



Pension Highlights

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Voluntary Pension Savings

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- There are several pension systems around the world. Over recent years, private pension systems have been gaining more importance. The OECD has created a new periodical [publication](#) that monitors private pension systems, due to the fact that in half of OECD countries this type of system are mandatory or cover the vast majority of the workers.
- An important difference in private pension plans is whether they are voluntary or compulsory. [Countries](#) such as the United States, United Kingdom and Denmark, voluntary savings plans are the backbone of the system. In these countries, pension system organics around voluntary occupational pension plans and a subsidiary public pension. Voluntary occupational pension plans are promoted by the employer, or another organization such as a trade union, and the participants are the employees. Both may contribute to the plan and a special tax system is usually established. Like any other plans which have the purpose of build up a pension, the contracts that establish those savings plans are regulated and usually supervised.
- For a successful implementation of occupational pension plans the inclusion of tax incentives seems to be important, although this is not the only factor that determines the coverage of this type of plan. Generally speaking, the greater the **effective** benefits in the compulsory pension plan system, the lower the coverage of the voluntary pension savings plan. Just as the public welfare benefit provision tends to [crowd](#) out the private provision, the compulsory welfare benefit provision crowd out the voluntary provision. Also, unionization and collective bargaining tend to encourage the development of these plans.
- In Chile, individual voluntary pension savings plans (APV in Spanish) have been included since the reform of the pension system in 1981, collective or occupational pension plans (APVC) were introduced recently in the 2008 reform. The individual APV expansion took place in 2002 once the investment alternatives were extended through the launching of multifunds¹, savings became more liquid and tax benefits were increased. However, by December 2008 the accrued [amount](#) for individual APV savings was only equivalent to 1.3% of the accumulated amount of compulsory pension fund. The APVC fund was launched with the aim of increase the importance of voluntary savings in the Chilean system. It establishes a savings [contract](#) where both employees and employers pay contributions, tax incentives are contemplated for both. A special characteristic is that contracts must be non-discriminatory in terms of access and conditions, for the employees of a company.

¹ Multifunds consist in 5 funds with different portfolios with different levels of risks. People have the possibility of choose the type of fund were to invest.