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FIAP values the "NOT With my money" initiative:

WHY 15 THOUSAND PEOPLE RALLIED TO DEFEND THEIR PENSION FUNDS

- There is a clear worldwide trend towards individually funded systems. 17 countries incorporated individual funding in 1999; 38 in 2009; 42 in 2021, and 44 will do so in 2022.

The International Federation of Pension Fund Administrators (FIAP) described the more than 15,000 signatures of concerned citizens on the “NOT with my money” petition, to be voted in the Constitutional Convention of Chile, as "excellent news for the welfare of current and future retirees and the economic future of the country." The "NOT with my money" petition seeks to protect the ownership of pension savings and establish a Universal Basic Pension financed with general taxes; **guarantee the ownership of pension savings by contributors;** ensure the freedom to choose a fund manager, whether public or private, and level the pensions of men and women with equal savings. This initiative could be included in the Constitution with 104 votes of the constituents in favor.

“At FIAP we are aware of the importance of introducing certain improvements in the pensions of all Chileans, in order to ensure a dignified old age for all. Nonetheless, we are also aware that international experience has shown that the PAYGO systems have deep-rooted financial unsustainability issues, due to ongoing population aging, increases in life expectancy and falling birth rates, aggravated by current high levels of informality,” said Guillermo Arthur, President of FIAP.

The Federation asserts that several countries with PAYGO systems worldwide are in fact incorporating greater individually funded components, but cannot currently make the full transition due to the high costs entailed for the State. There is a clear trend towards individually funded systems. 17 countries incorporated individual funding in 1999; 38 in 2009; 42 in 2021, and 44 will do so in 2022.

International experiences

Due to their characteristics, the PAYGO systems are incompatible with a population aging scenario, becoming unsustainable over time. This same factor has led countries all over the world to adopt individually funded mechanisms, now a dominant trend, particularly in those countries with the best-evaluated pension systems in the world (Mercer index ranking).

Some examples:

- **The Netherlands**: The country has a non-contributory pillar, a contributory PAYGO pillar and a private occupational pension pillar (funded), all of them linked to industry.
  58% of the pensions received by average workers now come from the private individually funded system. This pension system is ranked 2nd best in the world, according to the Mercer index.
  The government has announced a reform that will be submitted to Congress in 2022 and will be in force as of 2027, which will supposedly improve the sustainability of the system. The bill of law proposes switching from the "defined benefit" schemes of the occupational pension system, to defined contribution and individual accounts (individually funded system).

- **Australia**: The country has a first non-contributory universal public pension pillar, similar to the solidarity pillar in Chile, but with broader coverage, and a second individually funded pillar, denominated Superannuation Guarantee, approved in 1992.
  100% of the pensions received by average workers[1] come from the private individually funded system. The Australian system is frequently compared to the Chilean system, due to its great similarity. It is ranked the 6th best pension system in the world, according to the Mercer index[2].

- **United Kingdom**: The country has a first non-contributory pillar that grants the so-called "Pension Credit," with a second pillar comprising a PAYGO system and a private occupational pension system with automatic enrollment (semi-mandatory individually funded system).
  56% of the pensions received by average workers come from the private system, ranked 15th in the world.

It is also worth mentioning that the systems ranked 1st and 4th in the Mercer index (Iceland and Israel), pay 76% and 100% of the pensions of average workers through private pension systems.

[1] I.e., the gross pensions received by workers earning the average salary. Source: Pensions at a Glance 2021, OECD.

[2] Source: Mercer CFA Institute Global Pension Index 2021.