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New policies for AFORES fees

Based on the increase shown by resources managed by AFORES, the Board of Governors of the National Commission for Retirement Savings (CONSAR) issued an agreement that sets forth the policies and criteria for the determination of their fees (“Agreement”).

According to CONSAR, between 2009 and 2019, such resources have increased at an annual growth rate of 13.5%. This means that, as of May 2019, a total of 63.7 million individual accounts were registered, equivalent to 3.6 trillion pesos in savings. It is estimated that such amount could exceed 9.4 trillion pesos by 2030.

On the other hand, the Retirement Savings Systems Law empowers CONSAR to issue the rules for determining the fees that AFORES may charge, considering the amount of assets they administer, their cost structure, other fees in the market and the maximum allowable dispersion between the highest and lowest fee.

Thus, on August 22, CONSAR published the Agreement in the Federal Official Gazette, in order to establish clear guidelines on fees, particularly regarding the maximum allowable dispersion and cases in which such fees may be excessive for workers and their interests.

Policies and criteria provided for in the Agreement are as follows:

1. The maximum allowable dispersion between the lowest and highest authorized fee shall be progressively reduced over time, provided that it is consistent with healthy competition conditions and involves a benefit for workers.
2. CONSAR will ensure that the average fees descend each year over the period 2020-2024 towards internationally competitive levels, considering the following elements:
 - » The average fees charged in countries members of the Organization for Economic Cooperation and Development (OECD).
 - » Fees charged by retirement fund administrators in Latin America, with characteristic similar to those in Mexico.

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- »» That fees charged in Mexico are not higher than those charged in other countries at same stages of development.
- »» The average balance per managed account registered by each AFORE.

It should be noted that, according to the Retirement Savings Systems Law, AFORES are required to submit their fees to CONSAR each year, which in turn should authorize them for their application the following year. To this end, CONSAR must consider all policies and criteria established in the matter to base its decision.

3. The Agreement provides that, for the annual analysis of fees, AFORES should enclose to their proposal an estimate of the progressive decrease of fees for each of year until 2024, in order for the arithmetic average to reach international standards. However, such decreases will not be binding for the following years and may be modified by the AFORE in subsequent review processes.

Decreases should be aimed at reducing the gap between fees prevailing in other countries and those charged in Mexico.

The Agreement, in force as of August 23, repealed a previous Agreement, issued in October 15th, 2015, which also provided policies and criteria for the determination of fees, as well as its amendment, published in July 2017.

For information regarding this subject, please do not hesitate to contact us at 9178 7000 or through the following e-mail: contacto@ritch.com.mx