The financial exploitation of Latin American workers' pension funds: From Paraguay's banking collapse to Chile's swap losses

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The recent collapse of Ueno Bank in Paraguay and the multibillion-dollar paper losses suffered by Chilean pension funds in 2026 have exposed the vulnerability of workers' retirement savings to financial speculation and to the enrichment of international banks.

On November 3, Paraguayan authorities seized Ueno Bank, freezing the accounts of millions of customers (the bank claimed 2.9 million; the Central Bank counts about 1.8 million depositors). The collapse triggered a political crisis that toppled President Santiago Peña, a close ally of Donald Trump and Argentina's Javier Milei.

The bank's ties to the state were intimate. Paraguay's public Social Security Institute (IPS) had about US$355 million, roughly 9 percent of its investment portfolio, deposited at Ueno, and teachers' pension funds worth about US$60 million were also held there. Peña had declared shares in Ueno's holding company, which he sold in March 2025, and he appointed Carlos Carvallo, who had previously led Ueno itself, to head the Central Bank responsible for supervising it. Legislators accused Peña of steering public funds to the bank.

On November 6, Peña was impeached and removed from office. He was subsequently arrested and charged with breach of trust and administration for personal gain. Carvallo and eight Ueno executives were also arrested. Peña's fall also dealt a political blow to Washington's "Shield of the Americas," an alliance of US imperialism and right-wing Latin American regimes in which he had played a prominent part.

The crisis rapidly became a social confrontation. On November 9, public school teachers went on strike demanding protection of their pension funds deposited at Ueno, and account holders protested nationwide, clashing with police. The episode exposed how workers' savings, once deposited in the hands of politically connected financiers, can become hostage to a banking collapse.

Chile: Multibillion-dollar losses in workers' pension funds

While Paraguay's crisis erupted through the failure of a bank, in Chile, reckless trading in financial derivatives devastated workers' savings without the failure of any financial institution. In 1980, the dictatorship of Augusto Pinochet imposed the Pension Fund Administrators (AFP) system, transforming a social obligation—to guarantee retirement income—into a financial operation controlled by private companies. The concentration of these enormous resources has made workers' retirement savings an important source of capital for domestic and international financial markets.

One particularly dangerous development has been the expansion of interest rate derivatives. The *World Socialist Web Site*, citing Citigroup figures, reported that the sensitivity of the AFP's positions rose from US$10.6 million per basis point in early 2024 to US$131 million in April 2026. A basis point is only 0.01 percentage points, so relatively small interest rate movements can generate enormous changes in the market value of these contracts.

By the end of September, the AFP's positions on US interest rates had accumulated about US$7.7 billion in mark-to-market losses with foreign counterparties. Fund E, traditionally regarded as the safest pension fund, lost 10.4 percent in real terms between January and September as the US 10-year Treasury yield climbed to about 5.3 percent. In October the yield fell by more than 30 basis points, the swap losses declined to about US$2.9 billion, and Fund E recovered 3.2 percent, though it remained down about 7.6 percent for the year.

The distinction between unrealized and realized losses is essential. Closing a derivative contract crystallizes gains or losses that previously existed only as changes in market value. It is unclear how much of October's improvement came from lower interest rates and how much from AFPs unwinding positions ahead of the November 4 deadline to meet new regulatory limits on derivatives; to the extent they unwound, part of the losses may have become definitive.

Counterparties in these markets include Santander Chile, Itaú Chile, Scotiabank Chile, BCI, BTG Pactual Chile, and Banco de Chile. The administrators receive fees for managing workers' savings, and financial intermediaries earn income from transactions, but workers bear the investment consequences when market movements reduce the value of their accounts.

The privatization of a social right

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The Chilean AFP system was imposed under the dictatorship that overthrew democratically elected President Salvador Allende on September 11, 1973. Trade unions faced brutal repression, with leaders imprisoned, exiled, or murdered, and workers faced intensified exploitation and immiseration. The dictatorship converted a collective social security system into individual accounts administered by private financial institutions.

The contrast with military pensions is revealing. While civilian workers were forced into private accounts exposed to market fluctuations, the armed forces and police retained separate state-funded defined benefit systems. According to Fundación SOL, average military pensions are about three times, and police pensions about 3.4 times, those of comparable civilian retirees, and the state spent about US$3.093 billion on them in 2025. The state guaranteed the retirement security of its military apparatus while exposing civilian workers to the uncertainties of financial speculation.

Working-class resistance nevertheless survived the dictatorship. In May 1983, copper miners launched the first of the national protests against military rule. Decades later, the No+AFP movement demanded an end to privatized pensions. Its demonstrations of August 2016 and March 2017 drew, according to the organizers, more than a million people nationwide and some 800,000 in Santiago. Neither right-wing governments nor the administrations of Socialist Party President Michelle Bachelet and pseudo-left President Gabriel Boric satisfied the central demand for decent pensions through a public, solidarity-based system under workers' control.

The expansion of pension privatization across Latin America

Following the Chilean experiment, private pension systems spread throughout Latin America, including Peru, Argentina, Colombia, Uruguay, Mexico, El Salvador and Bolivia. The IMF and World Bank promoted reforms that transferred retirement savings into privately administered financial accounts. Yet a 2018 International Labour Organization study found that 18 of the 30 countries that privatized pensions between 1981 and 2014 subsequently reversed course.

In **Mexico**, the Afores (Retirement Fund Administrators) controlled about 8.95 trillion pesos ($140.8 billion) by June 2026, equivalent to one-quarter of the country's GDP. The largest are Profuturo, XXI Banorte, Sura and Banamex. In **Peru**, Congress has repeatedly authorized extraordinary withdrawals from pension accounts, as growing inequality forces millions of workers to consume retirement savings to buy food, educate their children and meet household expenses. In **Colombia**, a pension reform that takes effect in April 2027 will direct contributions on earnings up to 2.3 minimum wages into the public Colpensiones system, after the Constitutional Court upheld it in August while returning nine articles to Congress.

In 1994, **Argentina** established the Retirement and Pension Fund Administrators (AFJP) system, which transferred retirement contributions into individual accounts controlled by private institutions and invested in government securities, stocks, and other authorized instruments. Argentina entered recession in 1998; its currency convertibility regime collapsed in 2001 and was abandoned in 2002. The crisis exposed the vulnerability of pension savings to government indebtedness, devaluation and political decisions. In 2008 the AFJPs were abolished and their funds, partly invested in government debt, were taken over by the state.

The catastrophe of 2008 and the danger of another collapse

With the international financial crisis of 2008, the consequences of exposing workers' retirement savings to global speculation were felt throughout the region. Neither sophisticated mathematical risk models nor complex financial derivatives prevented the catastrophe.

Today, international financial markets confront another combination of dangerous contradictions: unprecedented public indebtedness, expanding military expenditures, speculative investment in artificial intelligence and the possibility of abrupt interest rate movements. With US sovereign debt surpassing US$40 trillion, an international financial crisis would transmit enormous losses by stock markets, government bonds and derivative contracts directly into pension portfolios across Latin America. An expansion of the war against Iran, persistent inflation or further increases in Treasury yields could intensify these pressures.

The collapse of Ueno Bank, the Chilean AFP losses and the experience of 2008 are different manifestations of the same contradiction: workers produce the wealth accumulated in pension funds, but financial institutions exercise decisive control over its investment, and workers bear the consequences. The questions posed by the deepening crisis are: Who controls this wealth? Who benefits from its investment? Who pays when the financial system collapses?

The answer is to nationalize the banks and pension systems and place them under democratic workers' control. The working class must draw the lessons of Paraguay, Chile and 2008, organize independently of capitalist governments, unite its struggles across national borders, and fight for the socialist reorganization of economic life. Only the international socialist revolution can end the subordination of workers' retirement savings, humanity's productive forces, and social needs to private profit, financial speculation and war.

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