

THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

SUMMARY RECORD FOR IOPS TECHNICAL COMMITTEE MEETING

15th/16th October, 2009

Rio de Janeiro, Brazil



INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS SUMMARY RECORD IOPS TECHNICAL COMMITTEE MEETING

Thursday/ Friday 15th-16th October 2009

1. Administrative Issues

The Committee:

- approved the summary record of the previous meeting IOPS/TC(2009)12;
- approved the draft agenda IOPS/TC(2009)13/REV1.

2. Tour d'Horizon

The Committee:

- received updates from members on the impact of policy initiatives introduced in response to the financial crisis of 2008/2009;
- heard a presentation from Turkey on their recent media information campaign launched to explain the long-term nature of pensions savings vs. short-term variations in pension assets returns due to the global financial downturn and the positive results obtained through this campaign;
- was informed by the Netherlands on responses of the Dutch government to the crisis, allowing a temporary extension of the recovery period (from 3 to 5 years) for underfunded pension funds to bring their coverage ratio to the minimum level required under current regulation, as well as the general situation in the pension industry which remains relatively stable (not having recourse to premium increases and registering only limited reduction of benefit rights, etc.);
- was informed by the German Delegation on recent policy measures applied during the crisis; these included the introduction of a number of amendments to regulations and the issue of new circulars, in particular requiring the establishment of an adequate level of risk management; on the supervisory side, financial sector supervision was strengthened by reinforcing BaFin's rights and powers, introducing more intensive and in-depth reporting/monitoring requirements; and fostering control over investment strategies through the application of stress testing;
- received an update (presented by the Secretariat) on new initiatives with respect to regulation of DB pensions schemes in Ireland, such as granting additional time for the preparation of funding proposals (as a temporary measure); applying flexibility when approving funding plans; allowing longer periods for recovery plans (greater than 10 years) etc; but also new guidelines to the supervisory approach in considering applications for reduction of benefits and the introduction of a Pensions Insolvency Payment Scheme;

- all presenting delegations highlighted the efforts undertaken by the supervisory authorities to explain recent changes in pension regulations/supervisory approaches to supervised entities and work with the pension industry to develop joint views/strategies to overcome the crisis;
- was informed of the work on private pensions undertaken by the OECD in response to the crisis; which, in addition to the publication of the recent joint study by OECD/IOPS “Private Pensions and Policy Responses to the Financial and Economic Crisis”, includes work in policy areas such: the implementation of counter-cyclical funding rules for DB plans; the design of DC pension plans, including default investment strategies and the impact of risks on income adequacy; the publication of new updated data on public pension reserve funds and pension fund investment returns.

3. Principles and Guidelines

The Committee:

- was updated on changes introduced to the Methodology document [IOPS/TC(2009)3/REV3] following the discussions held during the last June meeting of the Committee;
- heard the presentation from South Africa in relation to its self-assessment vs. the IOPS Principles;
- was updated by the Secretariat on the preliminary results of assessments made so far, noting particular principles where compliance could be improved; *Delegates were requested to submit written comments on the first draft of the working paper summarizing the preliminary assessment results by the 30th November 2009;*
- welcomed the initiatives taken by the Delegations of, Kenya, Netherlands and Romania to undertake self-assessment of compliance of their supervisory regimes with the IOPS principles; the Jamaican delegation also expressed its willingness to undertake such assessment subject to the formal consent of the authority;
- noted a proposal of several Delegations to approach the World Bank (WB) and the International Monetary Fund (IMF) to include the IOPS Core principles in the Financial Sector Assessment Programmes (FSAP) and delegated the Secretariat to liaise with the WB/IMF;
- discussed a first draft of the OECD/ IOPS Good Practices for Pension Funds’ Risk-management Systems (IOPS/TC(2009)14). *Delegates were requested to submit written comments on the document by the 30th November 2009.* The draft good practices, including comments received from IOPS members, would be presented at the OECD’s WPPP meeting in December. A revised version, including both IOPS and WPPP Delegates' comments will then be discussed at the IOPS TC meeting in Basel.

4. Project Update

The Committee:

- heard the presentation by Spain, Hong Kong and Australia on their approaches to DC supervision, focus on the major risks monitored by supervisors (e.g. administrative risk and outsourcing risks in case of Australia; contributions payments/ contributions debts

reimbursement in Hong Kong and information disclosure in Spain (in particular watching closely information provision on vested rights, expenses, fees, profitability, etc.);

- discussed the paper on DC supervision (IOPS/TC(2009)10/REV1). Delegates confirmed the significant policy relevance and usefulness of the topic and requested a closer linkage be established between the DC supervision project and the Toolkit; agreed to complete relevant parts of the Toolkit with information/results emerging from the DC project; provided specific comments on the draft report identifying specific areas to be further elaborated/expended. *Delegates were requested to submit written comments on the document by the 30th November 2009;*

5. Toolkit Update

The Committee:

- heard a presentation from the Chilean Delegation on the progress in the implementation of the risk-based supervisory (RBS) approach;
- was updated by the Secretariat on main changes introduced to each of the modules of the IOPS Toolkit for Risk-based Supervision (IOPS/TC(2008)17/REV2, IOPS/TC(2009)5/REV2, IOPS/TC(2009)6/REV2, IOPS/TC(2008)12/REV4, IOPS/TC(2008)14/REV4 IOPS/TC(2008)13/REV3);
- welcomed substantial improvements made to the whole text of the Toolkit modules and inclusion of a more balanced sample of countries' case studies;
- had a thorough discussion on each individual Module based on Delegates' reactions to revised texts of the Toolkit; noted specific comments in relation to editing/wording suggestions and specific corrections in countries' examples;
- among a series of comments provided on the Toolkit, noted several key messages emerging from Delegates' observations that included: (1) delinking RBS from principles-based regulation throughout the Toolkit modules, noting that it can be also applied to or, function in, a rules-based regulatory environment; (2) proposals to add, in the revised introduction, a reference to the current financial and economic crisis which called for more efficient pension supervision using a risk based approach (inclusion of a reference to positive experience gathered by pension supervisors having adopted RBS prior the crisis vs. supervision of banking industry); a paragraph or reference to the relative impact of costs of RBS should be added; (3) the need to highlight the importance of allocating sufficient financial resources as the application of RBS and the risk appetite of supervisors depends on the resources available; (4) the need to pass a strong policy message to encourage public administrations to move towards risk-oriented supervision; (5) the need to include in Module 3 some additional examples on supervisory techniques for DC pension funds (e.g., the recommendations of the OECD – WB project on assessing performance of private pension funds, ALM, alpha strategies and their correlations with passive investment strategies, limitations to reduce risks, and, in the context of DC pension plans, the use of life cycle default strategies to reduce risks). *Delegates were requested to submit written comments on the document by the 30th November 2009;*

- decided upon completion of the Toolkit to organise targeted consultations, seeking for the views/comments of a very limited/selective number of institutions/organizations with competence on financial sector supervisory matters;
- decided to reserve the discussion on public release/publication options for the Toolkit during the item 6 (devoted to the discussion of future programme of work).

6. Programme of Work

The Committee:

- was briefed by the Secretariat on ongoing and suggested future projects for work outlined in the document [IOPS/AGM(2009)8];
- discussed the Programme of Work 2010-2011 (IOPS/AGM(2009)8) and agreed that during 2010 full priority should be given to completion of the Toolkit, and the DC supervision project to result in two principle outputs for the year to come;
- agreed to publish the Toolkit as a single publication, manual-like, comprising all Modules (in the electronic format), for presentation and adoption at the 2010 AGM in Sydney, Australia;
- held an initial discussion for the projects to be developed in 2011, requiring the Secretariat to devise a short-list of projects to be voted on at the AGM (when the POW would be finalized).

7. Other Issues

The Committee:

- agreed on the following meetings schedule for 2010 and draft schedule for 2011 and invited Members to provide to the Secretariat or the President suggestions for the topics to be addressed at these forthcoming events :

2010

- 22nd -23rd February, Committee meetings, Basel, Switzerland (back to back with joint meeting with the IAIS Pensions Coordination Group);
- 25th-26th February CIS, Kuakas, Central Asia Outreach Workshop, Istanbul, Turkey;
- 1st-2nd June Committee meetings OECD Paris (back to back with OECD WPPP);
- 2nd-4th November Committee meetings +AGM + OECD/IOPS Global Forum, Sydney, Australia

2011

- 21st-23rd March (*date tbc*), Committee meetings + MENA Outreach Workshop, Amman, Jordan (*tbc*)
- 8th June (*date tbc*) Committee meetings, OECD Paris (back to back with OECD WPPP)

- 24th-26th October, Committee meetings +AGM + OECD/IOPS Global Forum, Cape Town, South Africa (back to back with OECD Conference on Financial Education)

Action Points

Members Involved	Deadline	Action Required
All members	30 November	Comments on <i>IOPS/OECD Good Practices for Pension Funds' Risk-management Systems (IOPS/TC(2009)14</i> should be submitted to the IOPS Secretariat.
All members	30 November	Comments on the report <i>Draft Summary of Self-Assessments vs. IOPS Principles</i> (Room Document 1 from Rio Technical committee meeting –available in the Members' area of the website) should be submitted to the IOPS Secretariat.
All members	30 November	Comments on the paper <i>Supervising DC Pensions (IOPS/TC(2009)10/REV1</i> should be submitted to the Secretariat
All members	30 November	Comments on the revised Toolkit Modules (IOPS/TC(2008)17/REV2 IOPS/TC(2009)5/REV2 IOPS/TC(2009)6/REV2 IOPS/TC(2008)12/REV4 IOPS/TC(2008)14/REV4 IOPS/TC(2008)13/REV3) should be submitted to the Secretariat