



SEMINARIO FIAP

- FIAP Seminar 2005-

2005

# PensionNews

Official Bulletin FIAP 2005, Issue #3, Cartagena de Indias, Friday 20<sup>th</sup> of May, 2005

## Today culminates the Seminar FIAP 2005: Mission completed!



Led by the President of the Republic of Colombia, Mr. Alvaro Uribe Vélez, the President of FIAP, Mr. Guillermo Arthur representing the Organizing Committee and Mr. Luis Fernando Alarcón, president of Asofondos, the Seminar FIAP 2005 is being officially wound up to day. FIAP, Asofondos-Colombia and the editorial committee of

PensionNews thank you for taking part in the most important meeting of the industry in 2005, where more than 200 persons of very high level of the pensions industry at international level met together, a record of assistance for this type of events organized in previous years. After 3 days of speeches and discussions between participants, the

event culminates to day completing the main objective of the Organizing Committee, to contribute to the definition of the part of each one of the pillars of the foresight system and their interaction between them. Already on Wednesday, during the General Meeting of FIAP, the agreement was reached to sign a joint declaration from all members of FIAP, called Declaration of Cartagena, which will be published at the end of the Friday session.

The editorial committee of PensionNews has been very pleased to work for the participants in the FIAP Seminar. We hope to remain being a valuable contribution to all the events of the Pensions Industry and to work again with you during the Fair of Suppliers of the Pensions Industry, which is being organized by FIAP in Santiago of Chile for the month of July, 2005.

Good bye so long!

The Editorial Committee

**PN**

### SUMMARY PROGRAM OF THE DAY:

#### 08:30 – 09:45

- The Second Pillar:  
A. Programs of Obligatory Contribution (Continued)  
B. Improvements to the Second Pillar:  
Performance of the Second Pillars reformed in Latin America: Reply to critics.
- An outstanding task:  
The improvement of the Redistribution Schemes
- Improvement of the Retirement Systems in Latin America

#### 09:45 – 10:00

Questions from the audience.

#### 10:00 – 10:45

Perspectives of the World Bank regarding Foresight Reforms

#### 10:45 – 11:00

Questions from the audience.

#### 11:00 – 11:15 Coffee

Winding up session.

#### 11:15 – 11:30

Balance of the Seminar

#### 11:30 – 11:45

The future of the Retirement System in Colombia

#### 11:45 Official winding up

Mr. Alvaro Uribe Vélez, President of the Republic of Colombia

#### 21:00 – 1:00

Winding up celebration  
Offered by ETB  
Baluarte San Francisco

## Interview

**FRANCISCO ZAMARRIEGO,**

Pensions Manager for Latin America of the Santander Group, Spain

**“The challenge: general regulatory standards to allow a greater diversification of the investments.”**



The Santander group, in the field of Administration of Retirement Funds, is working in six countries: Colombia, Mexico, Peru, Chile, Uruguay and Argentina. It is handling about 16 billion dollars and 8 millions of persons are affiliated.

**According to you, what are the main challenges of the retirement industry regarding investments?**

The industry of retirement funds has been growing very fast,

above all as regards handling of assets. Nowadays, we meet important challenges due to the huge amount of money which we must administer. Our main problem is the tendency to concentration of the funds in local instruments, and among them, in some countries, in State commodities. The challenge is to generate regulatory standards which would allow a greater diversification of the investments at the local and international levels, so that the funds may be invested in other countries. This will allow an interrelation, a net of investments between all the funds which will help to

strengthen the system.

**What are the strategies of the Santander Group to amplify the coverage of Provisional System in Latin America?**

In order to improve our firm, we are constantly investing in the services and in the commercial fields, always aiming at obtaining new affiliations so as to contribute to the extension of the global coverage of the system.

**According to you, what is the main challenge for the Administrators of Retirement Funds in Latin America?**

The system of social security as a whole is facing a great challenge, coverage. There are many people in informality or without a job.

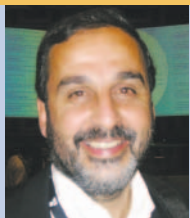
Moreover, to manage diversifying investments and obtain density of contributions from the affiliated. The percentage of employees who do not contribute is high. A solution must be found to improve this situation.

FN

Yara Bayuelo Watts  
PensionNews

## Interview

**AUGUSTO IGLESIAS,** PrimAmerica Consultores and FIAP outdoor consultant, Chile.



## Labor markets and Foresight Coverage.

For Augusto Iglesias, 2005 is a year of challenges for the ARF. “In many countries, the Administrators of Retirement Funds are being considered responsible for the bad coverage when the problem is in the labor market and not the contrary. If there are no jobs, there are no contributions and without contributions, there are no pensions. The solution is to improve the condition of the labor market”, he says.

**In to your opinion, what is the balance of the Seminar 2005 of FIAP?**

This seminar has been very important because it enables to locate the new systems of individual capitalization in the context of the whole system of social security. It was opportune

and necessary to discuss about the exact part of the programs of retirement funds in the solution of the problems of social security, understanding that said programs aim at resolving the retirement problems on the part of people. But to provide a complete solution, it is necessary that said programs work together with other programs for people without savings capacity because of unemployment of labor instability.

**How do the programs of the first pillar help in the Administration of Retirement Funds in Latin America?**

A debate about the efficiency of the first pillars in Latin America is very necessary. The second pillar has been object of many discussions, but not the first one. And the first pillar shows many problems. There are even countries which still do not have retirement systems for the poorest and most instable people.

This type of programs must be promoted. The financing structure of those programs which are sometimes being financed through taxes on labor, what has double sense, must be improved. The situation must be studied to see how some defects in the labor market leave many people without a foresight coverage. The independent savings must also be encouraged.

**How do you see the theme of the improvement of coverage by the foresight system in Latin America?**

Unfortunately, during recent years, we have been going in the opposite direction, due to the difficult economical situation in many countries of Latin America. Unemployment grew, the income of important sectors of the population went down, labor instability increased. People is permanently changing from one job to another and this affected coverage. For this reason we had

this debate yesterday. The situation is worrying and compels us to already think about solutions.

**What was the objective of your speech: labor markets and coverage?**

I wanted to draw attention on the negative economical changes in Latin America, which are leaving many people out of the foresight coverage and this has much to do with the inefficiency of the labor markets. To improve this situation, the governments must remove a series of obstacles and inefficiencies which prevent a good operation of the labor market. The economical growth will provide more stable jobs and better wages and the quality of social security in the country will also get improved.

FN

Yara Bayuelo Watts  
PensionNews

# ADMINISTRATORS OF RETIREMENT FUNDS OF THE DOMINICAN REPUBLIC ARE GROWING

**Kirsis Jáquez**

Executive Manager of the Association of ARF of the Dominican Republic



## How is to day the foresight system in the Dominican Republic?

Our system is relatively new. We have been operating for 22 months only. We initiated the massive affiliation in 2003. That process of affiliation of formal

workers, wage earners, took 90 days. For the time being, seven Administrators of Retirement Funds are working in the Dominican Republic. In December, 2004, we had 1,033,000 affiliated. In March, 2005, we already reached 1,124,000 affiliated, which means that we are growing.

## What do you expect from this FIAP Seminar?

This type of meetings, such as the Seminar and FIAP, are positive because they strengthen the evolution of the foresight systems. In my country, we have a very recent reform of

pensions. The greatest challenges are now in the field of investments. As in many countries, in our country the investments of retirement funds are centralized in instruments of fixed annuities, the investments are very regulated and controlled and can only be made through secondary markets. Nevertheless, in this moment the market of capitals still did not fully initiate, so that there are no instruments up to now which have reached the right qualification to be able to choose being financed by retirement funds.

## What are the expectations of the Dominican ARF for this year?

We hope that the administration of funds will be positive in spite of the investment limitations. The operative system is small but it has evolved according to the economy of the country. The challenge of the investments is fundamental for the growth of the system. The coverage is fundamental to reach more people. We are in condition of developing the second pillar of the Administrators of Retirement Funds and to strengthen the third one.

FN

## TECHNOREPORT:

### INTERVIEW WITH RAFAEL ALVO COLODRO

OPERATION MANAGER, FINANCIAL DIVISION OF CIBERGROUP, CHILE



## "System of Investments for Administrators of Retirement Funds, Advantages and Profits."

### What is the solution of the investment system in CiberGroup?

The solutions commercialized by us consider all the typical activities of an Investment Management in an Administrator, such as: Purchase and Sell of Financial Instruments (national and foreign), Operations of Commitments, Capital Rating, Control of Investment Margins, Control of Excess, Contentions, Custody, National and Foreign Dividends, Notes, Currencies, Multi-Funds, Events of Capital, etc.

### What are the characteristics of the solution?

The solution is a multi-firm and multi-user application which makes possible the work in line of multiple users with "on line"

information of the real time type. It also enables to administer multiple funds, to carry out the Control of Banks, Cashier's Desks and Currencies, as well as Diversification, Authorized Partial and Massive Transfers. It is also available as "on demand" model for those organizations who want to concentrate on their business and externalize the administration of computer platforms.

### Advantages compared with other solutions?

As already mentioned, our offer is an integrated solution with fulfills all the regulatory requirements of the SAFF. Another important aspect to point out is the control of all the margins and cash budget (national and foreign) on line, which enables the table operator to carry out a better management of his daily tasks.

### What are the services associated on the part of CiberGroup?

Our company provides the complete solution, including the licensed of software, functional consulting, implantation and unfolding, hardware according to the required size, development and integration with the backoffice, communications and training.

We also offer integration with the solutions of our business partner SYSDE, so as to reinforce the technological architecture which includes the whole operational platform. On the business road map, we will develop the so-called analytic platform to be able to face the Operational Risk and SOX.

FN

# Sistema de Inversiones para Administradoras de Fondos de Pensiones.

Alef-Data, la División Financiera de CiberGroup, con más de 20 años de experiencia en el Mercado Financiero Chileno.

Av. Providencia 1806 - piso 9 - Santiago - Chile - (562) 754 64 00 - [www.cibergroup.cl](http://www.cibergroup.cl)



## Panel: Interview with:

Pablo Albir and  
Eduardo Wheelock,  
Executive President of  
SYSDE International, Inc.



# Pablo Albir, Executive President of Porvenir AFP, Colombia

## What is the impact of technology on the Administration of Retirement Funds?

Technology is the only solution to the theme of administrative costs of the industry to get affiliations and sustain itself. So that they must be reduced to a minimum. We are an extensive industry and the outlet from this "karma" of high costs is technology, it is systematization.

## In the case of Colombia, we are reaching 50% of the active population, what happens with the rest, how to incorporate them to the system?

This goes together with the formalization of economy. Nowadays in Colombia, there are no incentives to make those persons join the system. Those potential members see us as a cost. Even if we do it free of charge, if we handle everything for them completely free of charge, they will always see us as if we were inviting them to pay a tax. With such a level of informality, it is not a matter of costs. Even if we don't charge them anything, it will always be "an additional tax" for them.

## How to attend the informal employees?

The problem of the informal employees is that their employers are natural dodgers. If we offer to the employee that 100% of his contribution goes to his account and we don't charge him anything, it will not be convenient for the employer. Because it means to introduce a new account that didn't exist before, there is therefore a new element of cost. What the state must do is to punish that dodging or give him some fiscal incentive. This is not a problem of technology, but of fiscal politics.

## And what can be done with margined groups?

There is a great subsidy to day in Colombia for some people who don't require doles. The data are terrible: there are 1,300,000 retired, 500,000 of which are under 60 years. It means that we have a great number of retired persons who are not old. We have

"old persons of 40 years". The state pensions them through a payment. The total cost of this for the Colombian state is so high that, with that amount, we could give a monthly pension of 100 dollars during the rest of their lives to all people of this country above 60 years.

This type of subsidy must be canceled and the money must be granted to whom actually needs it.

## What are the initiatives being carried out by Porvenir to be able to comply with the objective of operating at the lower possible cost?

Our initiatives belong to various lines. The first one is to establish a very strong relation with the employer, who is the provider of the information.

As far as the employer and us are in perfect syntony, this transfer of information must be very easy. The second one is that the level of technicality of those employers is not homogeneous. There are employers who don't know Internet, they have no computers. The ARF must be able to adapt itself to processes which resist the technology that the employer has or has not.

## What is most important to create valor for the affiliated?

The most important thing is to be creative and come opportunely to the affiliated, in the most important moments. For this purpose, the creativity of the type of message is not sufficient. We must also operate in an efficient way, and to be able to do it, we must have an opportune data base. The service is a key and nowadays, technology is the main thing.

## The growth of voluntary pensions is notable in Colombia. How did this happen?

The fiscal benefit of voluntary savings is enormous: what you sent to the fund is free of taxes after 5 years. If I see myself in difficulty and I need money before, I must pay he taxes. If I wait for 5years, it is

free.

## The voluntary retirement funds, what is their importance in Porvenir AFP?

The administration of voluntary retirement funds represents 10% of our income. They are the most dynamic ones. The industry is strong and this product is becoming more and more important for the income of Porvenir AFP.

## Regarding the growth of your business of voluntary pensions, how did the SYSDE Pension information system contribute to do manage it?

It has been a fundamental factor. It is a very sophisticated market and it requires permanent changes. The software we use for obligatory pensions, we have it since 1991. We make small adaptations every year and it remains like a puzzle. The software for voluntary pensions, we are adapting it almost monthly to new products and it always remains within the initial structure (ordained). It allows this type of platanization, as we say in Colombia, or customization, in a very quick manner. As a matter of fact, we are now offering new products which we did not imagine two years ago that it would be possible to develop. The most creative idea of two years ago could not be compared to what we are customizing to day with the software. It gives us "liberty of high creativity".

Technologically, it satisfies any creation in the commercial field: we are creating close funds, funds per objective... all possible imagination. We are happy. We are now in a project to transfer all the "puzzle" from our legacy system of obligatories to the new SYSDE Pension scheme. We started 7 or 8 months ago and we are already putting some small modules in production at midyear. The idea is to have almost the complete operation in December. We are happy and thank SYSDE. If I can be used as a reference, I say it without any reserve, gladly!

FN



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# SYSDE PENSION

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