



FIAP rejects the proposal to eliminate the Argentine individual accounts system

With regard to the Bill of Law to eliminate the individual accounts system that the Argentine government has sent to parliament, the International Federation of Pension Fund Administrators, FIAP, declares the following:

1. We express our absolute rejection of this initiative by the Argentine government and request it be reconsidered.
2. This proposal is contrary to the interests of Argentine workers; it puts the financing of future pensions at risk; it negatively affects the economic growth of the country and infringes the rights of current members.
3. Last year, all workers who were members of the Retirement and Pension Fund Administrators (AFJPs) had the option of choosing to remain in them or changing to the state PAYGO system. More than 9.5 million members preferred to stay in the AFJPs. It is incomprehensible that this bill of law should now intend to go against their will.
4. It is true that the value of the pension savings has been affected by the international financial crisis. Nonetheless, workers' pensions depend on the profitability accumulated throughout their working lives and not on the results of any given period. Specifically, the profitability results of the past few months are not representative of the long-term potential of the system.
5. FIAP maintains that the Argentine individually funded system has performed successfully and has overcome difficult circumstances. As of August this year, when part of the effects of the current crisis were already being felt, the real accumulated profitability since it started operations amounted to an annual average of 8%, a value considerably higher than initial expectations.
6. The sole purpose of the pension funds is to finance the retirement of the workers, due to which its managers are obligated to invest them pursuant to safety and profitability criteria. Successive decisions of the Argentine government forced the transfer of such savings to government bonds until they represented 55% of the portfolios, which have not yielded adequately over time. It is therefore unacceptable that the low profitability of the funds is now advocated as the reason for the Bill of Law.



7. Many countries which have implemented systems similar to the one that it is intended to abolish in Argentina today, give faith to the virtuous circle that arises between the accumulation of pension funds and economic growth.
8. In case the Argentine government decides to go ahead with this initiative, FIAP calls on the members of parliament of that country to reflect on the importance, within the administrative and legal order, of Argentine workers owning the US \$ 30,000 million they have saved for the sole and exclusive purpose of financing their retirement. To deny them their right of ownership or to destine the funds to another purpose, infringes the principles of the Rule of Law. We offer all our collaboration in technical matters in order to be of assistance in the legislative process, should it be required.

Created in May, 1996, **FIAP** is an international agency that brings together the associations of pension fund administrators of the following countries: Argentina, Bolivia, Brazil, Bulgaria, Colombia, Costa Rica, Chile, El Salvador, Honduras, Kazakhstan, Mexico, Panama, Paraguay, Peru, Poland, Romania, the Dominican Republic, the Dutch Antilles, the Russian Federation, Spain, Ukraine, Uruguay and Venezuela. As of June, 2008, members enrolled in the associations and institutions that are FIAP members amounted to more than 121 million and accumulated more than US \$ 800,561 million in their respective individual accounts.

October 23, 2008

Signatories: Board of Directors of the International Federation of Pension Fund Administrators (FIAP)

- Mr. Guillermo Arthur
President FIAP
President Pension Fund Administrators' Association
Chile

- Mr. Santiago Montenegro
President Colombian Association of Severance Pay and Pension Fund Administrators (ASOFONDOS)
Colombia



- Mr. Eduardo Silva
President Mexican Association of Pension Funds Management
Companies, AMAFORE
Mexico

- Mr. Pedro Flecha
President Association of Private Pension Fund Administrators
Peru

- Ms. Ewa Lewicka
President Polish Chamber of Pension Funds
Poland