



Convention Center of the Municipality of Cusco
Cusco, Peru, May 15-16, 2014

The fourth session addressed the quality of pensions in the individually funded system

QUALITY OF PENSIONS IN INDIVIDUALLY-FUNDED PENSION SYSTEM

Cusco-Peru, May 15, 2014. The fourth and final session of the first day of the 12th FIAP International Seminar and the 1st International Congress of the AAFP, was denominated "The Type and Quality of Pensions in the Individually-Funded Pension Systems." One of its objectives was to examine the adequacy of the pensions provided by this system.

The former Deputy Secretary of Social Welfare of Chile, Augusto Iglesias, was entrusted with delivering a presentation on "The Type and Quality of Pensions in Individually-Funded Pension Systems," highlighting the issue of pensions as the center of the debate.

One of the problems highlighted in the presentation is the difference between the expectations of contributors and the actual pension received. This often disappoints contributors and jeopardizes the stability of the pension systems currently operating in Latin America.

According to the statistics presented by Augusto Iglesias regarding the functioning of the pension system in Chile, pensioners expect a pension at a replacement rate of 70%, but in many cases contributors do not receive the subsidies provided by the government, and this situation could be repeated in other countries in future.

To conclude his presentation, Augusto Iglesias said that there is a difference between expected pensions and those actually paid, which represents the main challenge, since it is difficult to expect stability when customers are dissatisfied.

The panel followed on this presentation, moderated by the Chairman of the Dominican Association of Pension Fund Administrators (ADAFP), Kirsis Jáquez, who said that the most important thing is to be able to discuss issues related to the replacement rate without any constraints.

Thus, Felipe Morris, Chairman of the Association of Insurance Companies (APESEG), said that difficult measures would have to be taken to improve the replacement rates in the country, and one should also consider that the main focus is the final care of pensioners.

"I believe that the insurance companies, the AFPs and the regulators of pension culture programs should work together to address basic issues, such as convincing people that they should save for their old age," said Felipe Morris.

Oscar Vela, Chief of the Pension Unit of the Ministry of Finance and Public Credit of Mexico, spoke on the situation in his country regarding life annuities and the fact that work has a greater impact when related to incentives.

Mariano Bosch, Senior Specialist in the Labor Market and Social Security Unit of the IDB also highlighted the need to be more positive when developing policies related to financial issues.

With the situation prevailing in the country, a person who saves consistently will also have a consistent and higher replacement rate; nonetheless, there are many people in Peru who do not contribute and there is also a problem regarding coverage.

Against this background, the last speaker in the panel, Jorge Ramos CEO of Group SURA/AFP Integra, Peru, explained that more attention is being paid to issues of coverage and this has become an important undertaking in recent years.

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