



Ministry of Finance – Asset Management  
Department (Norway) | *May 2026*

# Chilean Pension Protection Fund

# Chile's Pension System

- **Chile was the first country** to adopt a fully funded defined contribution (DC) scheme (1981).
- The system replaced the previous **pay-as-you-go (PAYG) model**.
- Initially, the reform supported **capital accumulation and deepened financial markets**.
- Structural gaps later emerged: **informality, low contribution density, gender disparities**.
- Replacement rates remain low: Women 11% (62% incl. PGU), Men 26% (63% incl. PGU).
- PGU (2022) expanded coverage but raised fiscal costs (0.3% → 2.2% of GDP, 1990 – 2024).
- Limited risk pooling and redistribution reduced adequacy and confidence.





# Why Reform Was Needed

Persistent inequality and inadequate pensions.

Fragmented pillars and limited solidarity mechanisms.

The 2025 reform introduced a mixed system combining capitalization and collective financing.

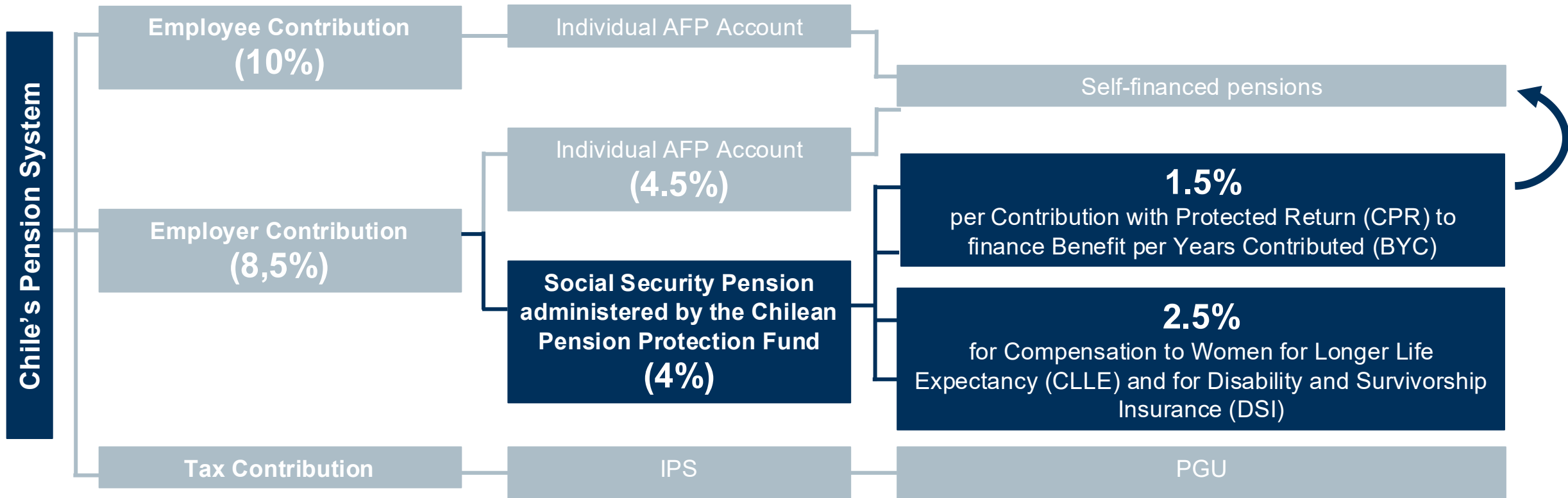
Core objectives: adequacy, gender equity, fiscal sustainability, efficiency, and fairness.

# Establishment of Chilean Pension Protection Fund

- **Created under Law N° 21.735** (March 2025).
- **FAPP finances the new Social Insurance component** (Social Security Pension).
- **Accumulates and manages long-term assets** to sustain defined benefits and insurance.
- **Public, autonomous investment fund** with independent governance.
- **Accountability:** Superintendence of Pensions, public reporting, external audit.

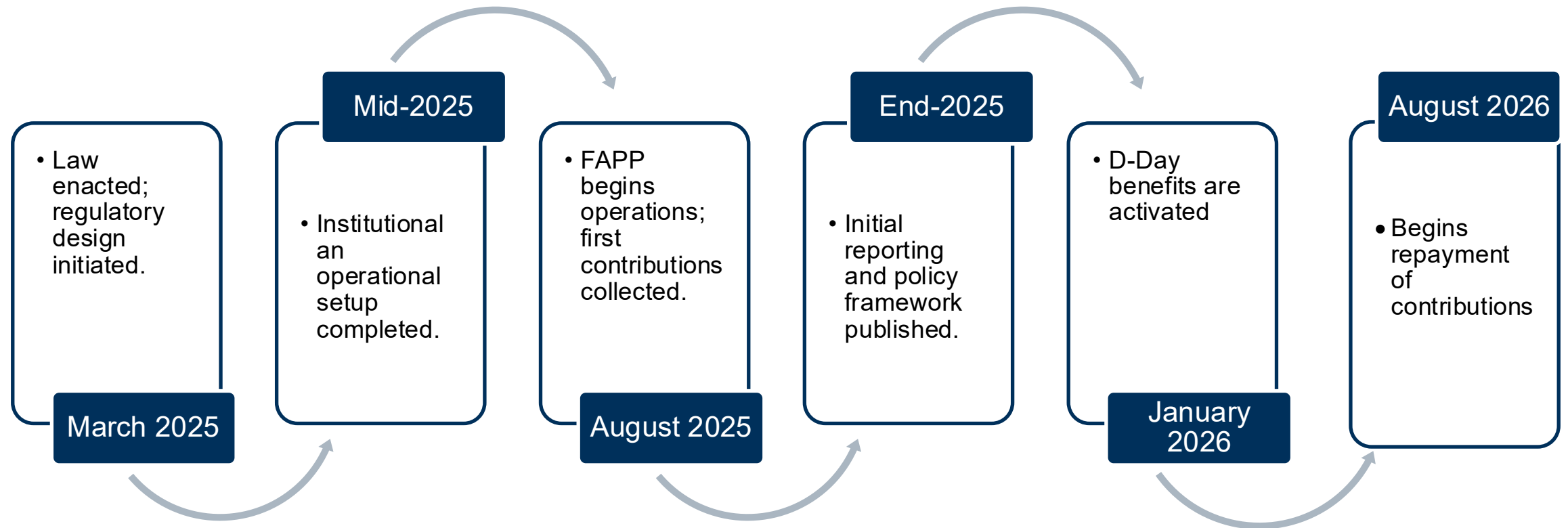


# Additional Employer Contributions (not-only to FAPP)



Fiscal support: permanent annual transfer (US\$1.000M by Year 12) and Treasury loan (up to US\$900M).

# Implementation Timeline





# FAPP's Investment Model

- **100% externally managed** through a transparent and competitive selection of professional managers.
- AFAPP retains responsibility for **strategy, asset allocation, investment guidelines, risk oversight and performance monitoring** – with full operational and investment autonomy.
- Long-term strategy explicitly incorporates **future liabilities (actuarial modeling) and the Contribution with Protected Return (CRP) logic**; investment policy defines benchmarks and risk parameters.
- **Objective:** adequate risk-adjusted real returns to ensure the long-term sustainability of the Social Insurance Fund.



# Investment Roadmap & AUM Projections

- **Initial mandates (2026):** liquidity management (key in early years) and local fixed income.
- Next phase: **international equity and local equity** mandates, broadening risk premia exposure and global diversification.
- Later stages: **international fixed income and alternative assets** (private markets, real assets, infrastructure) as scale and capabilities grow.
- **AUM trajectory:** projected ~USD 4–5 bn within 5 years and ~USD 13 bn within 10 years.



# Glossary of Acronyms

- **FAPP / AFAPP** – Fondo Autónomo de Protección Previsional (Chilean Pension Protection Fund) and its administrator (Administradora del FAPP).
- **GPFG / NBIM** – Government Pension Fund Global (Norway’s sovereign wealth fund) and its operational manager, Norges Bank Investment Management.
- **ALM / CRP** – Asset-Liability Management framework; Contributory Reserve Plan, the logic linking long-term investment to future pension liabilities.
- **ESG / PGU** – Environmental, Social and Governance factors; Pensión Garantizada Universal (Chile’s universal guaranteed pension, 2022). Also: DC = Defined Contribution; PAYG = Pay-As-You-Go.



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[www.fappcl](http://www.fappcl)