



FIAP Declaration

FIAP offers to put its technical expertise at the disposal of the next Commission for the Reform of the Peruvian Pension System

The International Federation of Pension Fund Administrators (FIAP) is aware that the individually funded pension system in Peru has room for improvement, but the improvements must be made on the basis of a broad technical discussion, with experts discussing the best proposals for the comprehensive reform of the pension system, which in this case would include the Pension Fund Managers (AFPs) and the Pension Standardization Office (ONP).¹

The reforms that are implemented must ensure that the pension system has ample coverage, grants sufficient pensions, is equitable and financially sustainable, avoiding reckless actions with populist goals and the approval of policies that are detrimental to the workers themselves (for example, the recently approved rule that allows the withdrawal of 95.5% of the funds at retirement age).

Only a few months after the aforementioned reform was implemented, workers have withdrawn approximately USD 400 million, of which 90% was destined to consumption, and only 3% to pensions-related instruments. There are still no data regarding the effects of the rule that authorizes the withdrawal of 25% of accumulated resources for the initial down payment for purchasing a housing unit, or for paying off a mortgage loan, which will most certainly aggravate the problem.

The purpose of social security systems is to compel workers to renounce present consumption, so that when they are no longer able to work, they will have sufficient resources for financing their retirement. It is contradictory that after being forced to save throughout their working lives, workers are allowed to withdraw all their resources, leaving them devoid of all their old-age savings.

FIAP therefore offers to put its technical expertise at the disposal of the competent agencies in the upcoming debate of the Commission for the Reform of the Peruvian Pension System, which will be created by the Government of the new President, Mr. Pedro Pablo Kuczynski, to fulfill the need to grant a worthy pension to all Peruvian workers.

FIAP is an international agency comprising the Associations of Pension Fund Managers of the European and Latin American countries that have incorporated individually funded savings regimes into their pension systems. To December 2015, there were more than 113 million workers enrolled in FIAP member agencies, accumulating more than US\$ 577,628 million in their respective individual accounts.

¹ The Pension Standardization Office manages the PAYGO system in Peru.



August 22, 2016

Subscribed by: The Board of Directors of the International Federation of Pension Fund Administrators (FIAP)

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