

ANSES

May 2016

Con cada argentino, **siempre.**

Who we are...



Area	
• Total	2,780,400 km ² ^[B] Considering 1,084,386 km ² (418,684 sq mi) of the Exclusive Economic Zone area of Argentina is 3,939,463 sq km. In this figure the areas claimed are not included. ^[c] (8th) 1,073,518 sq mi
• Water (%)	1.57
Population	
• 2015 estimate	43,417,000 ^[4]
• 2010 census	40,117,096 ^[3] (32nd)
• Density	14.4/km ² ^[3] (212th) 37.3/sq mi
GDP (PPP)	
• Total	2015 estimate \$964.279 billion ^[5] (25th)
• Per capita	\$22,375 ^[5] (56th)
GDP (nominal)	
• Total	2015 estimate \$578.705 billion ^[5] (21st)
• Per capita	\$13,428 ^[5] (53rd)
Gini (2013)	▼ 42.3 ^[6] medium
HDI (2014)	▲ 0.836 ^[7] very high · 40th
Currency	Peso (\$) (ARS)

Social Security history in Argentina...

Pioneer country in introducing a Social Security System in Latin America:

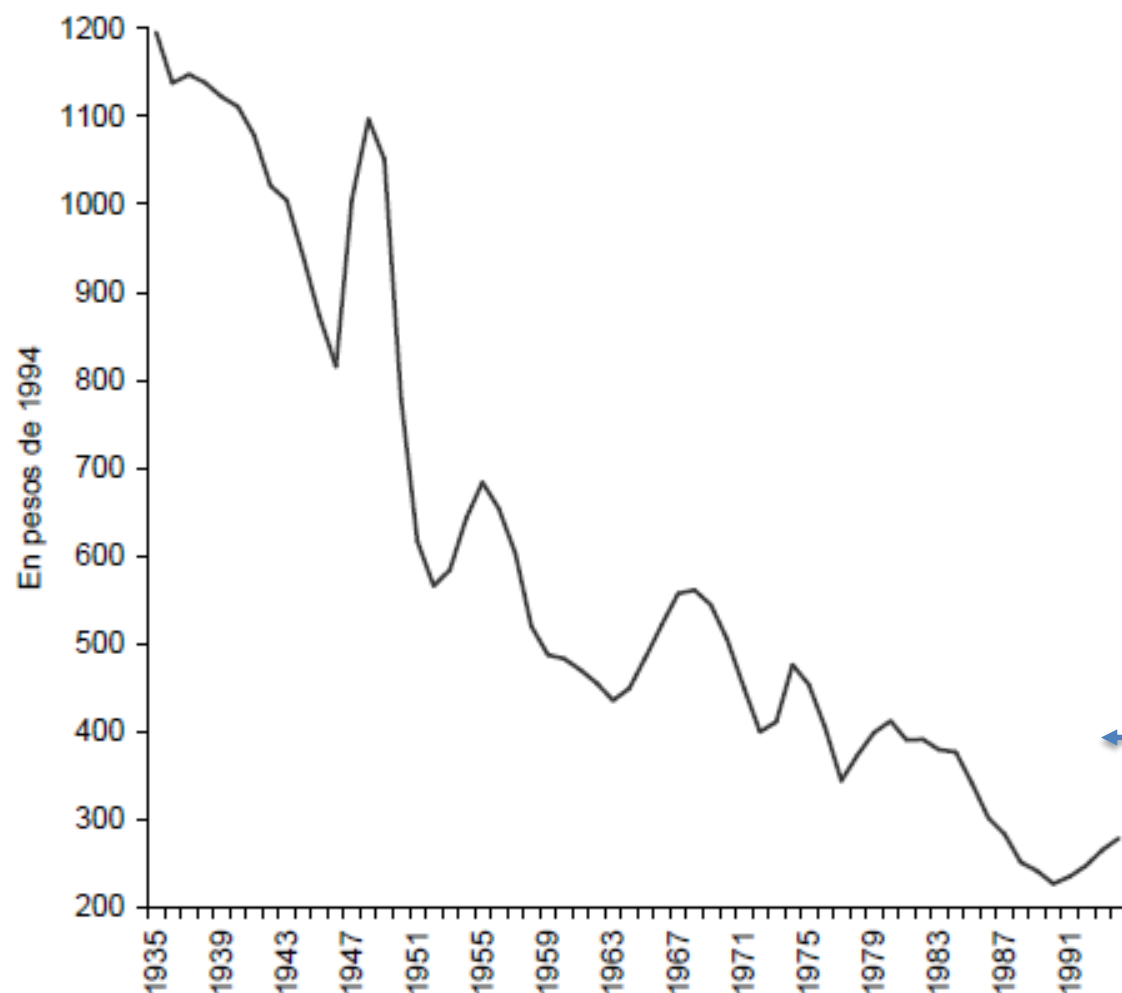
- 1904: Introduction of 1st Pension Scheme for Civil Servants
- 1915: Introduction of Labour accident insurance
- 1934: Mandatory Maternity insurance scheme
- 1944: Mandatory Health Insurance
- 1954: Consolidation of separate pension schemes with the Creation of a National Pension System for private workers (PAYG / DB)
- 1967: Unemployment Insurance scheme

First Pension System (1954):

- Pension contribution of 8% of gross salary
- Pension eligibility age 55 for men and 50 years for women
- 1958 Pension Income guarantee of 82% of employee earnings
- Highly redistributive (higher substitution rates for lower earning employees)

First “collapse” of the Pension System

Gráfico N° 2. Promedios móviles de haberes medios de Régimen Previsional Público, 1934 - 1994. (a precios constantes de 1994)



Higher contributions

Debt

Benefit decrease

Nota: deflactado por el índice de precios al consumidor (IPC-INDEC)

Fuente: Elaboración propia sobre la base de Ferreres (2005)

Pension Reform of 1994

New Pension System was created (Integrated System of Retirement and Pension)

- Largely based on Chile's successful reform of 1981
- Mixed system (public and private) with two compulsory tiers:
 - Employer-financed pension of equal amounts for everyone meeting the requirements of pension age and number of years of contributions (Universal Basic Pension)
 - Employee-financed incremental pension offering a choice between DB or DC scheme

New incremental pension:

- "Old" employees remained in the DB scheme
- New employees could choose between or DC or DB scheme; default option into DC scheme, could opt-out into DB

Pension Reform of 1994

Main parametric reforms:

- Retirement age raised to 65 for men, and 60 for women
- Total contribution rate increased to 27% of payroll:
 - 17% contributed by employers (1st Tier, Basic Universal Pension)
 - 11% contributed by employees (2nd Tier, Incremental Pension DC scheme)
- Period of mandatory contributions increased from 20 to 30 years.

New Pension scheme comes under stress

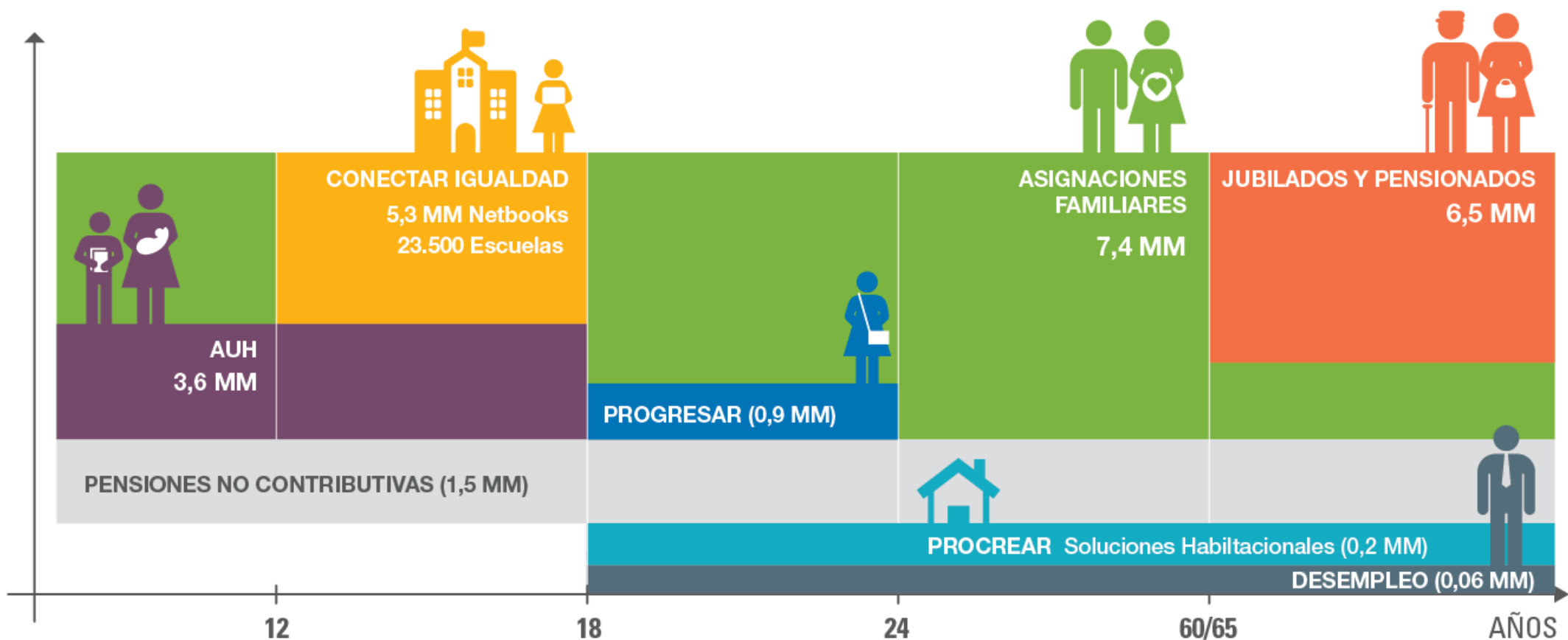
Some contributing factors:

- Weak supervision by Super Intendency of AFJP
- AFJP – Pension administrators created by private sector: 26 initial AFJPs created in 1994; reduced to 10 in 2008
- High fee structure (based on AUM); estimated in 31.5% of contributed funds
- 1995-2001 economic and political crisis
- Weak stock market performance
- High Government deficit: forced AFJPs increased investment into public securities

Reform Reversal in 2008

- In 2008 the Government nationalized the private pension scheme
- All pensions were transferred to ANSES (National Social Security Agency) and the DC scheme was abolished
- AFJPs and Super Intendancy personal transferred to ANSES
- All AUM are transferred into a public fund (FGS Fondo de Garantia de Sustentabilidad):
 - Approximately US\$ 50 billion
 - To provide temporary financial assistance to ANSES
- Coverage was increased significantly from 70% to current 98% (specially via moratoriums)
- High inflation scenario: Introduced benefit “mobility” (bi-annual indexation)
- Increased child allowance (via program for informal workers).

ANSES today: Social protection in all life stages...



372 OFICINAS

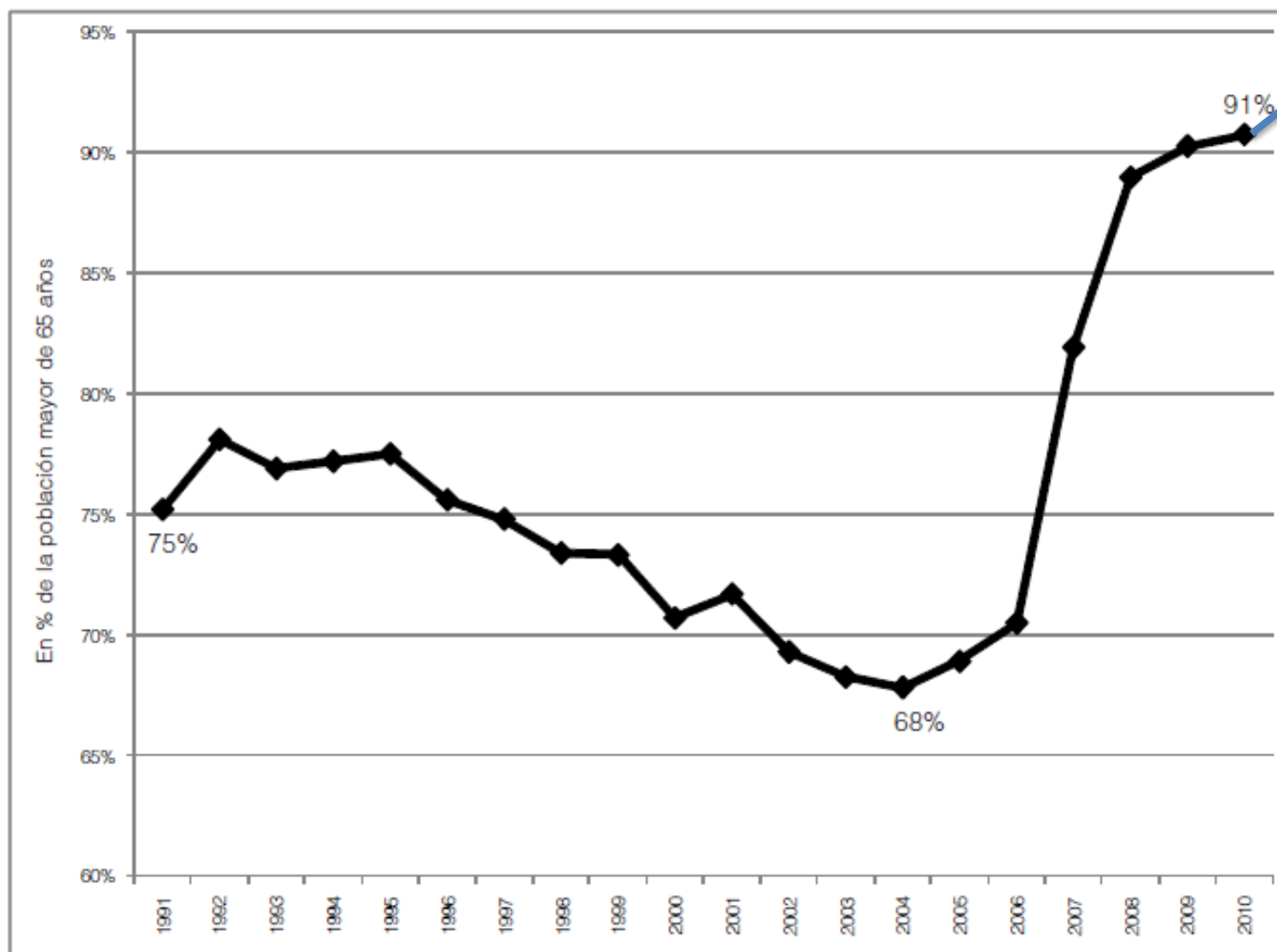
13 UNIDADES DE ATENCIÓN TELEFÓNICA

64 OFICINAS EN ORGANIZACIONES Y ORGANISMOS PÚBLICOS

15.886 EMPLEADOS

Increased coverage and higher substitution rate

Cobertura del sistema previsional en la población mayor de 65 años, 1991-2010



98%
expected by
September
2016

c. 80%
substitution
rate

Increased coverage...

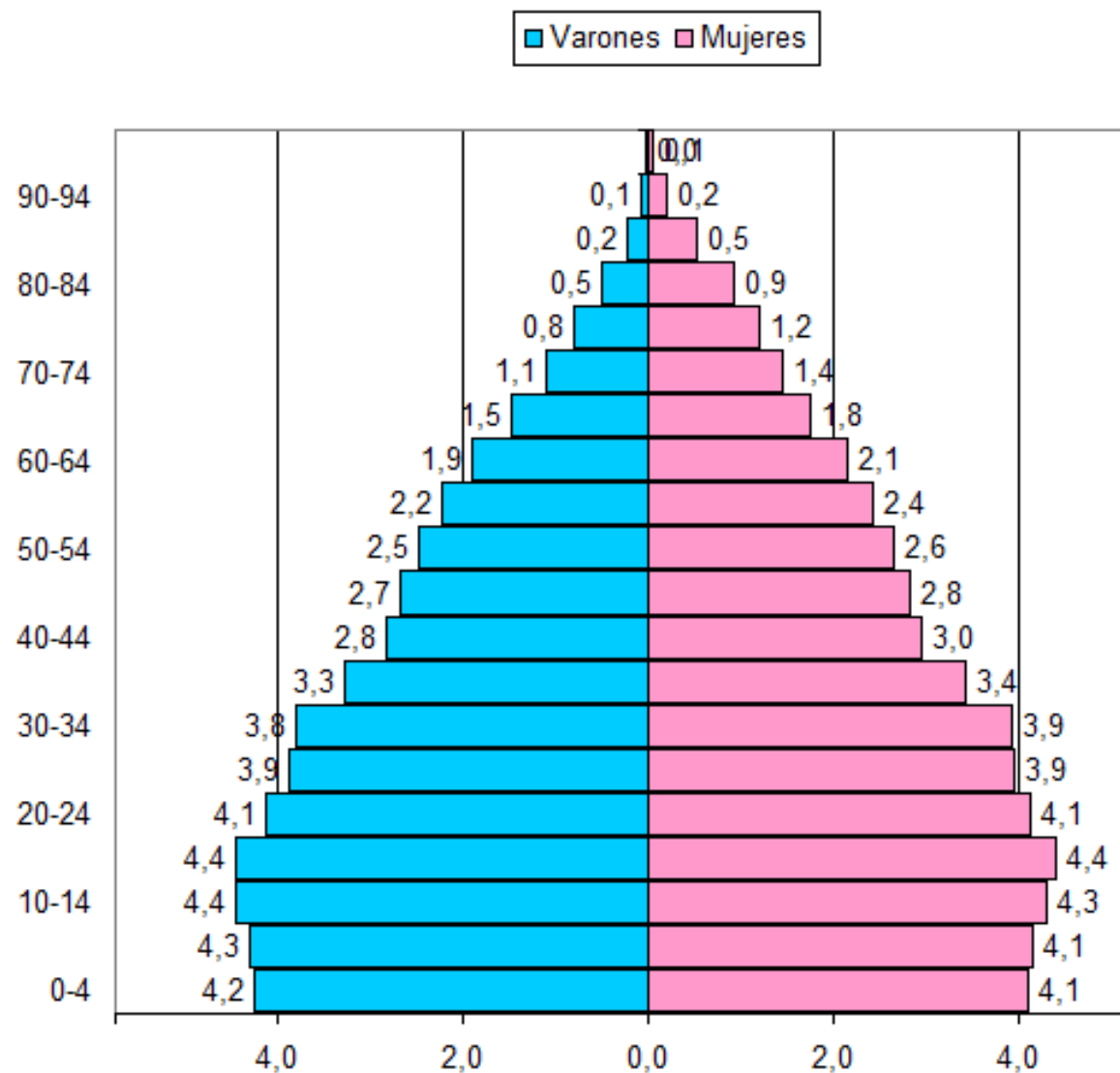
Cobertura previsional de adultos mayores, según categorías selectas

Categoría		2005 (2° semestre)	2010 (4° trimestre)	2015 (2° trimestre)	Diferencia 15-05 (puntos porcentuales)
Total		68,9	90,7	90,8	21,9
Género	Hombres	73,1	86,8	88,6	15,5
	Mujeres	66,3	93,3	92,4	26,1
Edad	65-69	48,6	80,4	82,1	33,5
	70-74	67,9	95,4	93,1	25,2
	75-79	82,0	95,9	97,3	15,4
	80+	85,4	96,6	95,9	10,5
Educación	Primaria Incompleta	65,0	92,0	91,5	26,5
	Primaria Completa	68,6	92,5	92,1	23,5
	Secundaria Completa	73,6	87,5	88,7	15,1
Ingreso	Quintil 1	36,6	83,9	68,4	31,8
	Quintil 5	80,2	84,1	90,7	10,5

Higher substitution rate

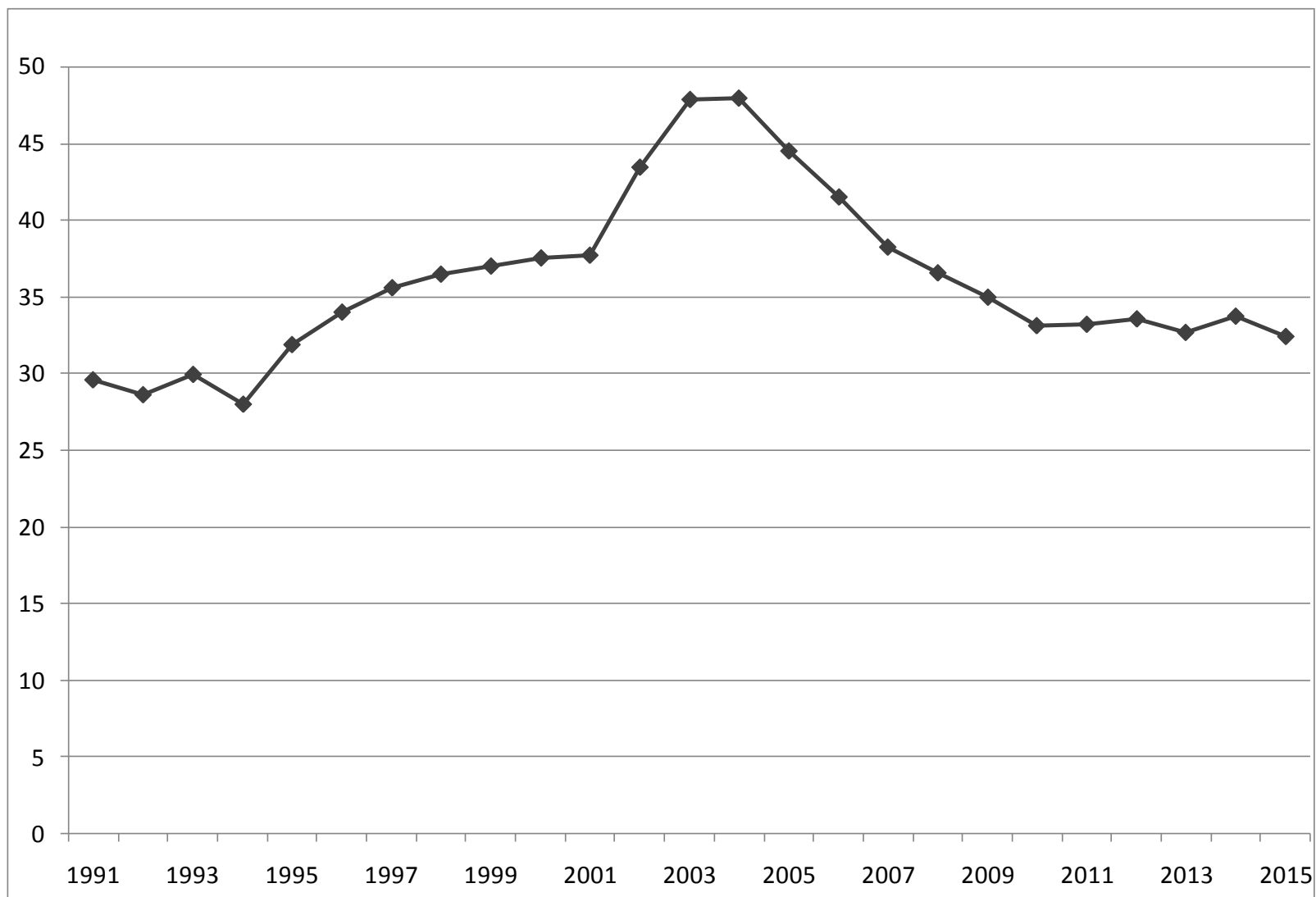
	Amount \$	Amount US\$	Substitution rate (%)	
			to Min	to Med
Minimum wage	5,888	415	84.2%	138.2%
Average wage - informal	7,522	530	65.9%	108.1%
Average wage - formal	13,743	968	36.1%	59.2%
Minimum Pension	4,959	349		
Average Pension	8,135	573		
Maximum Pension	36,330	2,558		

Increasingly ageing population...



Life expectancy 76 years
(73 men, 79 women)

... and high degree of informality...

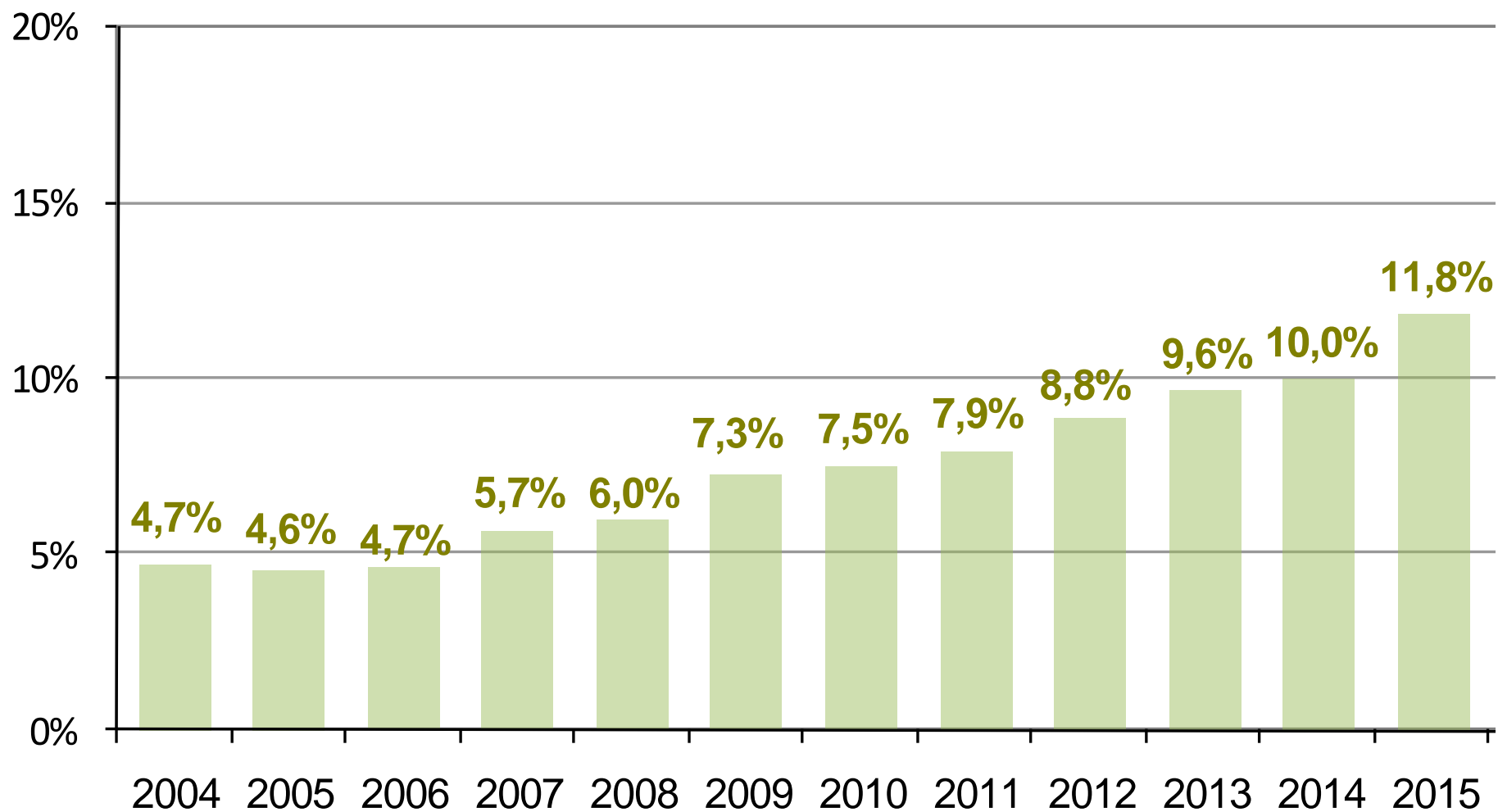


Provincial systems running high deficits

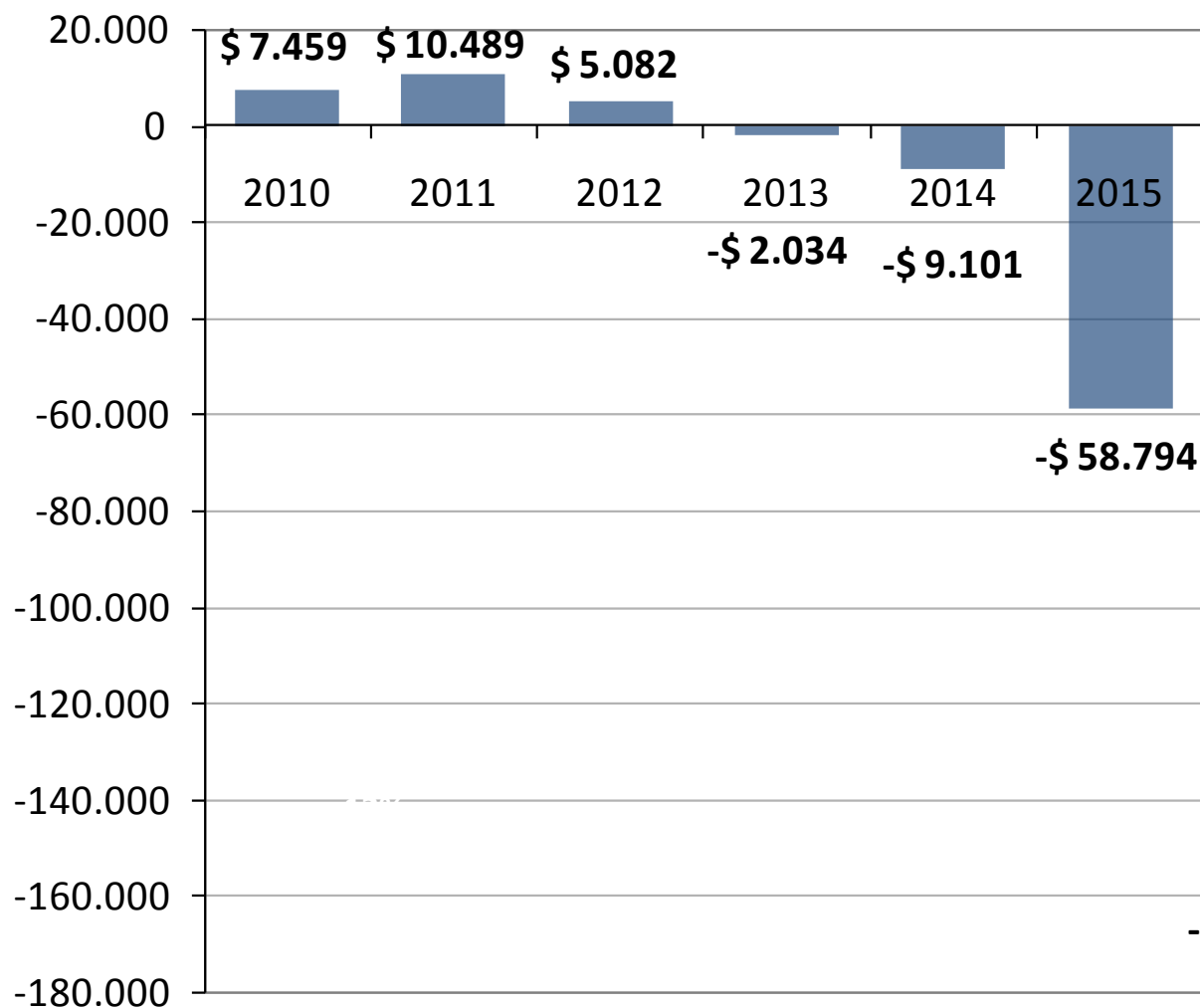
Las Provincias que transfirieron sus cajas son:



System showing new signs of instability



System showing new signs of instability



- Contributions do not cover pension expenditure
- Increasing burden on public finances
- Non-Contributory Pensions and Moratoriums maintain high incentives to informality (aprox 40% of work force)

Need for reforms...

- Previous recent failure of DC scheme makes politically impossible a reform into a DC scheme
- However, a three-pillar model could be explored:
 - A: Universal Basic Public Pension (based on age, and minimal contribution requirements)
 - B: Incremental Pension based on contribution history
 - C: Optional (default) Complementary DC Scheme (with matching contr.)
- Possible reforms to be explored:
 - ✗ Already high contributions makes virtually impossible contribution increases
 - ✗ Current General Government deficit (c. 7.5%) makes increased dependence of Treasury assistance unlikely
 - ✓ “Harmonization” or transfer of remaining provincial systems (aprox 15% of entire system deficit)
 - ✓ Retirement age increase
 - ✓ FGS Fund reform (towards TSP and/or Development Fund)

Thank you