



## **President of the International Federation of Pension Fund Administrators spoke at a world conference on global pension trends**

*In his presentation, he discussed how pension systems have been adapting to the context of the global pandemic: he reviewed the PAYGO and individually funded systems.*

An in-depth review of global trends in pensions was presented this week by the President of the International Federation of Pension Fund Administrators (FIAP), Guillermo Arthur, invited to participate in the 'World Pension Alliance and Transatlantic Conference 2021,' organized by the World Pension Alliance (WPA), an organization that brings together the main associations in charge of pension plans worldwide, including Europe, the United States, Canada, Latin America and Australia.

Arthur focused on reviewing how pension systems have been adapting to the global pandemic context. In his presentation, he argued that public PAYGO systems have become unsustainable due to ongoing population aging and the decreasing number of active workers who can finance retirees' pensions.

"The lack of sustainability of the PAYGO systems has forced them to adjust their key parameters, such as increasing the retirement age, increasing the contribution rate, imposing stricter conditions for requesting pensions and/or the level of benefits" Arthur pointed out.

Given the above, he said that the PAYGO systems have "failed to fulfill the promise of giving workers 'defined benefits,'" pointing out that since 1995, 79 countries increased the contribution rate, while 62 of them increased the retirement age and reduced pension amounts.

He added that most countries have incorporated individually funded mechanisms as a method for improving pensions, demonstrating its strength in terms of financing and in its contribution to economic growth.

### **Contributions to GDP growth in Colombia, Chile, Peru and Mexico**

Arthur mentioned that, according to academic studies, between 7% and 12% of GDP growth in Mexico, Colombia, Peru and Chile can be explained by the savings and investment processes of the system. Furthermore, he pointed out that the real historical average annual returns in these countries has been 7.2%, as of December 2020, "which has made it possible to finance pensions similar to salaries for those workers who have consistently contributed to their pension plan."

He added that the challenges for these systems lie in reducing the high level of informality, which in Latin America accounts for 54% of employment. He also expressed concern about the current context, where "many political sectors are trying to return to PAYGO systems."



“Unfortunately, we have seen that the reforms being debated in the region have a clear ideological bias against individual savings, the investment of resources in the capital markets and their private management. None of these reforms contain any element that can improve pensions, ”he said.