

THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

PROGRAMME OF WORK 2015/2016

2 October 2014

Swakopmund, Namibia



PROGRAMME OF WORK 2015/2016

I. On-going Projects (2015)

The following projects are currently being undertaken by the Technical Committee and expected to be finalised in 2015:

- **Target retirement income:** It is argued that DC pension systems should focus on the long-term target that combines phases of accumulation and decumulation. The paper aims to identify the role of pension supervisors and possible supervisory challenges that may arise in the pension systems with explicit (aspirational) long-term goals expressed in absolute (retirement income) or relative (replacement rate) terms.
- **The role of actuarial calculations in the pension supervision:** This is the joint project with the International Actuarial Association (IAA). It builds on the findings from two surveys sent out in summer 2014 to actuaries and supervisory authorities. The paper considers the importance of actuaries or other professionals preparing the actuarial review and calculations in the supervision of DC, DB or hybrid pension plans, as well as determines their main functions. The project also attempts to ascertain the interactions between the supervisors and these professionals.
- **Low income group pension coverage project:** This project will continue to be developed if there are secured enough number of country studies from the IOPS jurisdictions.

II. New IOPS Projects (2015/2016)

The following projects have been accepted for realization:

(1) Supervision of investment management, including non-traditional investment, infrastructure and long-term investment by pension funds: Various members have raised issues about the approach to, and methodology for, supervising the investment function of pension funds. It will be useful reference for members if a project ascertains the different approaches adopted in this area, including, for instance:

- the extent to which pension supervisors are responsible for supervising investment processes and investment managers;
- the supervision strategies and approaches adopted in the supervision of pension funds' investment management activities and investment managers;
- the extent to which reliance is placed on self-regulatory and compliance frameworks;
- the challenges faced in the supervision of pension funds' investment management activities;
- any common issues of concern.

The goal of the project would be to ascertain the various approaches to pension funds' investment management adopted across jurisdictions. It is also hoped that this IOPS project will provide important input into the work of the G20/OECD Task Force on Institutional Investors and Long-Term Financing from the pension supervisory perspective. Therefore, the project team members should focus on the supervisory aspects of pension funds' long-term investment process. For example, it might be interesting to identify, with the use of a questionnaire to be distributed amongst the IOPS membership, how supervisors can promote pension funds' long-term investment while taking into consideration the rights of the members and beneficiaries and the need to protect them, what supervisory/regulatory obstacles would have to be removed, what changes/improvements in the regulatory and supervisory framework would contribute to promoting pension funds' long-term investment, etc. *Project team: Cost Rica (leader), Australia, Botswana, Hungary, Iceland, Italy (tbc), Malawi, Mauritius, Peru, Poland, and Tanzania.*

(2) Role of supervision related to consumer protection in pension systems (complaint mechanisms, comparison platforms, etc.):

The objective of the project is to review existing supervisory practices regarding consumer protection in the pension area. The project will draw on the work developed by the G20/OECD Task Force on Financial Consumer Protection, namely the G20/OECD High-Level Principles on Financial Consumer Protection and the Effective Approaches to support the implementation of these High-Level Principles, *in particular Principle 2*, and other related reports prepared by standard setting bodies and international organisations.

It is expected that the project will produce two outputs:

- a report (20-30 pages) to be published in the IOPS Working Paper series, and stemming from the report
- a set of principles or good practices intended to provide guidance to IOPS Members to enhance the supervisory practices in relation to consumer protection in pension systems.

The project (report and principles/good practices on the role of supervision related to consumer protection in the pension area) is expected to broaden knowledge of common practices in pension consumer protection and to serve as a key reference point for pension supervisory authorities, policy-makers as well as private practitioners in their efforts to improve consumer protection. It also intends to update and provide valuable input into the work conducted by the G20/OECD Task Force on Financial Consumer Protection, contributing to strengthen the prominence and the visibility of the IOPS as a standard setting body.

The report will be of limited scope and will investigate the following:

- The role that pension supervisory authorities play in fostering pension consumer protection (Is pension consumer protection a part of a general framework in the IOPS jurisdictions, or is it located within pension supervisors?). The roles of other stakeholders (e.g. sponsors, employers, industry associations, etc.) in pension member protection and their relationship to the pension supervisory authority's responsibilities? Have pension supervisory authorities observed any arbitrage effects due to differences in the consumer protection approaches or systems between sectors, in particular between the insurance and pension sector?
- The main pension related problems that consumers encounter across jurisdictions (supported by statistics, if available); The process or procedure that a pension consumer must employ to file a complaint and the role of the pension supervisor in this process (if any);
- The availability and supervision of any electronic pension platforms that facilitate transactions and/or comparison of, for example, fund fees, fund returns, pension providers, retirement products by consumers in a particular jurisdiction;

- Whether or not pension supervisory authorities administer competition law or promote competition in their market;
- The mechanisms for protecting pension savers, retirees and beneficiaries in case of the bankruptcy of a pension provider; the role of pension supervisory authorities; whether or not some protection mechanisms are in place in the event of severe underperformance of a provider.

Project team: *Austria (leader), Botswana, Hong Kong, India, Jamaica, Malawi, Pakistan, Slovak Republic, Tanzania, Zambia and the World Bank.*

(3) Macro- and micro dimensions of supervision of large pension funds: This project will investigate how supervisors address the potential impact of large pension funds both at macro level (stability of the pension scheme/system, potential effects on financial and macroeconomic situation) and micro level (member's safety). The aim of the project is to investigate:

- How large pension funds may influence the financial markets?;
- How their influence on the financial markets may positively contribute to financial stability, for example absorbing short-term external shocks by following a long-term investment strategy;
- Whether it is possible that pension funds may, in some circumstances, contribute negatively to financial stability (triggering shocks or enhancing external shocks)?;
- What are the mechanisms (transmission channels) through which pension funds interact with in the financial markets.

Project team: *Italy (leader, tbc) IOPS Secretariat, Brazil, India, Jamaica, Namibia, Slovak Republic, Tanzania.*

Timing and resources permitting, the following projects will also be realised during 2015/2016:

(4a) Supervision of guarantee capitals, guarantee funds and benchmarking investment returns in private pension systems: The paper will discuss the very important problem of safety mechanisms related to solvency of pension systems and the benchmarking of pension managers' performance. In particular, a survey performed amongst IOPS Members may:

- Identify what current mechanisms are available in each jurisdiction (guarantee capitals of pension fund and retirement product providers, systemic guarantee funds, other mechanisms), and how they are supervised by pension supervisory authorities;
- Assess their adequacy (size compared to pension liabilities), timeliness of reactions;
- Identify the ways supervisors assess and monitor pension managers' investment performance
- Identify potential problems of the current solvency mechanisms.

Project team: *Switzerland (leader), Botswana, Costa Rica, Hong Kong, India Slovak Republic.*

(4b) Supervision of unclaimed pension benefits: This project will relate to any type of pension schemes. It will investigate how lost accounts (where the beneficial owner of the account cannot be located) and unclaimed pension benefits (where the beneficiary has a right to payment but cannot be located) are monitored by pension supervisors.

A survey of IOPS Members may address the following questions: What processes are in place to identify benefits as being lost or unclaimed? How are beneficiaries informed about unclaimed assets? What processes, if any, are in place to re-unite assets with beneficial owners? What is the size of this problem? What is the legal character of such assets? Is this issue supervised and if so, in what way? Is there any

obligation for pension managers to report on this issue to supervisor? If beneficial owner cannot be identified what eventually happens to the benefits?

Project team: leader (*tbc*), Hong Kong, Kenya, Namibia, South Africa, Uganda.

All approved projects will be developed and completed in the priority order.

III. Other On-going Work:

- **Tour d' Horizon:** as part of the Tour, the Technical Committee regularly reviews major developments related to the supervision of private pensions, building on information provided by members on major reform in their countries. As previously agreed, it is envisaged that urgent projects or work priorities may arise from discussions which take place as part of the Tour d'Horizon (as the case with the project 1 of 2015/2016 POW), and that the review may also include discussion papers on topical issues provided by the Secretariat. Likewise, papers on research issues or describing particular supervisory experience may be drafted by IOPS members.
- **IOPS Toolkit:** it is also envisaged that further work will be undertaken on the IOPS Toolkit. This would include updating and adding case study material to illustrate practical challenges which were encountered by IOPS members when moving to RBS and how these were overcome.
- **Statistics / Database:** IOPS Members currently provide statistical data via the OECD's Global Pensions Statistics Project. The statistical information is constantly updated with the report published annually. In addition, the International Social Security Association (ISSA), IOPS and OECD continue to develop and expand comprehensive data source on the regulation of private pension systems worldwide. Each year about 20 countries' regulatory profiles are being updated and/or created for inclusion in the joint ISSA/IOPS/OECD Complementary and private pensions database. Project team: IOPS Secretariat, OECD.
- **Technical Assistance** – regional outreach meetings will be organized in 2015 if demand arises and resources allow.

IV. On-going Projects with Other Institutions

- **Pensions and Financial Sector Stability:** the IOPS has been in contact with the Financial Stability Board (FSB) regarding their work on financial sector stability and the OECD-FSB work on international instruments applicable to the Principle 4.1 of the G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors. The IOPS will be expected to provide further input for the latter. The IOPS will continue the dialogue with the FSB to ascertain whether the pension sector can be included in their macro stability work. The Secretariat previously reminded the FSB to include IOPS for any further work on non-banking and insurance entities which would cover pension funds.
- **IOPS Principles as part of FSAP Reviews:** work with the World Bank on any necessary revisions to the IOPS Principles of Private Pension Supervision or its methodology to see how the IOPS Principles could be made more 'practical' and better integrated into FSAP process.
- **Consumer Protection:** The OECD continues developing further guidance following on from the adoption of the G20/OECD High Level Principles on Financial Consumer Protection (the IOPS has been represented at the Task Force on this issue by the Secretariat). The IOPS is involved in the follow up work relating to these Principles (specifically any sectoral based work relating to

pensions). The IOPS project on the role of supervision related to consumer protection in pension systems also intends to update and provide an input into the work conducted by the G20/OECD Taskforce on Financial Consumer Protection.

- **Other G20 work:** the IOPS may also be asked to contribute sectoral expertise to other G20 projects. The IOPS 2015/2016 POW will be accordingly updated to reflect such requests as required.
- **OECD Projects:** the IOPS has partnered successfully with the OECD in previous years on projects of joint interest. The OECD is currently working on the following topics, which the IOPS could potential contribute to: *Improving the design of retirement saving pension plans; Institutional investors and long-term investing; Annuity products; Fiscal incentives and retirement savings.*

Tentative Timetable 2015 / 2016

Project	February 2015	June 2015	October 2015	Q1 2016	Q2 2016	Q4 2016
<i>Target Retirement Income</i>	Update	Approve as working paper				
<i>The role of actuarial calculations in the pension supervision</i>	Update	Approve as working paper				
<i>Supervision of management of investment, including non-traditional investment, infrastructure and long-term investment</i>	Outline	Update	Update	Update	Update	Approve as working paper
<i>Role of supervision related to consumer protection in pension systems (complaint mechanisms, comparison platforms etc.): Report</i>	Outline	Update	Update	Update	Update	Approve as working paper
<i>Good practices</i>				Outline	Update	Approval
<i>Macro- and micro dimensions of supervision of large pension funds</i>		Outline	Update	Update	Update	Approve as working paper
<i>Supervision of guarantee capitals, guarantee funds and benchmarking in private pensions</i>		Outline	Update	Update	Update	Approve as working paper
<i>Supervision of unclaimed pension benefits</i>			Outline	Update	Update	Update
<i>G20/ FSB Work</i>	As required tbc					
<i>Toolkit Material</i>	Update as required	Update as required	Update as required			
<i>Statistics / Database</i>	Request information	Update Database				

<i>Technical Assistance</i>		As required tbc				
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