

# **THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)**

## **PROGRAMME OF WORK 2017-2018**

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**Hong Kong, China**



## PROGRAMME OF WORK 2017-2018

### I. On-going Projects

The following projects are currently being undertaken by the Technical Committee and will continue in 2017:

**Project (1) Supervision of investment management, including non-traditional investment, infrastructure and long-term investment:** The latest draft report [IOPS/TC(2015)4/REV3] described supervisory practices and experiences in monitoring the investment process with particular focus on non-traditional investment, across jurisdictions. It focused on the following issues:

- the extent to which pension supervisors are responsible for supervising the various forms of investment processes and investment managers;
- the approaches adopted in the supervision of investment management activities and investment managers with a particular focus on non-traditional investments;
- the challenges faced in the supervision of both traditional and non-traditional investment management activities;

The supervision of infrastructure and long-term investments and ways it can be facilitated will be further investigated in the next stage(s) of the project. It is envisaged that the project may result in issuing IOPS guidelines in the area of supervising investment management and the project will also provide important support to the work of the G20/OECD Task Force on Institutional Investors and Long-Term Financing from the pension supervisory perspective.

The report on supervision of investment management, including non-traditional investment is expected to be finalised in early 2017. The second stage of the project, i.e. a report dealing with infrastructure and long-term investments by pension funds and the drafting of IOPS guidelines in the area of supervising investment management are expected to be realised during 2017.

***Project team:** Peru (leader), Australia, Botswana, Hungary, Iceland, Italy (tbc), Malawi, Mauritius, Poland, and Tanzania.*

**Project (2) Role of supervision related to consumer protection in private pension systems:** The aim of the present project was to review the role of pension supervisory authorities and existing supervisory practices directed at enhancing consumer protection in the private pension area. The IOPS project also intends to provide input into the work undertaken by the G20/OECD Task Force on Financial Consumer Protection. The latest draft report [IOPS/TC(2015)5/REV5] investigated the following:

- rationale and tools for regulatory and supervisory involvement to protect consumers in private pension area;
- the role and range of measures taken by pension supervisory authorities in the area of information disclosure to help ensure greater protection for consumers;

- the role and major recent initiatives of pension supervisory authorities in increasing awareness and knowledge about private pensions and the results achieved;
- the measures taken by pension supervisory authorities to ensure responsible business conduct by pension services providers and authorised agents;
- complaints handling and redress mechanisms available for consumers in the area of pensions and the role the pension supervisory authorities play in this process;

The report is expected to be finalised in early 2017. The second stage of the project, i.e. drafting observations about good practices on the role of pension supervisory authorities in consumer protection related to private pension systems, has already been initiated with the first draft presented at the June Paris Technical Committee in 2016 and is expected to continue during the first half of 2017.

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

**Project (3) Macro- and micro dimensions of supervision of large pension funds:** This project investigated 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 latest draft report [IOPS/TC(2015)6/REV3] examined:

- the landscape of large pension funds in the IOPS jurisdictions;
- how large pension funds (LPFs) may influence the financial markets (especially LPFs' short-term impact) and the economy as a whole (LPFs' long-term impact);
- what are the views of pension supervisors on the potential impact of large pension funds and on the mechanisms (transmission channels) through which LPFs may interact with the financial markets;
- strategies and approaches the supervisors should adopt to address potential macro- and micro impacts that large pension funds may make.

The report will be finalised in early 2017. The second stage of the project will produce an empirical study on the investment behaviour of pension fund in selected IOPS jurisdiction during the period of 2006-2015. Its aim is to determine whether pension funds as a whole contributed to the stability of financial markets. The study is planned to be finalised by the second half of 2017.

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

**Empirical study team:** *Italy (leader), IOPS Secretariat, Chile, Mexico, Poland, Russia, Romania (tbc).*

**Revision of the IOPS Principles of Private Pension Supervision:** The IOPS Governing Membership agreed at its Berlin meeting on 29 October 2015 on the need to revise the IOPS Principles of Private Pension Supervision which were previously revised in 2010, in light of the current revision of the OECD Core Principles of Private Pension Regulation, which include the IOPS Principles as its Core Principle 6 and developments in the supervisory techniques and approaches that have taken place since the last revision of the Principles. The project started in the second half of 2016 and is expected to be continued and finalised in 2017.

**Project team:** *leader (tbc), CAPSA, China and Romania.*

## II. New IOPS Projects

The following projects have been accepted for development as resources become available:

### 1. **The solvency of DB pension funds and adequacy of DC retirement benefits in current financial environment**

A *short* paper that depicts the current situation (with numbers and case studies) with regards to schemes and solvency of pension defined benefit funds and schemes and the future level of retirement benefits delivered by defined contribution funds in the low interest rates environment. The paper may also provide estimates of the implications for them under the scenario of low interest rates prevailing until 2020 (tentative date).

### 2. **Update of IOPS 2014 paper on fees and charges. Analysis of free containment measures taken by policy makers and regulators (second part as a joint project with the OECD Working Party on Private Pensions, WPPP)**

A paper that updates: market average fees and maximum fees, charge ratios, and provides brief comments on recent cost/fees trends in the pension market. As part of its paper on costs the World Bank has offered to produce a section based on work in a number of countries including a detailed cost collection template that can help to uncover any hidden costs and can help to ensure the full comparability of costs between systems to help reduce some of the comparability issues that have impacted costs comparisons across countries.

A second part of the paper (jointly with the WPPP) will discuss current challenges with regard to the costs of private pension provision, presents past and recent policy interventions aimed at lowering fee levels, evaluates these interventions and provides policy recommendations.

### 3. **Impact of digitalisation of financial services on supervisory practices: case studies**

A *short* paper that briefly introduces the on-going digitalisation trend in financial services, presents concrete changes (key studies) in pension markets and resulting new supervisory practices (e.g. Kenya and mobile phones, case study from Mexico), concludes with an assessment of the current and foreseen impact of digitalisation on pension supervision.

### 4. **Benchmarks for investment returns** (a part of Project 4a proposed in the revised POW 2015-2016 [IOPS.AGM(2014)9.REV1])

A *short* paper that describes the types of return benchmarks present in IOPS jurisdictions, provides pros and cons for the benchmarks, including the impact on competition and investment behaviour.

### 5. **Impact of members transfers on pension funds investment policy (joint project with the World Bank)**

A paper examining the impact of switching and other regulations on pension funds' long-term investment has been prepared by the World Bank. A methodology has been devised to compare the level of annual turnover in pension funds' portfolios with the amount of short-term investments. The impact of investment regulations around switching and other market conduct are then considered. The World Bank paper currently covers: Chile, Colombia, Costa Rica, Mexico, Peru, Estonia, Poland and Romania. IOPS members will be invited to provide data from their countries, which the World Bank team will analyse using their methodology and add to the report. This report will be released as a joint publication of World Bank and IOPS.

The above projects will be developed and completed in the priority order indicated.

### 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, 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 materials 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 jointly develop and expand the 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 2017-2018 if demand arises and resources allow.

### IV. On-going Projects with Other Institutions

- ***Consumer Protection:*** The OECD continues developing further guidance following the adoption of the High Level Principles on Financial Consumer Protection for the G20 (the IOPS has been represented at the Task Force on this issue by the Secretariat). The IOPS continues to be involved in follow up work relating to these Principles (specifically any sectoral based work relating to private pensions).
- ***Other G20 work:*** the IOPS may also be asked to contribute sectoral expertise to other G20 projects. The POW will be updated to reflect such requests as required.
- ***OECD:*** the IOPS has partnered successfully with the OECD in previous years on projects of joint interest. During 2016-17, the OECD is working on the following topics, which the IOPS could potentially contribute to: Improving the design of retirement saving pension plans; Institutional investors and long-term investing; Mortality and life expectancy - longevity risk; Annuity products; Fiscal incentives and retirement savings.
- ***IAIS:*** the IOPS provided comments to the IAIS/IOPS Survey on retirement products offered by insurers "Retirement income business in insurance companies". The survey was developed and will be analysed by the IAIS, whereas the IOPS will continue providing feedback to the on-going process.

## Tentative Timetable 2017-2018

| Project   | February 2017 | June 2017                | October 2017  | Q1 2018 | Q2 2018                  | Q4 2018                    |
|---|---------------|--------------------------|---|---------|--------------------------|----------------------------|
| <i>Supervision of investment management – infrastructure and long-term investment (including possible guidelines)</i>   | Outline       | Update                   | Approve as working paper & to be published by Q4 2017 |         |                          |                            |
| <i>Good Practices on the role of pension supervisory authorities in consumer protection</i>   | Update        | Approval                 | New Good Practices                                    |         |                          |                            |
| <i>Macro-and micro dimensions of supervision of large pension funds – empirical study (“COVIP study”)</i>   | Update        | Approve as working paper | To be published in Q3-Q4 2017                         |         |                          |                            |
| <i>Revision of the IOPS Principles of Private Pension Supervision</i>   | Update        | Update                   | Approval of the revised Principles                    |         |                          |                            |
| <i>The solvency of DB pension funds and adequacy of DC retirement benefits in current financial environment</i>   |               | Outline                  | Update  | Update  | Approve as working paper | To be published by Q4 2018 |
| <i>Update of IOPS 2014 paper on fees and charges. Analysis of free containment measures taken by policy makers and regulators (a joint project with WPPP)</i> |               |                          | Outline   | Update  | Update                   | Approve as working paper   |
| <i>Impact of digitalisation of financial services on supervisory practices: case studies</i>  |               |                          |   | Outline | Update                   | Update                     |
| <i>Benchmarks for investment returns</i>  |               |                          |   | Outline | Update                   | Update                     |

|                              |                     |                    |                    |                    |                    |                    |
|------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <i>G20/FSB Work</i>          | As required         | As required        | As required        | As required        | As required        | As required        |
| <i>Toolkit Material</i>      | Update as required  | Update as required | Update as required | Update as required | Update as required | Update as required |
| <i>Statistics / Database</i> | Request information | Update Database    | Update Database    |                    |                    |                    |
| <i>Technical Assistance</i>  | As required         | As required        | As required        | As required        | As required        | As required        |