

PUBLIC STATEMENT

In light of the ongoing discussion in Costa Rica regarding the possibility of allowing total or accelerated withdrawals of accumulated savings from the Mandatory Complementary Pension Regime (ROPC) at the time of retirement, the World Pension Alliance (WPA) -a global network of pension associations -whose members include: the Brazilian Association of Closed Entities of Complementary Pension Funds (ABRAPP); Canadian Public Pension Leadership Council (CPPLC); Cross Border Benefits Alliance-Europe (CBBA-Europe); European Association of Paritarian Institutions (AEIP); International Federation of Pension Fund Administrators (FIAP); Multi-Employer Benefit Plan Council of Canada (MEBCO); National Conference of Public Employee Retirement Systems (NCPERS); National Coordinating Committee for Multiemployer Plans (NCCMP); Pensions UK; and PensionsEurope, expresses its deep concern and states the following ¹:

- Total or accelerated withdrawals from the ROPC would generate significant macroeconomic effects

Firstly, the liquidation of financial assets to meet such withdrawals would create distortions in the domestic market, affecting asset prices, particularly interest rates and the exchange rate. Secondly, the simultaneous distribution of large sums of money to pensioners' households would boost short-term consumption, generating inflationary pressures.

- It undermines the nature of the pension system and weakens old-age protection

Although the ROPC belongs to workers, it is not a freely disposable form of savings; it is a pension fund designed to provide periodic income throughout retirement. Allowing total or accelerated withdrawals transforms a social security instrument into a mechanism for immediate consumption.

International experience shows that when pension savings are depleted prematurely, the risk of insufficient income at older ages increases, leading to greater vulnerability and future pressure on public finances. In fact, in Costa Rica, the current fiscal pressure on the PAYGO pension system will cause the replacement rate provided by this system to become increasingly lower, making the ROPC increasingly important in the total replacement rate for workers, which is why a withdrawal of capital from the ROPC makes no sense and worsens the long-term financial situation of workers in retirement.

Pensions are designed to provide long-term protection, not to address short-term needs.

- It introduces structural risks to the system and erodes institutional trust

Pension funds are long-term institutional investors that contribute to financial stability, capital market development, and productive financing within the economy.

A large-scale divestment of assets to meet withdrawals would disrupt this stability, affect asset valuations, and potentially impact the returns of contributors who keep their savings within the ROPC. Moreover, structural changes implemented without comprehensive technical evaluation weaken legal certainty and trust in the pension system.

The WPA reaffirms its willingness to contribute comparative evidence and technical analysis so that the pension debate in Costa Rica is grounded in principles of sustainability, economic stability, and effective protection for retirees.

At the same time, recognizing the challenges posed by increasing income inequality in Costa Rica, which makes it difficult for many retirees to make ends meet, the WPA supports exploring and evaluating policy solutions that can adequately address these concerns without undermining the long-term objectives of the pension system.

WORLD PENSION ALLIANCE

¹ To clarify the context of the current discussion in Costa Rica, this statement addresses payout options for accumulated savings in the Mandatory Complementary Pension Regime (ROPC) of Costa Rica, at the moment of retirement—distinct from early access during the accumulation phase. While recognizing national policy choices on annuities, programmed withdrawals, lump sums, or mixed options within the broader pension architecture, pension savings should remain primarily dedicated to retirement income; any changes to payout rules should be grounded in comprehensive technical evaluations of adequacy, sustainability, and financial stability; and reforms should not weaken old-age income security or the stability of the pension system.