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Government Identifies Initial Group of 12 Pension-Fund Administrators

by LADB Staff

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In late January, the retirement savings commission (Comision Nacional del Sistema de Ahorro para el Retiro, CONSAR) published its first list of private pension fund administrators (Administradora de Fondos para el Retiro, AFOREs). The 12 companies that gained initial concessions have already started recruiting potential clients, although the start of the program was delayed until July of this year to give the government more time to set up a more complete data base (see SourceMex, 11/13/96 and 12/11/96). The privatization of the Mexican pension program modeled after similar programs in Argentina, Chile, Colombia, and Peru represents a major effort by President Ernesto Zedillo's administration to stimulate the rate of domestic savings (see SourceMex, 10/16/96).

According to Banamex economist Sergio Kurczyn Banuelos, the new program is expected to channel a greater percentage of worker salaries into AFOREs. Kurczyn Banuelos estimates that 10% of Mexico's GDP could be in savings by the year 2001. In contrast, the existing retirement savings system (Sistema del Ahorro para el Retiro, SAR) only accounted for about 1.1% of Mexico's GDP at the end of 1996. The list of companies that received concessions to participate in the privatized pension program includes a number of major banks such as Bancomer, Banamex, Serfin, Inbursa, Bancrecer, Santander, Bank of Nova Scotia, Banco Bilbao Vizcaya, Dresdner Bank, and Banorte. Some of these AFOREs were formed in partnership with insurance companies such as Seguros Tepeyac, Seguros Genesis, Provida Internacional, Aetna Life and Insurance Co., and Boston AIG Company.

At the same time, CONSAR delayed a decision on five other AFOREs, pending a final review of these applications. This list includes the AFORE formed by the social security institute (Instituto Mexicano del Seguro Social, IMSS), as well as the Zurich insurance company, GE Capital Assurance Co., Principal International Inc., and Grupo Financiero Promex-Finamex. Government to allow more companies to participate in program According to CONSAR president Fernando Solis Soberon, other companies will be allowed to participate in the program in subsequent years. "The window is never closed," said Solis Soberon. "We will continue to welcome applications from other companies."

In an effort to promote competition, CONSAR regulations stipulate that any one AFORE can only provide services to a maximum 17% of the total market. However, managers of the AFORE-Bancomer have petitioned CONSAR to increase that ceiling to 25%, since their pension plan has already attracted a large number of subscribers. According to AFORE-Bancomer director Ralf Peters, the pension plan has the potential to attract about 2.5 million accounts. For his part, IMSS director Genaro Borrego Estrada said he expected CONSAR to approve the social security institute's AFORE XXI by mid-February.

The delay in final approval is not expected to place this pension plan at a competitive disadvantage relative to the other 12 plans approved at the end of January. In fact, many union members are expected to follow the recommendations of their leaders to enroll in AFORE XXI. "This is the only AFORE that guarantees the resources of the workers," said Fidel Velazquez, who heads the workers confederation (Confederacion de Trabajadores de Mexico, CTM). "I expect more than 6 million CTM members to choose AFORE XXI."

Meanwhile, President Zedillo used the IMSS's 80th assembly in Mexico City to reassure IMSS members that the AFORE program will help ensure the future of worker savings. "Those who say that the reform limits workers' rights and will take away their pensions are wrong," Zedillo said in reference to strong opposition to the AFORE program when the plan was first proposed in Congress (see SourceMex, 04/10/96). At the assembly, Zedillo also said that the government's contribution to the IMSS budget for 1997 will increase by 700% over last year's to 21 billion pesos (US\$2.7 billion). That is the largest contribution to the system in Mexican history. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb. 5, reported at 7.79 pesos per US\$1.00] (Sources: El Nacional, 01/29/97, 01/30/97; La Jornada, 01/30/97, 02/03/97; El Universal, 01/29/97, 01/30/97, 02/03/97, 02/04/97; Novedades, 01/29/97, 01/30/97, 02/04/97; The News, 01/30/97, 02/04/97; Excelsior, 02/04/97)

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