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Operational and financial amendments to the Retirement Savings System (SAR)

The new provisions for the investment regime that SIEFORES must comply with, published on May 31, introduced a number of important changes to the system, particularly regarding the investment of resources according to the date of birth of workers (target date funds by quinquennial age groups) and a quarterly investment trajectory, as well as the possibility for workers to request the transfer of their resources to a different company.

Consequently, a number of amendments to the General Operational Provisions of the Retirement Savings System, also known as CUO, were published in the Federal Official Gazette on September 13, in order to simplify the transferring between retirement funds administrators (AFORES) in benefit of workers ("CUO Modifications").

The most important aspects of the CUO Modifications are the following:

1. Replacement of the Transfer Certificate with a Transfer Sheet, which eliminates the formality of requesting, receiving and activating the Certificate. Instead, the Sheet will automatically certify that the worker has received the comparative data of the different AFORES, so he can make an informed decision regarding the transferring of his individual account and the economic implications of doing so.
2. Digital mechanisms will be available for the application and receipt of the Transfer Sheet and workers will be able to access all information first hand without the need to attend personally to the AFORE.

These changes, which will be implemented as of January 2020, aim at strengthening the SAR operational upgrading, especially in benefit of workers.

With regard to the SAR financial regulation, the new financial provisions of the Retirement Savings System, or CUF, were published on September 18, in order to harmonize this regulation with the new target date scheme ("CUF Modifications").

Among the CUF Modifications, the following are worth noting:

1. The investment trajectories to be defined by the Investment Committees of each SIEFORE, must be consistent with the age of workers and a long-term investment strategy that should take into account their individual profile and the highest possible return.

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2. Investment trajectories will serve as the portfolio performance benchmark for SIEFORES, in order to determine the proper management of resources in the long term, as well as consolidating a lower dependence on market contingencies.

3. Through the new management policies, SIEFORES shall comply with the monitoring limit established in the investment scheme. This means that they will have to recompose their portfolios to avoid excesses or subject the excess to a special reconfiguration program when extreme market conditions arise.

4. From now on, SIEFORES will have to integrate the methodology for designing and monitoring the investment trajectory into their investment and risk manuals in order to operate as target date funds. In addition, the Integrated Management System of SIEFORES will be used to measure the performance, risks and deviations of investment trajectories.

5. CUF Modifications introduce new formats so that workers can learn firsthand the ways in which their resources are invested and how that affects their savings.

6. As part of the responsible management of workers' resources, SIEFORES should consider environmental, social and corporate governance (ESG) in their investment strategy and risk management, and take into account factors such as population growth, globalization and scarce commodities, among others.

7. In order to increase investment in mutual funds, promote the diversification of portfolios and the enhancement of returns, new mechanisms are provided to reduce costs and timelines for such vehicles. SIEFORES will also be able to invest in smaller, well-performing mutual funds.

SAR in numbers ¹

»» To date, SAR has 64.7 million registered accounts.

»» AFORES manage resources for 3,865,321 million MXN pesos.

»» Assets invested by SIEFORES represent 15.8% of GDP.

»» Assets managed by AFORES are placed second in the national financial system, after banks, with 18.64% of the total market.

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- »» Historical performance from 1997 to September 2019: 11.13% nominal / 5.35% real.
- »» Net fees yield: 46.8% of the system balance.
- »» Fee average charged by AFORES (on managed balance): 0.98%
- »» At the close of the 2nd quarter of 2019, voluntary savings reached 84,440 million MXN pesos, an increase of 18.9% over 2018.

(1) Figures to August-September 2019.

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