

AFP ASSOCIATION: A REFORM PROPOSAL FOR A PENSION SYSTEM

**More pensions for more Peruvians. The initiative proposes establishing a minimum pension in an integrated system and highlights the role of the private sector in fund management and the guidance provided to members.*

Lima, February 16, 2023.- The AFP Association (AAFP) presented at a press conference a reform proposal for a pension system to guarantee a minimum pension for all Peruvians, highlighting the importance of the private sector in the management of funds and the guidance provided to members. The Association proposes to include independent and informal workers and to improve pensions, since at present time only 3 out of 10 workers will have access to a pension.

This approach, which rewards the effort of saving, a fundamental basis for building a pension for old age, guarantee a minimum monthly pension to people with at least 20 years of contributions and a proportional pension to those who have contributed between 10 and 20 years.

The proposal also incorporates the contribution of a seed capital, which implies a contribution from the State to each newborn, thus financing Pension 65 for all Peruvians, making a more efficient use of the government revenues.

"It is time to focus on a real long-term reform and think about those Peruvians who will have nothing to live on when they reach retirement age. The idea is that in this new system a minimum pension is guaranteed for all. It would be a mistake for the control of pensions to pass into the hands of the State, that is, into the hands of a government that could be subject to the ups and downs of Peruvian politics, as some sectors are suggesting", commented Giovanna Prialé, President of the AAFP.

Pension for all

The sector's proposal is based on the following points:

-Minimum pension for all. It implements a minimum pension scheme that recognizes and rewards individual effort through solidarity mechanisms.

-Matching contribution. It proposes that, for each sol contributed by the member, the government should contribute an equivalent amount until a minimum pension is reached. The purpose of this contribution is to incorporate informal and independent workers who do not have the capacity to save consistently.

-Refund of 1% of the Value-Added Tax (VAT). It proposes that each citizen be refunded 1% of the VAT paid during the year, thus increasing pensions and profitability, promoting savings and encouraging formalization.

-Seed capital. It implies that the state establishes a fund for each Peruvian born, as a base fund that is capitalized until the retirement age at 65.

-Increase the number of fund managers. Affiliates will have more options to choose and open the pension system to new players with the same rules: separate assets and intangible funds for protected the savings.

-Finally, the creation of a performance fee, with a **component associated to profitability** to create a new alternative for members.

With this proposal, the AFP Association efforts to encourage debate that will allow working on a comprehensive reform that will provide decent pensions to all Peruvians.