

**SUPERINTENDENCIA DE PENSIONES**  
**TECHNICAL NOTES ABOUT THE STATISTICS OF THE NATIONAL PENSIONS**  
**SYSTEM**

**VERSION 4**  
**UPDATED JANUARY 15, 2009**

<b>I. DEFINITIONS OF TERMS USED</b>
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**Active Affiliate:** A fund member who is making contributions in the current month.

**Administration Commission:** It is the charge the Complementary Pension Fund Manager make to the affiliate to manage his individual account; the charge is applied over the administrated balance, the yields, the contributions or a combination of any of the last two.

**Assets Available for Future Benefits:** These are resources endorsing the rights of those affiliated to obtain pension benefits upon fulfillment of the regime's requisites. These assets are composed by the contributions and their yields generated during time.

**Automatic Affiliation:** It is the condition of the law in articles 11 and 39 of the Worker Protection Law (*Ley de Protección al Trabajador, LPT*), in which a worker does not choose a Fund Manager for the administration of their compulsory fund resources from the complementary pensions or the labor capitalization fund. In the Compulsory Regime of Complementary Pensions (*Régimen Obligatorio de Pensiones Complementarias*) a worker not electing a Fund Manager is affiliated automatically to the Fund Manager of the *Banco Popular y de Desarrollo Comunal*, or to *Magisterio Nacional Fund Manager* if he contributes for the Pension Regimen of the *Magisterio Nacional* (Pension System to teachers).

**Average Pension:** It is the result of the division of total pension payments by the number of pensioners at a given date.

**Basic Regimes:** It is the *Régimen de Invalidez Vejez y Muerte (IVM)* administrated by the *Caja Costarricense de Seguro Social (CCSS)* and the pension regimes established by law in substitution of the former

**Collective Capitalization:** It is a pension system, where the periodic contributions of the participants form a fund which is intended to make possible the payment of pensions when the contributors reach the retirement age.

**Collective Regimes:** These are regimes where the contributions are deposited in a common fund, from which resources are later taken to pay the pension allowances.

**Complementary Pension Funds Managers:** Organizations in charge of the administration of the labor capitalization fund, the voluntary savings and pension funds corresponding to the Complementary Pensions Regime (*Régimen Complementario de Pensiones*) of individual capitalization and the corresponding benefits.

**Free Transfer of Affiliates:** It is the ability of the affiliated to transfer the resources in her individual account to another authorized entity or fund that the affiliated elects.

**Fund's Annual Nominal Yield:** It is the annual yield generated by the fund in the last twelve months, that is to say, the term between the considered month and the same month of the previous year.

The annual nominal yield of fund F for the last twelve months is calculated by the following form:

$$RA_{Ft} = \left( \left( \frac{\overline{VC}_{Ft}}{\overline{VC}_{F(t-12)}} \right) - 1 \right)$$

Where:

$RA_{Ft}$  Annual nominal yield of fund F for the last twelve months in month t

$\overline{VC}_{Ft}$  Average quota value of fund F for months t

$\overline{VC}_{F(t-12)}$  Average quota value of fund F for the months t-12

**Affiliate:** It is the physical individual to whose name the contributions are made in, in order to receive the benefits established in a pension plan or in the labor capitalization fund.

**Affiliate with inaccurate information:** Register with inaccurate information caused by reports in the form of employers which has wrongs in personal data of workers.

**Historical Yield of the Fund:** The annualized historical yield reflects the yield generated by the fund from the month of its creation (June of 2001) to the present month. It gives a long term perspective. For the Pension Funds, compulsory or voluntary, the annualized historical yield of the fund is calculated from the beginning of the regime (month 0) until month t:

$$RAH_{Ft} = \left( \left( \frac{\overline{VC}_{Ft}}{\overline{VC}_{F0}} \right)^{\frac{12}{n}} - 1 \right)$$

Where:

$RAH_{Ft}$	Historical annual Yield of Fund F in month t
$\overline{VC}_{Ft}$	Average quota value of Fund F in month t
$\overline{VC}_{F0}$	Average quota value of Fund F in the first complete month of operation (month 0), that is to say, the month where the fund counted registries of the quota value for each one of the days in the month.
$n$	Number of months that the fund has operated from the first complete month of operations (month 0) until period t.

**Individual Capitalization:** It is a pension system where the periodic contributions of a participant are considered an individual title destined to establish a fund that is intended to pay the individual's pension at retirement age.

**Individual Capitalization Regimes:** These are regimes where the contributions to a pension plan are registered completely in an account to the name of each worker. (See individual capitalization)

**Investments:** These are assets and any other right of economic or patrimonial content, incorporated or not in a document that for legal configuration and a system of transmission can be negotiated in a stock-exchange market.

**Labor Capitalization Fund:** It is a labor savings individual account formed by the contributions of the employers and the yields of the investments, once the commissions of the administrators are deduced. It was created by the Worker Protection Law (*Ley de Protección al Trabajador*), article three.

**Net Administrated Asset:** These are the total assets of the pension's or labor capitalization fund minus liabilities. The assets are composed, basically, by investments and availabilities; the latter refers to cash balances, deposits into current accounts and other deposits in savings accounts. The fund's liabilities are mainly commissions to be paid to the Funds Manager on behalf of the fund.

**Pension Fund:** It is the pooling of financial resources intended to cover the obligations of a pension plan.

**Pensioner:** It is a person receiving the benefits of a pension when reaching the retirement age, having a disability, or inheriting a pension in case of being a designee by a deceased pensioner or worker.

**Provisions for Pensions in Course of Payment:** Amount of resources designated by the regime to make payments of the pensions.

**Quota Value:** It is a unit of measurement to distribute the yields to each account of those affiliates to determine their values at a specific date. The quota is called the gross value because it calculates the accounts value before subtracting the administration's commission. The quota's gross value is obtained by dividing the net worth (the fund's value) by the amount of quotas of the fund.

**Real Annual Yield of the Fund:** It is the annual nominal yield of the fund deflated by the consumer price index (IPC). The real annual yield of fund F is calculated by following formula:

$$RRA_{Ft} = \left[ \left( \frac{1 + RA_{Ft}}{1 + \Delta\%IPC_t} \right) \right] - 1$$

Where:

$RRA_{Ft}$  Real Yield of Fund F for period t.  
 $RA_{Ft}$  Annual Nominal Yield of Fund F in month t  
 $\Delta\%IPC_t$  Annual percentage variation in the Consumer Price Index (IPC) in period t, calculated according to the following formula:

$$\Delta\%IPC_t = \left[ \frac{IPC_t}{IPC_{t-12}} - 1 \right]$$

Where:

$IPC_t$  General consumer price index in month t.  
 $IPC_{t-12}$  General consumer Price index in month t-12

**Special Regimes of Complementary Pensions:** These are pension regimes established in businesses or governmental organizations that operate special laws under the protection of collective conventions or other norms. Usually these regimes offer to workers complementary benefits above the ones defined by the *Régimen de Invalidez, Vejez y Muerte (IVM)* of the *Caja Costarricense de Seguro Social (CCSS)*.

## **II. NOTES ON THE STATISTICS SERIES FROM THE NATIONAL PENSIONS SYSTEM.**

### **Initiating the Collection of Obligatory Funds:**

In May of 2001 the Central System of Collections of the CCSS (*Sistema Centralizado de Recaudación de la CCSS*) (SICERE) started the distribution of the compulsory funds' resources among the Fund Managers of Pensions. These moneys were invoiced in March of 2001. Since then, all the contributions of the workers and the employers of the Labor Capitalization Fund (*Fondo de Capitalización Laboral*) and the Compulsory Regime of Complementary Pensions (*Regimen Obligatorio de Pensiones Complementarias*) are distributed according to the Worker Protection Law (*Ley de Protección al Trabajador, Law N° 7983*)

### **Merger of *Interfin* and *Banex Funds Managers*:**

*Interfin OPC* merged with *Banex OPC* in May 2001 to operate under the new name of *Interfin Banex Pensiones*, and then it changes to *IBP Pensiones (2007)*. Although the merger occurred in 2001, *Interfin* and *Banex* held the administration of the voluntary funds of each Funds Manager separately until August 2002. For this reason in some statistics the funds that appear under the name *Banex OPC* correspond to the original funds of the organization prior to the merger, while funds under the name of *Interfin Banex Pensiones* correspond to the original funds of the *Interfin OPC*. The merger of the voluntary funds occurred in September 2002, when began the investment's valuation at market price of the funds' portfolio.

### **Liquidation of the *Funds Manager Cuscatlán OPC*:**

*Cuscatlán OPC* stopped the administration of the compulsory pension fund and the labor capitalization fund in October 2003 and voluntary pension funds in December of that year. Later this Funds Manager was dissolved.

### **Beginning of the Investments' Valuation at Market Price:**

The valuation of Pensions and Labor Capitalization Funds at market prices began in August 2002, according with the Regulation of Joint Portfolios (*Reglamento de Carteras Mancomunadas*) emitted by the National Council of Supervision of the Financial System (*Consejo Nacional de Supervisión del Sistema Financiero, CONASSIF*). The valuation at market prices consists of the valuation of the assets that form part of the investment portfolio, through the estimation of reasonable value that these would have in the market at that given moment.

## **Complementary Pension Fund (Non mandatory). Split in A and B Fund**

According with the “*Reglamento sobre Apertura y Funcionamiento de las Entidades Autorizadas y el Funcionamiento de los Fondos de Pensiones, Capitalización Laboral y Ahorro Voluntario previstos en la Ley de Protección al Trabajador*” article 4bis, starting in October 31st, 2008, the voluntary pension funds (in colones and dollars) were separated in Fund “A” and Fund “B”. These have the following features:

1. In Fund A belongs contracts signed before the approval of Law 7983 (Ley de Protección al Trabajador) or were authorized by the transitory XV of this law. In this fund the members have the right to make anticipated withdrawals and these can be partial or total.
2. In Fund B belongs contracts signed under Law 7983 (Ley de Protección al Trabajador). For anticipated withdrawals, partial or total, the member must have at least sixty six contributions, the partial withdrawal must be at least 30% of its accumulated balance and once every twelve months.

These imply the following changes in the statistics:

1. Published yield indicators for October 2008, annual and historical, nominal and real, are for the voluntary pension fund before the split up in Fund A and Fund B. Those indicators are built using quota value data from October 1-30, 2008, according with SP-A 008.
2. From November, 2008, published Yield indicator series will be separated in Fund A yield and Fund B yield, for dollars and colones. Fund A series will be comparable with the series published before November, 2008.
3. The variables published from October 31th, 2008, for the voluntary funds (colones and dollars), except nominal and real yield, will be split up in Fund A and Fund B. Fund A series will be comparable with the voluntary fund series published before October 31st, 2008.

## **Minimum Operational Capital**

According to the CONASSIF Act 743-2008 on September 12th, 2008, and published in La Gaceta 200, October 16 th , 2008, the Reglamento de Apertura y Funcionamiento de las Entidades Autorizadas, Article 48 was changed. Pension administrators must calculate the minimum operational capital as 0.50% of the total value of net assets managed by the entity.