



Case study:

Chilean Pension System Reform Implementation

Deloitte entity: Deloitte Chile
Client name: Ministry of Labor & Social Security, Government of Chile
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Global Public Sector

The situation

The Chilean government has undertaken a number of significant reforms over the past 10 years aimed at improving its global performance and competitiveness. As part of these efforts, Chile's Ministry of Labor & Social Security took steps to reform its pension system in 2008. The ministry's mandate was to study, design, propose, and implement laws, plans, programs, and regulations related to labor and social security that would develop a strong relationship between workers and enterprises and better serve "less protected"

segments of the population. The reform also needed to make government agencies accountable for measurable results while adhering to pre-determined budget parameters.

This effort was a national priority—with the pension system representing roughly 22 percent of national expenditures—and any action would obviously garner a great deal of political and public scrutiny. The pressure to deliver results was high and it was imperative the reforms point to a new government paradigm that was citizen-oriented and focused on excellent customer services.

Further complicating the reform efforts was the number of stakeholders involved—which often had different mandates and priorities: the Superintendent of Pension, the Public and Private Pension Fund Administration and Payments Agencies, the National Identification Agency, various municipalities, and external technological

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providers and consultancy firms. Most critical, the trust between the social security entity and its technological providers was clearly strained, and, in order for reform to be successful, this relationship needed to be mended.

The solution

Working with the Chilean Pension System Reform Implementation team, Deloitte Chile was brought on board to help assess the existing operational model and design a new one. The project was called “Management and Preventive Information Systems Strengthening” and was financed by the Inter-American Development Bank with a budget of US\$2 million.

Deloitte’s work largely focused on reforming the process, technology, and organizational aspects of the pension system, with specific focus on dramatically improving services to the elderly, disabled, and those living in poverty. Deloitte was also involved in discussions concerning demand estimation, control issues, and physical infrastructure as well as considering specific requirements for this segment.

Deloitte also needed to become experts in the previous pension system—which managed nearly 2 million payments per month and delivered more than US\$350 million in pensions. To do this, they used process modeling and developed a system map (an “as-is” scenario). Deloitte then designed a new process model for implementing non-contributory benefits (a “to-be” scenario) and developed and implemented this model for pension concessions and payments. The implementation involved working simultaneously with different public and private participants under tight deadlines.

To facilitate the project, Deloitte also worked closely with the ministry’s information technology services supplier to develop new systems, including a state-of-the-art call center. A key component in designing these systems was the need to compromise between the desire to use cost-efficient, new-age technology and the reality that many citizens targeted with these changes might not be experienced with certain technology innovations.

The outcomes

Through its methodology and design process, Deloitte developed a comprehensive strategy for a new pension system as well as supplied valuable technical support during the implementation process. Both the number of people using the system and the amount of money disbursed increased approximately 15 percent in the first year. The ministry expects this amount to grow over the next three years.

As of July 2008, the project accounted for pension concessions and payments to 675,000 citizens who were elderly, disabled, or living in poverty and processed more than 800,000 postulation forms. Just as important, the Ministry of Chile received high marks on customer service via phone, Internet, and/or personal interaction. In fact, 86 percent of the population gave the ministry a “good” or “very good” evaluation for all of the services now provided through the new pension system.

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A critical early step Deloitte needed to take, however, was bringing together stakeholders and facilitating honest and open relationships, particularly between the social security entity and its technological providers. The ministry and Deloitte implemented a plan where all stakeholders had to participate in several meetings where they would discuss and obtain agreement about every action to be taken. This helped bridge the gap among the variety of entities and stakeholders involved in the reform.

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