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## **FIAP's President spoke on the benefits of the individually funded pension systems before a tripartite Commission in Panama**

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*The Panamanian Social Security Fund's Plenary Commission for National Dialogue (DNC), has been in session since March 2021, with the aim of creating a more robust social security system in the Central American country.*

On May 13, the President of the International Federation of Pension Fund Administrators (FIAP), Guillermo Arthur, delivered an exhaustive presentation on the individually funded system and current global trends in pensions to the Panamanian Social Security Fund's Plenary Commission for National Dialogue (DNC). The Tripartite Commission, comprising social, business and technical organizations, has been in session since March to reach the agreements that will enable the creation of a more robust social security system in the Central American country.

Invited by members of the National Council of Private Enterprise (CONEP) to explain the mechanism of the private administration of pension funds in individually funded systems, Arthur delivered the point of view of the international organization regarding global trends in social security systems.

The President of FIAP explained to the Plenary Commission the differences between the individually funded and PAYGO systems.

In his presentation he pointed out that the individually funded system provides returns on the individual savings of contributors, highlighting countries such as Chile, which has recorded a real annualized historical rate of return of 8.03%, followed by Colombia with 7.98%, Peru with 7.24% and Mexico with 5.58%. This means that, in the Chilean case, the funds accumulated since the beginning of the system (1981) quadruple contributions.

In contrast, he emphasized that demographic changes will reduce the benefits of pensioners in the different pension systems, which will be more significantly reduced in the PAYGO systems, since, by their nature, their sustainability is critically dependent on the ratio of active workers to pensioners, which has deteriorated, and will continue to do so, due to increases in life expectancy and the reduction in the birth rate. Meanwhile, in the individually funded systems, the adequacy of pensions is only affected by the increase in life expectancy, and there are mechanisms in place for improving pensions, such as voluntary savings, selecting the type of fund in which the funds are invested (multi-funds), as well as the pension mode that best adjusts to the individual characteristics of each worker.

He also emphasized the fact that the PAYGO systems have broken their promise of providing defined benefits, forcing governments to increase contributions to finance their deficits, and having to make frequent increases in the retirement age, systematically reducing benefits and toughening the conditions for accessing them.

To review Guillermo Arthur's presentation, please download it [here](#).

