

PROhumana Roundtables

Building Dialogue and Trust

**Companies and sustainable pension management, looking
for new proposals to advance beyond the legal norm**

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1. PRESENTATION

PROhumana is an independent, non-profit, non-partisan and self-sustaining Chilean organization that has been operating continuously for more than 21 years. It aims to promote cultural changes in Chile through transformative initiatives that can help the country advance toward a society with a greater tri-sector Sustainable Human Development, and where companies use their business models to be agents of economic, ethical, social and environmental progress.

In keeping with its commitment to promote collaborative spaces to deepen awareness, understanding and implementation of business sustainability, PROhumana has held seven Roundtables in recent years with high levels of attendance and interest from both companies and leaders related to each one of the topics. The following Roundtables have been held between 2015 and 2017:

1. **"PROhumana Corporate Sustainability 2015" Roundtables**, continuity project of the Roundtables of 2000 and 2006.
2. **"Diversity for growth, building the business case for gender equity" Roundtables.**
3. **"How to build dialogues with communities by generating guarantees of success based on trust instead of fear through a long-term vision" Roundtables.**
4. **"Companies building a cultural shift towards Sustainable Consumption" Roundtables.**
5. **"Transforming relations: Companies and Customers, a new paradigm of demand and transparency" Roundtables.**
6. **"Sustainable Supplier Management based on the principles of Economic Development and the Circular Economy" Roundtables.**
7. **"How to tackle the phenomenon of immigration through sustainable business management of diversity" Roundtables.**

It should be noted that these seven roundtables were made possible thanks to the support of 33 sponsors. More than 400 representatives from more than 300 companies and organizations have been invited to attend. Six studies were prepared based on these meetings, each of which was presented at a special launch to numerous actors from different sectors.

In January 2018, PROhumana invited business leaders to the **"PROhumana Roundtables: Companies and sustainable pension management, looking for new proposals to advance beyond the legal norm"**. It was our eighth opportunity for dialogue and learning, and the topic of pension provision was analyzed from the business perspective with a focus on sustainable management. 41 business leaders from different fields convened at the event, which took into consideration the perspectives of General Managers, Human Resources Managers, and Sustainability Managers from key national and multinational companies in Chile.

Roundtable Focus:

"Doing business in a sustainable way is absolutely connected to the care, respect and support to the employees, and in terms of pensions taking on an active role through education and awareness, as well as implementing concrete measures to encourage savings, and this of course goes hand in hand with salaries that enable a proper quality of life".¹

Soledad Teixidó, Executive President of PROhumana, said this at one of the group conversations that have taken place regarding **the role that companies play in the pension system.**

This approach is framed in a context of profound transformations in which different actors in society are analyzing and searching for new solutions to advance in the co-construction of a new pension system that aims to improve the retirement of Chileans. Furthermore, this process is in line with the progression towards a country with greater Sustainable Human Development, where a commitment from all sectors is necessary, without forgetting that companies are relevant actors as well.

One of the differentiating aspects of business management based on the **Sustainable Business Strategy Model** that PROhumana promotes is the implementation of concrete actions that give a sense of belonging to its employees. Therefore, companies will be able to **assume a differentiating role and contribute with an innovative, integral and consistent vision** around issues as important for the country as the pensions of its inhabitants. They can also **be a reference in the progress towards an informed, planned management with a sustainable and long-term vision**, positioning themselves as a leading player in this field and being a real contribution to improving the retirement conditions of employees, and going beyond what is established by Chilean legislation.

Context:

Until 1981 there was a "Pay-As-You-GO" (PAYGO) based pension system in Chile, however, it was completely replaced by one of individual capitalization accounts, which would be managed by private entities called the Pension Fund Administrators (Administradoras de Fondos de Pensiones "AFP").

Under this new system, the worker's contribution amount would be defined at 10%, which is lower than most of the rates required by the previous system. The contributions that companies made that sometimes could exceed 40% were completely eliminated with the reform. This structure remained unchanged until 2006, when Michelle Bachelet's government convened a commission of experts called the "Marcel Commission". They drafted a report that would serve as

¹ Soledad Teixidó. August 27th, 2016. "Previsión v/s Vida Digna" (*Pensions v/s Dignified Lives*). La Tercera Newspaper.

the basis for the 2008 pension reform where the biggest change was the incorporation of a Solidarity Pension System, which was integrated into the individual capitalization system. It provides retirement and disability benefits for those people that form the poorest 60% of the population.

In spite of the changes, in recent years, questioning the current pension model in Chile has become part of the public debate. There is agreement among all parties that a number of the pensions currently being generated in the country are not sufficient to provide for a decent retirement.

There are several factors that are attributed to this problem. Some groups such as the Sol Foundation and the "No +AFP" movement propose completely replacing the model, given that this would be the basis of the problem. Others prefer to implement improvements, as they consider the model to be valid, but that the parameters need to be updated to improve pension figures. The Bravo Commission, a second commission of experts convened by President Michelle Bachelet in 2014, proposed this. It prepared a report that gave rise to the draft pension reform presented in 2017, which was rejected in January of this year.

However, even if this discussion takes place at the legislative level, there are problems that can be addressed by companies where they can assume an active role in improving conditions for their workers. An example of this is the notorious difference in the figures for women's pensions, where there is lower contribution density caused in part by lower salaries and pension gaps. This could be an area where a company takes action.

In addition, the worrying lack of knowledge among the population regarding their pensions is notable. Only a very small percentage of the population knows how much of their salary is used for the contribution. Also, a large group does not know how voluntary pension savings (APV in Spanish) work. This is another area where companies can really support their employees by guiding and training them in pension matters.

This should not be seen only as a local phenomenon. Internationally pension systems in general have been affected in recent years, where even institutions such as Citi GPS² and the World Economic Forum³ are talking about a coming crisis. In addition to the problems that affect each individual country, there are variables that affect everyone, such as the lower profitability of financial instruments, demographic growth, low birth rates and increased life expectancy.

² Citi GPS: Global Perspectives & Solutions (2016). The Coming Pension Crisis.

³ World Economic Forum (2017). We'll Live to 100 – How Can We Afford It?

2. ACKNOWLEDGEMENTS

To carry out this initiative, **PROhumana counted with the sponsorship of** Coopeuch, Falabella, GNL Mejillones, Sura and Transelec, along with a strategic alliance with the Confederation of Production and Commerce (CPC) and the Manufacturers' Association (SOFOFA).

We are also grateful for the support of the companies and institutions that participated in these PROhumana Roundtables, and hope that it has contributed to generating a process of reflection around sustainable pension management. We wish for the nation to move forward and go beyond what is established in the legislation in order to assist and support participants in order to raise awareness and create a policy on sustainable pension management.



3. ROUNDTABLE PARTICIPANTS

1. Aldo Torres Bruna, David del Curto, Assistant Human Resources Manager.
2. Alejandro Ferreiro, PROhumana, PROhumana Advisor.
3. Alexandre Lemos, Natura, General Manager.
4. Alfred Haindl, Empresas SB, Business and Human Resources Manager .
5. Axel Christensen, PROhumana, PROhumana Advisor.
6. Beatriz Ceballos, Coopeuch, Assistant Manager of Personnel Administration.
7. Carolina Bascuñan, Banco Falabella, Human Resources Manager.
8. Claudio Ulloa, GNL Mejillones, Human Resources Manager.
9. Cristián Carvajal, Falabella Retail, Human Resources and CSR Manager.
10. David Noe, Transelec S.A., Vice President of Corporate Affairs and Sustainability.
11. Diego Delpiano, BASF, Human Resources Manager.
12. Felipe Straub, Entel, Human Resources Manager.
13. Fernando Alvear Artaza, Confederation of Production and Commerce, General Manager.
14. Francisca Olea, Dole, Human Resources Manager.
15. Francisco Méndez, Laboratorio Bagó, Human Resources Manager.
16. Jaime Collins C., GNL Quintero, Human Resources Manager.
17. Johanna Plaza, Hotel Plaza San Francisco, Head of Human Resources.
18. Jorge Álvarez, Chile Supermarkets Cencosud (Jumbo/Santa Isabel), Human Resources Manager.
19. Jorge Cabezón, Paris, Human Resources Manager.
20. Jorge Garcia, Acciona Energía Chile S.A., Human Resources Manager.
21. Jorge León Romeltien, Goodyear de Chile S.A.I.C., Director of Human Resources and Corporate Affairs.
22. Jorge Peña, Banco Santander, Human Resources Manager.
23. José Manuel Rebolledo, Iansa, Sustainability Manager.
24. José Miguel Del Solar, Cristalerías de Chile, Human Resources and Sustainability Manager.
25. José Tomás Gumucio, Tresmontes Lucchetti S.A., OHD Assistant Manager.
26. Juan Andrés Errázuriz, Enaex, General Manager.
27. Juan Leyton, Viña San Pedro, Assistant Human Resources Manager.
28. Lorena Lopéz, Ultramar Agencia Marítima, Human Resources Manager.
29. Luis Felipe Jimenez, Empack Limitada, Human Resources Manager.
30. María Eugenia Norambuena, Principal Administradora General de Fondos, General Manager.
31. Mariela Las Heras, Cementos Melón, Corporate Affairs Manager.
32. Mauricio Flores, Scotiabank, Director of Work Relationships and People Administration.
33. Nélide Gamblin, Statkraft, Human Resources and Communications Manager.
34. Pamela Levet, Wal-Mart Chile, Compensation and Benefits Manager.
35. Patricio Herrera, Econssa S.A., General Manager.

36. Paul De la Taille, Iansa, Human Resources and Fiscal Manager.
37. Paula Martínez, Colbún S.A., Human Resources and Community relations Manager.
38. Perla Uribe, Zofri S.A., Vice-president.
39. Sandra Díaz, WOM, Human Values Director.
40. Solange Gomá, VTR, Compensation Assistant Manager.
41. Valeria Ibarra, Atento, Human Resources Senior Manager.

4. METHODOLOGICAL INFORMATION

This study contains an analysis of the reflections made by the group of participants on four questions regarding pension savings, which were answered in the framework of the "**PROhumana Roundtables: Companies and sustainable pension management, seeking new proposals to move beyond the legal norm**".

General Objective:

Engage in a reflexive process around the role of the company in the pension plan of its employees, and discuss initiatives about how to assist them in this process.

Specific Objectives:

- Involve business leaders in the development of a strategic vision regarding the importance of sustainable pension management.
- Learn about and understand what levels of development exist in companies in relation to pension education.
- Establish present and future challenges necessary for companies to implement actions for improving the retirement of their workers.
- Create a work agenda and define actions on how to share best practices and increase successful initiatives.
- Strengthen the network of people involved in the promotion and/or development of best practices in sustainable pension management.

Methodology:

The group discussion methodology was used, led by a moderator. The tables were limited to a maximum of 12 people, and the total time of each Roundtable was approximately 100 minutes. The information was analyzed with the discourse and content analysis technique.

Group Discussion:

Discussion groups serve to collect qualitative data, and it has been used in various fields of sociological research. Its scope of possibilities in the field of learning generation has been widely used and valued.

The discussion group, which can reflect various discourses and trends, can be formed in two ways:

1. The homogeneity of the group is ensured, i.e. its members have similar socio-demographic characteristics.

2. An attempt is made to integrate representatives or actors that belong to different spheres, wherein the subject at hand unites them.

The second methodology was chosen for the "**PROhumana Roundtables: Companies and sustainable pension management, seeking new proposals to advance beyond legal norms**", since the aim was to identify the main characteristics of the discourses of a diverse group of actors.

Five Roundtables were conducted for this study, which brought together 41 business leaders on January 8, 9, 10, 11 and 12 in 2018.

Issues addressed in the discussion:

The discussion focused on four main topics. First, the participants were asked what role companies played in the retirement of their employees. Subsequently, specific actions to be taken for specific groups, such as women, youth and immigrants, were discussed. Then, the situation of people approaching retirement was addressed along with what actions are being taken in that regard. Lastly, the participants were given a space to share the practices that their companies carry out, or interesting examples that they know about in matters of pension provision.

The discourse analysis was carried out according to each of the questions, identifying the main points of analysis and discourses found in each of the answers.

5. ANALYSIS

5.1. CURRENT CONTEXT

For additional contextualization for this analysis, it is relevant to have indicators showing the current pension situation in Chile. Sixteen statistics were selected from various sources, both national and international, and presented below in two different categories, under the national context and that of the pension fund contributors.

I.I National Context:

- **Tasa Retorno⁴**: Rate of return.
- **Densidad cotizacional⁵**: Contribution density.
- **Personas jubiladas...⁶**: Retired persons per 100 individuals of working age.
- **Edad legal...⁷**: Legal age of retirement v/s real age.
- **Cambio en la participación...⁸**: Change in labor participation by age.
- **5.8% de los trabajadores asalariados no cotiza...⁹**: 5.8% of wage-earning workers do not contribute, even though their employers are obliged to pay their contributions.
- **La deuda en los hogares...¹⁰**: Household debt, during the third quarter of 2017, represented 69.8 per cent of household income.
- **Distribución del ahorro...¹¹**: Distribution of household income savings in the third quarter of 2017 / Expenses – Savings.

⁴ OECD, 2016. Available at <<https://data.oecd.org/pension/net-pension-replacement-rates.htm#indicator-chart>>. Accessed on 15-FEB-2018.

⁵ Presidential Advisory Commission on the Pension System (“Comisión Bravo”), 2015. Final Report, p 82, Comisión Bravo, Santiago.

⁶ OECD, 2017. Pensions at a Glance 2017: OECD and G20 indicators, p 123, OECD Publishing, París.

⁷ Ibid p 24.

⁸ Ministry of Social Development, 2015. National Socioeconomic Characterization Survey (“Casen”) - Summary of Work Results. p 7, Santiago.

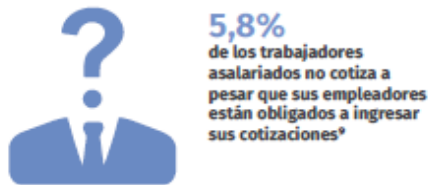
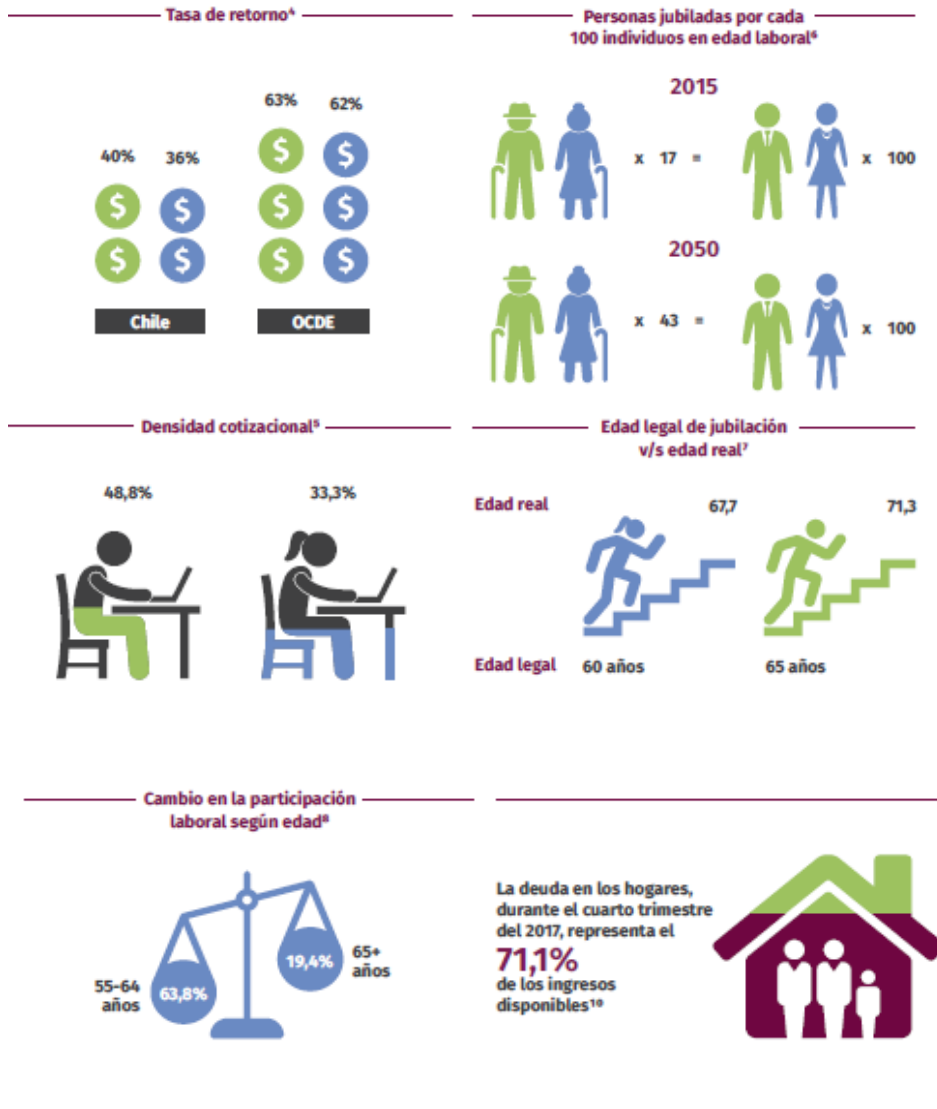
⁹ Ministry of Social Development, 2015. National Socioeconomic Characterization Survey (“Casen”) - Summary of Social Welfare results. p 30, Santiago.

¹⁰ Central Bank, 2018. National Accounts Third Quarter 2017. p 8, Santiago.

¹¹ Ibid.

I.I. Contexto Nacional

Simbología: ● Mujer ● Hombre



I.II Context of Fund Contributors:

- **La brecha de género en el ingreso medio**¹²: The gender gap in average income.
- **Brecha en años de cotización / años cotizados / años pensionados**¹³: Gap in contribution years / contribution years / pensioner years.
- **Conocimiento APV...**¹⁴: Knowledge of APV / Men – Women.
- **Main reasons given for not continuing to work after retirement**¹⁵: The four most voted reasons (Center)/ Health (Up) / The labor market doesn't allow it (Left) / care of the ill and children (Down) / not finding work (Right).
- **Razones para trabajar...**¹⁶: Reasons to work after retirement / The pension payment is not high enough (Up) - To keep active (Middle) - Love for their work (down).
- **Respecto a la...**¹⁷: 65% feel little or fully uninformed about the profitability of the funds.
- **Un 20%...**¹⁸: 20% of non-contributors listed as one of their three main reasons their distrust of the AFP System.
- **Un 14%...**¹⁹: 14% of those surveyed believe that one of the three main problems of the pension system is that contributors are not informed.

¹² National Statistics Institute ("INE"), 2016. Supplementary Income Survey, p 5 Santiago.

¹³ CPC, 2016. Report of the Pension Advisory Commission, p 23, Santiago.

¹⁴ Presidential Advisory Commission on the Pension System ("Comisión Bravo"), 2015. Final Report, p 78, Comisión Bravo, Santiago.

¹⁵ STATCOM, 2014. Opinion survey and perception of the pension system in Chile, Comisión Bravo, p 27, Santiago.

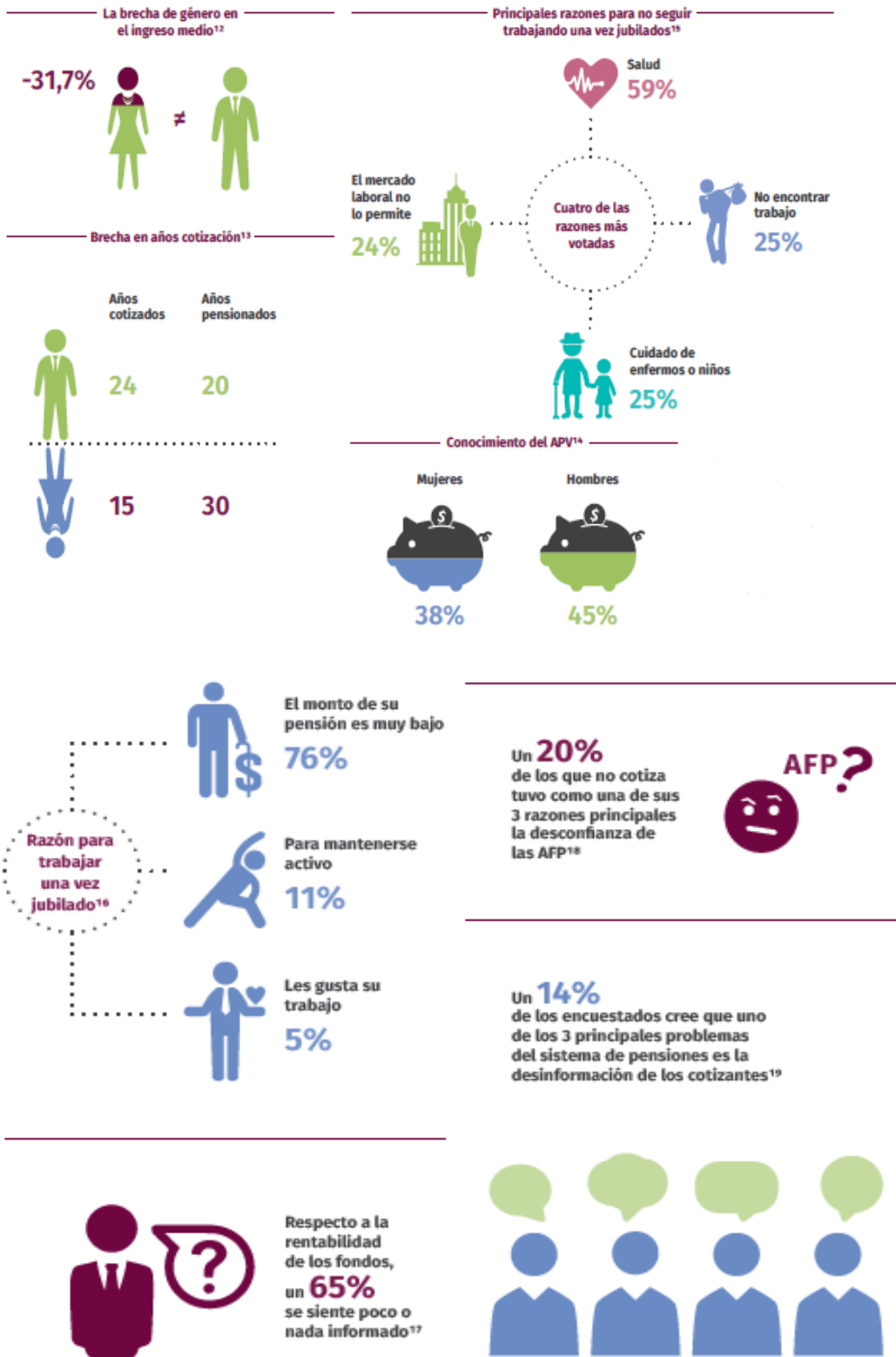
¹⁶ Ibid, p 29.

¹⁷ Ibid, p 34.

¹⁸ Ibid, p 24.

¹⁹ Ibid, p 7.

I.II. Contexto de los Cotizantes:



5.2. CHALLENGES, ISSUES AND PROPOSALS:

An analysis of the participants discourse of the **PROhumana Roundtables: "Companies and sustainable pension management, looking for new proposals to advance beyond the legal norm"** was done, considering the national context and that of the fund contributors, detecting challenges and problems related to the pension system and how this affects the active role that the company must take by contributing to the pension culture of its collaborators. In addition, we propose actions to take for the Company, State and AFPs to solve each of these points. This analysis is complemented by specific quotations from the participants' opinions, which present and confirm each challenge and problem identified.

The themes that emerged from the conversations with the participants were:

- 5.2.1. Social Dilemma.
- 5.2.2. Lack of knowledge.
- 5.2.3 Saving.
- 5.2.4 Seniors.
- 5.2.5 The Company.
- 5.2.6 AFP's.
- 5.2.7 Trends.

5.2.1 Social Dilemmas

| Challenges | Issues | Comments |
|--------------------------------|---|--|
| 2.1.a Status of Women | Wage gap between men and women with the same working conditions | "It is unacceptable that in this country we have a wage gap of around 30% where women earn less on average (...) Nowadays there is a law that is not effective because women are the ones who have to pressure or sue their employers. None of them do this because they could get fired. So, we are still in a situation of inequality and lacking societal gender equity." |
| | Women have a lower pension density, as many women leave work for a period of time to have children. | "If we progress toward giving paternity leave or other rights to fathers that are similar to those that women receive when they become mothers, discrimination based on how we relate to women in terms of employment will be improved." |
| | The retirement age of women is younger than that of men, which, combined with a longer life expectancy, results in a lower pension fund compared to that of men. | "The retirement age will be raised because it makes a lot of sense. Women have higher life expectancy than men and all European countries have gender parity on this point. In other words, they retire at the same age, which is 67." |
| 2.1.b Shared responsibility | There is a need for greater promotion of shared duties between women and men to reduce the trend of women withdrawing from the workplace when they become mothers, which increases the pension gaps. | "Under our egalitarian policy, we give both women and men the possibility of caring for family members, but the tendency is for women to assume this responsibility as a matter of culture. However, this is starting to change, especially with the younger generations. They are asking for power and are not being discriminated against for it. In this case, men should not be discriminated against for choosing those hours or be viewed as freaks within the institution. We even out the benefits for both fathers and mothers. For us it is important that both take on a role." |
| 2.1.c Low wages | In Chile, 71.4% receive a monthly salary equal to or less than CLP \$517,540. This together with the fact that pensions are generated mainly from compulsory contributions all leads to low pensions. | "My concern is how are you going to demand savings from a person who earns minimum wage in a society as unequal as ours? It's almost an insult. So, I think it's one of the roles that companies should have, especially those that can pay better. An SME probably makes a tremendous effort to pay the minimum wage. But a company that is bigger and has more options has to think about fair pay above all." |
| 2.1.d Taxable cap | The compulsory pension savings for high wage earners is limited, so after retirement there is a fairly large gap between the pension and the salary they used to receive. | "Of course there are many people who have very high incomes. When they are nearing retirement, they realize their income will drop to 50% or less, which is a serious because they have already acquired a different standard of living when retirement age comes." |

| Proposals |
|---|
| <p>1) Initiatives to eliminate gender gaps, specifically the wage gap.</p> <p>2) Special voluntary savings plans for women focused on reducing the pension gap.</p> <p>3) Complementary shared responsibility policies for men and women.</p> <p>4) Offer a flexible working model for members of the organization who have to care for their children.</p> <p>5) The State must raise the retirement age for women and bring it in line with that of men.</p> <p>6) Improve pay, especially for low-income workers.</p> <p>7) Define a segmented withholding approach according to the worker's profile, so that pension savings strategies have a greater impact.</p> <p>8) Raise awareness among employees who contribute up to the taxable cap on the use of voluntary savings tools, in order to reduce the gap between their salary and their future pension.</p> |

5.2.2 Lack of knowledge

| Challenges | Issues | Comments |
|---|--|--|
| 2.2.a Poor knowledge of the pension fund system. | Weak knowledge of workers on key issues regarding the AFP system | "We haven't been able to inform people properly. They don't know what percentage of their salaries are contributions. They don't know what goes into their pension fund, or what goes toward commissions. They believe that the money is sometimes administered by the State or that the money comes from the State.... the level of ignorance that exists regarding the AFPs is astonishing." |
| | The State and the AFPs provide insufficient information. | "The AFPs have not been able to share the information. They do not have the legitimacy or credibility to be heard. The channels of communication and the state have been passive. They look askance at the system. They feel that over-reporting could be viewed as their validation of the system." |
| | Low interest on the part of workers for getting informed. | "You really do schedule training and not many people go. There is little interest in this topic. There is little interest from the people. I would say there is a lack of awareness around AFPs and retirement overall." |

| Proposals |
|--|
| <p>1) In-company training:</p> <ul style="list-style-type: none"> a) Education and training of workers including family member b) Involve senior management and managers in training and informing their employees. When senior management gets involved, they demonstrate greater relevance and legitimacy. c) Find entertaining ways to inform and engage more workers through activities or by including the topic of foresight into talks on topics that are more attractive to employees like financial education, mortgage loans, etc. <p>2) The State must redesign how it handles information and training concerning the pension system.</p> <p>3) The AFPs must improve its system for guiding and training contributors.</p> |

5.2.3 Saving

| Challenges | Issues | Comments |
|--|---|---|
| 2.3.a Lack of a savings culture | The probability of saving is reduced due to the culture of immediate consumption that promotes indebtedness and spending in the short term. | "We live in a society of consumption and expenditure (...) that bombards you with aspirational goals of spending and consuming. What can companies do? To tell them: Save these 10,000 pesos instead of buying yourself whatever. Save them for another 40 years.... it's a very strong cultural thing." |
| | There is a low awareness and use of voluntary pension savings measures, such as APVs, APVCs and agreed deposits. | "I have realized that many people are unaware of the benefit that there is for people who have salaries under two million pesos per month. The State gives them 15% of the APV. That's also something people don't know about. So, you have to communicate that to the people as well." |
| 2.3.b Recognize that young people are using other forms of saving | A large group of young people are wary of or tend not to use traditional ways of saving and are looking for alternatives, such as buying property and/or financial investments. | "I believe that the long term is a very difficult issue for young people today, and they don't believe much in the AFPs either. They believe more in themselves and not in what they can do with retirement. They prefer to invest, set up their own companies or projects, and they are not thinking about the long term. Here they already said it. The short term is important for them. They'll change jobs for a bit more money if they are going to get it in the present." |
| 2.3.c Labor unions' lack of vision | They generally opt for short-term benefits at the expense of savings initiatives. | "We are not forward-looking. We go to the doctor when we are in pain. We worry about our pensions when we are about to retire. There is no long-term view. Unions are absolutely transactional in the short term, and we have a culture where a collective negotiates a bond and that's as far as it goes, nothing deeper than that." |
| 2.3.d Indebtedness | High levels of indebtedness make it difficult to save money. | "But as we have all mentioned, it goes hand in hand with education, with us as a company, and us taking their side. It's really hard to save when you make 250,000 pesos per month. We have to teach them how. Also, if they earn that amount they can't go into debt for 500,000. We have to give them alternatives, we have internal options where the worker can acquire certain credits and we help them. But that's a job the company has to do with the worker and be very straightforward about it." |
| 2.3.e Immigrants' lack of savings | Because most immigrants plan to eventually return to their home country, it is difficult to promote savings through Chilean pension tools. | "We have hired many immigrants; Haitians, Peruvians, Colombians and now many Venezuelans of very good standing, but it will also depend on how they see the future. Most of them can take their money and return to their country." |
| 2.3.f Changing employers | Workers, mainly young people, no longer stay in a company all their lives, so job changes are common. This has made it difficult for the company to take a more active role in providing for its employees. | "So, we are facing a challenge. How can we help this generation save for retirement? They don't stay for too long in the company, so we must find different stimuli in addition to education." |

| Proposals |
|--|
| <p>1) Give financial education workshops focused on reducing over-indebtedness and excessive spending.</p> <p>2) Differentiated savings strategies for each segment of workers based on their needs and interests (women, young people, immigrants, middle-aged people).</p> <p>3) Awareness of the union's management and a joint search for solutions to achieve benefits for workers with a long-term view.</p> |

5.2.4 Seniors

| Challenges | Issues | Comments |
|--|---|--|
| 2.4.a Aging and increased life expectancy | Progressive increase in the number of retired workers. | "I think the real debate today is what to do with seniors. First, the group is getting bigger because life expectancy is increasing fast. Second, the pyramid of society has changed, which tells us that there will be more seniors in proportion to what we had in the past. And thirdly, it is a stage of life that has not received the social recognition, the weight and relevance it deserves." |
| | Life expectancy has increased, however, the retirement age has remained the same since the start of the pension system. | "Eventually develop HR policies that take into account that we are living longer. Maybe we should start this conversation early on so that they don't see the retirement age as something where they have to leave. Employees probably want to work longer and continue developing their professional career with the company." |
| 2.4.b Work after retirement age | Even if you want to hire retirees, the job offers are not adjusted to suit them. | "In the end, we have to find a way to fit people in, because if we think about raising the retirement age for no particular reason, then it's not practical. It's not going to help. People are not going to find jobs. Why? Because we as a company are not prepared for that either." |
| | People of retirement age keep working by necessity, as pensions do not cover all their expenses. | "We have many workers at a retirement age, but you see that they do not want to leave under any circumstances because the pensions they have are not enough to sustain them, especially concerning healthcare. It's very complicated. So I think that today's companies have a role to play in educating workers, and not when they are about to leave and it's already a problem, but before that." |
| | People of retirement age keep working for pleasure. | "There are also older adults who say "I still want to be active, so create a workspace for me." So, let's create that space with the flexibility they need without forgetting the level of experience they have, which is very important for society." |
| 2.4.c Work flexibility | Workers of retirement age want to remain in the company, but have greater flexibility. | "We are taking partial responsibility them being active and happy while feeling fulfilled as a person who still contributes, all within a flexible framework when they want to continue earning a salary. Maybe they don't feel like spending five days a week full time anymore and are looking to work in a different way." |

| Proposals |
|---|
| <p>1) Generate incentives to postpone retirement. Some ways to promote this may be through fewer weekly hours of work, job flexibility or switching to simpler jobs.</p> <p>2) As an Inclusion Policy, they can establish a participation quota for workers over 55 years of age.</p> <p>3) The State must postpone retirement age for men and women.</p> |

5.2.5 The Company

| Challenges | Issues | Comments |
|---------------------------------------|---|---|
| 2.5.a Weak corporate commitment | Low proactivity on the part of companies concerning sustainable pension management since they are focused on legal compliance. | "Most of the companies are going to make sure that there is gender parity or equal opportunities, as long as this is made compulsory. Otherwise we would have done it already. We are starting to do it because today the new law is in place. Since it wasn't law before, we didn't do it. So many things work like this... we would not make pension contributions or retain the deposits if there were no law to obligate us." |
| | Scant relations or communication with the State in addressing public policies. | "When we are moving to a higher level of development, we have to consider the different actors in society and their contribution (...) I believe that this discussion could have been initiated by the business world and not necessarily by Congress and the State. I think it's a conversation we need to have at the business level." |
| | Companies that seek to participate in the State's decision-making process on the pension system do not get listened to or represented in the public debate. | "I think companies have done a lot. Maybe they've been bad at communicating, but I participate in business associations and there have been many proposals, unfortunately with zero acceptance." |
| 2.5.b Pension evasion | Employee welfare is damaged by not paying the fund contributions. | "First I say that the primary responsibility of the company is to pay their taxes. Obviously most large companies pay them. Although I doubt that SMEs do, and there is a lot of delay in this regard." |

| Proposals |
|---|
| <p>1) Research and address contingent issues to anticipate future legislation.</p> <p>2) Businesses must organize themselves on and get support from trade unions in order to work together. Thus, they will be able to make proposals that reflect the business situation that should be considered in the pension system modifications.</p> <p>3) Large and medium-sized enterprises can train their value chain about the obligation to pay their employee pensions.</p> |

5.2.6 AFP's

| Challenges | Issues | Comments |
|--|---|--|
| 2.6.a Building and restoring confidence in the pension system | The very low information available on the pension system diminishes its legitimacy and increases people's prejudices. | "That's the image of the AFPs. We created a group pension savings, because with the AFP it can't be done. So, what we do is if a worker saves \$10,000, the company puts \$10,000 more, then you are entitled to 15% per year. When we started to explain this, I saw people's faces. They said to me, "You are being coerced by the AFP. The company is corrupt." |
| | Young professionals are aware of the low replacement rates that their parents obtain and consider alternative savings mechanisms. | "Part of the failure to save with APVs has to do with alternatives or with the awareness of young people about putting their eggs in different baskets, in a second mortgage, saving money for a friend who is starting a business or something like that. These become viable alternatives for managing money, especially in a context where the system has very little credibility." |
| | The mistrust that exists with regard to the pension system generates a disincentive to saving. | "This whole "No More AFP" discussion means that many people do not believe in the system and do not want to risk their money (....) especially when one sees that many of the creators of the pension system also do not put money into the AFPs either. Or the economic crisis for example, which affected profitability and where half of the funds saved were lost. Obviously people conclude that the system does not help them." |
| 2.6.b Take responsibility for the passivity and indolence that came with its actions. | The AFPs were quite passive in their relationship with their members until the social movement made the crisis visible. | "The AFPs just sat back and waited for people to understand how the system works by osmosis, thinking that people would be interested enough to research it on their own. And the truth is that when one does the polls, more than 50% think that the money belongs to the State and not to them. The AFPs made a grave error, and they are now finally getting it together. They are starting to notify you of your contributions via email and invite you to surveys and forums. They are doing something now, but it's a little late, 36 years after the pension system began. They've been way too passive." |

| Proposals |
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| <p>1) All AFPs together as a group in alliance with the State should create communication and education programs.</p> <p>2) The banking industry can partner with and establish collaborative alliances to train and raise awareness around the importance of saving, specifically pension savings, due to their standing in society.</p> <p>3) Information and training programs aimed at young people with a focus on awareness and early contributions.</p> <p>4) AFPs must rethink their purpose and business with a focus on rebuilding lost trust.</p> <p>5) The AFPs have to rethink their social and business role within the framework of a dignified pension plan that is in line with human rights.</p> |

5.2.7 Trends

| Challenges | Issues | Comments |
|---|--|--|
| 2.7.a Key Actors | In Chile, there is no awareness that there are three main actors in social security for older adults: the individual, the state and the company. | "I actually work in a company with headquarters in the northern hemisphere, and it is very difficult for them to understand that neither the employer nor the State is involved in pensions. They always understand the pension system as having three pillars that participate in the life, income or work of employees." |
| 2.7.b Profound Social Change | People begin to worry about their pension provision when they are working and nearing retirement age. | "It is necessary to begin in the universities and schools, so that people understand early in life if they don't save effectively they won't be able to do anything when they are 70, 80 or even 90 years old. You have to make a shift in the mindset starting in youth, i.e. when they are teenagers or young adults starting to work, travelling to Thailand comes first before anything else. You have to try to generate a more profound change in our society." |
| 2.7.c Adjust demographic and economic statistics | There is a need for a more dynamic analysis of the social reality that will allow us to adapt or create more favorable tools to improve workers' pensions. | "Your life expectancy is different every da. You advance one day and something like 23 (or so) increases for you... and that's how it moves and what happens is that the evidence shows that we are increasing our life expectancy. Tables are dynamic, but don't move backwards. In addition, one has to consider improvements in medicine or healthy eating. It has to be dynamic and forward-looking so the money is enough. The tables do is that they reflect our reality." |
| 2.7.d Social dialogue | Social dialogue is needed to generate strategies to improve pension conditions for workers | "I have the impression that we have talked a lot about the diagnosis and we all understand that we are facing a bigger problem, which will become more and more significant over time. There is a presumption that this is an issue that needs to be addressed in all areas, certainly in the area of public policy, but also in the actions that could be generated by economic actors linked to this issue." |
| 2.7.e Short term vision | People tend to see only the short term, which has led to the creation of systems that force people to look to the long term. | "I believe that when we talk about social security we are talking about foresight, i.e. trying to predict the future. It has been demonstrated that the capacity of people to predict the future is very low when all they see is the present or the medium-term perspective. That's why systems are mandatory. That's why they don't trust the spontaneous capacity of people to make conscious, forward-thinking decisions, and why, for example, if independent workers can only contribute 6%, they do so. It used to be 4%. That's why it's so difficult for people to play an additional role beyond what's required." |

Proposals

- 1) Have a new discussion among all relevant actors, including the State, AFPs, companies, civil society organizations, unions and individuals, all through a working group.
- 2) Train and raise awareness on financial education and savings in educational institutions, such as universities, through lectures or seminars.
- 3) Raise awareness and empower people to take voluntary steps to improve their pensions, so that they do not depend solely on their compulsory pension contributions.

5.3. DECALOGUE:

"Ten effective actions for achieving sustainable pension management and not failing in the attempt."

1. Carry out internal trainings where people are trained on the pension model in a concrete and simple way using educational elements that allow for effective and meaningful learning. It is suggested that managers and/or leaders be involved in these trainings in order to underscore for the company the importance, commitment and validity of having their team members understand this issue.

If attendance to the pension funds talks is low, seminars/meetings on more general and attractive topics such as financial education can be used as an alternative wherein the topic of social security is addressed.

2. Implement an internal communications strategy to raise awareness and inform employees and/or others about pension fund issues through various communication channels/supports such as posters, newsletters, the company intranet, corporate social networks, physical graphic items, among others. Have internal leaders function as ambassadors to promote the relevance of being informed and educated about pension funds.

3. Encourage voluntary pension savings through "1+1" programs, Voluntary Pension Savings (APV's) and agreed deposits.

4. Raise awareness of pension issues with labor unions in order to work together and support employees on pension matters, for example, through the use of bonuses for Voluntary Pension Savings (APV), Voluntary Collective Pension Savings (APVC), agreed deposits, among others.

5. Manage specific initiatives and programs according to the worker's profile, considering age, gender and economic position in order to focus on each individual situation and address those needs, including for women, young people, those nearing retirement age, immigrants and others.

6. For workers close to retirement age, and bearing in mind that life expectancy has increased, encourage them to continue working for a number of reasons. They already have the expertise and potential, and are also identified with the company, which is all of great value for mentoring, talks, new employees and more. In addition, it is important for the company to adapt to this new stage of the worker's life by offering jobs with fewer responsibilities, a lightened workload and fewer hours of work.

7. Address the gender pay gap, ensuring there is equal pay for men and women. The compulsory contribution will therefore be brought into line with that of men, and women's pension funds will be considerably increased.

8. It is urgent that today's low wages in Chile needs to be increased, since 71.4% earn a salary equal to or less than CLP \$517,540 (Around 850 USD). This will help improve future pensions by matching and increasing contributions.

9. Organize among companies through guilds and/or chambers to be part of public debates, seeking closer connections to the State. This will allow for more direct influence in developing public policies, and prioritize a more proactive role over a passive one.

10. Participate and promote collaborative spaces where good practices are shared and applied in relation to the pension system and management.

6. RECOMMENDED READING:

For more information on this subject, we recommend reading the following documents related to pension management.

- “Estudio de la Comisión de Usuarios del Sistema de Pensiones: Estudio Comparado de Experiencia Internacional respecto de la adhesión de los trabajadores al Sistema de Pensiones, estrategias de ahorro previsional y entes que representan a los afiliados en los sistemas de pensiones” (*Study by the Pension System Users' Commission: Comparative International Experience Study on the adherence of workers to the Pension System, pension saving strategies and bodies representing members in pension systems*), CIEDESS, 2017.
- “Informe de la Comisión Asesora de Pensiones de la CPC” (*Report of the CPC Pension Advisory Commission*), CPC, 2016.
- “Informe Final” (*Final Report*), Presidential Advisory Commission on the Pension System (“Comisión Bravo”), 2015.
- “In the Eye of the Storm: Transformation in the UK Retirement Market”, McKinsey & Company, 2015.
- “Moving on: Global retirement benefits in a post-defined benefits world”, PwC, 2014.
- “Pensions At a Glance 2017: OCDE and G20 Indicators”, OECD Publishing, 2017.
- “The Coming Pensions Crisis”, Citi GPS: Global Perspectives & Solutions, 2016.
- “The Future of Retirement Shifting sands”, Global Report HSBC Holdings plc, 2017.
- “The Global Forces Inspiring a New Narrative of Progress”, Greenberg, E., Hirt, M and Smit, S., 2017.
- “We’ll Live to 100 – How Can We Afford It?” World Economic Forum, 2017.

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