

IOPS ANNUAL REPORT 2007

*Activities from January 2007 to December 2007
2006 Financial Statements*



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Foreword

The International Organisation of Pension Supervisors (IOPS) is an independent international body representing those involved in the supervision of private pension arrangements. The organisation currently has around 60 members and observers representing supervisory bodies from more than 50 countries worldwide - from Australia to Zambia - covering all levels of economic development and bringing together all types of pension and supervisory systems.

The IOPS, formed in July 2004, was instigated by the International Network of Pension Regulators (INPRS), an informal network of regulators and supervisors. It was felt that, concerning supervision, a more formal, independent, body could better serve as a world-wide forum for policy dialogue and the exchange of information, as well as the standard setting body, promoting good practices in pension supervision. The major goal of the IOPS is to improve the quality and effectiveness of the supervision of private pension systems throughout the world, thereby enhancing their development and operational efficiency, and allowing for the provision of a secure source of retirement income in as many countries as possible.

The aims and purposes of IOPS can be summarised as:

- serving as the standard-setting body on pension supervisory matters (and regulatory issues related to pension supervision), taking into account the variety of different private pension systems;
- promoting international co-operation on pension supervision and facilitating contact between pension supervisors and other relevant parties, including policy makers, researchers and the private sector;
- providing a worldwide forum for policy dialogue and exchange of information on pension supervision;
- participating in the work of relevant international bodies in the area of pensions, including joint activities to improve statistical collection and analysis;
- promoting, conducting and facilitating the distribution and communication of research, and collecting information in co-operation with relevant international bodies

President's Report

Members

The IOPS has continued to successfully build its membership base during 2007, which now consists of around 60 members and observers. Simply listing some of the new members shows the widespread coverage which the IOPS now boasts, both geographically, and in terms of representing different pension systems: Albania, Egypt, Macedonia, Peru, Romania, Serbia, Slovakia, Suriname, Swaziland.

Our goal for 2008 is to extend our coverage even further. A range of pension supervisory authorities – for example Brazil, Lichtenstein, Malta and the Ukraine - have expressed interest in our organisation and we will be delighted to welcome them as members in the New Year. Equally, there are still some major pension systems which are not represented at the IOPS – notably the USA, Canada and Japan – and we will work with these countries to see if their valuable input into our work can be achieved.

The IOPS is very grateful to its members who have encouraged other pension supervisory authorities to join the organisation – indeed our best source of recruitment is through our membership. I would therefore like to encourage all members to get in touch with their contacts in their regions and help work towards our goal of extending our coverage during 2008.

Meetings

The following meetings were held during 2007:

- Executive and Technical Committee meetings: March – Amsterdam, Netherlands; June – Basel, Switzerland; November – Beijing, China.
- Conference ‘Exploring the Future of Pension Finance and the Dynamics of Institutional Pension Reform’, Amsterdam, Netherlands, joint with the Dutch Central Bank and Netspar.
- 2007 Annual General Meeting, Beijing, China, November 2007
- Global Forum on Private Pensions, Beijing, China, November 2007 - held jointly with the OECD, the meeting was attended by over x delegates representing x countries as well international organisations and representatives from the private sector and academia.
- The IOPS was also represented at meetings of the CEIOPS and IAIS.

On behalf of the organisation, I would like to thank the Dutch Central Bank, the IAIS and the OECD for their hospitality and support. Without them we would not have been able to hold such a diverse and successful set of meetings through this year.

Aims

Following a period of consultation, the IOPS Governing Membership achieved a key goal by approving the ‘Licensing of Pension Entities’ at the 2007 Annual General Meeting. The organisation has also been successfully working towards fulfilling a range of aims and objectives during 2007, including the following. The issue of cross-border pension supervision was also discussed by the membership during 2007, and the Organisation remains committed to surveying and assisting developments in this field.

AIM	Achievement 2007
<i>Standard setting body on pension supervisory issues</i>	<p>Approval of Licensing guidelines.</p> <p>Work on guidelines for on and off-site supervision</p> <p>Work on good practices for the supervision of risk management for pension fund alternative investments</p>
<i>Worldwide forum for dialogue and exchange</i>	<p>The IOPS conferences have proven successful events for launching formal discussions of pension supervisory issues of importance to international authorities, as well as allowing for more informal, bilateral contacts to be built.</p>
<i>Participate in work of relevant international bodies</i>	<p>The IOPS continues to work closely with the OECD, which leads international work in the area of policy and regulation relating to private pensions. The two organisations will for the first time release joint guidelines on the licensing of pension entities.</p> <p>The IOPS also continues to cooperate with the World Bank via joint projects, and has cooperation agreements with the IAIS, ISSA and IAA.</p> <p>Regular updates are also provided to and by the regional supervisory organisations in Latin America and Europe – the AIOS and CEIOPS.</p>
<i>Promote, conduct, facilitate distribution and communication of research</i>	<p>The IOPS successfully launched its Working Paper series, with the release of 4 reports during 2007.</p> <p>The papers have been well received, with coverage in the press and citations in other publications and reports.</p> <p>The IOPS launched the electronic library on its website, providing research on pension supervision and related topics. Members are encouraged to suggest further documents for inclusion.</p> <p>Members also receive the leading academic pensions journal, ‘The Journal of Pension Finance and Economics’, developed under the aegis of the IOPS and OECD.</p>
<i>Assist countries with less developed private</i>	<p>The IOPS continues to build its membership amongst countries with developing pension systems, and has welcomed representatives from many developing economies to its conferences and</p>

<p><i>pension arrangements</i></p>	<p>events (including representatives from the Asian region to the Annual General Meeting and conference in Beijing).</p> <p>IOPS members also extend assistance to countries with developing pension systems on an ad hoc basis and is planning an African regional seminar in 2008.</p>
<p><i>Develop database of private pension and supervisory systems worldwide</i></p>	<p>The IOPS is working with its partners from the ISSA and OECD to develop a comprehensive database of statistical and descriptive information covering private pension systems worldwide, including the types of pension supervision utilized.</p> <p>Some IOPS members who were not part of the existing database (covering regulatory systems) have been added to the database and the aim is that all members will eventually have a regulatory profile. Statistical information has been collected from most IOPS members for the database and a questionnaire to gather supervisory data has been sent to members.</p> <p>The organisation also produced country reports, providing oversight profiles and comparative statistics for many members, with profiles for all members targeted for 2008.</p>

Relations with other organizations

The IOPS continued to work closely with other organisations during 2007.

- **OECD:** The IOPS continues to work closely with the OECD, including producing the joint project on the licensing of pension entities, and working closely on the IOPS led project relating to information to be supplied to DC scheme members. The IOPS is also helping the OECD to develop their work and disseminate their guidelines on pension fund governance, with an IOPS project looking at the supervisory challenges raised by pension fund governance issues. Joint conferences on private pensions were held in Beijing during 2007 and further events are planned during 2008-2009. The OECD continues to provide Secretariat support to the IOPS via the partnership agreement signed by the two organisations in 2005.
- **ISSA:** the ISSA/ IOPS/ OECD database has been made available to IOPS members via the members' area of the IOPS website. The joint database on complementary and private pensions is currently being developed and extended by the organisations.
- **World Bank:** The IOPS remains very grateful to the World Bank for their support during 2007, including receiving a grant allowing the organisation to continue building its database, to support the organisation's outreach work and it's analytical and guideline drafting work.

- **IAIS:** the IOPS held its first back to back meeting with the IAIS in 2007, and will work closely with that organisation's Pensions Coordination Group to ensure that overlaps are avoided and synergies exploited.
- **CEIOPS :** the IOPS and CEIOPS continue to provide regular updates of each other's work and are coordinating closely on work relating to cross-border pension supervision.
- **AIOS:** The IOPS was grateful for the AIOS for translating their Principles of Pension Regulation and Supervision into English and providing a comparison with the IOPS Principles, in order to ensure compatibility. The Principles and comparison are available on the IOPS website.

As President, I also represented the IOPS at a regulatory workshop which was part of the Annual Conference of the International Pension & Employee Benefits Lawyers Association (IPEBLA), which was held in Seville Spain (a copy of my speech is included at the end of the Annual Report), and was kindly assisted by the IOPS Spanish representative.

2008-2009 Plans

Given the steady increase in membership numbers since its launch, the IOPS has, as intended, built up surplus funds over its initial few years. Members should note that the IOPS is a non-profit organisation and that, now the membership numbers are more stable, it is intended to start to draw down these reserves. Secretariat and other project activity can therefore be expected to increase during 2008-2009.

Meetings

2008

- 5-6 February, African regional workshop on pension supervision, Dakar, Senegal
- 1st April, IOPS Committee Meetings, World Bank, Washington D.C., 2nd-4th April World Bank/ IOPS Contractual Savings Conference
- Wednesday 25th June (date *tbc*) IOPS Committee meetings, OECD Paris (back to back with OECD WPPP)
- 29-31st October, Committee Meetings, Annual General Meeting, OECD/ IOPS Global Forum, Mombasa, Kenya

2009

- 16th February committee meetings, Basel, Switzerland (back to back with IAIS) (*tbc*)
- Summer (*date tbc*) committee meetings, Paris (back to back with OECD WPPP)
- Autumn Committee Meetings, Annual General Meeting, OECD/ IOPS Global Forum (*location tbc*)



John Ashcroft, President IOPS

Report of the Technical Committee

The IOPS continued to build a substantial body of work during 2007, creating a busy year and full meeting agendas for the Technical Committee. Once again, the work of the organisation was led by its members and I would like particularly to thank the project team leaders for their work, and all members who took the time to supply highly informative and useful answers to the various project questionnaires.

I would like to encourage any members who have not yet joined a project team to do so. Contributions from all different types of pension and supervisory system, in whatever stage of development, are always of interest to the membership and can contribute greatly to the research and understanding to which our projects aspire.

Interesting presentations were given by members during the Technical Committee meetings on developments in their pension systems and supervisory approaches. The Tour d' Horizon has proved an enlightening part of the meetings, which we shall continue in future.

Programme of Work (POW) 2007-2008

Guidelines

- ***Guidelines for compliance with the licensing of pension funds***

The IOPS has worked jointly with the OECD to produce a set of guidelines for the licensing of pension entities, followed by a period of public consultation. A single set of guidelines on licensing can help increase confidence in private pension supervisory frameworks, promote cross-border provision and mutual recognition, and assist countries developing their private pension systems. The guidelines are addressed to regulators and supervisors who are involved in setting licensing requirements for pension entities as well those authorities actually involved in the process of licensing pension entities. The guidelines consider the wide divergence in regulatory and supervisory approaches, ranging from countries with a "light touch" approach to licensing (based on requirements for tax qualifications) combined with a registration process to countries with a fully-fledged licensing process.

- ***Guidelines for on and off-site supervision***

Due to the crucial role of the private pension systems within the financial markets, the effective supervision of pension funds is becoming ever more important. Supervision is playing an increasing role due to the enhanced complexity of pension systems, pressures on supervisory costs and efficiency and a trend towards a risk-based rather than compliance-based supervisory approach. The IOPS is therefore preparing a set of guidelines covering on and off-site pension supervision. The purpose of these guidelines is to provide pension supervisors with some general supervisory standards for the conduct of the supervisory process, though implementation will vary from country to country depending on the nature of the pension system and supervisory structure in place. The guidelines reached an advanced stage in 2007 and will be released for public consultation during 2008, before final approval is sought at the 2008 Annual General Meeting.

- ***Good Practices for the Supervision of Pension Fund Alternative Investments***

Given the rise of pension funds investing in alternative investments (such as hedge funds) the IOPS, have been developing a set of good practices, piloted by the project leader the Netherlands, to try to draw on international supervisory experience in this field. These good practices should be finalized in 2008.

Publications

The IOPS made great strides during 2007 to ensure the work of its members reaches a broader audience. The organisation and its members have been pleased to respond to requests for information and research from a variety of sources, and is delighted that our work is beginning to be recognized and quoted in a range of publications.

The IOPS was proud to launch its own Working Paper series during 2007. The papers highlight a range of challenges to be met in the development of national pension supervisory systems. The series reviews the nature and effectiveness of new and established pension supervisory systems, providing examples, experiences and lessons learnt for the benefit of IOPS members and the broader pensions community. Abstracts of the first 4 papers issued this year are included below. The IOPS welcomes submissions for the Working Paper series. Authors who have papers covering relevant issues and who are interested in submitting them for inclusion in the series should contact the IOPS Secretariat.

- ***Working Paper No.1: A Review of the Pros and Cons of Integrating Pension Supervision with that of Other Financial Activities and Services***

The pros and cons of the alternative structures for the agencies that supervise the financial system are of interest to policymakers. Whether to employ an integrated structure, with a single agency overseeing a range of financial intermediaries (including banks, insurance companies and securities firms) has been debated at length – mainly due to the rise of financial conglomerates providing a range of products. Another matter which has been less considered is whether the supervision of pension funds should also be included in such integrated authorities. This paper aims to add to that debate. After examining a range of arguments for and against such integration, the paper concludes that there is no simple reply, that the answer depends on the context and environment of the pension system, and that the benefits of both integrated and specialist pension supervision can probably be achieved within either structure. The paper compliments the above mentioned World Bank / IOPS publication on risk-based supervision.

- ***Working Paper No.2: Supervisory Education, Outreach and Communication, Including Training of Trustees***

This paper collects information about the purposes, structure and operation of education programmes carried out by pension supervisors. It examines countries which do carry out education as well as those that do not and attempts to draw inferences as to the pension system and economic characteristics of a country that may influence the type and level of supervisory education provided by pension supervisors. The variety of education programmes and their effectiveness, and any impact they may have had on supervision and compliance are also examined. In addition the paper suggests further research. The Appendices of the paper detail the education programmes carried out in the countries covered by the report, together with a further assessment of their effectiveness and impact.

- ***Working Paper No.3: Utilization of Information Technologies in Off-site Supervision of Private Pension Systems***

The increasing importance and complexity of private pension systems is in turn raising the importance of supervising these systems effectively. This paper examines ways in which IT can be used by pension supervisors to improve the effectiveness and efficiency of their operations. After presenting an overview of what types of data are collected by various IOPS members, how they are collected and to what use they are put, the paper aims to offer initial suggestions for international good practice in this field for discussion

and how other IOPS members can integrate IT into their supervisory activities. A case study of how IT is integrated into the supervisory system in Turkey is included as an annex.

- ***Working Paper No.4: Experiences and Challenges with the Introduction of Risk-based Supervision of Pension Funds***

Given the move by other financial sectors to initiating a ‘risk-based’ approach to supervision, pension supervisory authorities are also looking to adopt such methods. Following the lead of pioneering countries - such as the Netherlands, Australia, Denmark and Mexico – many of the pension supervisory authorities which are members of the IOPS have been or are planning to introduce a similar risk-based approach. This paper looks at different countries which have learnt from these pioneers, (South Africa, Kenya, Germany, the UK and Croatia), and examines their experiences and the challenges they have faced in moving to such a risk-based system, with the intension of drawing lessons for other IOPS members intending to make a similar move.

- ***Risk-based Supervision of Pension Funds: Review of International Experience and Preliminary Assessment of First Outcomes***

Following on from the organisations work on risk-based supervision undertaken over the past 2 years, the IOPS is please to be shortly releasing a major publication, joint with the World Bank, on the topic. The book includes country case studies on supervisory authorities with leading risk-based pension supervision systems (Australia, Netherlands, Denmark, Mexico) , along with analytical papers on the topic. The publication will be made available via the IOPS and World Bank websites.

- ***Frontiers in Pension Finance***

The proceedings of the conference organized by the IOPS-NDB-Netspar in Amsterdam in March have been compiled into a publication entitled ‘Frontiers in Pension Finance and Reform’ (edited by Dirk Broeders, Sylvester Eijffinger and Aerdt Houben). The conference brought together pension experts from policy and academic terrains across the world, with the publication compiling the latest academic research related to pension finance.

How to deliver adequate pension benefits at reasonable costs is a huge challenge confronting our ageing societies. This book delivers a comprehensive overview of the latest insights into pension finance, pension system design, pension governance and risk based supervision. It combines state-of-the-art analyses with innovative policy proposals to increase the efficiency and resilience of pension systems and to advance these systems’ contribution to global financial stability. Renowned pension experts offer cutting-edge guidance for future decision making and the development of best practices. This exciting exploration of the frontiers in pension finance highlights key aspects of securing long term retirement provisions. The issues addressed, such as demographic ageing and increased laour mobility, only serve to underscore the contiuned importance of the work of the IOPS.

Projects

The IOPS undertook work on the following projects during 2007, which are expected to reach completion during next year:

- ***Information of members of DC schemes:*** given the rise in importance of DC pension schemes, the project leader, Italy, is guiding research on pension funds communicate with their members, and what supervisory guidance and oversight is necessary. The aim of the project is to share

experiences and information on approaches followed, to analyse the major relevant policy issues, and to identify best practices and, possibly, guidelines for the supervisory activity in this area. Examples of guidelines produced on this topic and of actual information documents have been compiled and provided by the project leader, who have also presented an analytical framework in which the results of the project will be compiled (considering any policy advice relating to information in the context of other policy tools such as caps on fees etc. and ranking how such tools are used by the various members participating in the project).

- ***Supervision of Pension Fund Governance:*** a vital part of pension fund supervision is ensuring that the correct governance mechanisms are in place at pension funds. This is becoming ever more key as pension supervisors move from a compliance-based to a risk-based approach to supervision, involving more qualitative than quantitative analysis and as supervisory systems aim to use supervisory resources more efficiently. In such cases it is ever more important that the governance mechanism of the pension funds themselves are suitably robust, as more of the compliance responsibility is left to the funds and their governing body. The MPFA from Hong Kong are leading this project, working closely with the OECD (including helping promote their guidelines on the topic), looking at the problems which IOPS members have encountered regarding pension fund governance, and potential solutions.
- ***Costs and fees:*** the IOPS project team of Mexico and Slovakia are compiling a report comparing fees charged within mandatory, individual account pension systems. Comparative figures for a range of selected IOPS members will be produced where information is available on an individual pension provider basis and international analysis will be attempted. The results of the project will be integrated with the findings of a broader project on pension fund performance, currently being undertaken by the World Bank and OECD.
- ***Cross-border pension supervision:*** a discussion paper has been prepared, looking at the current nature of cross-border pension provisioning, as well as future developments and the challenges which these could pose to pension supervisors.
- ***Annuity Issues:*** a paper will be produced by the project team Chile, Poland and Hungary, looking at the challenges faced by pension supervisors whose pension system is about to move into the payout phase. The paper will look at international experience to suggest possible courses of action. This work will be coordinated with the OECD's ongoing horizontal project on annuities (covering not only pensions but also financial market issues, debt management, insurance etc.). The IOPS will provide input into the supervisory implications on the development of annuity markets and the payout phase. Work on this topic will also be coordinated with the IAIS.
- ***Analysis of Supervisory Structures:*** the project leader, the UK is working on an analysis of how IOPS members are structured and operate, as part of the extension of the ISSA/IOPS/OECD database on pension and supervisory structures. The increasing importance and complexity of private pension systems is in turn raising the need to supervise these systems effectively. Several high profile problems within pension systems in some IOPS member countries in recent years have increased the focus and attention on pension supervisors. Consequently understanding and analysing how pensions are supervised globally are important tasks – but ones which have been surprisingly neglected compared with the attention paid to the supervision of other financial sectors. Having built a global membership and established itself as the leading international organisation dealing with pension supervision, the IOPS is now in a position to begin to analyse the composition and structure of its membership and identify important supervisory trends which are taking place globally.

- **Operational Risks:** the IOPS began to consider the issue of operational risks faced by pension funds, with a background report produced by the Netherlands. Members agreed that further research was necessary on how IOPS members actually supervise operational risk.

At the 2007 Annual General Meeting, the Governing Membership agreed upon a draft Programme of Work for 2008/2009. For the coming years, the IOPS membership decided that the priority of the Organisation was to develop further work on risk-based supervision. The Membership also agreed to look into the governance of supervisory authorities themselves and develop performance indicators for these institutions. Work will also be continued on prudential supervision (including on information to be shared between supervisors and reported to them), as well as follow up work on the provision of information to members of DC pension schemes. Consideration will be given to annuity issues related to pension supervision and guidelines on the use of intervention powers will be drafted. Work on mortality tables will be coordinated with the IAA.

Others

Work on extending the ISSA/ IOPS / OECD database was also extended during 2007. A broad range of IOPS members now provide statistical information for the OECD Global Pension Statistics Project, with statistical data on the pension systems of IOPS members now available via the IOPS website. Overviews of the pension systems in IOPS member countries are also being drafted and are also available on the website.

A research section has also been added to the website, providing background information and papers by research topic and by country. Members are invited to provide recent reports on their pension systems for inclusion in the research database.



Aerd Houben, Chairman IOPS Technical Committee

Report of the Secretariat

The IOPS Secretariat provided a wide range of support to the growing IOPS during the year. In addition to helping to build the membership base, providing support to the Executives and organising the meetings, the Secretariat has, on the request of the Executive Committee, undertaken an increased analytical role, which will be developed further in the coming years. In addition to drafting papers and guidelines, increased editorial and analytical support was provided to project teams, which resulted in the successful launch of the IOPS Working Paper series.

For 2008, in addition to on-going organisational and support work, the Secretariat will provide strengthened analytical support to the project teams driving the IOPS Programme of Work, including through drafting additional operational guidelines, coordinating and analysing questionnaire responses and drafting and editing additional working papers.

Main Tasks completed during 2007

Documents

The Secretariat drafted Working Paper No. 4 '*Experiences and Challenges with the Introduction of Risk-based Supervision of Pension Funds*', as described in the report of the Chairman of the Technical Committee. The Secretariat was also involved in the editing and preparation of the other working papers in the series.

Guidelines for on-site and off-site supervision were also drafted, drawing on initial work done by the Mauritius delegation with input from the UK delegation. Two separate sets of guidelines were initially prepared, but the Technical Committee requested that these be combined into one set of guidelines, which was duly drafted for discussion at the meetings in Beijing. The Secretariat will continue to incorporate delegates' comments into the guidelines, and prepare a final version and organize a public consultation during 2008, before final approval is sought from the governing membership at the Annual General Meeting in Mombasa, Kenya.

The Secretariat was closely involved with and assisted the work of various other project teams, helping to fulfill the intended 2007 Programme of Work of the organization. Input was provided into the supervisory structures and governance projects, through drafting project questionnaires, coordinating and analyzing the results and providing suggestions for international good practice on these topics. Drafting and coordination was also provided for the annuities project, and consultants were hired and their work coordinated in relation to the cost and fees and cross-border projects. The Secretariat further assisted in the collection and dissemination of documents for other IOPS projects undertaken during 2007.

An electronic research library was also launched on the IOPS website by the Secretariat during the year, as described in the Technical Committee report. This now includes country profiles providing an overview of the pension system and internationally comparative statistics for around half the membership. Coverage of the majority of the membership is targeted for 2008.

Finally, the Secretariat provided and coordinated numerous other documents, including through continued assistance to the Executive and Technical Committees in the preparation of the agendas for the committee meetings, the updated Programme of Work, the Annual Budget of the Organization, the President's and other reports, including the IOPS 2007 Annual Report.

Meetings

The Secretariat played a key role in the organisation of the OECD/ IOPS Global Forum on private pensions held Beijing in November – with thanks to the Chinese delegation for their assistance. Marketing of the conference by the Secretariat helped to ensure that this annual event continues to attract a wide ranging audience, not only from the region but globally.

The Secretariat also engaged in the establishment, operation, preparation, and organisation of meetings for the Executive and Technical Committees (which met three times during the year) and for the Annual Meeting of the Governing Membership. The help of the Dutch and the Chinese delegations, as well as the IAIS Secretariat in the organisation of these meetings was greatly appreciated.

Support was additionally provided for the Chairmen of the committees, including presentations prepared for Executives representing the IOPS at other international events – such as the preparation of a speech for the IPEBLA conference, CEIOPS and IAIS events.

Cooperation with Other International Bodies

The Secretariat managed the 2007 World Bank grant allowing the IOPS to continue with the development of the database, to continue its analytical and guideline drafting work and to prepare for a regional supervisory workshop to be held during the first quarter of 2008. In addition the Secretariat continued work on the joint World Bank / IOPS project on risk-based supervision, preparing a Working Paper drawing together lessons learnt from the introduction of risk-based supervision by the IOPS project team.

Communication was also undertaken with the IMF regarding their survey on ‘*Governance Practices of Financial Regulatory and Supervisory Agencies*’, which provided ideas and information for the IOPS Supervisory Structures project.

Additionally, the Secretariat worked towards the extension of the ISSA/ IOPS/ OECD database on complementary and private pensions – gathering statistical information, reformatting and updating existing country information and drafting a questionnaire for new countries and material.

The IOPS Secretariat organised the first back-to-back meeting with the IAIS, in coordination with the IAIS Secretariat during 2007, and will continue to coordinate with the IAIS’s Pensions Coordination Group.

Finally, the IOPS Secretariat worked closely with the OECD, in particular on the licensing guidelines and cost and fees, governance and annuities projects, ensuring that work was coordinated and synergies gained and any overlaps and duplication in projects avoided.

Administration and Others

The Secretariat continued their work during 2007 to build the IOPS membership base, contacting and following up with potential members which resulted in 9 new countries joining during the year.

Communication and record keeping in relation to existing members was also undertaken, with the Secretariat striving to ensure that delegates received documents with time to review before meetings. Comments and suggestions from delegates in the on-going projects and reports were also coordinated.

The nomination and election of half the Executive Committee, after serving their initial term was facilitated.

The Secretariat also undertook further development the IOPS website, which is designed to offer visitors information on the IOPS membership and IOPS work and projects and information on pension and supervisory systems worldwide. To this end, a research area was built into the website, containing information and reports by research topic and by member country. Country profiles describing and comparing the pension systems operating in IOPS member countries were drafted and posted.

Plans for 2008 -2009

Given the steady increase in membership, Secretariat and other project activity can therefore be expected to increase during 2008-2009. It is expected that, in most cases, the Secretariat will continue with its increased analytical contributions to IOPS work and projects during 2008 and 2009.

Other activities will include the drafting of supervisory guidelines on operation areas, including the finalizing of the on-site and off-site guidelines and the coordination of a public consultation for the final version of this document. A further set of operational guidelines may be initiated.

Support will also be provided for the other IOPS projects identified in the Programme of Work. This will include analytical input and editing for on-going IOPS project reports and potentially contracting and working with consultants to provide specialized input into selected projects. The Secretariat is also available to commission and edit further papers for the IOPS working papers series.

Upon request, the Secretariat will also take the lead on selected analytical projects and provide support for discussion on recent developments and important events.

The Secretariat will continue to work on the development of ISSA/ IOPS /OECD database during 2008, improving and deepening the statistical data available for IOPS members and targeting to have country profiles drafted and posted on the website for the majority of the membership by the end of the year.

The IOPS has a wide variety of meetings planned for 2008, which we require planning and preparation on the part of the Secretariat - from a proposed regional workshop in the spring, to a back to back meeting with the OECD's Working Party on Private Pensions in the summer and the OECD/ IOPS Global Forum scheduled for Kenya in October, which will provide an excellent forum for extending the IOPS work and contacts in the region.

Continued support will be provide to existing members, from circulating meeting documents to dealing with ad hoc requests for information and assistance. The Secretariat also hope to bring on board a series of new members during 2008 who have previously expressed interest in the organisation, and will continue to contact other organisations which could benefit from IOPS membership and provide useful input in our continued Programme of Work.



André Laboul, Secretary General IOPS

Executive Committee Members 2007 IOPS President and Chair of Executive Committee

Mr. John Ashcroft

The Pensions Regulator, UK

Vice-President

Ms. Solange Berstein

Superintendencia de Administrados de Fondos de Pensiones, Chile

Elected 2005 - Serve to 2007

Chile

Superintendencia de Administrados de Fondos de Pensiones

Germany

Federal Financial Supervisory Authority (BaFin)

Italy

COVIP

Jordan

Insurance Commission

Pakistan

Securities and Exchange Commission of Pakistan

Elected 2005 – Serve until 2008

Australia

Australian Prudential Regulation Authority (APRA)

China

Chinese Insurance Regulatory Commission (CIRC)

Hungary

Hungarian Financial Supervisory Authority

Kenya

Retirement Benefits Authority

UK

The Pensions Regulator

Ex Officio - Netherlands: De Nederlandsche Bank (Chair of Technical Committee)

Technical Committee Members 2007

Chairman

Mr. Aerdth Houben
Head of Supervisory Strategy Department
De Nederlandsche Bank

Vice -Chairman
Mr. Edward Odundo
Chief Executive Officer
Retirements Benefits Authority, Kenya

Australia:	Australian Prudential Regulation Authority (APRA)
Austria:	Financial Markets Authority
Bulgaria:	Financial Supervision Commission
Chile:	Superintendencia de Administradoras de Fondos de Pensiones
China:	Chinese Insurance Regulatory Authority (CIRC)
Croatia:	Financial Services Supervisory Agency (HANFA)
Czech:	Czech Ministry of Finance
France:	CCAIMP
Germany:	Federal Financial Supervisory Authority (BaFin)
Hong Kong:	MPFA
Hungary:	Hungarian Financial Supervisory Authority
India:	Pension Fund Regulatory and Development Authority (PFRDA)
Ireland:	Pensions Board
Italy:	Pension Funds Supervision Commission (COVIP)
Jordan:	Insurance Commission
Kenya:	Financial Services Authority
Kosovo:	Banking and Payments Authority of Kosovo
Luxembourg:	Commission de Surveillance du Secteur Financier
Mauritius :	Financial Services Commission
Mexico :	Comision Nacional del Sistema de Ahorro para el Retiro (CONSAR)
Netherlands:	De Nederlandsche Bank
Pakistan:	Securities and Exchange Commission
Peru :	Superintendencia de Bance, Seguros y AFP
Senegal:	Supervisory and Regulatory Commission of Social Security Institutions (COSRISS)
Slovakia:	National Bank
South Africa:	Financial Services Board
Spain:	Ministry of Economy and Finance
Turkey:	Undersecretariat for Treasury
Turkey:	Pension Monitoring Centre
UK:	The Pension Regulator
UK:	Government Actuary's Department
OECD	
World Bank	

IOPS Members and Observers 2007

Governing Members

Albania	Financial Services Authority
Australia	Australian Prudential Regulation Authority
Austria	Financial Market Authority
Belgium	CBFA
Bulgaria	Financial Supervision Commission
China	China Insurance Regulatory Commission
Chile	Superintendencia de Administradoras de Fondos de Pensiones
Croatia	HANFA
Cost Rica	Superintendencia de Pensiones de Costa Rica
Czech Republic	National Bank
Egypt	EISA
France	CCAMIP
Germany	BaFin
Hungary	Hungarian Financial Supervisory Authority
Hong Kong	MPFA
India	Pension Fund Regulatory and Development Authority
Israel	Ministry of Finance
Ireland	Pensions Board
Isle of Man	Insurance and Pensions Authority
Italy	COVIP
Jamaica	Financial Services Commission
Jordan	Insurance Commission
Kazakhstan	Financial Supervision Authority
Kenya	Retirements Benefits Authority
Korea	FSC&FSS
Kosovo	Banking and Payments Authority of Kosovo
Luxembourg	Commission de Surveillance du Secteur Financier
Macedonia	MAPAS
Mauritius	Financial Services Commission
Mexico	CONSAR
Namibia	NAMFISA
Netherlands	De Nederlandsche Bank
Nigeria	National Pensions Commission
Norway	Financial Supervisory Authority
Pakistan	SEC
Peru	Superintendencia de Bance, Seguros y AFP
Poland	Insurance and Pension Funds Supervisory Commission
Portugal	Instituto de Seguros de Portugal
Romania	National Bank
Senegal	COSRISS
Serbia	National Bank
Slovakia	National Bank
South Africa	Financial Services Board
Spain	Economy and Finance Ministry

Suriname	Central Bank
Swaziland	Ministry of Finance
Thailand	SEC
Trinidad & Tobago	Central Bank
Turkey	Pensions Monitoring Centre
Turkey	Treasury
United Kingdom	Pensions Regulator
Zambia	National Pension Scheme Authority

Associate Members

Netherlands	Ministry of Social and Employment
United Kingdom	Government Actuary's Department
ISSA	<i>Partnership Agreement</i>
OECD	<i>Partnership Agreement</i>
World Bank	

Observers

Finland	Finnish Centre for Pensions
IAA	<i>Reciprocal Membership</i>
IAIS	<i>Cooperation Agreement</i>
European Federation for Retirement Provision (EFRP)	
International Federation of Pension Fund Administrators (FIAP)	

Secretariat

Secretary General	André Laboul andre.laboul@oecd.org +33 1 45 24 9127
Secretariat	Fiona Stewart fiona.stewart@oecd.org +33 1 45 24 14 52
Secretariat	Sally Day sally.day@oecd.org +33 1 45 24 96 61

REPORT OF THE TREASURER

REPORT OF THE TREASURER - FINANCIAL ACTIVITIES 2006

The Treasurer is pleased to report that during the year ended 31 December 2006 the International Organisation of Pension Supervisors (IOPS) continued to build on the solid financial basis established by the end of 2005. The number of members paying fees increased from 35 in 2005 to 42 in 2006. Membership fee revenue amounted to €257,444 in 2006.

A system for providing written receipts was put in operation for the 2006 and previous years. Receipts for past payments were drawn up and sent to members along with the 2007 invoices. To facilitate identification of member payments deposited into the bank account, the new invoicing system requested members to send a payment confirmation advice to the Treasurer at the same time as arranging the bank transaction. This has proved helpful although take up was less than expected and the process may have to be refined for 2008.

The IOPS would like to express its appreciation to the World Bank for their continued support during the Organisation's early years. The grant of US\$65,000 provided by the Bank in 2006 was used by the IOPS to support the development of a database on pension supervisory systems globally, to contribute to a paper analysing supervisory structures, and to continue to support the joint project on risk-based supervision. In addition to general project support, a further case study outlining the approach to risk-based supervision in Croatia was commissioned and funds committed to cover publication expenses for the forthcoming book on risk-based supervision being prepared by the World Bank and OECD. €15,000 was released by IOPS for the latter purpose in February 2007. It is anticipated that a further grant of a similar amount will be made by the Bank during 2007.

On the cost side, the major expense incurred by the Organisation during 2006 was the Secretariat support provided by the OECD under the official partnership agreement between the OECD and the IOPS signed in 2005. A detailed description of services provided in 2006 was outlined in the reports provided by the OECD to the Treasurer. The total spend by the Secretariat was in line with budget although the staff breakdown differed from the original proposal.

During 2006 the IOPS continued to develop a strong Programme of Work, held meetings of the Executive and Technical committees in Chile, Geneva and Istanbul, and the annual general meeting and joint OECD/IOPS global forum on risk management also took place in Istanbul. In recognition of the Organisation's non-profit status, funds built up as surplus during the initial 2004 -2005 period began to be drawn down for project work during 2006. A reserving policy has been designed to hold a target 20% estimated membership fees as a reserve, to cover uncertainties relating to the timing of receipt and levels of membership fee payments, from which the Organisation's main income is derived. Commencement of the program to reduce surplus and manage reserves appropriately is reflected in the notes to the financial statements for the year ended 30 December 2006 and the provisional budget for coming years. A proposed amendment to the Articles of Association will reflect the need to manage reserves.

As advised in the previous year, other additional costs can also be expected to increase in future as the IOPS relies less on the most appreciated support of the OECD, which was vital to the organisation during its initial years. For example, accumulated surplus funds can be expected to be used to cover costs for additional meetings and other work activities as the organisation develops. For this purpose, the provisional budget for 2007-2009 features the build up of an additional special reserve to cover potential future event expenditure.

The 2007 year has commenced on a strong note with membership fee revenue amounting to €220,000 having been received from 40 members during the first four months of the year.



Stephen Glenfield
 Treasurer
 The International Organisation of Pension Supervisors
 Dated: 25 May 2007

2006 Members Payments	
Jamaica	Bulgaria
Israel	Costa Rica
Spain	Germany
Croatia	Hungary
Namibia	Mauritius
Zambia	Portugal
Chile	Poland
Isle of Man	Ireland
Senegal	Finland
Kosovo	Kenya
India	Czech Republic (payment received 2007)
Turkey	Norway (payment received 2007)
UK GAD	
Nigeria	
World Bank	
Jordan	
Netherlands Ministry	
Belgium	
Korea	
Italy	
Austria	
Turkey Monitor Centre	
Australia	
Thailand	
Mexico	
France	
Netherlands	
Pakistan	
Luxembourg	
Trinidad	
UK	
South Africa	

IOPS
2 Rue André Pascal
75 775 Paris Cedex 16

Paris, 25 May 2007

**Report of the Auditors
To the Members
International Organisation of Pension Supervisors**

We have audited the accompanying balance sheet of the International Organisation of Pension Supervisors (the "IOPS") as of 31 December 2006 and the related statements of income for the year then ended. These financial statements are the responsibility of IOPS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of IOPS as of 31 December 2006, in accordance with International Financial Reporting Standards.



Jean-Pierre MION
Partner

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

STATEMENT OF FINANCIAL POSITION

As per 31 December 2006
(in euros)

	2006 €	2005 €
ASSETS		
Cash at bank	60577,45	84 889,34
Short term deposit	100151,24	60 000,00
Interest accrued	3818,63	151,24
Sundry debtors	11649,43	1 075,35
Total	<u>176 196,75</u>	<u>146 115,93</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Prepaid membership fees	6 139,54	-
Accrued expenses	5 000,00	57 843,65
Total liabilities	<u>11 139,54</u>	<u>57 843,65</u>
 Total liabilities	 <u>11 139,54</u>	 <u>57 843,65</u>
 Unrestricted Net Assets		
Retained earnings	88 272,28	34 825,95
Changes in unrestricted net assets for the current year	76 784,93	53 446,33
	<u>165 057,21</u>	<u>88 272,28</u>
Total unrestricted net assets and reserves	<u>176 196,75</u>	<u>146 115,93</u>

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

STATEMENT OF ACTIVITIES

For the year ending 31 December 2006
(in euros)

	2006 €	2005 €
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and gains		
Membership fees	257 444,00	175 000,00
Interest	3 818,63	151,24
Grants from World Bank	50 840,83	51 310,39
Total unrestricted revenue and gains	<u>312 103,46</u>	<u>226 461,63</u>
Expenses		
Audit	6 039,80	5 000,00
Bank fees and charges	526,67	404,15
Insurance	-	265,00
Grants to OECD	50 841,00	164 310,00
Legal fees	266,23	574,08
OECD administration	166 500,00	-
Conference expenses	7 878,58	2 462,07
Subscriptions	3 266,25	-
Total expenses	<u>235 318,53</u>	<u>173 015,30</u>
CHANGES IN UNRESTRICTED NET ASSETS	<u><u>76 784,93</u></u>	<u><u>53 446,33</u></u>

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

NOTES TO THE FINANCIAL STATEMENTS

Year ending 31 December 2006

1 NATURE OF ORGANISATION

The International Organisation of Pension Supervisors (IOPS) is an international body representing a range of members involved in the supervision of private pension arrangements. The Organisation's members cover all levels of economic development and bring together all types of pension and supervisory systems.

IOPS is an association in accordance with French law. It is domiciled in Paris, France and receives membership fees from members worldwide.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounts of the IOPS are drawn on the historical cost basis and income and expense items are recorded on the accruals basis.

3 INCOME TAXES

The Organisation is exempt from income tax.

4 REVENUE

Revenue consists of: 247 444,00 Membership fees received
10 000,00 Membership fees outstanding

257 444,00

5 GRANT FROM WORLD BANK

Grant of €50,840.83 received from World Bank in August 2006 and subsequently transferred to the OECD. The World Bank decided to grant the amount of US\$65,000 (€50,840.83) to the IOPS to support their joint project on risk-based supervision and other IOPS work. The IOPS agreed to transfer this amount to the OECD to manage the grant on behalf of the IOPS (as IOPS does not at this stage have facilities for hiring consultants etc. directly).

6 AUDIT

The amount of €6,039.80 consists of an estimate of €5,000.00 of audit fees to be paid in 2007 relating to the audit of financial statements for the year ended 31/12/2006 plus an additional cost of €1,039.80 (above the amount accrued) for the 2005 audit.

7 PAYMENTS TO THE OECD

The IOPS paid the following amounts to the OECD:

50 841,00 Transfer of World Bank grant (see Note 5)
166 500,00 Grant provided to meet secretariat and administrative
support services, technical and liaison support.

217 341,00

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

NOTES TO THE FINANCIAL STATEMENTS

Year ending 31 December 2005 (continued)

8 CONFERENCE EXPENSES

Consist of the following amounts:

1,470.00	relates to meetings held in Chile in April 2006
6,408.58	relates to reimbursement to Pensions Monitoring Centre of Turkey for agreed share of meeting and conference expenses in connection with IOPS meetings and OECD/IOPS Global Forum on Private Pensions 6-8 November 2006
<u>7878,58</u>	

9 SUNDRY DEBTORS

Consist of the following amounts:

11075,35	Outstanding membership fees and payment of incorrect amounts (due to currency mismatches as some fee payments were made in currencies other than the euro).
574,08	Overpaid legal fees

11649,43

10 ACCRUED EXPENSES

Consist of: 5 000,00 Audit fees (see Note 6)

5 000,00

11 PRE-PAID MEMBERSHIP FEES

Consist of: 5 000,00 2007 membership fee received in December 2006
1 139,54 2006 membership fee paid in currency other than euro, resulting in overpayment.
Excess treated as credit of 1139.54 towards 2007 fee

6 139,54

12 Reserving - it is proposed to set aside in the accounts of the Organisation a contingency reserve of 20% of membership fees for the year to provide against uncertainties in timing of receipt of income in future years.

The total amount proposed to be set aside is €50,000.00.

13 While the IOPS is a non-tax paying organisation and accordingly would not normally accumulate a surplus or reserves, the Organisation was newly founded in 2004 with some uncertainty as to membership revenue and expenses in the first few years. Accordingly, the decision was taken to build up some initial reserves which were to be drawn down over the coming years, spending on increased staff support and other expert and professional input into IOPS projects