ACLI
Financial Security for Life

January 27, 2025

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President of the Republic
Sector sur del Palacio de la Moneda, S/N

José García Ruminot,
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Morandé 441, Santiago

Jeanette Jara Román
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Minister of Finance
Teatinos 120, primer piso, Santiago

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Raúl Guzmán Uribe,
General Secretariat of the Senate of Chile
Morandé 441, Santiago

Government of Chile
Santiago, Chile

Re: Statement by the American Council of Life Insurers Representing U.S. Investors in the Chilean Pension Sector

Dear Mr. President and Ministers:

The American Council of Life Insurers submits this letter regarding the proposed reforms to Chile's mandatory pension system. Our member companies represent the breadth and depth of the U.S. insurance and retirement industry. We write to share our concerns about the pension reform now in front of the Chilean legislature, and its impact on Chilean workers, on the Chilean economy, and on the manner in which key reform provisions will violate the legal investment rights of U.S. investors in the pension sector.

Chile has built a well-earned reputation as a reliable partner committed to honoring international treaties, including the U.S.-Chile Free Trade Agreement. However, the proposed pension reform not only undermines those commitments but also creates unfair advantages for new market entrants at the expense of U.S. investors, threatening Chile's standing as a trusted and stable destination for foreign investment. As the Trump Administration begins its broad review of trade agreements, it's important that these actions and their implications are fully understood by U.S. leaders.

The proposal to mandate a biennial auction of pension affiliates would constitute an expropriation of significant U.S. investments in Chile, and a breach of Chile's obligation to grant a fair and

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equitable treatment to U.S. investors, among other violations of international law. In addition, the proposal to allow the State-owned Instituto de Previsión Social to provide auxiliary functions to new pension managers constitutes an unfair treatment to incumbents that have made significant investments over the last decades on their operation and infrastructure. The measure would afford newcomers a competitive advantage on costs and investment. Moreover, the recent announcement by the Minister of Labor to include a public investor, financed by the State, would further affect incumbent pension managers by creating unfair market conditions.

Such violations of longstanding investor rights would harm the country's global standing and deter future foreign investment, which has been a vital driver of economic growth and stability. The companies that have made, and continue to make, significant investments in Chile, rely on a framework of rules and rights, many of which are codified in the various treaties that Chile has made sovereign commitments to honor. Chile's breach of such international obligations would adversely affect the confidence of investors in Chile. Abuse of core investor rights will lead even investors of good faith to seek legal redress.

Chile has long been recognized as a global leader in pension system innovation and financial stability. The global experience of ACLI member companies in retirement finance indicates that to preserve this standing while improving pensions, reforms should increase individual savings and their investment through individual accounts. In this sense, we value many of the proposed reforms due to the fact that they will strengthen individual savings, seek mechanisms that reduce the gender gap in pension savings, increase the universal guaranteed pension (PGU), and strengthen people's financial education; all of which will result in better pensions. Many of these changes would employ global best practices on pension policy to improve financial security for more Chileans.

However, we are concerned that certain provisions of the proposed reform could harm the long-term financial security of workers and undermine Chile's capital markets. Proposals such as the biannual auction of affiliates' portfolios, as technical studies have consistently highlighted, would force investment managers to make suboptimal decisions, including frequent asset liquidation, at a significant cost, which would reduce returns on investments for Chilean workers. Lower returns would directly impact the growth of pension savings and the size of future pensions for Chilean workers. The auction mechanism and associated constraints would also discourage investment in long-term financial instruments, many of which contribute public goods to Chile through the consistent maintenance of a deep domestic capital market. Discouraging or making impractical such long-term investments would weaken the overall performance of the pension funds and reduce the ability to achieve sustainable long-term growth in workers' savings. Any measure that disrupts the efficient allocation of resources in the financial system would also shrink Chile's domestic capital market. Over time, this could limit access to funding for businesses and infrastructure projects that drive economic growth, further diminishing opportunities for workers.

We remain committed to Chile's progress and prosperity. Our goal is to contribute constructively to the dialogue surrounding pension reform and to support policies that advance financial security while fostering economic stability and growth. We welcome further engagement with policymakers to ensure that reforms achieve their intended objectives without unintended consequences.

Sincerely,

David Chavern

David C. Chavern
President & CEO
American Council of Life Insurers