

Chilean president proposes reform to increase old-age pensions

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Santiago de Chile, November 4 (RHC)-- Chilean President Gabriel Boric has presented to Congress a project to reform the current private pension system and transform it into a model with the State's and employers' participation to increase the amounts delivered.

"Today we present a reform, awaited and postponed for more than 15 years, which creates a mixed system that will guarantee better pensions for all, the current system is in crisis and the amounts are not enough for people to sustain a decent life in their old age," stated the president in a televised speech.

Boric explained that the reform puts an end to the current system called Pension Fund Administrators (AFP) and creates new investment managers, both State and private, promoting competition through the entry of new players. The financing of this new system is composed of three pillars: the first, through the individual contribution of workers through mandatory contributions; the second, with fiscal funds; and the last, with a contribution paid by employers.

This last pillar, paid by companies and employers, is equivalent to 6 percent of the worker's salary and would be, according to the President, the tool that will ultimately allow increasing future pensions. "This six percent paid by employers will improve everyone's pensions since it will work as a new social insurance, and will allow, for example, to cover pension gaps (time not worked) of those who become unemployed", said Boric.

The President asked Congress to begin the debate with haste and invited all the actors to participate in the discussion: business people, political parties, AFP directors and workers. "I make a direct call for a debate with responsibility and dialogue, but without delay, that puts people and their needs at the center," he said.

The private AFP pension system was created during the dictatorship of Augusto Pinochet (1973-1990). Since then, there have been several attempts to reform it, but they have yet to reach an agreement.

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