

THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

REVISED PROGRAMME OF WORK 2015/2016

29 October 2015

Berlin, Germany



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I. On-going Projects

1. The following projects are currently being undertaken by the Technical Committee and will continue in 2016:

(1) Supervision of investment management, including non-traditional investment, infrastructure and long-term investment: 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 the project ascertains the different approaches adopted in this area including for instance:

- the extent to which pension supervisors are responsible for supervising the various forms of investment processes and investment managers;
- the strategies and approaches adopted in the supervision of investment management activities and investment managers;
- the extent to which reliance is placed on self-regulatory (prudent person), risk based and/or compliance frameworks (based upon existing information from the WPPP/IOPS survey on investment regulations);
- the challenges faced in the supervision of both traditional and non-traditional investment management activities;

It is expected that that this project will result in issuing guidelines in the area of supervising investment management and will provide as well an important support to the work of G20/OECD Task Force on Institutional Investors and Long-Term Financing from pension supervisory perspective. **Project team:** *Peru (leader), Australia, Botswana, Hungary, Iceland, Italy (tbc), Malawi, Mauritius, Poland, and Tanzania.*

(2) Role of supervision related to consumer protection in private pension systems: The aim of the present project is to review the role of pension supervisory authorities and existing supervisory practices directed at enhancing consumer protection in the private pension area. The project is expected to broaden knowledge of common practices of supervisors in pension consumer protection and to issue guidelines in this area to serve as a key reference point for pension supervisory authorities, policy-makers as well as other stakeholders in their efforts to improve consumer protection in private pensions. The IOPS project also intends to update and provide input into the work undertaken by the G20/OECD Task Force on Financial Consumer Protection. The IOPS will also benefit from the comments and input on this project from the G20/OECD Task Force on Financial Consumer Protection, the OECD Working Party on Private Pensions (WPPP) and the OECD International Network on Financial Education (INFE). The paper will investigate the following:

- the role of pension supervisors with regard to pension consumer protection;
- 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 most recent and successful experiences (practices) adopted by pension supervisors from IOPS in this area;
- the role and major recent initiatives of pension supervisory authorities in increasing awareness and knowledge about private pensions and the results achieved;

- the main identified problems to consumers relating to selling of pension products and services; mandates pension supervisors have to monitor or supervise pension providers and authorised agents (advisers) for compliance with consumer protection regulatory requirements, standards and codes of practice; 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;

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

(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 present project is to investigate:

- the landscape of large pension funds in the IOPS jurisdictions (main characteristics such as size, type, number of members, asset allocation);
- how large pension funds may influence the financial markets, and what the mechanisms (transmission channels) are through which pension funds interact with the financial markets;
- whether their influence on the financial markets have a negative impact (e.g. triggering shocks or enhancing external shocks) or positive one (e.g. absorbing external shocks);
- strategies and approaches the supervisors should adopt to address potential macro- and micro impacts that large pension funds may make.

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

II. New IOPS Projects

2. The following projects have been accepted for realization:

(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, the 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), and how they are supervised by PSA;
- 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 (co-leader), India (co-leader tbc), Botswana, Costa Rica, Hong Kong, 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 will address the following questions: What processes are in place to identify benefits as being lost or unclaimed? How beneficiaries are 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*.

3. The above 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, 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 presented initial findings from the on-going IOPS project 3 on supervision of large pension funds.
- **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 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 Projects:** the IOPS has partnered successfully with the OECD in previous years on projects of joint interest. During 2014-16, the OECD is working on the following topics, which 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.*

V. Possible Future Projects

4. The IOPS Governing Membership agreed at its Berlin meeting on 29 October 2015 to consider updating 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. Subject to the current work priorities and available resources, the IOPS Governing members agreed also to possibly develop jointly with the World Bank and the OECD the *project on pension funds, switching and long-term investment*. The IOPS project 4(a) on *supervision of guarantee capitals, guarantee funds and benchmarking investment returns in private pension systems* [IOPS/AGM(2014)9/REV1]) may include the IAIS proposal to survey retirement income related products offered by insurance companies.

5. The World Bank and the OECD project will survey OECD and IOPS members to analyse the impact of pension fund members changing their affiliation on pension funds investment policy. It is argued that high membership turnover can result in short-term investment policy. The survey will aim to gather information on the regulation on switching membership of pension funds, the annual level of switching and the level of short-term holdings in pension funds' portfolios so as to determine correlations between the switching regulation and the amount of switching as well as the correlation between the amount of switching and the holdings of short-term assets.

6. The IAIS survey will seek to assess the volume and nature of retirement income related products currently provided by IAIS members and the regulatory and supervisory environment in which these products and services are provided. To the extent practicable, the survey will place its findings in the wider context of all retirement income related products.

7. Taking into account the current workload, the IOPS can consider developing in 2016 one additional project from the list of possible projects presented in this section or to decide to change priorities of the new projects (4a, 4b) presented in section II.

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	To be published in Q4 2015			
<i>The role of actuarial calculations in the pension supervision</i>	Update	Approved as working paper	To be published in Q4 2015			
<i>Supervision of management of investment, including non-traditional investment, infrastructure and long-term investment</i>	Outline	Update	Update	Update	Approve as working paper	Possible new guidelines
<i>Role of supervision related to consumer protection in private pension systems</i>	Outline	Update	Update	Update	Approve as working paper	Possible new guidelines
<i>Macro- and micro dimensions of supervision of large pension funds</i>			Update	Update	Update	Approve as working paper
<i>Supervision of guarantee capitals, guarantee funds and benchmarking in private pensions</i>				Outline	Update	Approve as working paper
<i>Supervision of unclaimed pension benefits</i>				Outline	Update	Approve as working paper
<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	Update Database			
<i>Technical Assistance</i>				As required tbc		