Box 1: Comments of Banco de la República (the Central Bank of Colombia) regarding its appointment as Administrator of Reserve Fund of the Contributory Pillar?- Report of the Board of Directors to the Congress of Colombia, July 2024

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Pursuant to Article 5 of Law 31 of 1992, the Board of Directors of Banco de la República (the Central Bank of Colombia) submits a report to the Honorable Congress of Colombia, informing about the performance of the economy and its outlook. This report is submitted twice a year, in March and July, within ten business days following the start date of the sessions of the Congress.

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Law 2381 of 2024, “Whereby the Comprehensive Social Protection System for Old Age Disability, and Death (Sistema de Protección Social Integral para la Vejez, Invalidez y Muerte, in Spanish) of common origin is established, and other provisions are issued,” creates the Reserve Fund of the Contributory Pillar?(Fondo de Ahorro del Pilar Contributivo, in Spanish), hereinafter the Fund, and assigns its administration to Banco de la República (Banrep). This box highlights the main issues involved in the designation of Banrep as the Fund’s administrator within the framework of its constitutional functions:

- **Purpose of the Reserve Fund of the Contributory Pillar:** the Fund must contribute to the Colombian Government's obligation to fund pensions under the pay-as-you-go component of the contributory pillar. Colpensiones and the National Government are responsible for funding pensions and covering any contingent risks, not of the administrator of the Fund.
- ***Banco de la República*** **role as fiscal agent:** Regarding the accounting management, the Fund’s resources must be accounted for in Banrep’s memorandum accounts. A budgetary and accounting separation of Banco de la República’s resources shall be maintained. Banrep must assume only a responsibility of means and not of results in its capacity as administrator of the Fund. The obligations of means are typical of administration mandates in the capital market.
- **Evaluation criteria:** The evaluation of the Fund shall be subject to technical criteria so that investment and management decisions are evaluated jointly, considering the context of the investment portfolio and not the performance of an individual investment.
- **Integration of the Fund's Steering Committee –** Expert Members: The Fund will have a Steering Committee consisting of seven (7) members: the Minister of Finance and Public Credit; the Minister of Labor; the Director of the National Planning Department (DNP); and four (4) experts selected by the BDBR for a fixed term of five (5) years and eligible for a one-term re-election. The Fund’s Steering Committee, as its governing body, shall act in the Fund’s best interest and have a clear mandate and the appropriate authority and competence to carry out its functions.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/box-1-july-2024