



Pension Reform in Chile after 25 years

(29 March 2006)

**Guillermo Arthur
President**

**Association of Pension Fund Administrator of Chile
International Federation of Pension Fund Administrator**

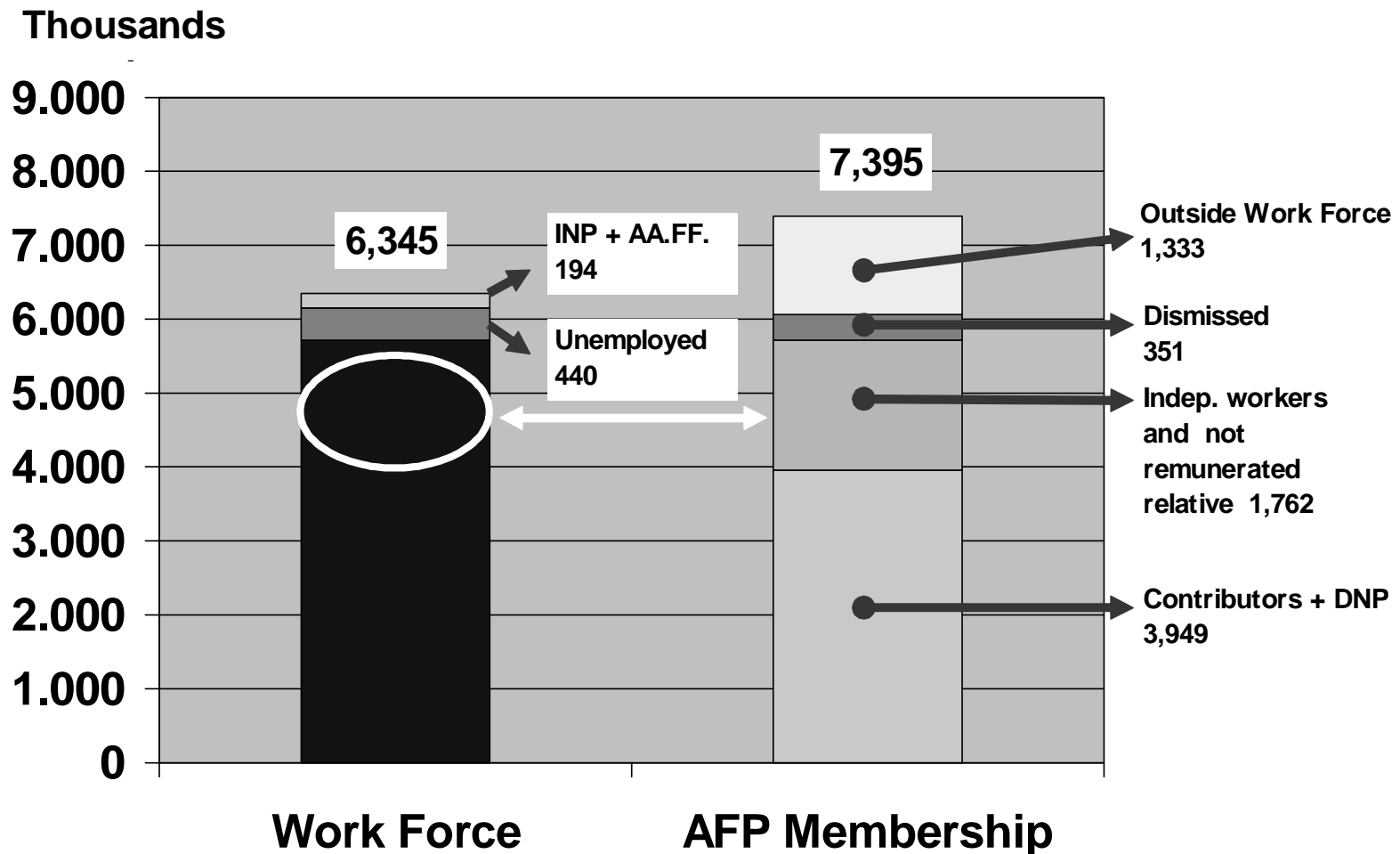


RESULTS

Difference between members and contributors

Work Force and Membership of the AFPs

(Source: S.A.F.P. Dec. 2005, I.N.E. Oct.-Dec. 2005)

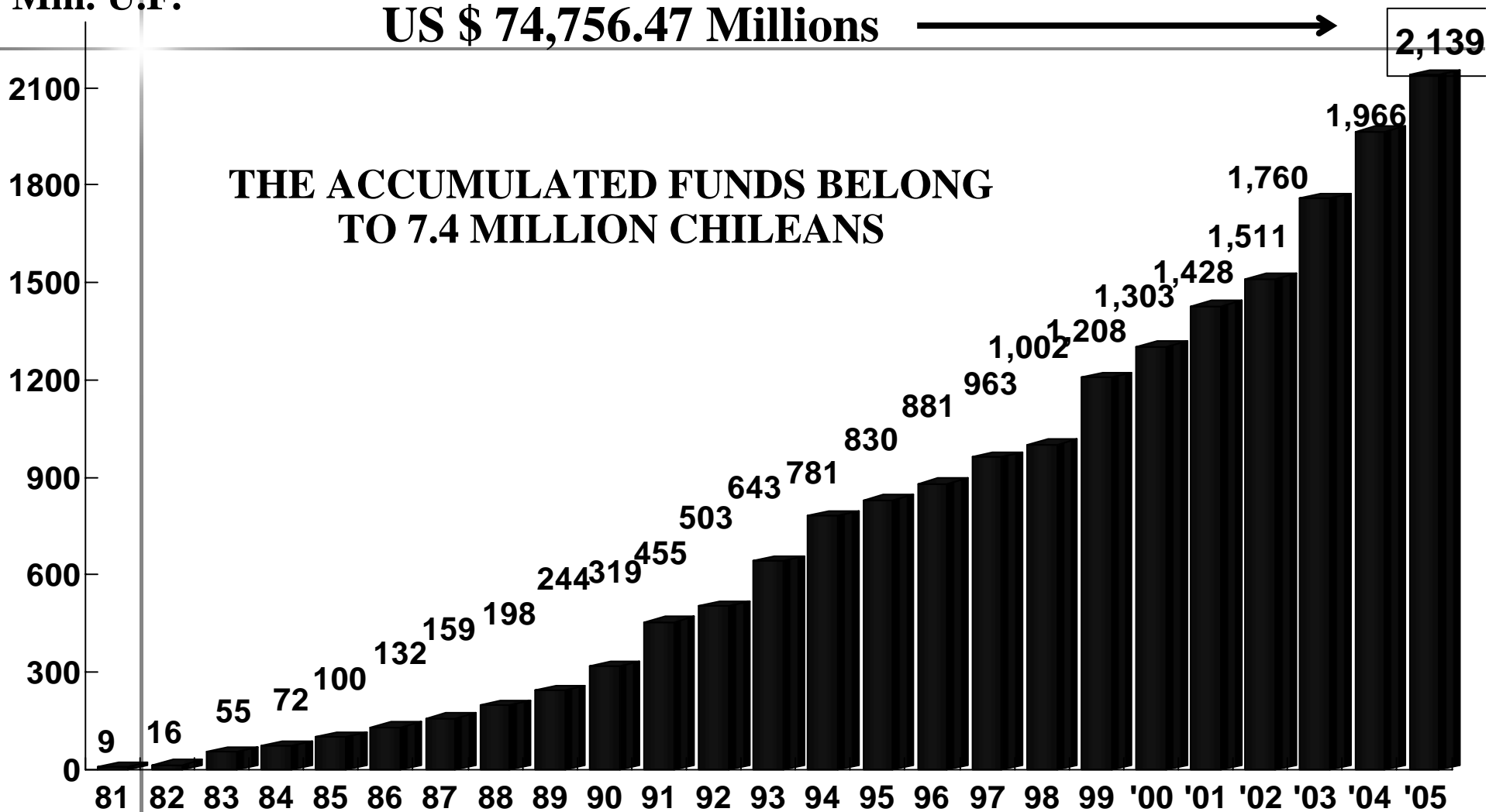


Development of the Pension Funds

(In Millions of UF as of December Each Year)

Mill. U.F.

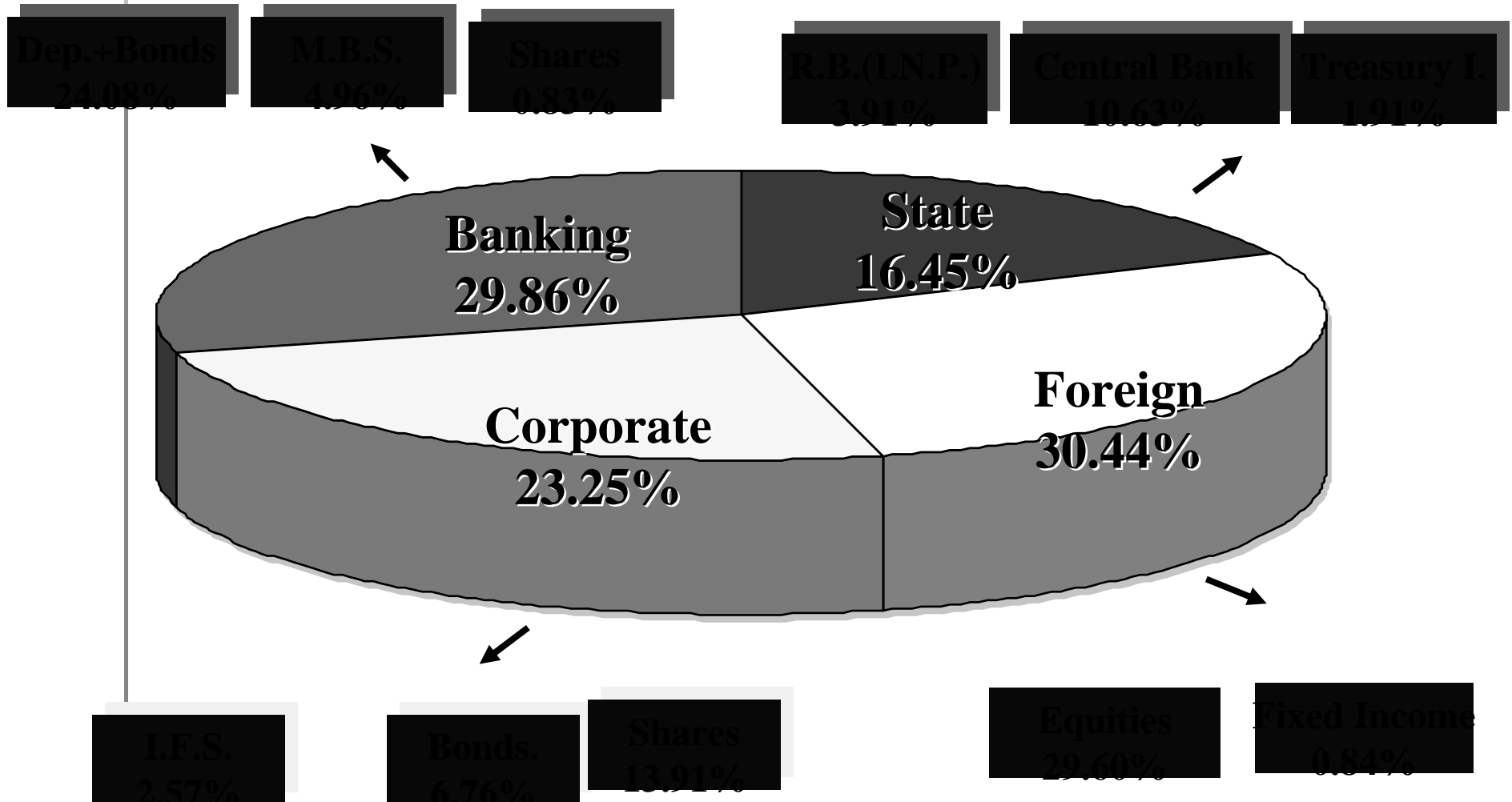
US \$ 74,756.47 Millions



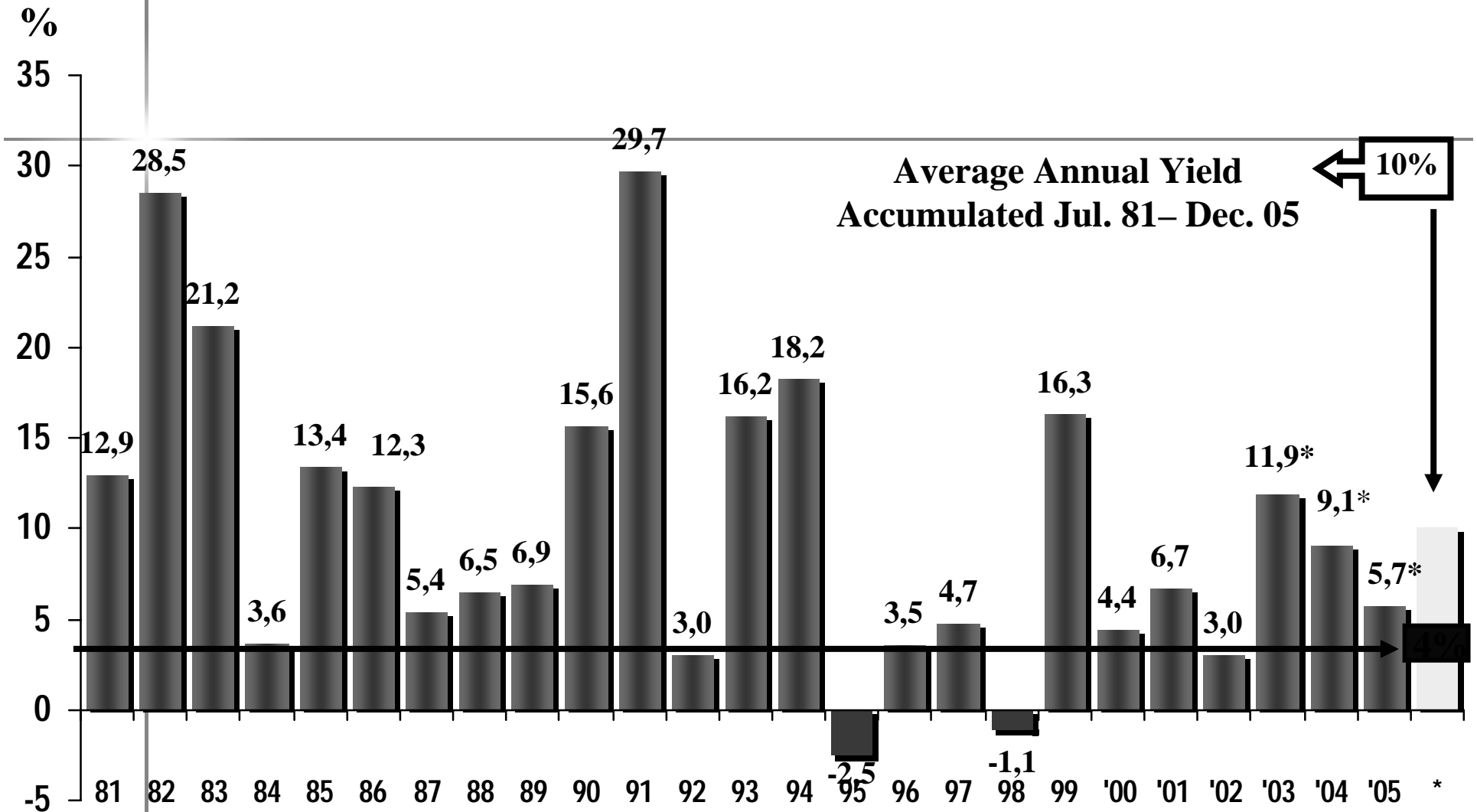
Pension Fund Investments

(As % of the Pension Fund in December 2005)

MM US\$ 74,756.47



Real Annual Yield of the Pension Funds



*: Weighted average multi-funds

Pensions Paid by Type

as % of total as of December 2005

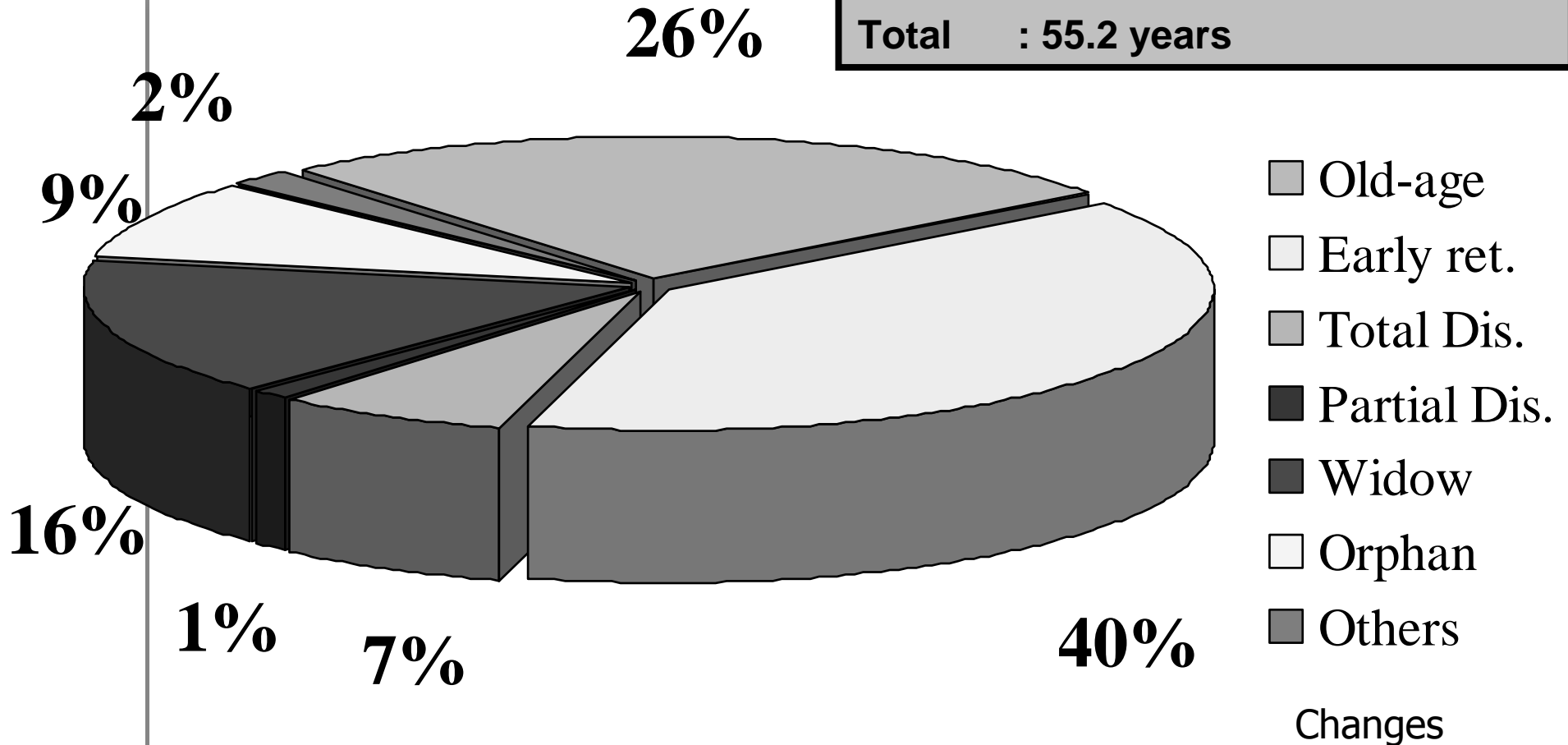
574,011 pensions paid

Average Early Retirement

Men : 55.6 years (9.4 years early)

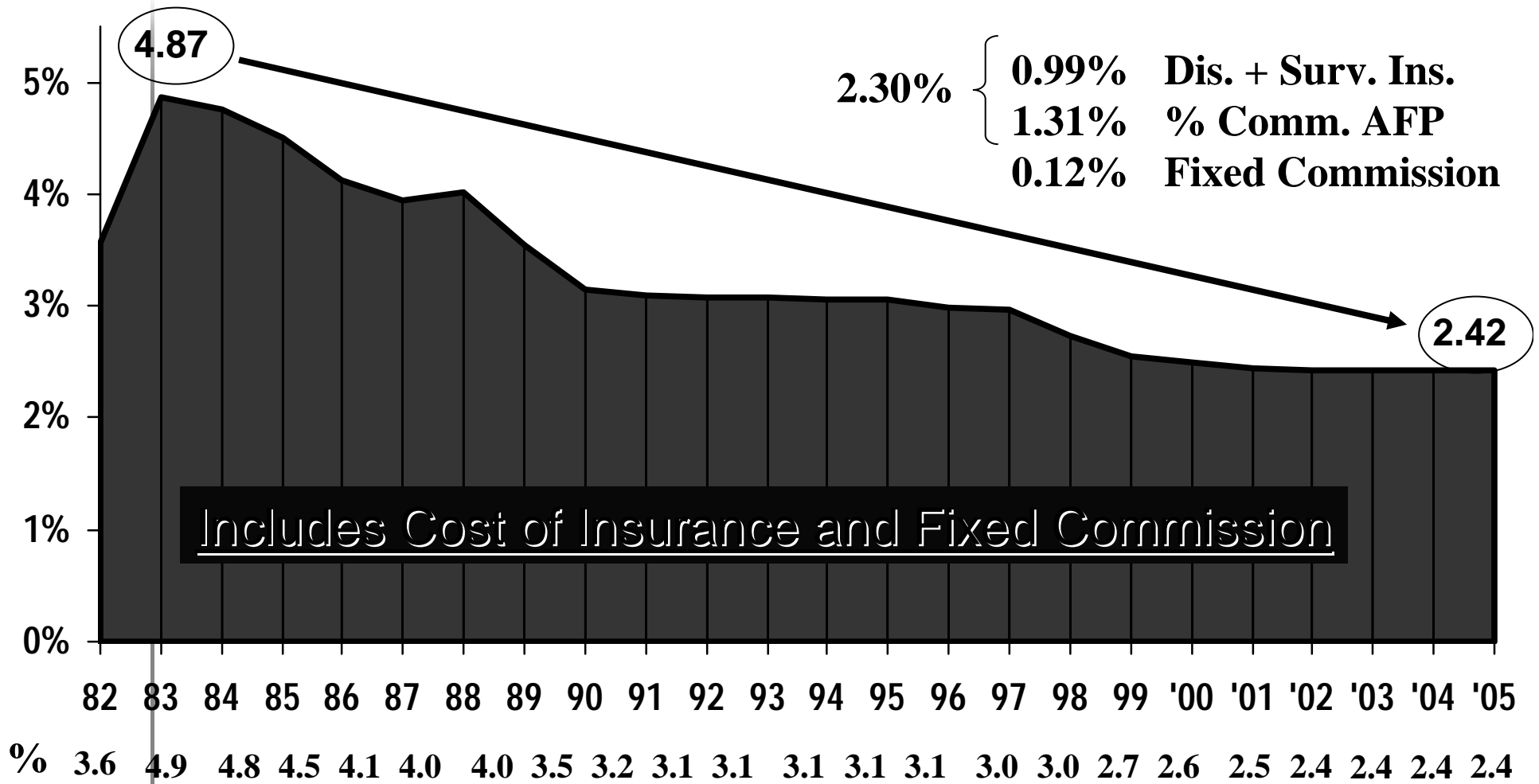
Women : 53.3 years (6.7 years early)

Total : 55.2 years



Monthly Social Security Cost for an Average Contributor

Dec. each/ year as % of Average Taxable Income

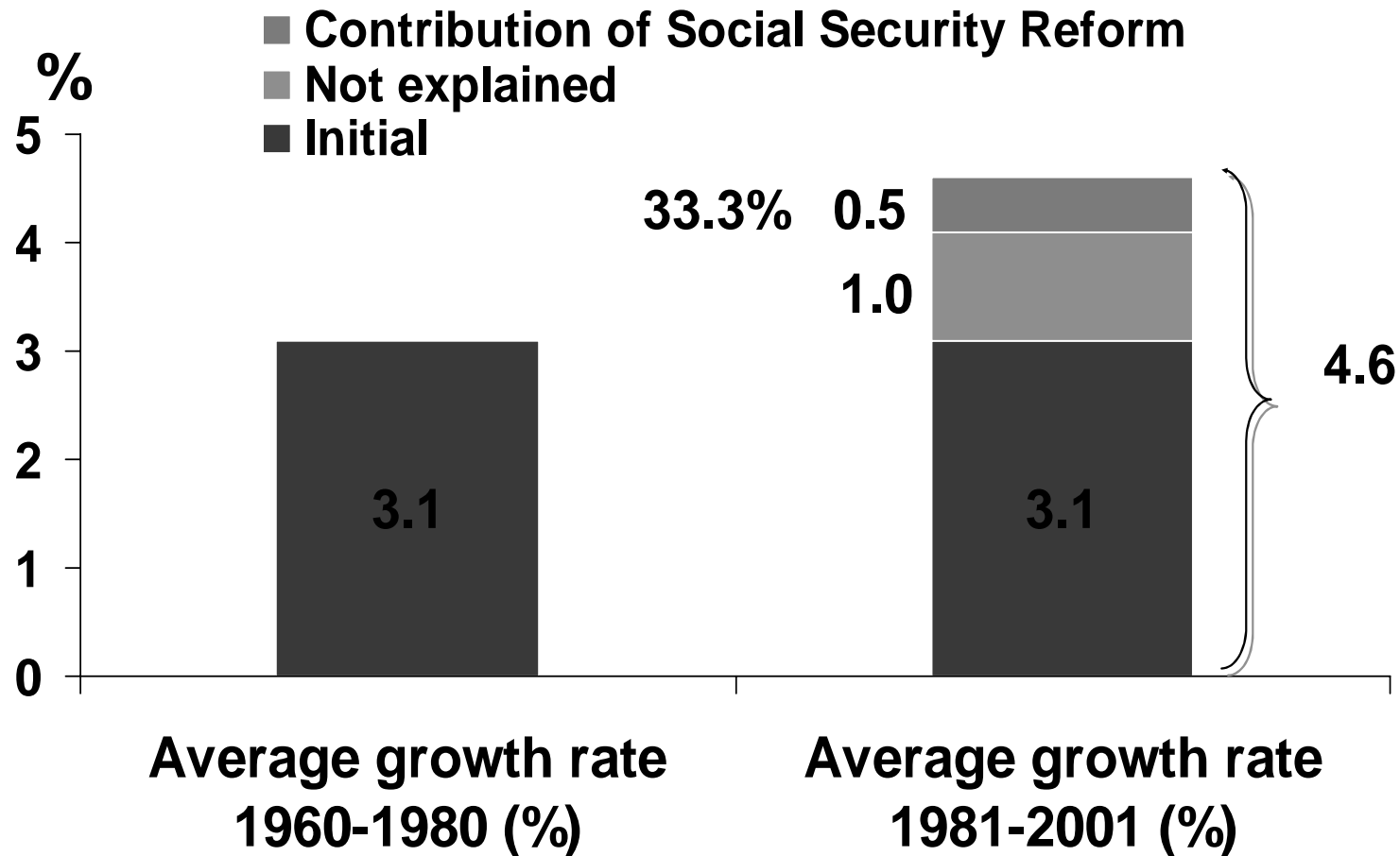




Impact on the Economy

Contribution of the Social Security Reform to Economic Growth

Reform and Growth of GDP





The Pension Funds are
invested in various
sectores of our
Economy

PENSION FUND INVESTMENT

SECTOR	MMUS\$	% P.F.
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■ Electricity	4,117	5.5%
■ Telecommunications	1,257	1.7%
■ Sanitation	490	0.7%
■ Natural Resources	3,784	5.1%
■ Real Estate	4,002	5.4%
■ Infrastructure	1,821	2.4%
■ Services	2,075	2.8%
■ Investment Fund	2,110	2.8%
■ Financial	18,527	24.8%
■ Foreign	5,389	15.36%
■ Government	12,297	16.4%
■ Various Industries	1,517	2.0%

TOTAL	74,756	100%
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Proposals for Improving the Pension System

1. Greater coordination of the Three Pillars

1.1. Improvements to the First Pillar

a) Graduated minimum pensions

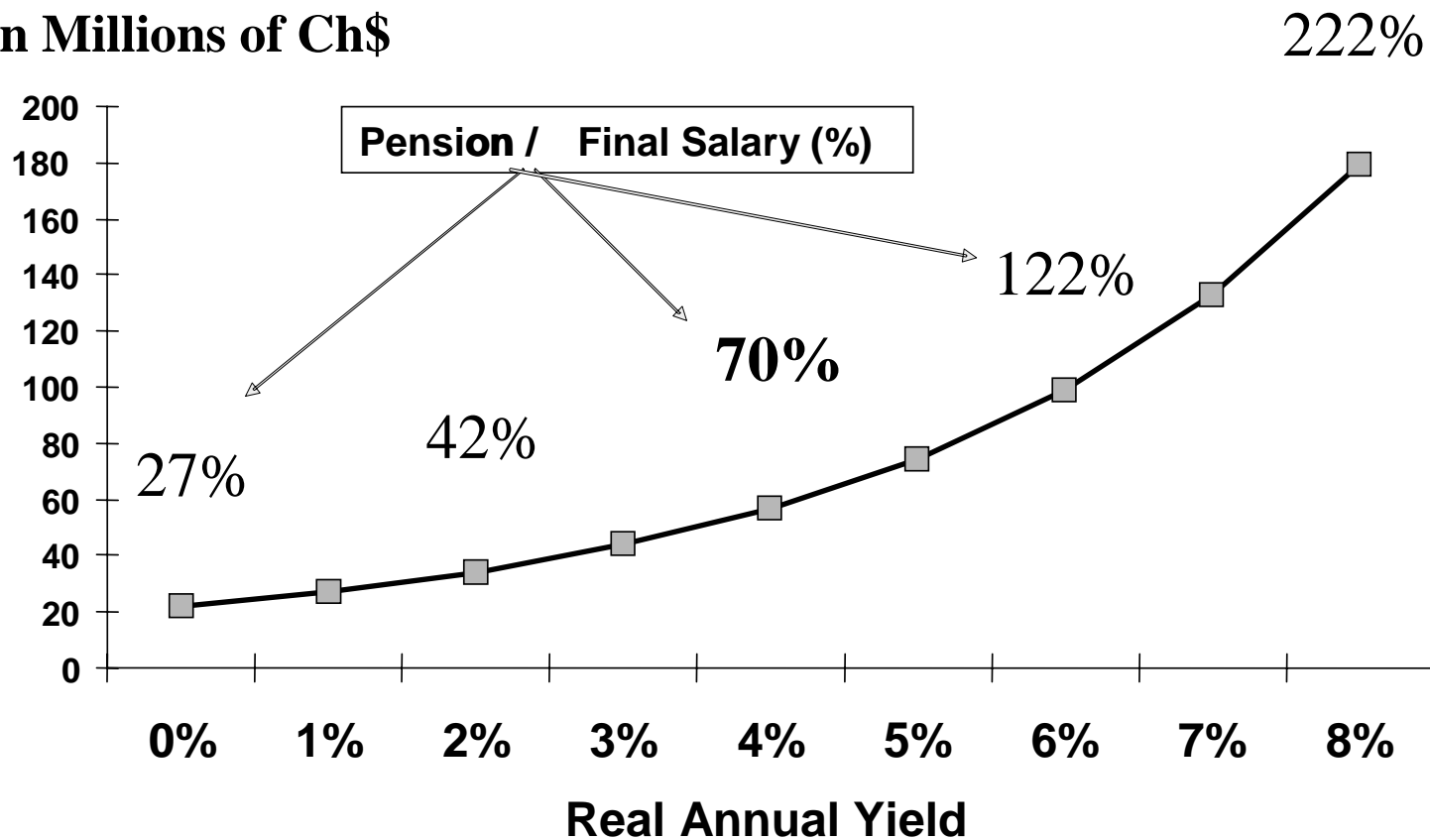
1.2. Improvements to the Third Pillar

b) Incentives different to the tributary one for workers of low rents

3. Continuing with high yield on Pension Funds

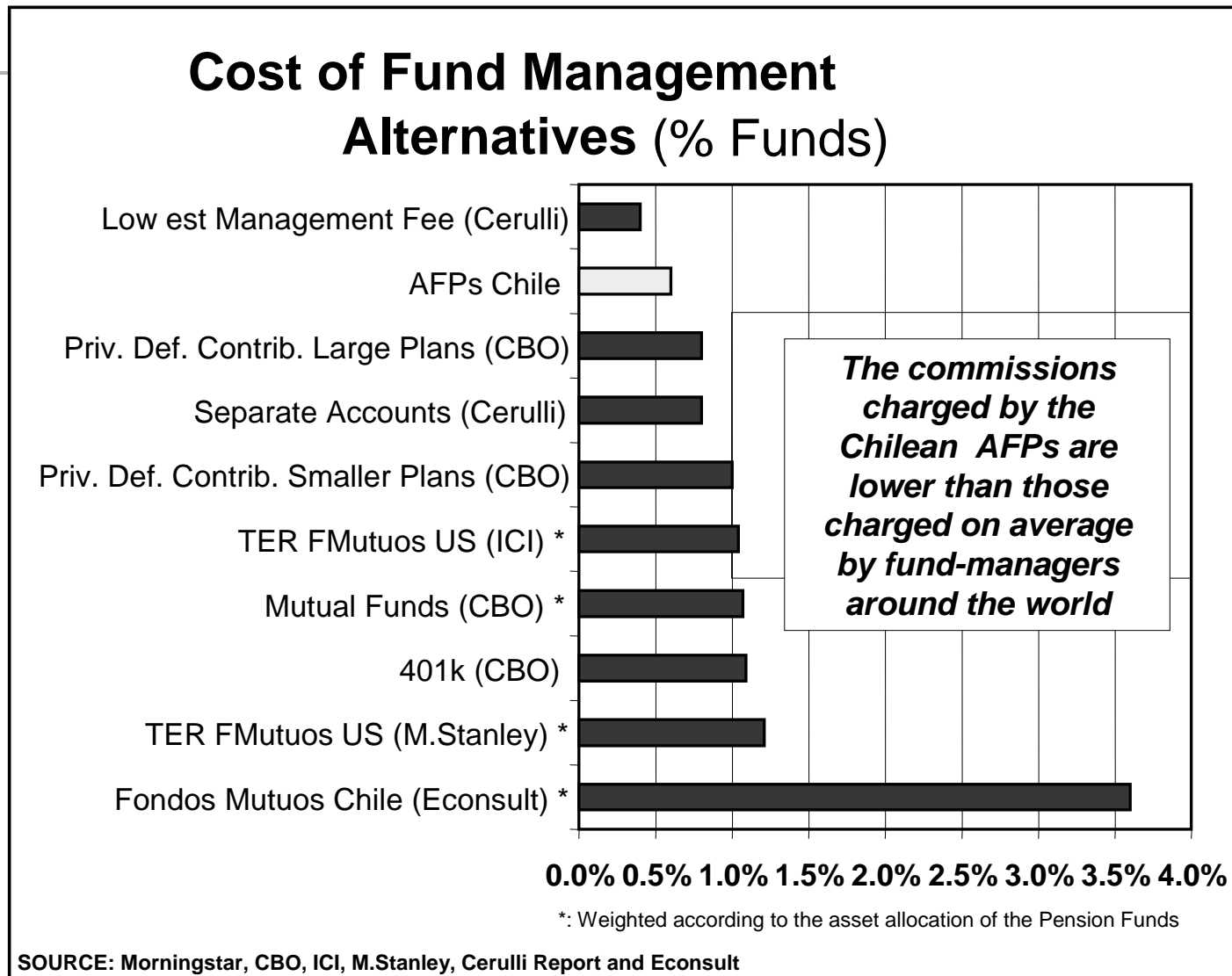
Yield, Accumulated Balance and Pension

Balance accumulated
by the worker
in Millions of Ch\$



4. Deepening competition

- Compared commissions ...





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