

ASIA-PACIFIC REGULATORS' AND INDUSTRY DIALOGUE

Session 6

Risks and Challenges – Identification of Gaps

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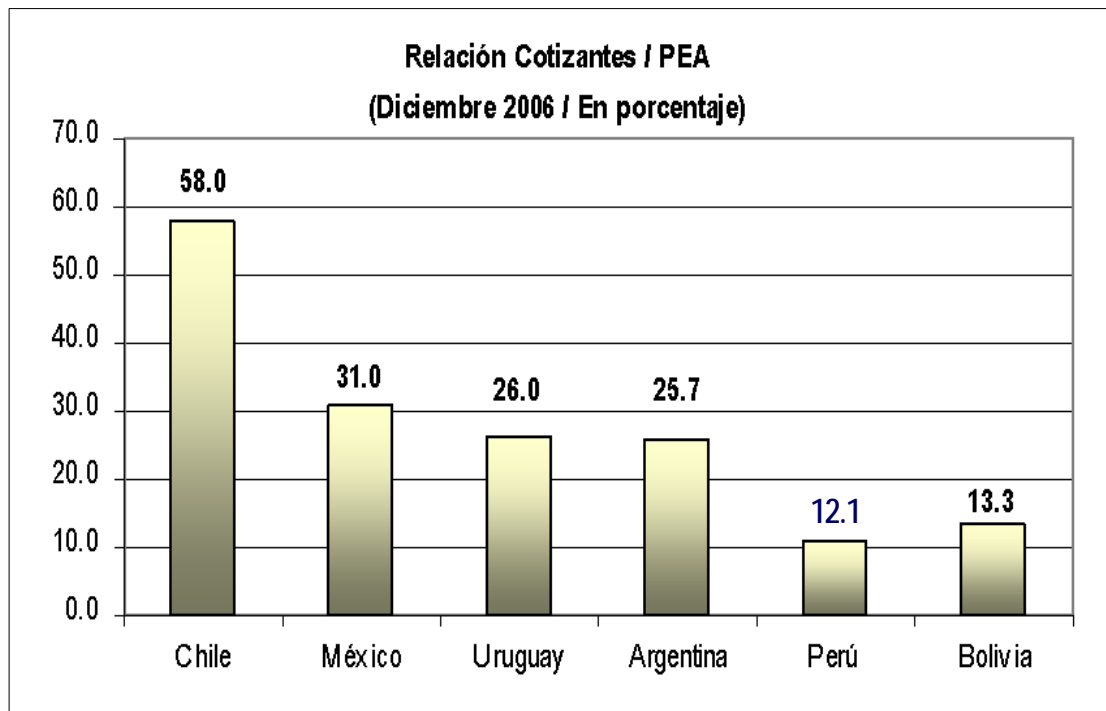
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SUMMARY PAPER

Peruvian Private Pension Fund System

I – Outlook

The coverage ratio of the PPS has improved, but it is still low in comparison to other Latin American countries



Source: AIOS

Note: Peruvian statistics consider PPS coverage. The other pension systems are not included

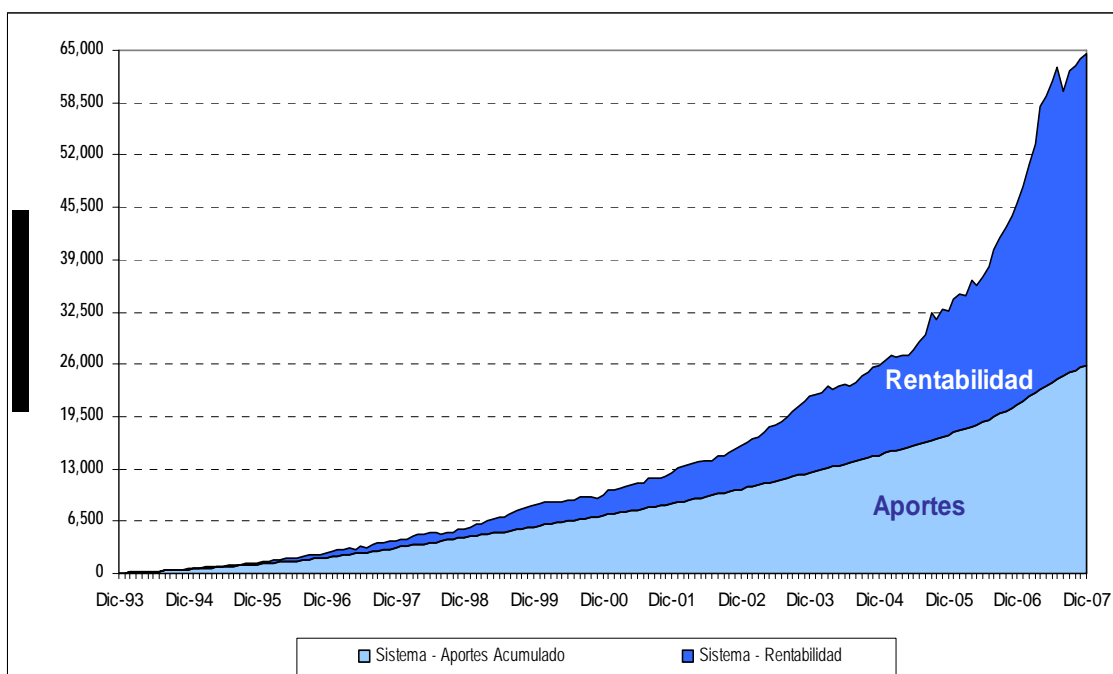
The PPS is a key factor for domestic growth and the development of the local capital markets

	Dic-2003	Dic-2004	Dic-2005	Dic-2006	Dic-2007
DATOS MACRO					
Ahorro Interno (% PBI) (1)	18,3	20,0	21,6	26,9	24,1
Inversión (% PBI) (1)	19,0	19,6	19,4	22,4	22,4
FONDO DE PENSIONES					
Fondo de Pensiones (MIL S/.)	21 844	25 651	32 223	45 547	60 406
Fondo de Pensiones (MIL US\$)	6 311	7 820	9 425	14 260	20 155
Fondo de Pensiones / PBI (2)	10,2	10,8	12,3	15,0	18,3
Fondo de Pensiones / Ahorro Interno (1)	59,4	56,8	57,0	57,5	75,3
Fondo de Pensiones / Inversión (1)	55,1	60,3	63,4	69,2	82,9
Fondo de Pensiones / Liquidez del Sistema Financiero	29,7	31,0	31,6	36,9	38,2
Fondo de Pensiones / Crédito del Sist. Financiero al Sector Privado	35,6	39,9	43,1	52,6	54,4
Tenencia de Acciones Locales / Capitalización Bursátil	14,0	14,7	9,6	10,1	7,8
Tenencia de Deuda del Gobierno / Deuda Interna del Gobierno (1)	13,4	14,6	18,4	28,7	40,1
Depósitos de la Cartera / Depósitos del Sistema Bancario	8,2	4,5	4,6	4,4	2,0

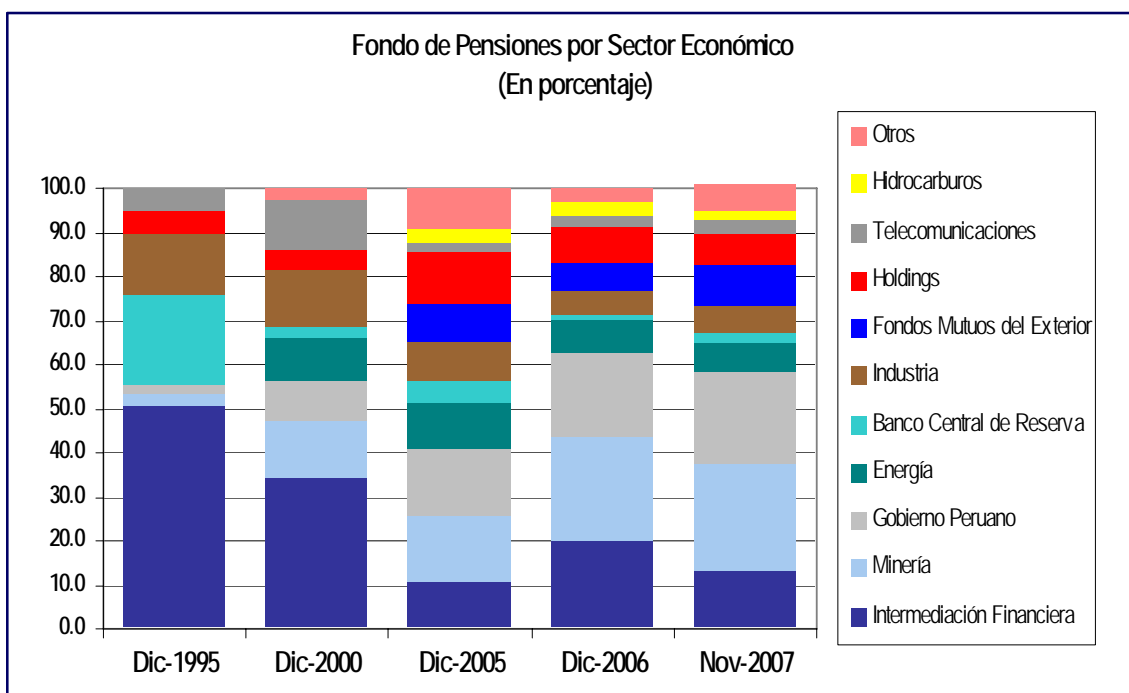
(1) En la última columna, la información del denominador corresponde al tercer trimestre de 2007.

(2) En la última columna la información de PBI corresponde a la suma de PBI Trimestrales: IV Trim.2006 al III Trim. de 2007.

Private pension funds have increased in the last ten years; and currently portfolio returns represents 60% of the fund

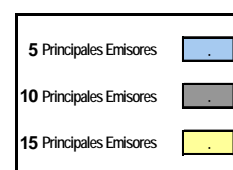


Overtime, the Fund is more and more diversified by sectors reducing concentration risk

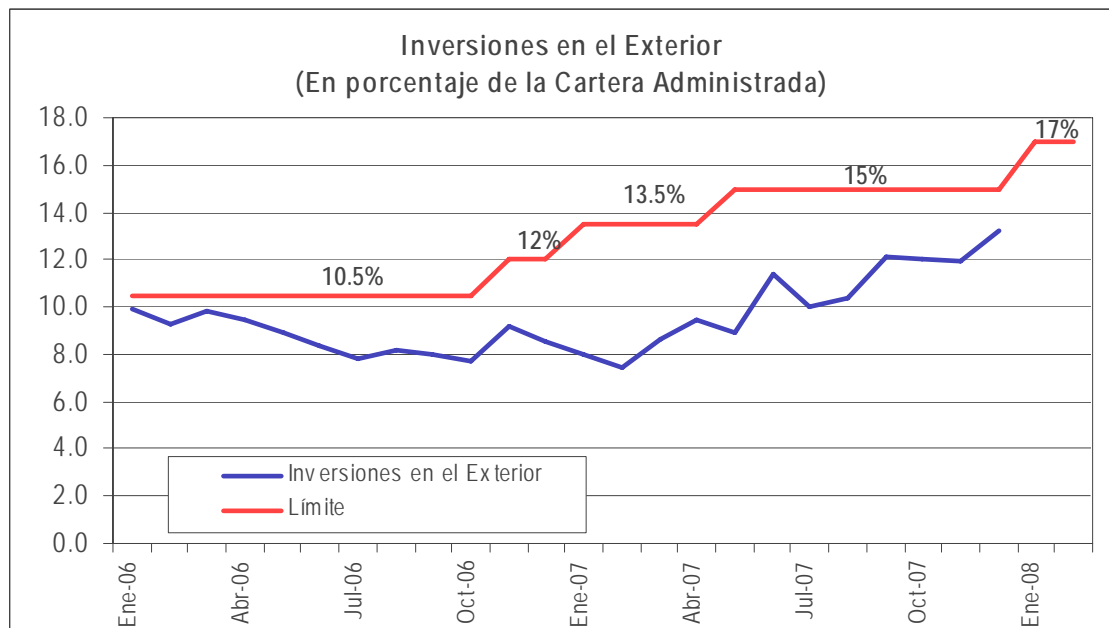


But it is still concentrated in a few issuers

Emisor	Nov-04	Nov-05	Nov-06	Nov-07
Gobierno Central	13.4	15.8	18.5	21.0
Credicorp Ltd.	7.7	9.4	8.2	6.7
Southern Peru Copper Corporation	4.2	4.9	7.6	6.3
Cía. De Minas Buenaventura S.A.A.	5.2	5.2	4.6	5.8
Volcán Cía. Minera				4.6
Minsur S.A.	3.6	2.2	2.6	2.9
Banco de Crédito del Perú	2.6	2.4	2.7	2.8
Barclays Global Fund Advisors				2.8
Cía. Minera Milpo S.A.			3.5	2.5
Telefónica del Perú S.A.A.	2.0	2.7	2.6	2.5
Edegel S.A.A.	6.1	3.7	2.6	2.1
Banco Central de Reserva del Perú	10.3	5.2	1.5	1.9
Peru Enhanced Pass Trough SSCN				1.8
Cementos Lima S.A.	3.0			1.7
Cía. Minera Atacocha				1.6
Banco Continental	2.6	3.7	2.2	
Edelnor S.A.	2.9	2.0		
Luz del Sur S.A.A.	2.5	1.8	1.6	
Gobierno de los Estados Unidos de América				1.7
Bank of New York				2.0
Internacional de Títulos Sociedad Titulizadora S.A.	1.8	4.1	2.0	
AC Capitales SAFI S.A.		1.7		
Banco Internacional del Perú S.A.A.	2.3			
Unión de Cerv. Peruanas Backus y Johnston S.A.A.		1.9		
Total	70.2	66.7	63.9	67.0



At the moment the foreign investment limit is 17% of the administered portfolio, and the actual foreign investment is 13.5%



II – Key challenges

1. Extend pension coverage
2. New investment alternatives
3. Risk management and fiduciary governance
4. Assets under management fees
5. Cost reduction and competition

1. Extend pension coverage

- Mandatory contribution for all the tax contributing workers.
- Implement social pension program: contributions subsidies for workers in small enterprises.
- Bundle-up pension and health programs.

2. New investment alternatives:

- Increase the limit on investment abroad
- Increase supply of instruments and opportunities for diversification: real state and infrastructure projects, securities lending, derivatives, etc.

3. Risk management and fiduciary governance

- Risk management supervision:
 - Market watch supervision
 - Performance attribution analysis
 - Risk control
 - Modeling investment risk

- Supervision of conflict of interest
 - Assessment of fiduciary and governance capability
 - Improve investment policy transparency
 - Ethical codes and professional capacity
 - Clear fiduciary responsibilities for asset managers

4. Asset under management fees

- Current situation: Percentage of income fee
- Consider mixed fee structure or allow assets under management fee for new entrants.

5. Cost reduction and competition

- Privately managed single clearinghouse that centralizes the collection of workers contributions
- Centralize account management functions: including the transfer process and database responsibilities.

