Egyptian approach to private pension supervision

Dr. Ali Al-Ashry
Deputy Chairman, EISA

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Overview of the private pension system in Egypt

- Total number of retirement plans is 737 plans issued and managed by insurance companies.
- Total number of private pension schemes is 638.
- Total number of DC schemes is 25.
- Total number of DB schemes is 605.
• Total number of medical schemes is 8.
• Total assets under management by schemes is EGP 23.9 Billion.
• Total number of members covered by schemes is 4.66 Million.
Private pension funds are regulated under law number 54 for year 1975.

All schemes have to get licensed by EISA before they start operating.

However, the penalty for not complying with this requirement is set at a minimum of EGP100.

Schemes are established with no capital.

Each scheme has its own charter, all charters will share same rules that are required by law, but differ mostly in terms of benefits and contributions.
The scheme is managed by board of directors, that is normally elected amongst scheme members in the annual general assembly.

If employer partly or fully finances the scheme obligations, the employer, if the charter stipulates so, can appoint a number of the board members.
The board of directors is responsible for the management of the scheme including the management of its assets.

The executive regulations impose restrictions on the investment channels and stipulate limits for each channel.
Old supervision system (before 2008)

Reporting requirements

• All schemes must submit financial statements and statutory report on an annual basis.

• DB schemes must be actuarially reviewed at least once every 5 years and the actuarial report must be submitted to EISA.
• All amendments to the charter must be approved by EISA before they came into effect, all alteration must be voted upon in an general assembly.

• Wherever amendments to benefits and/or contributions are proposed, the scheme must submit an actuarial report that shows the scheme is solvent after alteration on an on-going basis.
• All schemes are inspected once a year both on-site and off-site.
• Departments within EISA responsible for private pension funds supervision:
  ➢ Inspection department within the investment and financial analysis division.
Old supervision system (before 2008)

- Licensing department within the HR and finance division.
- Actuarial department that is responsible for life insurance and pensions within the actuarial division.
Main powers of the regulator

- Licensing.
- Approve amendments to the charter.
- Receive annual financial statements.
- On-site inspection.
- Impose sanctions on the scheme that does not include fines (fines are imposed on scheme chairman and/or the board).
Old supervision system (before 2008)

Main powers of the regulator

- Remove board of directors
- Revoke license
A new draft law is proposed and expected to pass the parliament in 2009.

The new law introduces pension companies to the market.

All schemes and pension companies have to get licensed by EISA before they start operating, and the penalty for not complying with this requirement is increased.
Schemes are still established with no capital but the pension companies will have a minimum capital requirement.

Each scheme still has its own charter, all charters will share same rules that are required by law, but differ mostly in terms of benefits and contributions.
New supervision system (2008 onward)

Scheme management

- The scheme is managed by board of directors, that must have two members who have the required expertise to manage the scheme.

- The board of directors is responsible for the management of the scheme jointly with the executive manager.
The management of the assets must be through a professional asset manager unless some of the board members have the required expertise.
All schemes must submit financial statements and statutory report on an annual basis.

DB schemes must be actuarially reviewed at least once every 3 years.

The introduction of a new standardized actuarial report starting 2009 to be used as a minimum requirement when valuing a DB scheme.
• The move from the actuarial valuation on an on-going basis to a valuation on solvency basis that comply with the accounting standards.

• All alterations to the charter still must be approved by EISA before they came into effect, all alteration must be voted upon in a general assembly.
Wherever alterations to benefits and/or contributions are proposed, the scheme must submit an actuarial report that shows the scheme is solvent after alteration.
• All schemes will be subject to off-site inspection on a yearly basis.
• Based on the outcome of the previous on-site and off-site inspections, the schemes will be ranked according to their level of risk and a decision will be made regarding the frequency of the on-site inspection until we build our own risk scoring model with the help of other countries experience.
A new division for private pension funds supervision was established under which the following departments operate:

- 3 departments responsible for supervising the schemes using risk based approach.
- A licensing department.
- Technical support department for actuarial and investment matters.
New supervision system (2008 onward)

Market discipline and awareness

- The introduction of a federation of all the schemes.
- Introduction of a registry for the auditors who are allowed to audit schemes.
- Starting a project to increase the number of qualified actuaries, and develop actuarial standards.
• Enhancing the financial and legal awareness of the schemes' managers through training courses.

• Develop a new website that will represent a window to raise the public awareness and educate the different stakeholders.
Main powers of the regulator

- Licensing.
- Approve amendments to the charter.
- Receive annual financial statements.
- On-site inspection.
- Stopping the execution of decisions taken by the assembly if a minimum number of the members object to those decisions.
• Impose sanctions on the scheme that does not include fines (fines are imposed on scheme chairman and/or the board) the sanctions will be increased

• Revoke license
Thank you

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