



**COMPARED REGULATIONS SERIES**

# **REGULATIONS GOVERNING TRANSFERS BETWEEN FUND MANAGERS**

Santiago, June 2008



## ***EXECUTIVE SUMMARY***

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This report describes the regulations governing the transfer processes in the FIAP countries with mandatory systems for which information is available. The 14 countries analyzed are: Argentina, Bolivia, Bulgaria, Chile, Colombia, Costa Rica, El Salvador, Kazakhstan, Mexico, Panama, Peru, Poland, the Dominican Republic, and Uruguay<sup>1,2</sup>.

Competition between pension fund managers is based on the freedom of members to transfer between one and another. In all these countries, members (and pensioners with programmed withdrawals) are allowed to transfer their resources from their mandatory individual account to a new fund manager, without stating the reason for doing so<sup>3</sup>. However, all these countries have established administrative procedures governing the transfers which, in many cases, limit their frequency.

Of the 14 countries analyzed, 5 impose an explicit limit to the number of transfers members may perform in one calendar year. In Mexico and the Dominican Republic the limit is 1 transfer per year. In Argentina, Kazakhstan and Uruguay the limit is 2 transfers per year.

In the case of the 9 remaining countries, the rules and regulations do not explicitly establish a limit, but in practice, considering the terms of the administrative procedures, the duration of the transfer process or the minimum permanence requirements in the original fund, an implicit limit is established. In Bolivia, Bulgaria, Costa Rica, and El Salvador the limit is 1 transfer per year. In Colombia it is 2 transfers per year. In Peru and Poland it is 4 transfers per year. In Chile it is 6 transfers per year and in Panama it is 11 transfers per year.

The regulations of 7 countries require the member to have made a certain number of contributions or payments in the original fund manager in order to be able to transfer to another entity. Although contributions prior to the transfer are not required in Chile, Colombia and Mexico, a minimum membership time in the original fund manager prior to transfer is required. In Mexico, however, the member can transfer between fund managers before complying with the minimum permanence time only if the new fund manager has a Net Yield Index higher than the original fund manager.

Only Bulgaria, Chile, Colombia and Poland have regulations that allow fund managers to charge members a commission for performing transfers. In Bulgaria, Colombia and Poland, the regulations allow the original fund manager to charge the transferring member an exit commission. In the case of Chile, the new fund manager is allowed to charge the

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<sup>1</sup> A distinction is made between the transfer of members and their respective individual accounts from one fund manager to another and the transfer of the accumulated balances between funds within the same fund manager. This article refers to the first type of transfers.

<sup>2</sup> In all these countries the balance of the mandatory individual account must be kept in a sole fund manager.

<sup>3</sup> In Colombia, once the pension benefit has been received, the member cannot transfer to another AFP.



member it receives an entry commission (no fund manager has made use of this option to date)

Only 4 of the countries allow transfers via internet. Eleven of the countries have ruled that transfers must be performed through sales staff and/or by the member personally visiting the offices of the fund manager. In Bulgaria, the Dominican Republic and Uruguay, transfers cannot be performed through the fund managers' sales staff or promoters. In fact, in the Dominican Republic, transfers can only be performed through the so-called Transfer Representatives, duly authorized by the fund managers and registered as such before the Superintendency of Pensions.

The details of the administrative or operational processes of transfers vary across countries. Nonetheless, certain common denominators can be determined within this heterogeneity. The different stages established range from the time the member takes the decision to change fund managers until the transfer of the respective resources to the new fund manager.

In case of the bankruptcy of a fund manager, 9 countries establish a first instance in which members can choose the new fund manager to which the resources of their individual accounts will be transferred. In all cases there is a second instance that sets out what happens if members do not exercise their right to choose the new fund manager. In Argentina, Chile, Costa Rica, El Salvador, the Dominican Republic and Uruguay, if the member does not make an active choice of the new fund manager within a certain period of time, the pension authorities will choose the fund manager or fund managers to which each member's individual accounts will be transferred, taking into account certain pre-established criteria.

In Bulgaria, the pension authority approves the bankruptcy receiver or trustee's plan for the purchase of the pension fund from the bankrupt AFP by the fund managed by another AFP. Within a certain period of time after the notification of purchase, members have the unconditional right to change AFP absolutely free of charge.

In Kazakhstan and Poland, the default option is that the member is transferred to the fund manager that has absorbed the funds of the bankrupt fund manager, whereas in Bolivia, Colombia, Mexico, Panama y Peru, when the original fund manager goes bankrupt, the resources are transferred to the fund manager chosen by the pension authority on the basis of the criteria set out for such purposes. Nonetheless, once the member is transferred to the new fund manager, he has the option of changing to another fund manager of his preference, pursuant to the transfer rules and regulations in force in each country.



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## I. INTRODUCTION

The purpose of this report is to describe the regulations governing the transfer of members (active and passive) between fund managers in the FIAP member countries.

Without exceptions, all the countries that have established pension systems based on individual funding and managed within a competitive system allow members to freely choose between the different management agencies and under certain conditions, change fund managers<sup>4</sup>. The concept of “transfer” refers precisely to the transferring of the management responsibility of the respective individual account from one fund manager to another one (the conditions for the transfer of the balances of individual accounts between different funds managed by the same agency have been described in another document of this Series<sup>5</sup>).

Transfers can originate for two main reasons: the member’s decision (expressed directly or through a sales agent), or the bankruptcy of a fund manager. Hence, a distinction is made between the regulations governing the transfer process of members between fund managers and the regulations governing the first enrollment of an individual in any pension fund manager.

In all the countries analyzed, the transfer act is always individual (in contrast to a collective or group action) and is materialized by the signing of a document by the respective individual.

The report is organized as follows: After this introduction, Chapter II explains the work methodology used. Then, Chapter III conducts a compared analysis of the transfer process in fourteen countries. Finally, Chapter IV describes the transfer regulations per country.

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<sup>4</sup> In some countries there have been temporary limitations to the possibility of transfers in the first stages of the operation of individually funded Systems.

<sup>5</sup> See Compared Regulations Series “Multifunds: The cases of Chile, Mexico and Peru.” on the internet at: [www.fiap.cl/prontus\\_fiap/site/edic/base/port/regulaciones.html](http://www.fiap.cl/prontus_fiap/site/edic/base/port/regulaciones.html)



## II. METHODOLOGY

The report was based on information provided directly to FIAP by the trade associations of pension fund managers in member countries. We also resorted to the web pages of the supervising agencies of the new pension funds and those of the trade organizations. When necessary, we also examined the text of the corresponding regulations.

This report describes the regulations that currently govern the transfer processes in FIAP member countries that have mandatory systems with available information. The 14 countries analyzed are: Argentina, Bolivia, Bulgaria, Chile, Colombia, Costa Rica, El Salvador, Kazakhstan, Mexico, Panama, Peru, Poland, the Dominican Republic and Uruguay.

We assign the name “transfer” to the transfer of the balance of mandatory individually funded accounts (and in some cases, of the historical records of movement in such account) from one fund manager to another, assuming that the individual “changes fund manager” of his own free will and preference.

Six main aspects of the regulations governing transfer processes are distinguished. Firstly, the restrictions on the number of transfers the member can perform in one calendar year; secondly, the prior contribution or minimum permanence requirements as a condition for the transfer; thirdly, the possible cost for the member for performing the transfer; fourth, the transfer mode; fifth, the administrative and operational aspects of the transfer process and finally, the transfer procedure in case of the bankruptcy or liquidation of a fund manager.



### III. COMPARED ANALYSIS OF THE TRANSFER PROCESS

Transfers are currently authorized in all the countries analyzed. However, in some cases the authorization for transfer has been subsequent to the operational start-up of the respective systems.

Chart No. 1 shows the starting date of the reformed systems and the starting date of the transfer process in each one of them.

**Chart N° 1**  
**Start of the transfer process in the FIAP member countries**

COUNTRY	OPERATIONAL START UP OF THE MANDATORY INDIVIDUALLY FUNDED SYSTEMS	START OF THE TRANSFER PROCESS
<b>Argentina</b>	1994	1994
<b>Bolivia</b>	1997	2002
<b>Bulgaria</b>	2002	2003
<b>Chile</b>	1981	1981
<b>Colombia</b>	1994	1994 <sup>6</sup>
<b>Costa Rica</b>	2000	2003
<b>El Salvador</b>	1998	1998
<b>Kazakhstan</b>	1998	1998
<b>Mexico</b>	1997	1998
<b>Panama (1)</b>	2002	2003
<b>Peru</b>	1993	1995
<b>Poland</b>	1999	1999
<b>Dominican Republic</b>	2003	2004
<b>Uruguay</b>	1996	1997
(1)Public Servants' Pension Savings and Individually Funded System (SIACAP). Source: Drawn up by FIAP		

Chart No. 2 compares some aspects of the regulations governing the transfer process in each one of the countries analyzed.

The transfer mode in the case of active members is, in the majority of cases, the same as the one applied to pensioners who retire in the Programmed Retirement mode<sup>7</sup>. The exception

<sup>6</sup> Article 16, Decree 692/04.

<sup>7</sup> In the Programmed Retirement pension mode, the member keeps the balance of his individual account with a fund manager which provides a monthly pension charged to the account at the time he meets the conditions to access the pension. The FIAP member countries that operate this pension mode are Argentina, Chile, Colombia, El Salvador, Kazakhstan, Mexico, Peru and the Dominican Republic.



is Colombia; in this case, when the member acquires pensioner status, he no longer has the possibility of voluntarily transferring from one fund manager to another, regardless of the pension mode chosen.

All the other countries that offer the Programmed Retirement mode allow the pensioner in such mode to transfer his funds between fund managers (In Argentina the pensioner is required to make at least 4 withdrawals prior to the transfer).

**Chart No. 2**  
**Regulatory environment of the transfer process in FIAP member countries**

Topic	Argentina	Bolivia	Bulgaria	Chile	Colombia	Costa Rica	El Salvador	Kazakhstan	Mexico	Panama
Limitation of the number of transfers per calendar year										
Explicit Limit	X							X	X	
Implicit Limit		X	X	X	X	X	X			X
Requirement of contributions prior to transfer	X	X	X			X	X			
Requirement of months of membership prior to transfer	X	X	X	X (1)	X	X	X		X	
Payment of compensation required per transfer			X	X (2)	X					
Transfer mode										
Internet				X		X			X	
Sales Staff or Promoters	X	X		X	X	X	X	X	X	X
Personally in the office of the fund manager	X	X	X	X	X	X	X	X	X	X
Other						X (3)				

(1) This requirement is implicit, since the member who signs a transfer order cannot repeat such operation until one month after such in which he transfers his personal account.

(2) The law establishes the possibility of an entry commission being charged by the new fund manager. However, no fund manager has made use of this option to date, due to which the transfer of personal accounts from one fund manager to another is free of charge.

(3) In Costa Rica the transfer can also be performed in the offices of the Centralized Collection System (SICERE).

It is therefore possible to perform up to four fund transfers per year.

(4) The transfer must be performed through the so-called Transfer representatives, in the presence of the member and in the offices of the original AFP.

Source: Drawn up by FIAP.

### ***Requirements for transfers***

Of the 14 countries analyzed, 5 impose an explicit limit on the number of transfers members can perform in one calendar year. In Mexico and the Dominican Republic, the limit is one transfer per year. In Argentina, Kazakhstan and Uruguay, the limit is two transfers per year.

In the case of the remaining countries, the rules and regulations do not establish an explicit limit, but in practice, given the terms of the administrative procedures, the duration of the transfer process itself or the minimum permanence requirements in the original fund manager, an implicit limit is imposed. In Bolivia, Bulgaria, Costa Rica, and El Salvador the limit is one transfer per year. In Peru and Poland it is 4 transfers per year, in Chile 6 transfers per year and in Panama 11 transfers per year.





The rules and regulations of 7 countries require the member to have made a specific number of payments or contributions in the original fund manager in order to be able to perform the transfer.

In Chile, Colombia, and Mexico, even though contributions prior to the transfer are not required, a specific membership time in the original fund manager prior to the transfer is required.

### ***Commissions on transfers***

Only Bulgaria, Chile, Colombia and Poland have regulations that enable fund managers to charge the member a compensation for performing a transfer. In Bulgaria, Colombia and Poland the regulations allow the original fund manager to charge an exit commission. In Bulgaria this commission amounts to US\$ 15.21; in Colombia the commission cannot be more than 1% of the taxable income of the last collection (with a ceiling of 1% of the four legal minimum salaries in force), and in Poland this commission can amount to US\$55 or US\$ 27.5, depending on membership time in the original fund manager (less than one year or less than two years, respectively).

In the case of Chile, the regulations allow the new fund manager to charge the transferring member an entry commission. The amount of this commission is determined by the fund manager and can be expressed as a fixed amount or a percentage of the transferred balance. However, no fund manager has made use of this option to date.

### ***Transfer mechanisms***

Only 4 countries allow transfers to be performed via Internet. Eleven of the countries have determined that transfers must be performed through sales staff or by the member personally appearing in the office of the fund manager. In Bulgaria, the Dominican Republic and Uruguay, transfers cannot be performed through the fund managers' sales staff or promoters. In fact, in the Dominican Republic transfers can only be performed through the so-called Transfer Representatives, duly authorized by the fund managers and registered as such with the Superintendency of Pensions (SIPEN).

### ***Administrative processes of transfers***

The details of the administrative or operational processes of transfers vary across countries. Nonetheless, certain common denominators can be established within this heterogeneity. First, the member submits a transfer application through the existing channels. Then, the original fund manager, the new fund manager and the regulating agencies coordinate the verification of the information on the transferring member. The next step is the acceptance or rejection of the transfer application submitted and the subsequent transfer of the funds to the fund manager chosen by the member.



The duration of the aforementioned steps determines the full extension of the transfer process, a variable that partially reflects its simplicity or complexity. Chart 3 shows the duration of the transfer process in each one of the countries analyzed.

**Chart No. 3**  
**Duration of the transfer process**

COUNTRY	DURATION
<b>Argentina</b>	3
<b>Bolivia</b>	4 months
<b>Bulgaria</b>	1.5 4.5 (*)
<b>Chie</b>	30 consecutive days (**)
<b>Colombia</b>	3 months
<b>Costa Rica</b>	5 working days
<b>El Salvador</b>	1 month
<b>Kazakhstan</b>	T working days
<b>Mexico</b>	2-4 weeks (***)
<b>Panama</b>	1 month
<b>Peru</b>	3 months
<b>Poland</b>	4 months
<b>Dominican Republic</b>	3 months
<b>Uruguay</b>	4 months
Source: Drawn up by FIAP (*) The process lasts 1.5 and 4.5 months in the cases of transfer applications recorded at the end or the beginning of each quarter, respectively. (**) The process lasts 4 weeks through a sales agent and 2 weeks via internet.	

### ***Transfers in case of the bankruptcy of the fund manager***

Chart 4 shows the characteristics of the transfer process in case of the bankruptcy or liquidation of the fund manager. In 9 countries there is a first instance in which members can choose the new fund manager to which the resources of the individual account will be transferred when the dissolution of the current fund manager occurs. In all these cases there is a second instance that defines what happens if members do not exercise their right to choose a new fund manager. In Argentina, Chile, Costa Rica, El Salvador, the Dominican Republic and Uruguay, if members do not choose a new fund manager within a specific time period, the supervising authority chooses the fund manager or managers to



which the individual accounts of each member will be transferred, taking into account certain criteria such as profitability, commissions charged, or others.

In Bulgaria, the pension authority approves the plan of the liquidator or bankruptcy receiver for the acquisition of the fund of the bankrupt AFP by the fund managed by another AFP. Within a certain time period after the notification of the acquisition, members have the unconditional right to change AFP free of charge.

In Kazakhstan and Poland the defect option is that the member is transferred to the fund manager that has absorbed the fund of the bankrupt fund manager, whereas in Bolivia, Colombia, Mexico, Panama and Peru, the aforementioned second instance does not exist. In these countries there is only a first instance in which the resources are transferred to the fund manager chosen by the pension authority on the basis of the established criteria when the original fund manager goes bankrupt. Thus, in these cases the member does not have the right to freely choose the new fund manager. Regardless of the above, once the member has been transferred to the new fund manager, he has the option of changing to another fund manager of his preference, pursuant to the transfer rules and regulations in force in each country. In the case of Mexico, when the individual accounts of the bankrupt fund manager are assigned, the one year permanence term is not applicable.

**Chart No. 4**

<b>Transfer in case of the liquidation of the original fund manager</b>				
<b>COUNTRY</b>	<b>First Instance</b>		<b>Second Instance</b>	
	<b>The new fund manager is chosen by</b>		<b>Members who do not exercise their right to choose a new fund manager are transferred to</b>	
	<b>Members</b>	<b>Authority</b>	<b>One or more fund managers chosen by the authority</b>	<b>The fund manager that has absorbed the fund of the bankrupt fund manager</b>
<b>Argentina</b>	X			
<b>Bolivia</b>		X		
<b>Bulgaria</b>	X			X (1)
<b>Chile</b>	X		X	
<b>Colombia</b>		X		
<b>Costa Rica</b>	X		X(2)	
<b>El Salvador</b>	X		X	
<b>Kazakhstan</b>	X			X
<b>Mexico</b>		X		
<b>Panama</b>		X		
<b>Peru</b>		X		
<b>Poland</b>	X			X
<b>Dominican Republic</b>	X		X	
<b>Uruguay</b>	X		X	
(1) If the worker does not exercise his right to transfer within a specific period, it is assumed that the individual agrees to participating in the new complementary social security fund.				
(2) Members who do not exercise their right become part of the Costa Rican Social Security Fund.				



## IV. THE TRANSFER PROCESS PER COUNTRY

### 1) Argentina

The transfer process between retirement and Pension Fund Managers (AFJP) began in 1994 and is currently regulated by Resolution 768 Of 1955 of the Superintendency of AFJP and its subsequent amendments.

#### 1.1) Regulation

##### *a. Transfer limits*

AFJP members can transfer to another AFJP up to twice per calendar year.

##### *b. Permanence requirements in the original fund manager*

In order to perform the transfer, the member must have made at least four mandatory contributions to the AFJP he is leaving, or have collected four retirement payments<sup>8</sup> up to the last day prior to signing the transfer.

##### *c. Balance of the mandatory individual account in different fund managers.*

The funds of the mandatory account can only be kept in one fund manager.

##### *d. Bankruptcy or liquidation of the fund manager*

If the fund manager goes bankrupt or is liquidated, members can transfer their funds to another AFJP of their choice, which will be performed with the intervention of the Superintendency of AFJPs (SAFJP) and in accordance with the provisions of the corresponding law. The member has 90 days to choose the new AFJP he will continue funding and contributing to. Members who have not opted for any AFJP within the 90 day term will be assigned to an AFJP by the SAFJP, in accordance with the criteria it sets out. The member's right to transfer will be suspended until the fund returns to the minimum profitability level<sup>9</sup>

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<sup>8</sup> In the case of members retired in the Programmed Retirement mode.

<sup>9</sup> The law requires fund managers to show profitability above a minimum limit required by law. A band system is used to control the fund managers' performance. The lower limit is the minimum profitability, which is calculated as 70% of the average profitability of the system or the average profitability of the system minus two percentage points, whichever of the two is lowest.



*e. Other relevant regulations*

For the member to be able to transfer from one AFJP to another, he must: (i) not be receiving a temporary old age pension; (ii) not be in the process of applying for a pension benefit; (iii) must have a positive balance in the individually funded account; (iv) must not have signed a transfer application to different fund managers within the same month.

Any promise, proposition or delivery of goods that may condition the transfer is strictly prohibited. It is therefore illegal to offer, for example, cash payments or other types of gifts for the purpose of a member transferring to another AFJP or remaining in the same fund manager.

*f. Payment of compensation for transfer*

The original and target AFJPs do not charge members commissions for performing transfers.

*g. Transfer mode*

The transfer can be performed in the branch of the AFP or before a Notary Public. In both cases the transfer is performed through an individual called promoter or official agent, expressly authorized by the AFJP. It is currently not possible to perform the transfer via internet. The member cannot transfer directly without the intervention of a salesperson or promoter.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The transfer application is subscribed in the first month.
- (ii) In the first two week period of the second month, the new AFJP notifies the former AFJP, which accepts or rejects the application.
- (iii) If the member is active, the new AFJP will inform the Federal Public Income Administration of the transfer in the second two week period of the second month.
- (iv) The individually funded account will be transferred in the third month through the transfer of the funds and the computer record.
- (v) The first updating of the individually funded account in the new AFJP will be performed in the fourth month at the latest.



## 1.2) Relevant statistics

Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	330,542	364,384	710,590	243,326	431,543
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of contributors as of December each year</b>	3,026,570	3,331,437	3,541,146	4,283,242	4,563,768
<b>Number of members as of December each year</b>	9,106,349	9,462,997	10,008,255	10,621,413	11,307,715
<b>Number of new members per year (1)</b>	263,260	356,648	545,258	613,158	686,302
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	97.46	141.31	114.63	119.65
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n.a.	209.09	273.64	267.11	303.33
<b>Sales expenses over operational expenses</b>	n.a.	46.61%	51.64%	42.92%	39.45%
<b>No. of sales staff per year</b>	9,118	9,227	9,120	8,161.00	8,420.00
<b>Transfer as % of members per year</b>	3.63%	3.85%	7.10%	2.29%	3.82%
<b>Transfers as % of contributors per year</b>	10.92%	10.94%	20.07%	5.68%	9.46%
<b>Transfers as % on new members per year</b>	125.56%	102.17%	130.32%	39.68%	62.88%
<b>No. of transfers per salesperson per year</b>	36	39	78	30	51
n.a.: information not available					
Source: Drawn up by FIAP on the basis of information provided by the Union of Pension and Retirement Fund Managers (UAFJP) and the Superintendency of AFJP.					
Exchange rate used: 1US\$= \$3.39 (Dec. 2002); 1US\$= \$2.933 (Dec.2003); 1US\$= \$2.9738 (Dec. 2004); 1US\$= \$3.0315 (Dec. 2005); 1US\$= 3.0695 (Dec. 2006).					
(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.					
(2) The marketing cost which includes the sales staff salaries, marketing expenses and taxes.					
(3) The marketing cost plus the AFJP management cost, net of the Collective Insurance cost (SCIF)					



## 2) Bolivia

The transfer process between AFPs began on January 1, 2002, and is currently regulated by Administrative Resolution SPVS-IP No. 967 of November 19, 2007.

### 2.1) Regulation

#### a. *Transfer Limits*

The rules and regulations do not establish an explicit limit to the number of transfers per year. However, given the aforementioned permanence requirement, members can transfer only once per calendar year<sup>10</sup>.

#### b. *Permanence requirements in the original fund manager*

Members who decide to transfer between AFPs must have made at least 12 continuous or discontinuous contributions to their current AFP. Members can only apply for transfer without having made the 12 continuous or discontinuous contributions if they change domicile to a place where their current AFP does not render services.

#### c. *Balance of the mandatory individual account in different fund managers*

The funds of the mandatory account can only be kept in one fund manager.

#### d. *Bankruptcy or liquidation of the fund manager*

If the fund manager goes bankrupt, the Superintendency of Pensions, Securities and Insurance (SPVS) must order the transfer of the resources to a new fund manager and their integration with the pension funds managed and represented by the latter.

#### e. *Payment of compensation for transfers*

The transfer of personal accounts from one AFP to another is currently cost free for members.

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<sup>10</sup> Assuming that the member has made continuous monthly contributions to his original fund manager



*f. Transfer mode*

The transfer can be performed through sales staff or can be personally requested in the target AFP. Transfers cannot be performed via internet.

*g. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The registered member must fill in and subscribe a Transfer Form.
- (ii) The transfer form is received in the target AFP.
- (iii) The target AFP sends the original AFP the Notification Order of all the transfer forms received in one month.
- (iv) The definitive results of the transfer applications that have been accepted or rejected are made known, together with the reasons for rejecting the transfer.
- (v) The target AFP sends an acceptance or rejection note to the member and respective employer.
- (vi) The individual account in the original AFP is closed.
- (vii) The target AFP downloads the transaction file once it has been forwarded by the original AFP. The transaction file is the historical information obtained on the movement of commissions and contributions to the individual accounts and the payments generated in the AFP in which the member was registered.
- (viii) The members sole assigned number (NUA) is recorded in the target AFP.
- (ix) The original and target AFPs issue a form denominated Transfer Compensator which sets out the total amounts to be transferred. The original AFP communicates this to the target AFP for it to obtain the fund compensation information.
- (x) The accounts are confirmed in the target AFP.
- (xi) The target AFP must notify the registered member of the successful conclusion of the transfer application within 15 working days of the contributions having been confirmed.





## 2.2) Relevant statistics

Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	4,128	3,337	3,057	4,212	4,174
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	10.22	8.57	7.30	11.07	10.87
<b>Number of contributors as of December each year</b>	708,926	435,507	732,936	411,925	473,861
<b>Number of members as of December each year</b>	760,959	841,657	893,848	951,926	1,002,986
<b>Number of new members per year (1)</b>	69,369	80,698	52,191	58,078	51,060
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Sales expenses over operational expenses</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>No. of sales staff per year</b>	70	70	66	67	67
<b>Transfer as % of members per year</b>	0.54%	0.40%	0.34%	0.44%	0.42%
<b>Transfers as % of contributors per year</b>	0.58%	0.77%	0.42%	1.02%	0.88%
<b>Transfers as % on new members per year</b>	5.95%	4.14%	5.86%	7.25%	8.17%
<b>No. of transfers per salesperson per year</b>	59	48	46	63	62
n.a.: information not available Source: Drawn up by FIAP on the basis of information provided by AFP Futuro de Bolivia. Exchange rate used: End of the month buying exchange rate 1US\$= \$7.48 (Dec. 2002); 1US\$= \$7.82 (Dec.2003); 1US\$= \$8.04 (Dec. 2004); 1US\$= \$8 (Dec. 2005); 1US\$= 7.93 (Dec. 2006). Source: Bolivian central Bank. (1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.					



### 3) Bulgaria

The transfer process began on January 1, 2004, and is currently regulated by Ordinance No. 3 issued by the Financial Supervision Committee (FSC) on September 24, 2003.

#### 3.1) *Regulation*

##### *a. Transfer limits*

Members of the pension system have the right to transfer the balance of their mandatory individual account from one AFP<sup>11</sup> to another one after two years of participation in the system or after one year of participation in the respective fund. After that, there is an implicit limit of one transfer per calendar year. This condition applies to the mandatory complementary pension funds<sup>12</sup>.

##### *b. Permanence requirements in the original fund manager*

Prior monthly contributions are not required for being able to perform transfers. However, transfers can only be performed by “members” of the pension fund who by definition “are such individuals whose contributions are being paid or have been paid”. There must be at least one contribution for the transfer application not to be rejected.

##### *c. Balance of the mandatory individual account in different fund managers*

The funds of the mandatory account can only be kept with one fund manager.

##### *d. Bankruptcy or liquidation of the fund manager*

In case of the liquidation of the fund manager, the pension authority approves the plan of the liquidator or bankruptcy receiver for the acquisition of the pension fund of this fund manager by the fund managed by another AFP. Within a specific period of time after the notification for acquisition, members have the unconditional right to change AFPs without any charge whatsoever. If the workers do not exercise their right to transfer within a specific period, it is assumed that the individual agrees to participate in the new complementary social security fund.

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<sup>11</sup> In Bulgaria fund managers are known as Pension Insurance Companies (PIC).

<sup>12</sup> Transfer applications are processed once every quarter in the case of mandatory complementary pension funds.



*e. Other relevant regulations*

Workers entering the labor market for the first time have the right to change AFPs (maintaining the pension fund type<sup>13</sup>) after two years of having signed the first membership contract with the respective AFP, or the date of their default allocation to the corresponding pension fund.

In all other cases, workers have the right to change AFP one year after signing the membership contract with the respective fund manager.

*f. Payment of compensation for transfers*

The worker must pay an exit commission to the former fund manager<sup>14</sup>. This commission amounts to BGN 20 (approximately US\$ 15.21<sup>15</sup>).

The fund managers receiving the funds that have been transferred are not entitled to charge entry commissions.

*g. Transfer mode*

The transfer can only be performed by personally visiting the offices of the target fund manager. This procedure cannot be performed via internet or through a sales agent.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The member must fill in and sign the transfer application in the offices of the target fund manager. Once completed, this document must be authenticated before a notary public.
- (ii) The fund managers that receive the transfer applications (the new fund managers) must inform the former fund managers of the situation.
- (iii) If the transfer application is not rejected, the new fund manager signs a contract with the worker. The date of this new contract is also the date on which the contract with the former fund manager ends. If the worker does not accept the new contract, the transfer process ends.
- (iv) The worker who has signed a contract with the new fund manager must pay a commission to the former fund manager.

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<sup>13</sup> In Bulgaria the mandatory second pillar consists of two types of pension funds: (i) Universal Pension Funds (UPF); (ii) Professional Pension Funds. Dependent workers (of the private and public sectors) born in 1960 or after are members of a UPF, whereas workers who work under risky conditions or in heavy duty work must be members of a PPF and a UPF, regardless of their age.

<sup>14</sup> Said commission must not be paid in case the transfer is due to a disagreement on the rules of the complementary pension funds or in case of the liquidation of the fund manager.

<sup>15</sup> Exchange rate as of 31/01/08: US\$ 1= BGN 1.31529. Source: Bulgarian National Bank



### 3.2) *Relevant statistics*

Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	n.app.	n.app.	97,075	68,925	61,136
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	n.app.	n.app.	29.98	19.52	18.54
<b>Number of members as of December each year</b>	1,277,968	1,616,875	2,180,951	2,421,988	2,635,544
<b>Number of new members per year (1)</b>	870,447	335,887	567,076	241,037	213,556
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Sales expenses over operational expenses</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>No. of sales staff per year</b>	31,778	28,046	25,391	26,590	23,193
<b>Transfer as % of members per year</b>	n.app.	n.app.	4.45%	2.85%	2.32%
<b>Transfers as % of contributors per year</b>	n.app.	n.app.	17.12%	28.60%	28.63%
<b>No. of transfers per salesperson per year</b>	n.app.	n.app.	4	3	3
n.a.: information not available n. app.: information not applicable Source: Drawn up by FIAP on the basis FIAP six-monthly bulletins between 2002 and 2006 and statistics provided by the Bulgarian Association of Complementary Pension Insurance Companies, BASPSC. Exchange rate used: As of 31/01/08: US\$ = BGN 1.31529. (1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year. (2) Corresponds to the sum of the members of Universal Pension Funds (UPF) and Professional Pension Funds (PPF) for the years 2004, 2005 and 2006, respectively					



#### 4) Chile

The transfer process began in 1981, the same year in which the mandatory individually funded system was installed.

The transfer process is regulated by Circular No. 1,220 of the Superintendency of AFPs of 2002, and its amendments included in Circular No. 1,317 and 1,408 of the same Superintendency in 2004 and 2006, respectively.

##### 4.1) Regulation

###### *a. Transfer limits*

The rules and regulations do not set out an explicit limit to the number of transfers per year. However, members who subscribe a transfer order cannot repeat such operation until the second month after such in which the latter was subscribed, given the fund transferring process. Thus, this implies that theoretically, members can perform up to 6 transfers in one calendar year.

###### *b. Permanence requirements in the original fund manager*

The rules and regulations state that members who subscribe a transfer order cannot repeat such operation until the month after such in which their personal accounts are transferred. This therefore infers that members must remain in the new AFP for at least one month before performing a new transfer.

###### *c. Balance of the mandatory individual account in different fund managers*

The funds of the mandatory account can only be kept in one fund manager.

###### *d. Bankruptcy or liquidation of the fund manager*

In case of the bankruptcy of an AFP the resources accumulated in the individual accounts are transferred, within a period of 90 days, to another fund manager chosen by the account owners. The transfer to other AFPs of such members who do not choose a new AFP is performed by the liquidator<sup>16</sup> and is free of charge for them.

In case a member does not choose a new AFP within in the term set out by the rules and regulations in force, the liquidator transfers the balances of the individual accounts to a fund manager with domicile and or offices in the locality where that worker renders his services; if there are two or more AFPs that meet this condition, the liquidator will choose

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<sup>16</sup> The liquidator is the Superintendency of AFPs (SAFP).



the fund manager that has obtained the highest profitability in the two calendar years prior to the dissolution. If no AFPs have offices in the locality in which the member renders services, the liquidator must take into account the geographical region in which the member renders services in order to apply the aforementioned rules and regulations.

*e. Other relevant regulations*

A pensioner can transfer his funds from one AFP to another as long as he has a positive balance in his individually funded account. The pensioner may transfer the total amount of the contributions to another AFP with prior notice to the AFP he is a member of 30 days before the date on which the pensions of the month following such in which notice is given must be paid.

The transfer process of pensioners' funds is the same as such for active members. Regardless of the above, members retired due to disability on the basis of an initial report and who are covered by the disability and survival insurance, cannot exercise the right to transfer their funds while their disability is not definitive.

*f. Payment of compensation for transfers*

There are no exit commissions. However, the law enables the new AFP<sup>17</sup> to charge an entry commission, which can be a fixed amount or a percentage of the transferred balance. However, no fund manager has made use of this option to date, hence, in practice, the transfer is cost free for the member.

*g. Transfer mode*

The transfer is performed by subscribing a form (denominated Irrevocable Transfer Order) in an agency of the new AFP, with the intermediation of a sales agent or via internet.

In the case of the two first modes, a photocopy of the member's national ID card must be attached. In case the transfer is performed via internet, the member must have an access and security code and enter the Sole Number of the Individually Funded Account statement.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) Subscription of the Transfer Order. The member must sign and place his fingerprint on a document denominated "Irrevocable Transfer Order" in the presence of a representative of the new AFP.

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<sup>17</sup>



- (ii) Subscription of the Informative Document: the member must subscribe the “Informative Document” which sets out the Management costs of the different AFPs.
- (iii) Notification of the Transfer Orders. The former AFP must be notified of the transfer orders by the new AFP, electronically or through the file “Notification of Transfer Orders” within 2 working days after the end of each two week period, including all the orders subscribed from day 1 to day 15 and from day 16 to the last day of each month, respectively, except those that have been annulled as a result of the revision by the AFP. Orders that are not notified within this term are annulled. The former and the new AFP must carry out a formal document revision process in order to determine their conformity.
- (iv) Analysis of the notification. The former fund manager must submit the information received in the notification process to an exhaustive analysis which includes a formal revision of the copies of the transfer orders and the rationale of the records contained in the notification file. Errors detected as a result of the analysis will give rise to the annulment of the order.
- (v) Communication of the result of the notification. On the working day following the date on which the former AFP formalizes the acceptance of the notification process, at the latest, it will inform the new AFP of the result of the formal analysis and rationale, via an electronic message with the *Notification Result File*. The transfer order will be understood to have been formally accepted by the former fund manager and to be proof of the membership of the worker in the new AFP if the corresponding record has not been included in the file with the notification result, its transmission has been duly received by the new AFP and both have formally subscribed the *Formal Transfer Communication*.
- (vi) Notice to the employer and the member. After the above step, the new AFP informs the employer and the member of the transfer status and, if pertinent, the date on which the member is legally enrolled. The employer and the member will begin to pay the new AFP the contributions one month after such in which the former fund manager communicates the result of the notification to the new fund manager.
- (vi) The first month of payment to the new fund manager will be the second month after the subscription of the transfer order.

#### 4.2) *Relevant statistics*



Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	229,114	255,509	215,603	234,807	231,275
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of contributors as of December each year</b>	3,431,277	3,618,995	3,571,864	3,784,141	3,956,992
<b>Number of members as of December each year</b>	6,708,491	6,979,351	7,080,646	7,394,506	7,683,451
<b>Number of new members per year (1)</b>	280,835	270,860	101,295	313,860	288,945
<b>Sales expenses per year (MUS\$) (2)</b>	0.04	0.05	0.05	0.07	0.07
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	0.13	0.18	0.18	0.22	0.23
<b>Sales expenses over operational expenses</b>	29.64%	30.69%	29.65%	29.07%	29.51%
<b>No. of sales staff per year</b>	3,944	3,812	2,281	2,348	2,560
<b>Transfer as % of members per year</b>	3.42%	3.66%	3.04%	3.18%	3.01%
<b>Transfers as % of contributors per year</b>	6.68%	7.06%	6.04%	6.21%	5.84%
<b>Transfers as % on new members per year</b>	81.58%	94.33%	212.85%	74.81%	80.04%
<b>No. of transfers per salesperson per year</b>	58	67	95	100	90
n.a.: information not available					
Source: Drawn up by FIAP on the basis of several Statistical Bulletins of the Chilean Superintendency of AFPs (SAFP), FIAP's six monthly report No. 21 and the Profit and Loss Statements of the AFPs published by the SAFP.					
Exchange rate used: Observed exchange rate on the last working day of the respective month 1US\$= \$712.38 (Dec. 2002); 1US\$= \$599.42 (Dec.2003); 1US\$= \$559.83 (Dec. 2004); 1US\$= \$514.21 (Dec. 2005); 1US\$= 534.43 (Dec. 2006). Source: Chilean Central Bank.					
(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.					
(2) Corresponds to the resources destined to the salaries of the AFP sales staff.					
(3) Corresponds to operational costs, net of the sales cost and the Disability and Survival Insurance Premium.					





## 5) Colombia

The transfer process in the Individual Savings with Solidarity System (RAIS) began in 1994.

The transfer process is regulated by the Basic Legal Circular of March 1998<sup>18</sup> of the Financial Superintendency of Colombia.

### 5.1) Regulation

#### a. Transfer limits

The rules and regulations do not set out an explicit limit on the number of transfers per year. However, it has been established that members can transfer from one AFP to another every 6 months. Thus, a member can change AFPs up to twice a year.

#### b. Permanence requirement in the original fund manager

The rules and regulations state that a member can change AFPs six consecutive months after the previous change.

#### c. Balance of the mandatory individual account in different fund managers

The funds of the mandatory account can only be kept in one fund manager.

#### d. Bankruptcy or liquidation of the fund manager

When a fund manager goes bankrupt and its liquidation is decreed, the Financial Superintendency of Colombia (SFC) can order the conveyance of the managed pension fund or funds to the agency appointed by the Financial Institutions Guarantee Fund (FOGAFIN)<sup>19</sup>.

FOGAFIN appoints the fund manager to which the pension fund will be conveyed (assignee fund manager) on the basis of equity capacity and profitability. Furthermore, FOGAFIN can, in each case, design a selection procedure for the assignee fund manager taking three criteria into account: a) the profitability of the mandatory pension fund managed; b) the equity status of the fund manager; c) the amount of the commission that the fund manager offers to charge for the management of the transferred fund.

In any event, if the selection process of the assignee fund manager is faulty, FOGAFIN can assign it directly. To do so, the SFC and FOGAFIN must make sure that the assignee fund

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<sup>18</sup> Basic legal Circular, Chapter IV, first chapter, number 3, Financial Superintendency of Colombia. Available on internet:

<http://www.superfinanciera.gov.co/Normativa/NormasyReglamentaciones/cir007/t4.doc>

<sup>19</sup> Decree 2765 of July 19, 2007, Article 3.



manager will not be able to impose or determine unfair prices, limit services or prevent, restrict or adulterate free market competition.

The conveying fund manager must inform all its members regarding the fund conveyance process. Notice must be given by means of three publications in a newspaper with extensive national circulation, indicating at least the assignee fund manager, the intended conveyance date and the date of the order imparted by the SFC. The members of the pension fund being conveyed cannot oppose this measure.

Regardless of the above, members still have the faculty of requesting the transfer of the value of their units to another fund manager as soon as the conveyance has been performed. Transfers requested within the month following the publication of the conveyance notice will not be taken into consideration for the purpose of the application of the minimum transfer terms authorized by law.

*e. Other relevant regulations*

When the member achieves pensioner status, he is no longer able to transfer voluntarily from one AFP to another, regardless of the pension mode selected.

*f. Payment of compensation for transfer*

If a member changes from one AFP to another, the original fund manager can charge a commission of not more than 1% of the taxable income on which the last contribution was made, without it exceeding 1% of the four minimum legal wages in force, under any circumstances.

This commission is discounted from the mandatory individual account at the time the value of the resources to be transferred is made available to the new AFP.

*g. Transfer mode*

In order to perform a transfer, the worker must personally visit the offices of the fund manager he wishes to transfer to, where he must fill in and submit a transfer form. The transfer can also be performed through one of the fund manager's sales agents. The transfer cannot be performed via internet.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The member chooses the fund manager he wishes to change to.



- (ii) As of the first day of the seventh month after having selected the fund manager, the member must submit the duly processed form to the new AFP
- (iii) A form linking the member to the new AFP must be processed. The original of this form must remain with the AFO, one copy is given to the member and another to the employer if the worker is dependent. If the worker is self-employed the original remains with the AFP and the member receives a copy.
- (iv) The worker has the right to reverse his decision in writing within five working days after the date on which he made the corresponding choice.
- (v) By the eighth day of each month at the latest, the new AFP must inform the former AFP of the transfer applications submitted in the immediately foregoing month.
- (vi) After verifying compliance with legal requirements, the former AFP must inform the new AFP, the member and the employer, if pertinent, of the status of the transfer applications reported in the respective month, by the 23<sup>rd</sup> day of the same month in which the report was submitted, at the latest. The former fund manager is obligated to verify that the member does not fall into any of the following categories: a) Date of the last selection less than six months ago; b) he is receiving a pension; c) a pension application is in process; d) he is not a member.
- (vii) If the former fund manager verifies that the requirements for proceeding with the transfer have been met, it must set out in a report the date on which the transfer will become effective, as well as the date after which the contributions must be paid to the new AFP.
- (viii) The former fund manager has a maximum term of 30 working days after it receives the corresponding transfer applications report to transfer the corresponding resources and submit the respective information to the new fund manager, expressly placing such transfer on record.
- (ix) The transfer will become effective on the first day of the second month after the date the membership application was submitted to the new AFP by the member.
- (x) In the case of dependent workers, the first contribution to the new AFP will be made in the month after which transfer becomes effective and within the terms legally set out therefore, and in the case of self-employed workers, the first contribution payment to the new AFP must be made in the same month in which the transfer becomes effective.

## 5.2) *Relevant statistics*



Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	151,198	116,598	69,062	68,955	63,800
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of contributors as of December each year</b>	2,243,604	2,538,688	2,843,644	3,217,576	3,637,760
<b>Number of members as of December each year</b>	4,715,948	5,213,023	5,747,396	6,361,763	7,010,287
<b>Number of new members per year (1)</b>	379,569	497,075	534,373	614,367	648,524
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Sales expenses over operational expenses</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>No. of sales staff per year</b>	3,341	2,941	2,554	2,622	2,548
<b>Transfer as % of members per year</b>	3.21%	2.24%	1.20%	1.08%	0.91%
<b>Transfers as % of contributors per year</b>	6.74%	4.59%	2.43%	2.14%	1.75%
<b>Transfers as % on new members per year</b>	39.83%	23.46%	12.92%	11.22%	9.84%
<b>No. of transfers per salesperson per year</b>	45	40	27	26	25
n.a.: information not available					
Source: Drawn up by FIAP on the basis of statistical information from the Colombian Financial Superintendency and FIAP six-monthly bulletins of different years.					
(1) Corresponds to the number of active members of the Mandatory Pension Funds as of December each year. Active members are those who have made at least one contribution in the last six months.					
(2) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.					



## 6) Costa Rica

The member transfer process between Complementary Pensions Operators (OPC)<sup>20</sup> started in July, 2003 and is regulated by the Workers' Protection Law No. 7983 of 2000.

### 6.1) Regulation

#### a. *Transfer limits*

The rules and regulations do not establish an explicit limit on the number of transfers per year. However, given the permanence requirement in the aforementioned original fund manager, the member may transfer only once per calendar year.

#### b. *Permanence requirements in the original fund manager*

In order to perform a transfer, members must have spent 12 months and made 12 contributions in the original OPC.

The exception to the rule occurs when the original OPC raises the commissions it charges or there is a merger between it and another OPC. In such cases, the member can transfer without meeting the aforementioned permanence and contribution requirements.

#### c. *Balance of the mandatory individual account in different fund managers*

The funds of the mandatory account can only be kept in one fund manager.

#### d. *Bankruptcy or liquidation of the fund manager*

If an OPC goes bankrupt and is liquidated, the Superintendency of Pension (SUPEN) can order the transfer of the management of the respective funds to another authorized agency. SUPEN regulates the conditions under which the entire fund must be transferred to another OPC, as the case may be.

SUPEN publishes a notice in a national circulation newspaper and members have 8 working days for communicating the name of the authorized OPC they have chosen for their resources to be transferred to.

If SUPEN does not receive the communication from the members on time, they are automatically enrolled in the Costa Rican Social Security Fund (CCSS).

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<sup>20</sup> Refers only to the Mandatory Complementary Pension System.



*e. Payment of compensation for transfer*

No charges to members for transferring between OPCs have been established.

*f. Transfer mode*

The transfer can be performed in the offices of the OPC, in the offices of the Centralized Collection System (SICERE), through sales staff, or via internet.

*g. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The member fills in the membership form and the transfer application in the offices of the receiving OPC.
- (ii) The receiving OPC submits a magnetic file to SICERE with the information of the workers interested in transferring to it.
- (iii) The member submits the membership form and transfer application to SICERE. This can also be done through an agent of the OPC.
- (iv) SICERE checks the information and reports the final result to the OPCs (original and receiving) and SUPEN.
- (v) The original OPC transfers the funds to the receiving OPC when pertinent.

**6.2) Relevant statistics**



Variable	Year			
	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	52,514	76,661	97,270	98,846
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	n.a.	n.a.	n.a.	n.a.
<b>Number of contributors as of December each year</b>	n.app.	n.app.	n.app.	n.app.
<b>Number of members as of December each year</b>	1,230,453	1,230,453	1,430,609	1,542,151
<b>Number of new members per year (1)</b>	55,685	0	200,156	111,542
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	n.a.	n.a.	n.a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n.a.	n.a.	n.a.	n.a.
<b>Sales expenses over operational expenses</b>	n.a.	n.a.	n.a.	n.a.
<b>No. of sales staff per year</b>	n.a.	n.a.	n.a.	n.a.
<b>Transfer as % of members per year</b>	4.27%	5.99%	6.80%	6.41%
<b>Transfers as % of contributors per year</b>	n.app.	n.app.	n.app.	n.app.
<b>Transfers as % on new members per year</b>	94.31%	----	48.60%	88.62%
<b>No. of transfers per salesperson per year</b>	n.a.	n.a.	n.a.	n.a.
n.app.: information not applicable n.a.: information not available Source: Drawn up by FIAP on the basis of information from the Costa Rican Superintendency of Pensions (SUPEN) and FIAP six-monthly statistical reports of several years. (1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.				

## 7) El Salvador



The transfer process began in December, 1988, six months after the first contribution payment (June, 1998). The Pension Savings System Law and Transfer Regulations between Pension Fund Management Institutions govern this process.

### **7.1) Regulation**

#### *a. Transfer limits*

The rules and regulations do not establish an explicit limit on the number of transfers per year. However, given the aforementioned permanence requirement in the original fund manager, members may transfer only once every calendar year.

#### *b. Permanence requirements in the original fund manager*

In order to perform a transfer, the member must have made a minimum of 12 monthly contributions<sup>21</sup>.

#### *c. Balance of the mandatory individual account in different fund managers*

The funds of the mandatory account can only be kept in one fund manager.

#### *d. Bankruptcy or liquidation of the fund manager*

Once dissolution has occurred or the liquidation process has started, the members of an AFP have 90 days to transfer to the AFP of their preference. If they do not do so, the liquidator must convey the management of the individual accounts proportionally to the rest of the AFPs.

#### *e. Other relevant regulations*

Members pensioned in the Programmed Retirement mode can transfer their balance to a new fund manager and this type of transfer is subject to the same regulations as those for active members.

#### *f. Payment of compensation for transfers*

The transfer process is free of charge for the member.

#### *g. Transfer mode*

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<sup>21</sup> This provision came into force in January, 2006. Prior to that date the requirement was 6 contributions.





Members can apply for the transfer in the offices of the original AFP or through Pension Service Agents (sales staff). This process cannot be performed via internet.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The member must inform his employer of his intention to switch AFPs in a simple letter. In case he has more than one employer, each one must be informed.
- (ii) The member (or the AFP's agent) must fill in the Transfer Application and Contract in the offices of the target AFP.
- (iii) The member must then sign the Transfer Book in the original AFP<sup>22</sup>
- (iv) The transfer must be declared valid by the Superintendency of pensions in order for it to proceed. The target AFP is responsible for requesting the corresponding confirmation from the Superintendency of Pensions.
- (v) The transfer will become effective as of the first day of the second month after such in which the target AFP requested the approval of the Superintendency of Pensions.

## **7.2) Relevant statistics**

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<sup>22</sup> This provision came into force in January, 2006. Prior to that date, the Transfer Book had to be signed in the agencies of the target AFP.



Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	40,636	53,361	36,700	67,652	10,118
<b>Flow of resources transferred as of December of each year (MUSS)</b>	79.61	100.18	114.68	233.37	93.08
<b>Number of contributors as of December each year</b>	472,892	497,303	489,328	505,637	538,370
<b>Number of members as of December each year</b>	992,824	1,074,493	1,166,602	1,279,714	1,437,474
<b>Number of new members per year (1)</b>	73,019	154,688	92,109	113,112	157,760
<b>Sales expenses per year (MUSS) (2)</b>	4.37	4.37	3.99	7.85	5.38
<b>Operational expenses net of insurance per year (MUSS) (3)</b>	47.60	27.31	28.37	31.06	26.90
<b>Sales expenses over operational expenses</b>	9.18%	16.00%	14.06%	25.26%	20.01%
<b>No. of sales staff per year</b>	413	399	376	325	200
<b>Transfer as % of members per year</b>	4.09%	4.97%	3.15%	5.29%	0.70%
<b>Transfers as % of contributors per year</b>	8.59%	10.73%	7.50%	13.38%	1.88%
<b>Transfers as % on new members per year</b>	55.65%	34.50%	39.84%	59.81%	6.41%
<b>No. of transfers per salesperson per year</b>	98	134	98	208	51

Source: Drawn up by FIAP on the basis of information from the Salvadorian Association of Pension Fund Managers (ASAFONDOS), the International Association of Pension Fund Supervision Agencies (AIOS) and FIAP six-monthly bulletins of several years.

Exchange rate used: Exchange rate fixed and unalterable by law. The monetary Integration Law, which sets a fixed and unalterable exchange rate of 8.75 Colons for 1 American dollar came into effect on January 1, 2001. Although the aforementioned law states that both currencies can circulate, in practice only the dollar does.

(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.

(2) Includes only salaries and commissions of sales agents since the rest of the sales expenses are not presented in detail but included in the Operational Expenses item.

(3) Includes: salaries and commissions of sales agents; Management costs of the pension funds (investment commissions, custody), management costs, financial expenses and depreciations.



## 8) Kazakhstan

The transfer process began in 1998 and is governed by the Pension Provision Law of the Republic of Kazakhstan of 1997 and the Transfer Rules of the Accumulative Pension Funds (APF).

### 8.1) *Regulation*

#### *a. Transfer limits*

Members can transfer their funds from one AFP to another up to twice a year.

#### *b. Permanence requirements in the original fund manager*

Minimum numbers of monthly contributions are not required prior to performing a transfer.

#### *c. Balance of the mandatory individual account in different fund managers*

The funds of the mandatory account can only be kept in one fund manager.

#### *d. Bankruptcy or liquidation of the fund manager*

When an AFP goes bankrupt or is liquidated, a certain period of time is established (determined in each particular case) within which members can transfer their funds to any AFP of their choice. Once this period expires, members who have not exercised their right to choose the new fund manager are automatically transferred to the fund manager that has absorbed the bankrupt fund manager.

#### *e. Other relevant regulations*

Members retired in the Programmed Retirement mode<sup>23</sup> can transfer the balance of their account to a new fund manager and these transfers are governed by the same regulations that govern transfers by active members.

#### *f. Payment of compensation for transfers*

There are no transfer commissions.

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<sup>23</sup> BY decree of the government of the Republic of Kazakhstan, when members reach the legal retirement age (58 for women, 63 for men) and retire in the Programmed Retirement mode, they can withdraw an annual amount from their individual accounts of KZT\$ 250,000 (Tengo Kazajo). This amount can be paid monthly, quarterly or annually.



*g. Transfer mode*

Transfers can only be performed through a sales agent of the fund manager or by visiting the fund manager's offices. Transfers cannot be performed via internet.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The member must sign a pension coverage contract with a new fund manager.
- (ii) The member must send the transfer application to the former fund manager
- (iii) The former fund manager checks the documents received and within 7 working days it must transfer the corresponding resources to the fund manager chosen by the member.



## 8.2) *Relevant statistics*

Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	26,203	40,569	32,771	10,779	60,538
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	12.84	19.24	22.15	10.59	66.57
<b>Number of contributors as of December each year</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of members as of December each year</b>	n.a.	6,164,316	6,508,916	7,613,369	8,537,712
<b>Number of new members per year (1)</b>	n.a.	n.a.	344,600	1,104,453	924,343
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Sales expenses over operational expenses</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>No. of sales staff per year</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Transfer as % of members per year</b>	n.a.	0.66%	0.50%	0.14%	0.71%
<b>Transfers as % of contributors per year</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Transfers as % on new members per year</b>	n.a.	n.a.	9.51%	0.98%	6.55%
<b>No. of transfers per salesperson per year</b>	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Drawn up by FIAP on the basis of information provided by Halyk Bank of Kazakhstan..

(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.



## 9) Mexico

The individual accounts transfer process began in October, 1998. The rules and regulations that govern this process are contained in Consar Circular 28-13<sup>24</sup>

### 9.1) Regulation

#### a. *Transfer limits*

Permanence in the original fund manager is set at one year. Therefore members can only change Afore in the next year, and only once, until they once again meet the permanence requirement.

#### b. *Permanence requirements in the original fund manager*

Members can transfer to another Afore 12 months after having enrolled in any fund manager, or else 12 months after the last change of Afore.

Members can change Afore prior to 12 months of having enrolled in any fund manager, only if the target Specialized Retirement Fund Investment Company (Siefore) has a Net Yield Index<sup>25</sup> (IRN) higher than the original Siefore. Once this right has been exercised, the worker's mandatory individual account will be managed by the chosen Afore for 12 months<sup>26</sup>

The individual accounts of members who have not chosen an Afore are assigned by CONSAR to the Afores that operate investment companies (Siefores) that have obtained a higher IRN.

#### c. *Balance of the mandatory individual account in different fund managers*

The mandatory individual account can only be kept in one fund manager.

#### d. *Bankruptcy and liquidation of the fund manager*

When an Afore is liquidated, the resources of the Siefores it manages are transferred to a so-called "Concentrator Account."

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<sup>24</sup> The new obligations of the fund managers and the operating company are not considered in terms of the project of Consar Circular 28-18, about to be published.

<sup>25</sup> This indicator is calculated taking into account the average yield of the worker's Siefore in the last 36 months, according to his age bracket, minus the valid commission on the balance charged by his Afore and is used to compare the management of Siefores of the same characteristics operated by the other fund managers.

<sup>26</sup> The process described here is new and was implemented as of March, 2008.



The member's savings will be kept in the "Concentrator Account" for two months. After this term, the worker's savings account is assigned to one of the Afores that meets the criteria previously established by CONSAR. If this assignment does not suit the worker, he can transfer to an Afore of his preference whenever he wants to.

*e. Other relevant regulations*

A member who is already in the retirement stage and has opted for the Programmed Retirement option, can transfer from one Afore to another under the same rules that govern the transfers of active members.

*f. Payment of compensation for transfers*

Under no circumstances can Afores charge their members commissions for the transfer of their individual accounts.

*g. Transfer modes*

The transfer can be performed through an Afore's sales agent or via internet (which requires a personal identification code, CLIP).

*h. Operative system of the transfer process*

The stages of transfers performed through a promoter are the following:

1. The receiving Afores receive the transfer applications (week 1).
2. The receiving and transferring Afores send the National Data Base Operator Company SAR (PROCESAR) the transfer applications (week 2)
3. PROCESAR validates applications and sends those that have been accepted to the National Population Registry (RENAPO) for verifying the name and Sole Population Registration Code (CURP) (Week 2).
4. RENAPO replies to PROCESAR (week2).
5. PROCESAR notifies the receiving Afores of the result of the certification of applications: Accepted, Rejected and Pending (week 2).
6. PROCESAR distributes to the transferring Afores the transfer applications of those accounts it will convey. It also informs the receiving Afores of the accounts it will receive. (week2).
7. PROCESAR verifies the images of the applications received and performs validation by phone (week 3).
8. PROCESAR notifies the receiving Afores on the diagnosis of the image verification and validation by phone (week 4).
9. PROCESAR notifies the transferring Afores of the applications it has accepted from the receiving Afores by the validation of images and by telephone (week 4).



10. PROCESAR sends the Operator Company the information of the accounts they will convey due to transfer (week 4).
11. PROCESAR returns the rejected transfers to the transferring Afores (week 4).
12. PROCESAR announces the account transfers that the receiving Afores will receive (week 4).
13. PROCESAR notifies the receiving Afores of the applications that have not been processed (week 4).
14. The applications that have not been processed are regenerated and sent in by the receiving Afores in the following cycle.
15. The transferring Afores record the price of the shares in the accounts they are going to convey (week 4).
16. PROCESAR performs the netting process which consists in identifying the accounts requested and conveyed by each Afore (week 4).
17. The liquidation of resources between Afores is performed, the transferred accounts are struck off the SAR National Data Base and each Afore's market share participation is updated (week 4).

The following are the stages of the transfer performed via internet:

1. PROCESAR receives and validates on line the transfer requests of the workers who wish to exercise the right of transferring their mandatory individual account to another fund manager, informing them if their application has been accepted or rejected. (from Thursday to Friday of week 1). The worker's CLIP and security code are the portal access mechanisms for performing the transfer.
2. PROCESAR send s the receiving Afores the accounts that will probably be received and informs the transferring Afores of the electronic transfer applications received (Friday of week1).
3. Te transferring Afore sends PROCESAR the transfers of the accounts that have been requested of it (Tuesday of the week 2).
4. PROCESAR validates the information received from the transferring Afores and generates and disseminates rejections, as the case may be. It also sends the receiving Afores the successful transfers indicating the balances to be received (Wednesday of week 2).
5. PROCESAR notifies CONSAR of the applications not attended by the transferring Afores, regenerates pending applications, records the price of the share and publishes the definitive net amount (Thursday of week 2).
6. The liquidation of resources between the Afores is performed (Friday of week 2).





## 9.2) *Relevant statistics*

Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	699,471	1,035,145	1,881,513	3,022,867	4,437,137
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	582	1,807	4,558	9,430	15,001
<b>Number of contributors as of December each year</b>	12,292,152	12,577,265	12,751,029	13,263,788	13,926,954
<b>Number of members as of December each year</b>	29,421,202	31,398,282	33,316,492	35,278,105	37,408,828
<b>Number of new members per year (1)</b>	2,902,668	1,977,080	1,918,210	1,961,613	2,130,723
<b>Sales expenses per year (MUS\$) (2)</b>	36	37	53	94	102
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	313	343	414	508	590
<b>Sales expenses over operational expenses</b>	11.60%	10.87%	12.68%	18.58%	17.26%
<b>No. of sales staff per year</b>	12,116	17,870	22,121	36,734	39,553
<b>Transfer as % of members per year</b>	2.28%	3.30%	5.65%	8.57%	11.86%
<b>Transfers as % of contributors per year</b>	5.45%	8.23%	14.76%	22.79%	31.86%
<b>Transfers as % on new members per year</b>	23.06%	52.36%	98.09%	154.10%	208.25%
<b>No. of transfers per salesperson per year</b>	55	58	85	82	112
n.a.: information not available					
Source: Drawn up by FIAP on the basis of statistical information provided by AMAFORE and FIAP six-monthly bulletins of different years.					
Exchange rate used: FIX exchange rate: 1US\$ = \$10.4393 (Dec. 2002); 1US\$ = \$11.2372 (Dec. 2003); 1US\$ = \$11.1495 (Dec. 2004); 1US\$ = \$10.6344 (Dec. 2005); 1US\$ = \$10.8116 (Dec. 2006). Source: Mexican Central Bank					
(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.					



## 10) Panama

The transfer process between the Pension Savings Fund Managers (AFAP) began in 2003. It is governed by the SIACAP<sup>27</sup> Law (Public Servants' Pension Savings and Individual Funding System) and its subsequent amendments.

### 10.1) Regulation

#### *a. Transfer limits*

The rules and regulations do not set out an explicit limit to the number of transfers per year. However, given the fact that the transfer process lasts 1 month, the member may, theoretically, perform 11 transfers per calendar year.

#### *b. Permanence requirements in the original fund manager*

A minimum number of prior monthly contributions are not required for performing a transfer. Public servants can transfer their funds to another fund manager at any time as of the moment they become members.

#### *c. Balance of the mandatory individual account in different fund managers*

The funds of the mandatory account can only be kept in one fund manager.

#### *d. Bankruptcy or liquidation of the fund manager*

If the fund manager goes bankrupt and is liquidated, the Management Committee of SIACAP chooses a new fund manager through a bidding process which takes into account, among other variables, experience in investment management, service quality and financial situation.

#### *e. Payment of compensation for transfer*

No commissions are charged to the member for performing transfers.

#### *f. Transfer mode*

The transfer must be performed through a sales executive or directly in the offices of the new fund manager.

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<sup>27</sup> Law No. 8 of February 6, 10997, modified by Law No. 29 of July 3, 2001.



*g. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The member signs an original letter requesting transfer.
- (ii) The transfer letter is sent to the new fund manager.
- (iii) The original fund manager must transfer the full balance of the account by means of a check thirty days after the transfer letter was sent to the new fund manager, at the latest.
- (iv) The new fund manager receives the transferred amount and credits it to the new fund.
- (v) The new fund manager notifies the member of the transferred amount.

**10.2) Relevant statistics**



Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	n. app.	58	89	53	42
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	n. app.	269,431	355,428	245,685	242,268
<b>Number of contributors as of December each year</b>	n. app.	n. app.	n. app.	n. app.	n. app.
<b>Number of members as of December each year</b>	206,000	241,686	206,000	206,000	206,952
<b>Number of new members per year (1)</b>	-222,000	35,686	-35,686	0	952
<b>Sales expenses per year (MUS\$) (2)</b>	n. app.	n. app.	n. app.	n. app.	n. app.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n. app.	n. app.	n. app.	n. app.	n. app.
<b>Sales expenses over operational expenses</b>	n. app.	n. app.	n. app.	n. app.	n. app.
<b>No. of sales staff per year</b>	n. app.	5	5	5	6
<b>Transfer as % of members per year</b>	n. app.	0.02%	0.04%	0.03%	0.02%
<b>Transfers as % of contributors per year</b>	n. app.	n. app.	n. app.	n. app.	n. app.
<b>Transfers as % on new members per year</b>	n. app.	0.16%	n. app.	n. app.	4.41%
<b>No. of transfers per salesperson per year</b>	n. app.	12	18	11	7
n.a.: information not applicable.					
Source: Drawn up by FIAP on the basis of information provided by Progreso AFP.					
Exchange rate used: 1 US\$ = \$1. Source Panamanian National Bank					
(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members as of December of the previous year.					

## 11) Peru



The transfer process began in November 1995. It is regulated by Resolution No. 080-98-EF/SAFP of 30/03=1998 and its amendments.

### ***11.1) Regulation***

#### ***a. Transfer limits***

The rules and regulations do not set out an explicit limit on the number of transfers per year. However, given the fact that the process lasts three months, in practice only four transfers can be performed per year.

#### ***b. Permanence requirements in the original fund manager***

A prior minimum number of monthly contributions are not required for performing a transfer

#### ***c. Balance of the mandatory individual account in different fund managers***

The funds of the mandatory account can only be kept in one fund manager

#### ***d. Bankruptcy or liquidation of the fund manager***

Once the dissolution or liquidation of an AFP has been ordered, its management and representation are assumed by the so-called Special Delegates (DE) appointed by a resolution of the Superintendency of Banks, Insurance and AFPs (SBS) with an uneven number not less than three. The DEs represent the dissolved AFP for all effects and purposes and manage the fund until the SBS decides on its transfer to one or more AFPs.

Once the DEs finish drawing up the inventories and balance sheets, the SBS orders the Pension Fund of the dissolved AFP to be temporarily managed by one or more AFPs. For such purposes, the SBS can convoke all the AFPs to a bidding process. In any case, among the other characteristics and background of the AFPs interested in managing the fund, the profitability of the funds they manage, the existence of differentiated commissions, the sanctions imposed by the SBS, the number of agencies and Pension Advice Offices they have, as well as the quality of direct or remote customer services, must be taken into account.

In all cases, the procedure to be followed for performing the transfer of the fund to the AFP or AFPs that will take over management, will be determined by a resolution of the SBS.

#### ***e. Other relevant regulations***



The pensioner in the Programmed Pension mode can transfer his balance to another AFP under the same regulations that govern active members.

*f. Payment of compensation for transfers*

There are no commissions on transfers.

*g. Transfer mode*

The transfer can be performed via internet, through sales personnel or by personally visiting the offices of the AFP.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) Month 1: The member subscribes and submits the transfer application to the target AFP.
- (ii) Month 2:
  - (a) The SBS sends the information to the original AFP via the web.
  - (b) The original AFP checks the information against the SBS data base and sends the information back via the network.
  - (c) The SBS approves the transfer between the original and the target AFP.
  - (d) Within the last 10 days of the 2<sup>nd</sup> month, the target AFP sends the information to the employer for the start of contributions.
- (iii) Month 3: As of the third month, the employer pays the member's contributions into the target AFP.
- (iv) Month 4:
  - (a) The original AFP informs the SBS of the balances in the members' accounts to be transferred.
  - (b) The SBS determines the conciliation of monetary balances for or against. The SBS communicates this to the original and targets AFPs via the web.
  - (c) The AFPs with deficits pay into the current accounts of the AFPs with surpluses. The original AFP sends the target AFP the transferred members' files.
  - (d) The target AFP approves the checking of documents and balance compensation.
  - (e) The original AFP sends the individual file to the target AFP and the recognition bond via a communication to the custodian in charge, and informs the member of the conclusion of the transfer process, indicating his balance and the number of contributions.

## **11.2) Relevant statistics**



Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	8,768	9,037	9,845	129,398	642,966
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	142	168	205	944	3,619
<b>Number of contributors as of December each year</b>	1,181,014	1,295,222	1,313,878	1,318,135	1,350,775
<b>Number of members as of December each year</b>	2,993,782	3,192,503	3,397,047	3,636,876	3,882,185
<b>Number of new members per year (1)</b>	261,711	198,721	204,544	239,829	245,309
<b>Sales expenses per year (MUS\$) (2)</b>	n. a.	n. a.	n. a.	n. a.	n. a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n. a.	n. a.	n. a.	n. a.	n. a.
<b>Sales expenses over operational expenses</b>	n. a.	n. a.	n. a.	n. a.	n. a.
<b>No. of sales staff per year</b>	861	862	1,115	3,989	5,647
<b>Transfer as % of members per year</b>	0.29%	0.28%	0.29%	3.56%	16.56%
<b>Transfers as % of contributors per year</b>	0.74%	0.70%	0.75%	9.82%	47.60%
<b>Transfers as % on new members per year</b>	3.35%	4.55%	4.81%	53.95%	262.10%
<b>No. of transfers per salesperson per year</b>	10	10	9	32	114

Source: Drawn up by FIAP on the basis of information provided by the Peruvian Association of AFPs, the Superintendency of Banks, Insurance and AFPs and FIAP six-monthly statistics of several years.  
Exchange rate used: 1US\$ = \$3.515 (Dec. 2002); 1US\$ = \$3.472 (Dec. 2003); 1US\$ = \$3.281 (Dec. 2004); 1US\$ = \$3.425 (Dec. 2005); 1US\$ = \$3.206 (Dec. 2006). Source: Peruvian Central Reserve Bank.  
(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members as of December of the previous year.

## 12) Poland



The transfer process began in May, 1999. The process is regulated by the Law on the Organization and Functioning of Pension Funds of 1999<sup>29</sup>.

### **12.1) Regulation**

#### **a. Transfer limits**

The rules and regulations do not set out an explicit limit to the number of transfers per year. However, there are four dates per year for performing transfers: up to the last day of February, May, August and November. Therefore, it is technically possible to perform up to 4 transfers in one calendar year<sup>29</sup>.

#### **b. Permanence requirements in the original fund manager**

No prior monthly contributions are required for performing transfers.

#### **c. Balance of the mandatory individual account in the different fund managers**

The funds of the mandatory account can only be kept in one fund manager.

#### **d. Bankruptcy or liquidation of the fund manager**

When a fund manager goes bankrupt and is liquidated, members are free to choose a new fund manager. The regulations do not set a date for the member to make such decision. Nonetheless, if the member does not choose any other fund manager, he is automatically transferred to the fund manager that decides to absorb the fund of the bankrupt fund manager.

If no new fund manager wishes to absorb the fund, the Polish Financial Supervision Authority (KNF) transfers the fund to the fund manager that has the most assets in the month that the bankrupt fund manager lost its license

#### **e. Payment of compensations for transfers**

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<sup>29</sup> Law on Organization and Operation of Pension Funds, 1999.

<sup>29</sup> In any case, the transfer that begins at the end of November of year “t” will only be effective in February of year “t+1.”





There is an exit cost from the original fund manager. Three cases can occur:

- (i) If the member changes fund manager prior to completing 12 months of permanence, then he must pay the original fund manager PLN 160 (approximately US\$ 55).
- (ii) If the member changes fund manager after having complied with more than 12 and less than 24 months of permanence, he must pay the original fund manager PLN 80 (approximately US\$ 27.5).
- (iii) If the member changes fund managers after having completed more than 24 months of permanence, the transfer is free of charge.

*f. Transfer mode*

The transfer can be performed through sales staff or by personally visiting the offices of the fund manager. The transfer cannot currently be performed via internet.

*g. Operative system of the transfer process*

The stages of the transfer process are the following:

- 1) The member must have signed a contract with a new fund manager before the 26<sup>th</sup> day of the month prior to the transfer. For example, in order to perform the transfer in February, one must have signed the contract by January 25.
- 2) The member must advise the original fund manager of the contract with the new fund manager. To do so, the member must visit the office of the original fund manager or else send it a certified letter informing it of his decision.
- 3) The member's information must be identical in both fund managers (the new one and the original one).
- 4) The member must pay the transfer commission from his own resources. The amount will depend on the amount of time he has been a member of the original fund manager.
- 5) ZUS (the Polish acronym for the Social Security Institute) checks that all the documents are in order and the resources are transferred from the original to the new fund manager.



## 12.2) Relevant statistics

Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year</b>	296,545	345,869	308,579	322,648	329,097
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	173.04	228.37	453.57	667.57	982.91
<b>Number of contributors as of December each year</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of members as of December each year</b>	10,989,816	11,463,193	11,979,465	11,720,737	12,353,327
<b>Number of new members per year (1)</b>	352,407	473,377	516,272	-258,729	632,590
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	220	198	245	239	298
<b>Sales expenses over operational expenses</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>No. of sales staff per year</b>	145,930	133,957	112,140	112,081	145,930
<b>Transfer as % of members per year</b>	2.70%	3.02%	2.58%	2.75%	2.66%
<b>Transfers as % of contributors per year</b>	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Transfers as % on new members per year</b>	84.15%	73.06%	59.77%	n.app.	52.02%
<b>No. of transfers per salesperson per year</b>	2	3	3	3	2
n.app.: information not applicable n.a.: information not available Source: Drawn up by FIAP on the basis of information provided by the Polish Financial Supervision Authority (PFSA) and the Polish Chamber of Pension Fund managers (IGTE). <a href="http://www.knf.gov.pl/imagers/transfery_tcm20-5256-xls">http://www.knf.gov.pl/imagers/transfery_tcm20-5256-xls</a> , <a href="http://www.knf.gov.pl/system_cmcrystalnyl/Danc_o_rynku_OFE/Danc_rocznc/index.html">http://www.knf.gov.pl/system_cmcrystalnyl/Danc_o_rynku_OFE/Danc_rocznc/index.html</a> Exchange rate used: Average exchange rate on the last working day of the respective month: 1US\$ = PLN 3.83.88 (Dec. 2002); 1US\$= PLN 3.7405 (Dec.2003); 1US\$= PLN 2.9904 (Dec. 2004); 1US\$= PLN 3.2613 (Dec. 2005); 1US\$= PLN 2.9105 (Dec. 2006). Source: National Bank of Poland. (1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year. (2) In Poland these costs are described as Costs Arising from Open Pension Fund Management. It must be pointed out that in Poland there is no insurance in the second pillar					



### **13) Dominican Republic**

The transferring process of members and their respective individually funded accounts in the contributory pension system began in July, 2004. It is regulated by Resolutions 194-04, 196-04 and 270-06 of the Superintendency of Pensions (SIPEN).

#### ***13.1) Regulation***

##### *a. Transfer limits*

Members who wish to transfer from one AFP to another, can do so once a year.

##### *b. Permanence requirement in the original fund manager*

In order to perform a transfer, members must have made at least 6 monthly contributions to the original AFP. However, they can do so at any time in case of merger, dissolution or if the AFP raises its commission structure.

##### *c. Balance of the mandatory individual account in the different fund managers*

The funds of the mandatory account can only be kept in one fund manager.

##### *d. Bankruptcy or liquidation of the fund manager*

If SIPEN intervenes and orders the dissolution or liquidation of an AFP, its member workers must choose a new fund manager within 30 calendar days of the intervention date.

To the contrary, if the member workers do not make the choice, the Data Base Operator Company (EPBD) assigns them on the basis of the amount of the fund, the number of members and their respective payroll, in accordance with the market participation of each AFP and the procedures set out by SIPEN.

##### *e. Other relevant regulations*

Pensioners retired in the Programmed Retirement mode can only change AFPs once a year. Nonetheless, they can do so at any time in case of mergers, dissolution, or if an AFP raises its commissions structure.

##### *f. Payment of compensation for transfers*

The AFPs cannot charge their members any commission or amount whatsoever for performing the transfer process.

##### *g. Transfer mode*



The transfer must be performed through the so-called Transfer representatives of the original AFP. Under no circumstances can the transfer be performed through the AFP's promoters or sales staff, nor can it be performed via internet.

The Transfer Representatives are the only individuals authorized by the AFP to subscribe the transfer applications of the members of the AFP and must be duly registered as such in SIPEN. These representatives must be permanently available during regular working hours in the AFP and cannot be pension promoters.

*h. Operative system of the transfer process*

The stages of the transfer process are the following:

- (i) The Transfer Representative of the original AFP fills in the transfer application in the presence of the previously identified member. The member and the Representative must sign the application.
- (ii) The Transfer Representative gives the member a statement of his individually funded account drawn up on the date of the subscription of the transfer application and the member receives two copies of the application, signed and sealed and his corresponding fingerprints.
- (iii) The worker must give one of the copies of the transfer application to a promoter of the target AFP within a maximum term of 30 calendar days and sign a new membership contract. If this is not done in the specified time period, the transfer will not be valid.
- (iv) Once compliance with the aforementioned requirements has been verified, the transfer of resources to the target AFP is performed within a period of not more than 45 days as of the subscription of the transfer application. The following steps must occur within this period:
  - The target AFP provides the EPBD, by means of an electronic file, with the information corresponding to the new membership contract arising from the transfer process.
  - Within a period of not more than 10 working days as of the receipt of the transfer notification by the original and target AFPs, the EPBD checks the information received, notifies the institutions involved of the status of the worker's transfer application, requests the amount to be transferred from the original AFP and certifies the transfer, giving instructions for the electronic transfer of the corresponding resources.
  - In case the transfer application is accepted, the EPBD carries out the transfer notification process, identifying the members to be transferred with each target AFP. Once the corresponding resources have been received, the target AFPs must invest them in accordance with the rules and regulations set out by SIPEN.



### 13.2) *Relevant statistics*

Variable	Year		
	2004	2005	2006
<b>No. of effective transfers per year</b>	1,348	733	881
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	n.a.	n.a.	n.a.
<b>Number of contributors as of December each year</b>	552,512	601,554	755,436
<b>Number of members as of December each year</b>	1,033,349	1,275,028	1,436,694
<b>Number of new members per year (1)</b>	201,893	241,679	161,666
<b>Sales expenses per year (MUS\$) (2)</b>	n.a.	n.a.	n.a.
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	n.a.	n.a.	n.a.
<b>Sales expenses over operational expenses</b>	n.a.	n.a.	n.a.
<b>No. of sales staff per year</b>	n.a.	n.a.	n.a.
<b>Transfer as % of members per year</b>	0.13%	0.06%	0.06%
<b>Transfers as % of contributors per year</b>	0.24%	0.12%	0.12%
<b>Transfers as % on new members per year</b>	0.67%	0.30%	0.54%
<b>No. of transfers per salesperson per year</b>	n.a.	n.a.	n.a.
n.a.: information not available			
Source: Drawn up by FIAP on the basis of information provided by the Superintendency of Pensions of the Dominican Republic (SIPEN) and FIAP six-monthly statistical information of several years.			
(1) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.			



## 14) Uruguay

The transfer process began in 1997 and is regulated by Law 12.713 of September 3, 1995.

### 14.1) Regulation

#### a. Transfer limits

The member's right to transfer from one Pension Savings Fund Manager (AFAP) to another is limited to twice per calendar year.

#### b. Permanence requirement in the original fund manager

In order to be able to perform a transfer, the member must have paid in at least six months of contributions in the fund manager he is leaving.

#### c. Balance of the mandatory individual account in different fund managers.

The funds of the mandatory account can only be kept in one fund manager.

#### d. Bankruptcy or liquidation of the fund manager

When an AFAP is liquidated its members must transfer their personal accounts and the contribution to the Profitability Fluctuation Fund to another AFAP of their choice within a period of 90 days after the start of the liquidation.

In case they do not do so, the Central Bank of Uruguay will destine members who have still not transferred to the existing fund managers, proportional to the number of members of each one of them.

#### e. Payment of compensation for transfer

Charging of transfer commissions is not allowed.

#### f. Transfer mode

The member can perform the transfer personally or through a representative in the offices of the fund manager. Transfers via internet do not exist.

#### g. Operative system of the transfer process

The stages of the transfer process are the following:

- i) Month 1



- The member, or his representative, visits the offices of the AFAP he is leaving and expresses his desire to transfer to another AFAP. At that moment he must sign the form “Notification of exit transfer.” This form has four copies which must bear the original signature of the member or his representative. The AFAP the member is leaving must also issue and deliver at that moment, together with two copies of the exit form (one for the member and the other for the new fund manager), the statement of the individually funded account (movements and balances to that moment).
- The former AFAP electronically records the exit transfer form in the Social Security Bank (BPS). From that moment on the AFAP has 5 working days to send the BPS a copy of the form signed by the member.
- The member or his representative visit the offices of the AFAP he has requested to be transferred to and hands in a copy of the exit notification of the original AFAP and the account statement. The new AFAP makes him sign a membership form in which the member’s personal information is updated and he is provided with a copy. The new AFAP must check in the BPS data base whether the former AFAP has recorded the transfer; if it has not done so, the new AFAP records the new member’s entry.

There is an agreement between the AFAPs whereby the recording of transfers in the BPS data base must be performed by the AFAP the member is leaving.

ii) Month 2

The BPS sends each AFAP electronic files (notification files) with the identities of the members who requested transfers to another AFAP during the immediately foregoing month. These files are processed with the management software of the individual accounts and as a result of the process, the transfer requests recorded in the members’ data base of the AFAP change status. This way the entry and exit transfer requests that were accepted by the BPS are identified.

iii) Month 3

The BPS removes the exit transfers and adds the entry transfers requested in month 1 in the members’ data base of each AFAP and also sends each AFAP electronic files (transfer confirmation files) with the identity of the members whose transfer requests were notified in month 2. The processing of these files in the data base of the AFAPs results in a change in the status of the transfer requests which now have confirmed status. From that moment on, the AFAPs can generate the new individual accounts for the entry transfers, whose funds they will receive as of month 4.



iv) Month 4

The clearing of transfers between AFAPs is performed. This process entails each AFAP closing the individual accounts of the exit transfers confirmed by the BPS in month 3 and sends the accumulated balance in them to the AFAPs selected by the members and receives the balances of the individual accounts of entry transfers whose transfer has been confirmed in month 3 by the BPS.

In addition to the information regarding the accumulated balance being transferred, the former AFAP is obligated to send the full history of movements performed therein, one by one, to the new AFAP.

The new AFAP will record in the individual savings account of the member being transferred all funds that are transferred to it. It will also include all the information provided, movement by movement, so that the member has the full record of his contributions.

**14.2) Relevant statistics**





Variable	Year				
	2002	2003	2004	2005	2006
<b>No. of effective transfers per year (1)</b>	1,125	667	313	562	540
<b>Flow of resources transferred as of December of each year (MUS\$)</b>	3.17	2.41	1.26	3.17	3.31
<b>Number of contributors as of December each year</b>	270,971	335,316	346,240	381,619	415,016
<b>Number of members as of December each year</b>	616,664	635,888	659,770	687,096	723,267
<b>Number of new members per year (1)</b>	19,700	19,224	23,882	27,326	36,171
<b>Sales expenses per year (MUS\$) (2)</b>	0.55	0.42	0.46	0.62	0.51
<b>Operational expenses net of insurance per year (MUS\$) (3)</b>	11	10	12	14	15
<b>Sales expenses over operational expenses</b>	5.13%	4.05%	3.97%	4.30%	3.37%
<b>No. of sales staff per year</b>	193	123	129	126	129
<b>Transfer as % of members per year</b>	0.18%	0.10%	0.05%	0.08%	0.07%
<b>Transfers as % of contributors per year</b>	0.42%	0.20%	0.09%	0.15%	0.13%
<b>Transfers as % on new members per year</b>	5.71%	3.47%	1.31%	2.06%	1.49%
<b>No. of transfers per salesperson per year</b>	6	5	2	4	4

Source: Drawn up by FIAP on the basis of information provided by Republica AFAP of Uruguay and FIAP six-monthly bulletins of several years.

Exchange rate used: 1 US\$ = \$27.7 (Dec. 2002); 1 US\$ = \$29.178 (Dec. 2003); 1 US\$ = \$26.53 (Dec. 2004); 1 US\$ = \$23.601 (Dec. 2005); 1 US\$ = \$24.399 (Dec. 2006). Source: Uruguayan Central Bank.

(1) The number of transfers is the number of applications whose funds were effectively transferred in the corresponding year.

(2) Corresponds to the difference between the total number of members in the corresponding year and the total number of members in December of the previous year.

(3) The sales expenses do not include the salary amount of the AFAPs' sales force.