

Investment Company Institute
2015 ICI Global Retirement Savings Conference:
The Role of Public and Private Pension Provision

Current Insights on Retirement Savings Worldwide: Latin America

Stephanie Ortbals-Tibbs, Director, ICI Media Relations: Retirement savings in Latin America is an important, dynamic, fascinating topic, and recently at ICI Global's Global Retirement Savings Conference in Paris, I got a chance to get some additional insights from one of the experts.

Roberto Walker, President, Principal Financial Group for Latin America: It's true that we have a relatively young population, but that is going to change dramatically in the coming years. If you look, for example, at China, it's going to be even more dramatic with the one-child policy that they have right now. So what is the solution? I think that we have two groups of people. One group of people is the one that can save, and I think that what the government should do is try to create the best policies to incentivise people to save more. So that should be through mandatory [solutions], but has a lot to do also with voluntary solutions, and I personally prefer voluntary than mandatory. And within voluntary solutions, I think that group solutions, similar to the 401(k) that you have in the US, are a right way to go in order to serve precisely the middle class, because the middle class will suffer a lot if we don't do something. Why is this? It's because the low-income people, [they're] going to be protected somehow with a solidarity pillar. The high-income people, they can solve their problem by their own, that will have high affluence that they are sensitive to tax incentive. But there is a big portion of the population can go from 60 to 70 percent in this region, that they are not really well covered. And that's why we think that sponsored solutions through companies, through employers, is the right way to go. So what we're saying here is that we have to put together a collaboration effort between

workers, how we can help them to save more, employers, how we can create sponsored plans with all the characteristics that basically we can have in the US with a 401(k), and how we can involve much better governments, not only to provide solidarity pillar but also to create the best conditions for building a long-term saving base that at the end of the day is going to be very beneficial also for the growth, financing of the country.

Ortbals-Tibbs: It's really going to be fascinating to see how it all plays out, and I think we cannot close this discussion without talking very importantly about the role of women in retirement savings and some of the steps that Latin American countries are taking to address that issue and to make sure that women have adequate provision.

Walker: One of the big challenges in the case of women is that, well, first of all, they have already incorporated in the work force, which is very good, it's very good for the country, very good for everybody, not only for women. But the problem is because of the kind of work that they have to do also at home, and I think that men do not help that much in that respect, is that they don't have constant contribution to the system, so that's a big challenge. But in addition to that, in most of these countries, the retirement age is different to men, so, for example, in the case of Chile, retirement age is 60 years old, but women, not only they have this contribution problem, but also they live longer, so it's a very bad combination. So what do we think we have to do? And this may be politically not well accepted at the beginning, but understood in the long run is precisely to adjust retirement ages, make sure that we have labour markets that favour the incorporation of women, because it is not only a pension issue, has to do with labour market, they need more flexibility to adapt to their own reality, and if that happens, they will have sustainable jobs, a constant contribution, and a better pension.