “Good Regulation Guidelines for Pension Funds”, in November

On the occasion of the seminar “Challenges for the Pension Systems in Latin America”, organized by AIOS and Chile’s Superintendency of AFPs, FIAP organized a Coordinators’ Meeting on 12th November. There was discussion on the terms of the “Good Regulation Guidelines” project, which FIAP is developing in parallel with AIOS. The delegates also spoke on what has been achieved in their pension systems and what still remains to be done.



From left to right: Ms. Kirsis Jáquez, Executive Director, ADAFP, Dominican Republic; Mr. Augusto Iglesias, External Adviser, FIAP; Mr. Francisco Margozzini, General Manager, AFP Association, Chile; Mr. José Alfredo Reynoso, General Director, AMAFORE, Mexico; Mr. Horacio Canestri, Executive Director, UAFJP, Argentina; Mr. Jorge Castorina, Adviser, UAFJP, Argentina; Mr. Guillermo Arthur, President, FIAP.

OBJECTIVE 3

Portability of the funds

Scope:

To promote the signing of agreements to achieve the portability of members’ funds. This will contribute to strengthening the sense of ownership which workers should have with regard to their social security savings, and which in turn is the best guarantee of safeguarding the resources and consolidating the systems.

Activity:

- Round Table of AIOS and FIAP, in November

On the occasion of the Annual General Meeting of the International Association of Pension Fund Supervisory Authorities (AIOS), a Round Table was held in Santiago, Chile, on 12th November between AIOS and FIAP. On that occasion subjects related with the portability of funds were analysed, together with the plan for future work between the two institutions.

OBJECTIVE 4

Approach to trade union organizations

Scope:

To establish a permanent dialogue with international trade union organizations in order to inform them directly of the industry's position with regard to subjects that interest them and to publicize the advantages of individual capitalization systems for the workers. The opposition to individual capitalization systems which is often expressed by trade union leaders encourages some governments to adopt negative attitudes towards them.

Activities:

- Meeting with the ILO in June

On 7th June the President of FIAP took part in the Meeting of the ILO as a member of the Employers' Committee. He had the opportunity on that occasion to have an interview with the General Director of the ILO and get ahead with preparations for the ILO-FIAP Round Table, to be held in October.

- Workshop - Seminar ILO-FIAP in October

FIAP, in conjunction with the ILO, organized a Round Table in Geneva, Switzerland, on 9th and 10th October. Its aim was to promote better knowledge of the individual capitalization system among ILO officials who are responsible for issuing rules on social security matters. The General Director of the ILO, Juan Somavia, gave a clear indication in his closing remarks of the need to achieve a better understanding of this system, as a way of solving the social security problems that are arising strongly in a growing number of countries.

It is worth mentioning the participation of some representatives from Eastern Europe, such as the Russian Federation, Lithuania, the Czech Republic and the Ukraine.



In the second row, from left to right: Mr. Angel Martínez- Aldama, Director General of INVERCO, Spain, Mr. Luis Fernando Alarcón, President of ASOFONDOS, Colombia and Mr. René Cortázar, Former Minister of Labour, Chile.

- Meeting with ILO in December

The President of FIAP had a meeting with Mr Daniel Funes de Rioja, Member of the Administrative Council of the ILO, in Buenos Aires, Argentina.

OBJECTIVE 5

Preparation of the "Management Resources Directory"

Scope:

To provide members and the companies in the sector with a "directory" giving information about consultants (expert professionals), consultancy firms and companies providing services to the pension industry, from the different countries that belong to FIAP, with proven experience and the desire to collaborate in the development of the new capitalization systems of social security. This will be available on the FIAP website for consultation by members, so that when they require technical support, they will be able to make direct contact with the best experts in the field. Initially the aim was to "Create a Centre or Institute of Social Security Studies", but this aim was reformulated.

Activities:

- Preparation began on a database of consultants, consultancy firms and companies providing technical services to the pensions industry.
- Distribution of FIAP publications (books and bulletins) to the group of consultants.

OBJECTIVE 6

To make a diagnosis of the strengths and weaknesses, opportunities and risks of the system in each country

Scope:

Given the time that has elapsed since the implementation of the capitalization and private savings systems of social security in the countries of Latin America and Eastern Europe, it was felt that the time had come to evaluate the early trends shown by these systems and compare them with the results of the pay-as-you-go systems.

Activities:

- World Bank Study
Implementation of the Study commissioned from the World Bank, based on information compiled using the survey prepared in collaboration with FIAP and sent to the member countries.
- Publication of the book "Pension Reforms: Results and Challenges"
The book contains the World Bank Study and the papers presented in the Seminar of the same name which was held in May 2003 in Cancún, Mexico. 2,000 copies were published in Spanish and 2,000 in English and these have been distributed among

FIAP members, authorities in member countries, officials of international organizations and countries which are in process of reform in Central and Eastern Europe.

OBJECTIVE 7

To project FIAP as a place for meeting and exchanging experiences

Scope:

The experience which countries have gradually acquired in implementing their reforms and the advances that they have achieved serve as an example for other countries travelling along the same road. FIAP will therefore create opportunities for dialogue to describe and propose initiatives leading to the improvement of the systems. It will set up good communication channels where timely, up-to-date information can be available to all and will sponsor occasions for members to meet and exchange significant experiences.

Activities:

- Annual General Meeting in May

The VII Annual General Meeting of FIAP was held in Cancún, Mexico on Wednesday 14th May. The president and vice-presidents were present and FIAP delegates from Argentina, Bolivia, Brazil (ANAPP), Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Peru, Spain, the Ukraine, Uruguay and Venezuela.

At this Meeting, the Pension Systems in countries which have adopted individual capitalization mechanisms with private management were evaluated and their projections analysed in order to ensure their consolidation in the best interests of the workers.

As a result of the subjects covered in its VII Annual General Meeting, FIAP issued the Mexico Declaration, which reflects this Federation's interest in consolidating individual capitalization mechanisms in pension systems.

- Executive Committee Meeting in October

This meeting, which took place in Buenos Aires, Argentina on 22nd October 2003, was attended by the President of FIAP, the Vice-presidents of the MERCOSUR Zone, the Andean Market Zone and the North and Central American Zones, and the Executive Secretary. Important agreements were reached on that occasion about the future activities of FIAP, such as the next Annual General Meeting and Seminar to be held in Kiev, Ukraine.

- Meetings of the Technical Coordinators' Committee in May and October

The Technical Coordinators' Committee met on 16th May in Mexico, attended by delegates from Argentina, Bolivia, Chile, Colombia, Costa Rica, the Dominican Republic, Mexico, Peru and Uruguay, to analyse the proposal presented by Mr Augusto Iglesias, FIAP's external consultant, and approved by the last Annual General Meeting, with regard to the project to prepare "Guidelines for Pension Fund Regulation".

- Launching of the Website



Home fiap: FIAP new web site.

In June FIAP launched its new Website with a revamped design. It has new functions and original contents and operates in a way that is more agile and attractive for the user.

In 2003 we stepped up the development of the Website in English, with the result that almost the whole site is now in that language.

In the 6 months that the site has been functioning, it has received an average of 1,025 visits per month, coming mainly from Latin American countries belonging to FIAP. However, there has been an increase in the number of visits from European countries.

- Among the new functions included in the site are:

Search by subject and advanced search: These allow faster access to specific information published on the site.

Banners: These attract the user's attention to some section or piece of information that needs special emphasis.

Discussion groups: Forums of opinion based on subjects of general interest suggested by FIAP and its members. During 2003, 6 discussion topics were proposed and 29 opinions received.

Mail Centre: This contains the e-mail addresses of the main executives of the member institutions, the pension fund administrators, the supervisory authorities in each country and the public ministries to which they are attached, in addition to other institutions related with the topic of pension funds and members of the general public who are interested in the subject. This information has been very useful for the distribution of publications and for sending invitations to activities organized by FIAP during 2003. It is worth mentioning the support provided by the member institutions in periodically updating that information for us.

- As regards the new contents, during 2003 we included:

Monthly Bulletin: This is in html format with a new design. This makes it possible to go directly from the cover to the interesting news and information, and access previous versions of the same bulletin.

News: This includes three sections; Press Cuttings, FIAP News and Press Releases, updated periodically, which provide information about the latest happenings in the

pension systems of the FIAP countries. Countries have the option of publishing their news directly and, in order to do this, access codes have been given to “journalists” previously designated by the member institutions. So far, we have registered “journalists” from the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Honduras, Mexico, Peru, the Ukraine, Uruguay and Venezuela.

Comparison of Regulations: This gives diagrams with comparative information on particular topics concerning pension funds in the different countries belonging to FIAP.

In addition, we began work during the year on compiling and preparing information to implement new sections of the site, to be introduced early in 2004. Among these new sections are: Statistics Series, Training, Management Resources and Glossary of Terms.

OBJECTIVE 8

To improve knowledge of the capitalization systems and FIAP’s activities

Scope:

It is important to publicize the systems based on private savings and individual capitalization by applying concepts that counter any adverse, ill-informed opinions that may arise in a clear, technical manner. Everything the Federation does should tend towards the fulfilment of this objective.

Activities:

FIAP took part in the following meetings, where we contributed our experience and the views of the private pension administrators:

- XXX Annual General Meeting of the International Federation of Stock Exchanges (FIAB) in September

On the 10th September the XXX Annual General Meeting of the FIAB was held in Quito, Ecuador, where the President of FIAP spoke on the impact of the pension systems on the development of capital markets.

- Seminar of The Economist in October

The seminar “The Future of Social Security and the Reforms of Pension Funds” was held in Madrid, Spain on 14th October, organized by The Economist. The President of FIAP took part, with a lecture on “Evaluation of the Reforms in Latin America”.

- Seminar of AIOS – Superintendency of AFPs in November

On 11th and 12th November there was a seminar in Santiago, Chile, entitled “Challenges for Pension Systems in Latin America”. It was organized by the International Association of Pension Fund Supervisory Authorities (AIOS) and Chile’s Superintendency of Pension Fund Administrators. The President of FIAP spoke in the panel “Better Regulatory Practices”.

- Seminar 10 years of the passing of Law 100, in December.

There was a celebration on 5th December in Bogota, Colombia, to mark the tenth anniversary of the passing of Law 100 in 1993. This event was organized by the Ministry of Social Protection and FASECOLDA. The commemorative event was attended by the Minister of Social Protection, Mr. Diego Palacio Betancur.

- The issuing of Press Releases
- Taking care of international visitors

FIAP received visits from important personalities interested in getting to know how the implementation of the capitalization system had benefited Chile and other countries of Latin America and Europe. This was the case of the Pension Fund Delegation from the Russian Federation, headed by Mr Vladimir Moudrakov, Superintendent of Pension Funds, accompanied by representatives of the Russian pension funds. We also received an important delegation from El Salvador, headed by José Enrique Sorto Campbell, Superintendent of Pensions and made up of deputies and political leaders.



From left to right: Mr. Martín Costabal, General Manager AFP Habitat; Mr. Noel Orellana, Technical Collaborator of the Legislative Assembly; Congressman Calixto Mejía Hernández (FMLN); Congressman Alejandro Dagoberto Marroquín (PCN); Mr. Guillermo Arthur, President of FIAP; Doctor Juan Miguel Bolaño (ARENA); Congressman Jorge Villacorta (CDU); Lic. José Enrique Sorto Campbell, Pension Superintendent; Mr. Gustavo Alcalde, General Manager AFP Provida

- Increased contact with the countries of Eastern Europe

A database was created of authorities and representatives of social security in the countries of that area and FIAP publications were sent to them. Reports prepared by FIAP on the progress of the reforms in that region were also made available to them. In addition, the President of FIAP took part in January in the International Scientific and Practical Conference held in Kiev, entitled "Private Pension Systems in the Context of the Development of the Financial Services Market", organized by the Arcada Bank.

- Publication by FIAP of the Annual Report, bulletins, reports, books and documents, which were distributed to members and other countries

Annual Report

FIAP's Annual Report for the year 2002 was published in Spanish and English. It contained a complete report of the activities, documents, meetings and studies carried out during that period. 800 copies were distributed in Spanish and 500 in English in the course of 2003, mainly to authorities and to those who visited the Federation during the year.

Monthly Bulletin

During the year 2003 we published 10 issues of the Monthly Bulletin. The new version of the bulletin is more attractive and easy to read because it is possible to access the sections and news that interests the reader from the cover. At present this publication, in Spanish and English, is sent to over 1,000 people in different countries.

Six-Monthly Report

Versions 13 and 14 of the Six-Monthly Report were prepared, containing statistical figures of the pension funds as of December 2002 and June 2003, respectively. These documents are available in Spanish and English, in pdf and excel format.

Quarterly Report

During 2003 we continued publishing the Quarterly Report, with statistical information about membership and funds under management in the countries belonging to FIAP, as of December 2002, March 2003, June 2003 and September 2003.

The report is available in pdf, in Spanish and English.

Working Documents

During this period, the studies prepared by FIAP in previous years were revised and formatted to make them available to the interested public, and used to create the "FIAP Research Series" and the "FIAP Series of Comparative Regulations". These documents are available on the FIAP Website in Spanish and English.

Publications Received

FIAP has received a variety of documents, bulletins, books and magazines and has passed on information about these to FIAP members via the Monthly Bulletin.

OBJECTIVE 9

To include social security as a subject in university education

Scope:

The incorporation of the subject of social security in training programs and professional and/or university education.

A great deal of interest and concern has been detected regarding the need to improve education on the subject of social security. FIAP will be initiating activities that reinforce social security culture both for personnel in the industry and for the general public.

Activities:

- Support for students of social security issues from different countries with preparing their final degree thesis. On these subject approximately ten inquires from students were received, during this year.

STATISTICS

As of 31st December 2003, 20 of the 23 countries belonging to FIAP had a total of 100,940,068 workers enrolled in the pension systems based on individual saving and capitalization. These workers had funds amounting to US\$300,551 million accumulated in their respective accounts.

One outstanding event during the year 2003 was the start-up of operations in the Dominican Republic. The enrolment process started in February 2003 and in July 2003 the process of collecting contributions began.

Workers Enrolled

The number of enrolled workers in 2003 was 100,940,068, which represents an increase of 9% compared with the 2002 membership of 92,206,628.

In the Latin American countries which had already reformed their social security system, the number of workers enrolled increased 6% during the period, reaching the figure of 61,227,554 members in 2003. In this group, the countries with the best performance were Panama, Bolivia and Colombia, with an increase in membership of 17% in the first of these countries and 11% in the other two. In Panama the increase was due to the effect of Law 29, passed on 3rd July 2001, which stated that every public employee engaged as from January 2002 would be obliged to contribute to the SIACAP fund. In the case of Bolivia, the new enrolments in the system were due in part to the change of government, which meant a considerable change in public officials, many of whom joined the system for the first time; something similar occurred in the fuel oil sector, where there was an important increase in the hiring of new labour. Meanwhile, in Colombia growth was very similar to previous years. The only country showing a decrease in the number of members was Ecuador, with a fall of 47%.

It is worth pointing out that in the case of Ecuador, a country which had already reformed its social security system, the information corresponds to the voluntary pension funds, because the new system is not yet in operation.

On the other hand, in the Latin American countries whose social security systems were in process of reform, the number of members amounted to a total of 7,876,241 in 2003, representing an increase of 17% compared with the previous year. An important increase within this group was that presented by Honduras, with a 94% increase in the number of members, due to the fact that in 2003 AFP Atlántida (the only private administrator operating in Honduras) bought out the Horizontes Pension Fund which was managed by the Banco UNO (prior to the passing of the Law ordering the constitution of AFPs in December 2002).

In the case of the European and Asian countries which have already reformed their social security systems, the number of enrolled workers was 19,145,907 in 2003, representing an increase of 12%. Notable in this group was Bulgaria, with a growth of 43%. This was explained mainly by the fact that mandatory universal funds began to operate at the beginning of 2002 (formerly there were only occupational funds in operation).

Finally, in the European countries that were in process of reforming their social security systems, the total number of workers showed an increase of 18%. In these countries membership in 2003 amounted to 12,690,366.

Funds under Management

The figures of funds under management in December of each financial year have been converted into American dollars, taking for reference the exchange rate at the close of each of these periods.

During 2003 the pension funds under management in the countries belonging to FIAP showed an increase of 43%, growing from US\$209,712 million in 2002 to US\$300,551 million in 2003.

In general this increase was due to the fact that various countries which were affected in 2002 by severe economic crises began to recover during 2003.

In the case of Latin American countries with a reformed social security system, the funds under management amounted to US\$120,264 million in 2003, representing an increase of 30% over 2002. The countries presenting the largest variations in this group were Costa Rica and the Dominican Republic, with increases of 121% and 94% respectively. In Costa Rica one of the causes explaining the large increase in funds was the increase of 10% per year in contributions to the system due to an increase in wages, increase in the employment rate and the fact that the system was relatively new, so that this growth has been observable from previous years. In the case of the Dominican Republic, the steep increase in funds under management was due to the fact that the operations of the pension funds in that country had only recently started.

In the Latin American countries that were in process of reforming their social security systems, the funds accumulated in 2003 amounted to US\$92,456 million, showing an increase of 64% compared with the previous year. In this group the most outstanding feature was the 94% increase in funds under management in Honduras, due to the purchase of the Horizontes Pension Fund by AFP Atlántida in 2003.

In the case of the European and Asian countries that had already reformed their social security systems, the funds reflected an increase of 51%, totalling US\$13,823 million in 2003. Most outstanding was the 84% increase in funds under management in Kazakhstan.

Finally, in the European countries that were in the process of reforming their social security systems, the funds amounted to US\$74,007 million, registering an increase of 43%.

FIAP			
NUMBER AFILIATES AS OF 12.31.2003 AND 12.31.2002			
Latin American	Afiliates	Afiliates	Var. %
Countries	31.12.2003	31.12.2002	03-02
Countries with Reformed System::			
Argentina	9.462.997	9.106.349	3,92%
Bolivia	841.657	760.959	10,60%
Colombia	5.213.023	4.715.948	10,54%
Costa Rica	1.230.453	1.174.768	4,74%
Chile	6.979.351	6.708.491	4,04%
Ecuador (1)	125.765	237.398	-47,02%
El Salvador	1.074.493	992.824	8,23%
Mexico	31.398.282	29.421.202	6,72%
Panamá	241.686	206.000	17,32%
Peru	3.192.503	2.993.782	6,64%
Dominican Republic (2)	831.456	777.252	6,97%
Uruguay	635.888	616.664	3,12%
TOTAL	61.227.554	57.711.637	6,09%
Countries whose system are being Reformed:			
Brazil	7.865.056	6.731.512	16,84%
Honduras (3)	11.185	5.767	93,95%
TOTAL	7.876.241	6.737.279	16,91%
Countries			
	Afiliates	Afiliates	Var. %
Europa y Asia	31.12.2003	31.12.2002	03-02
Países Reformados:			
Bulgaria (4)	1.518.398	1.061.559	43,03%
Kazakhstan (5)	6.164.316	4.968.961	24,06%
Polland	11.463.193	10.989.816	4,31%
TOTAL	19.145.907	17.020.336	12,49%
Countries whose system are being Reformed:			
Spaian	7.346.929	6.529.308	12,52%
Russian Federation	5.318.000	4.200.000	26,62%
Ukrain (6)	25.437	8.068	12,52%
TOTAL	12.690.366	10.737.376	18,19%
TOTAL FIAP	100.940.068	92.206.628	9,47%

(1) Ecuador: Ecuador: Voluntary pension funds as of 06.30.2003 y 12.31.2002 (Information not available to one Administrator)

(2) Dominican Republic: Afiliates as of 31.12.2003 and 30.09.2003

(3) Honduras: Only AFP Atlántida afiliates

(4) Bulgaria: Afiliates as of 30.09.2003 and 31.12.2002

(5) Kazakhstan: Afiliates as of 31.12.2003 and 30.06.2002

(6) Ukrain: Afiliates as of 30.06.2003 and 30.06.2002

FIAP
MANAGED FUNDS AS OF 12.31.2003 AND 12.31.2002

Latin American	Funds	Funds	Var. %
Countries	Thousands of US\$	Thousands of US\$	03-02
	12.31.2003	12.31.2002	
Countries with Reformed System:			
Argentina	15.947.337	11.408.978	39,78%
Bolivia	1.485.069	1.143.839	29,83%
Colombia	7.326.465	5.481.964	33,65%
Costa Rica	304.327	137.724	120,97%
Chile	49.691.050	35.515.270	39,91%
Ecuador (1)	16.461	14.265	15,39%
El Salvador	1.572.392	1.096.842	43,36%
Mexico	35.844.411	31.748.135	12,90%
Panamá	469.231	451.850	3,85%
Peru	6.341.381	4.526.604	40,09%
Dominican Republic (2)	33.950	17.467	94,37%
Uruguay	1.232.079	893.364	37,91%
TOTAL	120.264.153	92.436.302	30,10%
Countries whose system are being Reformed:			
Brazil	92.448.469	56.386.996	63,95%
Honduras (3)	7.847	4.050	93,75%
TOTAL	92.456.316	56.391.046	63,96%
Countries with Reformed System			
Countries	Funds	Funds	Var. %
Europe y Asia	Thousands of US\$	Thousands of US\$	03-02
	31.12.2003	31.12.2002	
Countries with Reformed System			
Bulgaria (4)	134.104	121.030	10,80%
Kazakhstan (5)	2.631.055	1.431.580	83,79%
Polland	11.058.208	7.621.878	45,09%
TOTAL	13.823.367	9.174.488	50,67%
Countries whose system are being Reformed:			
Spaian	69.808.961	50.094.478	39,35%
Russian Federation	4.193.339	1.612.698	160,02%
Ukrain (6)	4.874	2.622	38,53%
TOTAL	74.007.174	51.709.798	43,12%
TOTAL FIAP	300.551.010	209.711.634	43,32%

(1) Ecuador: Ecuador: Voluntary pension funds as of 06.30.2003 y 12.31.2002 (Information not available to one Administrator)

(2) Dominican Republic: Afiliates as of 31.12.2003 and 30.09.2003

(3) Honduras: Only AFP Atlántida afiliates

(4) Bulgaria: Afiliates as of 30.09.2003 and 31.12.2002

(5) Kazakhstan: Afiliates as of 31.12.2003 and 30.06.2002

(6) Ukrain: Afiliates as of 30.06.2003 and 30.06.2002

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