

Mexico pension system overhaul: Afores in the spotlight

Afores' assets under management (AUM) set to climb from 19% of GDP to around 31% in 2030

The need to upgrade Mexico's pension fund system

Mexico's major 1997 pension fund reform established the Afores system (pension fund managers) as it is known today, enabling the Mexican economy to more effectively finance retirement obligations. The reform introduced mandatory individual accounts for private-sector workers, with Afores managing savings through specialized investment funds¹. Over the past 28 years, the Mexican Pension Fund System, which now comprises ten Afores, has expanded to oversee USD 420 billion in assets as of September 2025. Assets under management (AUM) have grown at a robust average annual rate of 13% since 2003².

Despite the growth in assets and progress towards more adequate pensions, there was still room for improvement. The Mexican pension fund system's total contribution rate of 6.5% was among the lowest globally for defined contribution plans, ranking 31st out of 33 OECD members with available data³. Consequently, Mexico's replacement rate was also among the lowest worldwide, prompting many companies to offer private pension plans to supplement insufficient public benefits. According to OECD estimates, the average 6.5% contribution rate would have yielded a replacement rate of just 26% for a salaried worker at retirement — far below the OECD average of 64%⁴.

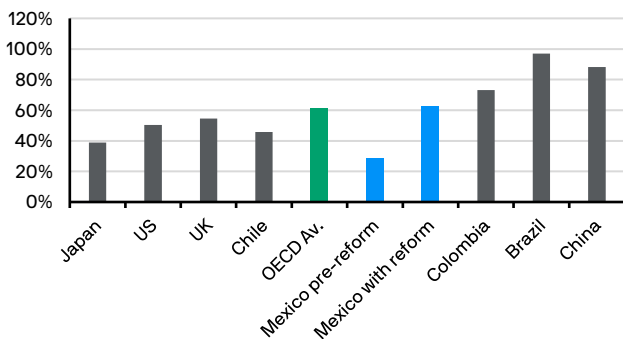
2020 Reform to overhaul the system and boost Afores' AUM

To address these challenges, the Mexican government introduced a comprehensive pension reform in 2020. A key objective was to raise contribution rates toward the OECD average, with mandatory contributions set to increase from 6.5% in 2023 to 15% by 2030. The reform also caps Afores' management fees at 0.57% and lowers the minimum weeks of work required to qualify for a government pension, aiming to secure more robust retirement outcomes for workers. With these changes, the OECD estimated Mexico's average replacement rate had risen to 67% in 2022.

The 2020 reform is poised to drive substantial growth in the Afores system. We estimate the Afores' AUM will rise from 19% of GDP in 2023, the first year the contribution rate rises, to 31% by 2030⁵. In other words, Afores' AUM will increase by almost 160% from 2023-2030 according to our model. This represents a jump in assets from MXN 6.0 trillion in 2023 to MXN 15.5 trillion in 2030, or from around USD 330 billion to USD 680 billion. Absent the reform, Afores' AUM would still expand, supported by solid returns and a modest rise in the working-age population, but the higher contribution rates are expected to deliver an additional boost of 4% of GDP over the period.

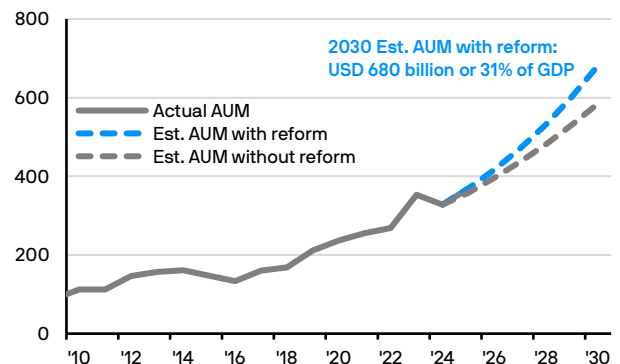
The reform will also increase Afores' demand for both Mexican and foreign assets. This, in turn, will further support the development of Mexico's financial system, where Afores currently account for about 17%⁶. While challenges remain, particularly around pension coverage in the informal sector and the prevalence of inactive accounts⁷, the 2020 reform marks significant progress in elevating replacement rates, expanding social security access, and advancing the Afores system.

Figure 1. Selected countries replacement rates according to OECD (%)



Source: OECD (2022), *Pensions at a Glance 2022: OECD and G20 Indicators*, OECD Publishing, J.P. Morgan Asset Management. Data as of 2022.

Figure 2. Afores' historical and estimated AUM



Source: CONSAR, J.P. Morgan Asset Management. Forecasts start as of 2025. For illustrative purposes only. The estimate methodology is detailed in page 2. Data as of 30 November 2025.

Mexico pension system overhaul: Afores in the spotlight

Appendix

The 2020 Mexico Pension System Reform in detail

In December 2020, the Social Security Law and the Retirement Savings Systems Law were amended in 2 key areas:

- **Contribution Rates:** The total contribution rate for each account will rise from 6.5% in 2023 to 15% by 2030. Employer contributions will increase from 5.15% to 13.875%, while employee contributions remain unchanged at 1.125% of annual base salary. Employer contributions apply to salaries above 4.01 times the Unit of Measure and Update (currently MXN 103.74 per day). Meanwhile, government contributions will only benefit lower income workers, ranging from 8.724% for those earning up to the minimum wage (currently set at MXN 278.80 per day⁹) to 1.798% for salaries up to 4 times the Unit of Measure and Update⁸, helping to secure pension benefits. These increased contribution rates apply exclusively to the IMSS-based mandatory individual account system and do not extend to Afore Pensionisssste accounts operating under ISSSTE.
- **Afore Management Fees:** a legal limit was established to the Afores' commissions. This cap, set by CONSAR each year, reflects the average pension fees in the U.S., Colombia, and Chile and stood at 0.57% in 2024 and 0.52% in 2025. The new fee cap is a significant reduction from 1.0% in 2018 and marks a historic low.

A proprietary model to forecast Afores' AUM with J.P. Morgan AM LTCMAs and expected contribution flows *Methodology and assumptions*

Although contribution rates began increasing in 2023, the Afores' end-2024 assets under management (AUM) of MXN 6.8 trillion serve as the starting point, as this is the most recent annual figure available. The model projects annual AUM growth based on two factors: 1) investment returns net of management fees, and 2) flows from individual account contributions.

$$AUM_{T1} = AUM_{T0} \times (1 + (\text{Returns}_{T1} - \text{Fee}_{T1})) + \text{Account Contribution Flows}_{T1}$$

Returns net of fees

- Total expected returns are based on J.P. Morgan Asset Management's 2024 Long Term Capital Market Assumptions in MXN. Returns are calculated using the projected performance of each asset class over a 10- to 15-year horizon, weighted by the average Afore portfolio allocation in each asset class (see Figure 3).
- An annual management fee of 0.52% is deducted from the total return each year.

Account contribution flows

- The model estimates annual flows from individual accounts in MXN by projecting the growth in account numbers and the contributions from these accounts, which depend on average salaries and rising contribution rates.
- IMSS-based Afore accounts and Pensionisssste accounts are modeled separately, since Pensionisssste is not subject to the contribution rate increase under the 2020 reform.
- The starting point is the 2024 account base: 66,959,213 for IMSS accounts and 1,720,528 for Pensionisssste. Annual growth rates are applied to forecast future account numbers.
- Over the past three years, accounts have grown by 2.1 million annually (about 3% year-over-year). However, working-age population growth is expected to slow—from 1.4% per year (2012–2021) to 0.9% per year (2023–2034), so net account growth is projected to decline from 3% in 2023 to 0.8% by 2030.
- Due to Mexico's large informal sector and many inactive accounts, the model includes an attrition factor: only 40% of accounts are assumed to actively receive pension contributions.
- Mandatory contribution rates will rise from 6.5% in 2022 to 15% by 2030, with a linear increase and 2023 as the first year at the higher rate of 7.56%. For Pensionisssste, the contribution rate remains stable at 6.5%.
- The average annual salary per person is adjusted for inflation each year, starting from MXN 124,083 in 2022 (IMSS data). The long-term inflation forecast is 3.7% (J.P. Morgan Asset Management's 2024 LTCMA).
- Each year, the mandatory contribution rate is multiplied by the average annual wage to estimate the average contribution per account. This figure, adjusted for attrition, is used to calculate total annual flows for both existing and new accounts.

Other considerations

- To estimate expected AUM in USD, the model uses J.P. Morgan Asset Management's 2024 LTCMA long-term USD-MXN FX forecasts. These projections anticipate the MXN reaching a fair value of 24.20 by 2035, with FX rates interpolated for each forecast year between 2025 and 2035 (i.e. forecast for 2030 is 22.65). For details on the fair value and currency methodology, refer to [J.P. Morgan AM's 2026 LTCMAs](#).
- To calculate expected AUM as a % of GDP, nominal GDP forecasts for 2024–2030 are based on J.P. Morgan Asset Management's 2026 LTCMA long-term projections for Mexico: GDP growth of 2.1% and inflation of 3.9%. While actual growth and inflation may vary year to year, the LTCMA forecasts provide average estimates over a 10- to 15-year horizon.

Mexico pension system overhaul: Afores in the spotlight

Appendix (continued)

Figure 3. J.P. Morgan AM LTCMA expected returns and asset class weight assumptions in Afores' portfolios

Asset Class	2026 LTCMA Assumptions in MXN	Assumption of weight in Afores' portfolio
Mexican Equity	9.0%	6.8%
Mexican Government Debt	7.5%	52.0%
Emerging Markets Corporate Bonds	8.3%	12.2%
Global Aggregate Bonds hedged	6.7%	0.6%
US Large Cap Equities	8.9%	7.7%
Asia Ex Japan Equities	10.1%	2.3%
EAFE Equity	9.7%	3.7%
Private Equity	12.4%	7.8%
US Core Real Estate	10.4%	2.9%
Commodities	6.8%	1.2%
Other	7.5%	2.8%
Total expected return in MXN	8.4%	

Source: CONSAR, J.P. Morgan Asset Management. The 2026 LTCMA assumptions returns refer to the expected returns of asset classes over a 10- to 15-year time frame published in the 2026 edition of J.P. Morgan Asset Management's Long Term Capital Market Assumptions. As of October 2025, according to data published by CONSAR, Afores AUM by asset class was as follows: Mexican Government Bonds (52%), Mexican Corporate Bonds (12%), International Equities (14%), Structured Assets or Alternatives (8%), Mexican Equities (7%), REITs (3%), International Bonds (1%), Commodities (1%), Other (4%). Given J.P. Morgan AM LTCMAs in MXN are not available for all these asset class, assumptions for weights of included asset classes were made as per table above. Mexican government bond returns are used as a proxy returns for other.

Figure 4. Additional assumptions applied to the model to estimate Afores' AUM

Year	Mandatory Contribution	Fees charged by Afores	Growth of net new Accounts	Av. annual wage per person (MXN)	USD-MXN
2023	7.56%	0.57%	3.0%	135,467	16.92
2024	8.63%	0.57%	2.7%	148,404	20.79
2025f	9.69%	0.55%	2.4%	159,976	21.10
2026f	10.75%	0.55%	2.1%	166,215	21.41
2027f	11.81%	0.55%	1.8%	172,697	21.72
2028f	12.88%	0.55%	1.4%	179,432	22.03
2029f	13.94%	0.55%	1.1%	186,430	22.34
2030f	15.00%	0.55%	0.8%	193,701	22.65

Source: CONSAR, J.P. Morgan Asset Management, IMSS, Bloomberg. A detailed description of the assumptions is included in page 2.

Figure 5. Summary of Afores' AUM growth model estimates including impact of 2020 Pension Plan Reform

Year	Afores AUM (MXN billion)	Afores AUM (USD billion)	AUM as a % of GDP
2023	5,976	353	19%
2024	6,820	328	19%
2025f	7,791	369	21%
2026f	8,917	417	23%
2027f	10,221	471	24%
2028f	11,727	532	26%
2029f	13,459	603	29%
2030f	15,448	682	31%

Source: J.P. Morgan Asset Management. The estimated AUM from 2023 to 2030 for Afores as a result of the 2020 reform are based on a model developed by the Market Insights team at J.P. Morgan Asset Management. For illustrative purposes only. Actual results may vary depending on a series of economic factors and developments. The methodology and assumptions of the model are detailed in pages 2 and 3.

Mexico pension system overhaul: Afores in the spotlight

Appendix (continued)

Reviewing changes in our forecasts and methodology

Our forecast for Afores' AUM in 2030 has been revised down from MXN 16.0 trillion to MXN 15.4 trillion compared to the previous version of this paper, published in February 2024. However, projected AUM in USD has increased from around USD 660 billion to USD 680 billion. These changes are driven by several key factors:

- The methodology was finetuned to exclude Pensionisste account flows from contribution rate increases, reducing forecasted AUM in Mexican pesos.
- Expected returns have been updated with the latest LTCMAs, and the asset allocation model now includes more asset classes in a more granular approach. As a result, total expected returns in MXN over the next 10–15 years have decreased from 9.4% to 8.4%, further lowering forecasted AUM in Mexican pesos.
- In July 2024, Consar conducted a large-scale data cleanup and reclassification, transferring many inactive accounts held by older adults to the new Fondo de Pensiones para el Bienestar (FPB). This reduced the number of Afore-managed accounts from 75 million in 2023 to about 69 million by year-end 2024, slightly lowering forecasted AUM in Mexican pesos.
- USD-MXN FX forecasts have been updated according to the new LTCMAs, with MXN now expected to reach 24.20 over the next 10–15 years instead of 27.49. This adjustment increased the forecasted AUM in U.S. dollars by a substantial amount, offsetting the lower AUM in Mexican pesos.

Footnotes:

¹The new mandatory contribution system of individual accounts for public workers was established in 2007. The specialized investment funds for retirement that Afores manage are called Siefores.

²Source: Consar

³Source: OECD (2021), Pensions at a Glance 2021: OECD and G20 Indicators, OECD Publishing,

⁴Source: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing,

⁵The estimated AUM in 2030 for Afores as a result of the 2020 reform are based on a model developed by the Market Insights team at J.P. Morgan Asset Management and are intended for illustrative purposes only. The methodology and assumptions of the model are detailed in page 2 and 3.

⁶According to Banco de Mexico data published by J.P. Morgan CIB Research as of 2021.

⁷According to INEGI, the informality rate of the Mexican Economy is approximately 56% as of Q2 2023. According to Consar, approximately 55% of accounts registered at IMSS are inactive while 30% of accounts registered at ISSSTE are inactive as of June 2023.

⁸The Unit of Measure and Update (Unidad de Medida y Actualización, or UMA by its acronym in Spanish) serves as the basis for calculating the payments, obligations, or penalties that are owed to the government, whether under federal or state law, and was adopted as an economic reference unit in 2016. The UMA values have implications for tax and social security contribution determinations. Mexico's National Institute of Statistics and Geography (INEGI) published the new values for the Unit of Measure and Update that took effect on 2025: Daily (MXN 113.14), Monthly (MXN 3,439.46), Annual (MXN 41,273.52).

⁹The 2025 daily minimum salary in Mexico was set at MXN 278.80 by the Mexican Government.

¹⁰ According to the Mexican Institute of Social Security (IMSS), the daily average salary in Mexico in 2025 was MXN 627.36. This translates to an annual average of MXN 159,975 if 255 working days in the year are considered.

FOR INSTITUTIONAL, PROFESSIONAL CLIENTS AND QUALIFIED INVESTORS ONLY – not for Retail use or distribution.

This material is a general communication and has been prepared for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purpose. Any examples contained herein are generic, hypothetical and for illustrative purposes only. Prior to making any investment or financial decisions, an investor should seek individualized advice from a personal financial, legal, tax and other professional advisors that take into account all of the particular facts and circumstances of an investor's own situation. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met. The above information is provided for illustrative purposes only. Information shown is based upon market conditions at the time of the analysis and is subject to change.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://am.jpmorgan.com/global/privacy>.

Copyright 2023 JPMorgan Chase & Co. All rights reserved.

09ct231810174955