



*Part one*

# Pension Reform: Changes in the pension system



## A new chapter for the pension system

- ▶ Last week, the Pension Reform was approved in Congress, which introduces a series of changes to the current system.
- ▶ This reform includes: an additional contribution charged to the employer; the creation of an insurance called *Seguro Social Previsional*; the creation of the *Fondo Autónomo de Protección Previsional* (FAPP); the replacement of multi-funds with generational funds; the bidding of 10% of AFPs' affiliates; and the increase of the *Pensión Garantizada Universal* (PGU)<sup>1</sup>.

1.- Primer informe de comisión de Trabajo y Seguridad Social. Disponible en [https://tramitacion.senado.cl/appsenado/templates/tramitacion/index.php?boletin\\_ini=15480-13](https://tramitacion.senado.cl/appsenado/templates/tramitacion/index.php?boletin_ini=15480-13)



## Increase in employer contribution<sup>2 y 3</sup>

- ▶ Currently, in addition to the 10% contributed by the worker, the employer allocates 1.5% to the *Seguro de Invalidez y Sobrevivencia* (SIS). With the recently approved reform, the employer's contribution will increase by seven percentage points over a gradual period of 9 to 11 years, reaching a total of 8.5%.
- ▶ This 8.5% will be divided into three components: 4.5% will continue going to the worker's individual accounts; 1.5% will be allocated to the *Aporte con Rentabilidad Protegida* (ARP), which will fund compensation for contribution years (a loan to the State that will be reimbursed to the affiliate upon retirement); and 2.5% will go to the *Seguro Social Previsional*.

2.- Primer informe de comisión de Trabajo y Seguridad Social, título I, artículo 1.

3.- <https://www.adnradio.cl/2025/01/29/asi-es-la-aprobada-reforma-de-pensiones-nueva-cotizacion-seguro-social-aumento-de-la-pgu-y-competencia-para-las-afp/>

## The new insurance: *Seguro Social Previsional*

- ▶ This insurance includes: the benefit for contribution years (0.1 UF extra per year of contribution, with a cap of 2.5 UF per month); compensation for life expectancy, which aims to equalize pensions between men and women; and the SIS<sup>4</sup>.
- ▶ The benefits of this insurance, once approved by the Instituto de Previsión Social, will be added together and expressed as a fixed pension in UF, complementing individual capitalization pensions<sup>5</sup>.

4.- Primer informe de comisión de Trabajo y Seguridad Social, título II, artículo 6.

5.- Ibid.



## *Fondo Autónomo de Protección Previsonal (FAPP)*

- ▶ The FAPP will be an autonomous public entity that will finance the benefits of the *Seguro Social Previsional*. It will be of a technical nature and will have legal personality and its own assets, as well as a board of directors consisting of five members<sup>6</sup>.
- ▶ This fund will be financed through employer contributions (2.5% for *Seguro Social Previsional* and 1.5% for the APR), contributions during periods of work incapacity, income from investments and tax-exempt donations, and state contributions<sup>7</sup>.

6.- Presentación Ministro Marcel - Nuevo sistema

7.- Primer informe de comisión de Trabajo y Seguridad Social, título IV, artículo 24.

## Generational Funds

- ▶ The reform also proposes replacing the multifunds with generational funds<sup>8</sup> ; savings instruments that adjust investments according to the affiliate's life cycle.
- ▶ The idea behind these funds is to favor higher-risk and higher-return investments at younger ages, which will become more conservative as retirement approaches. That is, while today an affiliate can choose the multifund they wish to contribute to (with Fund A being the riskiest and Fund E the most conservative), the generational funds will automatically assign the worker's fund based on their age. The project establishes at least 10 generational funds.

8.- Primer informe de comisión de Trabajo y Seguridad Social, título IV, artículo 23.



## Tender for 10% of the Affiliate Stock and increase of the PGU

- ▶ Additionally, every two years, the *Superintendencia de Pensiones* will tender 10% of the non-pensioned affiliate stock to the AFP with the lowest commission, which must maintain that price for five years<sup>9</sup>. This aims to encourage a reduction in commissions across the rest of the AFPs.
- ▶ The affiliates will be randomly selected and notified 45 days in advance, receiving detailed information about the winning AFP and being able to opt out of the change<sup>10</sup>.
- ▶ Furthermore, the reform increases the amount of the PGU from \$224,000 to \$250,000 through a gradual increase in three stages: pensioners over 82 years old will receive it after six months; those over 75 years old, after 18 months; and all beneficiaries over 65 years old, after 30 months<sup>11</sup>.

9.- Primer informe de comisión de Trabajo y Seguridad Social, título XV, artículo 160.

10.- <https://previsionsocial.gob.cl/gobierno-ingresa-indicaciones-a-la-reforma-previsional-y-comision-de-trabajo-del-senado-aprueba-su-idea-de-legislar/>

11.- <https://www.adnradio.cl/2025/01/29/asi-es-la-aprobada-reforma-de-pensiones-nueva-cotizacion-seguro-social-aumento-de-la-pgu-y-competencia-para-las-afp/>

- ▶ • Senado - Tramitación de proyectos  
[https://tramitacion.senado.cl/appsenado/templates/tramitacion/index.php?boletin\\_ini=15480-13](https://tramitacion.senado.cl/appsenado/templates/tramitacion/index.php?boletin_ini=15480-13)
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- <https://www.biobiochile.cl/noticias/servicios/explicado/2025/01/31/como-funcionara-el-aporte-de-rentabilidad-protegida-oprestamo-incluido-en-la-reforma-de-pensiones.shtml>
- <https://elpais.com/chile/2025-01-30/reforma-de-pensiones-en-chile-como-avanzara-la-nueva-ley-que-pasara-con-las-afp-y-cuanto-subira-la-pgu.html>
- <https://previsionsocial.gob.cl/gobierno-ingresa-indicaciones-a-la-reforma-previsional-y-comision-de-trabajo-del-senado-aprueba-su-idea-de-legislar/>

