



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

The third session addressed efficiency, competition, and administrative costs

PRIVATE PENSION SYSTEM BASED ON TRANSPARENCY AND TRUST

Cusco-Peru, May 15, 2014. The second part of the program of the 12th FIAP International Seminar and the 1st AAFP International Congress began in the afternoon with the presentation by the Chief Economist for Latin America and the Caribbean of the World Bank, Augusto de la Torre, who opened the panel "Efficiency, Competition and Administrative Costs."

In his presentation he explained that one of the problems of the AFPs is that it is difficult to balance the objective of profits with the well-being of their contributors, as well as the fact that contributors are often naïve, which makes it difficult to avoid sales mechanisms seeking to take advantage of this weakness.

He emphasized the importance of improving information transparency between contributors (members) and the representative of the AFP. He also commented that members do not want to contribute on their own account and they have to be motivated by explaining the benefits of doing so, which is an ongoing task.

After his presentation, the moderator Angel Martínez-Aldama, Director of the Spanish Association of Investment and Pension Funds (INVERCO), gave the floor to the panelists with a vast knowledge of financial issues.

Thus, the Director of Economic Research of the Latin American Reserve Fund of Colombia, Eduardo Morón, was the first panelist to present his point of view on the issue, explaining that it is difficult to implement certain proposals, because the population is not disciplined and many people do not contribute regularly, which gives rise to a system with serious shortcomings.

The former Superintendent of Pensions of Chile, Solange Berstein, discussed a method for providing more information to contributors, since the pension system must be based on the transparency and trust provided to contributors. This issue is directly related to financial advisory services for appropriate decision making.

She also emphasized that it is important to achieve the appropriate balance in order to provide adequate and sustainable pensions, without neglecting the issue of confidence in the pension systems.

Another of the recommendations to clients is to focus and understand their needs within the pension system. One of the panelists, Renzo Ricci, CEO of Prima AFP, Peru, said that what clients generally seek is support, returns, information and advice, also highlighting the fact that there should be a continuous flow of information to contributors in order to achieve greater coverage.

Melvin Escudero, CEO of El Dorado Investments, delivered the final presentation by the panelists, emphasizing that investments must be opened to new products and international markets, expanding the portfolio of members for the funds to obtain better returns.

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