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Mejorar las pensiones, tarea de todos

junio 2019

1980
año en que nació
el actual sistema
previsional

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CHILE DE LOS 80'S

USD 7.986
PERCÁPITA

94,4%
POBLACIÓN MENOR 64

♂**66** ♀**72**
ESPERANZA DE VIDA

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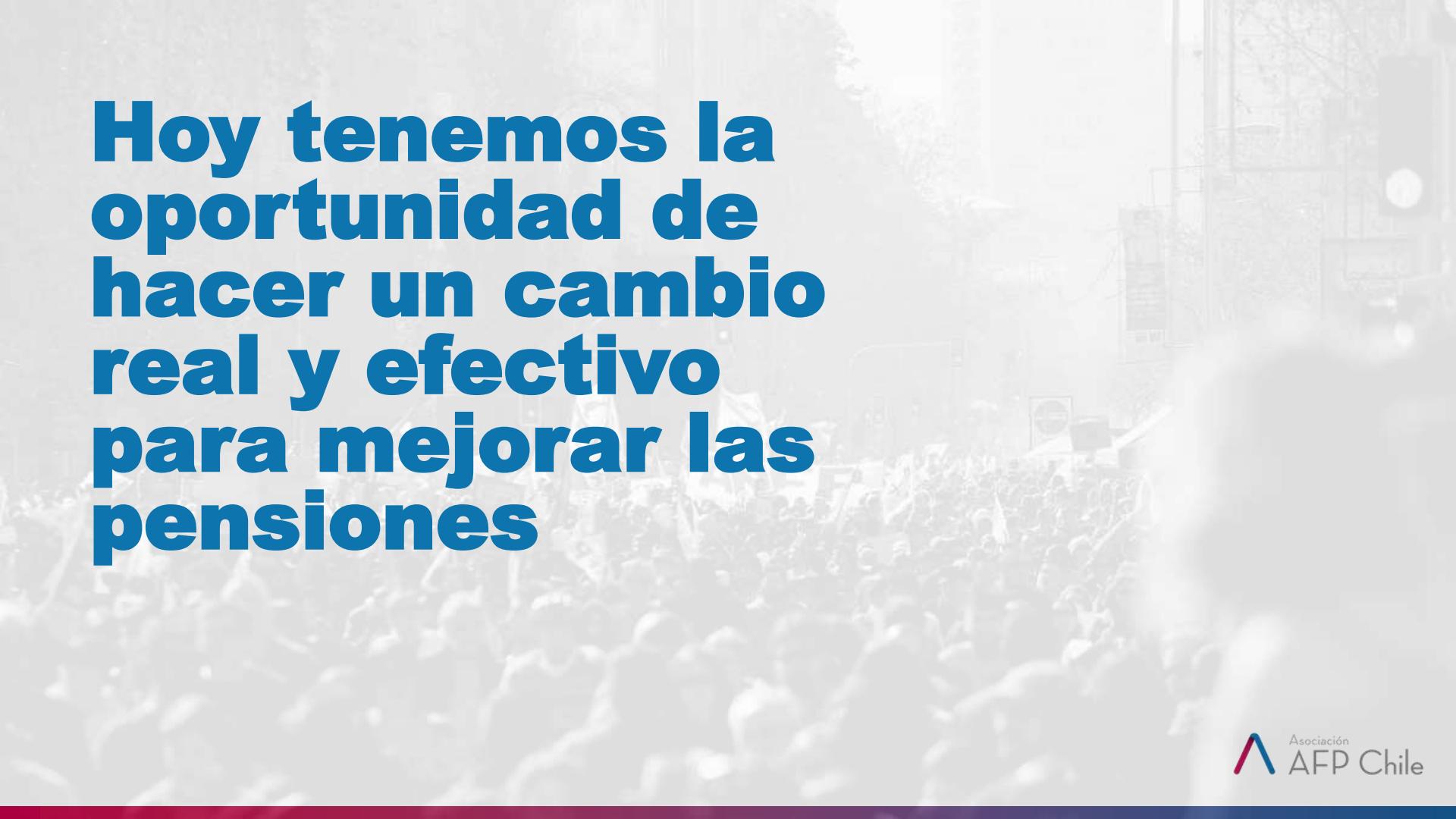
Unidades de Fomento requeridas por cada UF de pensión Renta Vitalicia

(Efecto aumento expectativas de vida con igual tasa de interés)

	1981	2019
	M-70	CB-H-2014 y RV-M-2014
Hombre 65 años:	122,9	178,6
Mujer 60 años	178,4	236,8

Fuente: Proyecciones de elaboración propia, en base a tablas de mortalidad de la Superintendencia de Pensiones.
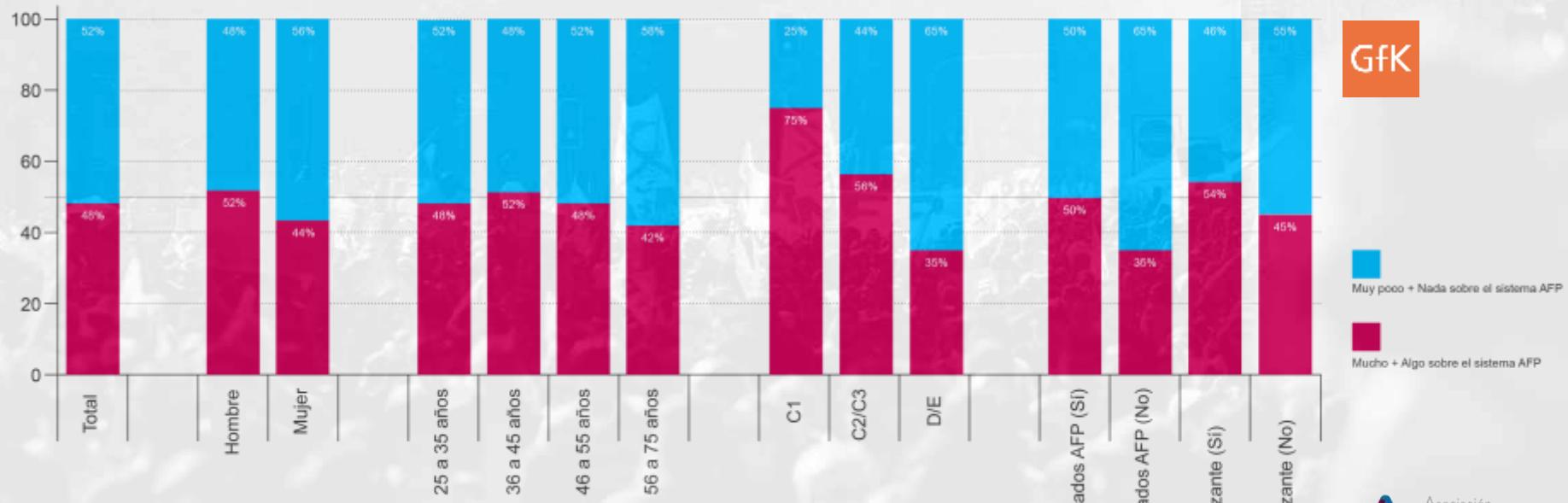
Hoy tenemos la oportunidad de hacer un cambio real y efectivo para mejorar las pensiones

Escaso conocimiento sobre el Sistema de Pensiones

Base: Total muestra (600 casos)

El mayor desconocimiento con el sistema de AFP se da en los segmentos socioeconómicos más bajos.

¿Cuál es su conocimiento del sistema de AFP?

	Muy poco + Nada sobre el sistema AFP	Mucho + Algo sobre el sistema AFP
Total	52%	48%
Hombre	48%	52%
Mujer	56%	44%
25 a 35 años	52%	48%
36 a 45 años	48%	52%
46 a 55 años	52%	48%
56 a 75 años	58%	42%
C1	25%	75%
C2/C3	44%	56%
D/E	65%	35%
Afiliados AFP (Sí)	50%	50%
Afiliados AFP (No)	65%	35%
Cotizante (Sí)	46%	54%
Cotizante (No)	55%	45%

GfK

Muy poco + Nada sobre el sistema AFP

Mucho + Algo sobre el sistema AFP

Fuente: GfK Imagen Sistema AFP 2019.

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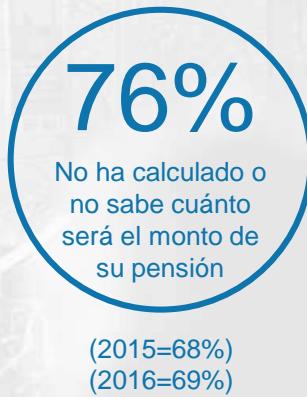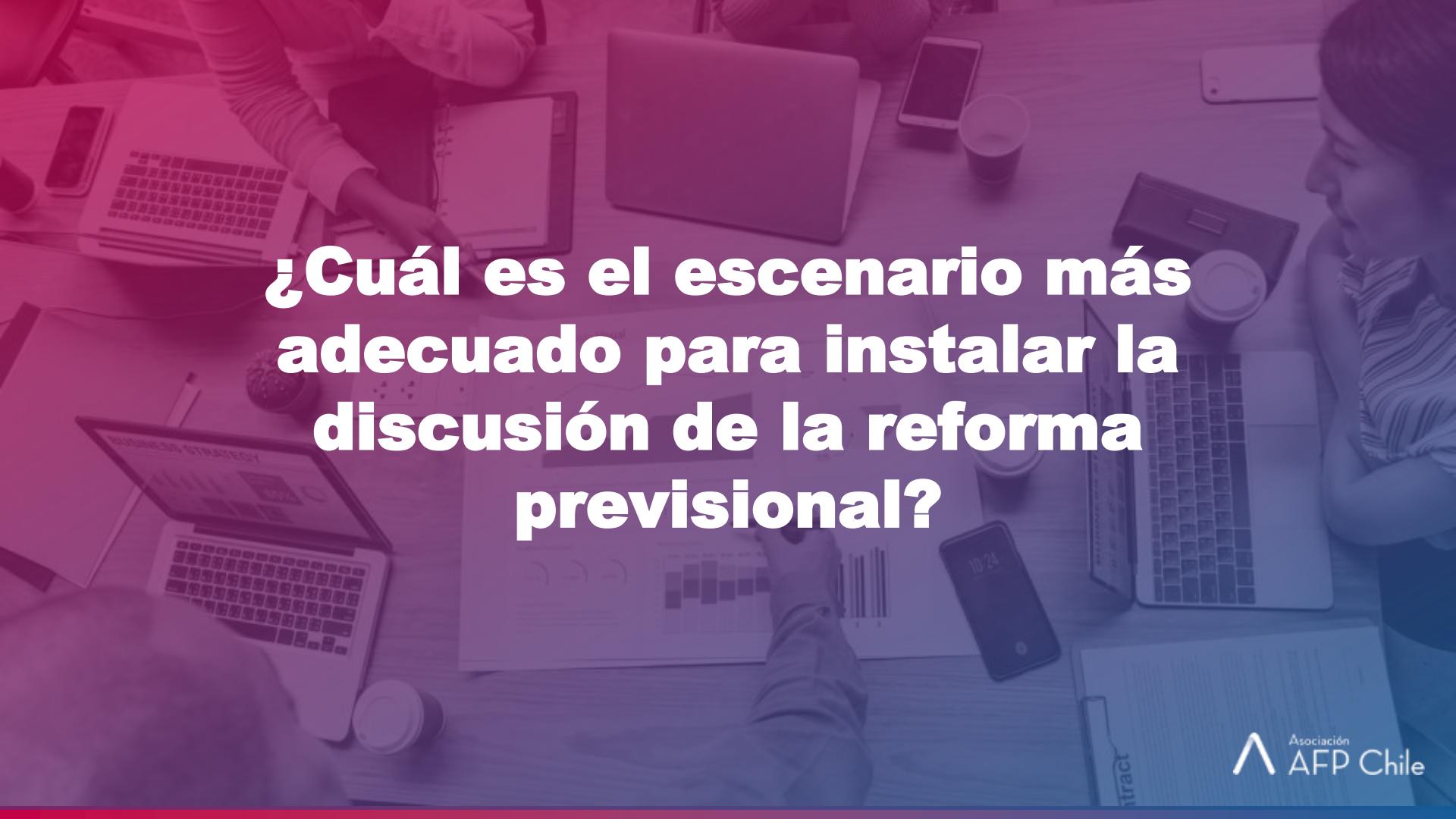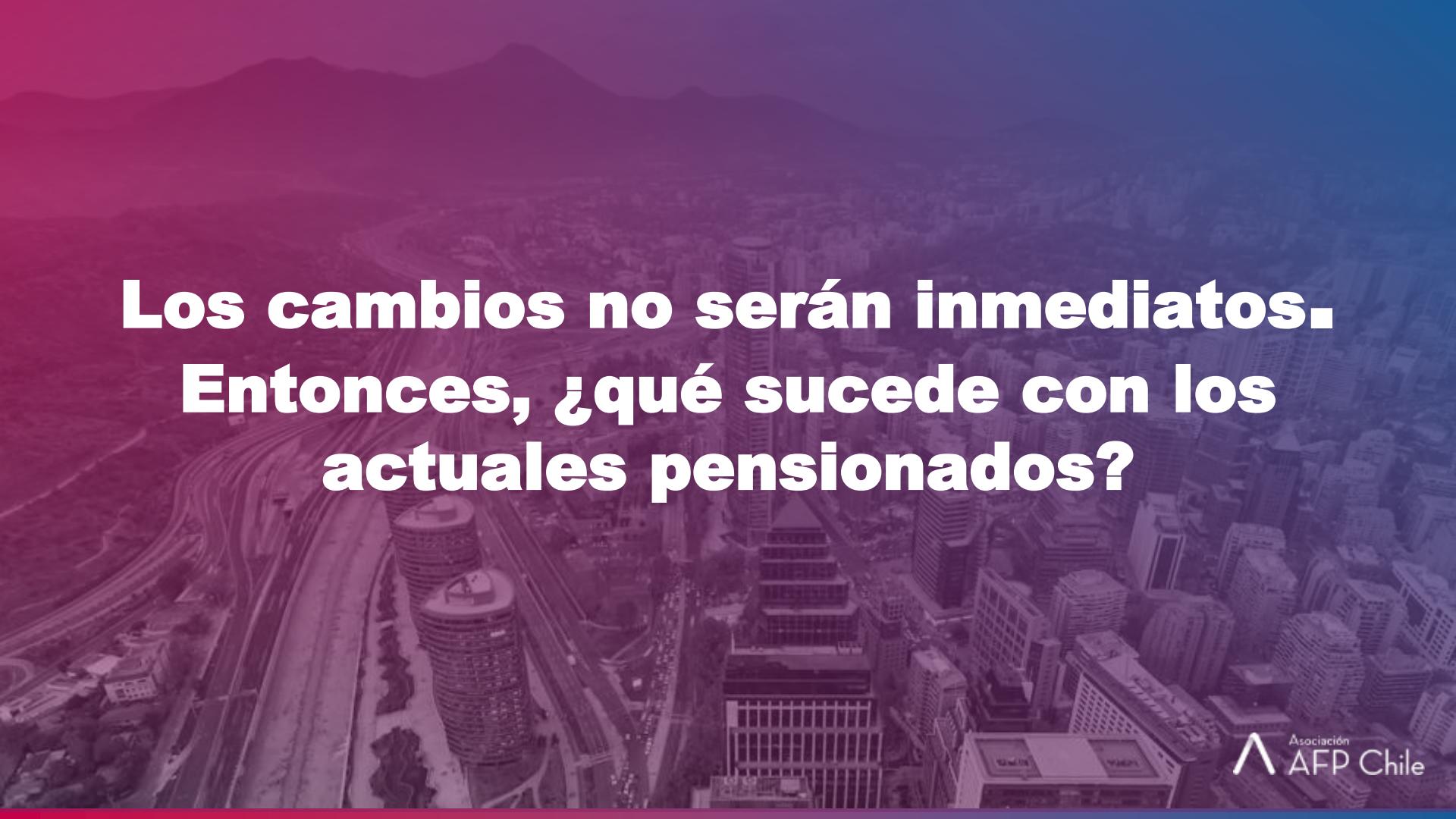
Escaso conocimiento sobre el Sistema de Pensiones

Respecto al Sistema de Pensiones…

42%
Desconoce el fondo en el cual está

(2015=40%)
(2016=38%)

62%
Desconoce el monto que tiene ahorrado en su cuenta individual

(2015=45%)
(2016=52%)

73%
Desconoce la comisión que le cobran

(2015=69%)
(2016=69%)

76%
No ha calculado o no sabe cuánto será el monto de su pensión

(2015=68%)
(2016=69%)

GfK

Fuente: GfK Imagen Sistema AFP 2019.

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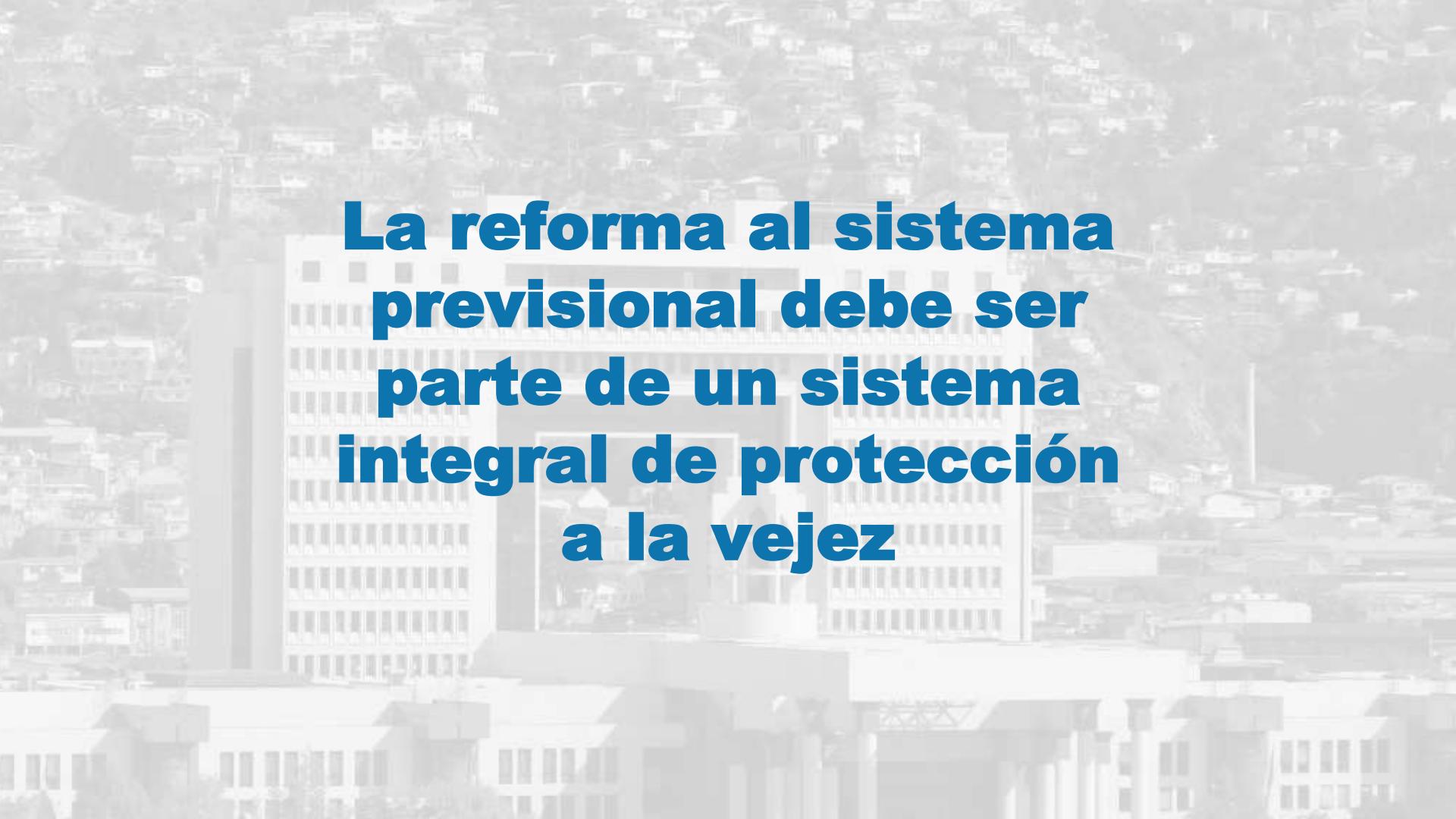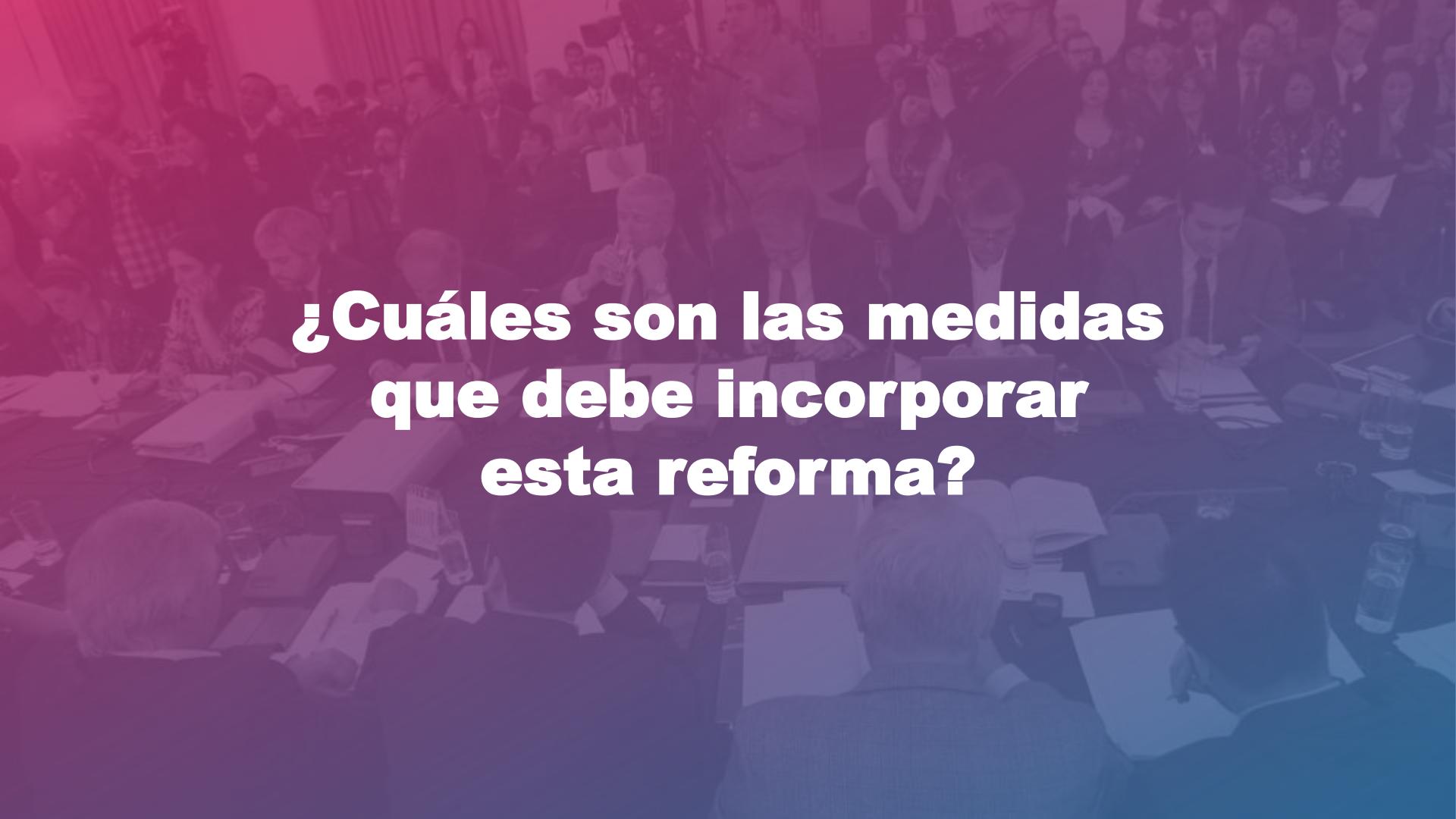
¿Cuál es el escenario más adecuado para instalar la discusión de la reforma previsional?
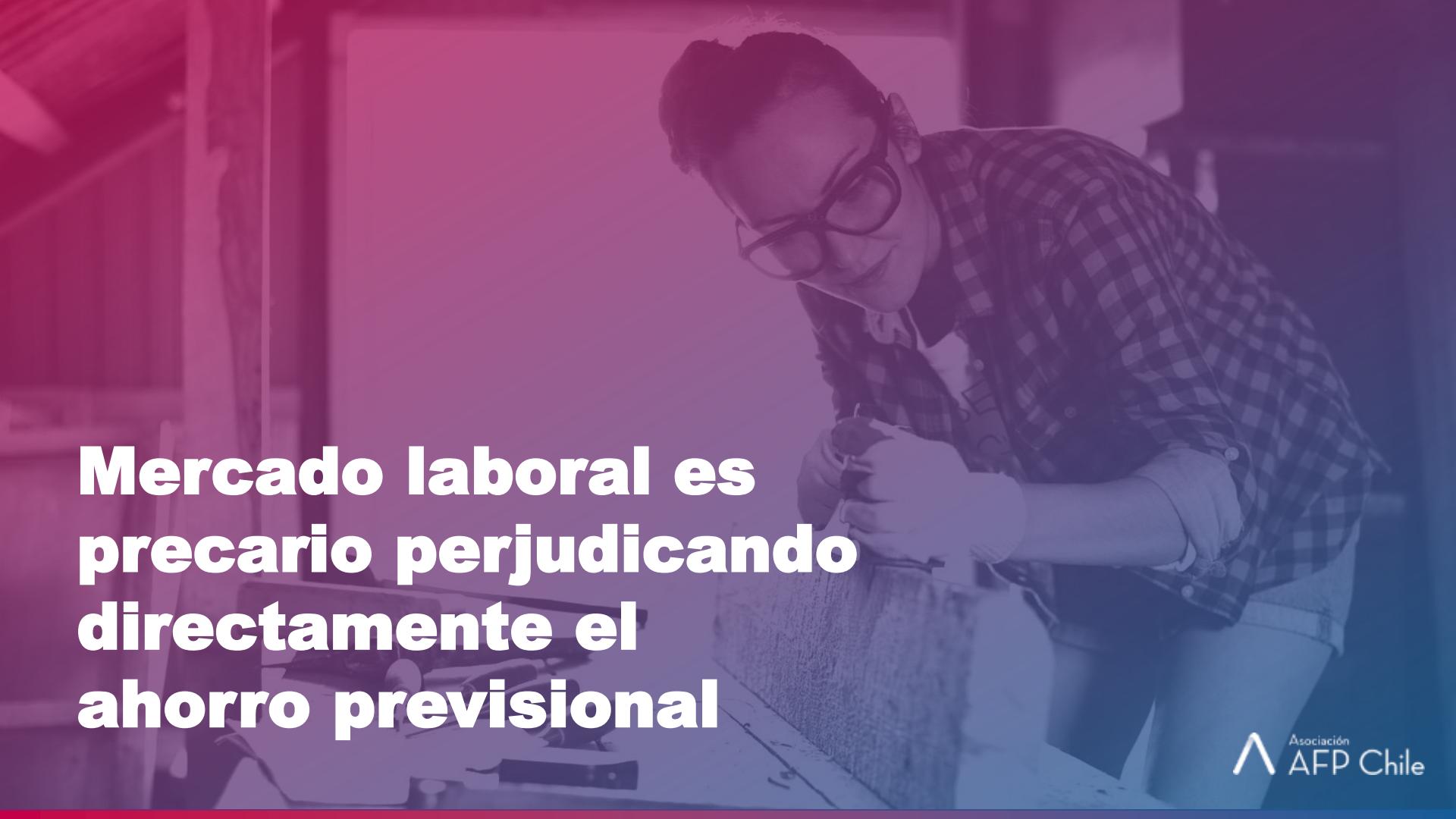
Los cambios no serán inmediatos.
Entonces, ¿qué sucede con los
actuales pensionados?

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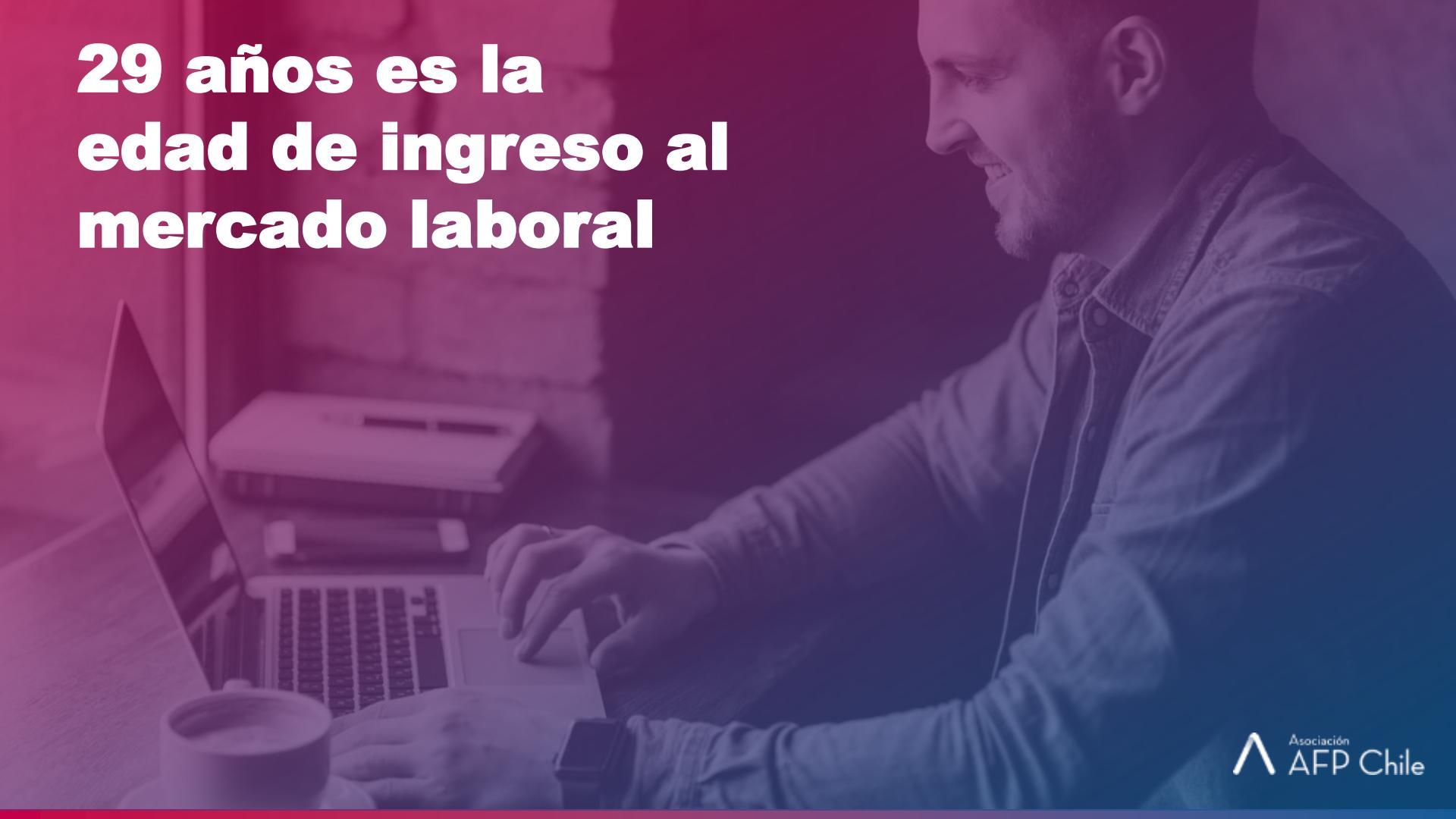
La reforma al sistema previsional debe ser parte de un sistema integral de protección a la vejez
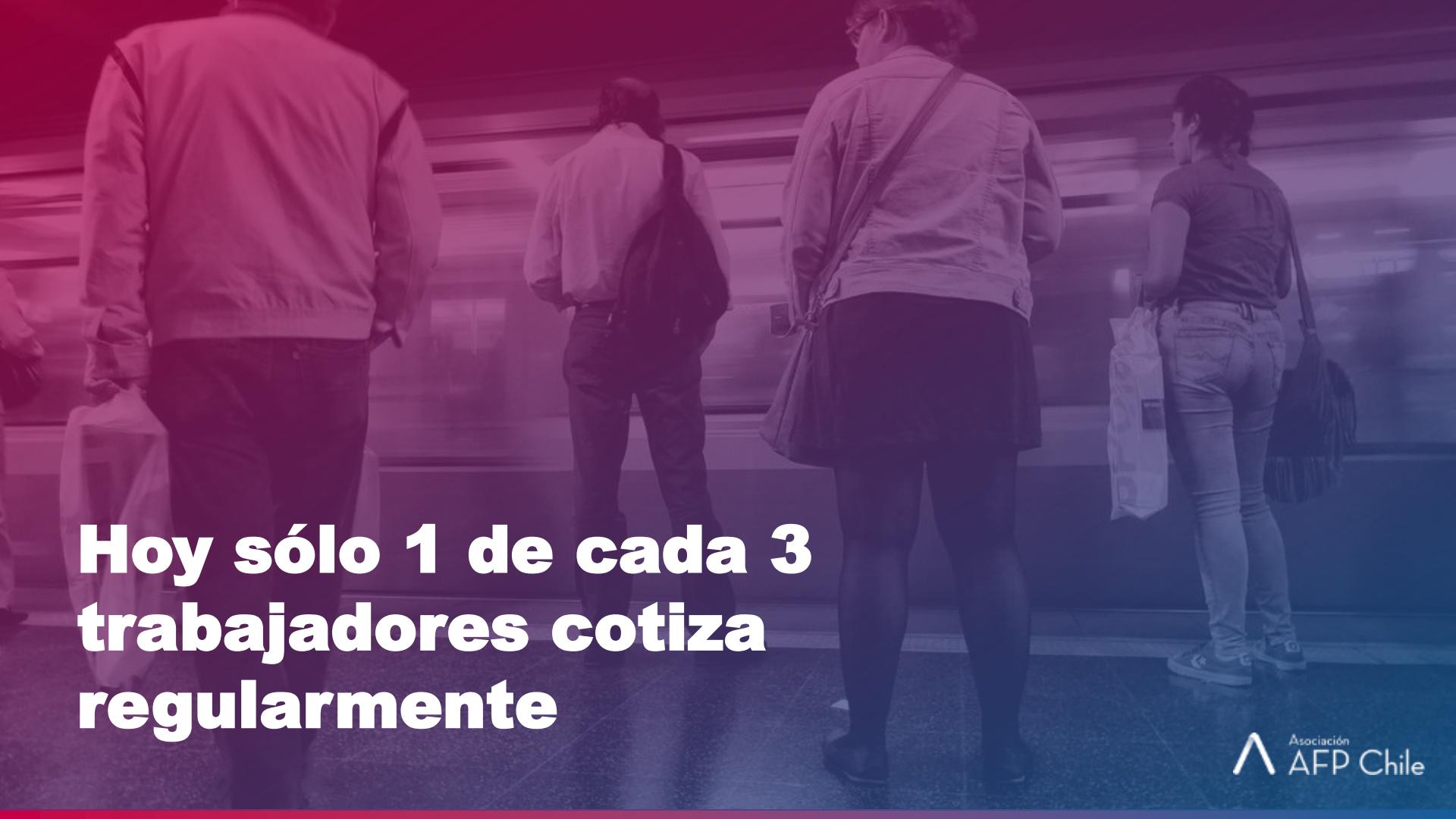
¿Cuáles son las medidas que debe incorporar esta reforma?

Mercado laboral es precario perjudicando directamente el ahorro previsional

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29 años es la edad de ingreso al mercado laboral

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Hoy sólo 1 de cada 3 trabajadores cotiza regularmente

Afiliados sin cotizar 2018
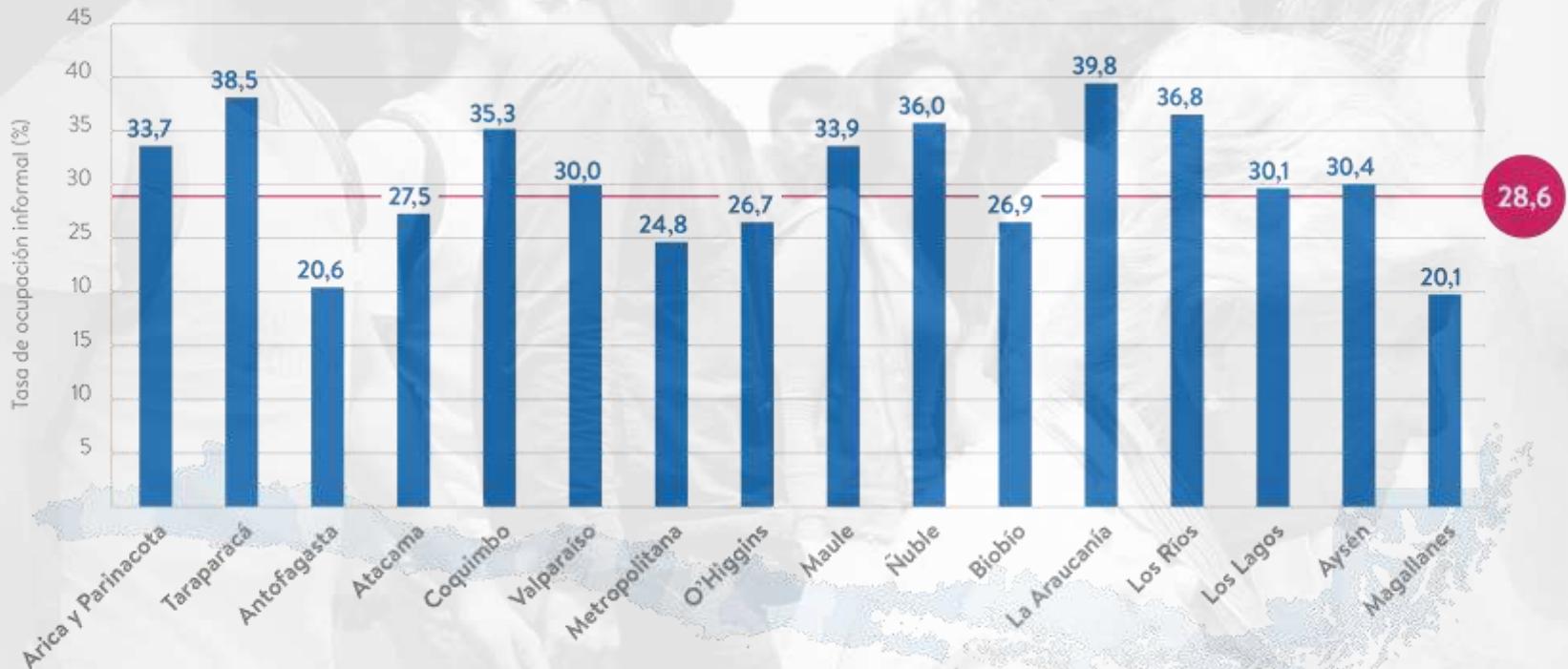
3.282.280
afiliados
no cotizaron en 2018.
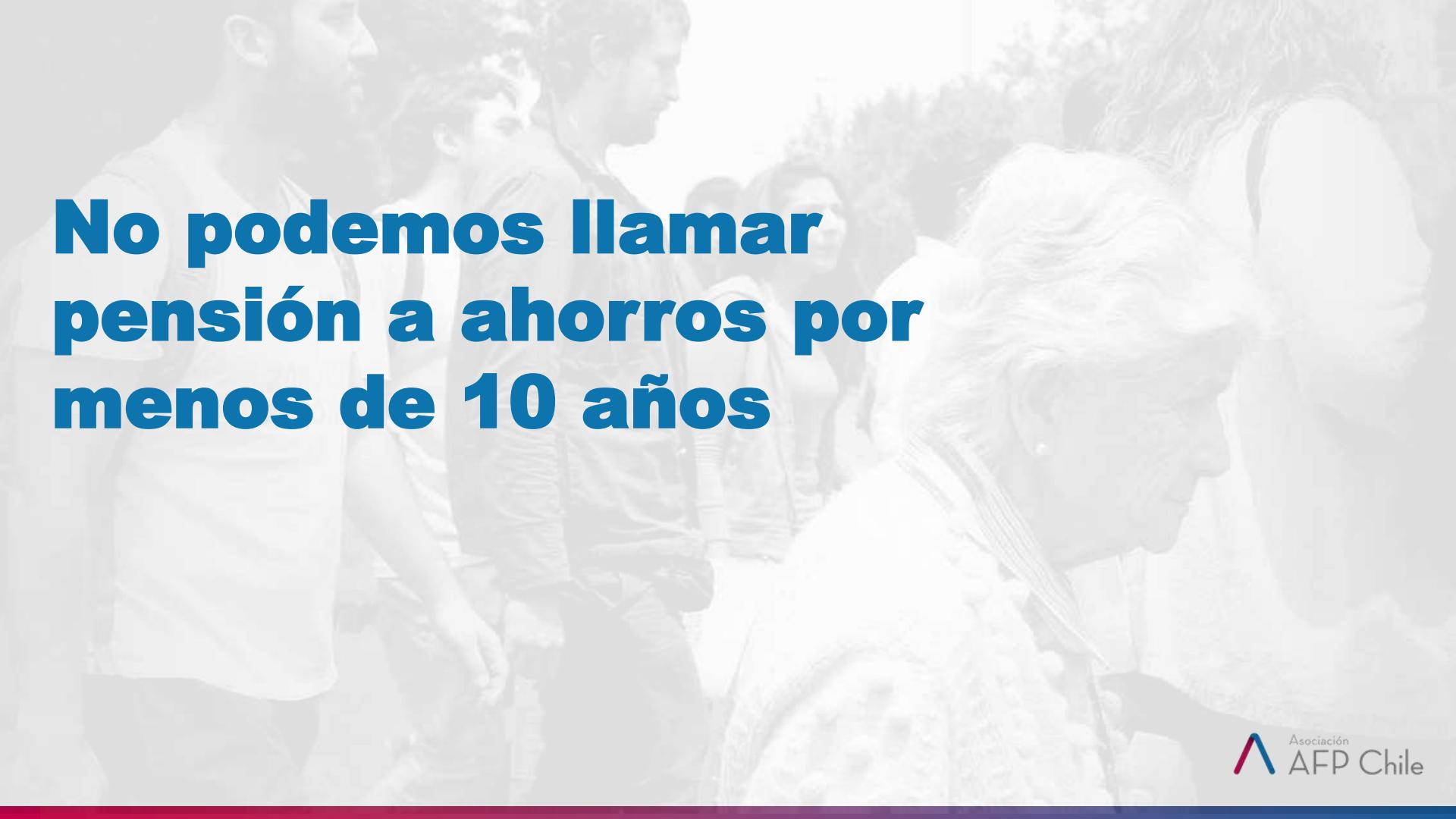
80.608
personas más
que en 2017.

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Tasa de ocupación informal nacional y regional, ene-mar, 2019
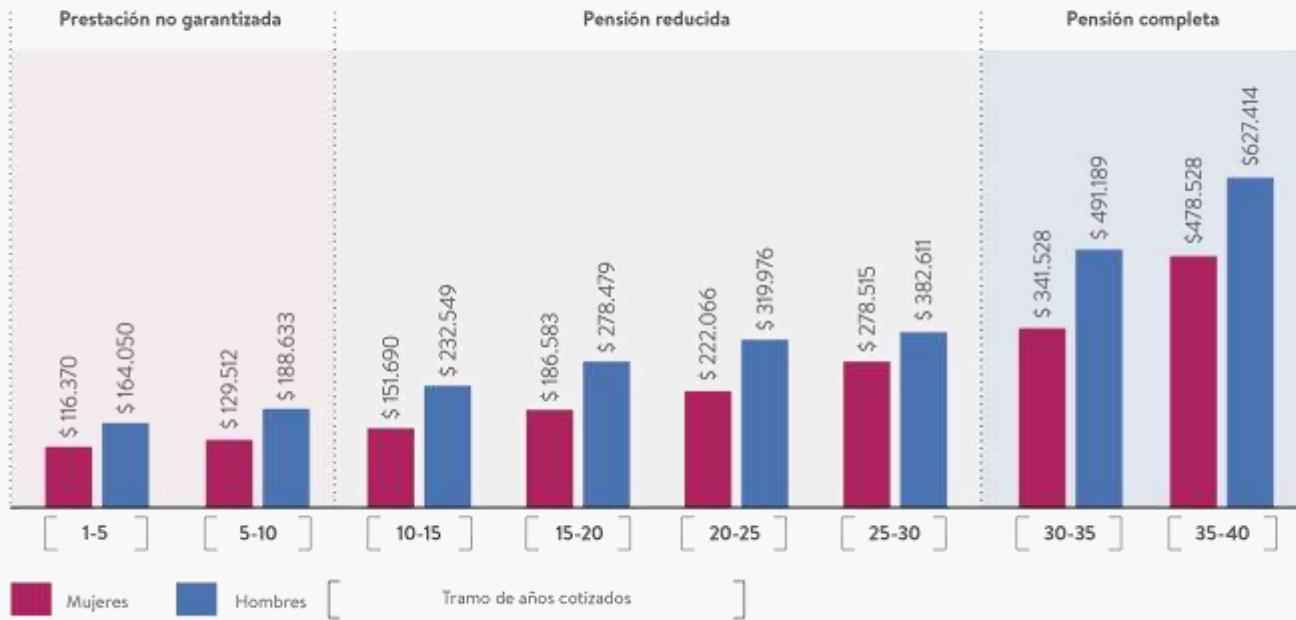
Tasa de ocupación informal (%)

Región	Valor
Arica y Parinacota	33,7
Tarapacá	38,5
Antofagasta	20,6
Atacama	27,5
Coquimbo	35,3
Valparaíso	30,0
Metropolitana	24,8
O'Higgins	26,7
Maule	33,9
Ñuble	36,0
Biobío	26,9
La Araucanía	39,8
Los Ríos	36,8
Los Lagos	30,1
Aysén	30,4
Magallanes	20,1
Nacional	28,6

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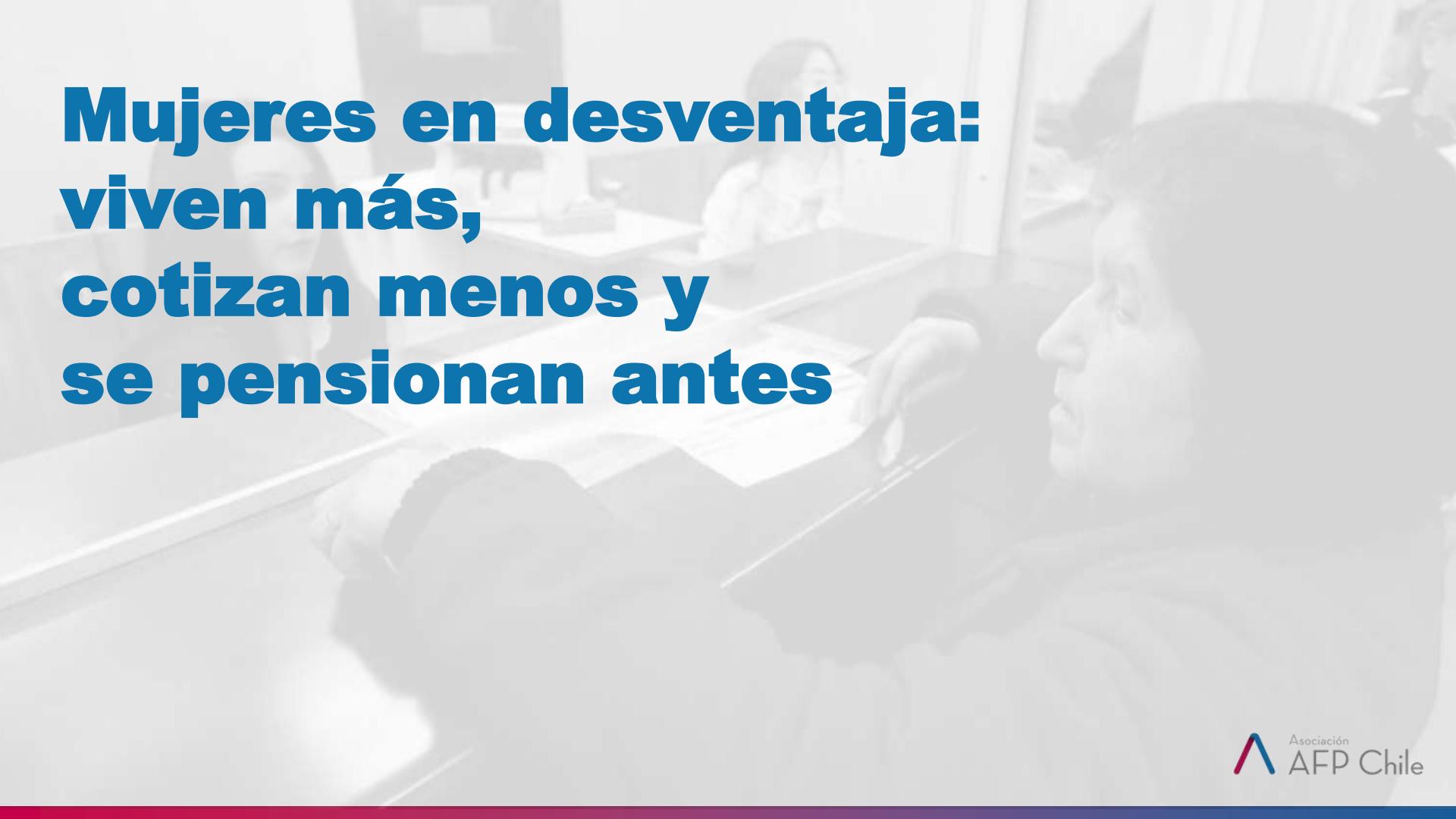
No podemos llamar pensión a ahorros por menos de 10 años

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Pensiones pagadas por tramos de años cotizados

Prestación no garantizada	Pensión reducida	Pensión completa

Tramo de años cotizados:
- 1-5: Mujeres $116.370, Hombres $164.050
- 5-10: Mujeres $129.512, Hombres $188.633
- 10-15: Mujeres $151.690, Hombres $232.549
- 15-20: Mujeres $186.583, Hombres $278.479
- 20-25: Mujeres $222.066, Hombres $319.976
- 25-30: Mujeres $278.515, Hombres $382.611
- 30-35: Mujeres $341.528, Hombres $491.189
- 35-40: Mujeres $478.528, Hombres $627.414

Mujeres Hombres — Tramo de años cotizados

*Pensión completa: de acuerdo a la OIT, la pensión completa se entiende como la que reciben aquellos trabajadores que han cotizado por un período de 30 años o más.

Fuente: En base a estadísticas de Superintendencia de Pensiones. Pensiones pagadas de vejez, marzo 2019.

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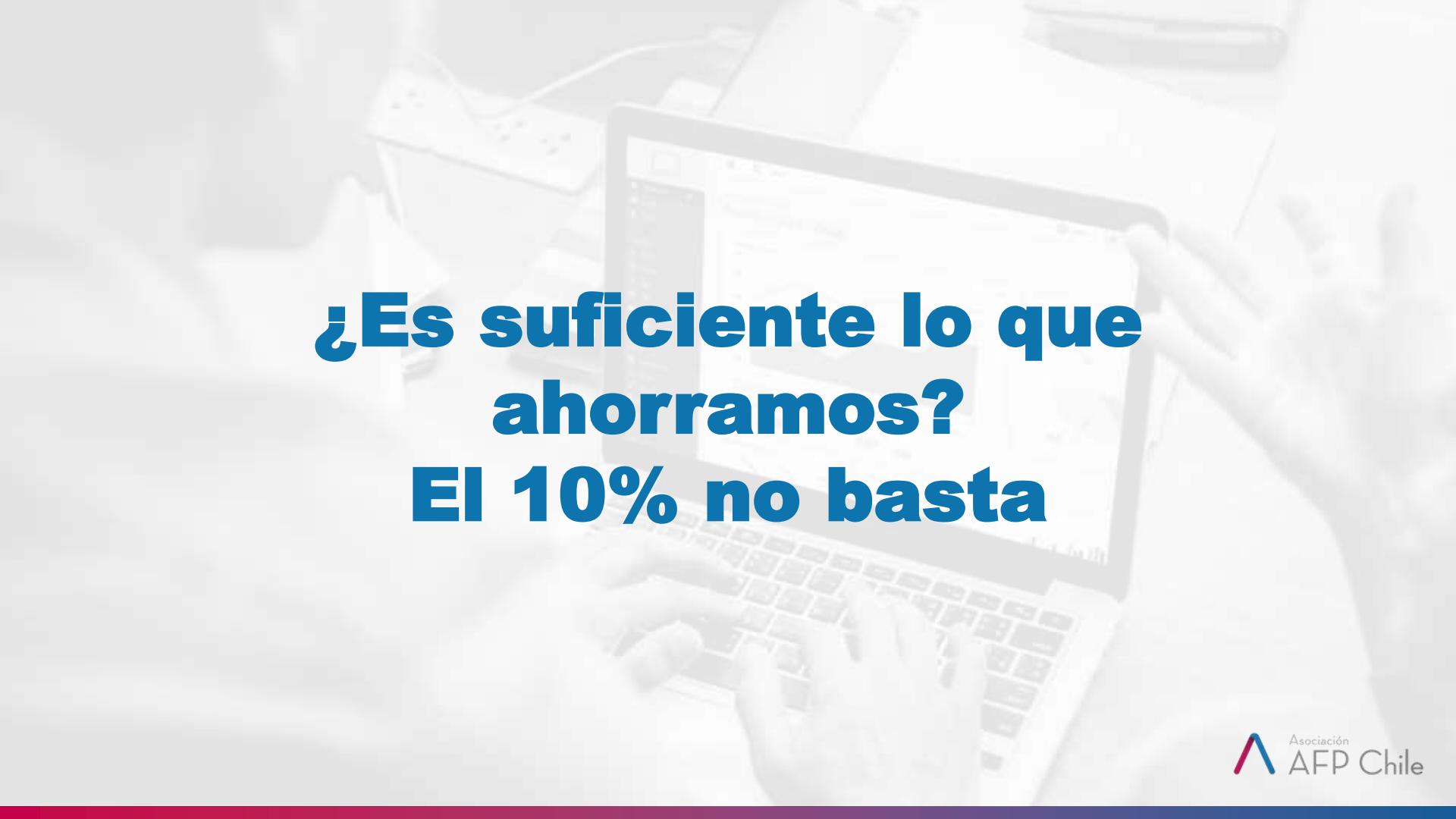
Mujeres en desventaja: viven más, cotizan menos y se pensionan antes

Brechas salariales Hombre v/s Mujer
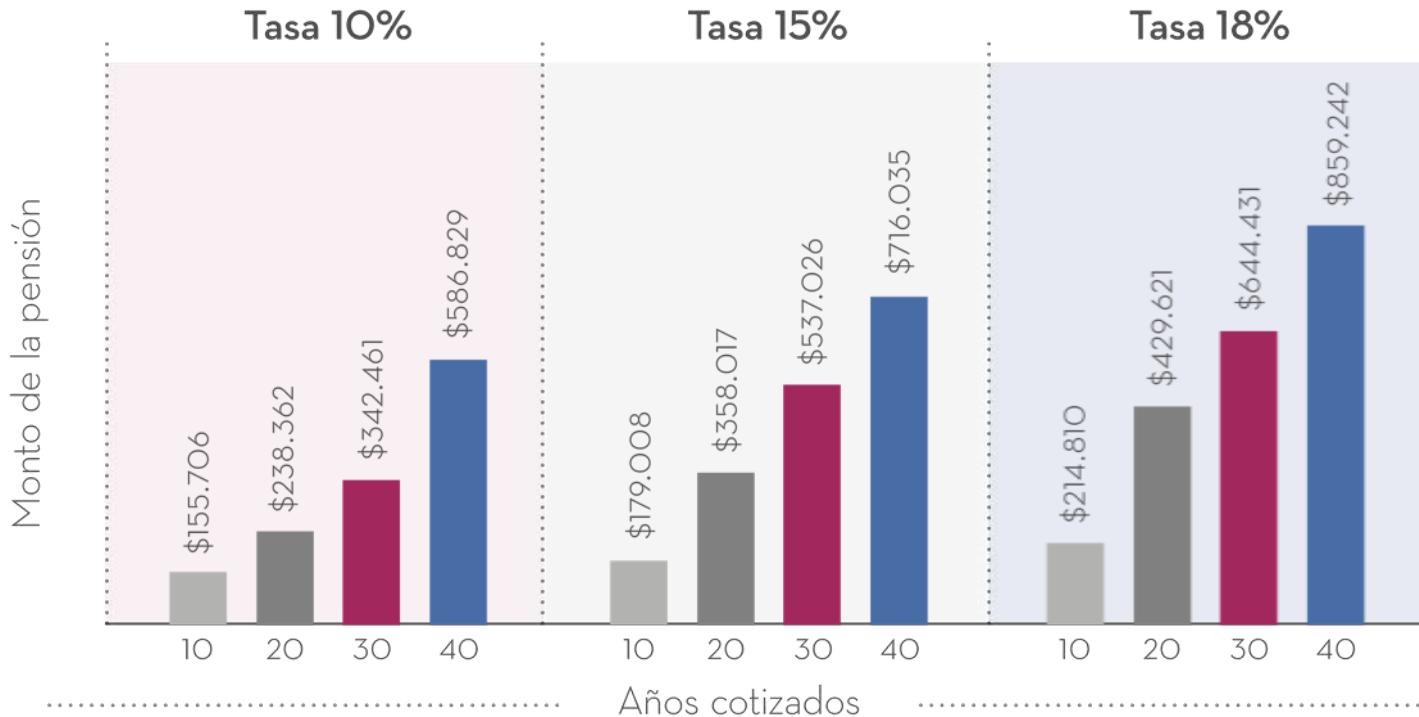
Tramos de años cotizados	Pensiones pagadas (totales)		
	Mujeres	Hombres	Diferencia
Entre 0 y 1	$105.301	$140.310	33%
Entre 1 y 5	$112.468	$141.688	26%
Entre 5 y 10	$122.116	$153.266	26%
Entre 10 y 15	$138.104	$178.350	29%
Entre 15 y 20	$166.497	$211.705	27%
Entre 20 y 25	$210.602	$261.048	24%
Entre 25 y 30	$272.901	$342.642	26%
Entre 30 y 35	$339.886	$467.515	38%
Entre 35 y 40	$481.574	$642.834	33%

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¿Es suficiente lo que ahorramos?
El 10% no basta

Efecto de una mayor cotización sobre la pensión

Fuente: Superintendencia de Pensiones para pensiones con tasa 10%. Las pensiones con tasas de 15% y 18% son estimadas en base a una proyección.

Dada la expectativa de vida, la postergación de la edad de jubilación en hombres y mujeres, sin diferencias, es un factor relevante que debemos estar dispuestos a conversar

Edad promedio de jubilación a marzo 2019

HOMBRES

65,5

MUJERES

61,5

Edad al pensionarse	MUJERES	HOMBRES	TOTAL
Hasta 59	16	60	76
60	3.753	25	3.778
61	968	47	1.015
62	485	51	536
63	312	52	373
64	252	64	316
65	477	3.125	3.602
66	146	551	697
67	69	198	267
68	47	116	163
69	22	70	92
70	29	48	77
71	22	32	54
72	13	31	44
73	6	17	23
74	8	13	21
Más de 75	33	56	89
TOTAL	**6.667**	**4.556**	**11.223**
Edad promedio	**61,5**	**65,5**	**63,1**

1) Corresponde al número de personas que recibe su primer pago de pension definitiva en el mes de referencia de la información.

2) Corresponde a la edad de la persona al momento de solicitud de la pensión.

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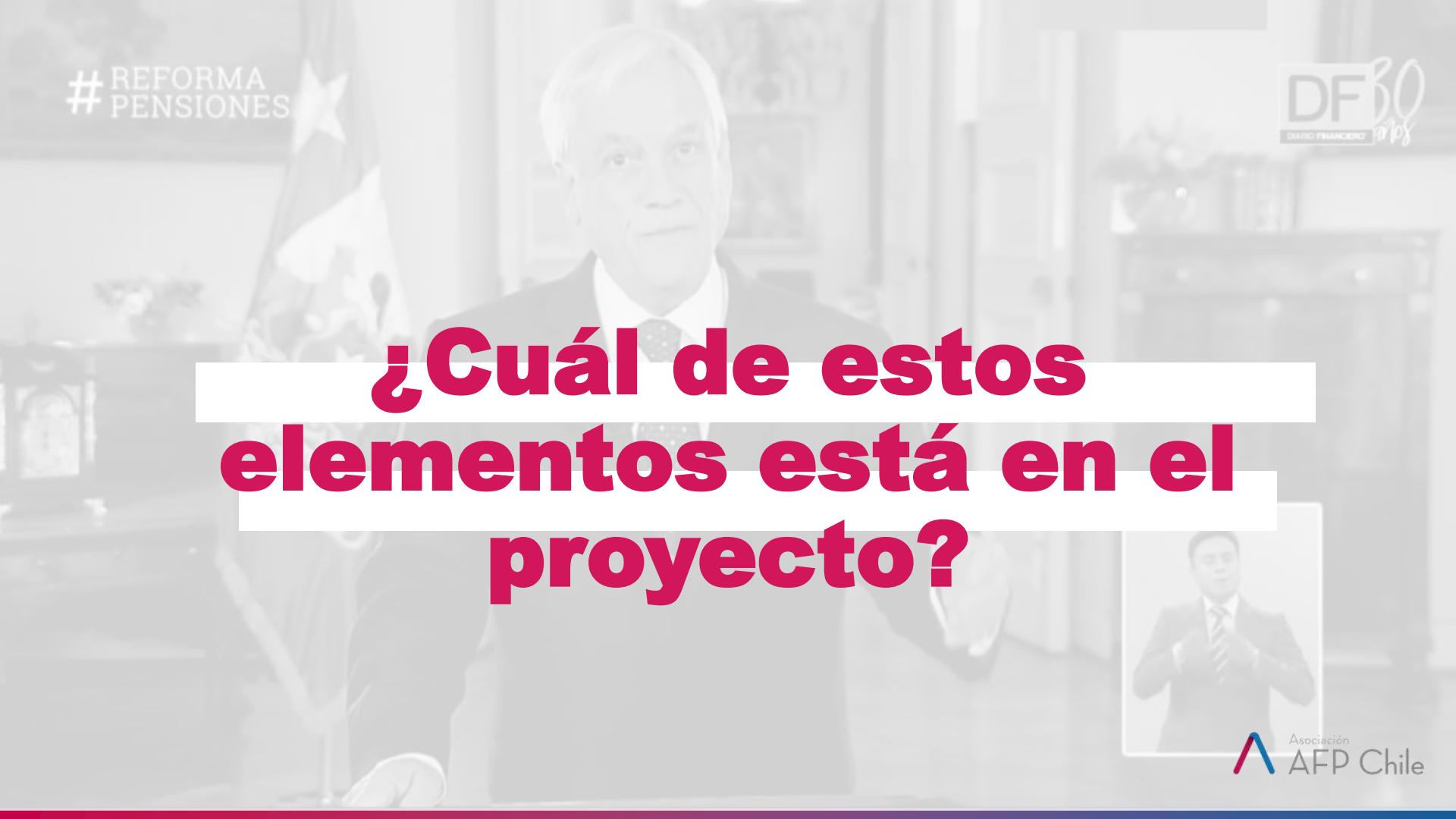
Brecha salarial
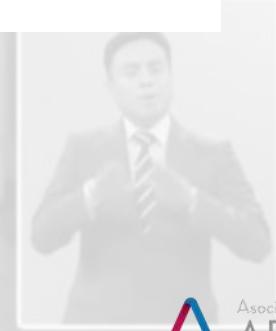
Baja participación en el mercado laboral

Densidad de cotización

Aumento en expectativas de vidad v/s Edad de jubilación

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La Reforma

1. 🐷 Falta de ahorro

> – Estado debe aumentar la tasa de cotización. ✔

> – Estado debe obligar a todos los independientes y trabajadores por cuenta propia a cotizar. ✘

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3.

Administración del % extra de cotización

Nuevos actores cobrarán nueva comisión. Ente estatal sin definiciones claras

Permitirán ventas atadas

Discriminación por volumen que afectan principalmente a pymes y trabajadores de menores ingresos.

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La Reforma

4.

Menor retorno de los activos

> Estado debe abrir discusión para buscar formas de aumentar el retorno de los fondos

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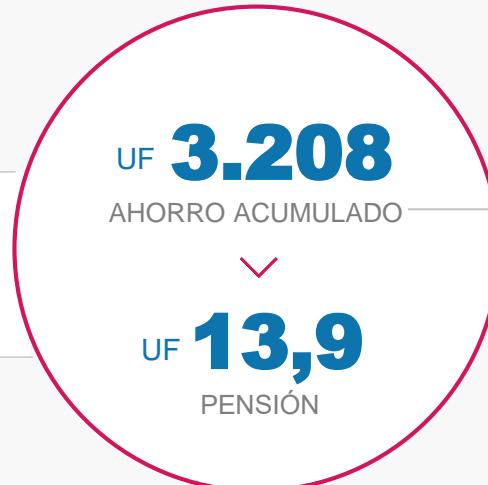
Densidad cotización:
Ahorro y rentabilidad
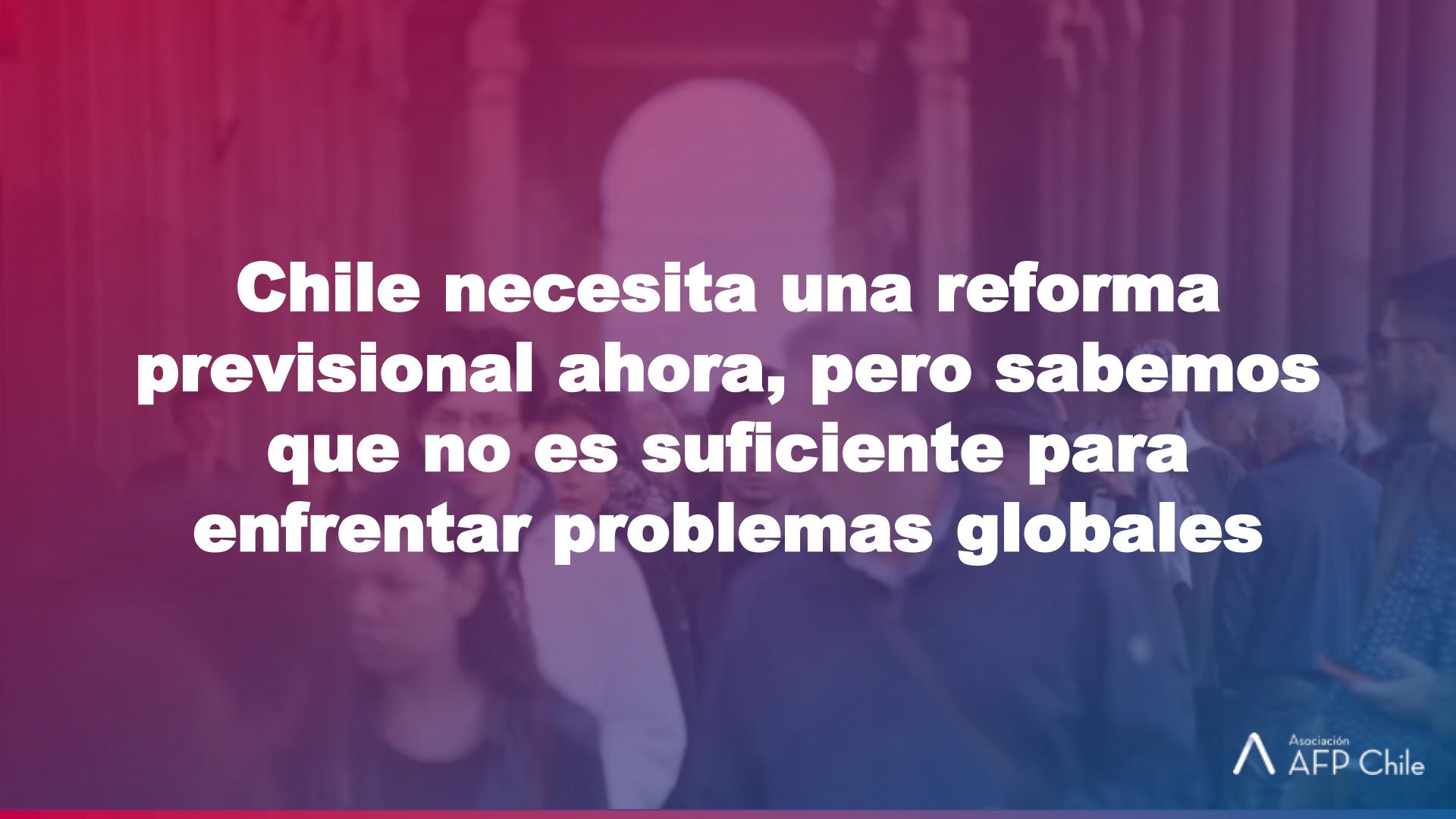
♂ **40 años cotizados**
AFILIACIÓN A LOS 25 AÑOS
Densidad de cotización 100%

UF **4.833,6**
AHORRO ACUMULADO

⌄

UF **27,6**
PENSIÓN

UF **3.287**
RENTABILIDAD

UF **1.547**
APORTE TRABAJADOR

UF **195**
COMISIÓN

♀ **35 años cotizados**
AFILIACIÓN A LOS 25 AÑOS
Densidad de cotización 100%

UF **3.208**
AHORRO ACUMULADO

⌄

UF **13,9**
PENSIÓN

UF **1.989**
RENTABILIDAD

UF **1.219**
APORTE TRABAJADOR

UF **151,6**
COMISIÓN

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Las pensiones se construyen a lo largo de toda la vida

Chile necesita una reforma previsional ahora, pero sabemos que no es suficiente para enfrentar problemas globales

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Tenemos un desafío:
mejorar las pensiones
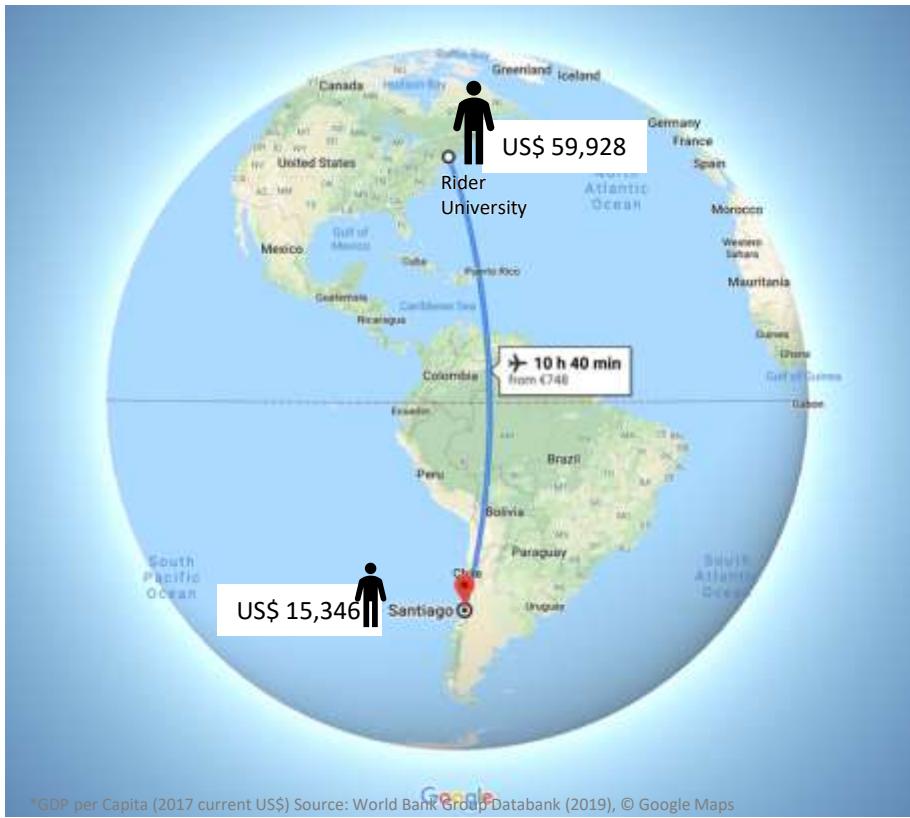
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Mejorar las pensiones, tarea de todos

junio 2019

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Photo: Torres del Paine, Patagonia, Chile

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¡Bienvenidos!
Group from Rider University

US$ 59,928

Rider University

10 h 40 min
from €748

US$ 15,346

Santiago

*GDP per Capita (2017 current US$) Source: World Bank Group Databank (2019), © Google Maps

AFP Chile

Welcome to Chile

- Stretched over 4300km, more than from New York to Las Vegas
- Population: 17.5 Million people
- Santiago: 5.5 Million people (>30%)
- Ethnic Mix: Hispanic-European-Indigenous (Mapuche)
- North-South Divide

A neoliberal Experiment

Chile

Brief Contemporary History of Chile & Pensions

- 1973 Pinochet Regime, Chicago Boys and Privatization

  1981 Inception of Private Defined Contribution Pension System
  1985 Equity Investment authorized
  1987 Voluntary Savings authorized

- 1990 Soft Fall of Dictator and Democratization but still Privatization

  1990 Foreign Investment authorized
  2002 Multifondos (5 fund types)
  2004 Annuities Law
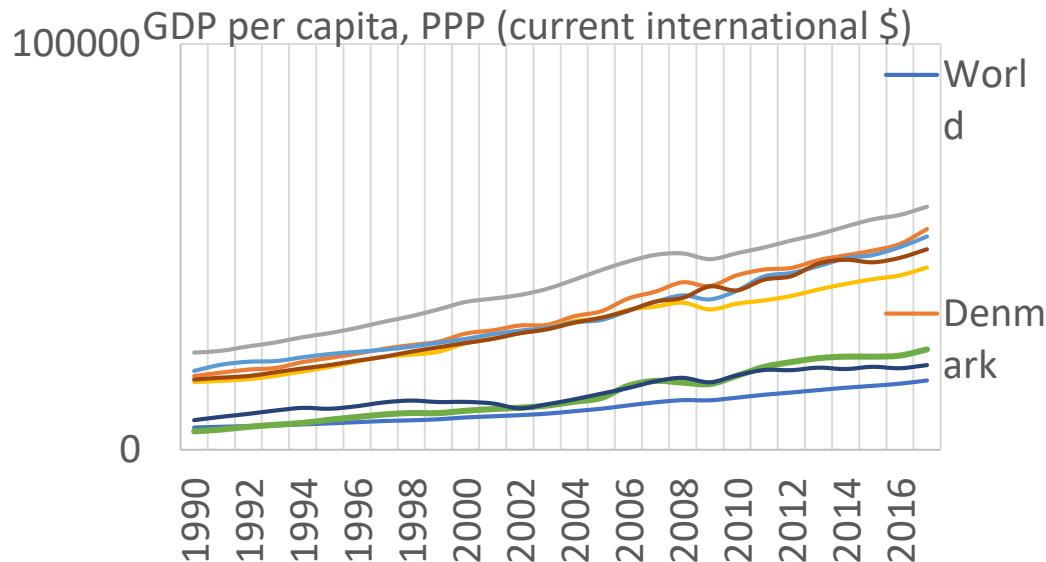
- 2008 Global Financial Crisis

  2008 Pension System Reform
  2019 Pension System Reform

Chile's Economic Position

At the frontier of EMs but …

GDP per capita, PPP (current international $)

100000

World

Denmark

0

1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012 2014 2016

Chile's Economic Position

At the frontier of EMs but still large Gap to developed world while growth rates and FDI inflow is declining

# Society in Chile

Managed to lift majority out of poverty but inequal remains high – a challenge to social cohesion and policy making

Gini coefficient, 0 = complete equality; 1 = complete inequality, 2017 or latest available

2017: Chile's Gini 0.45

The role of pension funds in Chile's capital market

Pension Assets as % of GDP

2017: Chile's Pension Assets 72% of GDP
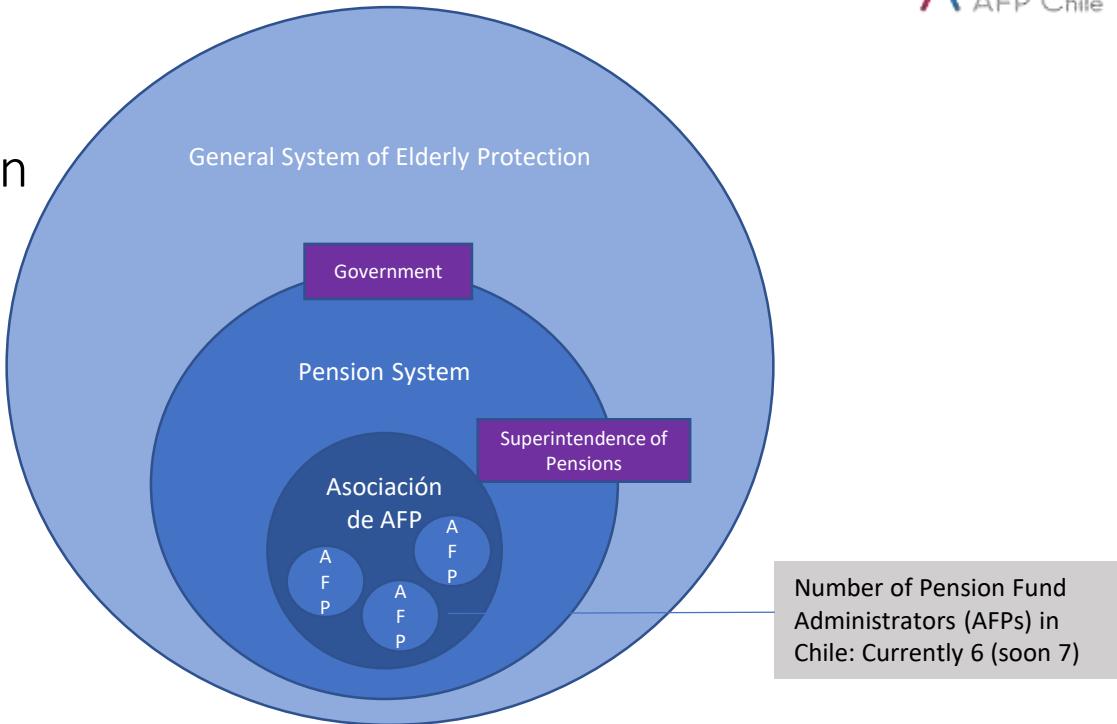
Chilean Pension System

Private, Publicly Overseen
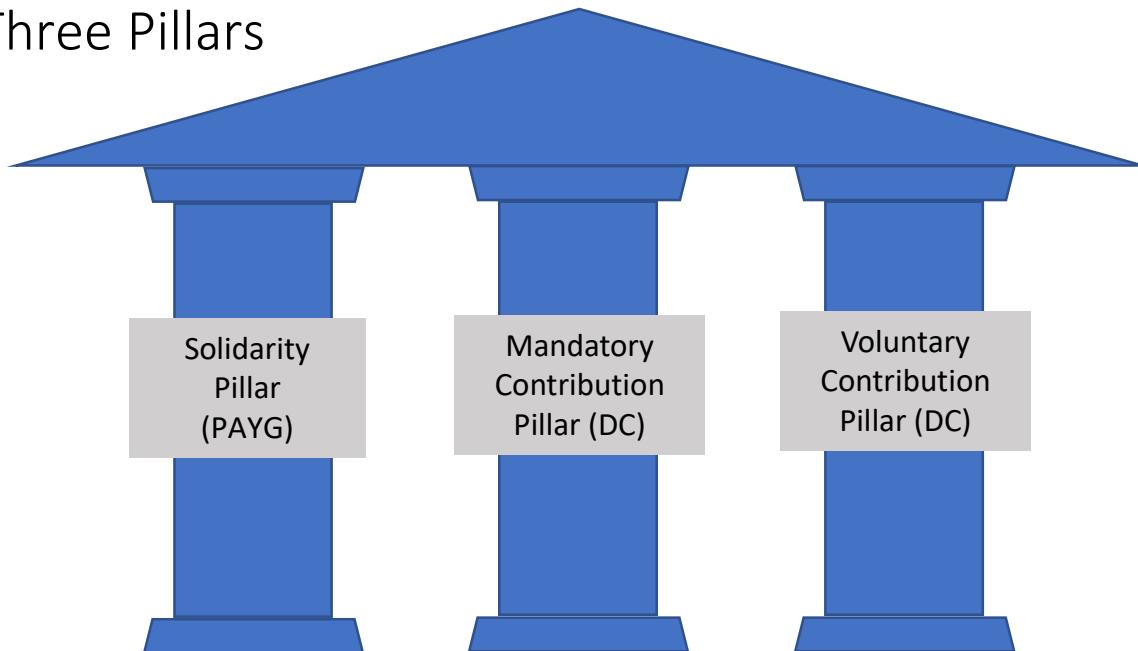
The Role of the Association of AFPs

Associación AFP Chile

General System of Elderly Protection

Government

Pension System

Superintendence of Pensions

Asociación de AFP

AFP

AFP

AFP

Number of Pension Fund Administrators (AFPs) in Chile: Currently 6 (soon 7)

Source: AAFP Internal Documents
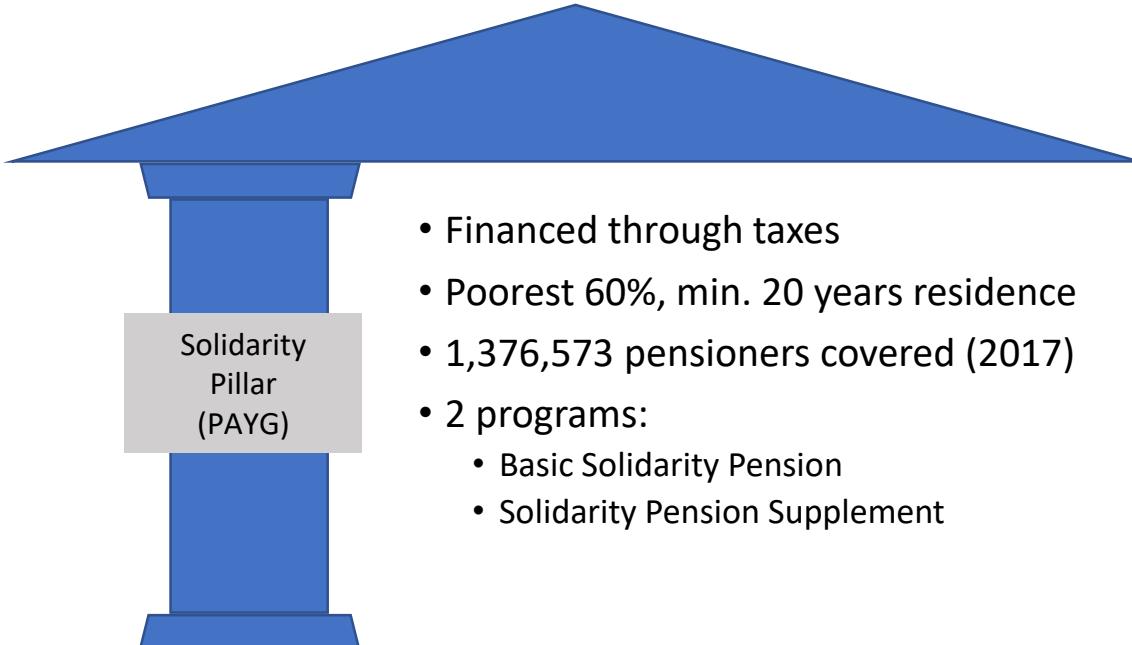
Chile's Pension System
Three Pillars

Solidarity Pillar (PAYG)
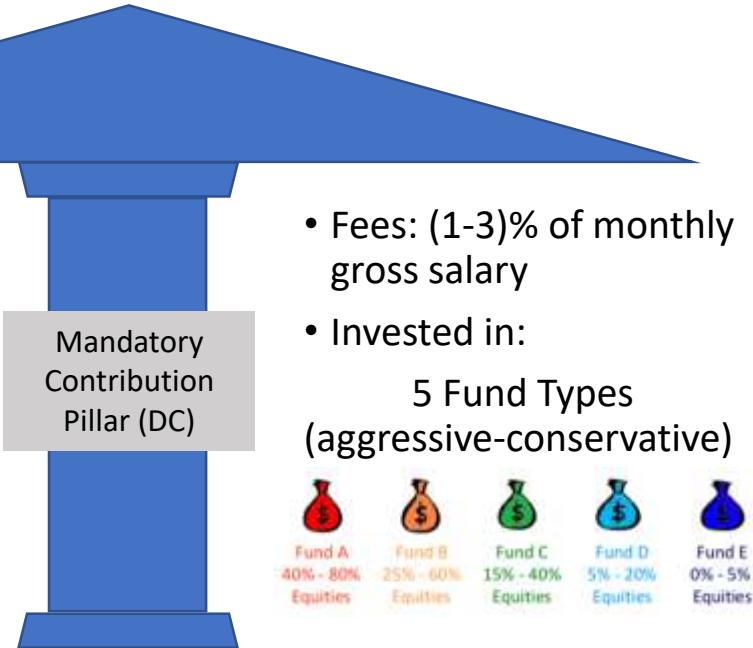
Mandatory Contribution Pillar (DC)

Voluntary Contribution Pillar (DC)

Solidarity Pillar (PAYG)

Solidarity
Pillar
(PAYG)

- Financed through taxes
- Poorest 60%, min. 20 years residence
- 1,376,573 pensioners covered (2017)
- 2 programs:
  - Basic Solidarity Pension
  - Solidarity Pension Supplement

Mandatory Contribution Pillar (DC)
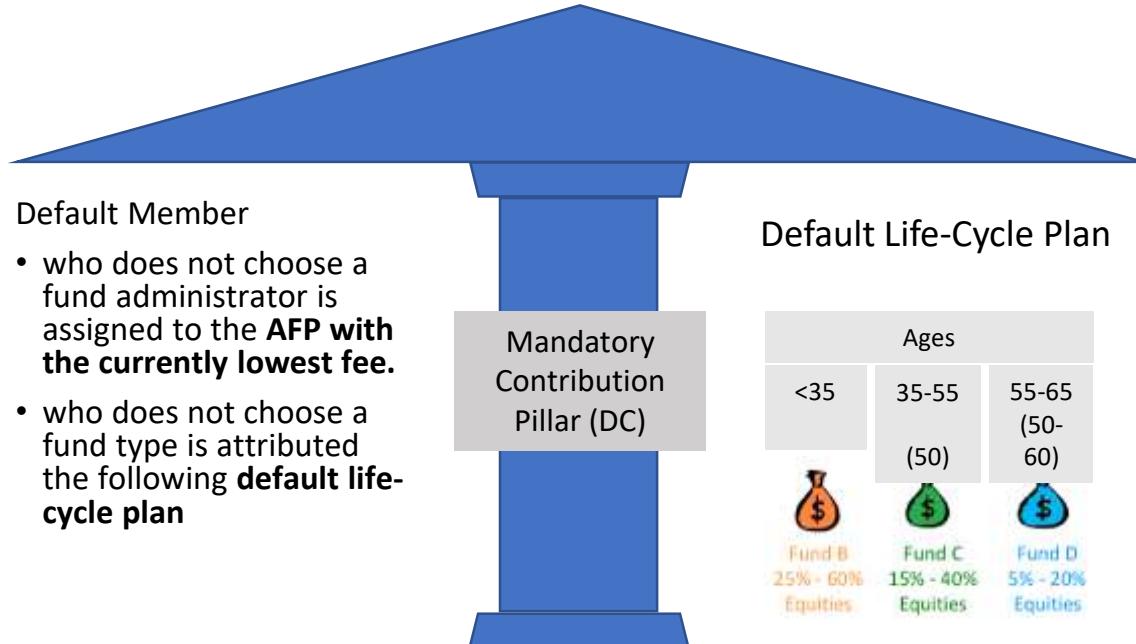
Mandatory Contribution Pillar (DC)

- Individual Pension Savings Account in AFP (wholly owned by each participant)
- Financed by
  - Mandatory contributions 10% of monthly gross salary (cap of 75,7UF)
  - Investment Returns on Savings
  - Recognition Bonds (from old system) if applicable

- Fees: (1-3)% of monthly gross salary
- Invested in:

  5 Fund Types (aggressive-conservative)

  Fund A 40% - 80% Equities
  Fund B 25% - 60% Equities
  Fund C 15% - 40% Equities
  Fund D 5% - 20% Equities
  Fund E 0% - 5% Equities

Mandatory Contribution Pillar (DC)

Default Member

- who does not choose a fund administrator is assigned to the **AFP with the currently lowest fee.**

- who does not choose a fund type is attributed the following **default life-cycle plan**

Mandatory Contribution Pillar (DC)

Default Life-Cycle Plan

Ages		
<35	35-55 (50)	55-65 (50-60)

Fund B
25% - 60% Equities

Fund C
15% - 40% Equities

Fund D
5% - 20% Equities

Voluntary Contribution Pillar (DC)

- Voluntary Pension Savings Account (APV) in AFP, Insurance Company, Mutual Fund, Banks, etc.
- Financed by:
  - Voluntary worker/employer contributions
  - Investment returns on savings
  - Tax benefits

Voluntary Contribution Pillar (DC)

Challenges to Pension Policy and Design

- Longevity Risk
- Low Coverage and Changing Labour market structure
- Deliver Pensions and Sustainable Investment Strategies
- Life Cycle Design and Pay-out phase
- Other Risks
- Decision Taking
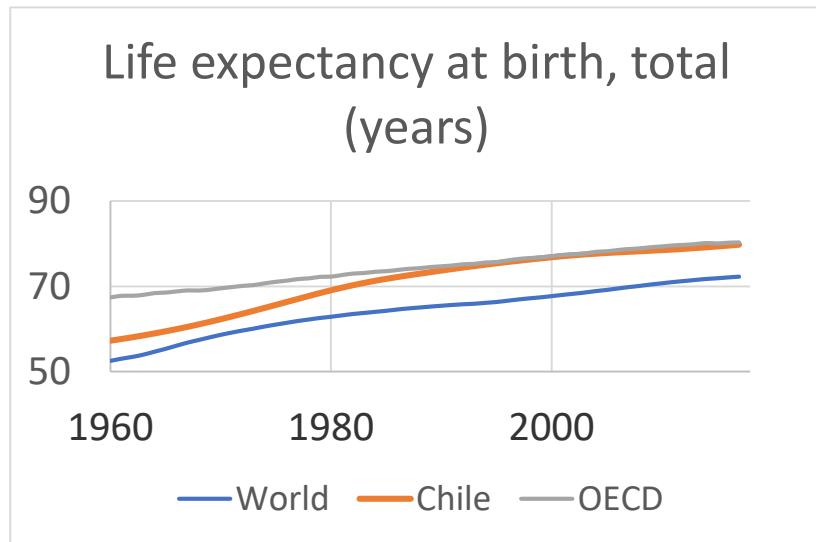
Longevity Risk

Aging Population

Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, DVD Edition.

Increasing Life Expectancy – Chile picking Up on OECD Average

Life expectancy at birth, total (years)
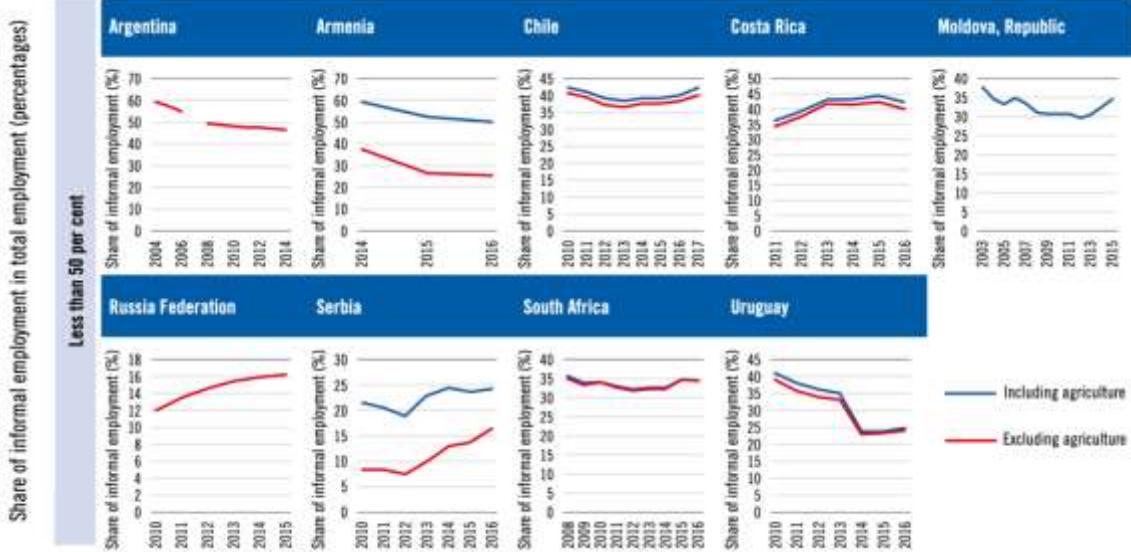
	Male	Female
Official Retirement Age	65	60
Life expectancy at Birth (2017, WorldBank)	77	82

Low Coverage

Shift in Labour Market Structure and Informality

Many Informal Labourer in Latin America Excluded from Mandatory Pension Pillar
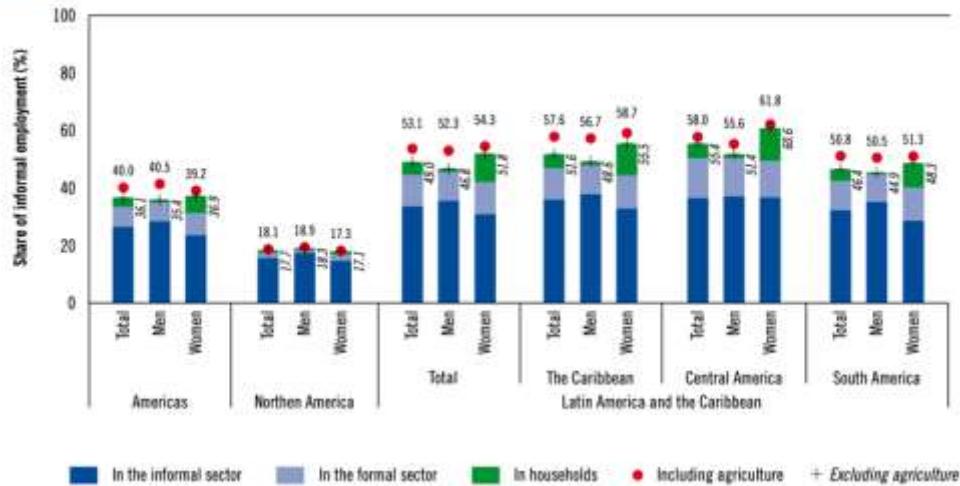
More Women than Men excluded in informal employment, especially in households
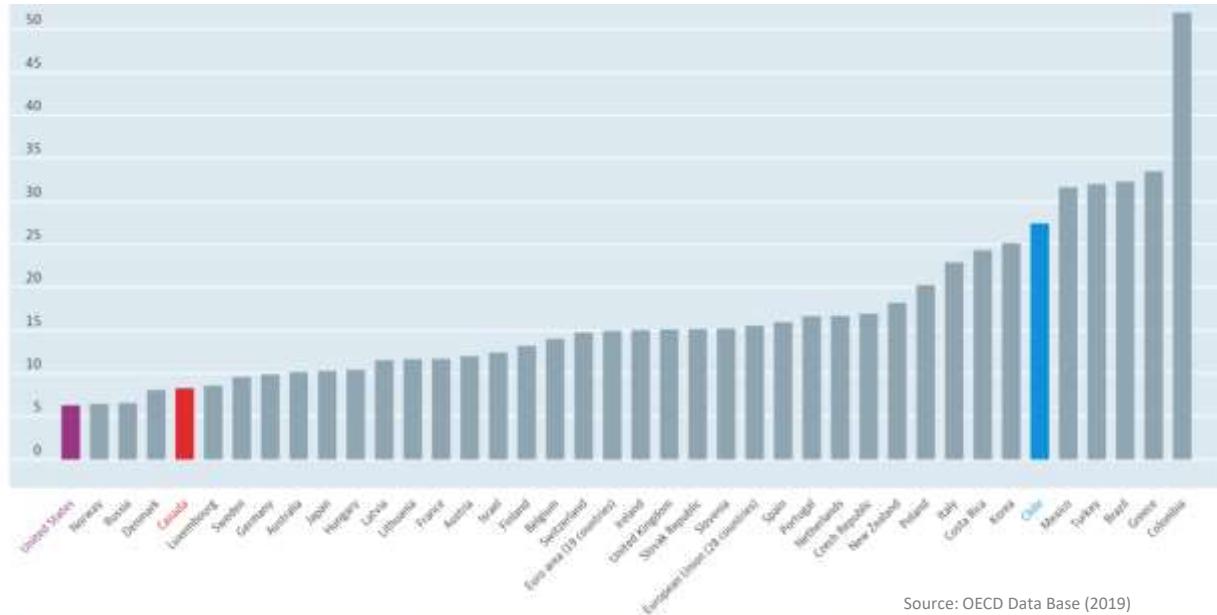
G1 Components of informal employment as a percentage of total employment: the informal sector, formal sector and household sector

Changing labour market structure:

Self-employment as a % of total employment (2017 or latest available)

Source: OECD Data Base (2019)
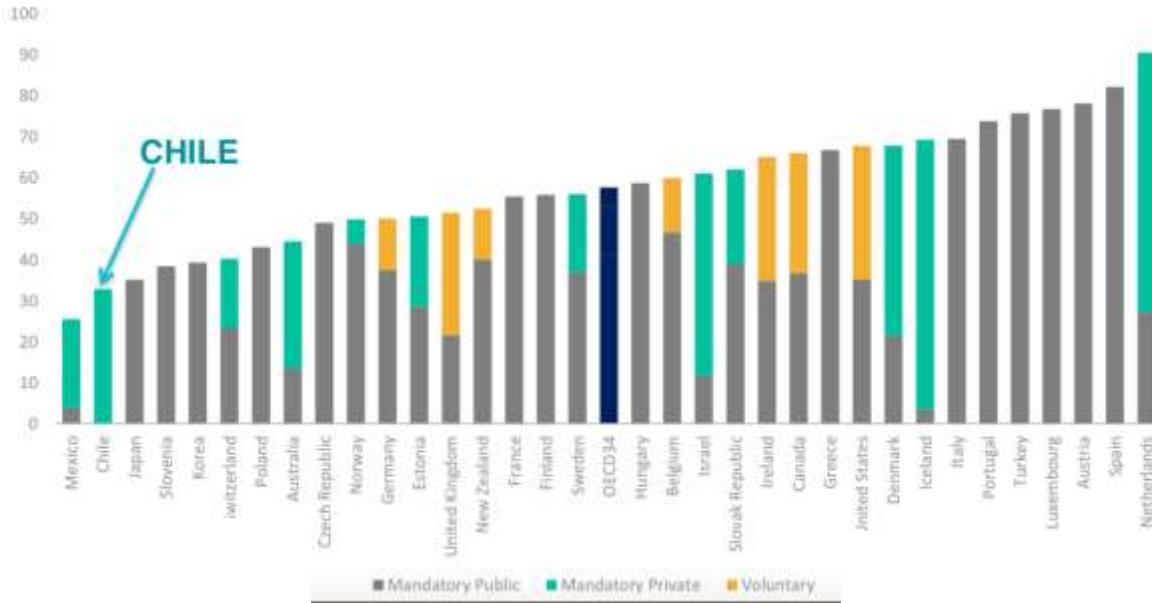
Risk and Return

Deliver Adequate Pensions

Low Replacement Rates (OECD Estimation)

Pension replacement rates (pension income as % of last salary)

AFP Chile

Source: OECD Data Base (2019)

Investment Performance Matters
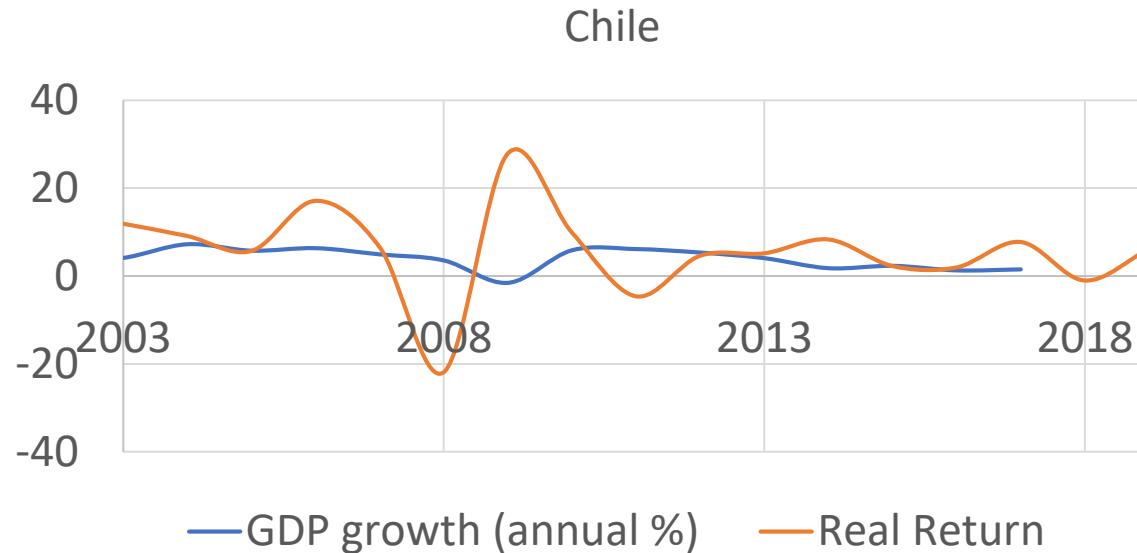
Pension Simulation shows that small differences in return rates and fees can cause huge differences in net replacement rates

US$ 205,928

US$ 166,992

US$ 205,928

US$ 171,821
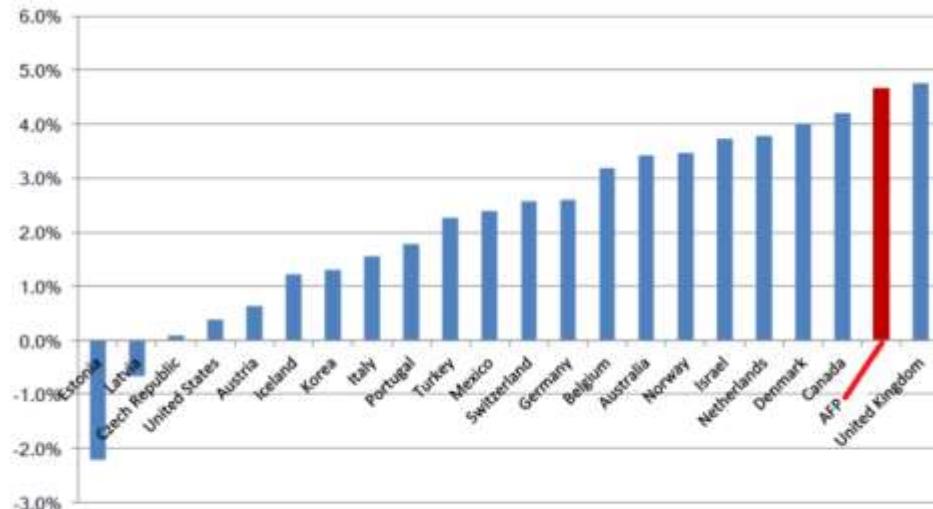
Development and Pension Funds

Chile

GDP growth (annual %) — Real Return

Real return rates of Pension Funds in Chile higher than OECD average

Real return rates averaged over 2005-2015
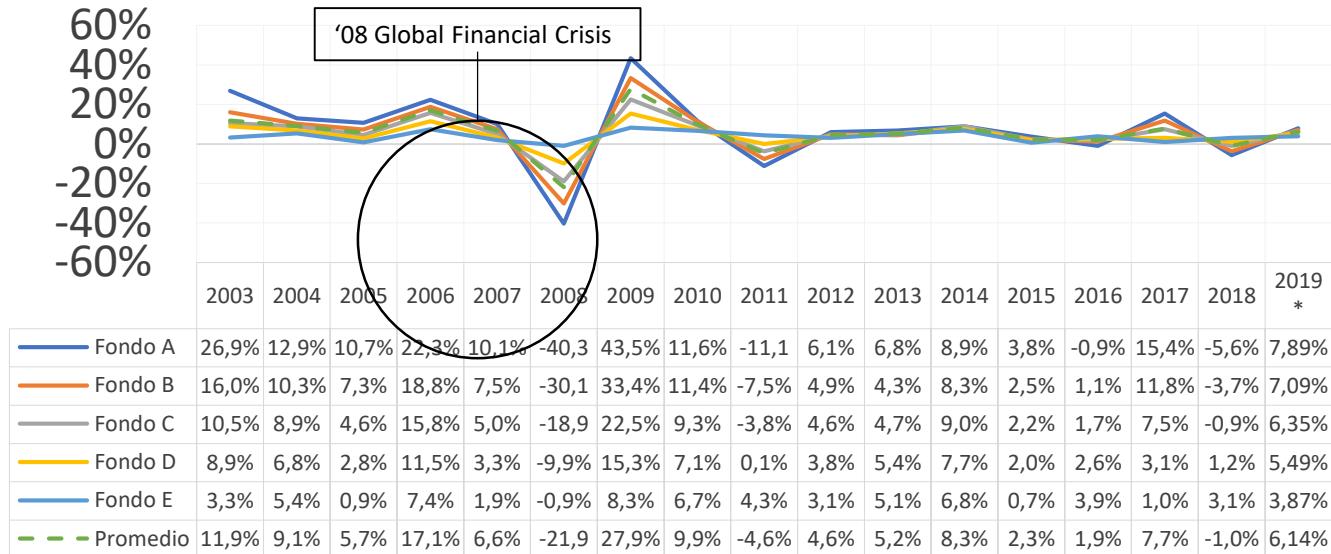
Fuente: OECD Global Pension Statistics, Superintendencia de Pensiones y cálculos AFP

Historical Real Return Rates AFP Fund Types R

‘08 Global Financial Crisis

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 *
Fondo A	26,9%	12,9%	10,7%	22,3%	10,1%	-40,3	43,5%	11,6%	-11,1	6,1%	6,8%	8,9%	3,8%	-0,9%	15,4%	-5,6%	7,89%
Fondo B	16,0%	10,3%	7,3%	18,8%	7,5%	-30,1	33,4%	11,4%	-7,5%	4,9%	4,3%	8,3%	2,5%	1,1%	11,8%	-3,7%	7,09%
Fondo C	10,5%	8,9%	4,6%	15,8%	5,0%	-18,9	22,5%	9,3%	-3,8%	4,6%	4,7%	9,0%	2,2%	1,7%	7,5%	-0,9%	6,35%
Fondo D	8,9%	6,8%	2,8%	11,5%	3,3%	-9,9%	15,3%	7,1%	0,1%	3,8%	5,4%	7,7%	2,0%	2,6%	3,1%	1,2%	5,49%
Fondo E	3,3%	5,4%	0,9%	7,4%	1,9%	-0,9%	8,3%	6,7%	4,3%	3,1%	5,1%	6,8%	0,7%	3,9%	1,0%	3,1%	3,87%
Promedio	11,9%	9,1%	5,7%	17,1%	6,6%	-21,9	27,9%	9,9%	-4,6%	4,6%	5,2%	8,3%	2,3%	1,9%	7,7%	-1,0%	6,14%

Risk Return Trade-off in Pension Savings

Pension Funds in Mexico and Chile: A Risk-Reward Comparison

Hans Schindler[1], Bernardo K. Pagnoncelli[*2], and Arturo Cifuentes[3]
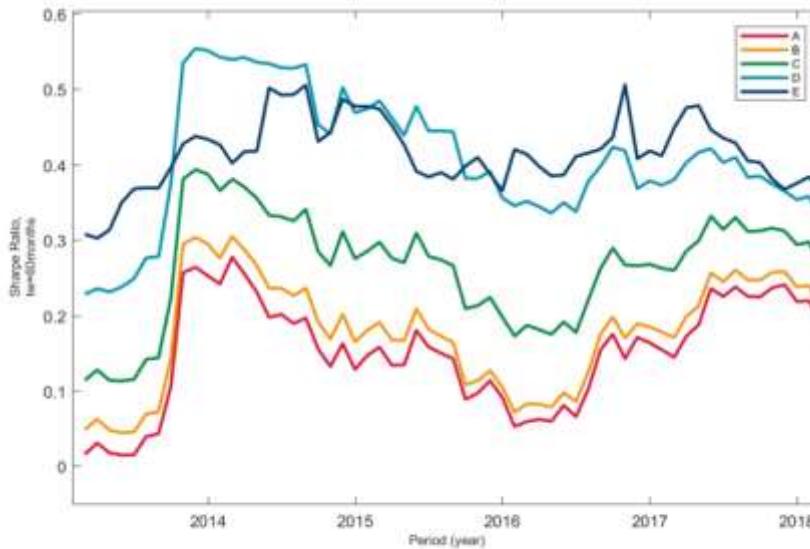
[1] CLAPES UC, Santiago, CHILE
[2] Universidad Adolfo Ibáñez, Santiago, CHILE
[3] CLAPES UC, Santiago, CHILE, and, Columbia University, New York, USA

March 2019

Findings
- Mexico: returns according to their risk profile, rankings accordingly
- Chile: erratic risk-return patterns with most conservative fund outperforming the riskiest fund in cumulative returns
→ Support for overall portfolio-level risk metric (Mexico) instead of commonly used asset allocation limits (Chile and others)

(b) Chile

Investment regulation in Pension Funds Chile's Multifund Model
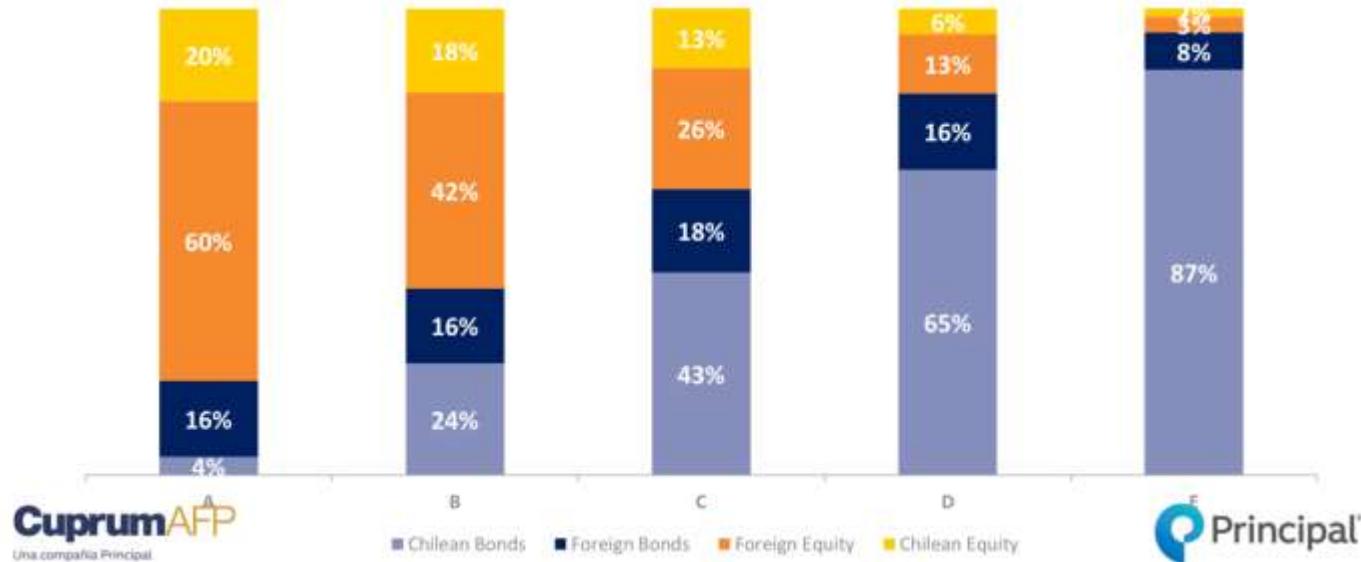
Table 1. Investment regulation in mandatory DC pension systems in OECD and selected non-OECD countries

	Quantitative investment restrictions by asset class	Minimum investment return (absolute)	Quantitative risk limits
OECD			
Australia			
Denmark	✓		✓
Hungary	✓		
Mexico	✓		✓
Poland	✓		
Slovak republic	✓		
Sweden			
Switzerland	✓	✓	
Non-OECD			
Chile	✓		
Colombia	✓		
Estonia	✓		
Israel	✓		
Russian Federation	✓		

Note: non-OECD countries include only those that are observers to the OECD Working Party on Private Pensions.

Source: Antolin, Pablo and Scheuenstuhl, Gerhard F. and Blome, Sandra and Karim, David and Payet, Stéphanie and Yermo, Juan, Investment Regulations and Defined Contribution Pensions (July 1, 2009). OECD Working Papers on Insurance and Private Pensions No. 37

Investment Portfolio AFPs: Mandatory Pillar
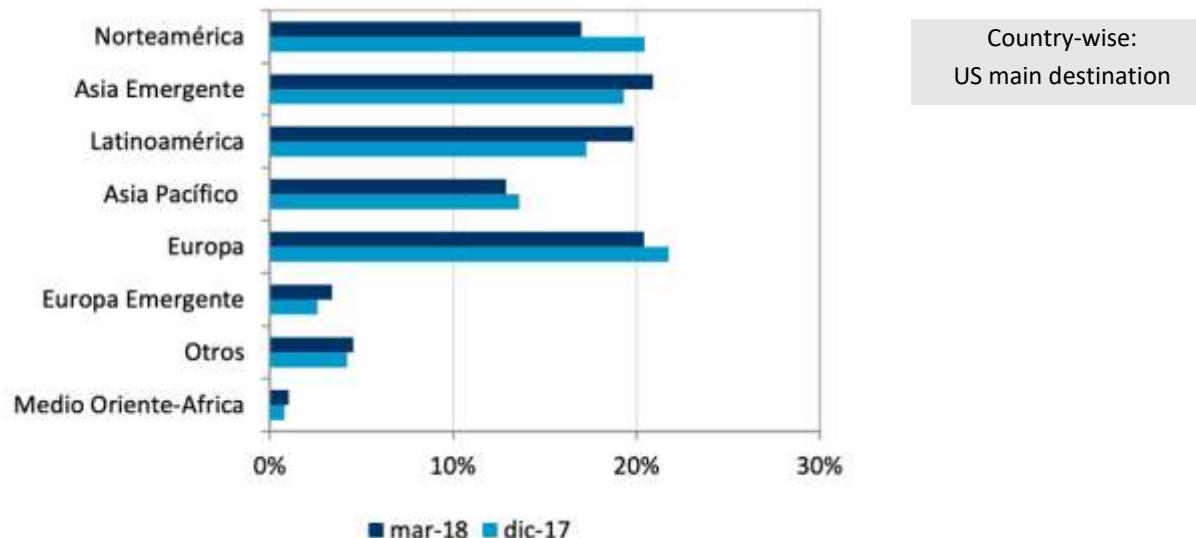
Source: Presentation by AFP Cuprum (2019)   Data from: Superintendecia de Pensiones Chile (2019)

Foreign investments by region: shift away from North America over past year(s)
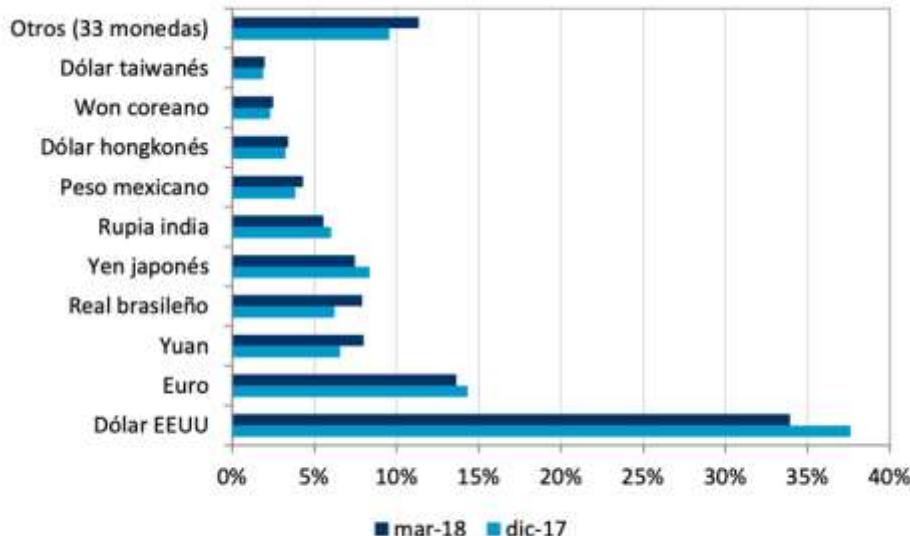
(as % of total foreign investments)

Country-wise:
US main destination

mar-18   dic-17

Foreign Currencies holdings: mostly in US Dollars

(as % of total currency)

Fuente: Superintendencia de Pensiones

Main currency:
US Dollar

Life-Cycle Strategy
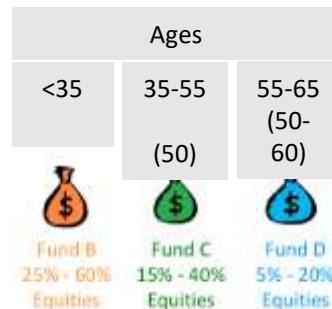
Balancing risk and return over life including the pay-out phase design

Design of Life-Cycle & Pay-out Phase

Chiles Default Member in the Multifund model

Default Life-Cycle Plan

Ages		
<35	35-55 (50)	55-65 (50-60)

Fund B
25% - 60% Equities

Fund C
15% - 40% Equities

Fund D
5% - 20% Equities

What else to consider: Pay-out options
Mandatory Pillar
- Income Annuity
- Programmed Withdrawal
- Deferred Income Annuity
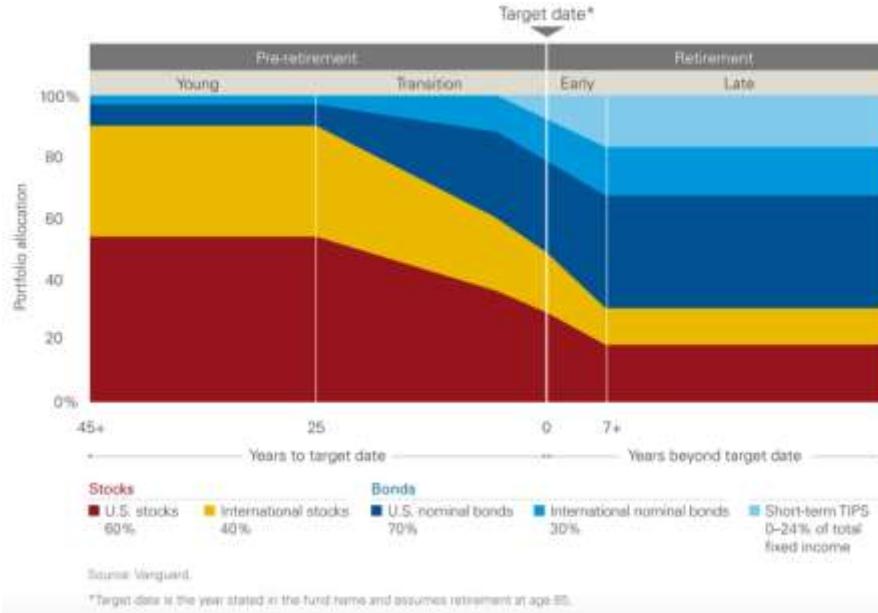
Timing of Pay-out
- Official retirement age: 65 (man) and 60 (woman)
- Early retirement (if already accumulated enough)
- Later retirement
- Voluntary Pillar: pay-out before retirement with tax penalty

Source: AAFP internal documents (2019)

Design of Life-Cycle and Pay-out Phase

Vanguard (US) Target–Date Fund

Design of Life-Cycle and Pay-out Phase

Paper by Antolin (2010) Evaluating Default (Life-Cycle) Strategies

The Assumptions

Table 1. Return and volatility of underlying asset classes

	Return	Volatility
Cash	3.7%	1.7%
Government bond	4.8%	3.0%
Inflation-indexed bond[10]	4.5%	1.9%
Equity	7.5%	20.0%

Strategies evaluated in Paper

Deterministic:
- Linear decrease
- Step-wise linear approach (Chile Default)
- Piece-wise linear approach (US Vanguard)

Dynamic: life-cycle with some limits

Dynamic risk budgeting

Source: Antolín, P., S. Payet and J. Yermo (2010). "Assessing Default Investment Strategies in Defined Contribution Pension Plans", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 2, OECD Publishing. doi: 10.1787/5kmdbx1nhfnp-en

Design of Life-Cycle and Pay-out Phase

Antolin (2010): Chilean Step-wise approach performs well!
(Chile Default 8-11, US Vanguard 12-15)

Figure 1. Life annuity: Median replacement rate vs. 5th percentile
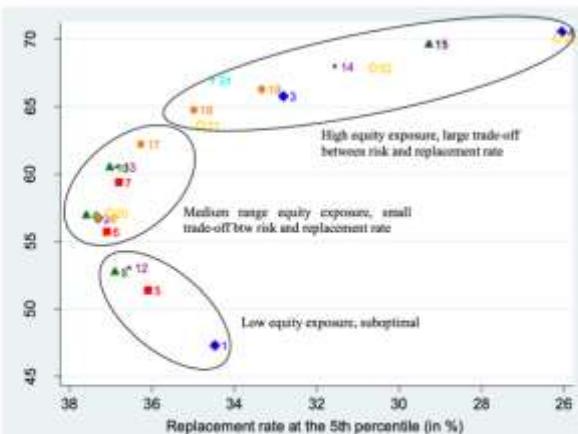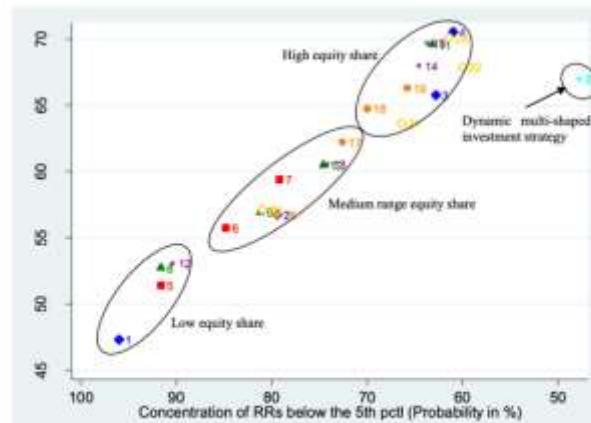
Figure 2. Life annuity: Median replacement rate versus concentration below the 5th percentile replacement rate
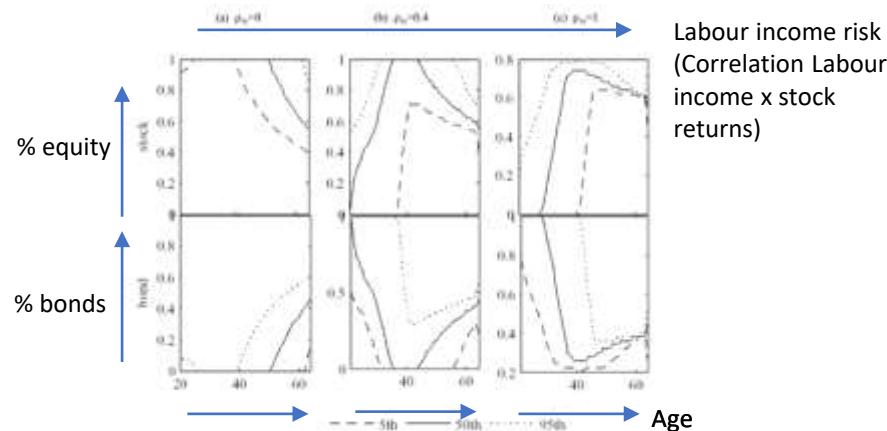
Source: Antolín, P., S. Payet and J. Yermo (2010). Assessing Default Investment Strategies in Defined Contribution Pension Plans

Design of Life-Cycle and Pay-out Phase

Antolin (2010) Replacement rates with real-world data: under crisis, life-cycle strategy provides more protection

Figure 8. Hypothetical replacement rates 20-yr contribution period for Japan and US, 1940-2008

(Given market returns for a fixed portfolio and different life cycle strategies)

Design of Life-Cycle and Pay-out Phase

Antolin (2010): The pay-out phase design needs to be considered ex-ante when designing the life-cycle strategy

Source: Antolín, P., S. Payet and J. Yermo (2010). "Assessing Default Investment Strategies in Defined Contribution Pension Plans", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 2, OECD Publishing. doi: 10.1787/5kmdbx1nhfnp-en

Design of Life-Cycle and Pay-out Phase

Bagliano (2009): Labour income risk and Dynamic strategies
Low risk aversion (USA) and replacement rate of 0.68

% equity

% bonds

Labour income risk
(Correlation Labour
income x stock
returns)

Age
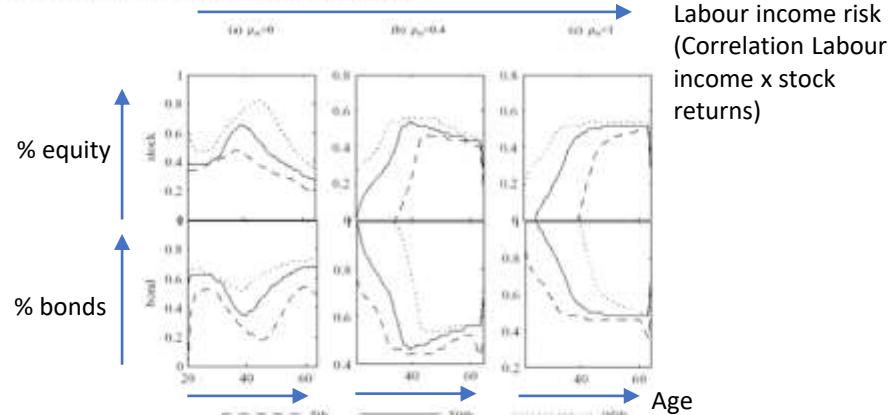
Source: , F., Fugazza, C. and Nicodano, G. (2009). Pension Funds, Life-Cycle Asset Allocation and Performance Evaluation.

Design of Life-Cycle and Pay-out Phase

Bagliano (2009): Labour income risk and Dynamic strategies
High risk aversion (Chile) and replacement rate of 0.68

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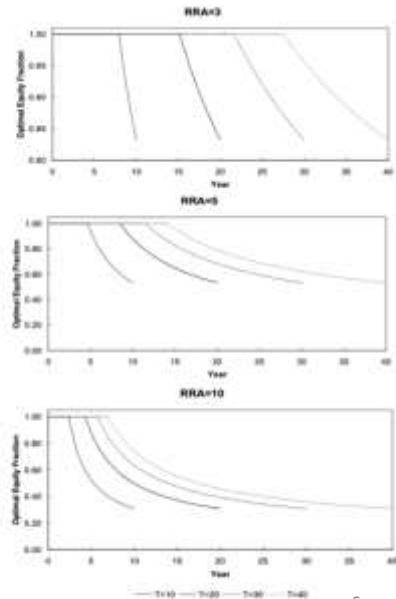
Figure 7 - High risk aversion (γ=15)
This figure reports share profiles, as a function of age, for stocks and bonds. The solid line represents the shape of the median portfolio share, while the (dotted) dashed refer to the (5th) 95th percentiles. The replacement ratio is equal to 0.68, the correlation between stock and bond returns is set to 0.2 while the one between stocks and labour income varies between 0 and 1.

Labour income risk (Correlation Labour income x stock returns)

% equity

% bonds

Age

Source: Bagliano, F., Fugazza, C. and Nicodano, G. (2009). Pension Funds, Life-Cycle Asset Allocation and Performance Evaluation.

Design of Life-Cycle and Pay-out Phase

Maurer (2007): Include Interest rate and inflation risk when optimizing life-cycle strategy - optimal equity share

- Inflation and interest rates are generally higher and more volatile in the developing world.
- The model's optimal investment strategy generates median replacement rates between 31-35% for a highly risk averse participant contributing 40 years.
- If the participant is highly risk tolerant, the calculated median replacement rate amounts to 50%.
- Interestingly, the 5th percentiles are 16.82% and 16.21% in the risk aversion extremes respectively (pattern also found in Viceira et. Al (2012)).

Source: , R., Schlag, C. and Stamos, M. (2007). Optimal Life-Cycle Strategies in the Presence of Interest Rate and Inflation Risk.

Many (Hidden)
Risk Factors

Vulnerable Chile

Who bares the risk?
In Chiles's DC system, the worker/pensioner has to bare most of the risk.

Type of Risk	Affiliate	AFP	Insurance Company	State
Longevity	X		X	X
Savings regularity	X			X
Income Trajectory	X			X
Financial Market	X	X	X	X
Solvency			X	X
Decision Making	X			X
Operation	X	X		X
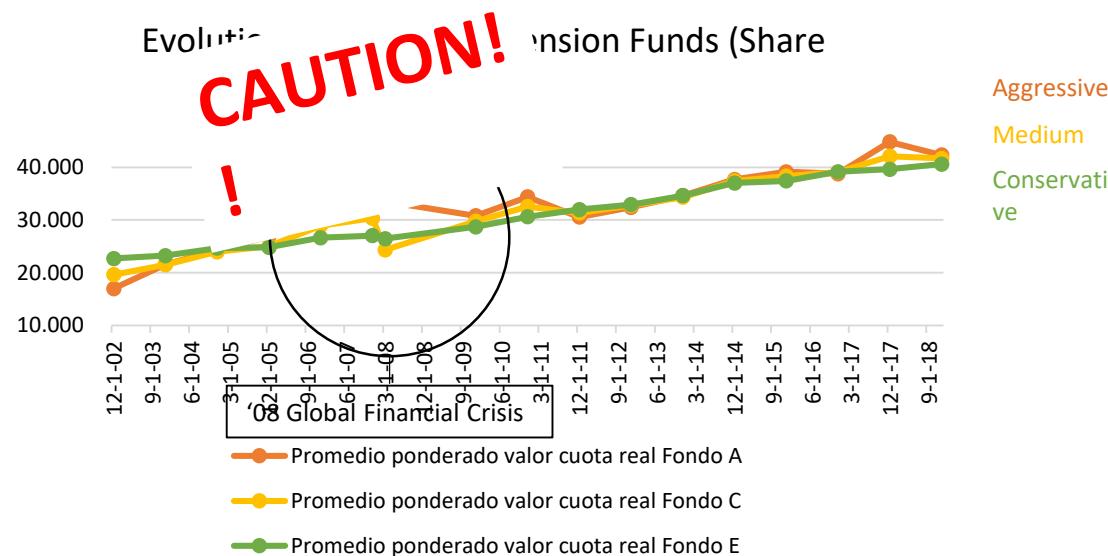
Risks that the Chilean worker faces

- Income risk
- Inflation risk
- Interest rate risk
- Equity Market risk
- Country (Bond) risk
- Political Risk
- Unemployment Risk
- Etc.

But also:

- Extreme weather events
- Water and food crises
- Impact of Climate change

Integration of ESG (Environment Social Governance) issues in Pension Fund Investments

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Decision Maker Dilemma

Complexity of Decision Making in Pensions

Who should take the Decisions?
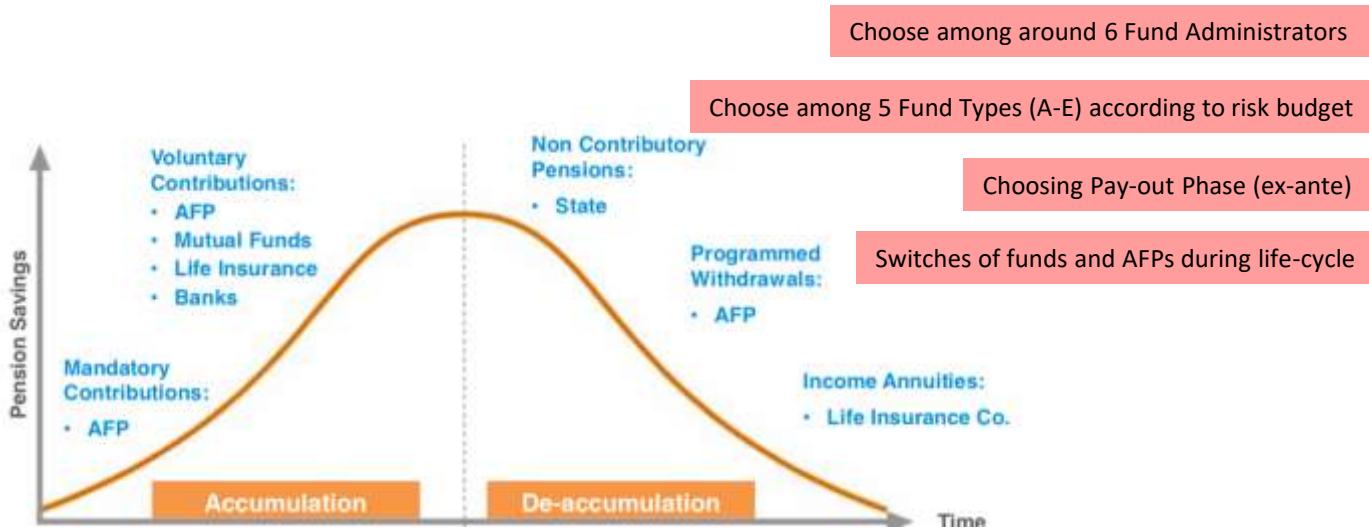
Evolution of Real Value of Pension Funds (Share Value) Per Fund Type

Source: Superintendecia de Pensiones Chile (2019)

Chilean Pension Decision: Many instances to interact with and choices to make

AFP Chile

Choose among around 6 Fund Administrators

Choose among 5 Fund Types (A-E) according to risk budget

Choosing Pay-out Phase (ex-ante)

Switches of funds and AFPs during life-cycle

Voluntary Contributions:
- AFP
- Mutual Funds
- Life Insurance
- Banks

Mandatory Contributions:
- AFP

Non Contributory Pensions:
- State

Programmed Withdrawals:
- AFP

Income Annuities:
- Life Insurance Co.

Pension Savings

Accumulation

De-accumulation

Time

Source: Presentation by AFP Cuprum (2019)

High default take-up rates (worldwide) and low financial (pension) literacy in Chile

Table 9: Percentage of members that made an active choice in Chile

	2002	2003	2004	2005	2006
% of members that made an active choice	16%	20%	24%	29%	34%
Total number of members	6.7 millions	6.9 millions	7.1 millions	7.4 millions	7.6 millions

Source: SAFP, 2005

Survey published by the Economics Department of the Universidad de Chile in 2004:
- one-third of participants know how many funds there are in the investment choice scheme
- around one-fifth can give the correct total number of funds.
- only 16% of participants know correctly their type of funds (Economics Department of the Universidad de Chile, 2004).

Source 1: Viceira (2012). Pension Fund Design in Developing Economies.

Source 2: Tapia, W. and J. Yermo (2007). "Implications of Behavioural Economics for Mandatory Individual Account Pension Systems"

Why Chilean Workers are incapable or unwilling to take pension decision

- Lack of financial illiteracy
- Lack of confidence in own abilities
- Lack of information and willingness to inform themselves properly
- Lack of access to financial advice
- Irrational decision-making
- Lack of revision of pension plan/fund/investment choice
- Lack of transparency and excess of investment choices
- Lack of confidence in the system

Politicians Decide
Chile's Pension Reform 2019 – Presidential Proposals:

- Establish Mandatory Employer's Contribution 5% of salary
- New contribution will be managed by state owned entity
- 3% will go to individual accounts, and 2% to Collective Savings Insurance System, with strong redistributive character
- Strengthen the State sponsored DB system for citizens with low pension savings
- Maintain current 10% mandatory employee contribution to individual savings account managed by AFPs (DC plan)
- Create better incentives to align AFP fees with return
- Promote competition among AFPs through extension of auction of new participants
- Make self-employed workers savings compulsory

However: Politicians might not be the best decision taker in pension fund policy

Political Representation and Governance: Evidence from the Investment

Decisions of Public Pension Funds*

Aleksandar Andonov
Erasmus University

Yael V. Hochberg
Rice University, MIT and NBER

Joshua D. Rauh
Stanford University and NBER

September 13, 2016

Findings:

- Representation on pension fund boards by state officials or those appointed by them is strongly and negatively related to the performance of private equity investments made by the fund.

- The reasons for this underperformance do not root in the state officials' lack of financial experience. Nor can contributions from the finance industry to elected state officials on pension fund fully explain the performance differential.

- Hence, there are other, presumably political reasons that drive state officials to take investment decisions that are not optimal for the pensioners.

Pensions need Researchers

Call to Researchers: We are left with many open questions…

- How shall we invest to guarantee an adequate pension?
- How shall we approach and limit the various types of risks, especially in Emerging Markets and Developing Countries?
- How can we make investments economically, socially and environmentally sustainable? Divesting Pension Funds?
- How do we operate in a system that does not receive much legitimacy or trust of the people?
- How can we increase pension coverage in countries with high informal labour shares?
- How can we make pension decisions easier and better?
- What works better: Single, Target-Date Fund (US) or Multi-Fund Model (Chile)?
- How to design the life-cycle strategy?
- How to approach various pay-out phase designs?
- How shall we provide the default members, one-size-fits-all strategy?
- How to increase financial education?
- How can we use AI and technology to generate low-cost personalized saving plans, to make financial advice affordable or simply to make the decision taking more transparent and consumer friendly?

AFP Chile

¡Muchas Gracias
por su atención!

Presentation by Jana Tillmann

Asociación
AFP Chile

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Necesaria actualización

Los sistemas de pensiones hoy están siendo cuestionados:

- Viabilidad financiera en el largo plazo

- Cambios demográficos (mayor longevidad y menor natalidad)

La necesidad de actualizar respuestas no solo está ocurriendo en Chile.

Panorama General

Estadísticas asociadas a pensiones:

País	Edad jubilación	Tasa de contribución			Rentabilidad Promedio 10 años
		Empleado	Empleador	Total	Real
Chile	65 (60)	11,16	1,15	12,31	3%
Dinamarca	65	0,5	12,8	13,4	4%
Holanda	65	17,9	16	33,9	3,8%
Suecia	65	7	16	22,88	4,5%

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Panorama General

Estadísticas generales:

País	PIB per cápita ppp (USD)	Promedio ingreso laboral (USD)	Densidad Cotizaciones (aprox)	Esperanza de vida al nacer	Esperanza de vida después de los 65	Gasto Total en Pensiones (% PIB)			Carga tributaria
						Público	Privado	Total	% PIB (2015)
Chile	23.046	11.588	30%	79,8	19,6	3,2	1,4	4,6	20,7
Dinamarca	48.994	64.654	90%	79,3	18,5	6,2	4,7	10,9	46,6
Holanda	49.570	59.165	90%	80,9	19,3	5,5	5,8	11,3	34,3
Suecia	47.823	52.272	90%	81,7	19,9	7,4	2,6	10,0	43,3

Fuente: Pension at a glance 2015, OECD Global Pension Statistics, 2016.
https://data.oecd.org/tax/tax-revenue.htm#indicator-chart

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APRENDIZAJES

Aprendizajes

SISTEMA MULTIPILAR
- Uno estatal asociado al componente solidario
- Un segundo de ahorro
- Un tercer pilar voluntario

IMPORTANTE ROL DEL ESTADO EN PILAR SOLIDARIO
- El Estado tiene un rol ineludible en el pilar solidario
- En promedio, el % del PIB destinado a este pilar es del 6%, cuando en Chile es del 0,7%

IMPORTANTE ROL DEL ESTADO EN EL PILAR SOLIDARIO TODOS CUMPLEN UN ROL (DERECHOS Y DEBERES)
Los buenos resultados se explican por una mayor formalidad del mercado laboral, alta densidad en las cotizaciones, amplia cobertura, por niveles de ahorro significativos y por la sostenibilidad de las políticas

EL REPARTO ES INVIABLE
- Pagar pensiones con financiamiento público tiene un trade off y se traduce en la reducción de otros programas sociales
- Existen desafíos demográficos asociados al envejecimiento de la población

Aprendizajes

RESPONSABILIDAD TRIPARTITA: EMPRESA, ESTADO Y PERSONAS
La forma de lograr un equilibrio es la trilogía entre empresa, estado y personas. Empleadores tienen un rol activo en el sistema

SISTEMAS PENSIONES AJENOS AL CICLO POLÍTICO
Instituciones que aseguren pensiones en el largo plazo.

AMPLIA COBERTURA, DENSIDAD DE COTIZACIÓN Y FORMALIDAD DEL MERCADO LABORAL
Los buenos resultados se explican por la alta densidad en las cotizaciones en el mercado laboral (la densidad de contribuciones es del 100% para más del 80% de los trabajadores), por niveles de ahorro significativos y por la sostenibilidad de las políticas.

SEGURIDAD SOCIAL
Parte importante de las reformas ha sido abordar el aumento de la longevidad desde sistemas más amplios de seguridad social. De forma complementaria se han desarrollado planes de empleo para la tercera edad.

INSTITUCIONALIDALA QUE TRASCIENDE GOBIERNOS
Han afrontado el desafío generando reformas y revisiones permanentes al sistema en el tiempo, casi anuales, lo que les ha permitido ir ajustándose a los cambios demográficos y sociales de forma adecuada.

Desafíos Identificados

- Keep it simple → transparencia

- Flexibilidad y libertad de elección

- Mejorar la relación entre contribución y pensión obtenida

- Independientes NO están cubiertos

- Portafolios de inversión (sustentabilidad, manejo interno, real state, alternative assets)

- ¿Cómo incorporar los perfiles de riesgo diferentes en los fondos de pensión?

- Obligatorio? Hasta que punto?

- Se puede sacar plata del fondo de pensiones?

- Batalla de las generaciones

- Pérdida de confianza

Dilemas

- Contexto económico con bajas tasas de rentabilidad

- Cambios demográficos

- Derechos y deberes

- Reputación (nuevo contexto demográfico y de gasto fiscal)

- Cercanía a los afiliados

- Libertad de elegir v/s acuerdos colectivos y normas públicas generales

- ¿Solidaridad?

- Alfabetización en educación previsional y escaso conocimiento financiero

SISTEMAS DE PENSIONES

Europa del Norte

Asociación
AFP Chile

24 de abril 2017