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Commission Reports High Enrollment Rate in Privatized Pension Program

by LADB Staff

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According to the Comision Nacional del Sistema de Ahorro para el Retiro (CONSAR), Mexican workers have been enrolling in the newly privatized pension program at a higher rate than originally anticipated. Under the program, workers have the option to transfer their pension plans to one of 17 private managers (Administradoras de Fondos para el Retiro, AFORE) or to wait until the year 2001, when the Banco de Mexico (central bank) will take over all remaining pension accounts from the Instituto Mexicano del Seguro Social (IMSS).

At a recent meeting with labor leaders, CONSAR director Fernando Solis Soberon announced that slightly more than 8 million workers or almost 75% of the 11.8 million eligible participants had chosen to place their funds in an AFORE. Advertising campaign helped boost participation. Spokespersons for the Asociacion Mexicana de Afores (AMAFORES) acknowledged that an intensive advertising campaign contributed to the relatively high enrollment rate. The 17 AFORES spent an estimated US\$135 million to market their services to prospective clients.

However, some AFORE-industry sources attribute the high enrollment rate to dissatisfaction with the nearly bankrupt government-run pension program. In fact, the single pension plan with government participation, the AFORE Siglo XXI, had only managed to attract 2% of all accounts as of early September. CONSAR regulations require that the AFORES invest the worker retirement funds in Mexican-based government and corporate bonds. This restriction will be expanded to allow investments in some stocks listed on the Bolsa Mexicana de Valores (BMV) sometime in 1998.

Meanwhile, AFORE managers are urging the government to allow the funds to be invested in foreign securities, but this option is unlikely in the near future because of strong opposition in the Chamber of Deputies, particularly from members of the center-left Partido de la Revolucion Democratica (PRD). PRD Deputy Ricardo Garcia Sainz, a former IMSS director, has pledged to push legislation to reform the current AFORE program, including reducing enrollment fees and providing greater protection for workers participating in the program.

The PRD and other opponents of the AFORE program have charged that privatization of the pension program has primarily served the country's major banks. In fact, almost half of all workers enrolled in the AFORE program had chosen plans offered by Banamex, Bancomer, or Santander-Mexicano. Other majors banks, such as Inbursa, Confia, and Banco del Atlantico, also offer AFORES. (Sources: Excelsior, 09/10/97; El Universal, 09/15/97, 09/17/97; The News, 09/17/97, 09/18/97; Reuter, 09/19/97)

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